

**SWAN'S ISLAND ELECTRIC COOPERATIVE, INC.**

**P.O. BOX 14**

**SWAN'S ISLAND, ME 04685**

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**March 31, 2015**

**RE: State of Maine Public Utilities Commission and Swan's Island Electric Cooperative request for a rate change. Docket No. 2013-00534. Response to Settlement Stipulations.**

**Benchmark Performance Measures and Annual Reporting:**

**NOTE:** Stipulation was signed July 16, 2014. The first billing with the new Meter rate went out on 8/15/14 and money from that started coming in by 9/15/14. The measures for the balance of 2014 will be prorated for the 3 ½ months remaining. (29%)

1. Replace no fewer than 28 meters per year.

Prorated number is 8.12 meters or \$576 in dollar terms over 2013.

Response: SIEC replaced a 3 phase meter at the Underwater Taxi for a cot of \$300. (\$150 for the meter and \$150 in labor.) A discussion ensued regarding the type of meters we should be replacing the old meters with. In conjunction with finding out that the old mechanical dial meters we currently used throughout our grid actually draw power from the grid (line loss), and finding that the dial meters are not very reliable, we decided to go with a solid state digital meter. I ordered 25 new meters and when the weather breaks, we will start installing them. Therefore, in 2015 we will be installing more than the 28 meters specified in the Stipulation.

2. Sevice Installation, repair and relocation- (15 Annually)

Prorated number is 4.35 or \$1,009 in dollar terms over 2013.

Response: SIEC installed, repaired, or relocated 6 service entrances in the last 3 ½ months of 2014. One alone, the transformer repair then replacement on the ferry terminal causeway cost \$3,762.50. No one makes that transformer anymore so we

asked EMERA to remove one from one of its customers and sell it to us. Their customer could use an alternate transformer. We could not.

3. Right of Way clearing. Between 4 and 6 miles annually.

Prorated: .58 to .87 miles or \$3,314 in dollar terms over 2013.

SIEC crew cleared more than a mile of Jericho Bay road at the end of 2014.

4. Seek approval of the MPUC to use the residential standard offer.

We asked to be moved to the Small/Residential standard offer class at April 1, 2015. We were told that the vendor that supplies our power through EMERA has a contract that does not expire until April 1, 2016, therefore, we could not make the change. In light of the new standard offer rate window ending in December 2015, we expect the Medium/Non Residential standard offer rates will be more level since the vendors will not have to estimate a year out into the highest fuel period. We will wait until April 1, 2016 to make the switch to Small/Residential rates.

5. Review Depreciation to be certain there are no errors like the Marine Cable schedule.

Response: Our new auditor, James Wadman, is still reviewing the depreciation schedules. His response will follow these stipulation responses soon.

6a. Pro Forma budget for two years forward to maintain TIER between 1.75 and 2.25.

Response: See separate attachment.

6b. Plan for replacing marine cables (timing, cost, financing.)

The Swan's Island Electric Cooperative owns five submarine cables. Four cables span the six miles between Lopus Point on the mainland and the SIEC Switching Station near the Swan's Island Ferry Terminal. The remaining cable connects Swan's Island to Frenchboro – a distance of about 2 miles. All five cables are fully depreciated and range in age from 15-30 years of age. Of the four cables from the mainland, one is a spare which is kept energized in case it must be called into service on short notice. This occurred in 2010 when one of the three primary cables was accidentally severed during reconstruction of the new Ferry Pen.

For some time now the SIEC Board has been interested in establishing some type of "rainy day fund" to help our tiny cooperative prepare for future cable replacement. However, we have been advised by legal counsel (with experience in utility law) that the practice of assessing current utility customers for future anticipated capital costs are, historically, disallowed by the regulatory bodies overseeing utility

operations in Maine. Consequently our strategy for dealing with cable failure is necessarily limited to (1) Attempted Repair –while temporarily activating the spare cable to restore full power to both islands and (2) Cable replacement through emergency financing from the Federal Rural Utility Service.

