

FISHERS ISLAND ELECTRIC COMPANY INC

P.O. BOX 604
FISHERS ISLAND, N.Y. 06390
631 788 7251

August 1, 2019

New York State Public Service Commission
Attn: The Honorable Kathleen Burgess
Three Empire State Plaza
Albany, NY 12223-1350

**TARIFF FILING FOR RATE INCREASE FOR \$300,000 OR 16.43%
PLUS \$125,425 OR 6.87% ADDITIONAL ANNUAL PPA COST RECOVERY
LEAF NO. 58 REVISION 2
TOTAL RATE INCREASE 23.3%**

Hon. Kathleen H. Burgess:

Fishers Island Electric Corporation is attaching an application for a Minor Rate Case for a \$300,000 increase, the maximum allowed for a minor rate case. Plus, the \$125,425 additional annual PPA cost recovery approved by the PSC effective Oct 2011.

Leaf No. 58 Revision 2:

"Until the revenue requirement is recalculated in the Company's first rate case following the effective date of this tariff, \$125,245 will be added to the resulting surcharge or refund"

As collection of the \$125,425 is retroactive based on the prior year PPA annual reconciliation, this method will continue for the first year of the rate change.

INTRODUCTION:

This rate application is being submitted to the New York State Public Service Commission by the FISHERS ISLAND ELECTRIC CORPORATION (hereinafter, "FIEC"). FIEC is a privately-owned public utility company and is the sole entity providing electric services on Fishers Island, New York. Fishers Island is a small island community that is part of the Town of Southold in Suffolk County, NY. See "Market Description" below. The Fishers Island Electric Company applied for a rate increase in 2008 (Case 08-E-1458), a misapplication of information resulted in a reduced rate. The reduced rate was not enough to sustain the company. In September of 2011, with the approval of the NYS Public Service Commission, FIEC began recovering lost revenue from the year 2010 through a PPAC. The PPAC recovery is on a one-year lag and will continue until a new rate is approved, as per Leaf No. 58 Revision 2.

FIEC requires employees with specialized training to maintain the electrical distribution system and they need to be available for on-call duties in order to provide coverage 7 days a week, 24 hours a day. Hiring and retaining rated linemen has been unsuccessful. FIEC has determined that payrates must be above local market rates. See section "Employee Challenges" below.

In addition, in order to provide on-call support, employees must be on-island

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during off-hours and weekends in order to respond to emergencies in a timely manner. FIEC provides on-call housing for individual employees but this is not attractive to those with families who do not want to be separated on weeknights and weekends. The lack of suitable and affordable year-round housing on Fishers Island, either for rent or purchase, is another obstacle in FIEC's efforts to hire rated linemen. FIEC cannot rely on our operations work force to commute from the mainland due to the limitations of the ferry operating during bad weather and at all hours. The issue of employee housing is discussed in the section "Market Description" below.

MARKET DESCRIPTION:

Fishers Island is legally part of the State of New York and is located in Long Island Sound, three miles from the Connecticut shore, opposite New London, Mystic and Stonington CT. Fishers Island is nine miles long and 1.5 miles wide. It has no local government but is part of the Town of Southold in Suffolk County, New York. There is a year-round population of 236 residents, based on the 2010 census. The infrastructure used daily by 236 residents must also support a "peak load" for two months in the summer for approximately 3,000 people. The year-round population supports the school, the volunteer fire department, the ambulance (including an ambulance boat) and EMT's, health services and many other critical functions for the Island, not to mention most of the services to the seasonal community. The island is only accessible by air or by ferry. Ferry travel time is 45 minutes from New London CT in calm weather.

Like most isolated, seasonal communities, and especially island communities, the year-round population has been declining steadily. Island living is inconvenient and expensive. Fishers Island is fortunate in that it has a wealthy seasonal population that, over the years, has been willing, and proactive, in supporting many community undertakings with private charitable donations. Over the past ten years, the declining resident population has been the main focus of efforts to address this issue and has led, among other things, to two significant initiatives for affordable housing for residents. However, these efforts fall short of the need. As a result, FIEC has a pressing need for housing for employees who are critical to the island's utility operations. Fishers Island Utility Company ("FIUC") is currently building a two-family duplex. This will provide housing for two FIEC employees and their families. However, for housing to remain affordable FIEC will need to supplement the cost of housing, which is an added operating expense.

