

ISLE AU HAUT ELECTRIC POWER COMPANY
P O Box 65, Isle Au Haut, Maine
04645

July 10, 2020

Tel 207-466-7442

James Wilson -President
Nick Filler-Vice President
Dana Perry-Treasurer
Sam Chamberlin -Secretary
Abigail Hiltz

George Cole
Dane Stevens
Lee Davis
Bryan Carroll - General Manager
Arlena Tully - Office Manager

Dear Fellow Islander and Power Company Member,

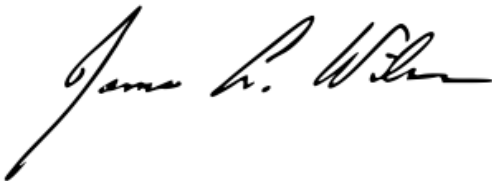
As you probably know, the Power Company is aiming to construct the solar project this fall. To do this we have to obtain approval from the Maine Public Utilities Commission. Earlier this week we applied to the PUC for the rate increase and assessment that will be necessary to finance the project. Maine law and common sense require the company to inform our members of this action.

There are two documents included with this letter. One is a description of the project; the other is the application. Both documents repeat information previously sent to you as billing inserts and various on-line posts. Nevertheless, we ask that you read these carefully so that you know what the company is planning. The dollar amounts mentioned in these documents are the result of very cautious estimates of the likely cost of the solar project. These numbers assume a cost overrun of about 20% for those items that we have not yet purchased or contracted. They also do not take into account grants that we are very likely to receive. We expect, but cannot guarantee, the final dollar figure will be substantially below the numbers in these documents. In addition to the information in these two documents, we have posted much more detailed information on the town website: <http://www.isleauhautmaine.us/power-company/>.

Finally, the PUC would like some indication of the support of the membership for the project. So, on Saturday, July 25 at 9:00 am we will have a special, in person, meeting to discuss and to vote on approval or disapproval of the project. We need at least 14 members present for a quorum; depending on how many plan to attend, we will hold the meeting in the town hall, or if social distancing requires, outside, probably across from the school in the parking area near the company office and back-up generator. If you cannot or do not want to attend in person, we ask you to submit an email ballot. The last page of this mailing contains the ballot with instructions.

If you have any questions, please contact any member of the board, but especially me (335-2581) or Nick Filler (335-2101) or our general manager, Bryan Carroll (466-4772).

Sincerely yours,



James Wilson
President, Isle au Haut Electric Power Company

EXHIBIT E PROPOSED NOTICE TO CUSTOMERS

Isle au Haut Electric Power Company Notice of Change in Monthly Meter Rate and Solar Project Special Assessment Charge

The Isle au Haut Electric Power Company, a consumer owned power company (the "Cooperative"), hereby notifies its members/ratepayers that it intends to modify its rates as described below. There are two proposed rate changes: (1) A \$9.00 per month service charge to support the Cooperative's normal (non-solar) power distribution costs, and (2) a special assessment of up to \$6,800 (payable upfront at the members election or payable by a monthly special assessment charge of \$39 per month until repaid) to pay for the solar array and super capacitors that will replace our 37 year old cable. The reasons for each rate change are explained in the paragraphs below; additional background information is available on the website of the Town of Isle au Haut under the tab labeled 'Boards and Committees'. The Cooperative's proposal to adjust its rates is made pursuant to the Cooperatives bylaws and Title 35-A M.R.S. §§ 3503 and 310, and other applicable Maine utility statute and regulation, and is subject to approval of the Maine Public Utilities Commission.

The proposed rate increase for the operation of normal power distribution is \$9.00 and will be applied to the monthly meter fee. This will raise the fee from the current \$16 to \$25 per month. The increase is approximately 14% of the Cooperative's annual revenue. The proposed rate increase is due to increased costs. The Cooperative has new expenses because of long deferred maintenance; a new general manager, Bryan Carroll, has been hired; the cost of power from the mainland has increased by 27% this year, and new costs preparing for the conversion to solar are anticipated. The Cooperative's reserves have declined and the board is anxious to avoid costly debt. The Cooperative has not raised rates since 1983. The board decided to raise the monthly meter fee rather than the kWh rate because most of the cost increases, except energy purchases from Emera (which will end when the solar project is operational), are for basic equipment and services and are not related to how much energy individual members use. The board knows this is a remarkable record that strongly attests to the good work of our managers and crew.

The proposed member assessment to pay for the solar array, super capacitors and other equipment needed to replace the cable will depend on certain hard to predict costs. In the worst case with project cost overruns of 10%, we expect the assessment will not exceed \$6,800. We believe the most likely amount will be about \$6,100. However, we have applied for two substantial grants; if they are awarded, the amount will fall to about \$3,000. The assessment will be payable in one lump sum, or in monthly installments over a time that corresponds with the life of the loan the coop will take out to help finance the project.

