

BLOCK ISLAND UTILITY DISTRICT



**BOARD OF COMMISSIONERS MEETING
APRIL 24, 2021**

**Block Island Utility District
Regular Meeting of Board of Commissioners
April 24, 2021 @ 11:00 AM**

***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. March 27, 2021 Regular Meeting
5. Treasurer's Report – Receive 2020 Audit Presentation from Marcum
6. Receive and Act on President's Report
 - a. So/Transmission and DSM Filing Update
 - b. Submarine Cable Update
 - c. TNS Fiber Project Update
 - d. Legislative Update
7. Discussion and Act Upon Hiring a Lobbyist
8. Review and Act Upon Net Metering Tariff
9. Discuss and Act on Performance and Salary Review for Jeffrey Wright*

*This item may be held in Closed Session pursuant to Rhode Island General Law §42-46-5(a)(1) for the discussion of job performance, character, or physical or mental health of a person or persons provided that such person or persons affected shall have been notified in advance in writing and advised that they may require that the discussion be held at an open meeting.

Posted: April 20, 2021 1:00 PM

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

AGENDA ITEM 3
COMMISSIONER'S REPORT

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

Block Island Utility District
March 27, 2021
2:00 PM

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.

Also Present: President Jeffery Wright and David Bebyn (for the audit presentation and Standard Offer/Transmission rate discussion only).

Board Chair Barbara MacMullan called the meeting to order at 2:08 PM.

1. Public Input

- There was no public input.

2. Correspondence

- The Board of Commissioners deferred this correspondence until the next meeting Chris Warfel is able to attend.

3. Commissioner's Report

- Chair Barbara MacMullan had nothing to report.
- A question was raised regarding the hiring of a Board Clerk. Barbara reported that despite posting for it, that there had been no inquiries and that she would work with Jeffery Wright on new recruiting strategies.

4. Approve Meeting Minutes from the February 27, 2021 meeting.

- Elliot Taubman moved to approve the minutes as presented. The motion was seconded by Mary Jane Balser and was passed unanimously.

5. Receive and Act on Treasurer's Report

- Treasurer Bill Penn presented the draft audit for comment and questions. He noted that the Management Analysis had not been updated yet but would be for the final presentation by Marcum next month.
- It was noted that the CFC covenant Modified Debt Service Coverage (MDSC) minimum was 1.35 and that our MDSC at 12/31/20 was 4.62.
- A motion was made to transfer \$7,812 from the Solar Restricted Fund to apply to WO 2020-100 Capital Pole Replacements by Elliot Taubman. It was seconded by Mary Jane Balser and approved unanimously. This was reflected in the financial statements.
- The BOD also directed Jeffery Wright to allocate \$500/year to a decommissioning

fund which is consistent with the Solar Agreement (starting in 2021). That motion was made by Everett Shorey. It was seconded by Mary Jane Balser and approved unanimously.

- There were several other non-substantive questions asked of Dave Bebyn about the financial results that were answered.
- Everett Shorey moved to approve the Treasurer's Report. The motion was seconded by Mary Jane Balser and was passed unanimously.

6. Receive and Act on President's Report

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

7. Receive and Act Upon Standard Offer/Transmission Rate Filing

- Jeffery Wright and Dave Bebyn presented the filing (on record) and took questions.
- There was discuss regarding the treatment of the over-collections.
- Everett Shorey moved to approve the rate filing as presented. The motion was seconded by Barbara MacMullan and was passed unanimously.

8. Receive Update on Energy Efficiency (EE) Plan

- Jeffery Wright presented the revised and final EE plan (on record).
- Barbara MacMullan moved to approve the EE plan. The motion was seconded by Mary Jane Balser and was passed unanimously.

Barbara MacMullan moved to adjourn the meeting at 3:52 PM, seconded by Mary Jane Balser. The motion passed unanimously, and the meeting was adjourned.

APPROVED:

POSTED:

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

Block Island Utility District 2020 Financial Statements

Date, April 24, 2021 | Presented by: Kyle J. Connors, CPA
Director

MARCUM
ACCOUNTANTS ▲ ADVISORS

marcumllp.com

Agenda

Presentation will review the District's
2020 financial statement audit and
financial results

