

BLOCK ISLAND UTILITY DISTRICT



The MV Global Symphony arrived on March 19th with the replacement cables necessary to rebury the DWW and Nation Grid Submarine Cables. The ships crane is used to help lower the new cable down to the conduit that was direct bored last month and will lift the old and new cables out of the water to allow crews to splice the cable. The National Grid cable will be cut and spliced starting on April 10th at 8:00 AM.

**BOARD OF COMMISSIONERS MEETING
MARCH 27, 2021**

**Block Island Utility District
Regular Meeting of Board of Commissioners
March 27, 2021 @ 2:00 PM**

***Meeting Held Remotely by Zoom due to Corona-19
Town of New Shoreham Emergency Order***

1. Public Input
2. Correspondence
3. Review and Act Upon Commissioner's Report
4. Approve Minutes:
 - a. February 27, 2021 Regular Meeting
5. Treasurer's Report - Review 2020 Draft Audit
6. Receive and Act on President's Report
 - a. Submarine Cable Update
 - b. TNS Fiber Project Update
 - c. Legislative Update
7. Review and Act Upon Standard Offer and Transmission Rate Filing
8. Review and Act Upon Efficiency Plan Filing
9. Review and Act Upon Energy Procurement Plan

Posted: March 23, 2021 10:00 AM

Join Zoom Meeting

<https://us02web.zoom.us/j/2505454073>

Meeting ID: 250 545 4073

One tap mobile 1-312-626-6799

Individuals requesting services for the deaf and hard of hearing must call (401) 466-5851 forty- eight hours in advance of the meeting date. TTY: 711 Posted: January 7, 2020

AGENDA ITEM 1
PUBLIC INPUT

(THIS PAGE INCLUDED FOR NOTES)

AGENDA ITEM 2
CORRESPONDENCE

From: Christopher Warfel <cwarfel@entech-engineering.com>

Date: March 3, 2021 at 10:31:57 AM EST

To: Jeffery Wright <jwright@blockislandutilitydistrict.com>, "Barbara A. MacMullan" <bamacmullan@washtrust.com>, Barbara MacMullan <bamacmullan@gmail.com>, Everett Shorey <eshorey@blockislandutilitydistrict.com>, Bill Penn <wpenn@blockislandutilitydistrict.com>, Elliot Taubman <etbi@me.com>, Elliot Taubman <etaubman@blockislandutilitydistrict.com>, maryjanelogan@aol.com, Tony Pappas <pappasanthony@gmail.com>, townclerk@new-shoreham.com, Andre Boudreau <ABoudreau@new-shoreham.com>, marybali@aol.com, Sven Risom <srisom@new-shoreham.com>, sven@northlightfibers.com, Don McCluskey <m762162467@cs.com>, Ken Lacoste <kencheck6@verizon.net>

Cc: Michael McElroy <Michael@mcelroylawoffice.com>, Leah Donaldson <leah@mcelroylawoffice.com>, Michael Kirkwood <mkirkwood@pud-ri.org>

Subject: Re: Net Metering Bill - Please help support this amendment!

Reply-To: cwarfel@entech-engineering.com

I request that this be entered and discussed as Correspondence:

Attached is my letter to the House Committee on Corporations.

I wish to add these comments to this email list.

My letter was intended to be short and to the point and not get mired down in BIPCo planning issues which are not necessarily germane to the bill.

However, it is my professional opinion that merely raising the cap is of little benefit to the owners of BIPCo (us) if the economic consequences are as BIPCo has represented. Clearly, if BIPCo is correct, raising the cap is just going to exacerbate the problem. There is a planning and economic consequence discontinuity. I have asked BIPCo to retain professionals that can evaluate the longer term and short term implications of these types of policies, and believe it has been stonewalled for lack of a better term. The representation that patience is needed has been used by so many entities on Block Island that it has lost credibility. This is not intended to be a personal insult or attack. After being on the Town Council and being involved in many Town issues, it is a fact of Block Island if not everywhere. Planning by attrition is not good planning. I just went through a two year process of amending a zoning ordinance regarding solar array installations. And after all of that, the Town still agrees that solar in the front yard of a property can be deleterious to the Town's image. Notwithstanding that the front yard of the majority of properties are on a dirt road or face away from the road. (BTW, all other installers on Block Island refused to get involved contrary to the Planning memo. Their comment was that they were here only to make money and not get involved in Town or BIPCo issues.) Customer generation policies that basically float with a power purchase contract horizon is not planning. And to further emphasize

that, I will again reiterated the need to fund a load management study now, instead of waiting another year while we have a energy conservation program that is in essence, two years old. We have the meters to give us a great start on this. What we don't have is the allocation of resources to look at this and drill down for valuable information.

But back to the Net Metering issue and related issues that I feel are very important to our electricity future. Please discuss at the next meeting:

1) The duck curve and the supposition that it is caused by solar. My review of this matter using CA data is that it is how I stated. Customer load increases as it always has, during the evening hours. The effect from BIPCo's perspective is that generation from other sources is needed solely because of solar generation dropping off is not true. Wind generation actually increases at this time, so are we saying we should have more wind technology? There are several factors in play.

A professional analysis will provide clear information for the Board and the owners to consider.

2) Request from the power purchasing contractor projections of power purchase costs for the next year and in five years. Beyond that is futile in my opinion.

3) Review of my submitted draft survey, discuss its merits, and discuss what a survey should be used for. [The Board has stated this will be placed on an agenda. I am just noting it.]

4) Discuss the evaluation of the DOE submitted grant and where the proposal fell short. That really was not covered. Discuss what lessons were learned.

5) Get a statement from the company that makes the metering software regarding aggregation of the meters.

5) Get a solution from the company that makes the metering software addressing why 15 minute data is not available to everyone, but is spotty.

6) Discussion for the relocation of customer meters and the definition of delivery point. The delivery point currently for many was because of BIPCo policies and to relocate the meter should not be the sole responsibility of the customer in my opinion. BIPCo substantially benefited from remote metering and that benefit should be transferred back to the customer.

7) The proposed residential tariff states that it is only applicable if one takes all generation from BIPCo. We are going backwards with respect to this issue. A coop especially needs to look at what the owner's think with accurate analysis.

8) What is the implication of a heat pump program on our economics. This should have been studied before BIPCo and the non-bid, sole sourced McCluskey/Pappas installer program partnership was formed, however informal the representation of this partnership may be. Should such technology be part of a load management strategy? Should any program that interfaces with our electrical system be sole sourced? Is there a community economic perspective or is it as the Board has represented, not in their purview.

The reality is, very few people are looking at these issues. The Town itself seems not to understand its implications. Hopefully it will be on a TC agenda soon. Almost no one has any idea about the rate case for example and its implications. The rate case has not been submitted per the PUC statements. Stating that it is available on the website and believing that is sufficient outreach is not reasonable in my opinion. It is my opinion that the rate case needs much more public discussion: not in one meeting, but on important topics, piece by piece.

Thank you for your time. I realize I could word things more elegantly, but I feel getting this out sooner than later is more important.

Chris Warfel

, Date: March 1, 2021

To: **HOUSE COMMITTEE ON CORPORATIONS, In Support of Bill 5503,**

cc: Block Island Power Company, Town of New Shoreham

From: Christopher Warfel, EEInc.

Re: In support of Bill 5503, Section 39-26.4-3 of the General Laws in Chapter 39-26.4 entitled "Net Metering"

Dear Members of the House Committee on Corporations:

My name is Christopher Warfel, President of Entech Engineering, Inc., Block Island, RI. We have been involved in energy conservation and energy generation, both conventional and renewable for over twenty-five years. Specific to the State of Rhode Island, we were retained by the Office of Energy Resources to bring a higher amount of renewable energy generation to the State, once the control of the funding was turned over from National Grid to the State. In two years we went from a total of six projects in five years, to approximately 200 projects in two years. We received a Commendation from Governor Lincoln Almond for our work. We have also received two national awards with our work in renewable energy technology, including the IREC Gauntlet Award for success under challenging conditions. I am a member of the test writing committee for only international recognized certification, NABCEP, which Rhode Island requires for its Renewable Energy Professional certification. My Masters Project was published concerning the design and economic analysis of autonomous wind-diesel plants in desalinating seawater by reverse osmosis. I have also worked in every type of electrical generation plant except geothermal and nuclear.

With that out of the way, let me please explain why I support this bill. The 3% cap is anachronistic. It was a number used for thirty years as what I believe was a number that was very low market penetration, but at the time seemed unreachable as solar was so new and expensive. Not many felt it would ever amount to anything significant. However the Department of Energy's SunShot program changed all of that by driving down the cost of solar and facilitating technical advances that simplified installation.

We are now at a point where solar competes very well with conventional generation, and the 3% cap has been surpassed by states that have allowed this to happen. Hawaii is well above 30% with minimal issues in the distribution or transmission area. Economic policies will determine further development, but with Rhode Island commitment to be 100% renewable by 2030 via Executive Order 20-01, lifting the cap is vitally important. The PUC still retains oversight with respect to economic policies at this point, it appears that we have the checks and balances to at least improve and level the customer generation field. We all understand that maintaining the financial viability of our regulated electric utility monopolies is very important. Often the economic fears of

increased generation are overstated, and/or miscalculated. We now have a track record belaying those fears, convincingly proving that increased renewable generation has many positives for our future.

In conclusion, one may believe I support this bill because of my professional work. Unfortunately, after thirty years of work in this and oyster farming, I am not going to be doing this much longer. I have always looked to attempting to make this place better than I found it. This bill helps this along. It will provide good jobs, resilience to our State electrical grid if planned comprehensively, and have many long term economic and environmental benefits.

Thank you for your time.

Sincerely,

A handwritten signature in black ink that reads "Christopher Warfel". The script is cursive and fluid, with the first name and last name clearly legible.

Christopher Warfel, PE, President, EEI

AGENDA ITEM 3
COMMISSIONER'S REPORT

AGENDA ITEM 4
APPROVE MINUTES FROM FEBRUARY 27, 2021 REGULAR MEETING

Block Island Utility District
February 27, 2021
11:00 AM

HELD REMOTELY VIA ZOOM DUE TO COVID-19 AND TOWN OF NEW SHOREHAM
EMERGENCY ORDER

Minutes

Participating BOD Members Present via ZOOM: Barbara MacMullan, Everett Shorey, Bill Penn, Mary Jane Balser and Elliot Taubman (who joined at 11:46 AM).

Also Present: President Jeffery Wright, Renee Meyers (from BI Times) and Chris Warfel.

Board Chair Barbara MacMullan called the meeting to order at 11:03 AM.

1. Public Input

- There was no public input.

2. Correspondence

- The Board of Commissioners reviewed the correspondence received from Entech Engineering – on file.

3. Commissioner's Report

- Board Chair Barbara MacMullan presented the by-law change for consideration of the BOD. It was discussed publicly in last month's meeting.
 - i. Article V – Section 2. The current language states that a monthly meeting of the Board of the Utility District will be held on the fourth Tuesday of each month.

Proposed change: A monthly meeting of the Board of the Utility District shall be held on dates to be decided during the January Board meeting. The meeting dates will be published on the annual meeting calendar which will be listed on the Secretary of State's and Utility District's websites.

- ii. Article V – Section Article 5 – Section 6. This section contains an incomplete sentence, and a correction is needed as proposed:

Proposed change: A qualified Elector must present an appropriate <form of identification> in order to vote at any annual or special meeting.

A motion was made by Bill Penn to approve the by-law changes, seconded by Everett Shorey. The motion passed unanimously.

4. Approve Meeting Minutes from the January 23, 2021 meeting.

- Bill Penn moved to approve the minutes as presented. The motion was seconded by Eliot Taubman and was passed unanimously.

5. Receive and Act on Treasurer's Report

- Treasurer Bill Penn reported that he had reviewed the disbursement through December, and all were in accordance with the financial policies and procedures.
- Bill presented the year end financials.
- Bill reported that the audit team was on track to meet BIUD's audit milestone dates and the draft audit would be available to review in the next BOD meeting.
- Barbara MacMullan moved to approve the Treasurer's Report. The motion was seconded by Mary Jane Balser and the motion passed unanimously.

6. Receive and Act on CFC Line of Credit Renewal

- Barbara MacMullan moved to pass the CFC certificate of resolutions and incumbency (on file) authorizing President Jeffery Wright to sign the loan agreements with herself and Bill Penn being alternate signatories. Bill Penn seconded the motion and the motion passed unanimously.

7. Receive and Act on President's Report

- President Jeffery Wright presented his update – on record.
- Barbara MacMullan moved to approve the President's Report. The motion was seconded by Mary Jane Balser and the motion passed unanimously. Bill Penn seconded the motion and the motion passed unanimously.

8. Update on DOE Grant Opportunity and BIUD/RI-OER Partnership

- Jeffery Wright reported that DOE had discouraged our application for a grant based on the concept paper submitted following the last BOD meeting. He explained the reasons (DOE rejection letter on file in BOD packet).

9. Receive Update on Energy Efficiency (EE) Plan

- Jeffery Wright presented the revised EE plan (on record). A discussion was had and there was agreement to make few changes to the plan as the program was still in its infancy.
- Chris Warfel expressed his disappointment that the plan still did not consider sub-metering.

10. Review and Act Upon National Grid Fuel Reimbursement Offer

- Elliot Taubman moved to enter closed session to discuss this item. Everett Shorey seconded the motion and the motion passed unanimously.
- The BOD and Jeffery Wright entered closed session after verifying all participants had left the Zoom call.

- After completion of and moving out of the closed session, the BOD Chair Barbara MacMullan reported that the BOD had accepted National Grid's offer pursuant to the confidential agreement as presented by Jeffery Wright.

Barbara MacMullan moved to adjourn the meeting at 2:10 PM, seconded by Elliot Taubman. The motion passed unanimously, and the meeting was adjourned.

APPROVED: _____

POSTED: _____

AGENDA ITEM 5
RECEIVE AND ACT ON TREASURE'S REPORT
REVIEW DRAFT AUDIT

DRAFT

BLOCK ISLAND UTILITY DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To The Board of Utility Commissioners
Block Island Utility District
New Shoreham, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Block Island Utility District (District), as of December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Block Island Utility District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April XX, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Providence, RI
April XX, 2021

Overview of the Entity:

In the January 2017 session, the Rhode Island General Assembly passed the Block Island Utility District Act of 2017 enabling the creation of the Block Island Utility District. In October of 2017, the first Utility District election was held in which five Utility District Commissioners were duly elected by the Utility District's ratepayer/members. On January 16, 2019, the Utility District reached an agreement with the Block Island Power Company to acquire the assets of the power company for \$5,800,000. On March 25, 2019, the acquisition was closed and the Utility District began operating as the Block Island Utility District DBA Block Island Power Company.

The Utility District purchased all of the real property, personal property, rights in any real and personal property, facilities, equipment, contract rights, other tangible and intangible property owned by Block Island Power Company, subject to all rights of the Block Island Power Company's ratepayers as delineated in state law and in previous orders of the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carries.

The Utility District also purchased the rights to use the names "Block Island Power Company" and "BIPCo".

The Utility District assumed the following liabilities, without limitation, of the Block Island Power Company: trade payables, accrued expenses, accrued payroll and withholdings, customer deposits, all liabilities and obligations of certain business contracts, liabilities to customers for repair or replacement of products sold or delivered prior to the closing and any other liabilities reflected in the power company's general ledger.

The acquisition was a purchase of the assets and not a de facto-merger of the Block Island Utility District and the Block Island Power Company.

