

BLOCK ISLAND UTILITY DISTRICT



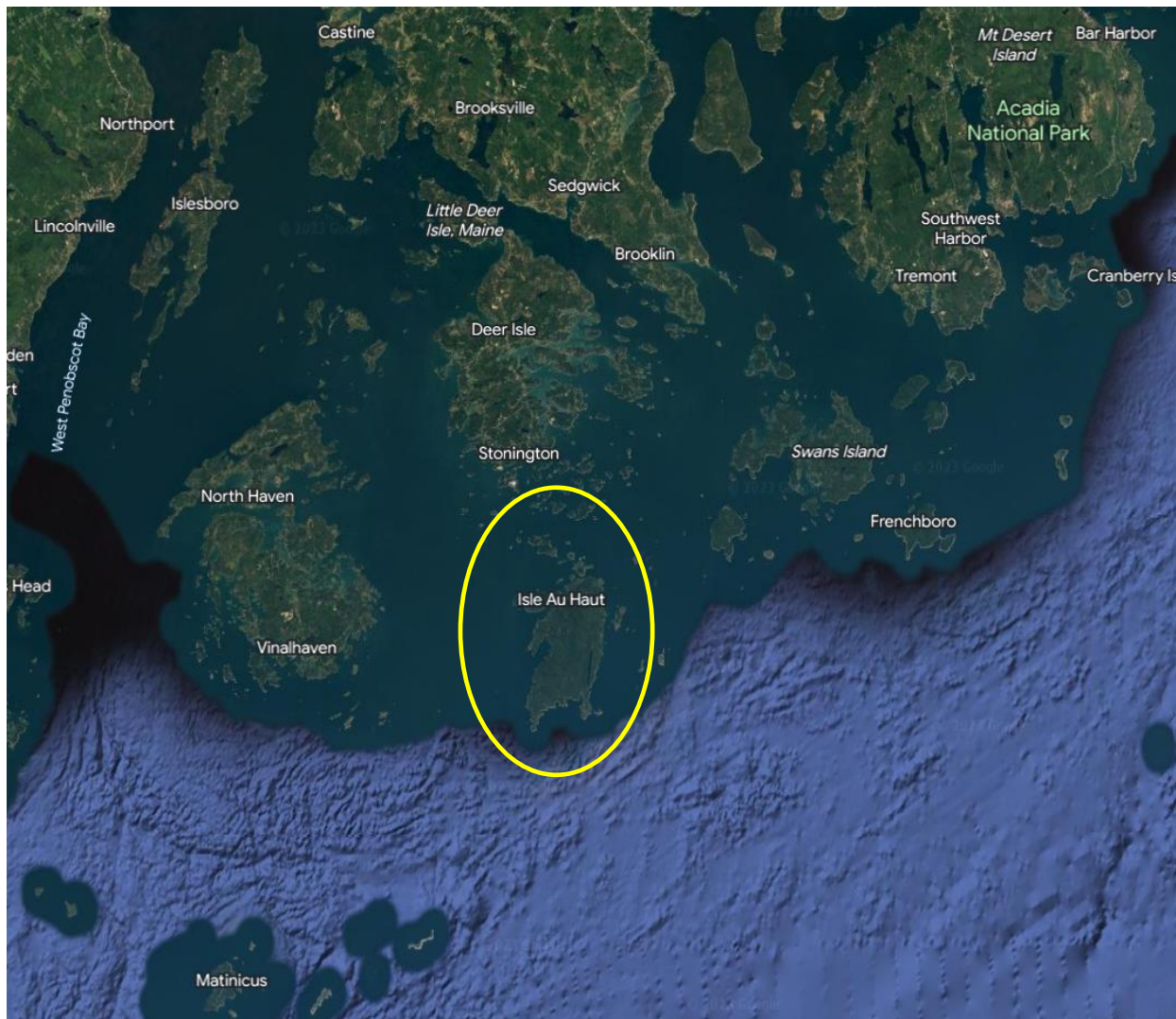
COOPERATIVE PRINCIPLE #6: COOPERATION AMONG COOPERATIVES

NRECA recently contacted the New England cooperatives asking if anyone could help Isle Au Haut Electric Cooperative in Maine source some spare transformers, Block Island responded. This past weekend we sent four working, but recently retired 1950/1970 vintage transformers to their island. After a fresh coat of paint, they made the trip to Stonington, Maine (Maine's largest lobster port), where we loaded them into the Isle Au Haut "mailboat" on which they made the seven-mile trip to the island. Cooperative GM, Bryan Carrol, spent the day showing Commissioner John Warfel, BIUD lead line worker Evan Carey and BIUD President Jeffery Wright the island, which is slightly larger than Block Island yet only has 32 year-round residents. Several photos of the trip are included on the following few pages.

BOARD OF COMMISSIONERS MEETING

MAY 25, 2023

4:00 PM



Isle Au Haut is located seven miles offshore – the ferry (mailboat) service is from Stonington, Maine, on Deer Isle, and accessible by bridge. The island has 32 year-round homes that are occupied in the winter. The summertime population was 92 in the last census. The island was home to famous longliner Linda Greenlaw. Linda and her brother, who still fishes from the island, own homes there.

The island is connected to the mainland grid by a small submarine cable. The seven-mile cable was installed by the residents in 1970 when the cooperative was formed. The cable, like Block Island, is the island's largest contingency. They are currently planning to install a redundant cable that is properly engineered and installed. The existing cable has been hooked into by dragger boats and by boat anchors, which adds to their reliability concerns.

The island's peak demand is 65 kW. Their electric rate is \$0.33/kWh year-round. They charge a meter/customer charge of \$35/meter. They serve 100 +/- meters. Due to electricity being the island's most affordable and convenient energy source, mini split units are becoming the heating method of choice. Propane and heating oil are shipped in small quantities but are expensive (up to \$10/gallon).

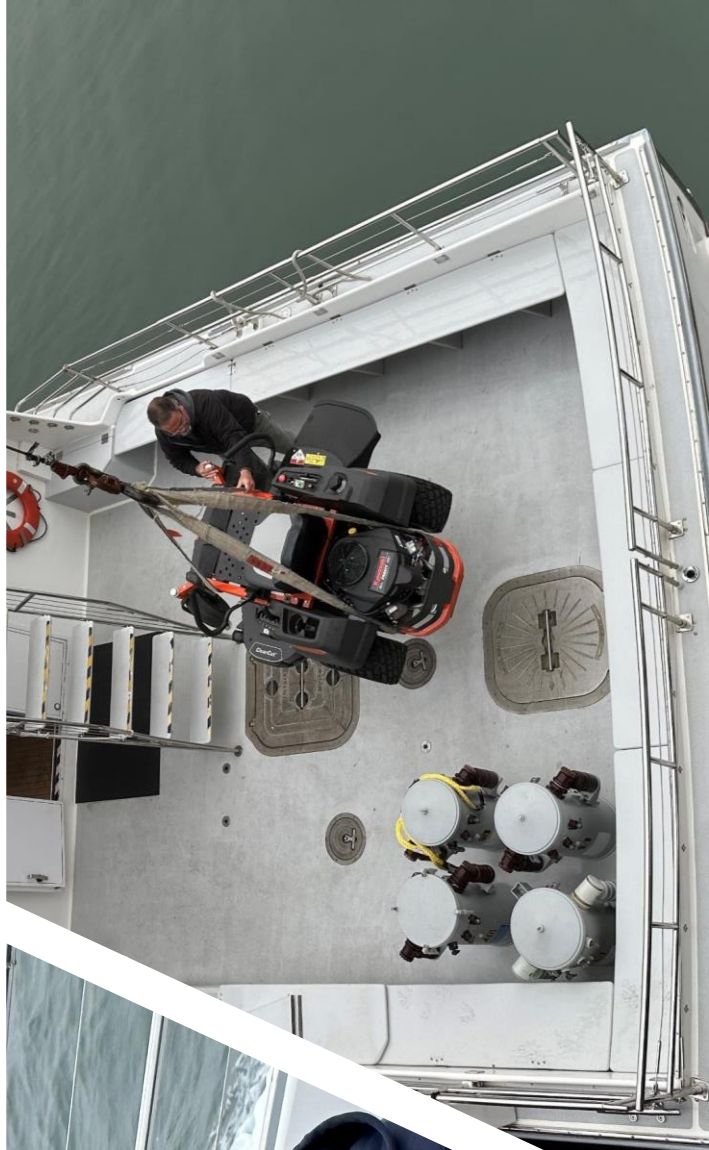


Isle Au Haut, Maine





GREENLAW



**Block Island Utility District
Meeting of the Board of Utility Commissioners**

Thursday, May 25, 2023 @ 4:00 PM

THE MEETING WILL BE HELD AT THE BIUD PLANT

1. Public Input
2. Commissioner's Report
3. Strategic Plan Update
4. Approve Meeting Minutes from February 23, 2023, and March 23, 2023, Regular Meetings
5. Presentation by Marcum Auditors, Review, and Approval of 2022 Financial Statements and Audit
6. President's Report
 - i. NRECA Legislative Conference Report
 - ii. DOE Grant Update
 - iii. EV Bucket and Level III Car Charger Update
 - iv. Set Date and Finalize BOD Sub-Committee to Meet Re: Employee Benefits
 - v. Retail Choice Update
 - vi. Sertex Lease Update
 - vii. Member Survey Update
 - viii. RI Energy – Cable Outage Presentation to DPUC, OER and Governors Office
7. Review of the 2023 BIUD Election Schedule
8. Litigation Update – Gothic Fire*

*This item may be held in Closed Session pursuant to RIGL 42-46-5(a)(2) re: Litigation.

Individuals requesting services for the deaf and hard of hearing must call (401) 466-5851 forty-eight hours before the meeting date.