Feel free to ask questions at any time

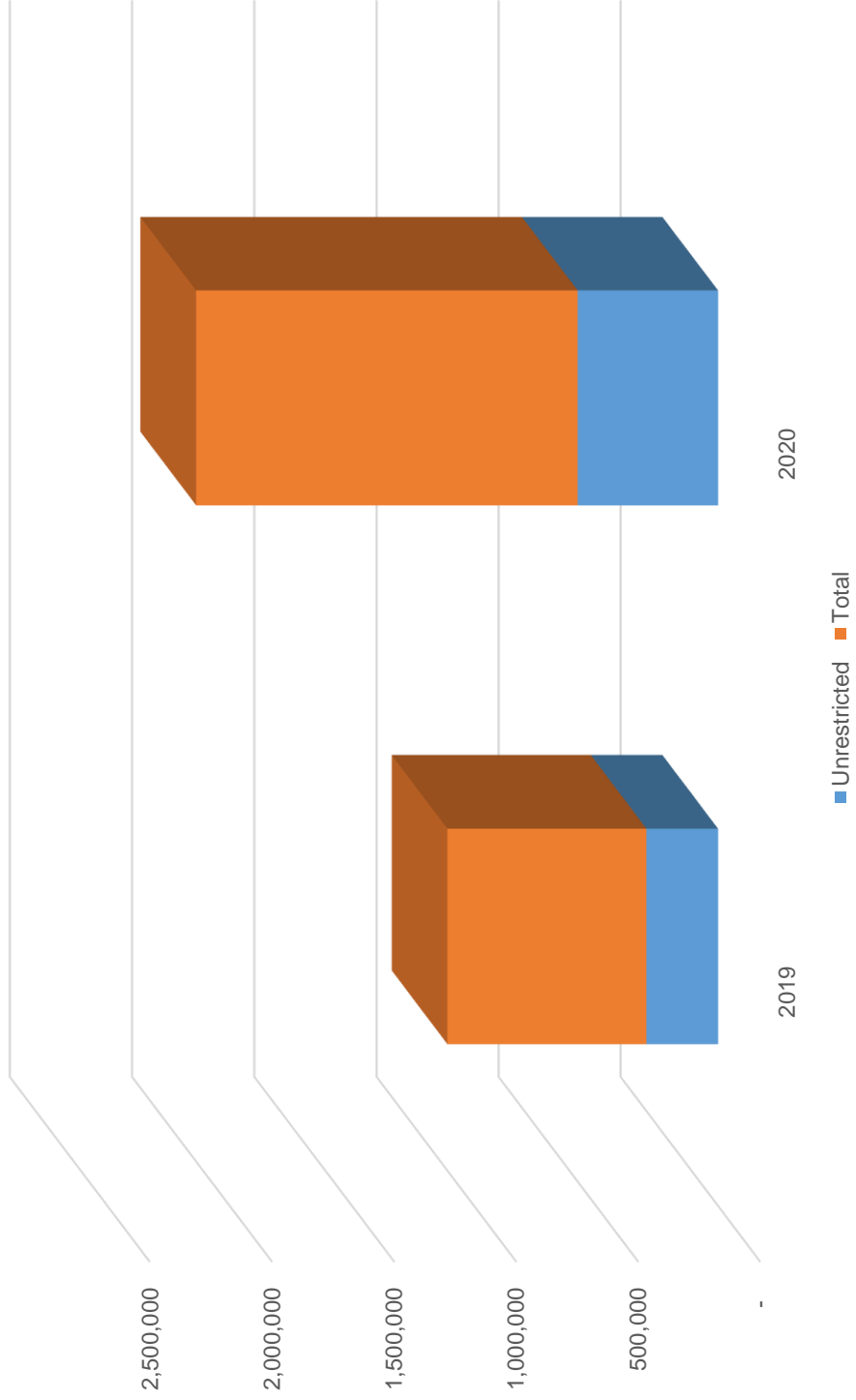
Audit Process

- ▶ Great communication throughout the duration this years audit considering COVID atmosphere
- ▶ Clean audit opinion in 2020
- ▶ Created COVID friendly audit procedures including remote inventory walkthrough and unique revenue testing

Financial Analysis

- ▶ Total Net Position increased by \$746 thousand
- ▶ Unrestricted net position increased by \$282 thousand
- ▶ Unrestricted net position represents 9.68% of prior year operating expenses, or almost a month and a half worth of operating costs
- ▶ Operating revenue increased by 12.7% compared to the prior year (only operational for 9 months in prior year)
- ▶ Operating expenses increased by 29.3%

Net Position: Last Two Years



Results of Operations

- Increases in revenue were pretty consistent across all categories as prior year had only 9 months of activity compared to a full year in 2020
- District met it's loan covenants with CFC in 2020
 - Maintain average modified debt service coverage ratio of not less than 1.35 – the District had a ratio of 4.62
 - Financial statements must be audited and issued within 120 days after year end
- District received a one time grant in 2020 for it's solar project which totaled almost \$330 thousand
 - Project was capitalized and contributes to overall increase in net position

Results of Operations (Continued)

- Nonoperating revenue consisted of the following:
 - Solar grant revenue - \$330 thousand
 - Rental income – cell tower - \$230 thousand
 - Rental income – antenna sites - \$7,200
 - Rental income – property - \$33 thousand
 - Miscellaneous - \$101 thousand
- District received a Paycheck Protection Program loan in May 2020 of \$149 thousand which was fully forgiven in March 2021
- Added capital assets in the current year of \$672 thousand, about half which was the solar project. Remaining half mostly made up of poles, towers and fixtures as well as distribution lines

Revenue Testing Sample

Acct: 23210001		Name:		S/S: 1		Srv Map Loc: FIRE #1612		Tax: NNNNNN		Rev: 8		Pen: 0		Inv: 0		#Dvc: 0	
Srv Loc	Cl's Cd	Mthly Bud	Bud Stat	Ann Amt	Ann Stat	YTD Rev	YTD Use	Mtr KWH	Adj Mtr KWH	Syl KWH	Adj Syl KWH						
16310000		.00	.00	.00	.00	64.48	195	133	0	0	0						
Pos	ChCd	Charge Description	Orig Amt	Grp Cd	P's Rg	Rate Cfg	Mtr Nbr Dial	Prev Rdg Typ	Pres Rdg Dmd Rdg	Cd Mult	Act Dmd Bld Dmd	Use M					
		Prior Balance	60.44		1	D	62844468	18940	19073	0	1.0000	133					
		Payments	-60.44				6	1	.805	1.0000	.805	.805					
1	71.000	KWH - Plant and Dist	14.50 REV		1												
1	72.000	KWH - Transmission C	9.31 REV														
1	73.000	KWH - Standard Offer	12.93 REV														
1	81.000	DEMAND CHARGE	5.26 DMD														
1	91.000	SERVICE CHG	18.57 REV														
		Total	60.57														

Acct: 23220001		Name:		S/S: 1		Srv Map Loc: FIRE #1288		Tax: NNNNNN		Rev: 1		Pen: 0		Inv: 0		#Dvc: 0	
Srv Loc	Cl's Cd	Mthly Bud	Bud Stat	Ann Amt	Ann Stat	YTD Rev	YTD Use	Mtr KWH	Adj Mtr KWH	Syl KWH	Adj Syl KWH						
16970000		.00	.00	.00	.00	37.10	97	73	0	0	0						
Pos	ChCd	Charge Description	Orig Amt	Grp Cd	P's Rg	Rate Cfg	Mtr Nbr Dial	Prev Rdg Typ	Pres Rdg Dmd Rdg	Cd Mult	Act Dmd Bld Dmd	Use M					
		Prior Balance	580.75		1	R	62844111	8878	8951	0	1.0000	73					
		Payments	-580.75				6	1	.382	1.0000	.382	.382					
1	71.000	KWH - Plant and Dist	6.64 REV		1												
1	72.000	KWH - Transmission C	5.11 REV														
1	73.000	KWH - Standard Offer	7.10 REV														
1	91.000	SERVICE CHG	12.38 REV														
		Total	31.23														

