McElroy & Donaldson

Michael R. McElroy
Leah J. Donaldson

Members of the Rhode Island and Massachusetts Bars

Attorneys at Law

21 Dryden Lane
Post Office Box 6721
Providence, RI 02940-6721

Michael@McElroyLawOffice.com
Leah@McElroyLawOffice.com

(401) 351-4100
fax (401) 421-5696

March 31, 2021

Luly E. Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Block Island Utility District d/b/a Block Island Power Co.
Docket No. 5141

Dear Luly:

As you know, this office represents Block Island Utility District d/b/a Block Island Power Co. ("BIPCo").

Enclosed for filing are an original and five (5) copies of BIPCo's latest procurement plan. Our plan is detailed in the attached testimony of Jeffery M. Wright, President of BIPCo, and Timothy Hebert, Chief Operating Officer at Energy New England ("ENE").

I am electronically serving this on the existing service list for Docket No. 5141, but I understand you may assign a new docket number and create a new service list.

If you have any questions, please feel free to call.

Very truly yours,

Michael R. McElroy

MRMc/tmg

Docket No. 5141 – Block Island Power Co. (BIUD) – Annual Recalculation of LRS and Transmission Charge **Service List as of 3/31/2021**

Name/Address	Email	Phone
Block Island Utility District (BIUD) Michael McElroy, Esq. McElroy & Donaldson PO Box 6721 Providence RI 02940-6721	Michael@McElroyLawOffice.com; leah@mcelroylawoffice.com;	401-351-4100
David Bebyn, Consultant for BIUD	dbebyn@beconsulting.biz;	
Jeffery Wright, President Block Island Utility District Nancy Dodge Tim Hebert Sara McGinnes Everett Shorey	jwright@blockislandutilitydistrict.com; Kpson@aol.com; thebert@energynewengland.com; smcginnes@mac.com; eshorey@shoreyconsulting.com;	401-466-5851
Division of Public Utilities: Tiffany Parenteau, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	TParenteau@riag.ri.gov; MFolcarelli@riag.ri.gov; dmacrae@riag.ri.gov;	401-274-4400 Ext. 2425
John Bell, Division of Public Utilities	John.bell@dpuc.ri.gov; Margaret.L.Hogan@dpuc.ri.gov; Al.contente@dpuc.ri.gov; Pat.smith@dpuc.ri.gov;	
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Cynthia Wilson Frias, Counsel **Public Utilities Commission** 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov; Cynthia.WilsonFrias@puc.ri.gov; Alan.nault@puc.ri.gov; Todd.bianco@puc.ri.gov;	401-780-2107
Interested Persons		
Kathleen Merolla, Esq. Town of New Shoreham	KAMLAW2344@aol.com;	
Maryann Crawford Fiona Fitzpatrick, Town Clerk Town of New Shoreham	mcrawford@new-shoreham.com; townclerk@new-shoreham.com;	401-466-3200
Nick Ucci, OER	Nicholas.Ucci@energy.ri.gov;	401-574-9104
Albert Vitali, OER	Albert.Vitali@doa.ri.gov;	401-222-8880

Direct Testimony

of

Jeffery M. Wright, President

Block Island Utility District d/b/a Block Island Power Company

Docket No.

March, 2021

Q. Please state your name and business address for the record.

A. My name is Jeffery M. Wright. My principal business address is 100 Ocean Avenue, Block Island, Rhode Island 02807.

Q. By whom are you employed and in what capacity?

A. I am the President of the Block Island Utility District DBA Block Island Power Company (BIUD).

Q. Can you please describe your education and experience?

A. I have an Associate Degree in Accounting and have worked for electric utilities since 1984 in various roles. I have been the President of the Block Island Power Company and the newly formed Block Island Utility District since February 2017.

Prior to coming to Block Island, I was the Chief Operating Officer at the Vermont Electric Cooperative (VEC), the state's second largest utility and largest electric cooperative which served approximately 40,000 electric meters across nearly 1/3 of the state of VT. I was responsible for the company's operations, including transmission and distribution operations, substations, and system operations and engineering. I worked closely with the company's CFO in developing long capital plans, long range financial forecasting, negotiating long term real estate leases for siting utility scale solar projects, and joint ownership agreements for transmission assets necessary to connect several large renewable projects, such as the 63 MW Kingdom Community Wind Project located within our service territory.