EMPLOYEE CHALLENGES

Since 2014 attracting and retaining employees at FIEC has been challenging. In recent years FIEC has increased pay rates to match the closest electric utility company in the area, Groton Utilities. In addition to trying to hire qualified staff, FIEC has hired apprentice level staff. Apprentices are enrolled in the Northeast Public Power Association four-year lineman training program. However, this approach was also unsuccessful. Apprentices that resigned cited pay and housing as the reasons for taking positions with other

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companies.

FIEC also considered hiring contract labor as a solution, but this has been ruled out as not economically sustainable long term. However, FIEC is negotiating with a company to hire contract labor for 16 weeks later in 2019 to work on maintenance of the electrical distribution system. This is estimated to cost \$123,763.

FIEC's most recent job posting offered compensation comparable to local markets but has yielded little interest from applicants. Those that were interviewed were reluctant to live in on-call housing away from their families on the mainland. As a result, FIEC has concluded that in order to attract and retain qualified candidates FIEC needs to pay above local market pay rates and offer subsidized housing. For a more in-depth analysis of the current market for lineman pay rates please see Appendix A.

CORPORATE STRUCTURE:

"The FISHERS ISLAND ELECTRIC CORPORATION (hereinafter, "FIEC") is a New York corporation incorporated on April 18, 1942. FIEC is owned 50.99% by the FISHERS ISLAND UTILITY COMPANY (hereinafter, "FIUC"), an independent New York Company owned by private individual shareholders, and 49.01% by the FISHERS ISLAND DEVELOPMENT CORPORATION (hereinafter, "FIDCO"), an independent New York Corporation owned by private individual shareholders).

FIUC, as the majority shareholder in FIEC, has three (3) seats on the five (5) member FIEC Board of Directors, and FIDCO has two (2) seats on the five (5) member FIEC Board of Directors. FIDCO does not participate in the overall direction, long term planning or overall or day to day management of FIEC.

FIUC is a management company that owns significant interests in and manages three NYS PSC regulated operating companies (Fishers Island Electric Corporation, Fishers Island Telephone Corporation and Fishers Island Water Works Corporation (hereinafter referred to as "FIEC," "FITC" and "FIWWC"). FIUC has representation on the Boards of Directors of the three regulated operating companies that forms an operating majority of representatives on the Boards of Directors of each of the three regulated operating companies.

FIDCO is an independent, unrelated corporation (to FIUC) that also has significant ownership interests in the same three NYS PSC regulated operating companies and minority representation on the Boards of Directors of each of the same three NYS PSC regulated operating companies.

FIDCO is not a subsidiary of FIUC and FIDCO owns no shares of FIUC. FIUC owns no shares of FIDCO and is otherwise not related to FIDCO. Among the individual shareholders of each of FIUC and FIDCO there is only very minor cross-over. The actual ownership and Board representation of the three NYS PSC regulated operating companies is as follows:

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FISHERS ISLAND ELECTRIC CORPORATION:

Stock Ownership:

FIUC - 50.99%
FIDCO - 49.01%

Board of Directors:

FIUC - three (3) Directors
FIDCO - two (2) Directors

FISHERS ISLAND TELEPHONE CORPORATION:

Stock Ownership:

FIUC - 51.05%
FIDCO - 48.95%

Board of Directors:

FIUC - three (3) Directors
FIDCO - two (2) Directors

FISHERS ISLAND WATER CORPORATION:

Stock Ownership:

FIDCO - 60.00%
FIUC - 40.00%

Board of Directors:

FIUC - two (2) Directors
FIDCO - three (3) Directors

FIDCO is shareholder but has no say in the day to day operations or long-term planning of FIEC.

It should be pointed out that FIDCO is in an arm's length, negotiated services agreement with Fishers Island Utility Company.

The Directors of the regulated operating companies (FIWWC, FITC, and FIEC) and the holding company (FIUC) have never received compensation.

The three operating utility companies on the Island (FIWWC, FITC, and FIEC) have made it a policy to structure rates that put a disproportionate larger share of rates on the seasonal residents, favoring the full-time, year-around residents with lower rates. Our seasonal customers in the community understand the situation here and are supportive of this allocation structure. In addition, the Fishers Island Ferry District, a New York State chartered tax district, has a rate structure that does the same.

ALLOCATION OF OPERATING COSTS:

FIUC allocates its operating costs among three regulated operating companies, FIEC, FITC, FIWWC, and FIDCO under a service agreement, filed with the NYPSC June 8th, 2017. A copy of the latest services agreement has been provided, see Appendix B.