	A	D	E	G	H	I	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1	Source	Rev Mo	Cyc	From	To	Acct	Rev	P	ChCd	Charge Description	Lef	Orig An	Grp	Ra	Prev Ri	Ti	Pres Ri	Dmd Ri	Use	Bld Dn	Sched Ra	Recalc	check
62	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	34670001	8	1	73.000	KWH - Standard Offer	KWH	93.90 REV	D	21,816	1	22,782	10,740	966	10,740	0.0972	93.90	0.00	
63	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	38300001	8	1	73.000	KWH - Standard Offer	KWH	132.78 REV	D	74,454	1	75,820	2,659	1,366	2,659	0.0972	132.78	0.00	
64	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	41600001	8	1	73.000	KWH - Standard Offer	KWH	147.36 REV	D	562,984	1	564,500	4,681	1,516	4,681	0.0972	147.36	0.00	
65	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	23250001	2	1	73.000	KWH - Standard Offer	KWH	69.60 REV	G	12,805	1	13,521	3,359	716	3,359	0.0972	69.60	0.00	
66	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	23410001	1	1	73.000	KWH - Standard Offer	KWH	74.46 REV	R	29,758	1	30,524	3,069	766	3,069	0.0972	74.46	0.00	
67	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	23600001	8	1	73.000	KWH - Standard Offer	KWH	42.87 REV	D	45,410	1	45,851	1,952	441	1,952	0.0972	42.87	0.00	
68	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	24190001	1	1	73.000	KWH - Standard Offer	KWH	16.14 REV	R	14,392	1	14,558	1,249	166	1,249	0.0972	16.14	0.00	
69	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	24350001	1	1	73.000	KWH - Standard Offer	KWH	42.87 REV	R	23,121	1	23,562	2,679	441	2,679	0.0972	42.87	0.00	
70	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	26300001	2	1	73.000	KWH - Standard Offer	KWH	72.03 REV	G	24,082	1	24,823	4,644	741	4,644	0.0972	72.03	0.00	
71	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	26740001	1	1	73.000	KWH - Standard Offer	KWH	52.59 REV	R	27,851	1	28,392	2,396	541	2,396	0.0972	52.59	0.00	
72	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	27210002	8	1	73.000	KWH - Standard Offer	KWH	72.03 REV	R	27,291	1	28,032	7,717	741	7,717	0.0972	72.03	0.00	
73	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	27460001	2	1	73.000	KWH - Standard Offer	KWH	59.88 REV	G	22,086	1	22,702	1,459	616	1,459	0.0972	59.88	0.00	
74	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	27460003	2	1	73.000	KWH - Standard Offer	KWH	72.03 REV	G	31,799	1	32,540	2,026	741	2,026	0.0972	72.03	0.00	
75	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	27700001	1	1	73.000	KWH - Standard Offer	KWH	52.59 REV	R	18,556	1	19,097	3,185	541	3,185	0.0972	52.59	0.00	
76	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	27870001	8	1	73.000	KWH - Standard Offer	KWH	55.02 REV	D	28,549	1	29,115	5,299	566	5,299	0.0972	55.02	0.00	
77	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	28190001	1	1	73.000	KWH - Standard Offer	KWH	45.30 REV	R	14,302	1	14,768	2,780	466	2,780	0.0972	45.30	0.00	
78	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	29080001	2	1	73.000	KWH - Standard Offer	KWH	16.14 REV	G	15,100	1	15,266	0,871	166	0,871	0.0972	16.14	0.00	
79	1. January 2020.pdf	12/1/2019	1	1/1/2020	1/31/2020	29200001	1	1	73.000	KWH - Standard Offer	KWH	57.45 REV	R	14,413	1	15,004	1,596	591	1,596	0.0972	57.45	0.00	

Row Labels	Sum of Orig Amt
DEMAND CHARGE	227,797
DEPOSIT APPLIED	(123)
Deposit Correction	5,516
DEPOSIT INTEREST	(20)
KWH - DSI Charge	69,648
KWH - Efficiency Pro	56,721
KWH - Plant and Dist	2,174,151
KWH - RI Renewable E	2,601
KWH - Standard Offer	1,256,310
KWH - Transmission C	1,084,453
New Shorehame - Ligh	5,548
Penalty	8,295
Reconnect Charge Off	380
SERVICE CHG	296,555
Solar Credit	(412)
Street Light	1,461
System Charge	96,950
TRANSFER TO/FROM AR	-
Grand Total	5,285,831

Row Labels	Sum of Recalc
DEMAND CHARGE	227,590
DEPOSIT APPLIED	-
Deposit Correction	-
DEPOSIT INTEREST	-
KWH - DSI Charge	-
KWH - Efficiency Pro	56,702
KWH - Plant and Dist	2,186,073
KWH - RI Renewable E	-
KWH - Standard Offer	1,293,057
KWH - Transmission C	1,083,565
New Shorehame - Ligh	-
Penalty	-
Reconnect Charge Off	-
SERVICE CHG	296,454
Solar Credit	-
Street Light	-
System Charge	97,025
TRANSFER TO/FROM AR	-
Grand Total	5,240,465

% Tested

99.14%

Questions





Thank You!

MARCUM
ACCOUNTANTS ▲ ADVISORS

marcumlp.com

BLOCK ISLAND UTILITY DISTRICT
FINANCIAL STATEMENTS
AS OF AND 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 financial position of the Block Island Utility District, as of December 31, 2020, and its changes in financial position and 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 3–9 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 16, 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.

