

From: Sherri Lange [<mailto:kodaisl@rogers.com>]

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Nat'l Grid substation cost triples

Increases expected charges

By

Lars Trodson

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While Interim President Jeffery Wright of the Block Island Power Company called it "good news" that Block Island's 2,000 ratepayers will no longer be subjected to the almost daily fluctuating costs of diesel fuel when the island switches over to wind power, he said he was also "disappointed" that unexpectedly revised costs for the new substation and the transmission cable will lessen the hoped-for savings for BIPCo customers.

The reason Block Island power rates will stabilize is because the members of the Public Utilities Commission approved a tariff and an energy procurement plan for BIPCo for an initial period that could last up to 18 months. The members approved the interim plan at their offices in Warwick on Friday, April 14.

The unexpected news that came up during the hearing was due to an email Wright had received from a National Grid employee on Tuesday, April 11, saying that the cost of the new substation on Block Island, as well as the cost of the transmission cable, had been seriously underestimated.

Wright was told that the revised cost of the substation would be \$1,835,973 rather than the \$550,000 previously estimated. The cost of the transmission cable also went from an initial estimated price tag of \$75,000,000 to \$125,575,127.

Block Island rate payers will bear the entire cost of the substation. The cost of the transmission cable will be socialized between mainland National Grid customers and Block Island rate payers. Block Island rate payers will share 2 percent of the cost of the cable.

Wright called this latest news a “black cloud” and said he is considering an investigation into the matter. He also said he was planning on having a “frank discussion” with National Grid representatives about why he found out about this news so close to the scheduled hearing with the PUC, and why the original cost estimates were so low. (See National Grid’s response on this page.)

The cost for transmission charges BIPCo customers will pay rose, as a result, from 4.37 cents to 6.29 cents per kilowatt hour. Wright said that Block Island rate payers will still see an overall savings per kwh, but that if there were other unforeseen cost increases, Wright said to the members of the PUC, “I’m not sure what will happen.”

“Today is an exciting day, but the news I received was like a black cloud I brought to the group. I have requested a meeting as to how we found out so late,” Wright testified. “We might ask for an investigation into it. For an island of a couple thousand ratepayers, that increase of a couple of cents is a big deal.”

However, Wright is hoping that BIPCo will be able to reduce those costs when it goes before the Public Utilities Commission later this month for its hearing requesting declaratory judgement on the socialization of the cost of the substation and a backup transformer. The new rates will start when the island cuts over to wind power on May 1, and will be reflected in the bills ratepayers receive in June.

BIPCo attorney Michael McElroy, in his opening remarks before the members of the Division, said that “this is an exciting day” and declared independence from the “noisy, dirty diesel engines” that have been powering BIPCo for decades. He then stated that with that independence comes the need for a contract to purchase energy for Block Island. “We will then go to market and sign a contract.” The original rate proposal that BIPCo had hoped to make to the PUC was altered by the news it had received from National Grid, said McElroy.

“Updated costs were significantly increased just two days ago, they were much too low,” said McElroy. “It’s a shame they were so far off — 260 percent off — and it does reduce the amount of savings we had hoped for.”

While Block Island ratepayers will no longer be paying the fuel cost adjustment — the charge that fluctuated because of the variable costs of diesel fuel, which was shipped to the island in tanker trucks — it may still appear intermittently, said McElroy. BIPCo generators will need to be tested to ensure they are able to run if needed for backup, or if they are used to produce energy for the island for whatever reason. The fuel surcharge will reappear on bills to reflect those periods when the engines are in use, McElroy said.

There was also the question of the storage of 40,000 gallons of diesel fuel on BIPCo property. The rate analyst for the PUC, Alan Nault, asked if “there is a risk of the fuel going stale if not used?” Wright said, “We have asked that question of our environmental consultant and we have been told it is not a concern.”

Still — and despite the fact that the kilowatt hour costs had risen due to the unexpected cost estimates — McElroy said switching to wind power has “tremendous benefits to the island that go beyond the cost of a kilowatt hour. We’re extremely pleased to reach this milestone to bring clean, reliable energy to the island.”

Timothy J. Hebert, Executive Vice President of Energy New England, the company that is working with BIPCo to develop the wholesale power procurement plan, said, under oath, that while he was looking at contracts ranging from six to 18 months, he was favoring an 18 month contract.

Hebert said that with historic energy price fluctuations during the winter, an 18-month contract would “flatten out that volatility.”

It was PUC Chair Margaret Curran who made the motion to approve the “proposed BIPCo procurement plan,” with Curran and members Marion Gold and Herbert DeSimone approving the motion.

For all of the disruption, Wright said he was concentrating on the positive aspect of the PUC’s approval of the energy procurement plan for BIPCo.

“This is all about stability, stability, stability,” Wright said after the hearing concluded. “This was a good day.”

Sherri Lange

CEO, NA-PAW, North American Platform Against Wind Power

Executive Director, Canada, Great Lakes Wind Truth

VP Canada, Save the Eagles International
kodaisl@rogers.com
www.na-paw.org

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