Within this section of the District's annual financial report, management provides discussion and analysis of the financial activities of the District for the year ended December 31, 2020 as compared to the previous fiscal year ended December 31, 2019. The District's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financing:

The acquisition was financed by a non-secured line of credit in the amount of \$5,800,000 provided by the National Rural Utilities Cooperative Finance Corporation ("CFC"). Additionally, upon closing, CFC provided the Utility District with an unsecured operating Line of Credit in the amount of \$670,000. \$370,000 was made available for operating expenses and \$300,000 is reserved for a contingent liability in the event that the original Block Island Power Company (now Island Light and Power) is required to compensate its minority shareholder, through a final judgement of a court of competent jurisdiction, by any amount greater than \$900,000.

On July 15, 2019, the Rhode Island Division of Public Utilities and Carriers (RI-DPUC) approved the Utility District's long-term debt application. Following a 30-day appeal period, the Utility District and CFC executed a Mortgage and Securities Agreement securing the \$5,800,000 loan and subsequently securing the \$670,000 Line of Credit.

CFC also issued the Utility District a \$250,000 Letter of Credit for purposes of posting financial assurance to the ISO-New England for power supply and transmission expenses.

The financing, acquisition and organizational activities that took place in 2019 took a significant effort on the part of the Utility District Commissioners and management, designed to yield savings from operating as a nonprofit. The savings have created significant value for the Utility District's rate payer/members and will help support the Utility District's ongoing short and long-term goals, which include a capital intensive plan to rebuild a previously neglected and run-down distribution system as well as investment in member-facing programs such as an efficiency program.

On September 1, 2019, the Utility District submitted a revenue neutral rate case for consideration by the Rhode Island Public Utilities Commission (RI-PUC). The rate case included a significant capital program, a voltage conversion fund, an efficiency program as well as other critical programs, with no additional rate increase requested by the Utility District. The Utility District and the DPUC have reached a settlement agreement and the new rates went into effect on June 1, 2020.

Overview of the Financial Statements:

The financial statements include (1) the statement of net position, (2) the statement of revenue, expenses and changes in net position, (3) the cash flow statement, and (4) notes to the financial statements.

The statement of net position is designed to indicate our financial position as of a specific point in time. Our net position increased in the current period by \$746,133.

The statement of revenues, expenses and changes in net position summarizes our operating results and reveals how much, if any, income was earned for the period. As discussed in more detail below, our operating gain for the year was \$248,555.

The statement of cash flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of our cash flows indicates that the cash receipts from operating activities (sales of electricity) adequately covered electric operating expenses, capital additions and debt service.

Financial Highlights:

Summary of Net Position

Presented below is the District's condensed summary of net position at December 31, 2020 compared to December 31, 2019. The statement of net position presents the assets and deferred outflows of resources, liabilities, and net position of the District's at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the District as of a certain point in time. It presents end of year data for assets, deferred outflows of resources, liabilities, and net position (assets and deferred outflows of resources, minus liabilities).

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,766,378	\$ 1,455,376	\$ 311,002	21.4%
Noncurrent assets	6,655,370	6,296,373	358,997	5.7%
Deferred outflows of resources	<u>176,134</u>	<u>202,751</u>	<u>(26,617)</u>	-13.1%
Total assets and deferred outflows of resources	<u>\$ 8,597,882</u>	<u>\$ 7,954,500</u>	<u>\$ 643,382</u>	8.1%
Current liabilities	\$ 1,249,864	\$ 1,266,917	\$ (17,053)	-1.3%
Long-term debt, net of current portion	<u>5,786,236</u>	<u>5,871,934</u>	<u>(85,698)</u>	-1.5%
Total liabilities	<u>7,036,100</u>	<u>7,138,851</u>	<u>(102,751)</u>	-1.4%
Net investment in capital assets	753,513	273,705	\$ 479,808	175.3%
Restricted for capital and power	232,673	248,357	(15,684)	-6.3%
Unrestricted net position	<u>575,596</u>	<u>293,587</u>	<u>282,009</u>	96.1%
Total net position	<u>1,561,782</u>	<u>815,649</u>	<u>746,133</u>	91.5%
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,597,882</u>	<u>\$ 7,954,500</u>	<u>\$ 643,382</u>	8.1%

Total assets of the District at December 31, 2020 and 2019 were \$8,421,748 and \$7,751,749, respectively, a change of 8.64%. The significant components of current assets are cash, unbilled revenues, and material and supplies inventory. The significant components of noncurrent assets are capital assets and deferred regulatory assets. Capital assets include land, buildings and building improvements, construction in progress, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation.

Total liabilities of the District at December 31, 2020 and 2019 were \$7,036,100 and \$7,138,851, respectively, a change of 1.4%. Current liabilities include accounts payable, accrued liabilities, unearned revenue and current portion of notes payable. Noncurrent liabilities are primarily made up of the long-term portion of debt and retirement liability.

Deferred outflows of resources relate to the District's retirement liability. In 2020, the District's retirement liability related deferred outflows decreased by \$26,617.

Net position represents the District's equity, which is accounted for in three major categories. The first category, net investment in capital assets, represents the District's equity in land, buildings and building improvements, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted net position; this shows the amounts subject to external restriction. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the District. Unrestricted net position increased by \$282,009, or 96.1%, for the fiscal year.

Summary of Revenues, Expenses and Changes in Net Position

Presented below is the condensed summary of revenues, expenses and changes in net position information for fiscal year ended December 31, 2020 compared to the year ended December 31, 2019. The information reflects the results of operations for the District. All revenues and expenses are accounted for on an accrual basis.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 5,193,522	\$ 4,607,624	\$ 585,898	12.7%
Operating expenses	<u>4,944,967</u>	<u>3,823,859</u>	<u>1,121,108</u>	29.3%
Operating income	248,555	783,765	(535,210)	-68.3%
Nonoperating revenues net of nonoperating expenses	<u>497,578</u>	<u>55,935</u>	<u>441,643</u>	789.6%
Increase in Net Position	<u>\$ 746,133</u>	<u>\$ 839,700</u>	<u>\$ (93,567)</u>	-11.1%

While comparative data is available to be included in this management's discussion and analysis, the district was only operational in the previous year for nine months. Therefore, the data is not fully comparative.

Utility Plant and Debt Administration:

The electric distribution system on Block Island consists of:

- Approximately 50 miles of distribution lines,
- A 2.4 kV Delta substation with six distribution circuits,
- A generation plant that consists of four Milton-Cat diesel generators totaling approximately 7 MW of capacity that are permitted to run 500 hours/year for back up operation, and
- An interconnection to National Grid's substation that is part of the Block Island Transmission System ("BITS"). The BITS is also connected to the Block Island Wind Farm, the nation's first offshore wind farm owned by Orsted.

The Utility District also owns the tallest communications tower on Block Island, which hosts two radio stations and four cellular carriers. This is a source of roughly \$250,000 in revenue for the Utility District per year which helps fund the operating budget. These financial statement represent nine months of the District being fully operational, therefore, the cell tower revenue generated under the District's name was less the annualized anticipated amount of \$250,000.

The Utility District's generation plant, substation, communications tower, facilities and interconnection are generally in fair to good condition. The distribution system, however, was neglected by the previous owners and will be the focus of the Utility District's future capital plans for the next 3-5 years. Additionally, the capacity of the distribution system requires an imminent upgrade that can be achieved with a voltage conversion from 2.4 kV Delta to 4.160 kV Wye. The voltage conversion will, essentially, double the capacity of the circuits that are converted, allowing for future load growth necessary to support beneficial electrification and a growing summer economy. The voltage conversion will take place over a 1-5 year period planned to start in 2020.

The Utility District utilizes a fully deployed, point to point radio AMI system that allows access to real time 5-minute interval data. This data is housed in a cloud-based Meter Data Management System (MDMS) that is fully integrated with the Utility District's comprehensive iVUE software package provided by the National Information Systems Cooperative (NISC). The systems include a customer information system (CIS), accounting system (ABS), a GIS based mapping system, an outage management system (OMS), a customer facing mobile application (Smarthub) that allows for online access to usage and payment information and a mobile field application that all employees utilize on iPads which gives full access to all our systems based on needs and permissions.

Capital Assets

At December 31, 2020, capital assets, net of accumulated depreciation was \$6,422,697 which includes land, buildings and building improvements, construction in progress, and equipment. The schedule below reflects the changes in capital assets, net of depreciation, from December 31, 2019 to December 31, 2020:

	<u>Block Island Utility District's</u> <u>Capital Assets</u> <u>(Net of depreciation)</u>			
	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Land and land rights	\$ 867,685	\$ 863,921	\$ 3,764	0.4%
Construction in progress	92,430	544	91,886	16890.8%
Buildings and improvements	1,478,511	1,424,568	53,943	3.8%
Equipment	4,481,337	3,958,815	522,522	13.2%
Accumulated depreciation	<u>(497,266)</u>	<u>(199,832)</u>	<u>(297,434)</u>	148.8%
Total	<u>\$ 6,422,697</u>	<u>\$ 6,048,016</u>	<u>\$ 374,681</u>	6.2%

Additional information on the Block Island Utility District's capital assets can be found in Note 6 to the financial statements, which accompany this report.

Debt Administration

At December 31, 2020, the District had total long-term debt of \$5,819,021, an increase of \$44,710 compared to the prior year. Additional information on the District's long-term debt can be found in the notes to financial statements.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Notes payable	\$ 5,819,021	\$ 5,774,311	\$ 44,710	0.8%
Total	<u>\$ 5,819,021</u>	<u>\$ 5,774,311</u>	<u>\$ 44,710</u>	0.8%

Additional information on the Block Island Utility District's long term debt can be found in Note 10 to the financial statements, which accompany this report.

Credit Rating

The Block Island Utility District does not have a credit rating at this time, and is not required to have a credit rating by CFC. We continue to evaluate the costs and benefits of obtaining a credit rating and will do so if the benefits outweigh the costs.

Request for Information

The financial report is designed to provide our customers, Board of Utility Commissioners, and creditors with a general overview of the District's finances and to show the District's accountability for the customer charges received. Questions concerning this report, or requests for additional information, should be directed to Mr. Jeffery M. Wright, President or William Penn, Treasurer, Block Island Utility District, 100 Ocean Avenue, P.O. Box 518, Block Island, RI 02807, Telephone (401)466-5851.

Capital Assets

Utility Plant in Service:

Land, at cost	\$ 867,685
Buildings and equipment, at cost	<u>5,959,848</u>

Total land, buildings, and equipment, at cost 6,827,533

Less: accumulated depreciation 497,266

Net Utility Plant in Service 6,330,267

Construction in Progress 92,430

Capital Assets, Net 6,422,697

Current Assets

Cash	839,877
Cash, customer deposits	92,029
Accounts receivable, customers (net)	49,491
Accounts receivable, other	4,500
Unbilled revenues	321,341
Materials and supplies inventory	385,505
Prepayments	<u>73,635</u>

Total Current Assets 1,766,378

Other Assets

Deferred regulatory asset - rate case	136,698
Deferred regulatory asset - direct assignment facilities charges	<u>95,975</u>

Total Other Assets 232,673

Deferred Outflows of Resources

Retirement plan related outflows	<u>176,134</u>
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Total Assets and Deferred Outflows of Resources \$ 8,597,882

Net investment in capital assets	\$ 753,513
Restricted:	
Regulatory costs	136,698
DAF Charges	95,975
Unrestricted net position	<u>575,596</u>
Total Net Position	<u>1,561,782</u>
 Long-Term Liabilities	
Notes payable - net of current portion	5,610,102
Retirement liability	<u>176,134</u>
Total Long-Term Liabilities	<u>5,786,236</u>
 Current Liabilities	
Notes payable - current portion	208,919
Line of credit payable	2,000
Accounts payable	381,993
Accrued compensated absences	37,114
Accrued expenses - other	140,720
Voltage conversion	58,700
Unearned revenue	328,389
Customer deposits	<u>92,029</u>
Total Current Liabilities	<u>1,249,864</u>
 Total Liabilities	<u>7,036,100</u>
 Total Liabilities and Net Position	<u><u>\$ 8,597,882</u></u>

Operating Revenues	<u>\$ 5,193,522</u>
Operating Expenses	
Operation and maintenance	3,291,560
General and administrative	1,290,710
Depreciation	297,434
Payroll taxes	<u>65,263</u>
Total Operating Expenses	<u>4,944,967</u>
Operating Income	<u>248,555</u>
Non-Operating Revenue (Expense)	
Grant revenue - solar project	329,885
Miscellaneous revenues	101,354
Rent income - cell tower	230,300
Rent income - antenna sites	7,200
Rental income - property	33,400
Interest expense	(126)
Interest on debt	<u>(204,435)</u>
Total Non-Operating Revenue	<u>497,578</u>
Net Income	746,133
Net Position - Beginning of Year	<u>815,649</u>
Net Position - End of Year	<u><u>\$ 1,561,782</u></u>

Cash Flows from Operating Activities

Cash received from customers	\$ 5,361,534
Cash payments to suppliers and employees	<u>(4,786,078)</u>

Net Cash Provided by Operating Activities 575,456

Cash Flows from Noncapital Financing Activities

Proceeds from noncapital debt	<u>149,837</u>
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Net Cash Provided by Noncapital Financing Activities 149,837

Cash Flows from Capital and Related Financing Activities

Capital acquisitions	(672,115)
Use of maintenance reserve	(380,715)
Proceeds from deferred regulatory assets	15,685
Payments of loan principal	(105,128)
Proceeds from Block Island Power Company	108,146
Interest paid	<u>(204,435)</u>

Net Cash Used in Capital and Related Financing Activities (1,238,562)

Cash Flows from Investing Activities

Other revenues	710,048
Interest expense	<u>(126)</u>

Net Cash Provided by Investing Activities 709,922

Net Increase in Cash 196,653

Cash, Beginning of Year 735,253

Cash, End of Year \$ 931,906

Cash is reported in the financial statements as follows:

Cash	\$ 839,877
Cash, customer deposits	<u>92,029</u>
Total cash	<u><u>\$ 931,906</u></u>

**Reconciliation of Operating Income to Net Cash Provided by
Operating Activities:**

Cash Flows from Operating Activities:

Operating income	\$ 248,555
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	297,434
Changes in assets and liabilities:	
(Increase) in accounts receivable and unbilled revenue	(55,108)
(Increase) in materials and supplies inventory	(131,490)
(Increase) in prepayments	(43,806)
Increase in accounts payable and accrued liabilities	36,751
Increase in unearned revenue	203,262
Increase in customer deposits	19,858
Total Adjustments	<u>326,901</u>
Net Cash Provided by Operating Activities	<u><u>\$ 575,456</u></u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Block Island Utility District (the Utility District) was established in 2017 by an act of the Rhode Island General Assembly as a quasi-municipal non-profit corporation having a distinct legal existence to the State of Rhode Island. Major functions include electric distribution utility services on Block Island.

A five-member Board of Utility Commissioners has full management authority over the Utility District. The electric utility is also subject to regulations by the Rhode Island Public Utilities Commission (RIPUC).

The accounting methods and procedures adopted by the District conform to accounting principles generally accepted in the United States of America (GAAP) for governments and specifically applicable to enterprise funds and follow the uniform system of accounts prescribed by regulatory bodies having jurisdiction over its activities.

The more significant of the District's accounting policies are described below.

REPORTING ENTITY

In evaluating how to define the District, for financial reporting purposes, management has applied the entity definition criteria of Governmental Accounting Standards Board (GASB) in considering all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organizations governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a) The primary government is legally entitled to or can otherwise access the organization's resources.
- b) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c) The primary government is obligated in some manner for the debt of the organization.

Based upon the application of the criteria, it was determined that there were no component units to be reported.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

The District presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the GASB. Under the accrual basis revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of cash flows.

The Federal Energy Regulatory Commission (FERC) uniform system of accounts has been adopted by the Utility District.

The District is reported as an enterprise fund. Enterprise funds function similar to private businesses where the intent is that costs are financed primarily through billings to those who benefit from the services provided.