Prior to working for VEC, I worked at the Vermont Electric Power Company (VELCO). In 1999 I became a member the company's Senior Leadership Team and was responsible for managing the company's assets which included over 35 high voltage transmission substations, more than 700 miles of high voltage transmission lines, all rights of way and the company's facilities and fleet assets. I also managed the assets of the Vermont Electric Transmission Company (VETCO) which owns and maintains Vermont's portion of the 450 kV DC "Phase One" line.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to sponsor the BIUD's Energy Procurement Plan and Last Resort (formally Standard Offer) and Transmission Rate filing.

Q. Has the BIUD Board of Commissioners approved this Procurement Plan and Last Resort and Transmission Rate filing?

A. Yes. The Board has reviewed the filing and formally approved the Procurement Plan and Last Resort and Transmission Rate filing in our open board meeting on Saturday March 27, 2021. The Board also spent considerable time during past open meetings contemplating energy procurement strategies that minimize energy supply expenses while integrating affordable renewable resources as a way of supporting Rhode Island's climate change goals.

Q. Can you explain how Energy New England ("ENE") supports BIUD with its power supply and transmission activities?

A. Our power supply and transmission consultant ENE works with BIUD to seek the lowest cost energy and capacity supply that aligns with the BIUD's goals. ENE has helped secure master contracts for BIUD with several suppliers and conducts our supply solicitations for us when we are purchasing energy. ENE also handles our daily activities with the ISO-NE.

Q. Can you briefly describe BIUD's power supply goals since connecting to the submarine cable and shutting the diesels off?

A. BIUD's goals to date have been to minimize power supply contract prices and hedge our resource requirement as close to 100% as possible to minimize risk from fluctuating real time prices. Since May 2017 when the Block Island Power Company ("BIPCo") first connected to the submarine cable, we have executed three low cost 18-month load following contracts. The first two contracts were 100% load following contracts. The last contract, which is in place through October 31, 2021, is a 90% load following contract to adjust for the low-cost hydropower NYPA contract which we became a party to in September 2019.

Q. When did BIUD begin receiving power from NYPA?

A. BIUD's began receiving its residential load ratio share of the Rhode Island allocation several months after purchasing the assets of BIPCo on March 25, 2019. The first month that BIUD received power from NYPA was September 2019.

Q. Can you explain how BIUD's power supply goals have evolved?

A. BIUD recognizes that although load following supply contracts tend to be low cost and low immediate risk, they are short term in nature and do not protect against long term price increases. In our efforts to stabilize power supply prices over the long term, our strategies have evolved to seek longer term contracts.

Q. Has BIUD's goal of being 100% hedged changed?

A. BIUD's goal is still to be as hedged as possible without having excess energy that would need to be sold back into the ISO-NE market.

Q. Has BIUD entered into any other purchase power agreements that support the longer-term goals that you describe?

A. Yes. BIUD has recently executed three longer term contracts that are all subject to approval of this procurement plan by the Public Utilities Commission. They are all competitively priced renewable resources with contract terms between ten and twenty-five years. Each contract includes renewable energy attributes. The earliest that BIUD will receive energy from these three contracts is in January 2022. Each contract helps ensure longer price stability by offering fixed prices during the contract periods. Each contract is renewable, includes renewable attributes and is competitively priced with our resources. Tim Hebert of Energy New England has described each contract in detail in his pre-filed testimony.

Q. Does BIUD plan to sell the renewable energy attributes it receives from these contracts and any future renewable contracts?

A. Yes. BIUD is planning to sell the renewable energy attributes to minimize its power supply expenses and keep rates as low as possible. BIUD has had ongoing discussions with the RI Office of Energy Resources regarding the state's future goals to move toward renewable resources. BIUD will continue to consider how we may support the state's goals while minimizing the cost impact to its members by seeking out competitively priced renewable resources. Block Island still has some of the highest electric rates in the country and we regularly hear from our members that we should do everything possible to lower their costs. This is a balance that we feel is becoming easier to find as the price of renewable resources is becoming more competitive.

Q. Does BIUD plan to seek out additional long-term contracts that will further diversify its portfolio?

A. Yes. BIUD will work closely with ENE to seek out competitive longer-term contracts that benefit our members by delivering price stability and least cost energy prices. At the same time, the BIUD Board of Commissioners, along with its members in open board meetings, will further develop our evolving power supply strategy.

