



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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Memorandum

To: Luly Massaro, Commission Clerk
Public Utilities Commission

From: Al Contente
Division of Public Utilities and Carriers

Date: May 5, 2022

Re: Docket No 5245 Block Island Utility District Last Resort and Transmission Charges

On March 31, 2022, Block Island Utility District (“BIUD” or the “Company”) filed its annual recalculation of the Last Resort Service (“LRS”) and the Transmission Rates. BIUD requested new rates effective June 1, 2022, in order to give the Division of Public Utilities and Carriers (“Division”) and the Rhode Island Public Utilities Commission (“PUC”) time to thoroughly review the filing prior to the PUC ruling on it. The Division respectfully provides the following comments on BIUD’s filing.

LRS and Transmission Filing

The LRS and Transmission rate filing included actual revenues and expenses for the period May 1, 2021, through February 28, 2022, and projected amounts for the period from March 1, 2022, through April 30, 2022. The filing also included a projected over recovery at the end of the current reconciliation period (April 2022) of \$64,111. The Company also submitted a supplemental filing on April 28, 2022, that included both corrections and actual figures to replace estimates for the month of March where available. Based on the data contained in the supplemental filing, the estimated over recovery for the current reconciliation period was reduced to \$56,894 which represents approximately 4% of overall spending forecasts. The

Division makes reference to this point in order to illustrate that the projections from last year's filings were reasonable and on target.

The over recovery of \$56,894 is the sum of the forecast negative balance of \$7,302 for Power Supply Service and the positive balance of \$64,196 for the Transmission Charge account. Those projected ending balances are appropriately carried forward to the upcoming reconciliation period and help in tempering any proposed rate increase in the following rate period.

Proposed Rates

- The current Last Resort Service rate is \$0.0852/kWh and the proposed rate is \$0.0879/kWh which is an increase of \$0.0027/kWh.
- The current Transmission rate is \$0.0740/kWh and the proposed rate is \$0.0699/kWh which is a decrease of \$0.0041/kWh.
- Combined, the new rates represent an overall decrease in rates of \$0.0014/kWh which results in a decrease of \$0.70 for a residential customer using 500 kilowatt-hours in a given month.

Sales Forecast

BIUD relied on a two-year average for setting the estimated sales for the upcoming rate year. In years past, the practice was to use a three-year average. However, BIUD is still trying to determine how COVID-19 effected monthly energy sales. According to the Company, some months appeared abnormally high and some abnormally low. In short, the Company thought it best to rely on the last two years to forecast the more reliable average. Using this year as an indicator, the Company's forecast was approximately 6% off the forecast used in last year's filing with only one month left in the current rate year.

The Division considered whether it was necessary to adjust the sales forecast based on what appears to be an upward trend in overall electric consumption. However, the Company noted that, not only is the demand heavily weather dependent, but also since September of this year the actual kWh sales are lower compared to the same period last year.

Based on the pre-filed testimony of David G. Bebyn and the response to PUC Data Request 1-3, the Division accepts the Company position that a two-year average is reasonable.

Division Review

The Division's review of the filing included, but was not limited to: 1) reviewing calculations for mathematical accuracy; 2) agreed actual costs to the invoices included in the filing for the current reconciliation period; 3) verified that the power purchase rate used for the net metering facility on BIUD's property was the currently effective LRS and Transmission rate as required by the PUC's order in last year's filing; and 4) verified that the diesel fuel costs included in the reconciliation were accurately calculated.

This year BIUD experienced increased fuel costs due to a planned outage which stemmed from a scheduled repair of the underwater cable to the mainland. The Company relied on diesel generation from Sunday, April 10 at 5AM to Sunday, April 17 at 9AM. The majority of the additional fuel costs were offset by a cash settlement with the cable owner, National Grid, and a reduced need to purchase energy from existing contracts due to operation of the diesel generators. Fuel costs associated with the operation of the diesel generators totaled \$66,361. After subtracting the settlement payment of \$50,000 from National Grid and a savings of \$8,073 resulting from the reduced need to purchase energy during the time the generators were operational, offsets resulted in total fuel cost to the Company of \$8,288. When adding the resulting \$8,288 to the costs for normal annual generator maintenance of \$756, the Company realized a total fuel expense of \$9,044 which was accurately reflected in the filing for the current reconciliation period.

As noted in BIUD's filing, the majority of their energy is supplied through a contract that provides load following service. The energy price under the contract is \$49.90/MWh with the current contract set to expire on April 30, 2023. A small percentage of the energy for the upcoming rate period was contracted through out-of-state renewable energy supplies as well. The Division was informed that the availability of the energy from two of the new supply contracts, Gravel Pit Solar II and Gravel Pit Solar III, may not be available by the expected January 2023 start period. As referenced in the response to RIPUC Data request 2-2f and in discussions with the Company, the incremental costs for replacement of said power is estimated to be approximately \$11,000. The Company is working with a specialist at Energy New England ("ENE") to determine the most economical way to replace the anticipated lost energy supply with an alternative reliable source. The Company is confident that the currently proposed rates are adequate to absorb the higher costs based on the total budget for the upcoming rate year.

Although the projected incremental costs are not insignificant, the Division has discussed it with Company representatives and is not recommending an adjustment to show any additional costs.

Conclusion

The Company is proposing a last Resort Service rate of \$0.0879 and a Transmission rate of \$0.0699 for rates effective on June 1, 2022. The proposed rates filed in this docket for the period June 1, 2022, through May 21, 2023, represent a modest decrease in overall rates and appear to be properly calculated. The Division also has confidence with the Company and their assessment of the forecasts for the upcoming rate year. Therefore, the Division believes the proposal by the Company is in the best interest of ratepayers and recommends approval.