Posted: May 22, 2023 10:00 AM

Secretary of State Website, BIBB, Town Hall, BIUD Website www.blockislandpowercompany.com

AGENDA ITEM 1
PUBLIC INPUT

AGENDA ITEM 2
COMMISSIONER'S REPORT

(THIS PAGE INCLUDED FOR NOTES)

AGENDA ITEM 3
STRATEGIC PLAN METRICS

Block Island Power Company

Strategic Plan 2023

Mission Statement
To serve Block Island with safe, reasonably priced and reliable energy.

Safety
Empower and support a workplace culture that promotes the safety of our employees and members.

Financial Balance
Embrace policies that ensure financial stability, reasonable rates and innovative rate making

Member Engagement
Promote understanding of the cooperative model and transparency

Sustainable Workforce
Invest in workforce stability

Capital Planning
Embrace a sustainable and robust planning process for capital projects that focus on priority, funding, and impacts.

Power Supply
Continuously evaluate future power supply opportunities and develop renewable goals.

GOALS/TARGETS

Employee Lost Time Incident Rate Goal 0

Public Incident Rate Goal 0

Comply with Quarterly Safety Training and Monthly Truck/Equipment Inspections - Goals 4 and 12

Modified Debt Service > 1.50%

Develop Time of Use Pilot EV Charging Rate

Set Timeline for Next Rate Case (COS)

Conduct Annual Member Satisfaction Survey

Review and update Mission/Vision Statements

Develop Succession Plans

Create Ad-Hoc BOD Sub-Committee to Review Benefits Packages

Create Ad-Hoc BOD Sub-Committee to work on this.

Develop 5-10 Year Capital Plan.

Create Standing Power Supply Sub-Committee

Develop Power Supply Questions for Member Survey

STRATEGIES

Conduct Daily Safety Meetings/Field Visits

Host external training (fire/rescue/excavators)

Publish public safety messages (paper/bill stuffers/social media)

Continue to grow Equity:Debt Ratio (Q3 2022 20%)

Produce Timely Quarterly Financials for Review

Develop Equipment Rotation Schedule

Promote the Seven Cooperative Principals

Solicit member participation to determine BIUD's branding

Enhance cross-training efforts, recruit future BOD candidates, and develop recruitment strategies for future President

Conduct review of the benefits package – specifically retirement plans.

Review existing projects, facilities, housing and engineering plans.

Investigate external funding opportunities to support project plans.

Continuously evaluate power supply opportunities and tailor BIUD power supply to long-term goals.

Survey the BIUD membership to aid in developing long-range renewable goals.

MEASURE

ON TRACK
0

ON TRACK
0

ON TRACK

4.45%

ON TRACK

ON TRACK

ON TRACK
JUNE

ON TRACK
JUNE

ON TRACK

ON TRACK

ON TRACK
JULY

ON TRACK
JULY

ON TRACK

ON TRACK

AGENDA ITEM 4
APPROVAL OF MINUTES

February 23, 2023

March 23, 2023

Block Island Utility District Meeting of the Board of Utility Commissioners
Thursday, February 23, 2023 @ 4:00 PM
THE MEETING WAS HELD AT THE HARBOR CHURCH

Board Members Present: Barbara MacMullan, Tom Risom, Mary Jane Balser, John Warfel, Elliot Taubman,

Others Present: Jeffery Wright, Tracy Fredericks and members Ray Torrey, Molly O'Neill, Keith Stover, Cindy Davis, Evan Carey, Tom Durden, and Rene Meyer.

Board Chair Barbara MacMullan called the meeting to order at 4:01 PM.

1. Public Input

There was no public input.

Barbara made a motion to move agenda Item 8 to up to Item 2 to accommodate some members that may have to leave the meeting early. The motion was seconded by John, the motion passed unanimously.

2. Review and Approve NRUCFC \$1M Line of Credit, \$500K Emergency Fuel/Power Supply Line of Credit and a \$325K Letter of Credit issued to ISO-NE for Financial Assurance

Jeff reported on the meeting with Board Treasurer Tom Risom and CFC's Jim Meiers regarding the operating line of credit with CFC and grant opportunities. Jim suggested CFC could issue a restricted, emergency line of credit only for fuel and power supply emergencies which would free up our operating line of credit in the event of a long term cable failure.

Barbara asked for input from the board on how much should we have for operating expenses. A lengthy discussion was had.

Mary Jane made a motion to authorize \$900k for a line of credit for operating expenses, \$325k letter of credit, and \$500k restricted, emergency line of credit solely for fuel supply emergencies. The motion was seconded by Barbara and was passed unanimously.

3. Commissioner's Report

There was no report given.

4. Approve Meeting Minutes: January 26, 2023,

Secretary John Warfel made a motion to approve the meeting minutes of January 26, 2023. The motion was seconded by Tom Risom and was passed 4-0. Elliot Taubman abstained.

5. Review Strategic Plan Measures

Jeff reported that not much has changed, stating that everything else is on track.

President Jeffery M. Wright reported that the committee met and that the details of the meeting are included in the board packet. Jeff reported that Craig Kieny from ISO Analytics has been hired to help with the process.

Barbara suggested we hold another meeting only on the topic of Power Supply. The meeting will be scheduled in March.

Jeff reported that he plans to use NRECA to conduct a member survey in which some questions will be asked regarding power supply.

6. Treasurer's Report

Tom reported he received and reviewed the January Treasurer's Report and there were no discrepancies to report.

Tom referred to the board packet for details, included in the BOD packet.

7. President's Update

Jeff reported on the progress of the voltage conversion and discussed the NRECA consortium and DOE grid infrastructure grant that we are applying for. This grant, which is a 50/50% cost share would provide BIUD will \$5M over the next five years to finish the pole replacements.

A discussion was had about applying for a DOE grant for technical assistance. The assistance would include help with utility scale storage, demand control, and energy resilience.

Jeff reported on another grant that RI-OER is submitting to DOE. They will submit the application to DOE for a grid resiliency grant with the proceeds being allocated to all RI utilities based on load share. Jeff will report out the details when he has the information.

Jeff reported the car charger has arrived; the transformers have arrived. Hopefully everything will be installed in April.

9. Review and Approve Retail Choice Permanent Exemption Legislative Amendments

Board Chair Barbara MacMullan introduced the topic of a permanent retail choice exemption as was discussed in previous meetings. Barbara reported that we are currently exempt from retail choice through PUC order but asking for a permanent exemption would eliminate legal and other expenses to refile periodically as necessary. There were several utility district members present and despite trying to solicit questions from the group, there were no questions or opposition.

Barbara made the motion to approve the retail choice permanent exemption legislative amendments. The motion was seconded by Tom and the motion passed unanimously without discussion.

10. Review and Discuss Energy New England's EV Charger, Home Storage, Load Management Program and how it can work for Block Island I

Jeff reported this is for informational purposes only. ENE is offering this as a service for each of their clients. The program would give participating utilities demand response capabilities to control in home (appliances, heating, etc) devices via WIFI.

Barbara MacMullan made a motion to adjourn the meeting at 5:11 PM, Tom Risom seconded the motion. The motion passed unanimously.

Minutes Approved: NOT YET APPROVED

**Block Island Utility District
Meeting of the Board of Commissioners
Thursday, March 23, 2023 @4:00pm**

In attendance: Board of Directors: Barbara MacMullan, Mary Jane Balser, Eliot Taubman, John Warfel, Tom Risom.

Jeffery Wright, Tracy Fredericks, Tom Durden, Evan Carey, Craig Kieny of ISO-Analysis, Inc.

Barbara called the meeting to order at 4:10

1. **Public Input**-Jeff Wright, Evan Carey and Tom Risom all reported on the NRECA conference in Nashville.

Evan thanked the board for allowing him to attend the NRECA conference in Nashville. Evan stated that it was a great experience and to see how other Coops work. Highlights were networking, the programs, and the keynote speakers.

Tom reported that he had a great time and really learned a lot about EV chargers and how they are using them, and the considerations each COOP has.

2. **Board of Commissioners Working Session- Power Supply and Transmission Strategic Planning with Craig Kieny of ISO-Analysis, Inc.**

Craig Kieny presented to the Board of Directors. An in-depth discussion was had regarding power supply strategy and BIUD's current portfolio. The power point presentation is on file and posted to our website.

Barbara MacMullan made a motion to adjourn the meeting, the motion was seconded by Eliot, the motion passed unanimously. The meeting adjourned at 6:58pm.