Q. How often does BIUD plan to update its Procurement Plan?

A. BIUD will update its plan annually along with its annual Last Resort and Transmission reconciliation filing.

Q. Does this conclude your testimony?

A. Yes.

Direct Testimony

of

Timothy Hebert, Chief Operating Officer
Energy New England

For

Block Island Utility District d/b/a Block Island Power Company

Docket No. _____

March, 2021

Q. Please state your name and qualifications.

A. My name is Timothy J. Hebert. I am the Chief Operating Officer ("CCO") at Energy New England ("ENE"). I have worked in the energy industry for 26 years. I served as Power Supply Planning Engineer for the Taunton Municipal Lighting Plant in Taunton, Massachusetts for nearly four years. There, I was responsible for short- and long-term energy procurement, developing cost-based bidding for fossil fueled generating resources, interface with and reporting to the New England Power Pool, and developing renewable energy project purchase power agreements.

Since October 1998, I have been employed by ENE, serving in a number of capacities. My positions ranged from Power Market Analyst to Energy Operations Manager, and later three Vice President positions. In those capacities, I have led the effort to manage utility power requirements over both short- and long-term horizons.

I was named COO in mid-2017, and in my current capacity I directly oversee a staff of 12 who manage both utility demand and supply resources in the New England wholesale marketplace. This includes administration and management of all involvement with ISO New England, managing generation assets, and establishing power supply contracts. We represent more than two dozen public power entities in the NEPOOL participants and ISO committee process that serve around 5 million MWH of customer load annually with a peak of around 1,300 MW. Under my direction, we have developed innovative solutions in power contracting from traditional

as well as renewable energy sources, and peak load management through customer side reductions as well as through the operation of distributed energy resources and energy storage.

I have provided testimony to electricity market regulatory bodies in Rhode Island and Vermont, including the Rhode Island Public Utilities Commission, the Vermont Department of Public Service, and the Vermont Public Service Board.

Q. Please describe the proposed supply acquisition plan of the Block Island Utility District ("BIUD") to obtain competitively priced wholesale power supply.

A. BIUD has contracted with ENE to assist it with power procurement, energy efficiency, and related services. BIUD now has EEI Master Power Purchase and Sale Agreements ("EEI Agreements") in place with BP Energy Company, a Texas based provider of natural gas, power, and risk management services; Shell Energy, a North American energy trading and marketing company and subsidiary of Royal Dutch Shell; and PSEG Energy Resources & Trade, a risk management and energy trading company located in New Jersey. ENE has and will continue to attempt to identify other wholesale suppliers with whom BIUD can contract with for power supply.

To manage the price risk associated with serving BIUD's retail customers and help BIUD provide stable rates to its customers, ENE has conducted three (3) solicitations. To date those solicitations have resulted in 3 transactions, each with a term of 18 months. The solicitation terms have been limited to 18 months while BIUD seeks to periodically continue its exemption from retail competition. The

results can be seen below.