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SYSTEM DESCRIPTION:

FIEC is a small distribution level service Corporation providing electricity to 765 meters located on Fishers Island. The FIEC service territory is nearly seven- and one-half miles long and one mile wide and consists of a large mix of aerial and underground construction. The primary distribution voltage on the Island is 2400 volts delta three phases, with secondary utilization voltage of 120/240 volts single phase three wire and 120/208 volts, three phases four wire. The bulk electric service is taken at 8,320 volts three phase and is purchased from Groton Utilities through a long term (LT) service agreement rider utilizing Medium General Service (MGS) rate. The current service contract with Groton Utilities is for three years from April 1, 2018 to May 31, 2021. FIEC is billed according to the 'Large General Service Electric Rate Schedule - Sale for Resale' contract which includes rate changes on April 1, 2019 and April 1, 2020.

The FIEC electric distribution system can best be characterized by the following summary: 765 revenue meters (customers) consisting of 648 residential and 117 commercial, 383 distribution transformers, 5.6 circuit miles of 15kV and 25kV class, armored submarine type bulk supply cables. Approximately nine circuit miles of overhead and underground distribution operating at 2,400 volts delta, three phases.

FEEDER CABLES

The Island is served via two under water submarine distribution cables. The newer submarine cable, manufactured by Kerite Company and installed on April 11, 1989, consists of a single three conductor, 4/0 AWG copper conductor, 15kV, 133% HTK insulated with copper tape shield, cabled polyethylene jacketed, and steel armored cable. The cable is approximately 15,500 feet in length with 300 feet on land in Groton, and 150 feet on land in Fishers Island. The cable is always in use, and it has a maximum continuous full load current of 261 amperes (3,200 kW).

Simplex Wire and Cable installed the older of the two submarine cables in late 1967. The cable has three conductors #2/0 Stranded, VSP (Voltage Stabilized Polyethylene Insulated), Shielded Galvanized Steel Armored, 15kV ungrounded (133% insulated) with a total installed length of 14,500 feet. This cable is rated for a continuous full load current of 175 amperes (2,200 kW). This cable is back energized from the Crescent Avenue Substation on Fishers Island and is used as a standby emergency cable.

Both cables have had an excellent reliability rate with no known internal failures. The older 2/0 cable was damaged on September 21, 1974 by a barge. The cable was taken out of service and subsequently repaired. There are no other reports indicating failures or repairs being made to the submarine cables.

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SYSTEM LINE LOSS STUDY

Several studies from 1984 to 2011 were performed in order to understand the percent of system losses the Island is incurring.

According to the studies the losses on Fishers Island are somewhat normal for a long distribution feeder with a peak load dependent on the summer tourism season. There are inherent losses in the system, such as the losses associated with the distribution transformers and primary lines. These losses are unmetered, and they come at a high cost to Fishers Island Electric Corporation.

The submarine cable losses are significant during the spring and summer months, because the increase in activity on the Island to prepare for the summer settlers. The distribution transformer losses are always significant, whether in the summer or winter months, but the losses of the cable rival the distribution transformer losses during the summer months. The distribution transformers are believed to significantly contribute to the system losses during the fall to spring season when the Island is inactive, which is believed to be more than half the year. These losses are unmetered and result in loss revenue for FIEC.

The highest losses are in the 4/0 submarine cable supplying the Island during the Non-Coincidental Peak or the summer peak. During the winter months the highest losses are the distribution transformers. The remaining losses from the Island's distribution system are not objectionable and do not raise significant concerns. The feeders supplying the East End are built with 336.4 AL construction which is an industry standard for feeder mainlines. The underground main line cables are #4/0 gauge, which is suitable for supplying the East End loads.

CMEEC GENERATOR

The Connecticut Municipal Electric Energy Cooperative ("CMEEC") built a generation plant on Fishers Island in May 2010. The Diesel Generator, although not owned by FIEC, benefits the Island long term. The system operates during peak demand of Groton Utilities in Peak Shaving mode, which counteracts the negative effects of the spot market on FIEC power costs. With the addition of the CMEEC Generator, increases in FIEC's power costs and the purchase power adjustment during times of peak demand are reduced.

The System can also be run in Island Mode in the event of an emergency power outage from Groton Utilities. The Generation system is more than capable of generating all the Islands power needs.