AGENDA ITEM 5
PRESENTATION OF 2022 AUDIT FROM MARCUM AUDITORS
AND
BOARD REVIEW AND APPROVAL

Block Island Utility District 2022 Financial Statements

Date, May 25, 2023 | Presented by: Kyle J. Connors, CPA, Director
John Healey Jr, Supervisor

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Agenda

Presentation will review the District's
2022 financial statement audit and
financial results

Feel free to ask questions at any time

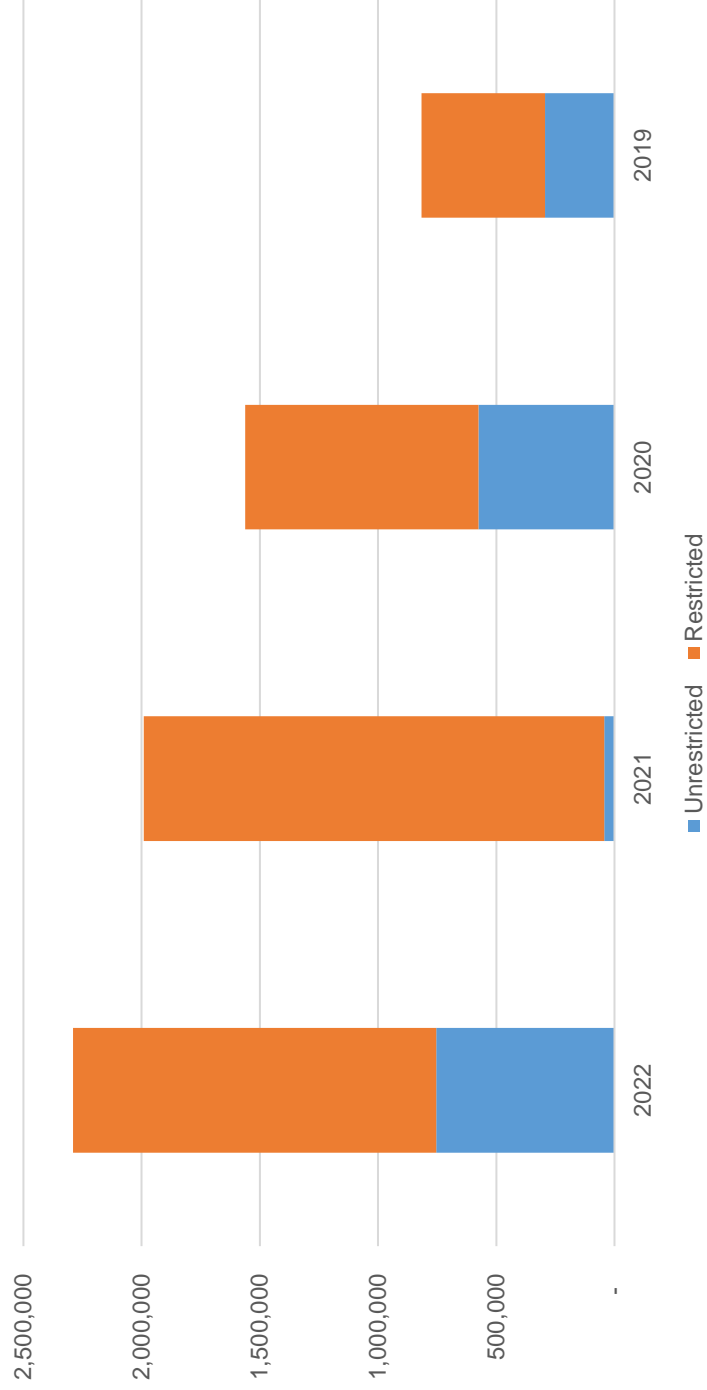
Audit Process

- ▶ Great communication with management throughout the duration this year's audit process
- ▶ Clean audit opinion in 2022
- ▶ District adopted GASB Statement No. 87, Leases in the current year which increased lease receivables and deferred inflows for lease revenue by \$1.07 million at January 1, 2022.
 - ▶ Receivable measures the net present value of lease revenue for those leases which were applicable to 87 – for the District it was primarily Antenna leases.

Financial Analysis

- ▶ Total Net Position increased by \$299 thousand
- ▶ Unrestricted net position increased by \$710 thousand
 - ▶ Due to timing of capital purchases in prior year versus capital financing received in the current year
- ▶ Operating revenue remained consistent with the prior year
- ▶ Operating expenses increased by 1.6%

Net Position: Last Four Years



Results of Operations

- Operating revenue remained consistent with prior year with the exception of residential revenue which increased approximately 13%
- District met its' loan covenants with CFC in 2022
 - Maintain average modified debt service coverage ratio of not less than 1.35 – the District had a ratio of 4.45
 - Financial statements must be audited and issued within 120 days after year end
- District obtained notes payable through CFC of \$3.2 million to fund capital projects

Results of Operations (Continued)

- Nonoperating revenue consisted of the following:
 - Grant income – \$147 thousand
 - Rental income – cell tower - \$269 thousand
 - Rental income – antenna sites - \$8 thousand
 - Rental income – property - \$45 thousand
 - Miscellaneous – \$119 thousand

- Added capital assets in the current year of \$3.46 million, which primarily represents additions from the voltage conversion project, distribution lines and poles, towers and fixtures.

Questions





Thank You!

MARCUM
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BLOCK ISLAND UTILITY DISTRICT
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

BLOCK ISLAND UTILITY DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Block Island Utility District (District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Block Island Utility District, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Implementation of an Accounting Standard

During 2022, the District adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. The implementation of this standard increased assets for lease receivables and increased deferred inflows for lease revenue by \$1,073,919 at January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 26, 2023, 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 26, 2023

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT’S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

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 Carriers.

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, 2022 as compared to the previous fiscal year ended December 31, 2021. The District’s performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financing:

In addition to the \$5.8M Mortgage and Securities Agreement that National Rural Utilities Cooperative Finance Corporation (NRUCFC) holds, the following additional loans, lines of credit, and letters of credit were issued to BIUD in 2022.

On February 24, 2022, the Utility District and NRUCFC executed a Revolving Line of Credit (RI001-R-9904) agreement for short term operating needs. The amount of the line of credit is \$670,000. The interest rate, which is variable, is currently 6.75%.

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

On February 24, 2022, following approval of the Rhode Island Division of Public Utilities and Carriers (DPUC) the Utility District and NRUCFC executed a Loan Agreement (RI001-A-9007) to fund BIUD's contingent liability obligation from the McGinnes litigation. The amount of the loan was \$300,000. The interest rate is fixed at 4.50% for the life of the loan which terms out on December 31, 2048 which was timed to conclude with BIUD's mortgage amortization schedule.

On February 24, 2022, following approval of the Rhode Island Division of Public Utilities and Carriers (RI-DPUC) the Utility District and NRUCFC executed a Loan Agreement (RI001-A-9008) to fund BIUD's Voltage Conversion project. The amount of the loan was \$1,500,000. The interest rate is fixed at 4.66% for the life of the loan which terms out on December 31, 2051.

On May 17, 2022, NRUCFC issued a Letter of Credit (RI001-L-90009) to ISO-NE for BIUD's financial assurance obligation. The Letter of Credit is valid for one year.

On September 2, 2022, following approval of the Rhode Island Division of Public Utilities and Carriers (RI-DPUC) the Utility District and NRUCFC executed a Loan Agreement (RI001-A-9010) to fund BIUD's acquisition of a townhouse (Seawinds Unit 7) located at 1801 High Street on Block Island. The townhouse will be rented to its current and future Chief Executive Officers for housing. The amount of the loan was \$1,400,000. The interest rate is fixed at 5.75% for the life of the loan which terms out on June 30, 2052.

Rates:

On June 1, 2022 the Rhode Island Public Utilities Commission approved the following rate change. BIUD's last resort/power supply rate increased from \$0.074 to \$0.0879 per kilo-watt hour. BIUD's transmission rate was adjusted down from \$0.0852 to \$0.0699.

In November, 2022 BIUD filed a new power supply and transmission reconciliation for new rates to go into effect on January 1, 2023. The primary reason for this was to align BIUD's annual power supply and transmission rates reconciliation filing with its fiscal year which is based on calendar year. On January 1, 2023, BIUD's last resort/power supply rate increased from \$0.0879 to \$0.1036 per kilo-watt hour. BIUD's transmission rate was adjusted up from \$0.0699 to \$0.0786.

There were no changes made to BIUD's Plant and Distribution rates during 2022.

Overview of the Financial Statements:

The financial statements include (1) the statement of net position, (2) the statement of revenues, 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 \$298,927.

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

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 \$9,325.

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, 2022 compared to December 31, 2021. The statement of net position presents the assets and deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District 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 and deferred inflows of resources).

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,845,183	\$ 1,104,095	\$ 741,088	67.1%
Noncurrent assets	11,669,629	8,881,350	2,788,279	31.4%
Deferred outflows of resources	<u>118,745</u>	<u>148,155</u>	<u>(29,410)</u>	-19.9%
Total assets and deferred outflows of resources	<u>\$ 13,633,557</u>	<u>\$ 10,133,600</u>	<u>\$ 3,499,957</u>	34.5%
Current liabilities	\$ 1,874,553	\$ 1,473,369	\$ 401,184	27.2%
Long-term debt, net of current portion	8,559,423	5,595,236	2,964,187	53.0%
Deferred inflows of resources	<u>909,578</u>	<u>1,073,919</u>	<u>(164,341)</u>	-15.3%
Total liabilities and deferred inflows of resources	<u>11,343,554</u>	<u>8,142,524</u>	<u>3,201,030</u>	39.3%
Net investment in capital assets	1,536,227	1,852,199	(315,972)	-17.1%
Restricted for capital and power	--	95,077	(95,077)	-100.0%
Unrestricted net position	<u>753,776</u>	<u>43,800</u>	<u>709,976</u>	1620.9%
Total net position	<u>2,290,003</u>	<u>1,991,076</u>	<u>298,927</u>	15.0%
Total liabilities, deferred inflows of resources and net position	<u>\$ 13,633,557</u>	<u>\$ 10,133,600</u>	<u>\$ 3,499,957</u>	34.5%

BLOCK ISLAND UTILITY DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Total assets of the District at December 31, 2022 and 2021 were \$13,514,812 and \$9,985,445, respectively, a change of 35.4%. 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 lease receivables. 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, 2022 and 2021 were \$10,433,976 and \$7,068,605, respectively, a change of 47.6%. 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 2022, the District's retirement liability-related deferred outflows decreased by \$29,410. Deferred inflows of resources relate to the District's deferred lease revenue. In 2022, the District's deferred inflows decreased by \$164,341.

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 accumulated depreciation and 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 \$709,976, or 1,620.9%, for the fiscal year. This increase was a result of the timing of the purchase of capital assets in the prior year and when the District secured the underlying capital debt, which occurred in the current 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, 2022 compared to the year ended December 31, 2021. The information reflects the results of operations for the District. All revenues and expenses are accounted for on an accrual basis.