Table 1: BIUD Purchases

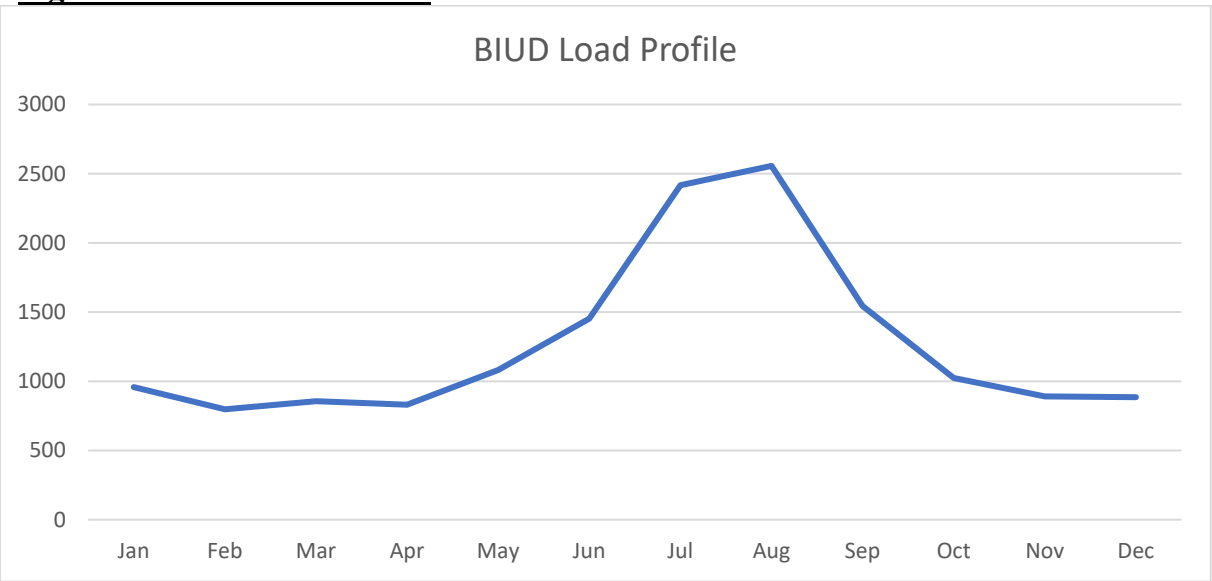
Date	Supplier	Product	Term	Price $/MWh
Apr25, 2017	Shell	Energy 100% Load Following	May 1, 2017 - Oct 31, 2018	$36.77
Feb20, 2018	Shell	Energy 100% Load Following	Nov 1, 2018 - Apr 30, 2020	$42.20
Dec19, 2019	Shell	Energy 90% Load Following	May 1, 2020 - Oct 31, 2021	$34.85

Note: the February 2018 purchase included two winter periods where energy prices are the highest.

In each solicitation, BIUD has requested that suppliers submit offers for load following energy delivered to the Massachusetts Hub and the Rhode Island load zone. In each case BIUD, with advice from ENE, decided to purchase at the Rhode Island load zone which eliminates BIUD's risk of locational price differences impacting its energy cost. While there is little local congestion on the wholesale system in Rhode Island, February 2013 brought cold weather, high natural gas prices, and transmission outages that caused short term but costly movements in energy and ancillary market costs. Electing Rhode Island contract delivery and minimizing BIUD’s open spot market position greatly mitigates the potential for such short-term disruptions to materially impact BIUD’s wholesale market costs. Additionally, load following serves to reduce BIUD's volumetric market risk since it will purchase an exact percentage of BIUD’s load each hour, allowing BIUD’s purchase to move along with its hourly needs. As a smaller wholesale market participant, it is challenging for BIUD to pursue multiple tranches of energy, therefore BIUD bundles its entire requirement as a single purchase.

The fact that energy prices have remained at or near historic lows has allowed BIUD the opportunity to lock in very competitive rates for load following service, which is driven in part by the consumption profile of the island load in total. BIUD's seasonal load requirements result in relatively low demand in the higher priced winter months and higher demand in the lower cost summer months, as shown in Figure 1 below.

Figure 1: BIUD Load Profile



This shape results in lower average energy prices to all ratepayers on the island. In BIUD's most recent purchase on December 19, 2019, BIUD purchased 90% load following energy. This 10% reduction from the prior two purchases reflects that commencing on September 1, 2019, BIUD began receiving preference hydro power from the New York Power Authority. BIUD receives 17.66% of Rhode Island's neighboring states allocation of this cost-based, low-cost power. That allocation is equivalent to approximately 10% of BIUD's load requirements. The term of this most recent load following contract is May 1, 2020 through October 31, 2021. For the upcoming procurement, it is anticipated that BIUD will continue to purchase load

following energy, which provides maximum risk and price volatility mitigation. However, unlike the past 3 purchases in which we purchased an equivalent percentage of load following energy in each month, we will look to adjust the percentage amount on a seasonal basis to take into account BIUD's unique load shape which is driven by the substantial tourism driven influx from May through September.

Adjusting the load follow purchase seasonally better allows BIUD to participate in opportunities to purchase renewable and other non-carbon emitting resources without selling energy purchased from these resources back to ISO-NE at the spot market price when renewable generation is high. Table 2 below provides an illustration of the analysis necessary to determine the purchase percentage necessary to bring BIUD to the point where it is on average 90% hedged for the purchase term of 18 months beginning November 1, 2021. The reason for the difference between the 76% load follow recommendation for November and December 2021 and 59% load follow recommendation in the "Non-Summer" months (January-May, October-December 2022) is that beginning in January 2022 BIUD begins purchasing additional carbon-free hydropower pursuant to a contract dated October 30, 2020 with FirstLight Power Management, LLC. That contract is further described later in this testimony.