6c. Feasibility, costs, and benefits of a merger with a larger utility such as EMERA-Maine. A preliminary review of advantages and disadvantages of a merger (or acquisition) by a larger utility such as Emera Maine indicates that residents of Swan’s Island and Frenchboro could experience a significant reduction in electric power costs amounting to nearly half of present rates (about 35 cents per kwh). In exchange they would need to be prepared for extended delays for power restoration, the loss of 7-8 full and part-time, salaried positions, the loss to island businesses (fuel and other support) of maintaining the Electric Cooperative on-island, and the loss of personal administrative and close, construction coordination in the provision of electric service. Island customers would have to adjust to different rate classifications according to Emera policy. In the absence of island-based electrical worker expertise, power outages and emergencies would have to be handled by the local Fire Department until Emera personnel could arrive from the mainland. The capability to locally disconnect the island grid safely from the mainland has been recently installed. Legal costs for a merger (or acquisition) could exceed \$100,000 and require up to 24 months to close. Members of the Swan’s Island Electric Cooperative would be required to support such a move through a formal vote.

Emera-Maine already has experience in supporting electric customers on Maine’s off-shore islands - connected by submarine cable (The Cranberry Islands). However, acquiring the Swan’s Island Electric Cooperative with its 450 members, 600 meters on two islands, and five submarine cables would be of a different order of magnitude – particularly if Emera is determined to offer mainland rates. Mitigating the task somewhat is the existence of the Maine State Ferry Service to both Swan’s Island and Frenchboro contrasting with the need to barge utility trucks and material to the Cranberries when problems arise or repairs are needed. Likewise, the SIEC is just completing a major upgrade to its grid including a rebuild of their island Switching Station, replacement poles, and new line – thus providing some assurance that immediate maintenance concerns are lessened. (See Appendix A – Interrogatory Questions and Answers between the two utilities; and Appendix B – A three year cost comparison study between Emera standard offer rates on the Cranberry Islands vs. SIEC rates for its customers as a Medium Commercial customer of Emera).

There is little doubt that a sizeable reduction of electric power costs on Swans Island and Frenchboro would significantly improve the economic development on both

islands, long term. The SIEC is a Federally-recognized High Energy Cost Community, where energy costs are greater than 2 ½ times the average energy costs in the USA.

6d. Independent power options, (consultation with experts, grant sources.)

The SIEC has explored opportunities to generate electric power from renewable sources during the past five years. In 2012 it completed a successful Phase I Feasibility Study for Wind Power and in 2013 it connected its first solar resident customer to its grid as a pilot program to assess how it might accommodate cooperative members who wish to employ solar panels on their homes. In 2014, the Cooperative endorsed an independent study sponsored by the Island Institute and authored by a former General Manager of the SIEC to examine future strategies for bringing sustainable and affordable electric power to Swan's Island and Frenchboro. (See Appendix C) Additionally the SIEC has petitioned Emera-Maine to reclassify us from a Medium Commercial customer to a Standard Offer Residential customer – to achieve a predictable, steady-state monthly billing cost for our members. Also, the option exists for the SIEC to enter the competitive bidding process for the supply of power on the open power market rather than to continue to be a customer of Emera-Maine.

However, all of these options above only nibble away at the cost of raw power itself, Whether the customer pays 12 cents per kwh to Emera or 7 cents per kwh for power from a wind turbine, the majority of the customer's electric bill (almost two-thirds) is driven by the cost of maintaining the island electric grid and providing responsive service to a very small customer base. The economies of scale virtually guarantee that in order to provide reliable and safe electric service to two small island communities six miles out in the ocean, population density needs to be double its present level before rates can begin to approach what they are on the mainland.

6e. Staffing needs to provide safe and reliable electric service.

Response: The SIEC has been unable to attract and hire a qualified First Class or Second Class lineman since the end of 2012 and has no one on staff qualified to perform those duties and no one capable of diagnosing power interruptions and electrical faults on the grid. The SIEC has established close relationships with off-island contractors to perform the services that it lacks from on-island staff. The SIEC has established an Emergency Response Protocol to guide the actions of its personnel during emergencies and when off-island contractors are unable to reach the island. We have one experienced groundsman who has worked under two previous First Class Linemen, and this person is entering a training program in conjunction with the Fox

Island Electric Cooperative (FIEC) to become proficient in those 8-10 tasks which are most routinely encountered during storms and other times when off-island reinforcements are unable to reach us. The SIEC continues to advertise for a qualified First of Second-Class lineman and has increased its compensation package offering during the past 18 months in an effort to generate interest in this position.