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 5,278,579	\$ 5,282,395	\$ (3,816)	-0.1%
Operating expenses	<u>5,269,254</u>	<u>5,184,765</u>	<u>84,489</u>	1.6%
Operating income	9,325	97,630	(88,305)	-90.4%
Nonoperating revenues net of nonoperating expenses	<u>289,602</u>	<u>331,664</u>	<u>(42,062)</u>	-12.7%
Increase in Net Position	<u>\$ 298,927</u>	<u>\$ 429,294</u>	<u>\$ (130,367)</u>	-30.4%

Utility Plant and Debt Administration:

The electric distribution system on Block Island consists of:

- Approximately 50 miles of distribution lines; 36 miles of overhead and 14 miles of underground,
- A 4,160/2,400 volts 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 backup 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.

The Utility District's generation plant, substation, communications tower, facilities and interconnection are generally in good condition. The distribution system, despite being neglected for decades by the previous owners and has been the focus of the Utility District's capital plans. Approximately 600 of 2,000s poles have been replaced in the past 3-4 years and half of the distribution transformer fleet have been replaced as well. Prior to April 2022, the capacity of the distribution system required an imminent voltage conversion from 2.4 kV Delta to 4.160 kV Wye. The voltage conversion essentially doubled the capacity of portions of the grid that were converted, allowing for future load growth necessary to support beneficial electrification and a growing summer economy. The sections of the distribution system that serves about 60% of the island load have been converted. The conversion has resulted in an approximate 2% reduction in system losses, has improved power quality and has dramatically improved the safety of the system. The remaining portions of the distribution system will be converted in the next 3-5 years.

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

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

package provided by the National Information Systems Cooperative (NISC). The systems include a customer information system (CIS), an 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.

Employee Housing:

In 2022, the District took important steps to acquire and build employee housing by building an additional single-bedroom apartment in the basement of the office building and purchasing a three-bedroom townhouse for the utility district's Chief Executive Officer. The utility district currently has plans to move its offices to a temporary location in 2023 in order to repurpose the existing office space to a third apartment.

Capital Assets

At December 31, 2022, capital assets, net of accumulated depreciation was \$10,771,871 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, 2021 to December 31, 2022:

	<u>Block Island Utility District's</u> <u>Capital Assets</u> <u>(Net of depreciation)</u>			
	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Land and land rights	\$ 1,167,685	\$ 1,167,685	\$ --	0.0%
Construction in progress	61,967	550,761	(488,794)	-88.7%
Buildings and improvements	2,401,094	1,537,382	863,712	56.2%
Equipment	8,361,042	5,277,291	3,083,751	58.4%
Accumulated depreciation	<u>(1,219,917)</u>	<u>(820,765)</u>	<u>(399,152)</u>	48.6%
Total	<u>\$ 10,771,871</u>	<u>\$ 7,712,354</u>	<u>\$ 3,059,517</u>	39.7%

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.

BLOCK ISLAND UTILITY DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Debt Administration

At December 31, 2022, the District had total long-term debt of \$9,235,644 an increase of \$3,375,489 compared to the prior year. Additional information on the District's long-term debt can be found in the notes to financial statements.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Notes payable	\$ 8,613,644	\$ 5,560,155	\$ 3,053,489	54.9%
Line of Credit	<u>622,000</u>	<u>300,000</u>	<u>322,000</u>	107.3%
Total	<u>\$ 9,235,644</u>	<u>\$ 5,860,155</u>	<u>\$ 3,375,489</u>	57.6%

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, Block Island Utility District, 100 Ocean Avenue, P.O. Box 518, Block Island, RI 02807, Telephone (401) 466-5851.

BLOCK ISLAND UTILITY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2022

Capital Assets

Utility Plant in Service:

Land, at cost	\$ 1,167,685
Buildings and equipment, at cost	<u>10,762,136</u>

Total land, buildings, and equipment, at cost 11,929,821

Less: accumulated depreciation 1,219,917

Net Utility Plant in Service 10,709,904

Construction in Progress 61,967

Capital Assets, Net 10,771,871

Current Assets

Cash	384,186
Cash, customer deposits	119,973
Accounts receivable, customers (net)	62,098
Accounts receivable, other	121,378
Unbilled revenues	259,436
Materials and supplies inventory	765,305
Prepayments	<u>132,807</u>

Total Current Assets 1,845,183

Other Assets

Lease receivables 897,758

Total Other Assets 897,758

Deferred Outflows of Resources

Retirement plan related outflows 118,745

Total Assets and Deferred Outflows of Resources \$ 13,633,557

The accompanying notes are an integral part of these financial statements.

BLOCK ISLAND UTILITY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)

DECEMBER 31, 2022

Net Position

Net investment in capital assets	\$ 1,536,227
Unrestricted net position	<u>753,776</u>

Total Net Position	<u>2,290,003</u>
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Long-Term Liabilities

Notes payable - net of current portion	8,440,678
Retirement liability	<u>118,745</u>

Total Long-Term Liabilities	<u>8,559,423</u>
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Current Liabilities

Notes payable - current portion	794,966
Accounts payable	712,505
Accrued compensated absences	37,876
Accrued expenses - other	123,168
Unearned solar credits	20,477
Unearned revenue	65,588
Customer deposits	<u>119,973</u>

Total Current Liabilities	<u>1,874,553</u>
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Total Liabilities	<u>10,433,976</u>
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Deferred Inflows of Resources

Deferred lease revenue	<u>909,578</u>
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Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 13,633,557</u></u>
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The accompanying notes are an integral part of these financial statements.

BLOCK ISLAND UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Revenues	<u>\$ 5,278,579</u>
Operating Expenses	
Operation and maintenance	3,268,511
General and administrative	1,535,267
Depreciation	399,152
Payroll taxes	<u>66,324</u>
Total Operating Expenses	<u>5,269,254</u>
Operating Income	<u>9,325</u>
Non-Operating Revenue (Expense)	
Grant income	147,368
Miscellaneous revenues	119,719
Rental income - cell tower	269,384
Rental income - antenna sites	8,400
Rental income - property	44,977
Interest on debt	<u>(300,246)</u>
Net Non-Operating Revenue	<u>289,602</u>
Net Income	298,927
Net Position - Beginning of Year	<u>1,991,076</u>
Net Position - End of Year	<u>\$ 2,290,003</u>

The accompanying notes are an integral part of these financial statements.

BLOCK ISLAND UTILITY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities

Cash received from customers	\$ 4,718,896
Cash payments to employees	(977,563)
Cash payments to suppliers	<u>(3,698,160)</u>

Net Cash Provided by Operating Activities	<u>43,173</u>
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Cash Flows from Noncapital Financing Activities

Proceeds from line of credit	<u>322,000</u>
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Net Cash Provided by Noncapital Financing Activities	<u>322,000</u>
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Cash Flows from Capital and Related Financing Activities

Capital acquisitions	(3,458,669)
Proceeds from capital grants	61,967
Proceeds from deferred regulatory assets	95,077
Payments of loan principal	(146,511)
Proceeds from loans	3,200,000
Interest paid	<u>(300,246)</u>

Net Cash Used in Capital and Related Financing Activities	<u>(548,382)</u>
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Cash Flows from Investing Activities

Proceeds from noncapital grants	208,443
Proceeds from noncapital leases	<u>334,581</u>

Net Cash Provided by Investing Activities	<u>543,024</u>
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Net Increase in Cash	359,815
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Cash, Beginning of Year	<u>144,344</u>
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Cash, End of Year	<u><u>\$ 504,159</u></u>
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Cash is reported in the financial statements as follows:

Cash	\$ 384,186
Cash, customer deposits	<u>119,973</u>
Total	<u><u>\$ 504,159</u></u>

The accompanying notes are an integral part of these financial statements.

BLOCK ISLAND UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Cash Flows from Operating Activities:

Operating income	\$ 9,325
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	399,152
Changes in assets and liabilities:	
(Increase) in accounts receivable and unbilled revenue	(124,666)
(Increase) in materials and supplies inventory	(107,532)
(Increase) in prepayments	(59,725)
(Decrease) in accounts payable and accrued liabilities	361,636
(Decrease) in unearned revenue	(444,418)
Increase in unearned solar credits	1,632
Increase in customer deposits	7,769
	<u>33,848</u>
Total Adjustments	<u>33,848</u>
Net Cash Provided by Operating Activities	<u><u>\$ 43,173</u></u>

The accompanying notes are an integral part of these financial statements.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 2022 the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard increased assets for lease receivables and increased deferred inflows for lease revenue by \$1,073,919 at January 1, 2022.

There was no significant impact on these financial statements from the implementation of additional accounting standards.

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 \$6,726. 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.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 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 2022 financial statements.

PENSIONS

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

BLOCK ISLAND UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (AS LESSOR)

The District recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 26, 2023, the date the financial statements were available to be issued. There were no events identified which require recognition or disclosure in the financial statements.

BLOCK ISLAND UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, and 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, 2022, the net investment in capital assets was \$1,536,227.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors, grantors, contributors, laws, regulations, etc. At December 31, 2022, had no restricted net position.

Unrestricted Net Position is designed to represent the net available assets, for the entire District. At December 31, 2022, the unrestricted net position was \$753,776.