NEW ACCOUNTING STANDARDS ADOPTED

During 2020, the District did not adopt any accounting standards that would have a material impact the District's financial statements.

CASH AND CASH EQUIVALENTS

The District considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased. There were no cash equivalents held at year end.

RECEIVABLES AND UNBILLED REVENUE

Accounts receivable from customers are shown net of a provision for uncollectible accounts of \$9,252. Accounts receivable are considered uncollectible and written off when all legal means for collection have been exhausted. Estimated unbilled revenues from electric sales are recognized at the end of each calendar year. The estimated amount is based on billings during the period following the close of the calendar year.

REVENUE RECOGNITION

Electric division revenues are based on rates established by the District and filed with the Rhode Island Public Utility Commission (RIPUC). Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Revenues are stated net of discounts and any related bad debts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MATERIALS AND SUPPLIES INVENTORY

Materials and supplies inventory consists of electrical utility parts and supplies valued at cost. Cost is determined using a weighted average method on a first-in-first-out basis. The cost of materials and supplies is capitalized and recorded as capital additions or expenses when installed or consumed, rather than when purchased.

CAPITAL ASSETS

Additions to capital assets with an individual cost of more than \$500 and an estimated useful life of more than one year are classified as capital assets. The cost of additions to utility plants includes contracted work, direct labor, materials, and other indirect charges (and interest, if applicable). Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenses when incurred.

Depreciation of capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the assets estimated useful lives of 5 to 50 years using the straight-line method of depreciation. No depreciation is taken on land or land rights. Depreciation is begun in the year when the asset is placed in service. The cost of property sold, retired or otherwise disposed of is removed from the asset account, and the related depreciation is removed from the accumulated depreciation account. The resulting gain or loss is reported in the statement of revenues, expenses, and changes in net position.

LONG-LIVED ASSETS IMPAIRMENT

The District reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Factors involved in this review include the market value of the assets, business conditions, future plans for asset use, and the expected future cash flows generated from the assets. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value. No impairment losses were recognized in the 2020 financial statements.

PENSIONS

For purposes of measuring the retirement liability, benefit payments are recognized when due and payable in accordance with benefit terms.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED VERSUS UNRESTRICTED RESOURCES

When both restricted and unrestricted amounts are available for use, it is the District's practice to use restricted resources first.

NET POSITION

Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Any debt related to unspent bond proceeds or other cash and investments is excluded from the determination. Restricted for capital and power consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net position not included in the above categories.

SUBSEQUENT EVENTS

The District has evaluated subsequent events through April XX, 2021, the date the financial statements were available to be issued. There were no events identified which require recognition or disclosure in the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. It is the District's policy to follow the requirements contained in Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, which requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

NOTE 3 – NET POSITION

Net position is reported in three categories:

Net Investment in Capital Assets consists of all capital assets, reduced by accumulated depreciation, the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. At December 31, 2020, the net investment in capital assets was \$753,513.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors, grantors, contributors, laws, regulations, etc. At December 31, 2020, restrictions of \$232,673, of which \$95,975 represents the net position restricted for Direct Assignment Facilities Charges which covers interconnection facilities and associated equipment located in National Grid's substation and the line connecting to the substation. This cost is based on a Gross Plan investment with a carrying charge. The remaining \$136,698 represents the net position restricted for regulatory costs.

Unrestricted Net Position is designed to represent the net available assets, for the entire District. At December 31, 2020, the unrestricted net position was \$575,596.

NOTE 4 – CASH

DEPOSITS

The District maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). Beginning on January 1, 2013 the FDIC, insure up to \$250,000 per depositor, per insured depository institution for each account ownership category. At December 31, 2020, the carrying amount of the District’s cash was \$931,906 of which \$250,000 was fully insured under FDIC limitations. The District maintains its collateralization of US Government Securities with a 102% margin under a custodian agreement with the Washington Trust Company whereby all funds are collateralized and held in the District’s name. Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management feels custodial risk is minimal because the US Government Securities are held in the name of the District which is independent of the financial conditions of the depository financial institutions.

NOTE 5 – PREPAYMENTS

At December 31, 2020, prepayments consist of the following advance payments:

Purchased power	\$ 20,000
Insurance Premiums	<u>53,635</u>
Total	<u>\$ 73,635</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital assets is presented below:

	1/1/2020	Additions	Adjustments	12/31/2020
Nondepreciable Assets:				
Land and land rights	\$ 863,921	\$ 3,764	\$ --	\$ 867,685
Construction in progress	544	540,333	(448,447)	92,430
Depreciable Assets				
Buildings	1,424,568	53,943	--	1,478,511
Equipment	<u>3,958,815</u>	<u>522,522</u>	<u>--</u>	<u>4,481,337</u>
Total Cost	6,247,848	1,120,562	(448,447)	6,919,963
Accumulated Depreciation	<u>(199,832)</u>	<u>(297,434)</u>	<u>--</u>	<u>(497,266)</u>
Net Capital Assets	<u>\$ 6,048,016</u>	<u>\$ 823,128</u>	<u>\$ (448,447)</u>	<u>\$ 6,422,697</u>

NOTE 7 – RETIREMENT

The District has an agreement with seven individuals to pay each a monthly pension benefit of \$1,000, which includes the spouse as a continued recipient of the pension in the event of the death of the primary pensioner. None of the agreements are part of a qualified plan and payments will end upon either the recipient's death or the death of their surviving spouse. The district reported a liability of \$176,134 at December 31, 2020.

NOTE 7 – RETIREMENT (CONTINUED)

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. The separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expense) until that later date. At December 31, 2020, the district had retirement plan deferred outflows of \$176,134. As part of the acquisition of Block Island Power Company, the District agreed to continue providing the retirement benefits as noted in the previous paragraph in order to retain the employees. In doing so, consideration exceeded the net position acquired. In accordance GASB Statement 69 – *Government Combinations and Disposals of Government Operations*, a deferred outflow was included in the financial statements which will be amortized over the life of the participating individuals.

NOTE 8 – COMPENSATED ABSENCES

Employees accumulate vacation benefits after one full year of employment. After one full year of employment an employee is granted five vacation days, after the third full year of employment the employee is granted ten vacation days, after the tenth full year of employment an employee is granted fifteen vacation days and at the end of an employee's eleventh year of employment and each subsequent year one half day of vacation time is added per year of employment. Vacation time must be used in the year earned with two exceptions; employees may request to be paid for one week (cash out) at the end of the year or carried into sick time as detailed in the sick time section.

Each employee shall receive two normal working days off to be used as personal days after the first year of employment.

Each employee is allowed five sick days after one full year of work. Sick days can be carried forward year to year – limited to 20 days. Until 20 days are accrued, vacation days may be carried forward to comprise a total of 20 sick days. If an employee's sick time balance is zero then vacation or unpaid time must be taken. As of December 31, 2020 the liability for accrued sick leave and vacation was \$37,114.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage for the past three years.

NOTE 10 – LONG-TERM LIABILITIES

The following is a summary of the District's long-term debt activity for the year ended December 31, 2020:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding January 01, 2020	Additions	Retirements	Outstanding December 31, 2020	Due Within One Year
Notes Payable									
CFC Acquisition Loan	10/1/2019	\$ 5,800,000	6/30/2050	3.66%	\$ 5,774,311	\$ --	\$ (105,127)	\$ 5,669,184	\$ 109,028
PPP Loan	5/28/2020	<u>\$ 149,837</u>	6/30/2021	1.00%	<u>--</u>	<u>149,837</u>	<u>--</u>	<u>149,837</u>	<u>99,891</u>
Total Notes Payable		<u>\$ 5,949,837</u>			<u>5,774,311</u>	<u>149,837</u>	<u>(105,127)</u>	<u>5,819,021</u>	<u>208,919</u>
Retirement Liability									
					<u>202,751</u>	<u>--</u>	<u>(26,617)</u>	<u>176,134</u>	<u>--</u>
Long-Term Liabilities									
					<u>\$ 5,977,062</u>	<u>\$ 149,837</u>	<u>\$ (131,744)</u>	<u>\$ 5,995,155</u>	<u>\$ 208,919</u>

NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)

Presented below is a summary of the District's note payable debt service requirements to maturity by year:

Year	Principal	Interest	Total
2021	208,919	206,007	\$ 414,926
2022	163,021	201,961	364,982
2023	117,270	197,766	315,036
2024	121,621	193,414	315,035
2025	126,134	188,902	315,036
2026-2030	704,444	870,734	1,575,178
2031-2035	845,202	729,975	1,575,177
2036-2040	1,014,087	561,090	1,575,177
2041-2045	1,216,717	358,459	1,575,176
2046-2050	<u>1,301,606</u>	<u>116,052</u>	<u>1,417,658</u>
Total	<u>\$ 5,819,021</u>	<u>\$ 3,624,360</u>	<u>\$ 9,443,381</u>

Interest expense incurred on the long-term debt for the year ended December 31, 2020 was \$204,435.

In accordance with the bond covenants, the District shall achieve an Average Modified Debt Service Coverage, (MDSC), ratio of not less than 1.35. The District shall not decrease its rates for electric service if it has failed to achieve a MDSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the District. At December 31, 2020 the District maintained a MDSC of 4.62 which satisfied the covenant. There is one additional covenant mandating the audited financial statements be submitted within 120 days after year end. The financial statements are dated April XX, 2021 which satisfies the covenant.

NOTE 11 – LINE OF CREDIT

On August 21, 2019 the Utility District entered into a line of credit arrangement with the National Rural Utilities Cooperative Finance Corporation (CFC) which carries a maximum possible balance of \$670,000. Amounts borrowed on the line bear interest at a rate which is set and published by CFC from time to time. The balance on the line of credit was \$0 as of December 31, 2020, at which time the interest rate was 3.25%.

NOTE 12 – ROOFTOP SOLAR GENERATION PROJECT

In the spring of 2020, the HBC Affordable Apartments granted the District a roof top solar project. The project was commissioned on July 26, 2020. The combined rating of the solar PV equipment is 94.1 kW DC and 81.0 kW AC. Operation of the solar PV equipment by the District is subject to the following conditions: (a) the solar PV equipment shall be separately metered, (b) generation produced by the solar PV equipment shall be valued at the prior year's net metering rate as approved by the RIPUC in the District's annual standard offer and transmission reconciliation filing, (c) any value attributable to generation produced by the solar PV equipment shall be paid into a restricted account ("Solar Restricted Fund"), and (d) monies in the Solar Restricted Fund shall be used as directed by the Board of Commissioners to create a decommissioning fund for the solar PV equipment, for maintenance of the solar PV equipment, and for capital projects related to the District's distribution system. During 2020, the total generation was 38,248 kWh which was valued at \$7,812. There was no monies spent on maintenance and the Board of Commissioners approved \$7,812 to be transferred from the Solar Restricted Fund to offset costs associated with the pole replacement capital project.

NOTE 13 – CREDIT RISK CONCENTRATION

The District operates within an industry which has undergone state and federal restructuring. The restructuring process has affected issues which may have significant financial impact on Block Island, but at this time it is not possible to determine the nature of or extent of that impact.

The District provides electrical power service to customers within a small geographic area. The Division grants credit to all of its customers. No customers exceeded 10% of revenues or accounts receivable.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

CONTINGENT LIABILITY

As noted in the executed asset sale agreement, the board of Directors of the seller, Block Island Power Company (BIPCO) had adopted a resolution recommending the sale of the Purchased Assets to Block Island Utility District (BIUD) as contemplated by the agreement (the "Corporate Action").

The Sara Golinveaux McGinnes 2011 Trust, the holder of one third of the issued and outstanding shares of capital stock of BIPCO (the "Trust Shares") objected to the Corporate Action. The Corporate Action was approved by a majority vote of BIPCO's shareholders and the Trust has made demand for the fair value of the Trust Shares.

NOTE 14 – COMMITMENTS AND CONTINGENCIES – (CONTINUED)

CONTINGENT LIABILITY – (CONTINUED)

Based upon the amount paid for the BIPCO shares by the Town of New Shoreham, the appraisal received and the current BIPCO financials, the parties anticipated that the fair value of the Trust Shares was approximately \$900,000, however, in the unlikely event that the fair value of the Trust shares is determined to be more than \$900,000 by agreement, by the final judgement of a court of competent jurisdiction, or other, the District will pay directly to the Trust any amount over said \$900,000 up to a maximum of \$300,000. This contingent liability assumption was offered by the District as an inducement to BIPCO to consummate the transactions contemplated in the agreement. As of April XX, 2021, this contingency has not been resolved, and an estimable liability cannot be determined. The maximum liability will not exceed \$300,000.

NOTE 15 – ECONOMIC UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The District has been able to continue its operations in this environment, however, at this point, the extent to which COVID-19 may impact the District's financial condition or results of operations is uncertain.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To The Board of Utility Commissioners
Block Island Utility District
New Shoreham, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Block Island Utility District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Block Island Utility District’s basic financial statements, and have issued our report thereon dated April XX, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Block Island Utility District’s internal control over financial reporting (internal control) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Block Island Utility District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Block Island Utility District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Block Island Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Providence, RI
April XX, 2021

AGENDA ITEM 6
RECEIVE AND ACT ON PRESIDENT'S REPORT

PRESIDENT'S UPDATE

MARCH 27, 2021

Energy Procurement

In the last BOD meeting, the BOD authorized me to work with ENE to procure another load following contract at a price not to exceed \$45/MWH. After having initial conversations with the suppliers about adjusting the load follow percentages to offset the varying level of supply from the renewable contacts starting in January 2022, it became evident that buying strips or blocks may be a better option. We do not have regulatory approval to do this until our procurement plan is approved so we are going to wait until that is done and we will have a subsequent discussion in a future BOD meeting. Our current load follow contract is in place until October 31, 2021.

Legislative Update

There has been no further action on our net metering or interconnection legislation to date. Both bills are being studied further by the House committees. I do not have a schedule for the Senate hearings.

Tree Trimming

I am pleased to inform you that we have fully completed our first cycle of vegetation management. Most of this work was heavy cutting and reclamation of the rights of way. The crews have left the island and will not return until next fall to begin our maintenance cutting.

TNS Fiber Project

We have been receiving attachment applications from the Town for the fiber project. Our initial make ready surveys have found nearly 50 poles that will need to be changed and about two months of work addressing clearance issues on poles. The cost of this work will be paid for by the Town as part of the project.

Submarine Cable Repairs

The following update was provided by National Grid on 03/024/2021.

Orsted

- All civil work complete – site restoration efforts in progress
- Cable pull occurred on March 20th/ 21st
- Cable cut on March 23rd
- Electrical work estimated to be complete by March 27th
- Final original cable removal to occur in May

National Grid

- All civil work complete – site restoration efforts in progress
- Electrical Contractor mobilization underway, estimated arrival end of March
- Cable pull will occur end of March/ beginning of April

Outage

- Targeted for the morning (8:00am) of April 10th. This date will be refined as needed to accommodate any weather issues.
- Jeremy Letson from Operations will be reaching out directly on coordination for the cut over to Diesel Generation.
- By April 1st, we will conduct regular calls with your team on coordination.

AGENDA ITEM 8
REVIEW AND ACT UPON SO/TRANSMISSION FILING

PROPOSED STANDARD OFFER (NOW LAST RESORT SERVICE) AND TRANSMISSION RATES
EFFECTIVE MAY 1, 2021

RATE ADJUSTMENT

The 2021 proposed adjustments (REDUCTIONS) are shown below.