As you know from many previous communications, the Board of the Cooperative has embarked on this project in order to protect the community from a possibly calamitous and a very costly failure of the cable. We want to have an alternative in place before the cable fails. We have considered a variety of alternatives; in addition to the solar array and storage, they include a new cable, wind turbines, fuel cells, diesel turbines, individual household solar units and tidal generators. We found the solar array with supercapacitor energy storage to be the most cost effective, most predictable and likely the most reliable of these alternatives. A new cable is the next best alternative, but an optimistic estimate of the member assessment to pay for a cable is approximately \$10,500 or 70% more than the solar array. There are two substantial cost advantages the solar project enjoys when compared with a cable alternative: (1) the present value of the avoided cost of power purchases from the mainland is about \$550,000, and (2) the Federal tax credit for renewable energy reduces the cost by nearly \$400,000.

The total cost of the project, including the cost of financing, is estimated at a little over \$1,900,000. There are three major sources of funds: (1) A contribution of \$700,000 by a tax equity investor, SunRaise. By investing in the project, Sunraise will be able to capture significant tax benefits that are not available to the Cooperative because we don't pay taxes. Nevertheless, the arrangement with SunRaise leads to a net benefit to the Cooperative of

approximately \$400,000. This is explained in detail in the on-line materials noted above. (2) a contribution of \$310,000 by the Cooperative. This consists of a \$100,000 cash contribution by the Cooperative, the solar panels that were purchased over a year ago, the concrete pad installed at Coombs Mt. and the land clearing and preparation also at Coombs Mt. (3) A loan of approximately \$900,000 from either USDA (20 years at 1.5%) or Camden National Bank (ten years at 3.75%). The member assessment will be used to pay these sources of financing the solar project.

We have posted detailed estimates of these costs estimates, narrative explanations of their content and a number of other background documents on the Power Company's page on the Town website – Boards and committees->power company. The documents include:

- A comparison of the costs of the solar and cable alternatives
- Our application to the PUC for these rate increases
- A large Excel workbook with a very detailed 20 year projection of costs and revenues. This was prepared for our USDA loan application.
- A narrative explaining the spreadsheet, including details of the financial arrangements, and
- A short overview of the project.

There are a number of other documents that are available to those who might be interested. They include two grant applications to USDA, a variety of other documents such as an environmental impact review, a draft engineering and production cost study, an engineering schematic of the solar array, storage and distribution system, and a variety of other materials prepared for our own use and for loan and other purposes.

The Cooperative filed a request for Maine Public Utilities Commission approval of the rates. Because you are affected by the rate increase as a customer, you have the right to participate as a party in the Maine Public Utilities Commission proceeding fully or as an interested party in Docket No. 2020-00198. To intervene, you may file a request to intervene in Docket No. 2020-00198 in accordance with Section 8 of the Commission's Rules of Practice and Procedure on or before July 31, 2020. Please see the attached Notice of Proceeding.

In addition, the Cooperative intends that any Commission approval of the rates will be subject to approval of the solar project and change in rates at the Cooperative's annual meeting scheduled for August 29, 2020 at the Isle au Haut town hall.

If any members/ratepayers of the Cooperative have questions regarding this proceeding, they can call Jim Wilson, President of the Board of Directors of the Cooperative, at 207-335-2581, Nick Filler, Vice President of the Board at 207-335-2101, or Bryan Carroll, General Manager, at 207 466-7442.

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2020-00198

July 8, 2020

ISLE AU HAUT ELECTRIC POWER
COMPANY, Request for Approval of Rate
Change, sec. 310

NOTICE OF PROCEEDING

I. DESCRIPTION

On July 2, 2020, The Isle Au Haut Electric Power Company, a Maine consumer owned cooperative utility providing electric service to its members located on Isle au Haut (the Cooperative) filed a request pursuant to 35-A M.R.S. § 310 to increase its rates. There are two parts to the proposed increase: a \$9 increase in the monthly customer charge (from the current \$16/month to \$25/month) and a one-time assessment of up to \$6,800 which can be paid in a lump sum or in monthly installments of \$39 at the election of the customer.

These increases cover two categories of costs. First, the Cooperative states that it has not had a rate increase since 1984 and that its operational costs have increased. In particular, the Cooperative cites the cost of long-deferred maintenance, the costs associated with a new general manager and likely costs associated with preparing for the solar initiative described next. Also cited are a decline in reserves and the desire to avoid costly debt.