BLOCK ISLAND UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 insures up to \$250,000 per depositor, per insured depository institution for each account ownership category. At December 31, 2022, the carrying amount of the District’s cash was \$504,159. 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, 2022, prepayments consist of the following advance payments:

Purchased power	\$ 20,000
Insurance Premiums	<u>112,807</u>
Total	<u><u>\$ 132,807</u></u>

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – CAPITAL ASSETS

A summary of capital assets is presented below:

	Balances January 1, 2022	Additions	Retirements & Adjustments	Balances December 31, 2022
Nondepreciable Assets:				
Land and land rights	\$ 1,167,685	\$ --	\$ --	\$ 1,167,685
Construction in progress	550,761	2,414,874	(2,903,668)	61,967
Depreciable Assets				
Buildings	1,537,382	863,712	--	2,401,094
Equipment	<u>5,277,291</u>	<u>3,083,751</u>	<u>--</u>	<u>8,361,042</u>
Total Cost	8,533,119	6,362,337	(2,903,668)	11,991,788
Accumulated Depreciation	<u>(820,765)</u>	<u>(399,152)</u>	<u>--</u>	<u>(1,219,917)</u>
Net Capital Assets	<u>\$ 7,712,354</u>	<u>\$ 5,963,185</u>	<u>\$ (2,903,668)</u>	<u>\$ 10,771,871</u>

NOTE 7 – LEASE RECEIVABLES

The District is reporting Lease receivables of \$897,758 at December 31, 2022. For 2022, the District reported lease revenue of \$233,384 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue
Verizon Wireless	\$ 187,684	\$ 57,873
TMobile	386,155	73,581
AT&T Wireless PCS	159,548	39,917
Cingular (AT&T)	<u>164,371</u>	<u>62,013</u>
	<u>\$ 897,758</u>	<u>\$ 233,384</u>

Verizon Wireless – On July 10, 2001, the District entered into a lease agreement with Verizon Wireless for the lease of a Cell Tower. Based on this agreement, the District is receiving monthly payments through July 1, 2026. There is a renewal option included in this lease agreement.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – LEASE RECEIVABLES (CONTINUED)

TMobile – On September 12, 2016, the District entered into a lease agreement with TMobile for the lease of a Cell Tower. Based on this agreement, the District is receiving monthly payments through September 12, 2036. There is a renewal option included in this lease agreement.

AT&T Wireless PCS – On March 15, 2002, the District entered into a lease agreement with AT&T Wireless PCS for the lease of a Cell Tower. Based on this agreement, the District is receiving monthly payments through March 15, 2027. There is a renewal option included in this lease agreement.

Cingular (AT&T) – On September 1, 2001, the District entered into a lease agreement with Cingular (AT&T) for the lease of a Cell Tower. Based on this agreement, the District is receiving monthly payments through September 1, 2026. There is a renewal option included in this lease agreement.

NOTE 8 – 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 \$118,745 at December 31, 2022.

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, 2022, the District had retirement plan deferred outflows of \$118,745. 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 with 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.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 – 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, 2022 the liability for accrued sick leave and vacation was \$37,876.

NOTE 10 – 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.

BLOCK ISLAND UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 – LONG-TERM LIABILITIES

The following is a summary of the District's long-term debt activity for the year ended December 31, 2022:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding January 1, 2022	Additions	Retirements	Outstanding December 31, 2022	Due Within One Year
Notes Payable									
CFC Acquisition Loan	10/1/2019	\$ 5,800,000	6/30/2050	3.66%	\$ 5,560,155	\$ --	\$ (119,704)	\$ 5,440,451	\$ 124,145
CFC Loan	3/11/2022	1,500,000	12/31/2051	4.66%	--	1,500,000	(17,868)	1,482,132	24,811
CFC Loan	3/11/2022	300,000	12/31/2048	4.50%	--	300,000	(4,432)	295,568	6,146
CFC Loan	9/6/2022	1,400,000	6/30/2052	6.00%	--	1,400,000	(4,507)	1,395,493	17,864
CFC Line of Credit	3/3/2020	622,000	3/22/2022	2.45%	300,000	322,000	--	622,000	622,000
Total Notes Payable		<u>\$ 9,622,000</u>			<u>5,860,155</u>	<u>3,522,000</u>	<u>(146,511)</u>	<u>9,235,644</u>	<u>794,966</u>
Retirement Liability									
					<u>148,155</u>	<u>--</u>	<u>(29,410)</u>	<u>118,745</u>	<u>--</u>
Long-Term Liabilities									
					<u>\$ 6,008,310</u>	<u>\$ 3,522,000</u>	<u>\$ (175,921)</u>	<u>\$ 9,354,389</u>	<u>\$ 794,966</u>

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 – 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
2023	\$ 794,966	\$ 362,611	\$ 1,157,577
2024	180,127	355,450	535,577
2025	187,595	347,982	535,577
2026	195,383	340,194	535,577
2027	203,506	332,072	535,578
2028-2032	1,152,182	1,525,701	2,677,883
2033-2037	1,415,012	1,262,867	2,677,879
2038-2042	1,740,568	937,319	2,677,887
2043-2047	2,144,624	563,258	2,707,882
2048-2052	<u>1,221,681</u>	<u>109,057</u>	<u>1,330,738</u>
Total	<u>\$ 9,235,644</u>	<u>\$ 6,136,511</u>	<u>\$ 15,372,155</u>

Interest expense incurred on the long-term debt for the year ended December 31, 2022 was \$300,246.

In accordance with the bond covenants, the District shall achieve an Average Modified Debt Service Coverage, (MDSC) a 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, 2022 the District maintained a MDSC of 4.45 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 26, 2023, which satisfies the covenant.

NOTE 12 – 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 \$622,000 as of December 31, 2022, at which time the interest rate was 2.45 %.

BLOCK ISLAND UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – ROOFTOP SOLAR GENERATION PROJECT

In the spring of 2020, the HBC Affordable Apartments granted the District a rooftop 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 2022, the total generation was 119,891 kWh which was valued at \$16,319. There was \$14,687 spent to offset costs associated with the pole replacement capital project and the Board of Commissioners approved the 10% of current year funding of \$1,632 to be transferred from the Solar Restricted Fund for future maintenance.

NOTE 14 – 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.

**INDEPENDENT AUDITORS' 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 (*Government Auditing Standards*), the financial statements of the Block Island Utility District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Block Island Utility District's basic financial statements, and have issued our report thereon dated April 26, 2023.

Report on 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.

Report on 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.

A handwritten signature in black ink that reads "Marcum LLP". The script is cursive and fluid.

Providence, RI
April 26, 2023



INDEPENDENT AUDITORS' REPORT

To Jeffery Wright, President
Block Island Utility District

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Block Island Utility District as of and for the year ended December 31, 2022 have issued our report thereon dated April 26, 2023.

During the period of this review, the Utility District received \$3,200,000 in long-term loan fund advances from NRUCFC on loans controlled by the NRUCFC Loan Agreements and/or Mortgage or Security Agreement. Based on our review of construction work orders and other plant accounting records created during the period of review, it is our opinion that these NRUCFC loan funds were expended for purposes contemplated in the Loan Agreements on such loans.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the members and management of the Block Island Utility District and is not intended to be and should not be used by anyone other than this specified party.

Marcum LLP

Providence, RI
April 26, 2023

AGENDA ITEM 6
PRESIDENT'S UPDATE

PRESIDENT'S UPDATE
MAY 25, 2023

NRECA Legislative Conference Report

I attended the NRECA legislative conference in April. The conference drew in about 2,000 attendees from all over the country. The first day of the conference was spent hearing from NRECA CEO Jim Matheson, NRECA VP of Government Affairs, and from many speakers, including some government officials from the USDA and the Department of Energy. The second and third day of the conference was meant for coop leaders to meet with their representatives on Capital Hill. Each statewide association set up those meetings, so I did not participate in days two or three.

Next year, though, I would like to bring two BIUD Commissioners and arrange in-person meetings with our representatives on Capital Hill. It would be good to show up on "coop week" so they can make the connection. I also think it would be a great experience.

NRECA's message that week focused on four main talking points; 1) Reliability, 2) Supply Chain, 3) Permitting Modernization, and 4) the Farm Bill, which provides USDA funding for Cooperatives. I've included the fact sheets that were provided to us for your reading.

DOE Grant Update

NRECA is waiting to hear the results of the GRIP application. BIUD's portion of the \$160M grant application would provide BIUD with half of \$4.7M to finish upgrading its pole plant and to install storm guying for resiliency purposes.

BIUD was cut from NRECA's ERA grant application being submitted to DOE. I had requested \$6M to finish the voltage conversion project.

Commissioner Warfel submitted BIUD's ITIP grant application with the help of the Island Institute staff. We met with their staff last Friday on our way to Isle Au Haut.

EV Bucket and Level III Charger Update

The EV bucket truck was delivered recently and is slowly being put into service. We still need to procure tooling to stock the truck. The total asset value, which will be shown on our Q2 balance sheet, is \$635,513. For everyone's benefit, I have included the RE Magazine article written with Martha McClusky's contribution.

The Level III EV charger is installed and working. There are some hurdles left to overcome on the payment system integration.