Jan-May & Oct-Dec			
Factor	Current	Proposed	Difference
Power Supply Service	\$0.1000	\$0.0852	(\$0.0148)
Transmission	\$0.0896	\$0.0784	(\$0.0112)
Fuel Adjustment & DSI	\$0.0000	\$0.0000	\$0.0000
TOTAL	\$0.1896	\$0.1636	(\$0.0260)
Jun-Sept			
Factor	Current	Proposed	Difference
Power Supply Service	\$0.1000	\$0.0852	(\$0.0148)
Transmission	\$0.0896	\$0.0784	(\$0.0112)
Fuel Adjustment & DSI	\$0.0100	\$0.0000	(\$0.0100)
TOTAL	\$0.1996	\$0.1636	(\$0.0360)

POST COVID ADJUSTMENTS (SUMMARY ON FOLLOWING PAGE)

Our over-collections totaled \$226,643.

We are proposing to retain \$200,000 to be placed in a restricted reserve account. This is consistent with PASCOAG's reserve.

We are also proposing to retire the DSI charge now instead of waiting until after 2022.

Consistent with past BOD decisions, we are proposing to return \$26,643 in the form of a reduction in 2021.

The summary from Schedule DGB-4 is shown below.

	April 2021 Reconciliation Over/(Under) Collection	Amount requested to be held back in Reserve	Over/(Under) Collection net of reserve
Power Supply Service - Only	\$ 81,566	\$ 75,000	\$ 6,566
Transmission Charges - Only	<u>\$ 145,077</u>	<u>\$ 125,000</u>	<u>\$ 20,077</u>
	<u>\$ 226,643</u>	<u>\$ 200,000</u>	<u>\$ 26,643</u>

**Power Supply Service & Transmission Cost
Rate Calculation
Block Island Power Company**

Schedule DGB-1

Docket No. 4690
Twelve month Recalculation for
Rates Effective May 1, 2021

Power Supply Service

Total Energy Costs	523,975	See Attachment-1
Total Capacity/Other Costs	564,890	See Attachment-1
Total Other Costs	45,542	See Attachment-2
Less Over Collections		
April 2020 Reconciliation estimates to actual variance	15,756	See Attachment-5
April 2021 Reconciliation (net of Reserve request)	6,566	See Schedule DGB-4
Subtotal	1,112,086	
Subtotal to recover (No Gross Receipts Tax)	1,112,086	
Estimated Sales (MWH) to Customers	13,053	See Schedule DGB-2
Cost per MWH	\$ 85.20	
Cost per KWH	\$ 0.0852	

Transmission Charges

Transmission costs	1,041,346	See Attachment-1
Less Over Collections		
April 2020 Reconciliation estimates to actual variance	(2,741)	See Attachment-5
April 2021 Reconciliation (net of Reserve request)	20,077	See Schedule DGB-4
Subtotal	1,024,010	
Subtotal to recover (No Gross Receipts Tax)	1,024,010	
Estimated Sales (MWH) to Customers	13,053	See Schedule DGB-2
Cost per MWH	\$ 78.45	
Cost per KWH	\$ 0.0784	
<u>Total</u>		
Cost per MWH	\$ 163.64	
Cost per KWH	\$ 0.1636	

**Estimated Sales (KWH) to All Customers
Block Island Power Company**

Schedule DGB-2

Docket No. 4690
Twelve month Recalculation for
Rates Effective May 1, 2021

Estimated Sales (Three year average by month)

(A)	(B)	(C)	(A+B+C)/3	
1,003,412	917,814	717,926	879,717	May-21
1,340,227	1,239,142	1,169,207	1,249,525	Jun-21
1,946,415	2,122,121	2,092,246	2,053,594	Jul-21
2,213,768	2,076,264	2,180,015	2,156,682	Aug-21
1,384,158	1,318,244	1,362,964	1,355,122	Sep-21
889,859	866,772	927,514	894,715	Oct-21
746,062	713,995	752,681	737,579	Nov-21
761,699	827,218	846,344	811,754	Dec-21
802,335	699,609	878,879	793,608	Jan-22
706,711	664,244	839,233	736,729	Feb-22
706,929	700,625	732,153	713,236	Mar-22
658,434	662,419	692,228	671,027	Apr-22
<u>13,160,009</u>	<u>12,808,467</u>	<u>13,191,390</u>	<u>13,053,289</u>	

12 month estimated KWH Sales for Rate period

13,053,289

1.1694

(A) See Attachment-4

(B) See Attachment-4

(C) See Attachment-4

Forecast Cumulative Over/(Under) Collection-Total
Block Island Power Company

Schedule DGB-3
Page 1 of 2

Docket No. 4690
Twelve month Recalculation for
Rates Effective May 1, 2021

	Starting Balance	Revenue	Expense	Monthly Change	Cumulative
May-19	\$ 239,658	\$ 143,961	\$ 173,117	\$ (29,156)	\$ 210,502
Jun-19	\$ 210,502	\$ 204,478	\$ 197,580	\$ 6,897	\$ 217,400
Jul-19	\$ 217,400	\$ 336,059	\$ 253,677	\$ 82,382	\$ 299,782
Aug-19	\$ 299,782	\$ 352,929	\$ 258,434	\$ 94,494	\$ 394,276
Sep-19	\$ 394,276	\$ 221,758	\$ 204,606	\$ 17,152	\$ 411,428
Oct-19	\$ 411,428	\$ 146,415	\$ 160,313	\$ (13,898)	\$ 397,529
Nov-19	\$ 397,529	\$ 120,701	\$ 154,837	\$ (34,137)	\$ 363,393
Dec-19	\$ 363,393	\$ 132,839	\$ 157,557	\$ (24,718)	\$ 338,675
Jan-20	\$ 338,675	\$ 129,869	\$ 164,354	\$ (34,485)	\$ 304,190
Feb-20	\$ 304,190	\$ 120,562	\$ 150,532	\$ (29,970)	\$ 274,219
Mar-20	\$ 274,219	\$ 116,717	\$ 152,035	\$ (35,318)	\$ 238,902
Apr-20	\$ 238,902	\$ 109,810	\$ 148,711	\$ (38,902)	\$ 200,000
Period Cumulative Over/(Under) Collection				\$ (39,658)	

Power Supply Service - Only

	Starting Balance	Revenue	Expense	Monthly Change	Cumulative
May-19	\$ 97,322 A	\$ 74,948	\$ 93,135	\$ (18,187)	\$ 79,135
Jun-19	\$ 79,135	\$ 106,454	\$ 98,957	\$ 7,497	\$ 86,632
Jul-19	\$ 86,632	\$ 174,958	\$ 141,275	\$ 33,683	\$ 120,315
Aug-19	\$ 120,315	\$ 183,740	\$ 146,615	\$ 37,126	\$ 157,440
Sep-19	\$ 157,440	\$ 115,451	\$ 102,731	\$ 12,720	\$ 170,161
Oct-19	\$ 170,161	\$ 76,226	\$ 80,862	\$ (4,636)	\$ 165,524
Nov-19	\$ 165,524	\$ 62,839	\$ 78,598	\$ (15,759)	\$ 149,765
Dec-19	\$ 149,765	\$ 69,158	\$ 79,506	\$ (10,348)	\$ 139,417
Jan-20	\$ 139,417	\$ 67,612	\$ 84,789	\$ (17,177)	\$ 122,241
Feb-20	\$ 122,241	\$ 62,766	\$ 74,648	\$ (11,882)	\$ 110,359
Mar-20	\$ 110,359	\$ 60,765	\$ 77,520	\$ (16,755)	\$ 93,603
Apr-20	\$ 93,603	\$ 57,169	\$ 75,772	\$ (18,603)	\$ 75,000
Period Cumulative Over/(Under) Collection				\$ (22,322)	

				(Attachment - 1)		(Attachment -2)			
	Forecast KWH (Sch DGB-2)	Standard Offer Rate (Sch DGB-1)	Standard Offer Revenue	Total Energy Costs	Total Capacity/ Other Costs	Total Other Costs	Gross Receipts Tax	Total Expense	
May-19	879,717	\$ 0.0852	\$ 74,948	\$ 35,894	\$ 53,990	\$ 3,251	\$ -	\$ 93,135	
Jun-19	1,249,525	\$ 0.0852	\$ 106,454	\$ 47,447	\$ 47,194	\$ 4,316	\$ -	\$ 98,957	
Jul-19	2,053,594	\$ 0.0852	\$ 174,958	\$ 81,411	\$ 52,659	\$ 7,205	\$ -	\$ 141,275	
Aug-19	2,156,682	\$ 0.0852	\$ 183,740	\$ 85,541	\$ 53,434	\$ 7,639	\$ -	\$ 146,615	
Sep-19	1,355,122	\$ 0.0852	\$ 115,451	\$ 50,423	\$ 47,716	\$ 4,592	\$ -	\$ 102,731	
Oct-19	894,715	\$ 0.0852	\$ 76,226	\$ 32,972	\$ 44,832	\$ 3,058	\$ -	\$ 80,862	
Nov-19	737,579	\$ 0.0852	\$ 62,839	\$ 31,872	\$ 44,068	\$ 2,658	\$ -	\$ 78,598	
Dec-19	811,754	\$ 0.0852	\$ 69,158	\$ 32,817	\$ 44,045	\$ 2,643	\$ -	\$ 79,506	
Jan-20	793,608	\$ 0.0852	\$ 67,612	\$ 36,731	\$ 45,210	\$ 2,848	\$ -	\$ 84,789	
Feb-20	736,729	\$ 0.0852	\$ 62,766	\$ 28,719	\$ 43,631	\$ 2,298	\$ -	\$ 74,648	
Mar-20	713,236	\$ 0.0852	\$ 60,765	\$ 30,835	\$ 44,131	\$ 2,555	\$ -	\$ 77,520	
Apr-20	671,027	\$ 0.0852	\$ 57,169	\$ 29,312	\$ 43,981	\$ 2,479	\$ -	\$ 75,772	
	13,053,289		\$ 1,112,086						\$ 1,134,408

A Starting Balance obtained from Schedule DGB-4 and Attachment 5

Power Supply Service	
See Schedule DGB-4	\$ 81,566 (Shown whole with reserve)
See Attachment-5	\$ 15,756
	<u>\$ 97,322</u>

Forecast Cumulative Over/(Under) Collection-Total
Block Island Power Company

Schedule DGB-3
Page 2 of 2

Docket No. 4690
Twelve month Recalculation for
Rates Effective May 1, 2021

Transmission Charges - Only

	Starting Balance	Revenue	Expense	Monthly Change	Cumulative
May-19	\$ 142,336 A	\$ 69,012	\$ 79,981	\$ (10,969)	\$ 131,367
Jun-19	\$ 131,367	\$ 98,023	\$ 98,623	\$ (600)	\$ 130,768
Jul-19	\$ 130,768	\$ 161,101	\$ 112,402	\$ 48,699	\$ 179,467
Aug-19	\$ 179,467	\$ 169,188	\$ 111,820	\$ 57,369	\$ 236,836
Sep-19	\$ 236,836	\$ 106,307	\$ 101,876	\$ 4,431	\$ 241,267
Oct-19	\$ 241,267	\$ 70,189	\$ 79,451	\$ (9,262)	\$ 232,005
Nov-19	\$ 232,005	\$ 57,862	\$ 76,239	\$ (18,377)	\$ 213,628
Dec-19	\$ 213,628	\$ 63,681	\$ 78,051	\$ (14,370)	\$ 199,258
Jan-20	\$ 199,258	\$ 62,257	\$ 79,566	\$ (17,308)	\$ 181,949
Feb-20	\$ 181,949	\$ 57,795	\$ 75,884	\$ (18,089)	\$ 163,861
Mar-20	\$ 163,861	\$ 55,952	\$ 74,515	\$ (18,563)	\$ 145,298
Apr-20	\$ 145,298	\$ 52,641	\$ 72,939	\$ (20,298)	\$ 125,000
Period Cumulative Over/(Under) Collection					\$ (17,336)

(Attachment -1)

	Forecast KWH (Sch DGB-2)	Transmission Charge Rate (Sch DGB-1)	Transmission Charge Revenue	Total Energy Costs	Gross Receipts Tax	Total Expense
May-19	879,717	\$ 0.0784	\$ 69,012	\$ 79,981	\$ -	\$ 79,981
Jun-19	1,249,525	\$ 0.0784	\$ 98,023	\$ 98,623	\$ -	\$ 98,623
Jul-19	2,053,594	\$ 0.0784	\$ 161,101	\$ 112,402	\$ -	\$ 112,402
Aug-19	2,156,682	\$ 0.0784	\$ 169,188	\$ 111,820	\$ -	\$ 111,820
Sep-19	1,355,122	\$ 0.0784	\$ 106,307	\$ 101,876	\$ -	\$ 101,876
Oct-19	894,715	\$ 0.0784	\$ 70,189	\$ 79,451	\$ -	\$ 79,451
Nov-19	737,579	\$ 0.0784	\$ 57,862	\$ 76,239	\$ -	\$ 76,239
Dec-19	811,754	\$ 0.0784	\$ 63,681	\$ 78,051	\$ -	\$ 78,051
Jan-20	793,608	\$ 0.0784	\$ 62,257	\$ 79,566	\$ -	\$ 79,566
Feb-20	736,729	\$ 0.0784	\$ 57,795	\$ 75,884	\$ -	\$ 75,884
Mar-20	713,236	\$ 0.0784	\$ 55,952	\$ 74,515	\$ -	\$ 74,515
Apr-20	671,027	\$ 0.0784	\$ 52,641	\$ 72,939	\$ -	\$ 72,939
	<u>13,053,289</u>		<u>\$ 1,024,010</u>			<u>\$ 1,041,346</u>

A Starting Balance obtained from Schedule DGB-4 and Attachment 5

	Transmission Costs	
See Schedule DGB-4	\$ 145,077	(Shown whole with reserve)
See Attachment-5	\$ (2,741)	
	<u>\$ 142,336</u>	

Reconciliation of
Actual Revenue Generated from Prior Approved Rate vs
Actual Costs Collection-Total
BIPCo

Schedule DGB-4
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12 month Recalc. for
Rates Effective May 1, 2021

	April 2021 Reconciliation Over/(Under) Collection	Amount requested to be held back in Reserve	Over/(Under) Collection net of reserve
Power Supply Service - Only	\$ 81,566	\$ 75,000	\$ 6,566
Transmission Charges - Only	\$ 145,077	\$ 125,000	\$ 20,077
	<u>\$ 226,643</u>	<u>\$ 200,000</u>	<u>\$ 26,643</u>

Reconciliation of
Actual Revenue Generated from Prior Approved Rate vs
Actual Costs Collection-Total
BIPCo

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POWER SUPPLY SERVICE - Only

	Starting Balance	Revenue	Expense	Monthly Change	Cumulative
May-20	\$ (25,786)	\$ 69,782	\$ 79,673	\$ (9,891)	\$ (35,677)
Jun-20	\$ (35,677)	\$ 106,866	\$ 99,542	\$ 7,324	\$ (28,353)
Jul-20	\$ (28,353)	\$ 209,225	\$ 142,054	\$ 67,171	\$ 38,818
Aug-20	\$ 38,818	\$ 218,002	\$ 144,420	\$ 73,581	\$ 112,399
Sep-20	\$ 112,399	\$ 136,296	\$ 111,140	\$ 25,156	\$ 137,555
Oct-20	\$ 137,555	\$ 92,751	\$ 92,581	\$ 170	\$ 137,725
Nov-20	\$ 137,725	\$ 75,268	\$ 85,381	\$ (10,113)	\$ 127,612
Dec-20	\$ 127,612	\$ 84,634	\$ 85,899	\$ (1,264)	\$ 126,348
Jan-21	\$ 126,348	\$ 87,888	\$ 88,071	\$ (184)	\$ 126,164
Feb-21	\$ 126,164	\$ 83,923	\$ 85,602	\$ (1,679)	\$ 124,485
Mar-21 Est	\$ 124,485	\$ 73,215	\$ 94,887	\$ (21,672)	\$ 102,813
Apr-21 Est	\$ 102,813	\$ 69,223	\$ 90,469	\$ (21,247)	\$ 81,566
Period Cumulative Over/(Under) Collection				\$ 107,352	