Marcum LLP

Providence, RI
April 16, 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	<u>\$ 5,819,021</u>	<u>\$ 5,774,311</u>	<u>\$ 44,710</u>	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 Position

Net investment in capital assets	\$ 753,513
Restricted:	
Regulatory costs - rate case	136,698
Direct Assignment Facility charges	95,975
Unrestricted net position	<u>575,596</u>

Total Net Position 1,561,782

Long-Term Liabilities

Notes payable - net of current portion	5,610,102
Retirement liability	<u>176,134</u>

Total Long-Term Liabilities 5,786,236

Current Liabilities

Notes payable - current portion	208,919
Accounts payable	381,993
Accrued compensated absences	37,114
Accrued expenses - other	142,720
Voltage conversion	58,700
Unearned revenue	328,389
Customer deposits	<u>92,029</u>

Total Current Liabilities 1,249,864

Total Liabilities 7,036,100

Total Liabilities and Net Position \$ 8,597,882

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	101,228
Rental income - cell tower	230,300
Rental income - antenna sites	7,200
Rental income - property	33,400
Interest on debt	<u>(204,435)</u>
Net 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 employees	(930,129)
Cash payments to suppliers	<u>(3,853,949)</u>

Net Cash Provided by Operating Activities 577,456

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
Proceeds from solar grant	329,885
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 (908,677)

Cash Flows from Investing Activities

Other revenues	<u>378,037</u>
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Net Cash Provided by Investing Activities 378,037

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	<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	38,751
Increase in unearned revenue	203,262
Increase in customer deposits	19,858
Total Adjustments	<u>328,901</u>
Net Cash Provided by Operating Activities	<u><u>\$ 577,456</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 as promulgated by the Governmental Accounting Standards Board (GASB) 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 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, *The Financial Reporting Entity: Omnibus*. 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 consumption by customers based on 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.

SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 16, 2021, the date the financial statements were available to be issued. Except as noted below, there were no events identified which require recognition or disclosure in the financial statements. The District received notice on March 29, 2021 from their bank that the Promissory Note entered into on May 28, 2020 for \$149,837 has been completely forgiven and is considered paid in full.

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. 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
Paycheck Protection Program Loan	5/28/2020	\$ 149,837	6/30/2021	1.00%	--	149,837	--	149,837	99,891
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>(26,617)</u>	<u>176,134</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 16, 2021 which satisfies the covenant.

On May 28, 2020 the District entered into a Paycheck Protection Program (PPP) loan agreement with The Washington Trust Company in the amount of \$149,837 with a maturity date of two years and an interest rate of 1.0%. The agreement noted that the United States Small Business Administration (SBA) may provide loan forgiveness of principal and accrued interest under the Loan based on the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities over the eight (8) week period following the date of the Loan; provided that at least seventy-five percent (75%) of the forgivable loan amount is attributable to payroll costs, and not more than twenty-five percent (25%) of the forgivable loan amount is attributable to non-payroll costs.

NOTE 11 – LINE OF CREDIT

On March 3, 2020 the Utility District renewed their revolving 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 were 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”).

A Trust which is 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.

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 16, 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. 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 16, 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 financial statements. 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.

Marcum LLP

Providence, RI
April 16, 2021

AGENDA ITEM 6
RECEIVE AND ACT ON PRESIDENT'S REPORT

PRESIDENT'S UPDATE

APRIL 24, 2021

Power Supply Service/Transmission Rate Filing Update

The Division asked for more time to review our procurement plan and power supply/transmission rates filing as well as our DSM plan. The effective dates for the rates will be June 1, 2021. The Division changed its earlier (informal) position on the on-going reserve and agreed to the following treatment of the over-collection:

1. Utilize \$136,298 of the over-collection to retire the DSI charge effective July 1, 2021.
2. Utilize approximately \$45,542 of the over-collection to cover the May, 2022 to April, 2023 interconnection cost, completely writing off this expense.
3. Utilize the remaining over-collection (approximately \$80,267) to reduce rates.

Subject to Commission approval, the resulting new rates (after making the above changes) are shown below:

	CURRENT RATE	PROPOSED EFFECTIVE MAY 1	NEW PROPOSAL EFFECTIVE JUNE 1
POWER SUPPLY SERVICE (FORMALLY STANDARD OFFER)	\$0.1000	\$0.0852	\$0.0852
TRANSMISSION	\$0.0896	\$0.0784	\$0.0740
TOTAL	\$0.1896	\$0.1636	\$0.1593
REDUCTION		13.71%	15.98%

The comparison between the rates we had in place before the Covid adjustment (July 1, 2020) and the new proposed rates is shown below. It is still a reduction of nearly 5%.

	PRE-COVID	(PROPOSED) EFFECTIVE JUNE 1
POWER SUPPLY SERVICE (FORMALLY STANDARD OFFER)	\$0.0914	\$0.0852
TRANSMISSION	\$0.0762	\$0.0740
TOTAL	\$0.1676	\$0.1593
REDUCTION		4.95%

Cable Outage Update

The schedule is very fluid so I will provide the latest update orally at the meeting.

TNS Fiber Project Update

We are dedicating nearly all our time to the TNS fiber project. Our efforts include locating underground electrical lines (Digsafes) for the Sertex trenching crews and performing make ready work to ensure adequate space between communications and the electrical space. To date, the town has reimbursed us for all invoiced expenses.

Corn Neck Road and all side taps are completely done and ready to string fiber on. The main trunks on West Side and Center Roads will be done by the end of this week. We will focus on the East and Town trunks next. At this point we are on track with the town's schedule.

Legislative Update

The Net Metering bill passed the full senate and has been sent back to the House Corporations Committee waiting to be passed by that committee. When it passes out of Committee it will be voted on the full House and then ratified by the General Assembly.

There has been no other action taken on any bills except for the climate bill to my knowledge.

AGENDA ITEM 7
DISCUSS AND ACT UPON HIRING LOBBYIST

AGENDA ITEM 8
REVIEW AND ACT UPON NET METERING TARIFF

NET METERING TARIFF PROPOSALS

During our February 28, 2020 meeting the BIUD Board of Commissioners approved a net metering tariff proposal which is included at the end of this packet for reference.

This proposed tariff has not been filed for PUC approval yet due to the net metering bill amendment not being passed.

Our net metering bill should be approved soon which will allow us to file new tariffs with the PUC, allowing us to offer a net metering program. The approval process takes 30-45 days.

We have heard many concerns about the additional cost associated with the requirement for dual meters.

We understand that there will always be a discussion about the balance of cost vs benefit and have based our new tariffs on a sustainable solar credit while being fair to the BIUD members in allowing sustainable growth of net metering credited at a fair price.

Therefore, I am proposing a compromise in light of the dual meter concerns that is detailed in the subsequent examples on the following pages of this packet.