Table 2

BIPCO Position - Monthly Details																		
Input Monthly Hedge Target:	90%																	
	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
BIPCO Current Monthly Open %:	85%	86%	71%	68%	66%	61%	72%	81%	90%	90%	86%	75%	70%	70%	73%	68%	65%	60%
BIPCO Current Monthly Hedged %:	15%	14%	29%	32%	34%	39%	28%	19%	10%	10%	14%	25%	30%	30%	27%	32%	35%	40%
% Purchase needed for Hedge Target	75%	76%	61%	58%	56%	51%	62%	71%	80%	80%	76%	65%	60%	60%	63%	58%	55%	50%
	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	
	Nov-21	Dec-21	"Non Summer"					Summer				"Non-Summer"						
Seasonal Purchase LF % Recommendation	76%	76%	59%	59%	59%	59%	59%	78%	78%	78%	78%	59%	59%	59%	59%	59%	59%	59%
Monthly Hedge Position After Seasonal Purchase	91%	90%	87%	90%	93%	98%	86%	96%	88%	87%	92%	83%	88%	88%	86%	91%	93%	98%

In the future, BIUD plans to explore longer term load following contracts of up to three (3) years in duration. The percentage of load following volume purchased will continue to consider NYPA power and other renewable purchases. During each purchase term, the forward energy market is monitored by ENE on a daily basis and reported to BIUD weekly to enable informed decisions on future purchases well before contracts end. As a general guide, BIUD strives to have its next commodity purchase finalized within 3-6 months of the expiration of the current contract, to avoid having to purchase during short term run ups in market prices.

Q. Did BIUD participate in the Rhode Island second renewable energy solicitation in 2019?

A. Yes. BIUD, together with National Grid and Pascoag Utility District, participated in Rhode Island's second renewable energy solicitation, and after an extended negotiation amongst all parties, BIUD signed an agreement to purchase up to 100 KW of energy and environmental attributes from a 50 MW solar project in Connecticut. The project entity is named Gravel Pit Solar II, LLC, located in East Windsor, Connecticut. The price bid in

this solicitation by Gravel Pit Solar for energy and renewable energy credits ("RECs") is $52.95/MWh which makes the price for renewable energy very competitive with many fossil-based power transactions. It should be noted that this price is very low for a large solar project in New England and is fixed for 20 years. This power will cost the same in 2042 as it does in 2023. Typically, for terms beyond 5 years into the future, most suppliers escalate offer prices by 2-2.5% annually. Thus, locking in a flat 20-year price is quite attractive at this level. Including the renewable credits makes this transaction even more valuable, since those credits carry a market value of $40-45/MWh currently.

While the REC market ebbs and flows with supply and demand, it is meant to represent an approximation of the difference between the forward energy market commodity prices and the cost required to support building new, renewable resources. In comparison to the market-based purchase of $34.85/MWh, between the inclusion of RECs and the fact that the Gravel Pit energy will only be received during daytime hours and not in the evening when energy prices are lower, this transaction holds significant value to BIUD's ratepayers. In fact, taking title to the RECs allows BIUD the option to sell or retire the RECs, providing further opportunity to support new clean energy developments while protecting ratepayers. BIUD is pleased that its participation in this project will support Rhode Island's goal to decarbonize power purchased or generated for Rhode Island ratepayers by 2030.

Q. Did BIUD purchase any other long-term renewable energy under a competitive solicitation?

A. Yes, subsequent to the signing of the Gravel Pit Solar II deal discussed above, BIUD was able to secure a second allocation of solar energy through Gravel Pit Solar III, LLC, under a solicitation run by Energy New England on behalf of numerous consumer-owned entities in Massachusetts and Rhode Island, including BIUD. BIUD signed an agreement to purchase up to 150 KW of energy and environmental attributes from this additional 50 MW solar facility in Connecticut. The price bid into this solicitation was an extremely competitive $51.95, which makes this price for renewable energy very competitive with many fossil-based power transactions and the lowest price ENE has seen in the market to date for southern New England solar energy resource for energy and renewable energy certificates. This transaction is slightly lower priced since it has a term of 25 years, continuing through 2047 or so, depending on the final commercial operation date, which is expected in late 2022. Longer term purchase commitments allow projects to spread their costs over longer periods of time, leading to lower purchase prices for BIUD's ratepayers. As with the Gravel Pit II project, the fact that this purchase includes renewable certificates makes it a very cost effective means to deliver renewable energy for BIUD's ratepayers.