April 2020 Reconciliation Over/(Under) Collection \$ (25,786) (12 Month Recon. 04/20)
Current Reconciliation Cumulative Over/(Under) Collection \$ 107,352
April 2021 Reconciliation Over/(Under) Collection **\$ 81,566**

				Attachment - 7		Attachment-8		
				Total				
	Actual KWH (Attachment-4)	Standard Offer Rate (A)	Standard Offer Revenue	Total Energy Costs	Capacity/ Other Costs	Total Other Costs	Gross Receipts Tax	Total Expense
May-20	717,926	\$ 0.0972	\$ 69,782	\$ 28,488	\$ 47,872	\$ 3,314		\$ 79,673
Jun-20	1,169,207	\$ 0.0914	\$ 106,866	\$ 44,589	\$ 50,554	\$ 4,399		\$ 99,542
Jul-20	2,092,246	\$ 0.1000	\$ 209,225	\$ 77,556	\$ 57,157	\$ 7,341		\$ 142,054
Aug-20	2,180,015	\$ 0.1000	\$ 218,002	\$ 76,292	\$ 60,346	\$ 7,782		\$ 144,420
Sep-20	1,362,964	\$ 0.1000	\$ 136,296	\$ 50,204	\$ 56,258	\$ 4,678		\$ 111,140
Oct-20	927,514	\$ 0.1000	\$ 92,751	\$ 34,044	\$ 55,421	\$ 3,116		\$ 92,581
Nov-20	752,681	\$ 0.1000	\$ 75,268	\$ 29,152	\$ 53,521	\$ 2,709		\$ 85,381
Dec-20	846,344	\$ 0.1000	\$ 84,634	\$ 31,918	\$ 51,288	\$ 2,693		\$ 85,899
Jan-21	878,879	\$ 0.1000	\$ 87,888	\$ 32,504	\$ 52,665	\$ 2,903		\$ 88,071
Feb-21	839,233	\$ 0.1000	\$ 83,923	\$ 32,445	\$ 50,817	\$ 2,341		\$ 85,602
Mar-21 Est	732,153	\$ 0.1000	\$ 73,215	\$ 37,722	\$ 54,563	\$ 2,602		\$ 94,887
Apr-21 Est	692,228	\$ 0.1000	\$ 69,223	\$ 36,661	\$ 51,282	\$ 2,526		\$ 90,469
	<u>13,191,390</u>		<u>\$ 1,307,074</u>					<u>\$ 1,199,721</u>

- (A) May 20 - Rates approved and effective 5-1-19 (Twelve Month Recon. 4/19) Recon 4/20 had rate go into effect June 1 to coincide with General Rate Filing
June 20 - Rates approved and effective 6-1-20 (Twelve Month Recon. 4/20)
July 20 thru April 2021 - Rates approved and effective 7-1-20 (Reopening of Recon. 4/20 due to COVID impact)

Reconciliation of
Actual Revenue Generated from Prior Approved Rate vs
Actual Costs Collection-Total
BIPCo

Schedule DGB-4
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Transmission Charges - Only

	Starting Balance	Revenue	Expense	Monthly Change	Cumulative
May-20	\$ (11,711)	\$ 50,255	\$ 73,100	\$ (22,846)	\$ (34,557)
Jun-20	\$ (34,557)	\$ 89,094	\$ 92,148	\$ (3,054)	\$ (37,611)
Jul-20	\$ (37,611)	\$ 187,465	\$ 103,381	\$ 84,085	\$ 46,474
Aug-20	\$ 46,474	\$ 195,329	\$ 98,919	\$ 96,411	\$ 142,885
Sep-20	\$ 142,885	\$ 122,122	\$ 84,887	\$ 37,235	\$ 180,120
Oct-20	\$ 180,120	\$ 83,105	\$ 73,846	\$ 9,259	\$ 189,379
Nov-20	\$ 189,379	\$ 67,440	\$ 75,992	\$ (8,551)	\$ 180,828
Dec-20	\$ 180,828	\$ 75,832	\$ 74,907	\$ 925	\$ 181,753
Jan-21	\$ 181,753	\$ 78,748	\$ 81,535	\$ (2,787)	\$ 178,966
Feb-21	\$ 178,966	\$ 75,195	\$ 78,368	\$ (3,173)	\$ 175,793
Mar-21 Est	\$ 175,793	\$ 65,601	\$ 79,170	\$ (13,569)	\$ 162,224
Apr-21 Est	\$ 162,224	\$ 62,024	\$ 79,170	\$ (17,147)	\$ 145,077
Period Cumulative Over/(Under) Collection				\$ 156,788	

April 2020 Reconciliation Over/(Under) Collection \$ (11,711) (12 Month Recon. 04/20)
Current Reconciliation Cumulative Over/(Under) Collection \$ 156,788
April 2021 Reconciliation Over/(Under) Collection \$ **145,077**

Attachment-7

	Actual KWH (Attachment-4)	Transmission Charge Rate (A)	Transmission Charge Revenue	Total Energy Costs	Gross Receipts Tax	Total Expense
May-20	717,926	\$ 0.0700	\$ 50,255	\$ 73,100		\$ 73,100
Jun-20	1,169,207	\$ 0.0762	\$ 89,094	\$ 92,148		\$ 92,148
Jul-20	2,092,246	\$ 0.0896	\$ 187,465	\$ 103,381		\$ 103,381
Aug-20	2,180,015	\$ 0.0896	\$ 195,329	\$ 98,919		\$ 98,919
Sep-20	1,362,964	\$ 0.0896	\$ 122,122	\$ 84,887		\$ 84,887
Oct-20	927,514	\$ 0.0896	\$ 83,105	\$ 73,846		\$ 73,846
Nov-20	752,681	\$ 0.0896	\$ 67,440	\$ 75,992		\$ 75,992
Dec-20	846,344	\$ 0.0896	\$ 75,832	\$ 74,907		\$ 74,907
Jan-21	878,879	\$ 0.0896	\$ 78,748	\$ 81,535		\$ 81,535
Feb-21	839,233	\$ 0.0896	\$ 75,195	\$ 78,368		\$ 78,368
Mar-21 Est	732,153	\$ 0.0896	\$ 65,601	\$ 79,170		\$ 79,170
Apr-21 Est	692,228	\$ 0.0896	\$ 62,024	\$ 79,170		\$ 79,170
	<u>13,191,390</u>		<u>\$ 1,152,210</u>			<u>\$ 995,422</u>

- (A) May 20 - Rates approved and effective 5-1-19 (Twelve Month Recon. 4/19) Recon 4/20 had rate go into effect June 1 to coincide with General Rate Filing
June 20 - Rates approved and effective 6-1-20 (Twelve Month Recon. 4/20)
July 20 thru April 2021 - Rates approved and effective 7-1-20 (Reopening of Recon. 4/20 due to COVID impact)

Forecast Purchase Power Costs Block Island Power Company

Attachment 1

Docket No. 4690
Twelve month Recalculation for
Rates Effective May 1, 2021

Purchase Power Projections

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	Totals
Load (Energy Purchased)	1,090	1,447	2,415	2,560	1,539	1,025	891	886	955	770	856	831	15,264 *
MWH													
Bilateral Purchase	981	1,302	2,177	2,301	1,385	924	677	674	564	454	505	490	12,433
NYPA Purchase	127	136	146	155	144	133	125	120	137	131	139	148	1,640
BIUD Solar (Project)	12	9	15	12	9	8	5	4	4	6	9	10	102
Cabot/Tuners	-	-	-	-	-	-	-	-	134	106	145	167	553
ISO Adjusted net Interchange	(29)	(0)	78	93	0	(39)	84	88	116	72	58	16	537
Total Net Purches MWH	1,090	1,447	2,415	2,560	1,539	1,025	891	886	955	770	856	831	15,264
Energy Costs	See Attachment-3												
Shell	34.85	34.85	34.85	34.85	34.85	34.85	40.23	40.23	40.23	40.23	40.23	40.23	
py BIUD SO rate	167.25	167.25	167.25	167.25	167.25	167.25	167.25	167.25	167.25	167.25	167.25	167.25	
Bilateral Purchase	\$ 34,175	\$ 45,370	\$ 75,854	\$ 80,179	\$ 48,277	\$ 32,189	\$ 27,224	\$ 27,099	\$ 22,691	\$ 18,279	\$ 20,323	\$ 19,712	\$ 451,372
NYPA Purchase	\$ 622	\$ 668	\$ 717	\$ 761	\$ 711	\$ 655	\$ 617	\$ 589	\$ 673	\$ 646	\$ 682	\$ 726	\$ 8,067
BIUD Solar (Project)	\$ 1,924	\$ 1,547	\$ 2,439	\$ 1,956	\$ 1,565	\$ 1,263	\$ 861	\$ 694	\$ 635	\$ 1,047	\$ 1,458	\$ 1,668	\$ 17,057
Cabot/Tuners	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,762	\$ 4,563	\$ 6,184	\$ 7,020	\$ 23,529
ISO Net Position	\$ (828)	\$ (138)	\$ 2,402	\$ 2,645	\$ (130)	\$ (1,135)	\$ 3,170	\$ 4,435	\$ 6,972	\$ 4,184	\$ 2,189	\$ 185	\$ 23,951
Total Energy Costs	\$ 35,894	\$ 47,447	\$ 81,411	\$ 85,541	\$ 50,423	\$ 32,972	\$ 31,872	\$ 32,817	\$ 36,731	\$ 28,719	\$ 30,835	\$ 29,312	\$ 523,975
Capacity/Other Costs													
ISO FCM Charges net of													
NYPA CAP credit	\$ 42,742	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 33,940	\$ 416,077
NYPA Fixed Costs	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 1,222	\$ 14,663
ISO Ancillary/Schedule													
Charges	\$ 3,947	\$ 5,240	\$ 8,761	\$ 9,260	\$ 5,576	\$ 3,718	\$ 3,225	\$ 3,211	\$ 3,636	\$ 2,929	\$ 3,257	\$ 3,159	\$ 55,919
ISO Annual Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ 500
Projected ENE Fees	\$ 6,079	\$ 6,793	\$ 8,737	\$ 9,013	\$ 6,978	\$ 5,953	\$ 5,681	\$ 5,673	\$ 5,912	\$ 5,540	\$ 5,712	\$ 5,661	\$ 77,732
Total Capacity/Other Costs	\$ 53,990	\$ 47,194	\$ 52,659	\$ 53,434	\$ 47,716	\$ 44,832	\$ 44,068	\$ 44,045	\$ 45,210	\$ 43,631	\$ 44,131	\$ 43,981	\$ 564,890
Transmission Costs													
ISO Transmission Charges	\$ 24,623	\$ 42,711	\$ 56,694	\$ 56,764	\$ 46,706	\$ 24,088	\$ 20,633	\$ 22,102	\$ 21,902	\$ 18,801	\$ 18,954	\$ 17,096	\$ 371,074
NYPA Transmission Costs	\$ 1,513	\$ 2,066	\$ 1,863	\$ 1,210	\$ 1,324	\$ 1,518	\$ 1,761	\$ 2,104	\$ 3,818	\$ 3,237	\$ 1,715	\$ 1,997	\$ 24,126
National Grid Connection													
DAF Charges	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 28,178	\$ 338,136
National Grid Cable													
Surcharges	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 4,250	\$ 51,000
National Grid Transformer													
Surcharges	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 24,000
National Grid Meter													
Surcharge	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 775
National Grid Rolled in													
Distribution	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 14,078	\$ 168,936
National Grid PTF, Non-PTF													
and Load Dispatch Charges	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 5,275	\$ 63,300
Total Transmission Costs	\$ 79,981	\$ 98,623	\$ 112,402	\$ 111,820	\$ 101,876	\$ 79,451	\$ 76,239	\$ 78,051	\$ 79,566	\$ 75,884	\$ 74,515	\$ 72,939	\$ 1,041,346
Total All-In Costs	\$ 169,866	\$ 193,264	\$ 246,472	\$ 250,795	\$ 200,014	\$ 157,255	\$ 152,179	\$ 154,913	\$ 161,507	\$ 148,234	\$ 149,480	\$ 146,232	\$ 2,130,211

* This line item represents the Purchased KWH.

The difference between this line item and the estimated kwh sales on DGB-2 represents the estimated KWH line losses.

Power Supply Service & Transmission
Cost Rate Impact
Block Island Power Company

Supplemental

Jan-May & Oct-Dec

Factor	Current	Proposed	Difference
Power Supply Service	\$0.1000	\$0.0852	(\$0.0148)
Transmission	\$0.0896	\$0.0784	(\$0.0112)
Fuel Adjustment	\$0.0000	\$0.0000	\$0.0000
TOTAL	\$0.1896	\$0.1636	(\$0.0260)

Jun-Sept

Factor	Current	Proposed	Difference
Power Supply Service	\$0.1000	\$0.0852	(\$0.0148)
Transmission	\$0.0896	\$0.0784	(\$0.0112)
Fuel Adjustment	\$0.0100	\$0.0000	(\$0.0100)
TOTAL	\$0.1996	\$0.1636	(\$0.0360)

	Peak	Shoulder	Off Peak
Current			
Customer	\$ 10.00	\$ 10.00	\$ 10.00
Electric	\$ 142.50	\$ 71.25	\$ 44.75
Power	\$ 99.80	\$ 94.80	\$ 94.80
	<u>\$ 252.30</u>	<u>\$ 176.05</u>	<u>\$ 149.55</u>
Proposed			
Customer	\$ 10.00	\$ 10.00	\$ 10.00
Electric	\$ 142.50	\$ 71.25	\$ 44.75
Power	\$ 81.82	\$ 81.82	\$ 81.82
	<u>\$ 234.32</u>	<u>\$ 163.07</u>	<u>\$ 136.57</u>
	\$ (17.98)	\$ (12.98)	\$ (12.98)

AGENDA ITEM 9
REVIEW AND ACT UPON EFFICICNEY PLAN FILING

Block Island
Utility District
dba
*Block Island
Power Company*



Demand Side Management 2021 Plan Docket #4975

Block Island Utility District
100 Ocean Avenue
Block Island
New Shoreham, RI 02807
(401) 466-5851

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Block Island Utility District — 2021 Demand Side Management Plan

1. Introduction and Background

Demand side management (DSM) is important because it can provide benefits to both customers as well as the electric grid. The Block Island Utility District (BIUD, the District) is seeking to continue to offer a DSM program to provide its 1,900 customers access to energy efficiency programs that will benefit them and improve the service and reliability of the island's electric grid. A DSM program provides access and incentives for measures that allow customers to optimize their energy usage and reduce their utility bills. Reducing energy usage, particularly during peak seasons or times of day, can also have substantial benefits such as reduced grid maintenance and capital expenditures, reduced peak charges for customers, and greater service reliability.

Block Island is a unique community because of its geographic separation from the mainland and its variable, tourist-driven seasonal usage profile. The community of New Shoreham and the grid that serves it needs to be flexible enough to handle the increased summer population, as well as reliable and resilient enough to provide service to the year-round residents and businesses, even in the face of harsh winter conditions.

Given Block Island's unique size, location, and seasonal usage spike, demand management is especially important for this community and aligns with many of BIUD's goals outlined in the approved rate case filing (Docket #4975). Specifically, through the implementation of this proposed DSM plan, BIUD aims to empower its customers to make choices that help control their energy usage, reduce energy burden on customers, improve resource allocation, and encourage the adoption of innovative new technologies that maximize the benefits of Block Island's smart meters. By supporting the filing of this proposed DSM plan, the BIUD Board seeks to deliver energy efficiency program benefits to all BIUD customers.