Second, the Cooperative has proposed to construct a solar microgrid on the island as a way of providing the power supply for its members. The Cooperative states that this investment is necessitated by the advanced age of an existing cable that brings power from the mainland. This cable has been in service for 37 years, far outliving its projected life. The Cooperative states that remaining dependent on this cable for power supply has become too risky and that the consequences of a failure of this cable would be substantial.

The Cooperative describes the solar microgrid as consisting of 300kW of solar panels, 1000 kWh of energy storage in the form of supercapacitors, a new diesel back-up generator and thermal storage in the form of air-to-hot-water heat pumps. The Cooperative states that the microgrid is designed to work off-grid but that it would remain connected to the mainland as long as the cable remains viable.

The estimated \$1.9 million cost of the microgrid will be covered in part by tax equity investors and in part by reserves. The remaining balance of \$990,000 would be funded through the requested one-time assessment of up to \$6,800 per customer. The

Cooperative states that this assessment is the maximum it might cost but indicates that a “more likely” estimate is about \$6,100 per customer.

The Cooperative indicates that it has had extensive communications with its customer/members about the project over the last five years and that it knows of no significant opposition from members.

The Cooperative seeks expedited treatment of this filing, noting its declining confidence in the viability of the existing cable and its need to secure financing so it can build the microgrid before the onset of winter.

II. INTERVENTION and INITIAL DATA REQUESTS

Interested persons wishing to intervene in this matter should file petitions to intervene in accordance with Section 8 of the Commission’s Rules of Practice and Procedure on or before **July 31, 2020**. Petitions to intervene, and any corresponding objections, will be addressed at the conference discussed below. Any person interested in intervening in this case must sign up as a “registered user” in the Commission’s Case Management System (CMS). When registering, persons should remember to indicate the entity or entities that you represent and may be making filings on behalf of. Such persons should also place themselves on the notification list for the above referenced docket. Registered persons whose petitions to intervene are granted will be placed on the active party list and will receive notice of filings through the Commission’s CMS.¹

The Examiners expect to issue an initial set of data requests to the Cooperative in the next few days. Responses to these requests will be due **July 31, 2020**.

III. CONFERENCE

An initial case and technical conference is scheduled for **August 5, 2020 at 1:00 p.m.** Due to restrictions required by the COVID-19 pandemic, this conference will be conducted by telephone. The Telebridge for this conference is **(877) 455-0244, PIN 466-262-5766#**.

The purpose of this conference is to:

1. Address petitions to intervene and any related objections;
2. Allow the Staff and parties to question representatives of the Cooperative on the filing and the responses to the initial data requests;

¹ To register, go to the Commission’s website at www.maine.gov/mpuc and click on “Online Filing, Docketed Case, Forms, and RFP’s” on the left-hand side of the home page. Then click on the large “Registered Users” link in the large gray box. Then click on the “New User Registration” link at the bottom of the “Account Login” area. Further detailed instructions are available on the Commission’s website at www.maine.gov/tools/whatsnew/index.php?topic=pucpressreleases&id=414946&v=article08.

3. Develop a schedule for processing the case.

IV. SERVICE

The Cooperative filed a Proposed Notice to Customers (Ex. E to it filing). The Cooperative is requested to change the statutory citation in the first paragraph, and to complete the sections at the end by filling in the blanks and is directed to send this Notice along with a copy of this Notice of Proceeding on or before **July 15, 2020** to each of its members.

Dated at Hallowell, Maine, this 8th day of July, 2020.

BY ORDER OF THE HEARING EXAMINERS



Eric J. Bryant
Hearing Examiner

/s/ Mitchell Tannenbaum
Hearing Examiner

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-----BALLOT CONCERNING THE SOLAR PROJECT -----

This vote is taking place for the purpose of indicating to the Maine Public Utility Commission the level of community support for the solar project. You may vote in person at the special members' meeting at 9:00 a.m., July 25 at the Town Hall or you may vote by email but not both. Each membership, usually a household or organization, is entitled to one vote. Below is the ballot for email votes. We don't have the technical means to implement a secret ballot but, to approach a secret ballot as closely as possible, have asked Molly Siegel to collect, verify and report the results from email votes.

Please read and vote on the motion as written below:

I have read and understand the information about the proposed solar project provided by the Isle au Haut Electric Power Company. I (check one line only)

_____ support the solar project

_____ do not support the solar project

Signature _____

Printed name _____

Representing _____
(household or organization)

Please scan or otherwise copy your ballot and mail it to Molly Siegel at asiegel@islandinstitute.org on or before July 25 at 9:00 a.m. If you would like to send your ballot by snail mail, Molly's address is P.O. Box 33, Isle au Haut, Maine 04645