

FAQs regarding BIPCo purchase

The following was sent in from Town Hall:

The Town has begun disseminating information regarding the potential purchase of the Block Island Power Co., utilizing www.new-shoreham.com and a newly created Facebook page (Buying BIPCo-a decision for Block Island Residents). The Environmental I Assessment, a valuation, and an overall assessment of the assets of BIPCo are underway; all of these reports will be in hand in the coming weeks and available for public review. In the meantime, the Town Council welcomes any and all comments and questions that the community has. Below are some of the most frequently asked questions. Find more Q&As as well as a schedule of discussion forums and information sessions at the websites listed above.

What is the proposal?

The Town will purchase a two-thirds majority interest in BIPCo and convert it to a nonprofit organization with professional management and a Board of Directors elected by the ratepayers. At the current time, only two of the three owners have expressed willingness to sell to the Town. While this makes the process somewhat more complicated, it does not change the underlying concept and approach.

Why should the Town purchase BIPCo?

BIPCo provides a service that is essential to the community. The decisions made by BIPCo on how, when, and in what to invest affect the price and availability of electricity on Block Island. The Town Council and the Electric Utilities Task Group have unanimously recommended pursuing the purchase of BIPCo so that the community controls those operating and investment decisions. In addition, community, nonprofit ownership is the only way to begin to lower or slow the increase in BIPCo's costs and rates.

Is the price fair?

The price of \$1.8 million for two-thirds ownership was arrived at through negotiation between the Town and the selling shareholders. The EUTG has reviewed BIPCo's costs and has determined that, at the agreed-on price, acquisition costs will be covered by savings from not paying dividends, management bonuses or earning a profit. An independent valuation analysis is underway and will be available before Sept. 1.

How will BIPCo be run?

The ultimate decisions on how BIPCo will be run will rest with the ratepayers and the new organization. The expectation is to have a Board of Directors elected by ratepayers and for BIPCo to hire a new President with experience in power purchasing and utility operations. There is no plan for BIPCo to be a department of the Town.

*See FAQ,
Page 13*

FAQ

Continued from Page 9

What are the detailed steps and timing?

This is and has been a complicated process and the steps may continue to evolve. At the current time, the plan is:

- The Town and BIPCo-selling shareholders have signed a Stock Purchase Agreement (July 2016).
- The Town reviews the operations and potential environmental issues of BIPCo (July – September 2016).
- The Town holds a Special Town Meeting to approve the debt necessary for the purchase of BIPCo shares from the selling shareholders (September 26, 2016).
- If the Special Town Meeting approves issuing the debt, the Town purchases the shares from the selling shareholders (November 2016).
- The Town holds a Special Town Meeting to determine the future structure of BIPCo – either a co-op or a special utility district. Either form of ownership will require approval of the Rhode Island Legislature. (Decision on structure late 2016, legislative approval early 2017).
- The Town will sell BIPCo assets to the new entity and repay the Town's debt. The new entity will raise its own funds to purchase BIPCo assets from the Town and to make any needed future investments. (Estimated mid-2017).
- The new entity will run BIPCo.

The timing and structure are complicated, why not wait?

The proposed process does involve a two-step transaction. Waiting could, in theory, allow a one-step process. However, the company is available now and the Town believes that there is too big a risk that it would not be available later. Additionally, many of the restructuring decisions need to be made in late 2016 and early 2017. It would be much better for the community to have control over that discussion.

What happens if the Town does not buy BIPCo?

- The status quo will not remain; the company is now very likely on a path to be sold, if not to the Town, than to other private investors.
- The ratepayers will not have any direct control over the restructuring or any other agendas.
- The Town will spend money on legal and consulting fees during the rate setting and restructuring processes or have no role in them. This participation will cost approximately \$75,000 each for the restructuring and for participation in rate setting.
- The Town will have to coordinate its Broadband initiatives with a private, outside entity.
- There will likely be an energy charge increase in 2016/2017.
- No one knows what decisions the company will make about future investments
- There will be no assurance of professional utility management.
- The Town will lose the opportunity to use the property for other community-related needs.