ACTION REQUIRED – BOD Sub-Committee for Employee Benefits

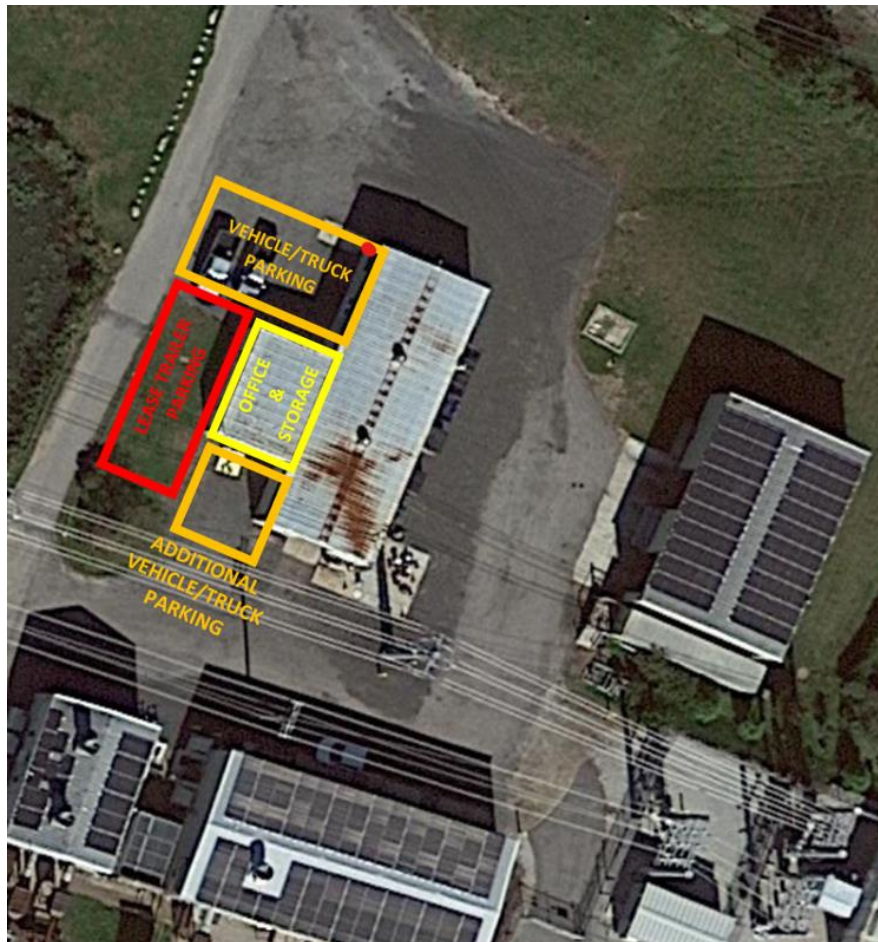
We must finalize the BOD sub-committee to work on our employee benefits package. I'd also like to agree on a date for our initial meeting. I will e-mail the employee handbook detailing the benefits ahead of time.

Retail Choice Update

Our bill, which would provide BIUD a retail choice exemption, has been introduced to the House and Senate committees. It has been voted out of the Senate Committee. Our testimony in both committee hearings was well received, with no questions asked. The Mayforth Group is actively monitoring its progress and is confident the General Assembly will pass it.

SERTEX Lease

I have negotiated a year-year lease agreement with SERTEX to provide them with office/storage space and parking for their service trucks. The lease is being finalized this week and begins June 1st. We agreed to provide the space shown on the following map for \$2,250/month.



Member Survey Update

I am working with NRCEA to obtain a quote to administer our member survey, which I propose we do every two years. In our June meeting, I will provide a list of draft survey questions for your review and ask you to help compile a list of additional questions of interest.

RI Energy Cable Outage Report to DPUC/OER and Governor's Office

I will report on this at our BOD meeting and reference the reports previously e-mailed to you. They are not intended for public distribution.

Preserve Reliable and Affordable Electricity

Key Findings

- American families and businesses expect the lights to stay on at a price they can afford. Our national energy policies must embrace this fundamental promise.
- As electric cooperatives work to meet the changing demands of our communities and our consumer-members, prioritizing affordability and reliability is paramount.

Five Issues Impacting Reliability and Affordability

Electrifying the economy – As a nation, we are trending towards a future that depends on electricity to power more of the economy. Recent modeling by the Electric Power Research Institute concluded that achieving net-zero economywide emissions by 2050 could require generation capacity to increase by as much as 480 percent compared to what is in place today. This increased demand must be accounted for as we plan to meet tomorrow's energy needs.

“Disorderly” retirement of existing generation – According to the North American Electric Reliability Corporation (NERC), a not-for-profit entity with regulatory authority over reliability and security of the grid, the “disorderly” retirement of existing generating assets is directly impacting reliability. Many generation assets taken off-line in recent years have been replaced with sources providing less capacity, no capacity, or capacity that's intermittent and not always available. Reliability has been threatened as a result. In the 15 U.S. states covered by the Midcontinent Independent System Operator (MISO), the number of warnings issued when electric supply is at risk of not meeting demand quadrupled from 2020 to 2021.

Permitting challenges – The current permitting process required to build, site, and maintain electric generation and transmission infrastructure is outdated and a significant impediment to meeting tomorrow's energy needs. Electrifying other sectors of the economy could require a three-fold expansion of the transmission grid by 2050, according to the National Academies of Sciences. Just one new transmission project can take up to 10 years to complete due to regulatory hurdles. As an example, Dairyland Electric Cooperative's Cardinal-Hickory Creek Transmission Line Project would connect 115 renewable generation projects in the Upper Midwest but has been stalled in costly litigation for years.

Supply chain - Supply chain delays are contributing to an unprecedented shortage of the basic machinery and grid components essential to ensuring continued reliability of the electric system. Prior to 2021, it took an average of 70 days for an electric co-op to receive a distribution transformer after placing an order. The same order today takes an average of 340 days to fulfill - nearly 5x as long. These components play a key role in keeping the lights on.

Availability of natural gas – The U.S. is increasingly reliant on natural gas for baseload power and as a backstop for intermittent generation sources. The availability of natural gas has been challenged by several recent extreme weather events. The extreme cold on the U.S. east coast during December 23 and 24 of last year revealed severe shortages when natural gas was not available for power plants.

Congress Should Act Today to Preserve Reliability Tomorrow

Reliably keeping the lights on is vital for local communities, the economy, and national security. Today's energy decisions will determine if there are enough resources to meet tomorrow's energy needs.

Rolling blackouts cannot become the new normal in America. Policymakers must recognize the need for time, technology development, and new transmission infrastructure before taking our nation down an energy path that prioritizes speed over practicality. And lawmakers must support policies that are inclusive of all energy sources to maintain reliability and affordability.

Supply Chain Challenges Impacting Electric Cooperatives

Key Findings

- Electric cooperatives are facing significant supply chain challenges and delays. These delays impact the ability of co-ops to provide reliable electric service, quickly restore power after natural disasters, and meet growing demand for electricity.
- Electric cooperatives are urging the government to pursue policies that will support sustainable supply chains for the electric sector.
- The federal government should address the labor shortage currently constraining distribution transformer output, bolster the domestic supply of grain oriented electrical steel, and invest in domestic manufacturing of large power transformers for the long term.

Electric Sector Experiencing Unprecedented Supply Chain Challenges

Supply chain challenges have led to an unprecedented shortage of the essential machinery and components that ensure the continued reliability of the electric grid. Electric cooperatives are waiting a year, on average, to receive distribution transformers. Additionally, lead times for large power transformers have grown to more than three years. And orders for electrical conduit have been delayed five-fold to 20 weeks with costs ballooning by 200 percent year-over-year. As a result, new projects are being deferred or canceled, and electric cooperatives are concerned about their ability to respond to major storms due to depleted stockpiles. This is a serious threat to electric reliability.

Solutions Identified by a Tiger Team

Last year, the Electricity Subsector Coordinating Council (ESCC), a partnership between the electric sector and the federal government aimed at combatting threats to critical infrastructure, established an industry “Tiger Team” to examine the supply chain crisis. As part of this effort, the Tiger Team conducted surveys with electric utilities and grid component manufacturers and reviewed years’ worth of private and government research and data.

Some of the Tiger Team’s key findings include:

- The current production of distribution transformers is not meeting rising demand, and demand is expected to continue increasing.
- Labor is the most immediate barrier to more supply chain output for many manufacturers.
- The current overreliance on international producers for large power transformers, and their steel raw material components, poses a significant long-term national security risk.
- Shortages of many raw materials are heightened by competition from other growth industries, like electric vehicles.
- Many factories are operating at full capacity to meet growing demand, leading to maintenance

Availability of natural gas – The U.S. is increasingly reliant on natural gas for baseload power and as a backstop for intermittent generation sources. The availability of natural gas has been challenged by several recent extreme weather events. The extreme cold on the U.S. east coast during December 23 and 24 of last year revealed severe shortages when natural gas was not available for power plants.

Congress Should Act Today to Preserve Reliability Tomorrow

Reliably keeping the lights on is vital for local communities, the economy, and national security. Today's energy decisions will determine if there are enough resources to meet tomorrow's energy needs.

Rolling blackouts cannot become the new normal in America. Policymakers must recognize the need for time, technology development, and new transmission infrastructure before taking our nation down an energy path that prioritizes speed over practicality. And lawmakers must support policies that are inclusive of all energy sources to maintain reliability and affordability.

The Importance of Modernizing Infrastructure Permitting

Key Findings

- Federal agencies assess the environmental impacts of proposed major infrastructure projects prior to making decisions on permit applications, financing, or approving rights-of-way.
- Electric co-ops support efforts to determine potential environmental impacts for energy and broadband projects, but the existing process takes too long, is too expensive, and impedes the ability to meet the future needs of our consumers and communities.
- The process for conducting federal environmental reviews must be modernized. This will provide more certainty as we build for the future and continue to provide safe, reliable, and affordable electricity to American families and businesses.

Background

The National Environmental Policy Act (NEPA) establishes a process for federal agencies to assess the environmental impacts of proposed major infrastructure projects. Additional evaluations required by other federal laws – like the Clean Water Act, the Endangered Species Act, the Clean Air Act, and others – are layered within the broader federal permitting process. This convoluted federal permitting process often results in projects having to go through overlapping permitting reviews. In addition, it has continually expanded, and now requires significantly more time and resources than originally intended – delaying the completion of critical infrastructure projects.

The permitting red tape and ensuing delays have a direct negative impact on the communities served by these projects. As electric co-ops navigate environmental reviews and permitting processes, the process is exacerbated by multiple federal agencies with separate decision-making authorities and often conflicting viewpoints.