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CAPITAL IMPROVEMENT PLAN

Much of the electric system dates to a simpler time when air conditioning and other modern conveniences were not so prevalent as they are today. Fishers Island Electric Company is fully aware upgrades will be needed in the near future if we are to meet our current and growing peak demands. However, before any improvements plan will be put into place it is believed a full system engineering master plan study should be performed first.

The study, scope of work is currently under development. Study will look at such concerns as viability of extending 8320 volt overbuild beyond Middle Farms Pond, conversion of 2400 delta to 8320 volts system wide, replacement plan for aging direct buried cables throughout the system, likelihood of increasing transmission voltage of current submarine cable to reduce transmission loss, A forecast of peak demand needs for next 20 years, current submarine cable transmission capacity long term and future need for new submarine cable as well as a micro grid solution.

After Master plan is developed rate increases will be required to support capital improvement as they are implemented.

RATE INCREASE REQUEST

Please see attached Comparative Income Statement, Appendix C. Historical data has been provided for 2016, 2017 and 2018. 2019 combines historical data for Jan-May 2019 and projected data for June-Dec 2019. The Rate Year, 2020, reflects forecast changes for two new linemen \$361,370, annual cost of subsidized housing for two employees and their families \$18,200, and System Improvements \$100,000, see Appendix D.

The anticipated immediate financial need totals \$479,570. However, FIEC is filing a minor rate case for the maximum allowed of \$300,000 for the sake of expediency as the need for FIEC to hire rated linemen has become critical for the safety of the electrical distribution system.

A \$300,000 increase plus the \$125,425 additional PPA recovery would increase rates by 23.3% based on projected electric sales of \$1,825,682 in 2020.

The amended tariff leaves 58, 72, 74, 78 and 81 are attached in Appendix E reflecting the \$300,000 or 16.43% increase plus the Additional PPA Recovery of \$125,425 or 6.87% as per Leaf No. 58 Revision 2. Total rate change 23.3%.

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CURRENT & PROPOSED RATES:

The Current Rates were approved in rate case 08-E-1458.
The Proposed Rates are based on an increase of 23.3% with an effective date of December 1, 2019.

FISHERS ISLAND ELECTRIC COMPANY PRESENT AND RECOMMENDED RATES RATE COMPARISON SHEET

<u>Service Classification No.</u>	<u>Current</u>	<u>Proposed</u>	<u>Rate Increase</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Service Classification No. 1</u>				
Minimum Charge	\$10.60	\$13.07	\$2.47	23.3%
Energy Charge				
First 1,000 kWh	\$0.1790	\$0.2207	\$0.0417	23.3%
Over 1,000 kWh	\$0.2067	\$0.2549	\$0.0482	23.3%
<u>Service Classification No. 2</u>				
Minimum Charge	\$32.37	\$39.91	\$7.54	23.3%
Energy Charge	\$0.3237	\$0.3991	\$0.0754	23.3%
<u>Service Classification No. 5</u>				
Minimum Charge	\$15.90	\$19.60	\$3.70	23.3%
Demand Charge	\$11.17	\$13.77	\$2.60	23.3%
Energy Charge	\$0.1696	\$0.2091	\$0.0395	23.3%
<u>Service Classification No. 7</u>				
Minimum Charge	\$23.12	\$28.51	\$5.39	23.3%
Energy Charge	\$0.2255	\$0.2780	\$0.0525	23.3%

Although both year-round and seasonal residents will experience rate increases, the current rate structure would stay in place weighing more heavily toward the seasonal residents. This is justifiable due to the cost of providing electric service under maximum demand conditions than under average demand conditions.

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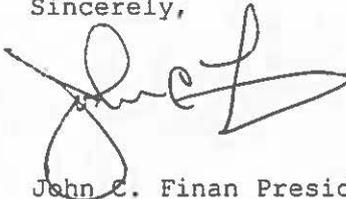
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We are requesting a 23.3% rate increase effective December 1, 2109 to produce additional annual revenues of \$300,000 plus recovery of \$125,245 additional recovery awarded by the PSC in 2011.

NOTIFICATION OF CUSTOMERS WAIVER REQUEST

FIEC will notify all customers of the pending rate change by letter (see Appendix F), which would be mailed with their next bill after filing this rate case application. FIEC therefore requests from the Commission a waiver of PSL Section 89(c)-10(b) and NYCCR 720-8.1.

Sincerely,



John C. Finan President
Fishers Island Utility Company