After an initial planning period, the 2020 program (PY2020) officially launched in November 2020. As of March 2021, the program completed 13 home audits, including direct installations of energy-savings measures in 11 homes. These direct installations accounted for a total of annual savings of more than 8,000 kWh. Of the audits performed, 12 were conducted in person and one was conducted virtually via video conference application. To date, BIUD has not received any applications for energy efficient equipment or weatherization incentives in PY2020 nor conducted any business audits or direct installations. Our program was launched in November, during the island's off-season period in which many businesses are closed as well as during the COVID-19 pandemic, which also affected business operations. However, we are confident that our assumptions will lead to a robust rollout in this program year as businesses are likely to return to their typical summer operations.

The 2020 program and proposed 2021 DSM plan for the Block Island Utility District built on prior energy efficiency work conducted in New Shoreham through the *Block Island Saves* pilot program. The *Block Island Saves* program ran from 2015-2017 and was administered and funded solely by the Rhode Island Office of Energy Resources. This proposed 2021 DSM plan incorporates findings from that pilot and continues several elements, such as the no-cost assessments with direct install measures and incentives for weatherization. Based on the interest and adoption of those measures during the pilot the following proposed DSM programs include those same elements as a foundation for 2020 and 2021. The 2020 program and proposed 2021 plan also seek to prepare New Shoreham

residents for the changing energy landscape by promoting the installation of newer, highly efficient heat pump equipment, heat pump water heaters, programmable thermostats, and weatherization measures.

In combination with the recently adopted rate structure, the District feels that the adoption of heat pumps for heating and cooling needs will be an attractive option for customers that provides significant energy and cost savings. Heat pump technology is an important tool in helping BIUD smooth out the current load curve, minimize increasing summer demand caused by a growing number of air conditioning installations, and can provide opportunities for customers to reduce their overall energy burden. In addition to aligning with the District's goals for its customers, offering incentives for heat pumps can also help Rhode Island to meet its Greenhouse Gas Emission goals while ensuring that New Shoreham residents and businesses receive the same, if not enhanced, opportunities for improved comfort and energy savings as other Rhode islanders.

Block Island Utility District respectfully requests that the Public Utilities Commission (PUC) approve this 2021 Demand Side Management plan and its associated use of ratepayer funds, in its entirety, as outlined next.

2. DSM Categories, Proposed Budget Allocation, Cost Recovery, and Estimated Benefits

The proposed budget for the Block Island DSM programs is broken into three major categories — Assessment and Installation; Inspection and Program Administration; and Customer Outreach.

In the Assessments & Installation category, BIUD would offer four programs: Residential energy assessments and weatherization; Residential HVAC and water heating; Business energy assessments, lighting, and weatherization; and Business HVAC and water heating. The distinction between Residential and Business programs will allow BIUD to track the distribution of costs and benefits within and between the two distinct customer segments. This budget category, overall, contains the full costs of energy assessments at homes and businesses, including the direct installation of measures such as LED lightbulbs, smart power strips, and low-flow showerheads, as well as rebates for additional measures such as weatherization and efficient HVAC equipment. As a result, the bulk of the proposed DSM budget exists within this category.

The Inspection and Program Administration category includes the cost of inspections for any residential weatherization and/or HVAC measures installed through the DSM programs, as well as any business direct install measures, weatherization, or other energy efficiency measures installed through the programs. It is important to verify the proper installation of high impact measures so customers will reap their full benefits. Further, to support insightful reporting to the Public Utilities Commission, inspection and verification is expected to enhance the accuracy of energy savings calculations, in addition to ensuring customer satisfaction and realization of expected energy savings. The District is committed to working with vendors and other partners to find ways to drive these costs down as much as is feasible in future program years, through more efficient program delivery, engaging more local service providers, or other ways that may present themselves as the programs mature.

The efficiency consultant assists the District in administering the DSM programs, managing the tracking and reporting of data, and making suggestions for future program development. This consultant also assists the District in developing a cost-effectiveness framework and evaluating program performance, consistent with Docket #4600 principles and directives.

Lastly, the Customer Outreach budget category covers the costs of promoting the DSM programs.

The proposed spending on program outreach will encourage BIUD customers to participate in the DSM programs, and will inform them on how to participate and what benefits can be expected.

Using the *Block Island Saves* results, the average BIUD customer saved 2.84 MWh of electricity, 2.46 MMBtu of oil, and 1.24 MMBtu of propane annually through that program.¹ Based on the estimated participation numbers for the proposed 2021 DSM plan, the District estimates that this plan could deliver approximate annual savings of 115 MWh of electricity, 100 MMBtu of oil, and 50 MMBtu of propane. Actual savings numbers depend on the exact measures installed by customers and the specific fuel types they utilize, among other factors, but this provides some scope as to the significant energy benefits BIUD customers can realize through this plan.

A. Proposed 2021 Budget Allocations

Table 2.1 Proposed 2021 DSM Plan Budget Allocations

Budget Category	Proposed Budget	Notes
<u><i>Assessment and Installation</i></u>		
Residential Assessments and Weatherization	\$51,425.00	Energy Assessments & Weatherization
Residential HVAC & Water Heating	\$5,675.00	Programmable Thermostats; Heat Pump Water Heaters; Heat Pump Heating & Cooling Systems; Weatherization Bonus
Business Assessments, Lighting, and Weatherization	\$27,600.00	Energy Assessments; Lighting Measures, and Weatherization
Business HVAC & Water Heating	\$4,900.00	Programmable Thermostats; Heat Pump Water Heaters; Heat Pump Heating & Cooling Systems
Total	\$89,600.00	
<u><i>Inspection and Program Administration</i></u>		
Inspection Services	\$8,100.00	Inspections for Residential Weatherization; Business Direct Install measures; Lighting, and Weatherization
Program Administration	\$19,840.00	Efficiency Consultant Services
Total	\$27,940.00	
<u><i>Customer Outreach</i></u>		
Total	\$2,000.00	Advertising in Local Publications, Bill Inserts, Online, and in Community Bulletin
<u><i>Rollover Funds</i></u>		
	\$40,000	Unspent budget from PY2020
Total Budget	\$159,540.00	

Recognizing the value and need for our DSM programs to be flexible and responsive to both changing societal conditions and shifts in customer demand, BIUD is proposing adjustments to how we can more ably and efficiently adjust our budget, if needed, during a program year. BIUD recognizes the Commission's authority in reviewing and approving the incentive levels and budgets for the DSM program each year and intends for these proposed modifications to increase program flexibility and customer outcomes without eroding that authority in any way.

¹ The 2021 plan is based on savings estimates from the *Block Island Saves* pilot, given the limited participation in PY2020. However, participation and savings achievement in PY2020 and the pilot appear to be consistent and comparable.

BIUD is proposing that budget transfers during the program year may occur as follows:

Transfers within a Sector:

For transfers of less than 20% of the originating program's budget, BIUD can transfer funds from one program to another program in the same sector.

For transfers of 20% or more of the originating program's budget, BIUD can transfer funds from one program to another program in the same sector with the Division's prior approval. Upon seeking the Division's approval, the Company shall simultaneously notify OER.

For all transfers in a sector, BIUD will reflect changes in any applicable report (mid-year or year-end) following the transfer.

For any transfers involving Regional Greenhouse Gas Inventory (RGGI) funds, BIUD may do so within the above limits and with prior written approval from the Office of Energy Resources (OER).

Transfers between Sectors:

BIUD can transfer funds from one sector to another sector with the Division's prior approval. Upon seeking the Division's approval, the Company shall simultaneously notify OER. If a transfer reduces the originating sector's budget by more than 20% in aggregate over the course of the program year, the transfer will also require PUC approval.

For all transfers between sectors, BIUD will reflect changes in any applicable report (mid-year or year-end) following the transfer.

For any transfers involving Regional Greenhouse Gas Inventory (RGGI) funds, BIUD may do so within the above limits and with prior written approval from the Office of Energy Resources (OER).

B. Cost Recovery and Other Funding Sources

BIUD, in Docket #4975, was approved for a new rate design with implications for the demand side management plan and its budget. In that rate case, BIUD proposed a three-tier rate structure with peak, shoulder, and off-peak rates for all customer classes as well as an efficiency surcharge.

Through the recently approved rate case, BIUD estimates it will generate approximate revenues of \$60,000 from the efficiency surcharge during the calendar year, which will support DSM program implementation in 2021. The breakdown of efficiency surcharge collection provided in Docket # 4975 remains unchanged and estimates collections as follows: \$24,000 from residential customers; \$6,000 from business customers; and \$30,000 from the general service rate, which comprises larger residential users as well as some business customers. The Office of Energy Resources (OER) remains committed to supporting the BIUD DSM program with Regional Greenhouse Gas Initiative (RGGI) proceeds. In order to support continued growth and responsible program scaling over time, OER and BIUD have agreed to modify their agreement, such that OER will provide \$60,000 of RGGI support in 2023 rather than in 2021 as originally outlined. This decision was made to better balance the short-term funding needs of the program against its expected growth over time, allowing a more reasonable and appropriate budget for the 2021 program year and reserving funds for a future year when expected program growth will be able to make better use of those dollars to support the DSM program and supplement ratepayer collections.

C. Rollover Funding

BIUD faced several unexpected challenges that negatively affected overall program participation in PY2020. These included:

- Program launch was delayed until mid-November due to the selection and review process for hiring the implementation and planning consultants;
- The program year was shortened from 12 months to 11 to better align with the Summer Rate Schedule;
- The program launch occurred in the Winter months, which prevented many contractors from performing energy audits; and
- The COVID-19 pandemic shut down Island businesses which delayed energy audits for commercial buildings.

Since program operations were curtailed in PY2020, there is now a surplus of \$40,000. BIUD has established a new budget line item, “Rollover Funds,” and these funds will be deployed throughout PY2021 to increase program participation in several ways. These strategies may include: increasing the incentive level to complete weatherization projects; increasing rebate or incentive levels to encourage program participation; or provide contractor bonuses to encourage them to install the rebated measures for BIUD customers. BIUD will identify and implement those approaches that are most likely to increase overall program participation and create a project pipeline for subsequent program years.

3. Detailed Program Descriptions

A. Residential Offerings:

Refer to Table 2.1 for *full program budget*; residential subsection reproduced below.

Table 3. 1 Assessment and Installation Category — Residential Programs

Program	Proposed Budget	Estimated Quantities & Notes
Residential Assessments and Weatherization	\$51,425.00	45 Energy Assessments & 8 Weatherization
Residential HVAC	\$5,675.00	45 Programmable Thermostats; 6 Heat Pump Water Heaters; 3 Heat Pump Heating & Cooling Systems; 2 Weatherization Bonus

i. Home Energy Assessments

Residential energy assessments with no-cost direct install measures are critical for households to reduce energy use, lower their energy costs, and identify opportunities for additional, deeper savings. The home energy assessment is a focal point of the proposed DSM plan as it allows for the comprehensive evaluation of the residential building stock, direct installation of energy saving measures (e.g., LED light bulbs, smart power strips) and the opportunity to identify deeper savings opportunities such as weatherization or HVAC equipment upgrades. Assessments often serve as the initial contact point for customers and what the District hopes is the start of an ongoing, beneficial relationship with the customer as they become more aware of their energy use and seek to make continual energy improvements to their home.

Each home energy assessment, conducted by a BPI-certified energy assessor, will include a whole-home evaluation and a number of direct install measures (outlined in the following section) that the assessor will install during the visit. At the conclusion of the assessment, the customer will receive a

home energy action plan outlining additional energy savings measures they can implement, the estimated costs, and BIUD incentives associated with those measures, as well as information and tips on how to better manage their energy use and reduce costs. These comprehensive assessments are provided to the customer free of charge and are open to all residential BIUD customers.

ii. Direct Install Measures

As part of the Home Energy Assessments, each energy assessor will install a number of energy saving measures in each home, as needed, at no cost to the customer. The proposed 2021 DSM plan proposes the following direct install measures:

Table 3. 2 Proposed Direct Install Measures and Incentives

Measure	Estimated Quantities	Incentive Level	Notes
LED Lightbulbs	540	Free	No limit; expect 12 per assessment
Smart Power Strips	90	Free	Maximum of 2 per assessment
Low-Flow Showerheads	45	Free	Expect 1 per assessment
Aerator Faucets	68	Free	Expect 1.5 per assessment

LED Lightbulbs — installed in place of existing incandescent or CFL bulbs throughout the home; any number of bulbs can be replaced during the assessment.

Smart Power Strips — up to two (2) smart power strips that help reduce electricity usage of devices that would otherwise be constantly using electricity.

Faucets and Showerheads — Low-flow showerheads and aerator faucets that help reduce water and energy usage; any number can be installed throughout the home during the assessment.

These low-cost measures are proven energy saving devices that provide immediate benefits to customers who have a home energy assessment completed.

iii. Weatherization Measures

One of the outcomes BIUD expects to achieve with its proposed DSM program is to educate customers about the benefits of weatherization and to properly incentivize them to undertake these measures. Residential customers with weatherization opportunities will learn of these opportunities through the home energy action plan provided at the conclusion of the assessment, as well as given information about potential costs and incentive levels that BIUD offers.

Weatherization benefits include increased comfort to occupants year-round — warmer in the winter and cooler in the summer — as well as reduced energy usage and costs. Many homeowners deal with high energy bills year-round without realizing that proper weatherization techniques can meaningfully reduce their bills. The proposed DSM plan offers the following options as part of the weatherization program:

Table 3. 3 Proposed Weatherization Measures and Incentive Levels

Measure	Incentive Level	Notes
Air Sealing	Up to 10 labor hours free (\$800 value) plus 40% off further sealing, up to \$2,000 in total weatherization costs	Based on pilot rebate levels and expected home energy assessment numbers
Duct Sealing		
Insulation		
Pipe Insulation		
Weatherization Bonus	\$250	For customers who insulate <u>and</u> install a heat pump system

Air Sealing — Sealing air leaks in and around windows and doors to reduce the loss of heated or conditioned air.

Duct Sealing — Sealing of leaks around ductwork to ensure that all heated or conditioned air enters the living spaces and is not lost in the walls/ceilings or to the outside.

Pipe Insulation — Improving insulation around water pipes to reduce heat loss and protect against pipe freezing during the winter months.

Insulation — Installing improved insulation in the walls, ceilings, and floors of the home to improve the building envelope, leading to increased comfort as heated or conditioned air remains in the home rather than escaping outside.

An additional feature for residential customers is a weatherization bonus. Customers can receive an additional \$250 rebate if they bundle insulation work alongside the installation of a heat pump heating and cooling system. BIUD is proposing to offer this bonus incentive because of the benefits that come from weatherizing a home properly, especially in conjunction with efficient operation of a heat pump system.

iv. HVAC Measures

The home energy action plan will also provide information to customers about opportunities to upgrade inefficient heating and cooling equipment in the home. The HVAC offerings aim to promote the adoption of high-efficiency heat pump systems for heating and cooling as well as heat pump water heaters. Electrifying heating and cooling is an important step in reducing greenhouse gas emissions and is supported by the District's recently proposed three-tier rate structure, which includes a lower winter electricity price that makes the adoption of electric heating measures more cost effective for customers. Additionally, the adoption of programmable thermostats gives residents the ability to better control and monitor their energy usage and save money.