They can be summarized as follows:

Existing Tariff (Original 3%):

Unchanged

Proposed Tariff for NEW or MODIFIED Projects 7.5 kW and Smaller (Non-Commercial):

Single Meter

No Remote Disconnect

No Additional Meter Charge

Member Self-Supplies House Load “behind the meter”.

Deliver kWh credited at the Avoided Cost.

Proposed Tariff for NEW or MODIFIED Projects Larger than 7.5 kW (Large Home and Commercial):

Dual Meter

Remote Disconnect Installed

Additional Charges based on 2020 Cost of Service Study

2nd Meter Charge (\$2)

Connection Charge (\$8.50)

Net Metered Customer Charge (\$4.75)

Solar Credits @ Avoided Cost (\$0.1390 based on February 2020 avoided costs)

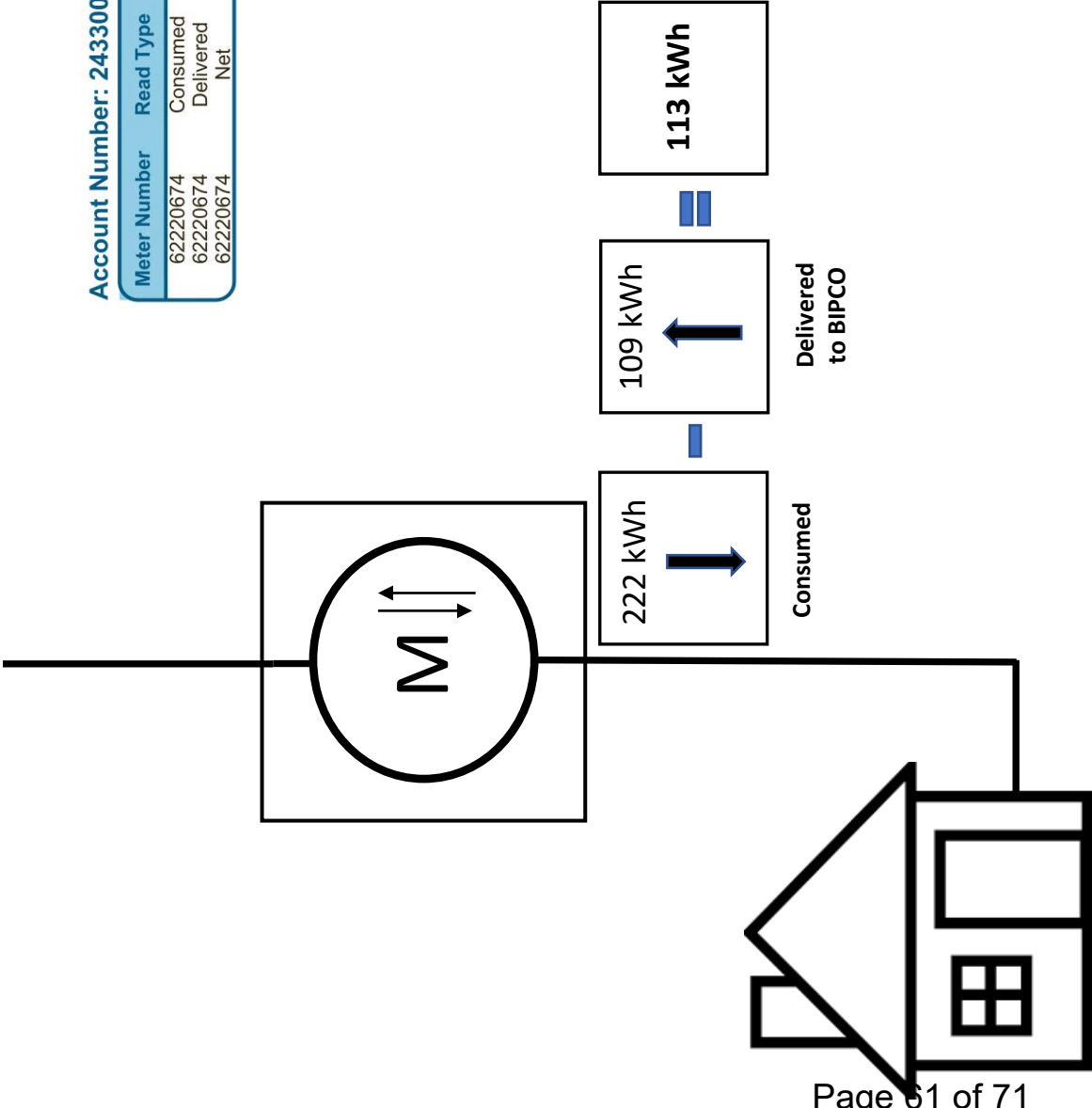
Projects > 15 kW Require System Impact Study

Upon obtaining all necessary regulatory approvals, I am proposing a cap set at 10% of BIUD's Summer Peak which will provide a "pause" for us to consider the engineering aspects of connecting a level higher than 10%.

In the examples on the following pages, I will explain how the different tariffs would work and if there is support for these proposals, I will prepare the tariffs accordingly and publish for public comment prior to asking for approval of those in the May Board Meeting.

BIPCO

Existing Net Metering



Account Number: 24330001 Service Location : FIRE #1841 Rate : Net Meter

Meter Number	Read Type	Services From	To	Days	Readings Previous	Present	Meter Multiplier	Power Factor	Usage	Units
62220674	Consumed	01/01/21	01/31/21	30	12600	12822	1	0.0	222	KWH
62220674	Delivered	01/01/21	01/31/21	30	4795	4904	1	0.0	109	KWH
62220674	Net	01/01/21	01/31/21	30	0	113	1	0.0	113	KWH

Current Service Charges		
CURRENT CHARGES	RATE	BILLED USE AMOUNT
Customer Charge		\$10.00
Plant & Distribution Charge	0.0895	113 \$10.11
Transmission Charge (TMC)	0.0896	113 \$10.12
Standard Offer Charge (SOC)	0.1	113 \$11.30
RI Renewable Fund	0.0003	113 \$0.03
Summary		Current Service Total \$41.56
		Total Charges \$41.56

