

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: BLOCK ISLAND UTILITY DISTRICT :
d/b/a BLOCK ISLAND POWER COMPANY :
LAST RESORT PROCUREMENT PLAN AND : **DOCKET NO. 5245**
LAST RESORT SERVICE AND :
TRANSMISSION RATES :

REPORT AND ORDER

On March 31, 2022, the Block Island Utility District d/b/a Block Island Power Company (BIUD) filed with the Public Utilities Commission (Commission) its annual Last Resort Service (LRS) and transmission rates for the period commencing June 1, 2022. The filing also included the net metering credit rate that would be effective on June 1, 2022.¹ BIUD subsequently filed revised rates based on adjustments made during the discovery phase of the matter. In total, the new rates would represent a slight decrease in the total LRS and transmission rates charged to customers compared to the relevant seasonal rate in effect for the period that commenced June 1, 2021.² Following an exchange of discovery, a review of a memorandum from the Division of Public Utilities and Carriers (Division) recommending approval,³ and an evidentiary hearing, the Commission approved the rates proposed in the April 29, 2022 Supplemental Filing.

The LRS procurement plan developed by BIUD is a portfolio of contracts, with 69% from a bilateral contract, 10% from a New York Power Authority allocation, 11% from the spot market,

¹ Bebyn Test. and Attach (Mar. 31, 2022); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/5245-BIUD-LRS-TC-Filing-full-with-invoices-3-31-2022.pdf>; Bebyn Supp. Test. and Attach. (Apr. 29, 2022); https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-05/5245-BIUD-%20Bebyn%20Supp%20Testimony%20Apr%202022_0.pdf.

² Under both the original and revised calculations, the Last Resort Service (energy) charge will increase over all three pricing periods while the transmission rate will be reduced. Bebyn Supp. Test. at 3.

³ Contente Mem. at 3 (May 5, 2022); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-05/5245-Division%20Memo%205-5-22.pdf>.

and the remainder from renewable energy projects.⁴ During the course of the proceeding, BIUD learned that there would be a delay in contracts accounting for 0.9% of BIUD's supply portfolio.⁵ However, due to the small amount of energy represented by those contracts, BIUD was not concerned about the impact on cost or reliability of supply.⁶ Similarly, a review of one of the hydroelectric energy contracts representing a projected 8% of the supply revealed that actual output had been lower than expected. This left BIUD with additional exposure to the spot market. The spot market has been more volatile and is expected to have higher costs over the upcoming 12-month period, particularly in the winter.⁷ Mr. Wright expressed concern with the upcoming winter, noting that having market exposure in the spring, summer, and fall is not particularly concerning, but that "we've got some work to do before next winter given the change in the power markets in the last year."⁸ He noted that the bilateral contract used to be load following but as new contracts are built into the supply portfolio, they have changed the quantity and timing of power procured through the bilateral contract. The supply portfolio will need to be reviewed given higher than forecast usage in the past winter period along with the reduced output of the hydro facility, and cancelation of another renewable energy project.⁹

Turning to forecasting, the last resort service and transmission charges are based on a projection of BIUD's sales and the expense it incurs from its supply contracts and from ISO-NE transmission charges. BIUD's revised LRS rates filed on April 29, 2022 were designed to collect

⁴ The cost of the renewable energy supply contracts will be offset through the sales of Renewable Energy Certificates (RECs). BIUD has used a conservative estimate of \$5.00 per REC. BIUD projected an expense of \$57,536 with an offset of \$5,409 in REC sales for the Cabot/Turner Falls hydroelectric contract. Bebyn Test. at 5.

⁵ Since the decision in this matter, the PUC has been advised by The Narragansett Electric Company, another purchaser from those projects, that these contracts have been canceled.

⁶ BIUD's Response to PUC 2-2; PUC 2-3; <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-05/5245-BIUD%20DR%20to%20PUC%20Set%202.pdf>.

⁷ Hr'g. Tr. at 22-25.

⁸ *Id.* at 25-26.

⁹ *Id.* at 25, 29-30.

energy and capacity costs of \$1,211,015 which, when netted to include return of an overcollection from the period ending April 2021 and recovery of a \$7,302 under-collection from the period ending April 2022, required LRS rates to recover \$1,195,337 for the period commencing June 1, 2022. BIUD projected 13,600,000 kWh of sales to customers over the same period resulting in a LRS rate of \$0.0879 per kWh.¹⁰

At the hearing, Mr. Wright explained that BIUD's load forecasting methodology does not separately forecast or adjust for impacts from the demand side management plan or photovoltaic installations, indicating that the scale of these impacts has historically been too small to drive significant differences between forecast and actual load. He agreed that the load impacts from these programs could become more significant in the future, particularly if more heat pumps are installed on the island. He further explained that BIUD's actual loads have typically been impacted more by weather and tourism than by DERs, particularly in the summer.¹¹ He also explained that the voltage conversion program is expected to reduce line losses by approximately 3%, something that BIUD will likely capture in future load forecasts.¹²