It is proposed that incentives for the following equipment, at the following level, be offered as part of the Residential HVAC program:

Table 3. 4 Proposed HVAC and Water Heater Measures and Incentives

Equipment	Rating	Estimated Quantity	Proposed Rebate	Notes
Central Heat Pump	SEER >15; HSPF 9	1	\$250 per ton	Seasonal Energy Efficiency Rating (SEER) measures air conditioning and heat pump cooling efficiency. A SEER rating is a maximum efficiency rating, similar to the miles per gallon for a car. Heating Seasonal Performance Factor (HSPF) is used to measure the efficiency of heat pumps and the higher the HSPF the more efficient the system.
Ducted or Mixed Ducted Mini-Split Heat Pump	SEER >15; HSPF 9	1	\$250 per ton	
Ductless Mini-Split Heat Pump	SEER 15; HSPF 10	1	\$150 per ton	
Heat Pump Water Heaters	ENERGY STAR ≤55 gallon should have a minimum UEF of 2.00	4	\$300 rebate	Uniform Energy Factor (UEF) is a new metric for determining the energy efficiency of a water heater utilized by the Department of Energy. The higher the UEF, the greater the equipment's efficiency and the lower the energy bill.
	ENERGY STAR >55 gallon should have a minimum UEF of 2.70	2	\$150 rebate	Uniform Energy Factor (UEF) is a new metric for determining the energy efficiency of a water heater utilized by the Department of Energy. The higher the UEF, the greater the equipment's efficiency and the lower the energy bill.
Programmable Thermostats		45	\$25 Rebate	
*Rebate not to exceed \$750 per customer for this program (excluding thermostats).				

Block Island Utility District wants to promote the adoption of high-efficiency electric heat pumps through an incentive structure that will be based on a per-ton amount. This structure is more flexible than a flat rate amount and allows the incentive to vary appropriately with the proper sizing of heat pump systems to various home configurations and sizes. Additionally, in conjunction with the recently approved three-tier rate structure with lower winter electric rates, BIUD anticipates that the combined new rate structure and DSM incentives will drive adoption of heat pump technologies which will save customers energy and money.

Qualifying units must meet the SEER and/or HSPF ratings specified for each system type, which align with the efficiency ratings contained in the Northeast Energy Efficiency Partnerships (NEEP) cold climate heat pump specification list and is considered the industry standard for this technology.

Since the 2020 program was designed, BIUD has learned of a local philanthropist offering grants for installing residential heat pumps. Given the common goals between this offering and BIUD's program, BIUD will attempt to collaborate with this individual and support the grant offering with energy assessments and inspection activities. The program expects to be able to claim savings from this collaboration through these support services as well as encouraging trade allies that there is a critical mass of heat pump installation projects on the island to make trips cost-effective.

Alongside the incentive for heat pump-based heating and cooling systems, the District also proposes incentives for heat pump water heaters. Given the smaller variation in equipment size, associated energy savings expected, and to align closely with other Rhode Island efficiency programs, BIUD will be offering flat rate incentives of \$300 and \$150 for heat pump water heaters, based on size. Units 55 gallons and smaller use less energy than larger units and thus provide a greater opportunity for energy savings. Therefore, BIUD proposes to provide a higher incentive for these units compared to units over 55 gallons in size. Qualifying units will have a minimum uniform energy factor (UEF) of 2.0 for the smaller units and a minimum UEF of 2.7 for the larger systems. ENERGY STAR heat pump water heaters can save the average household \$330 per year and 2,690 kwh compared to a standard electric hot water heater, so these units represent a great opportunity for savings.

Because heat pump technology is still new and because the pilot program on Block Island did not include heating and cooling heat pump systems as part of the incentive structure, the District proposes capping the incentive level at \$750 per customer for these measures initially. BIUD wants to strike a balance between providing a reasonable incentive to drive adoption of this technology alongside the ability to provide some incentive to a larger number of customers who may be interested in taking advantage of this opportunity. Because there is not reliable historical data from the pilot program for these measures, setting a cap will help the District to serve both of these goals.

The District will also incentivize programmable thermostats through the residential HVAC and water heater program. Programmable thermostats are a useful piece of technology to help manage a home's energy usage efficiently and conveniently. BIUD is proposing a rebate of up to \$25 to customers who purchase a programmable thermostat.

Customers who install weatherization or HVAC measures will be given their rebate after work has been completed and inspected. BIUD will offer rebate forms to customers both online and in person at the BIUD office and will require customers to provide proper documentation from the contractor who performed the job, in the form of a receipt or work order. Customers submitting rebates for eligible thermostats need only provide a purchase receipt as proper documentation with their rebate form. If a customer has any problems or questions regarding a rebate form, their contractor may be able to help

complete relevant fields, and customers can always reach out to BIUD staff for assistance during business hours.

B. Business Offerings:

Refer to Table 2.1 for *full program budget*; business subsection reproduced next.

Table 3. 5 Assessment and Installation — Business Budgets

Program	Proposed Budget	Notes
Business Assessments, Lighting, and Weatherization	\$27,600.00	Energy Assessments; Additional Lighting Measures; and Weatherization
Business HVAC & Water Heating	\$4,900.00	Programmable Thermostats; Heat Pump Water Heaters; Heat Pump Heating & Cooling Systems

i. Business Energy Assessments

As with the residential offerings, the initial no-cost energy assessment for business and commercial customers is a foundational focus of the proposed business DSM programs. Comprehensive evaluations of the commercial spaces of New Shoreham will be conducted by a qualified energy assessor who will also directly install measures that provide immediate savings and deliver a comprehensive energy action plan to the customer with recommendations for additional savings measures. Providing these free, no-obligation energy assessments also allows BIUD to establish an ongoing relationship with business customers as they pursue energy efficiency improvements.

Each business energy assessment, conducted by an energy assessor, will include a whole- business evaluation of the electrical equipment and thermal systems as well as directly installing screw-in LED lightbulbs, as appropriate. At the conclusion of the assessment, the customer will receive a business energy action plan outlining additional energy savings measures they can implement, the estimated costs, and BIUD incentives or rebates associated with those measures, as well as information and tips on how to better manage their energy use and reduce costs. These comprehensive assessments are provided to the customer free of charge and are open to all BIUD business customers.

The District estimates six business assessments will be conducted in the initial program year and that from those assessments' customers will pursue some additional deeper efficiency measures, be that additional lighting, weatherization, or HVAC upgrades. The District has set a budget that anticipates that half of the business customers will pursue additional measures of some kind.

ii. Direct Install and Other Lighting Measures

Table 3. 6 Proposed Business Direct Install and Other Lighting Measures and Incentives

Measure	Estimated Quantities	Incentive Level	Notes
Screw-in LED Lightbulbs	60	Free	No limit; expect 10 per assessment
LED fixture upgrades	12	75% of costs covered	Expect an average of 2 per assessment
Lighting controls	6		Expect an average of 1 per assessment
Occupancy sensors	12		Expect an average of 2 per assessment

As part of the business energy assessments, each energy assessor will install screw-in LED lightbulbs in as many fixtures as needed throughout the property. BIUD recognizes that many business

environments have different lighting needs from residential customers, and screw-in LED lightbulbs may not upgrade the entirety of the lighting for a given business, and therefore it is proposed that incentives for additional lighting measures be offered as well. Upgraded fixtures, lighting controls, and lighting sensors (such as occupancy sensors) will be listed on the energy action plan as an additional energy saving measure that customers can pursue, and approved equipment will be incentivized at 75% of total cost.

iii. Weatherization Measures

One of the outcomes BIUD expects to achieve with its proposed DSM plan is to educate customers about the benefits of weatherization and to properly incentivize them to undertake these measures. Business customers with weatherization opportunities will learn of these opportunities through the energy action plan provided at the conclusion of the energy assessment.

Weatherization benefits include increased comfort to occupants year-round - warmer in the winter and cooler in the summer - as well as reduced energy usage and costs. Many business owners deal with high energy bills year-round without realizing that proper weatherization techniques can meaningfully reduce their bills. The proposed DSM plan offers the following options as part of the business weatherization program:

Table 3. 7 Proposed Business Weatherization Measures and Incentive Levels

Measure	Incentive Level	Notes
Air Sealing	Up to \$1,200 in free air sealing plus 40% off further sealing, up to \$4,200 in total weatherization costs or up to \$3,000 in insulation costs	Based on prior rebate levels and expected business energy assessment numbers
Duct Sealing		
Insulation		
Pipe Insulation		

Air Sealing — Sealing air leaks in and around windows and doors to reduce the loss of heated or conditioned air to the outside.

Duct Sealing — Sealing leaks around ductwork to ensure that all heated or conditioned air enters the living spaces and is not lost in the walls/ceilings or outside.

Pipe Insulation — Improving insulation around water pipes to reduce heat loss and protect against pipe freezing during the winter months.

Insulation — Installing improved insulation in the walls, ceilings, and floors of the business to improve the building envelope, leading to increased comfort as heated or conditioned air remains in the home rather than escaping outside.

iv. Business HVAC Measures

Business customers have more varied building uses and often utilize larger equipment to support their operations. In order to ensure that the business customers of BIUD have opportunities to upgrade to more efficient equipment where appropriate, incentives for the following measures are proposed:

Table 3. 8 Proposed Business HVAC and Water Heater Measures and Incentives

Equipment	Rating	Proposed Rebate	Notes
Central Heat Pump	SEER >15; HSPF >9	\$250 per ton	Seasonal Energy Efficiency Rating (SEER) measures air conditioning and heat pump cooling efficiency. A SEER rating is a maximum efficiency rating, similar to the miles per gallon for a car. Heating Seasonal Performance Factor (HSPF) is used to measure the efficiency of heat pumps and the higher the HSPF the more efficient the system.
Ducted or Mixed Ducted Mini-Split Heat Pump	SEER >15; HSPF >9	\$250 per ton	
Ductless Mini-Split Heat Pump	SEER >15; HSPF >10	\$150 per ton	
Heat Pump Water Heaters	ENERGY STAR ≤ 55 gallon should have a minimum UEF of 2.00	\$300 rebate	Uniform Energy Factor (UEF) is a new metric for determining the energy efficiency of a water heater utilized by the Department of Energy. The higher the UEF, the greater the equipment's efficiency and the lower the energy bill.
	ENERGY STAR >55 gallon should have a minimum UEF of 2.70	\$150 rebate	Uniform Energy Factor (UEF) is a new metric for determining the energy efficiency of a water heater utilized by the Department of Energy. The higher the UEF, the greater the equipment's efficiency and the lower the energy bill.
Programmable Thermostats		\$25 rebate	
*Rebate not to exceed \$1000 per customer for this program (excluding thermostats).			

Programmable Thermostats — programmable thermostats allow for better control of, and reduced operating costs from, heating and cooling systems. Therefore, programmable thermostats help manage a business's energy usage efficiently and conveniently. BIUD is proposing a rebate of up to \$25 to customers who purchase a programmable thermostat.

Heat Pump Heating and Cooling, and Heat Pump Water Heaters: As in the residential program, it is proposed to incentivize business adoption of high-efficiency heat pump systems for heating and cooling, as well as heat pump water heaters. The recently approved three-tier rate structure with an attractive winter electricity price, is expected to make the adoption of electric heating measures even more cost effective for customers. By offering the incentives proposed above, BIUD aims to encourage the installation of the most efficient electric heating or cooling systems.

Customers who install weatherization, additional lighting, or HVAC measures will be given their rebate after work has been completed and inspected. BIUD will offer rebate forms to customers both online and in person at the BIUD office and will require customers to provide proper documentation from the contractor who performed the job, in the form of a receipt or work order. Customers submitting rebates for eligible thermostats need only provide a purchase receipt as proper documentation with their rebate form. If a customer has any problems or questions regarding a rebate form, their contractor may be able to help complete relevant fields, and customers can always reach out to BIUD staff for assistance during business hours.

4. Program Administration and Management

The proposed management structure has been designed to ensure successful program delivery and implementation, effective customer outreach, timely customer service and rebate processing, and insightful data collection and reporting. Specifically, to achieve these outcomes, the District proposes a

strong on-going collaboration with the Office of Energy Resources and proposes to continue working with their hired efficiency consultant to help administer the program and conduct program reporting.

i. Vendor Engagement

One of the critical elements to the success of the proposed DSM plan is the engagement of knowledgeable and reliable vendors. BIUD has contracted with a vendor to provide energy assessments, direct install services and, if desired by the customer, weatherization measures to residential and business customers. This vendor will also provide post-installation inspections of all residential non-direct install (e.g., weatherization and HVAC) measures. To maximize efficiency and minimize the number of vendors, post-installation inspections of business measures and residential direct install measures will be conducted by the efficiency consultant discussed below.

The scope of work for these vendors are designed to require comprehensive scheduling, high-quality in-person services, and coordination with BIUD staff. Selected vendors will be responsible for delivering efficient and effective services to customers, ensuring proper deployment and installation of incentivized energy efficiency measures, processing invoices and rebates in a timely fashion, and creating insightful program data reports.

ii. Program Management and Oversight

The District, recognizing the importance of robust oversight, data reporting, and program administration, will ensure staff will be trained and knowledgeable about the proposed program offerings and rebate process to effectively work with vendors, consultants, and customers in the delivery of the proposed DSM plan. BIUD also proposes several means of securing additional resources to support its management and oversight of the proposed plan. For example, the District plans to continue its ongoing engagement with the Office of Energy Resources (OER) to leverage lessons learned and best practices from *Block Island Saves* and will also tap into the diverse set of efficiency expertise that OER can provide. Additionally, BIUD has hired an efficiency consultant to help manage the program and its implementation, including program planning, the collection of data, reporting on program performance, as well as to support some of the post-installation inspections.

Block Island Utility District has created rebate forms, including a listing of measure eligibility requirements, available both in-person and online for customers to access. Once customers complete and submit rebate applications — either by mail or via email - the District's will review them for accuracy and eligibility. All eligible applications received and reviewed will then be processed for payment to the customer, funds permitting, and customers should expect to receive their rebate in four to six weeks.

BIUD recognizes the importance of scheduling efficiency for the cost-efficiency of the proposed programs, since vendor travel to and from Block Island creates additional expenses compared to mainland efficiency programs. In order to minimize vendor trips to the Island, BIUD and its vendor will maximize the number of opportunities (assessments, weatherization, HVAC installations, etc.) completed in a day. The District was explicit about the importance of scheduling efficiency in its vendor solicitations and the selected vendors have been successful in working to address this important cost-barrier, which include the ability to provide virtual energy assessments if desired.

In the event that there is overcollection of ratepayer funds that are not spent on DSM programs in a given year, BIUD will roll those funds over into the next year. The subsequent DSM plan will indicate the exact budget category or categories those funds will be allocated to. Every effort will be made through careful planning, oversight, and budget tracking to ensure that there are not budget overages

in a given year. In the event that a budget overage becomes a possibility within a given year, the District will close specific program(s) prior to an overage until the following year when funds become available again. As the District's DSM plan evolves, participation rates will help inform budget setting for future years to ensure funds are allocated as accurately as possible to meet customer demand.

iii. Customer Engagement

Table 4. 1 Proposed Customer Outreach Channels and Budget Allocation

<u>Customer Outreach</u>		
Total	\$2,000	Outreach through Local Publications, Bill Inserts, Online, and Community Bulletin

BIUD will continue to strategically engage customers to promote the return of efficiency programming to Block Island residents and businesses. To ensure customers are aware of the program and its offerings, as well as provide instructions on how to participate, BIUD will be promoting the DSM programs through the following channels:

1. Bill inserts will be included with customer bills at four different times during the year to advertise the DSM programs, provide information about how customers can participate, and highlight incentive opportunities.
2. BIUD will take out quarter page advertisements in the local publications for multiple weeks during both peak and off-peak seasons to reach as many customers as possible. These advertisements will provide information on the programs and have seasonal calls to action to encourage customer participation.
3. BIUD will also utilize several no-cost engagement channels, like the community bulletin and the District's Facebook page to spread the word about the DSM program to customers throughout the year.
4. Lastly, BIUD office staff will also be trained on the programs, available offerings, and ways customers can engage with energy efficiency to provide accurate information to customers coming into and/or calling the office with questions.
5. If other outreach opportunities arise, the District may pursue other channels of communication with customers if budget allows.

iv. Program Reporting

As was discussed in section 4.ii, *Program Management and Oversight*, BIUD has hired an efficiency consultant to help oversee and manage the DSM programs. In addition to helping oversee the programs and assisting with the Plan's implementation, the efficiency consultant will assist the District with quarterly progress reports, which will help inform a mid-year and year-end report as well as provides guideposts for program performance throughout the year. The data that will be included in quarterly reports as well as the year-end report are as follows:

- Number of participants per sector (Residential vs. Business);
- Costs incurred to date and percent of budgeted spend (by budget category);
- Detailed accounting of what measures have been installed, both direct install and other measures incentivized by the DSM programs;
- Number of rebates processed, by measure type;
- Number of inspections completed out of number of inspections required, and associated costs;

- kWh and delivered fuel (oil, propane) savings, both annual and lifetime, resulting from the program;
- Peak demand reduction resulting from the program; and
- Other data as required, or as deemed necessary by the District or the Commission.