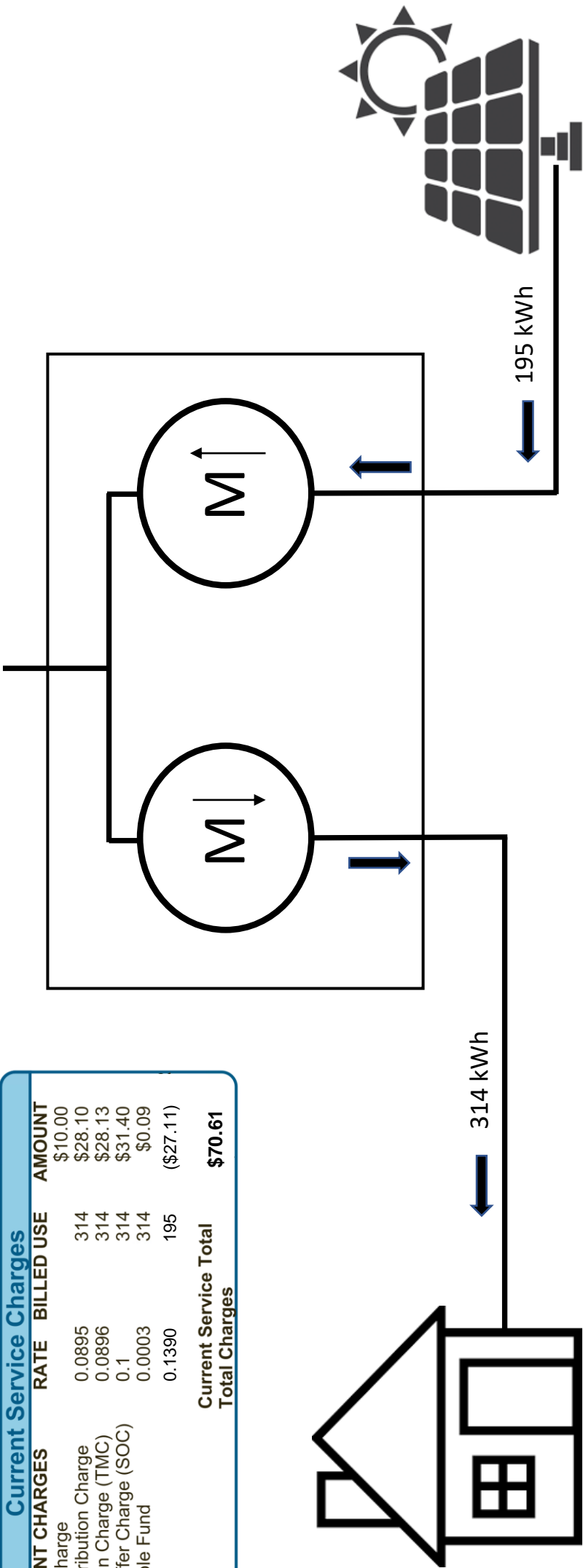
Proposed Dual Meter Tariff
PROJECTS LARGER THAN 7.5 kW

Account Number: 37160001 Service Location : BEACON HILL LANE Rate : RESIDENTIAL SERVICE

Meter Number	Read Type	Services		Days	Readings		Meter Multiplier	Power Factor	Usage	Units
60805005	Consumed	From	To	30	Previous	Present	1	0.0	314	KWH
64020768	Delivered	01/01/21	01/31/21	30	21656	21970	1	0.0	195	KWH

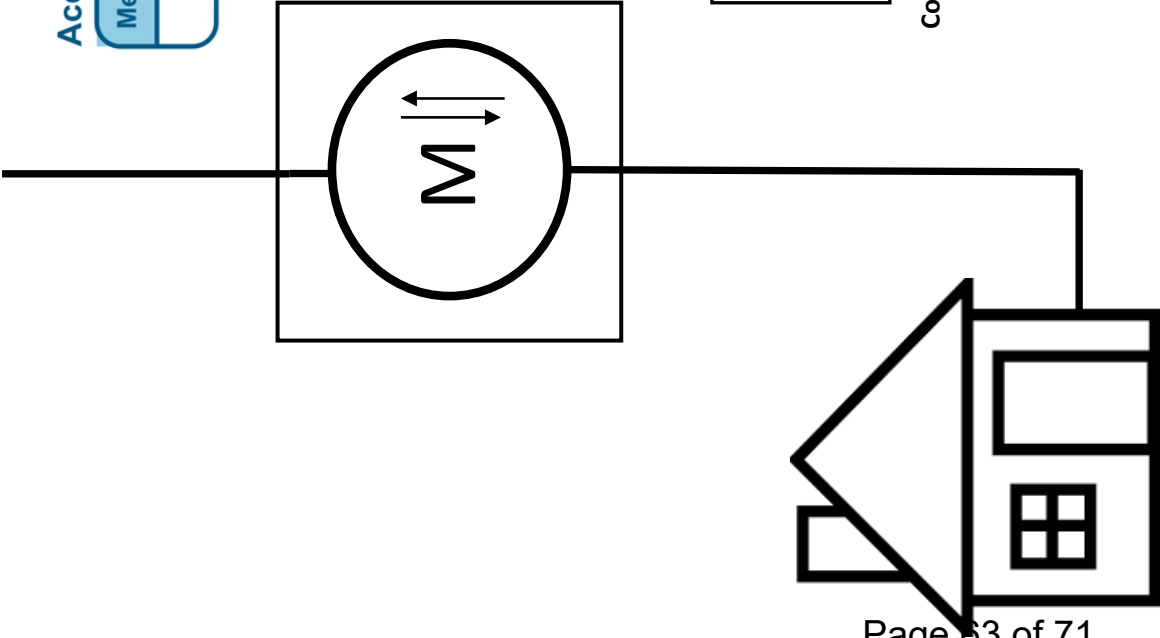
Current Service Charges		
CURRENT CHARGES	RATE	BILLED USE
Customer Charge		AMOUNT
Plant & Distribution Charge	0.0895	314
Transmission Charge (TMC)	0.0896	314
Standard Offer Charge (SOC)	0.1	314
RI Renewable Fund	0.0003	314
Solar Credit	0.1390	195
Current Service Total		\$70.61
Total Charges		