Q. Would you please describe any additional power contracts recently executed by BIUD?

A. BIUD recently signed an agreement to purchase green hydropower through a contract with FirstLight Power Resources that runs for 10 years. The start date of taking power for

eighteen (18) purchasers of this power is January 1, 2021. For BIUD, and two (2) other purchasers, the contract begins on January 1, 2021 but BIUD does not begin taking power until January 1, 2022. Since BIUD requires very little supply in the winter months, and considering preexisting contractual obligations, ENE's recommendation was to defer the start of deliveries a year compared with other purchasers. The source of this clean energy is the Turner Falls and Cabot hydroelectric generating units on the Connecticut River in Montague, Massachusetts. This addition to BIUD's portfolio provides additional renewable energy to replace electricity produced by fossil fuels such as natural gas and oil. The energy is priced very competitively. On-peak power prices start at $44.00/MWh and escalate to less than $50.00/MWh by 2030. Off-peak prices begin at $37.00/MWh and escalates to less than $42.00/MWh over the 10-year period. In all, BIUD will purchase energy at an average price of around $46.00/MWH over 9 years, allowing it to add additional carbon-free energy while minimizing rate impacts to its customers.

It should be noted that the prices for this power are a function of when the generation is produced, on a monthly and seasonal basis, and considering the on and off-peak forward energy commodity prices that fit that profile. ENE conducted an analysis of the generation profile, the variability in historical monthly deliveries, the delivery period through 2030 and the relative value to BIUD since power is delivered at the plant location in Western Massachusetts where the project is located compared to spot market prices in Rhode Island to support negotiating prices with FirstLight. This purchase also includes Class 2 RECs, which carry a value of $1-2/MWh. This fixed price contract will provide incremental protection to BIUD's ratepayers against market price volatility. As a

run-of-river hydro facility with a small amount of storage capability, its seasonal production profile is complementary to the Gravel Pit solar projects, since hydro production is higher in the winter and spring periods and the solar resources deliver more energy in the summer period. This balance helps BIUD reduce its buying in the shorter term, higher priced winter period. ENE conducts this type of unbundled analysis of each green energy and commodity energy purchase that BIUD considers, taking into account term, delivery profile, production seasonality, historical production data when available and proforma projected production profiles for new projects, delivery location, and whether additional attributes such as capacity or RECs are included.

Q. Are there other products in the market that BIUD could potentially utilize to service its unique load shape and feel confident that its load requirements are appropriately managed?

A. Besides load following products, shaped blocks are a useful tool in managing the unique load shape of BIUD. The block products offer flexibility not only in sizing but also in when the power is to be delivered. On Peak is generally defined as Monday-Friday Hours Ending 0800-2300, and Off Peak is Monday-Friday Hours Ending 0100-0700 and 2400, as well as all day Saturday, Sunday, and NERC holidays. These volumes can be set on a month to month basis, which may fit well in the future as additional renewable resources are entertained and pursued, or if BIUD's load profile begins to change due to factors like additional air conditioning load and greater though limited solar resource build out on the island. Utilizing shaped blocks of power may provide a better alternative to buying load following service, to meet the complex nature of BIUD's load. Shaped blocks may also

provide additional potential suppliers for BIUD, since not all power suppliers offer load following service either at all or at the volume levels required by BIUD. These alternatives will be reviewed for each BIUD power purchase.

Q. Does BIUD intend to invest in additional non-carbon emitting resources?

A. BIUD does intend, with the assistance of Energy New England, to investigate and evaluate new opportunities to purchase renewable and/or non-carbon emitting resources. Those resources that prove to be environmentally and economically beneficial without being a burden to BIUD ratepayers will receive appropriate consideration.

Q. Does this conclude your testimony?

A. Yes, it does.