5. Conclusion

Block Island Utility District believes that the proposed DSM plan describes and establishes an energy efficiency program that will provide considerable benefits to customers and the local grid throughout its implementation. There are significant energy savings opportunities in New Shoreham, evidenced in part by a recent market potential study conducted for all of Rhode Island², and this plan offers effective strategies to realize immediate energy savings on the Island. The plan provides opportunities for no-cost assessments and direct-install measures that all customers can access free of charge, as well as guidance and further incentives for deeper energy saving measures.

The Plan, if approved by the Commission, would provide heat pump incentives that are likely to help smooth New Shoreham's annual demand curve and enhance the benefits of BIUD's proposed new rate structure. Additionally, through weatherization, lighting controls, and programmable thermostat incentives, BIUD aims to drive additional customer investment in insulation and demand side management technologies.

Block Island Utility District respectfully requests that the Public Utilities Commission (PUC) approve this 2021 Demand Side Management plan, and its associated budgets, in their entirety. Specifically, the District requests that the PUC approve the following:

- The proposed total budget amount and the budget categories contained therein.
- The proposed program offerings.



² Dunskey Energy Consulting's *Rhode Island Energy Efficiency Market Potential Study*, <http://rieermc.ri.gov/wp-content/uploads/2020/06/ri-study-final-report-volume-i-main-report-2020-06-10.pdf>

AGENDA ITEM 10
REVIEW AND ACT UPON ENERGY PROCUREMENT PLAN

Direct Testimony
of
Jeffery M. Wright, President
Block Island Utility District d/b/a Block Island Power Company

Docket No. 4690

DRAFT

March, 2021

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

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

4
5 **Q. By whom are you employed and in what capacity?**

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

8
9 **Q. Can you please describe your education and experience?**

10 A. I have an Associate Degree in Accounting and have worked for electric utilities since
11 1984 in various roles. I have been the President of the Block Island Power Company and
12 the newly formed Block Island Utility District since February 2017.

13
14 Prior to coming to Block Island, I was the Chief Operating Officer at the Vermont
15 Electric Cooperative (VEC), the state's second largest utility and largest electric
16 cooperative which served approximately 40,000 electric meters across nearly 1/3 of the
17 state of VT. I was responsible for the company's operations, including transmission and
18 distribution operations, substations, and system operations and engineering. I worked
19 closely with the company's CFO in developing long capital plans, long range financial
20 forecasting, negotiating long term real estate leases for siting utility scale solar projects,
21 and joint ownership agreements for transmission assets necessary to connect several large
22 renewable projects, such as the 63 MW Kingdom Community Wind Project located
23 within our service territory.

1 Prior to working for VEC, I worked at the Vermont Electric Power Company (VELCO).
2 In 1999 I became a member the company's Senior Leadership Team and was responsible
3 for managing the company's assets which included over 35 high voltage transmission
4 substations, more than 700 miles of high voltage transmission lines, all rights of way and
5 the company's facilities and fleet assets. I also managed the assets of the Vermont
6 Electric Transmission Company (VETCO) which owns and maintains Vermont's portion
7 of the 450 kV DC "Phase One" line.
8

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to sponsor the BIUD's Energy Procurement Plan and
11 Last Resort (formally Standard Offer) and Transmission Rate filing.
12

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

15 A. Yes. The Board has reviewed the filing and formally approved the Procurement Plan and
16 Last Resort and Transmission Rate filing in our open board meeting on Saturday March
17 27, 2021. The Board also spent considerable time during past open meetings
18 contemplating energy procurement strategies that minimize energy supply expenses
19 while integrating affordable renewable resources as a way of supporting Rhode Island's
20 climate change goals.
21

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

1 A. Our power supply and transmission consultant ENE works with BIUD to seek the lowest
2 cost energy and capacity supply that aligns with the BIUD's goals. ENE has helped
3 secure master contracts for BIUD with several suppliers and conducts our supply
4 solicitations for us when we are purchasing energy. ENE also handles our daily activities
5 with the ISO-NE.
6

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

9 A. BIUD's goals to date have been to minimize power supply contract prices and hedge our
10 resource requirement as close to 100% as possible to minimize risk from fluctuating real
11 time prices. Since May 2017 when the Block Island Power Company ("BIPCo") first
12 connected to the submarine cable, we have executed three low cost 18-month load
13 following contracts. The first two contracts were 100% load following contracts. The last
14 contract, which is in place through October 31, 2021, is a 90% load following contract to
15 adjust for the low-cost hydropower NYPA contract which we became a party to in
16 September 2019.
17

18 **Q. When did BIUD begin receiving power from NYPA?**

19 A. BIUD's began receiving its residential load ratio share of the Rhode Island allocation
20 several months after purchasing the assets of BIPCo on March 25, 2019. The first month
21 that BIUD received power from NYPA was September 2019.
22

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

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

5
6 **Q. Has BIUD's goal of being 100% hedged changed?**

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

9
10 **Q. Has BIUD entered into any other purchase power agreements that support the**
11 **longer-term goals that you describe?**

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

21
22 **Q. Does BIUD plan to sell the renewable energy attributes it receives from these**
23 **contracts and any future renewable contracts?**

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

10
11 **Q. Does BIUD plan to seek out additional long-term contracts that will further**
12 **diversify its portfolio?**

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

17
18 **Q. How often does BIUD plan to update its Procurement Plan?**

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

21
22 **Q. Does this conclude your testimony?**

23 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. 4690

March, 2021

1 **Q. Please state your name and qualifications.**

2
3 A. My name is Timothy J. Hebert. I am the Chief Operating Officer (“CCO”) at Energy
4 New England (“ENE”). I have worked in the energy industry for 26 years. I served as
5 Power Supply Planning Engineer for the Taunton Municipal Lighting Plant in
6 Taunton, Massachusetts for nearly four years. There, I was responsible for short- and
7 long-term energy procurement, developing cost-based bidding for fossil fueled
8 generating resources, interface with and reporting to the New England Power Pool,
9 and developing renewable energy project purchase power agreements.

10
11 Since October 1998, I have been employed by ENE, serving in a number of
12 capacities. My positions ranged from Power Market Analyst to Energy Operations
13 Manager, and later three Vice President positions. In those capacities, I have led the
14 effort to manage utility power requirements over both short- and long-term horizons.

15
16 I was named COO in mid-2017, and in my current capacity I directly oversee a staff
17 of 12 who manage both utility demand and supply resources in the New England
18 wholesale marketplace. This includes administration and management of all
19 involvement with ISO New England, managing generation assets, and establishing
20 power supply contracts. We represent more than two dozen public power entities in
21 the NEPOOL participants and ISO committee process that serve around 5 million
22 MWH of customer load annually with a peak of around 1,300 MW. Under my
23 direction, we have developed innovative solutions in power contracting from traditional

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

4
5 I have provided testimony to electricity market regulatory bodies in Rhode Island and
6 Vermont, including the Rhode Island Public Utilities Commission, the Vermont
7 Department of Public Service, and the Vermont Public Service Board.

8
9 **Q. Please describe the proposed supply acquisition plan of the Block Island Utility District**
10 **(“BIUD”) to obtain competitively priced wholesale power supply.**

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

19
20 To manage the price risk associated with serving BIUD's retail customers and help
21 BIUD provide stable rates to its customers, ENE has conducted three (3)
22 solicitations. To date those solicitations have resulted in 3 transactions, each with a
23 term of 18 months. The solicitation terms have been limited to 18 months while
24 BIUD seeks to periodically continue its exemption from retail competition. The

results can be seen below.

Table 1: BIUD Purchases

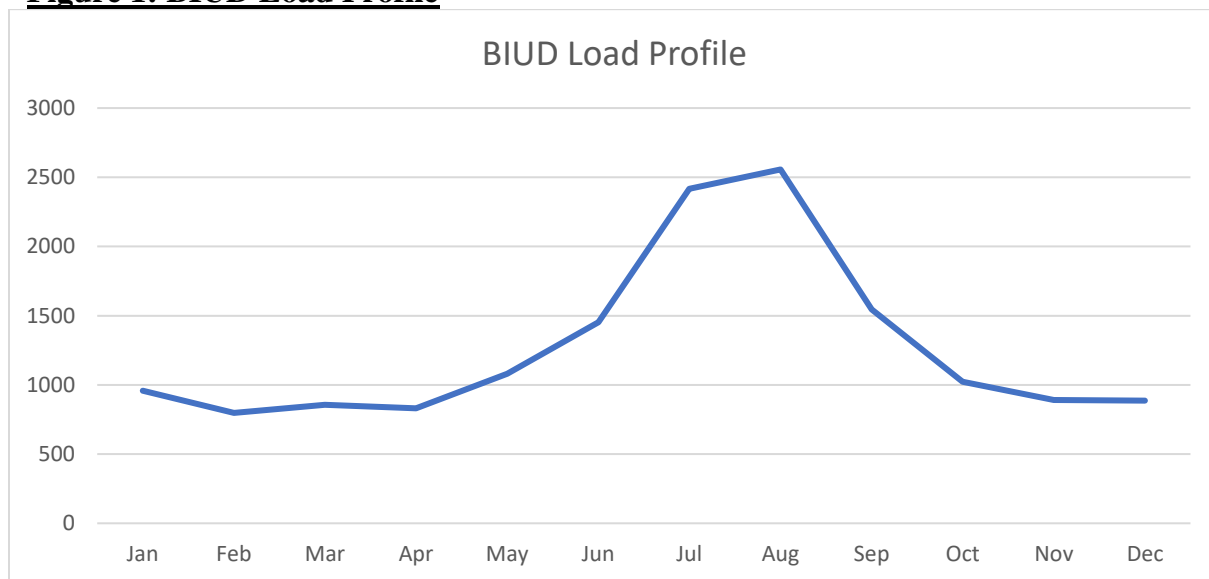
Date	Supplier	Product	Term	Price \$/MWh
Apr25, 2017	Shell	Energy 100% Load Following	May 1, 2017 - Oct 31, 2018	\$36.77
Feb20, 2018	Shell	Energy 100% Load Following	Nov 1, 2018 - Apr 30, 2020	\$42.20
Dec19, 2019	Shell	Energy 90% Load Following	May 1, 2020 - Oct 31, 2021	\$34.85

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

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

8
9 Adjusting the load follow purchase seasonally better allows BIUD to participate in
10 opportunities to purchase renewable and other non-carbon emitting resources without
11 selling energy purchased from these resources back to ISO-NE at the spot market
12 price when renewable generation is high. Table 2 below provides an illustration of
13 the analysis necessary to determine the purchase percentage necessary to bring BIUD
14 to the point where it is on average 90% hedged for the purchase term of 18 months
15 beginning November 1, 2021. The reason for the difference between the 76% load
16 follow recommendation for November and December 2021 and 59% load follow
17 recommendation in the "Non-Summer" months (January-May, October-December
18 2022) is that beginning in January 2022 BIUD begins purchasing additional carbon-
19 free hydropower pursuant to a contract dated October 30, 2020 with FirstLight Power
20 Management, LLC. That contract is further described later in this testimony.

1Table 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%	

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

14

15

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

16

17

18

19

1 this solicitation by Gravel Pit Solar for energy and renewable energy credits is
2 \$52.95/MWh which makes the price for renewable energy very competitive with many
3 fossil-based power transactions. BIUD is pleased that its participation in this project will
4 support Rhode Island's goal to decarbonize power purchased or generated for Rhode
5 Island ratepayers by 2030.

6
7 **Q. Did BIUD purchase any other long-term renewable energy under a competitive**
8 **solicitation?**

9 A. Yes, subsequent to the signing of the Gravel Pit Solar II deal discussed above, BIUD was
10 able to secure a second allocation of solar energy through Gravel Pit Solar III, LLC,
11 under a solicitation run by Energy New England on behalf of numerous consumer-owned
12 entities in Massachusetts and Rhode Island, including BIUD. BIUD signed an agreement
13 to purchase up to 150 KW of energy and environmental attributes from this additional 50
14 MW solar facility in Connecticut. The price bid into this solicitation was an extremely
15 competitive \$51.95, which makes this price for renewable energy very competitive with
16 many fossil-based power transactions and the lowest price ENE has seen in the market to
17 date for southern New England solar energy resource for energy and renewable energy
18 certificates.

19
20 **Q. Would you please describe any additional power contracts recently executed by**
21 **BIUD?**

22 A. BIUD recently signed an agreement to purchase green hydropower through a contract
23 that runs for 10 years. The start date of taking power for eighteen (18) purchasers of this

1 power is January 1, 2021. For BIUD, and two (2) other purchasers, the contract begins on
2 January 1, 2021 but BIUD doesn't begin taking power until January 1, 2022. Since BIUD
3 requires very little supply in the winter months, and considering preexisting contractual
4 obligations, ENE's recommendation was to defer the start of deliveries a year compared
5 with other purchasers. The source of this clean energy is the Turner Falls and Cabot
6 hydroelectric generating units on the Connecticut River in Montague, Massachusetts.
7 This addition to BIUD's portfolio provides additional renewable energy to replace
8 electricity produced by fossil fuels such as natural gas and oil. The energy is priced very
9 competitively. On-peak power prices start at \$44.00/MWh and escalate to less than
10 \$50.00/MWh by 2030. Off-peak prices begin at \$37.00/MWh and escalates to less than
11 \$42.00/MWh over the 10-year period. In all, BIUD will purchase energy at an average
12 price of around \$46.00/MWH over 9 years, allowing it to add additional carbon-free
13 energy while minimizing rate impacts to its customers.

14
15 **Q. Are there other products in the market that BIUD could potentially utilize to service**
16 **its unique load shape and feel confident that its load requirements are appropriately**
17 **managed?**

18 A. Besides load following products, shaped blocks are a useful tool in managing the unique
19 load shape of BIUD. The block products offer flexibility not only in sizing but also in
20 when the power is to be delivered. On Peak is generally defined as Monday-Friday Hours
21 Ending 0800-2300, and Off Peak is Monday-Friday Hours Ending 0100-0700 and 2400,
22 as well as all day Saturday, Sunday and NERC holidays. These volumes can be set on a
23 month to month basis, which may fit well in the future as additional renewable resources

1 are entertained and pursued, or if BIUD's load profile begins to change due to factors like
2 additional air conditioning load and greater though limited solar resource build out on the
3 island. Utilizing shaped blocks of power may provide a better alternative to buying load
4 following service, to meet the complex nature of BIUD's load. Shaped blocks may also
5 provide additional potential suppliers for BIUD, since not all power suppliers offer load
6 following service either at all or at the volume levels required by BIUD. These
7 alternatives will be reviewed for each BIUD power purchase.

8
9 **Q. Does BIUD intend to invest in additional non-carbon emitting resources?**

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

14
15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.
17