To BIPCO



Proposed Single Meter Tariff
PROJECTS SIZED UP TO AND EQUAL TO 7.5 kW

BIPCO



Account Number: 37160001 Service Location : BEACON HILL LANE Rate : RESIDENTIAL SERVICE

Meter Number	Read Type	Services		Days	Readings		Meter Multiplier	Power Factor	Usage	Units
60805005	Consumed	From	To		Previous	Present				
64020768	Delivered	01/01/21	01/31/21	30	21656	21970	1	0.0	314	KWH
		01/01/21	01/31/21	30	251	446	1	0.0	195	KWH

Customer Charge			
Plant & Distribution	\$0.0895	314	\$10.00
Tranmission	\$0.0896	314	\$28.10
Standard Offer	\$0.1000	314	\$28.13
Solar Credit	-\$0.1390	195	\$31.40
			-\$27.11
			\$70.53

314 kWh

Consumed – Billed at
Retail Rate

195 kWh

Delivered to
BIPCO Credited
at Avoided
Cost
(\$0.139/kWh)

This rate gives full credit for Transmission avoidance – it includes all expenses in the SO and Transmission rates except for the FIXED DAF and BITS charges. This rate will change each year based on current avoided cost calculations done with our SO/.Trans rate reconciliation.

It is important to note that today in our current tariff – the rate changes annually as well.

**BLOCK ISLAND UTILITY DISTRICT
NET METERING POLICY**

POLICY

This policy sets forth interconnection requirements, equipment specifications, and proposed metering for Block Island Utility District consumer/members who may choose self-generation of electric energy using photovoltaic (PV), or wind co-generation electric generating equipment. The program is available to all customers regardless of consumer class.

DEFINITIONS

"Net metering" means a system of metering electricity in which Block Island Utility District credits a Block Island Utility District consumer/member for generation.

"Net Metering System" means the system that includes the consumer/member's generator and interconnecting equipment.

"Consumption Meter" means the meter for which all consumer/member usage is metered though and billed at the appropriate retail rate.

"Generation Meter" means the meter for which all generation is metered through and credited at the Net Metering Rate.

"Generation Credit" means the credit allocated to the consumer/member's bill in the form of a bill credit for all metered generation. The Generation Credit which will be based on the Utility District's Standard Offer and Transmission Rates – minus – the Non-Bypassable Charges imbedded within those rates. Examples of Non-Bypassable Charges are National Grid's Direct Assignment Facilities fixed charges and BIUD's amortization of the transmission interconnection.

"Non-Bypassable Charges" means those portions of the Utility District's Standard Offer and Transmission Rates that are fixed and not a function of consumption or production.

"Standard Offer and Transmission Rates" means those tariffs that identify specific variable and non-bypassable charges that are used in calculating the Net Metering Rate.

"Annual Reconciliation" means the regulatory filing done annually to determine the Standard

Offer, Transmission and Net Metering Rate.

“Utility District” means the Block Island Utility District dba Block Island Power Company.

GENERAL PROVISIONS

1. The Utility District will continue to administer its existing program for those Net Metering Systems installed prior to December 31, 2019 as set forth in the Net Metering Policy effective January 1, 2018 until which time the consumer/member replaces, or upgrades an existing system which changes the rated nameplate AC output of the Net Metering System.
2. Pursuant to this Net Metering Policy, the Utility District will offer net metering to consumer/members who generate electricity, metered by a sperate generation meter provided that the generating capacity of the customer-generating facility does not exceed fifteen (15) kilowatts AC output.
3. Net Metering Systems will be required to be metered separately from the consumer/members Consumption Meter. The Generation Credit will be applied to the consumer/member’s specific retail account.
4. Net Metering Systems larger than fifteen (15) kilowatts must be reviewed on a case-by-case basis and if approved will be required to have a remote disconnect installed on the generation meter.
5. The Utility District will continue to allow Net Metering Systems to be installed until the total installed nameplate AC output capacity of all Net Metering Systems reaches 15% of the Utility Districts annual peak load.
6. The customer is solely responsible for securing and complying with all local permitting processes including zoning; electrical, building inspection, and any and all other special permits that may be required.
7. Eligible generating sources include, energy resources as described by and pursuant to §39-26-5(a) including sources which simultaneously generate electricity and recover heat.

Traditional gasoline, diesel, propane or natural gas fired portable or permanently mounted emergency generators are explicitly excluded from this policy.

METERS AND METERING

1. PV and wind systems require the installation of a smart (AMI) meter by the Utility District. Co-generation facilities used for net metering shall be equipped with two

meters. An additional meter socket (meter type and location must be approved by the Utility District) will be installed by the customer to measure the amount of electricity produced by the generating facility.

2. The generating facility must be inverter-based.
3. The aggregate generation capacity on the distribution circuit to which the Net Metering system will interconnect, including the capacity of the Net Metering system shall not contribute more than 10% to the distribution circuit's maximum fault current at the point on the high voltage (primary) level that is nearest the proposed point of common coupling.
4. If a single-phase Net Metering System is to be connected to a transformer center tap neutral of a 240 volt service, the addition of the Net Metering system shall not create an imbalance between the two sides of the 240 volt service of more than 20% of nameplate rating of the service transformer.
5. The consumer/member shall be required to install a manual-disconnect located on the line side, within 10 feet of the meter, and outside of the residence or building that the Net Metering system serves. Disconnect must be clearly labeled, unlocked and readily accessible by utility personnel.
6. The interconnecting consumer/member will be responsible for reasonable and necessary costs incurred by the Utility District for the purchase, installation, operation, maintenance, testing, repair and replacement of metering and data acquisition equipment.
7. If, at any time any metering equipment is found to be inaccurate by a margin greater than that allowed under applicable rules and standards, the Utility District shall cause such metering equipment to be made accurate or replaced. The cost to repair or replace the meter shall be borne by the Utility District. Meter readings for the period of inaccuracy shall be adjusted so far as the same can be reasonably ascertained; provided, however, no adjustment prior to the beginning of the preceding month shall be made except by agreement of the Parties. Each Party shall comply with any reasonable request of the other concerning the sealing of meters, the presence of a representative of the other Party when the seals are broken and the tests are made, and other matters affecting the accuracy of the measurement of electricity delivered from the Facility. If either Party believes that there has been a meter failure or stoppage, it shall immediately notify the other.