Impact on Electric Co-ops

Electric co-ops are playing a leading role in the transformation of the electric sector and conduct numerous activities that require them to navigate the federal permitting process. It is often necessary for co-ops to obtain permits or other authorizations from federal agencies to construct and maintain electric generation, transmission, and broadband infrastructure. Many co-ops also have existing federal loans or have sought additional federal financial assistance, which often require environmental reviews before approval. As the demand for electricity continues to grow, overly complicated and burdensome federal reviews are a growing impediment to meeting tomorrow's energy needs across rural America.

Permitting Modernization Must Lower Costs and Eliminate Extended Delays

NRECA and its members fully support efforts to consider potential environmental impacts of energy and broadband projects. However, the federal permitting process needs dramatic improvements to eliminate extended delays associated with environmental reviews and approvals for co-op infrastructure projects.

NRECA supports the following reforms:

- **Firm time limits for environmental reviews.** The NEPA permitting process takes too long. To maintain reliable and affordable energy and build the infrastructure we need for the future, the process must be efficient and predictably completed within two years. That should be enough time to conduct a rigorous review and while providing project certainty.
- **Greater applicant involvement in the process.** Electric co-ops are owned by the consumers they serve. Co-ops know the specific details of their projects and the unique needs and challenges facing their communities. Greater involvement by those proposing the infrastructure projects will provide agencies with information they need to facilitate more efficient and effective reviews in a timely manner.
- **More efficient reviews for recurring small projects we already know have minimal environmental impacts.** Electric co-ops spend significant time managing the vegetation that grows around power lines to maintain reliability and prevent wildfires. Those vegetation management efforts regularly take place across the country. Electric co-ops should not have to navigate a lengthy, bureaucratic process when both co-ops and the agency already know the benefits are high and the impacts are low.
- **Limit lengthy, costly litigation that can delay projects indefinitely.** Litigation can result in excessive paperwork and unnecessary delays—holding up projects that communities badly need.

Contact:

Bobby Hamill, Legislative Affairs Director
bobby.hamill@nreca.coop or 571-429-1026

Farm Bill Opportunities for Electric Cooperatives

Key Facts

- The Farm Bill contains significant opportunities for electric cooperatives and rural communities, including expanding rural broadband access, enhancing electric infrastructure, and promoting economic development.
- Timely consideration of the Farm Bill and passage before the September 30 deadline helps provide clarity and certainty to electric co-ops as they seek to leverage these programs in the communities they serve.

Farm Bill Funds Rural Broadband, Crucial Community Development Programs

Electric cooperatives are not-for-profit rural power providers that are built by and belong to the communities they serve. The Farm Bill is an essential tool for co-ops. Farm Bill programs can help co-ops:

- Secure financing for electric infrastructure upgrades and enhance innovative energy programs.
- Expand access to rural broadband.
- Enhance important economic development projects across local communities.
- Modernize the permitting process for USDA-financed infrastructure projects.

Key Priorities

- **Maintain affordable, reliable electric service.** Rural Utilities Service (RUS) electric infrastructure financing programs and new clean energy initiatives help co-ops meet traditional electric needs and promote clean energy deployment. Collectively, these programs help co-ops keep electric bills affordable while meeting the expectations of our consumer-members. ***We urge the Congress to oppose policies that would lead to higher electricity costs for rural families, businesses, and communities.***
- **Help bridge the digital divide.** A reliable broadband connection is vital for a modern electric grid, and also creates new ways to live, learn and earn in rural America. Many electric cooperatives are working to expand rural broadband access in unserved and underserved areas of the country, in addition to integrating smart grid technologies to their electric networks. ***We encourage Congress to robustly fund scalable broadband networks that meet current and future needs in rural America and allow providers additional flexibilities to meet the unique challenges posed by hard-to-reach areas.***
- **Reauthorize USDA toolbox of rural development programs for electric cooperatives.** Owned by the communities that they serve, electric cooperatives have a vested interest in the success and safety of their consumers. USDA programs like the Rural Economic Development Loan and Grant Program, Rural Energy Savings Program, Rural Energy for America Program, and Rural Cooperative Development Program are crucial for electric cooperatives as they carry out their mission to power

and empower rural communities. *We urge Congress to maintain these critical tools for electric co-operatives.*

- **Modernize the Permitting Process.** The federal permitting process has continually expanded over the last four decades, resulting in delays and added costs for electric co-op infrastructure projects. For electric cooperative consumer-members, this means longer waiting times to get high-speed internet and higher electricity bills. *We urge the Congress to modernize and improve the federal environmental review process across USDA-Rural Development, specifically for Rural Utilities Service (RUS) projects.*

Contact:

Jason Cooke, Legislative Affairs Director

jason.cooke@nreca.coop or 919-819-0742

THE COOPERATIVE ADVANTAGE ([HTTPS://WWW.ELECTRIC.COOP/THE-COOPERATIVE-ADVANTAGE](https://www.electric.coop/the-cooperative-advantage))

Co-op Member's Generosity Brings Energy Innovation to Block Island

Published
April 6, 2023

Author
Derrill Holly

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Rhode Island's [Block Island Utility District](https://blockislandpowercompany.com/) (<https://blockislandpowercompany.com/>) is receiving a new electric bucket truck this month thanks to the generosity of one of its original members—and the family of the late Donald McCluskey is hoping that his legacy inspires others living in electric cooperative communities to help fund clean energy projects.

The truck donation is among \$3 million in

contributions from McCluskey for clean energy community projects over the past four years, said Jeffery Wright, the founding CEO of Block Island Utility District. The distribution co-op is a former investor-owned utility that became an electric cooperative in 2018 and joined NRECA a year later.

“Don’s impact on the co-op is making a tremendous impact on the island,” said Wright. “His quiet contributions not only improved our overall performance, helping us control our costs, but they also are helping to turn the island into a model environment for proving beneficial electrification concepts and reducing our overall environmental impact.”



Block Island Utility District CEO Jeffery Wright got a glimpse of his co-op's new electric bucket truck at NRECA's PowerXchange and TechAdvantage® Experience in Nashville, Tennessee, in March. (Photo Courtesy: Block Island UD)

At 33,000 pounds, the full-sized bucket truck from Terex Utilities has a charging range of 135 miles. The 55-foot boom has the reach to handle most work required on the co-op's system, and with just 35 miles of paved roads in the 10-square mile community, Wright says it is ideal for daily use.

“With a sticker price of \$620,000, there is no way we could have made the purchase on our own,” said Wright. “We can charge it once or twice a week, and it is ready and available anytime we need it.”

The co-op's new bucket truck will be seen around the island by many of its 700 to 800 permanent residents. McCluskey also bought an electric school bus to transport local students, replacing costly diesel fuel with electric power costs of about \$100 a month.



McCluskey

“During the summers, when the bus is not in use, we can back feed power from it to

meet about 1% of our peak, shaving demand for power,” said Wright.

While McCluskey’s community support came without expectations for repayment, he always made it clear that any revenues or savings generated from his contributions be reinvested in green energy projects offering direct benefits to residents and visitors to Block Island.

“We take those revenues and we put them into a capital fund,” said Wright. “He also gave money for a pilot program for solar panels on poles. We will install them to see if the panels will hold up in our weather and use the power they produce as no-cost electricity to feed into our grid.”



The only school bus operating on Rhode Island's Block Island is charged with electricity from the island's electric cooperative. (Photo Courtesy: Block Island UD)

firm, was 100 years old when Wright visited him for their first and only face-to-face meeting at his Block Island home in 2021. He sat on his porch and listened with keen interest to details of the modernization and upgrades that Wright, his staff and contractors pursued soon after the co-op was established. He smiled at hearing how some of his previous gifts were helping to make Block Island better, said Wright.

“He funded a 90-kilowatt solar array we built on the roof of our building. He also paid to have solar arrays installed on 20 affordable housing units and subsidized installation of heat pumps on more than 80 of the island’s homes,” said Wright.

Block Island was the Connecticut native’s adopted hometown. McCluskey sailed there with childhood friends and visited several times with his wife before building his retirement home there in 1978.

With his home off the grid and beyond the investor-owned utility’s lines, he adopted solar early and tried unsuccessfully to harness wind power, replacing noisy generators with the technology available at the time. Before he finally got connected to power lines, McCluskey hosted neighbors at his home while they waited for power to be restored during many outages. Once the co-op was founded, his interest in its operations offered him opportunities to actively express his commitment to cleaner energy.

The projects he funded were undertaken with little fanfare, with McCluskey requesting no acknowledgement and preservation of his privacy. It wasn’t until after his death last October at age 101 that his children began offering public details of his financial support.

“His gifts for green energy were an anonymous end-of-life effort,” said Martha McCluskey, one of his three surviving children. “He recognized that his generation was not leaving the planet or the island in good condition. He hoped to inspire a broader commitment to addressing the climate crisis, bridging the divisions that are hindering that work.”

But Block Islanders will learn more about the late World War II veteran this summer when the electric

bus and the electric bucket truck are decorated for the annual Independence Day parade. Wright plans to drive the truck, with Martha McCluskey in the passenger seat.

A message permanently painted on the vehicle will note her father's interest and support of the co-op: "This truck, and the solar energy used to power it, are tributes to the vision and generosity of Don McCluskey. May his example inspire others!"

Derrill Holly is a staff writer for NRECA.