Transmission charges are similarly forecasted. BIUD's revised rates filed on April 29, 2022, were designed to collect transmission expense of \$1,024,480 which, when netted to include the return of a combined overcollection of \$73,940 for the periods ending April 2021 and April 2022, required transmission rates to recover \$950,540 for the period commencing June 1, 2022. BIUD projected 13,600,000 kWh of sales to customers over the same period resulting in a transmission rate of \$0.1578 per kWh.¹³ Typically, the biggest cost to BIUD has been the summer capacity charge, which is based on the timing of BIUD's summer peak relative to the ISO-NE

¹⁰ Schedule DGB-1 Supplemental.

¹¹ Hr'g. Tr. at 33-34.

¹² *Id.* at 40-42.

¹³ Schedule DGB-1 Supplemental.

system peak. For the first time, transmission costs allocated to BIUD (which are based on BIUD's monthly regional network load, not annual peak demand) are forecast to be higher than capacity costs. At the hearing, Mr. Bebyn noted that the rate for the capacity charge to BIUD had been reduced from what was used in the prior year's forecast.¹⁴ In response to a question of whether the summer peak has plateaued over the past few years, Mr. Wright explained the impact of weather on summer peak demand.¹⁵ He still expressed concern about managing the summer peak, but did acknowledge the magnitude of the increasing transmission expense, particularly that which is related to the regional network service charges assessed based on monthly load patterns. These charges, unlike capacity charges, have been increasing. For this, he explained that due to Covid-19, BIUD had seen more winter usage than previously experienced. He also noted that there has been more construction activity over the past two years in the winter, with construction crews being housed on the island. It was unclear whether this trend would continue.¹⁶

One outstanding transmission related issue, affecting the calculation of the LRS rate, was related to the diesel generation that would be needed to meet the island's electricity usage when National Grid took the cable connecting Block Island to the mainland offline for reburial. National Grid had committed to reimburse BIUD for \$50,000 for replacement fuel. After netting the cost of fuel used for the shutdown plus the fuel cost for exercising the engines during the prior year against the National Grid credit and avoided Shell expense, BIUD included \$9,044 in the calculation of the LRS rate.¹⁷ This was done in lieu of a fuel surcharge for the month following the outage.

¹⁴ Hr'g. Tr. at 13.

¹⁵ *Id.* at 14-16.

¹⁶ *Id.* Tr. at 16-22.

¹⁷ DGB Attachment 8 Supplemental; Hr'g. Tr. at 47-48.

Finally, BIUD calculated the net metering credit to be paid to qualifying customers for the period commencing June 1, 2022. Customers with net metering facilities are credited for their usage at the LRS rate plus the transmission rate net of certain fixed charges. For the period commencing June 1, 2022, net metering customers will be credited at a rate of \$0.1330 per kWh.¹⁸

At an Open Meeting conducted on May 19, 2022, the Commission reviewed the record and approved the revised rates that were filed on April 29, 2022, finding them to be reasonably calculated and in conformance with the relevant tariffs. The Commission noted that under its current supply portfolio, BIUD is still exposed to the volatility of the spot market, which could affect their projections for power costs. Mr. Wright testified that BIUD will need to review the procurement strategy in this context. The Commission had also recently reviewed the expected LRS rates of The Narragansett Electric Company, which are likely to experience a sharp increase in October, in contrast to BIUD's projections. One of the differences between the two utilities that affects their respective LRS rates is that Block Island will procure approximately 60% of its supply for the period June 2022 through April 2023 through a bilateral contract whose price was set in mid-2021. Additionally, Block Island will receive an allocation from the low-cost New York Power Authority projects. The Narragansett Electric Company, on the other hand, operates under a dollar cost averaging procurement approach that reflects more recent pricing than the mid-2021 pricing included in BIUD's bilateral contract. They also have different goals for their procurement. For example, the Narragansett Electric Company endeavors to have its LRS rates reflect current market pricing to some degree, in order to encourage competitive supply. BIUD, however, is operating under a waiver from the competitive supply mandates.

¹⁸ Schedule DGB-1 Supplemental.

Accordingly, it is hereby

(24561) ORDERED:

1. The rates filed by Block Island Utility District on April 29, 2022, are hereby approved for effect June 1, 2022.
2. Block Island Utility District d/b/a Block Island Power Company's Last Resort Service Procurement Plan is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 1, 2022, PURSUANT TO OPEN MEETING DECISIONS ON MAY 19, 2022. WRITTEN ORDER ISSUED DECEMBER 23, 2022.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



John C. Revens, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.