PRICE CREDITS AND SAMPLE CALCULATIONS

The amount credited to the consumer/member for electricity produced by the Net

Metering System, shall be at the Generation Credit rate regardless of the type of generating facility.

Each consumer/member's net metering bill will undergo a monthly reconciliation of the Generation Credit and Consumption Metered usage. In the event the amount due on the consumer/member's bill is a negative number, this amount will be carried over to their next bill as a credit. If a credit is maintained for more than two years the member/consumer will forfeit the credit balance.

The Utility District shall own the meter and the consumer/member shall pay to the Utility District monthly charges to cover meter maintenance, incremental reading and billing costs and administration costs. These charges are defined as follows:

Customer Charge: The charge consists of the customer service, accounting and billing costs as determined by the Utility District's most recent Cost of Service Study (COS). This charge is set at \$4.75 and will be updated with subsequent COS studies.

Connection Charge: The charge consists of the fixed ISO-NE costs and ancillary services as identified and set forth in the Utility District's annual Standard Offer and Transmission Reconciliation. This charge is set at \$8.50 through June 1, 2020 at which time it will be adjusted based on the Utility District's annual Standard Offer and Transmission reconciliation.

Meter Charge: The charge consists of the annualized cost (divided by twelve) of the installed cost, operation and maintenance of the BIUD installed meter equipment based on the Utility District's most recent Cost of Service Study. This charge is set at \$2.00 until adjusted

These charges are set forth in the applicable tariff and will be updated annually.

The Generation Credit will be set annually and filed with the Utility District's Annual Standard Offer and Transmission Reconciliation Filing with the RI-PUC. The Generation Credit will be reviewed and approved with the Utility District's Standard Offer and Transmission rate and the new Generation Credit will change and be in effect at the same time as the Standard Offer and Transmission Rate change.

Note: The Utility District has calculated the Net Metering Rate to be \$0.1390 for the current period through June 1, 2020. This will be reconciled with the Utility District's annual Standard Offer and Transmission Reconciliation that will go into effect June 1, 2020.

DISCONNECTION DURING OPERATING EMERGENCIES

The Utility District requires any Net Metering System with the nameplate AC output greater than 15 kilo-watts to have a remote disconnect install that allows the Utility District to disconnect the Net Metering System from the system disrupting generation output during system emergencies. The Utility District reserves the right to deem what constitutes a system emergency and is not required to notify the consumer/member beforehand, but rather will report system emergencies that resulted in disrupting the Net Metering System's generation in the next billing cycle.

The remote disconnect will be provided by the Utility District and will be controlled only by them.

REQUIREMENTS FOR INVERTER BASED SYSTEMS

1. The Utility District's distribution circuits generally operate with automatic re-closers, which activate following a fault and line trip. The consumer/member is responsible for protecting their net metering equipment from being re-connected out of synch with the Utility District's system.
2. For Net Metering Systems that utilize PV technology, it is required that the system be installed in compliance with IEEE Standard 929-2000, "IEEE Recommended Practice for Utility Interface of PV Systems". The inverter shall meet the Underwriters Laboratories Inc. Standard UL 1741, Static Inverters and Charge Controllers for Use in PV Power Systems.". Based on the information supplied by the Interconnecting Customer, if the Utility District determines the inverter is in compliance with UL 1741, the Interconnecting Customer's request for interconnection will be approved.
3. For Net Metering Systems that utilize Wind technology or other direct current energy sources and employ inverters for production of alternating current, the inverter shall meet the Underwriters Laboratories Inc. Standard UL 1741, "Static Inverters and Charge Controllers for Use in Photovoltaic Power Systems." Based on the information supplied by the Interconnecting Customer, if the Utility District determines the inverter is in compliance with UL 1741, the Interconnecting Customer's request for interconnection will be approved,
4. The following information must be submitted by the interconnecting consumer/member for review and acceptance by the Utility District prior to approving the interconnecting consumer/member's request for interconnection:
 - An electrical one-line diagram or sketch depicting how the inverter will be Interconnected relative to the service entrance panel and the electric revenue meter.

- The make, model and manufacturer's specification sheet for the inverter

FORCE MAJEURE

An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond either party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing. Neither the Utility District, nor the interconnecting consumer/member will be considered in default as to any obligation under Interconnection Requirements if prevented from fulfilling the obligation due to an event of Force Majeure. However, a party whose performance is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Interconnection Requirements.

INDEMNIFICATION

The interconnecting consumer/member shall at all times indemnify, defend, and hold Utility District harmless from any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the Utility Districts performance of its obligations under this Interconnection Requirements on behalf of the interconnecting consumer/member except in cases of gross negligence or intentional wrongdoing by the Utility District.

PROTECTION REQUIREMENTS

If, due to the interconnection of the Facility, when combined with pre-existing facilities interconnected to the Utility Districts system, the rating of any of the Utility Districts equipment or the equipment of others connected to the Utility Districts system will be exceeded or its control function will be adversely affected, the Utility District shall have the right to require the Interconnecting Customer to pay for the purchase, installation, replacement or modification of equipment to eliminate the condition. Where such action is Deemed necessary by the Utility District, the Utility District will, where possible, permit the interconnecting consumer/member to choose among two or more options for meeting the Utility Districts requirements as described in this protection policy.

ACCESS AND CONTROL

Representatives of the Utility District shall, at all reasonable times, have access to the Net Metering System to make reasonable inspections. At the Net Metering System, the Utility

District's representatives shall identify themselves to the interconnecting consumer/member's representative, state the object of their visit, and conduct themselves in a manner that will not interfere with the construction or operation of the Facility. The Utility District will have control such that it may open or close the aforementioned required main disconnect switch.

Filing Date:

Requested
Effective Date:

AGENDA ITEM 9
DISCUSS AND ACT UPON PERFORMANCE AND SALARY REVIEW
FOR JEFFERY WRIGHT