

Prefiled Direct Testimony

Of

Michael Wagner, Vice President and General Manager

Block Island Power Company

Docket # _____

December 2004

1 **Q. Would you please state your name and relationship to Block Island Power**
2 **Company (BIPCo) for the record.**

3 A. Yes, my name is Michael Wagner. I am Vice President, General Manager and also a
4 Director of BIPCo. I have been in this position with the Company since the current
5 owners bought the company in 1986. I have been employed by BIPCo since 1969.

6
7 **Q. What is your function at BIPCo?**

8 A. I am responsible for and oversee the operation and maintenance of the facility,
9 which includes the generation plant, substation, and distribution system. I also deal
10 with issues relating to customers, suppliers and sub-contractors.

11
12 **Q. Mr. Wagner, are you familiar with the new substation?**

13 A. Yes I am. I was the point man for the Company on the design and construction of
14 the new substation and I am able to provide the Division and the Commission answers
15 to their questions relating to the new substation.

16
17 **Q. What are the operating advantages of the new substation?**

18 A. The biggest benefits are greatly improved reliability, voltage stability, safety and
19 environmental compliance. We have increased the capacity of the new substation to
20 meet future needs and have added voltage regulation.

21
22 In addition to the substation itself the project also involved new generator feeders,
23 metal enclosed switchgear, metering, and an entirely new plant electrical distribution
24 system. With the new substation we have the capability of monitoring each phase of
25 each of the six circuits. This allows us to optimize and control the individual circuits.
26 It also allows for more efficient planning for future load growth.

1 **Q. How will the new substation benefit the ratepayers?**

2 A. While the ratepayers may not see an immediate monetary savings from the
3 substation, circuit optimization and better system information will aid us in running a
4 more efficient system now and in the future. We are also able to restore service faster
5 in the event of a system wide generation failure outage which is important for
6 businesses in the short summer season.

7

8 **Q. What happened to the old substation?**

9 A. The old substation has been dismantled and most of the equipment scrapped.

10

11 **Q. How long will the new substation last without major repairs?**

12 A. I would expect the new substation to last about twenty years without needing major
13 repairs. Although the harsh salt air environment was taken into account in the design
14 and materials specification for this project it would be unlikely that the substation could
15 last much more than twenty years without major repairs and very unlikely that it can last
16 forty years (the normal life expectancy on the mainland away from the salt water).

17

18 **Q. Mr. Wagner, are you responsible for determining if BIPCo needs additional
19 generation?**

20 A. In a way. I am responsible for monitoring the capacity and the condition of the
21 generation system and when I feel it is prudent to increase or replace generation capacity
22 to meet the future load demands of the Island I make a recommendation to the Chief
23 Operating Officer, the President and the Board of Directors.

24

25 **Q. Is BIPCo is in need of additional capacity?**

26 A. Yes. Our current generation system consists of three base load units, permitted
27 for full time use, with a combined maximum capacity of 4165 KW, and two standby
28 units, permitted as emergency backup units (limited to 500 hours of operation in any
29 twelve month period), with a combined rating of 2000 KW. Our peak load during the
30 summer of 2004 was 3775 KW. As you can see, we are approaching the 4165 KW
31 capacity of our base load units.

1 Our oldest standby generator set, unit # 11 (a 1000 KW unit that is more than five
2 decades old) is in need of repair. It is our least fuel efficient unit and also emits the most
3 pollutants.

4
5 Our plan is to replace this unit with a new Caterpillar unit rated at 1640 KW permitted
6 for base load operation. This will give us an increase of 1640 KW in base load generation
7 and an overall increase in generation of 640 KW. In this scenario, even with the loss of
8 one of our two largest units (1640 KW) (an assumption that must be made to project
9 dependability), we would have enough reliable generation to supply the Island electrical
10 needs during a peak summer period. In addition we would have an acceptable margin of
11 redundancy as the sole provider of energy to our customers.

12
13 **Q. Is it your opinion that this additional capacity should be in the form of a diesel
14 engine generator set?**

15 A. Yes.

16
17 **Q. Why?**

18 A. I feel (and the owners of the company concur) that diesel generation is the only
19 practical solution because it is the only readily available fuel source for BIPCo at this
20 time.

21
22 We recently had a national engineering firm (HDR-SSR Engineers) that we work
23 closely with perform a preliminary study of alternative energy sources that might work
24 for BIPCo. Even if we ignored the difficult issues surrounding HDR-SSR's one cost
25 effective option (onshore wind power) and adopted it, we would still need enough
26 diesel generation to meet our peak summer needs during times when the wind is not
27 blowing and the wind resource is not available.

1 **Q. I would like to turn now to staffing. It appears that in this filing BIPCo has**
2 **lost one of its key line department employees due to his retirement and that his**
3 **position is currently being replaced with an individual from outside manpower.**
4 **Could you explain the rationale for that decision?**

5 A. Yes. As you can imagine, the available pool of skilled labor is quite limited on
6 the Island. Also, the cost of living on the Island, especially housing, is very high.
7 Given BIPCo's prevailing wage it would be difficult to attract a qualified line worker
8 under these circumstances.

9
10 It takes years of training to reach the point of becoming a certified line worker that is
11 capable of performing all aspects of the job, especially live line work. We are
12 fortunate to have available to us a pool of highly qualified workers through an outside
13 line contracting firm. Utilizing these skilled workers has improved the production,
14 efficiency and knowledge of our line department.

15
16 **Q. Mr. Wagner, do your responsibilities include overseeing engine maintenance?**

17 A. Yes. While BIPCo employees perform routine maintenance procedures such as oil
18 and filter changes, valve adjustments, emergency repairs etc., major repairs and
19 overhauls require the assistance of service representatives from the engine manufacture.

20
21 **Q. What maintenance will be required in the rate year?**

22 A. If usage patterns continue as expected, engine #24 will require a major overhaul
23 (approximately \$100,000) and engine #23 will require a top end overhaul (approximately
24 \$50,000) during the rate year. This would be in addition to routine maintenance and any
25 unexpected repairs for all units.

26
27 **Q. Mr. Wagner, you are leaving BIPCo in June 2005. Will you be available to**
28 **provide consulting assistance in the future?**

29 A. Yes, I intend to be in the area about eight months of the year and will be available
30 for consulting services if needed.

1 **Q. Do you have a pension for your 36 years of dedicated service with BIPCo?**

2 A. There is no pension benefit available to me at this time.

3

4 **Q. What pension amount do you think would be fair to adequately compensate you**
5 **for 36 years of loyal service?**

6 A. It has been the past practice of the company to compensate retired personnel in
7 similar circumstances at the rate of one thousand dollars per month. I feel that this
8 relatively modest amount is fair.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes

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