Up Next

Meet the

Bangladeshi

Cook Who Is (https://www.electric.coop/meet-
NRECA the-bangladeshi-cook-who-is-
International's → nreca-internationals-longest-
Longest-serving-employee)
Serving
Employee



AGENDA ITEM 7
REVIEW OF THE 2023 BIUD ELECTION SCHEDULE

BLOCK ISLAND UTILITY DISTRICT BOARD OF UTILITY COMMISSIONERS 2023 CALENDAR

JANUARY						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

FEBRUARY						
Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4
5	6	7	8	9	10	11

MARCH						
Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1
2	3	4	5	6	7	8

APRIL						
Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

MAY						
Su	Mo	Tu	We	Th	Fr	Sa
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

JUNE						
Su	Mo	Tu	We	Th	Fr	Sa
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1
2	3	4	5	6	7	8

JULY						
Su	Mo	Tu	We	Th	Fr	Sa
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

AUGUST						
Su	Mo	Tu	We	Th	Fr	Sa
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9

SEPTEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
1	2	3	4	5	6	7

OCTOBER						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

NOVEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
3	4	5	6	7	8	9

DECEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

- REGULAR BOARD MEETINGS
- ANNUAL MEETING - AUGUST 26 @ 4:00 PM
- BLACK OUT HOLIDAYS
- NRECA MEETINGS/EVENTS

- FEBRUARY 4-7 NRECA DIRECTORS CONFERENCE
- MARCH 5-8 - NRECA ANNUAL MEETING/NASHVILLE
- SEPTEMBER 6-8 NRECA REGION 1 MEETING
- OCTOBER 10-13 NORTHEAST COOP ASSOCIATION (NEWPORT)

ELECTION MILESTONES (2 SEATS)

- JUNE 1** - MAIL FORMS TO DESIGNATE QUALIFIED ELECTORS TO ALL ACCOUNT HOLDERS
- JULY 3** - QUALIFIED ELECTOR FORMS DUE BACK TO BIUD
- JULY 26** - CANDIDATES MUST DECLARE INTENT TO RUN BY THIS DATE
- AUGUST 26** - CANDIDATE INTRODUCTION AT ANNUAL MEETING
- AUGUST 30** - MAIL BALLOTS
- OCTOBER 2** - BALLOTS DUE BACK TO BIUD
- OCTOBER 4** - ELECTION RESULTS ANNOUNCED
- OCTOBER 26** - TRANSITION OF BOARD SEATS (LAST/FIRST MEETINGS)

Block Island Utility District

By Laws

ARTICLE I – STATEMENT OF PURPOSE

Section 1. The Block Island Utility District was created by legislation entitled “The Block Island Utility District Act of 2017” found in chapters 45-67 of the Rhode Island General laws (the “Act”). The Act authorizes the Utility District to provide utility products and services within the Town of New Shoreham.

Section 2. “Utility District” means the Block Island Utility District, a municipal corporation, having a distinct existence from the State of Rhode Island and empowered by the Act to:

1. Fulfill electric utility functions, powers, rights, and obligations;
2. Exercise certain powers as an electric distribution company and an emergency power producer; and
3. Provide additional utility services not inconsistent with the duties, powers, and obligations of the Utility District.

ARTICLE II – MEMBERSHIP

Section 1. A “Qualified Elector” is any person whose name appears on an active account with the Utility District and who is designated by the account holder to be the qualified elector.

Section 2. No active account shall have more than one Qualified Elector, and no Qualified Elector will have more than one vote. Any corporation or other legal entity that holds an active account shall designate in writing an individual officer or another representative to serve as the Qualified Elector for such active account.

Section 3. Annually, on June 1st, the Utility District will mail a form to designate the Qualified Elector to all active account holders. The Qualified Elector Designation will be due back to the Utility District by July 1st. If no new Qualified Elector is designated, it will remain the last Qualified Elector on record.

Section 4. For any vote by Qualified Electors, the Utility District will make available a list of qualified electors thirty (30) days prior to the date of the vote.

ARTICLE III – POWERS OF THE UTILITY DISTRICT

Section 1. The Utility District shall have and may exercise all powers granted to it by the Act, subject to the requirements of the Act and applicable law.

ARTICLE IV – BOARD OF COMMISSIONERS

Section 1. The Board of Commissioners (“Board”) has the responsibility to execute the powers of the Utility District in accordance with the Act.

Section 2. The Board shall consist of five (5) members with no less than three (3) being residents of the Town of New Shoreham.

Section 3. A majority of the Board constitutes a quorum, and unless otherwise expressly required, a majority of the members shall be necessary for all actions to be taken. No vacancy in the membership of the Board shall impair the right of a quorum to exercise all the rights and perform all the duties of the Board.

Section 4. The initial Board consisted of three (3) members of the Board serving four (4) year terms and two (2) members of the Board serving two (2) year terms. Upon the expiration of the term of any member of the Board, such member's successor shall be elected for a four (4) year term. Each member of the Board must be a Qualified Elector. The term of office of any member of the Board expires upon his or her death, disability, resignation, or removal as permitted by these bylaws or applicable law and upon the certification of the election of his or her successor by the secretary of the Utility District in accordance with these bylaws.

Section 5. Board members are elected by mail ballot. Ballots will be mailed to all Qualified Electors five (5) days after the Annual Meeting and must be returned within thirty days (30). Qualified Elector candidates have thirty (30) days prior to the Annual Meeting to submit in writing their declaration of candidacy. The secretary of the Utility District will oversee the tabulation and certification of the results of any election of members to the Board.

Section 6. The Board elects annually from among its members a chairperson; a vice chairperson; a secretary; and a treasurer. Such election shall occur at the first meeting of the Board following the certification of any election by the secretary and, in any year without an election, at the meeting of the Board in the month of September.

Section 7. A Board member who misses four (4) consecutive monthly meetings of the Board may be removed from membership on the Board by a majority vote of the remaining Board members.

Section 8. In the event of a vacancy on the Board, the Board will select an eligible candidate to fill the vacancy until the next Annual Meeting.

Section 9. Board members serve without compensation for attending scheduled and special meetings.

Section 10. Approval of the Board shall be required for all employment contracts with executive employees of the Utility District and the adoption of all employee benefit plans, including fringe benefits, for employees of the Utility District.

Section 11. Annual operating and capital budgets for the Utility District will be approved by the Board and presented at the Annual Meeting.

ARTICLE V – MEETINGS

Section 1. The annual meeting of the Utility District ("Annual Meeting") will be held on a Saturday in August each year, the specific date to be determined by the Board. Notice of the time and location of the Annual Meeting will be mailed to each Qualified Elector not less than sixty (60) days prior to the Annual Meeting. The meeting time and location will be posted according to

the requirements of Rhode Island law governing meetings of public bodies, including without limitation chapter 42-46 of the Rhode Island General Laws (the “Open Meetings Regulations”), and will also be published in The Block Island Times.

Section 2. A monthly meeting of the Board of the Utility District will be held on dates to be decided during the January Board meeting. The meeting dates will be published on the annual meeting calendar which will be listed on the Secretary of State’s and Utility District’s websites. The time, location, and agenda will be posted forty-eight hours prior to the meeting.

Section 3. Special Meetings may be scheduled at the discretion of the Chairperson. The date, time, and location will be posted forty-eight (48) hours prior to the meeting. If an emergency meeting is required, the Board will follow the open meetings regulations for posting such a meeting.

Section 4. All meetings held by the Utility District are subject to the Open Meetings Regulations.

Section 5. On those issues requiring member approval, fifteen (15) Qualified Electors shall constitute a quorum. In the event that a quorum should not be reached at a meeting, the Board of Utility District the meeting will be rescheduled for another vote by the Qualified Electors.

Section 6. A Qualified Elector must present an appropriate form of identification in order to vote at any annual or special meeting.

ARTICLE VI – MONEY OF THE UTILITY DISTRICT

Section 1. All money of the Utility District shall be paid to the Office of the Treasurer of the Utility District.

Section 2. Money shall be deposited into a separate bank account or accounts established with the approval of the Board.

Section 3. All deposits of money shall be secured by obligations of the United States and/or the State of Rhode Island as required by the Act. The market value of the securities shall not be less than the amount of the deposits.

Section 4. Money in accounts shall be paid out with the approval of the Office of the Treasurer through normal banking practices.

ARTICLE VII – CODE OF CONDUCT

Section 1. No Board member shall directly or indirectly engage or participate in proceeds of any contract or agreement to supply anything of value to or receive anything of value from the Utility District. This prohibition may be waived by a vote of four (4) of the commissioners if, and only if, the Board first obtains an opinion from the attorney general and/or the Rhode Island Ethics Commission based on full disclosure of all relevant facts that the waiver does not contravene state law and is in the best interests of the consumers served by the Utility District.

Section 2. The Board shall adopt a Conflict of Interest Policy. In the event that the Board is to make a decision that will result in a conflict between the interests of the Utility District and the

interests of an individual member of the Board, such member shall inform the Board of such conflict and shall abstain from voting on such decision. The Board may request a ruling from the Attorney General of the State of Rhode Island or RI Ethics Commission on any perceived conflict, and that ruling will be definitive.

ARTICLE VIII – INDEMNIFICATION

Section 1. This Utility District shall indemnify each current and former member of the Board, officer, manager, employee or agent, including, without limitation, members of Board committees who are not Board members, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred, to the fullest extent of Rhode Island law, if:

- a. He or she conducted himself or herself in good faith; and
- b. He or she reasonably believed in the case of conduct in his or her official capacity with the Utility District, that his or her conduct was in its best interests and
- c. In all other cases, that his or her conduct was at least not opposed to its best interests and in the case of any criminal proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful.

Section 2. A director is not indemnified under Section 1 in respect to any proceeding charging improper personal benefit to him or her, whether or not involving action in his or her official capacity, in which he or she has been adjudged to be liable on the basis that personal benefit was improperly received by him or her.

ARTICLE IX – BYLAWS

Section 1. These bylaws may be altered, amended and repealed and new bylaws adopted by the members of the Board at a regular or special meeting of the Board; provided, however, that prior to taking any such action, the Board shall provide notice of its intention to alter, amend, repeal, or adopt new bylaws and schedule a public hearing not less than thirty (30) days prior to adopting any such alteration, amendment, repeal or new adoption to describe the proposed change and take comment from Qualified Electors and members of the Board.

Approved: February 27, 2021

AGENDA ITEM 8
LITIGATION UPDATE