

SMITH & DUGGAN LLP

ATTORNEYS AT LAW

TWO CENTER PLAZA
SIXTH FLOOR
BOSTON, MA 02108-1906
TEL 617.228.4400
FAX 617.248.9320

ALAN D. MANDL
AMANDL@SMITHDUGGAN.COM
DIRECT DIAL: 617.228.4464
LINCOLN OFFICE

LINCOLN NORTH
55 OLD BEDFORD ROAD
LINCOLN, MA 01773-1125
TEL 617.228.4400
FAX 781.259.1112

February 18, 2008

BY FEDERAL EXPRESS PRIORITY OVERNIGHT

Luly Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

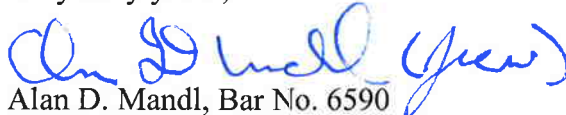
Re: Block Island Power Company General Rate Filing
Docket No. 3900

Dear Luly:

Enclosed please find for filing in the above matter an original and nine (9) copies of the Direct Testimony of Richard La Capra on behalf of the Town of New Shoreham. A copy of this filing is being emailed to you and to the Service List.

Thank you for your assistance in this matter.

Very truly yours,


Alan D. Mandl, Bar No. 6590

Enclosures

cc: Service List
Katherine A. Merolla, Esq.
Nancy Dodge

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

BLOCK ISLAND POWER COMPANY)
GENERAL RATE FILING)
_____)

DOCKET NO. 3900

ATTESTATION

I, Richard La Capra, swear that the attached direct testimony prepared by me on behalf of the Town of New Shoreham in this matter is true and accurate to the best of my knowledge and belief.

Dated at New York, New York, this 18th day of February, 2008.



Richard La Capra

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

BLOCK ISLAND POWER COMPANY)
GENERAL RATE FILING)
_____)

DOCKET NO. 3900

DIRECT TESTIMONY OF RICHARD LA CAPRA

ON BEHALF OF

THE TOWN OF NEW SHOREHAM

February 18, 2008

1 **Q1. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Richard La Capra. I am a Consultant specializing in energy and
3 regulatory issues. My business address is 5 Carmine Street, New York, New
4 York 10014.

5 **Q2. WOULD YOU PLEASE SUMMARIZE YOUR PROFESSIONAL**
6 **QUALIFICATIONS?**

7 A. Yes. I have been working in the areas of energy planning and pricing for
8 over thirty years. My experience includes professional positions with the
9 Pennsylvania-New Jersey- Maryland interconnection (“PJM”) and various
10 utility service companies. In 1980, I formed La Capra Associates to bring
11 innovative specialized services to managers and policy makers within the
12 energy industry. More information can be found about our work at
13 www.lacapra.com. In 2001, I left the management of the company to
14 pursue several interests in the environmental and public policy areas of
15 the industry. I still serve on the board of directors of La Capra
16 Associates. My resume is appended as Attachment 1 to my testimony.

17 **Q3. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE PUBLIC**
18 **UTILITIES COMMISSIONS?**

19 A. I have testified before public utilities commissions in 26 states, several courts,
20 legislatures and FERC. My previous testimony is identified in Attachment 1 to
21 my testimony.

1 **Q4 . WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. My testimony will address five areas related the Block Island Power
3 Company's ("BIPCo") current rate filing and prior settlement in Docket
4 3655. These five areas are:

5 1) The appropriate ratemaking treatment of the over \$800,000 net gain
6 on the sale of BIPCo's property noted as Parcels 38 and 37A, which
7 have been included in the Company's regulated land account and
8 rate base;

9 2) The immediate need for an upgrade to BIPCo's distribution system,
10 which has been recognized by HDR as substandard and which
11 appears substandard based upon other information developed
12 during discovery;

13 3) The establishment of an Energy Advisor position, as recommended
14 by HDR in its September 2007 Integrated Resource Plan ("IRP")
15 Report, funded by a continuation of the \$0.01 per kWh surcharge
16 imposed during the summer period to originally fund the
17 development of the HDR IRP Report;

18 4) The need to reject unsubstantiated payments to BIPCO
19 owner/officers, disallow a payment to an owner and former officer
20 that does not fall under the Company's employee pension plan and
21 establish appropriate guidelines for payments to owner/officers that

1 will (a) assure that “above the line” payments are based upon actual
2 levels of work performed and of benefit to ratepayers; (b) maintain
3 the proper distinction between operating expenses chargeable to
4 ratepayers and dividends that should be paid out of the Company’s
5 earned return on common equity; and (c) help put this recurring rate
6 case issue to rest; and

- 7 5) The need for a comprehensive review of customer classifications
8 and development of a cost based rate design, and for some
9 adjustments to the Company’s rates that are not dependent upon a
10 cost allocation and rate design study.

11 **Q5. PLEASE SUMMARIZE YOUR RECOMMENDATIONS**

12 A. I recommend that the Commission:

- 13 1) Require that the net gain on BIPCO’s 2006 sale of real estate included in
14 the regulated land account and rate base and supported by ratepayers be
15 credited entirely to ratepayers. While the crediting of the net gain to
16 ratepayers could take the form of an amortization over a period of years to
17 reduce cost of service, I recommend that the Commission order BIPCo to
18 apply this net gain toward the cost of a long overdue upgrading of the
19 Company’s distribution system, which will improve system reliability,
20 create operational savings and reduce BIPCO’s borrowing needs. My
21 recommended treatment of this net gain is consistent with a recent

1 Company grant proposal submitted to the Rural Utilities Service, in which
2 it proposed to sell other rate-based land and use the sales proceeds to help
3 fund a distribution system upgrade and submarine cable to the mainland.

4 2) Direct BIPCo to make distribution system upgrades, with the most
5 immediate capital programs to focus on a voltage upgrade to 4160 volts
6 and associated line reconductoring. These improvements were
7 recommended by HDR in its 2004 distribution upgrade study conducted
8 for the Company. The Town of New Shoreham ("the Town") has
9 accepted the HDR distribution study as an adequate basis to begin
10 immediate and long overdue system improvements, as this upgrade was
11 assumed by HDR in its September 2007 IRP Report, which has been
12 accepted by the Town.

13 3) Require the creation of an Energy Advisor position to begin an inventory
14 of cost effective demand side management programs and carry out the
15 responsibilities outlined and recommended by HDR in its September 2007
16 IRP Report. The Energy Advisor should be charged with setting up a
17 broad based program which reaches the highest yield demand side
18 management investments and funded through a continuation of the \$0.01
19 per kWh summer surcharge first approved to fund the IRP Report. I
20 recommend that the Energy Advisor be independent of the Town or the
21 Company and be selected by a majority of the existing IRP working
22 group.

- 1 4) Disallow the level of payments and benefits that the Company has made to
2 the owner/officers of the Company and the \$24,000 per year payment that
3 the owners decided to pay to one owner, Mr. Edwards, who is not and has
4 not been an employee under the Company's pension plan for employees. I
5 recommend that the Commission help end these longstanding disputes
6 about payments to owners as operating expenses by establishing a
7 reviewable method for determining to what extent these owners provide
8 services to the Company and the value of those services. The Division
9 and Commission should also closely examine whether these
10 owner/officers should be treated as employees, as opposed to independent
11 contractors. The steps must be taken in order to assure that ratepayers are
12 not charged in cost of service for excessive costs or payments that should
13 be made, if at all, from utility earnings.
- 14 5) Order BIPCO to submit cost-based rates in its next rate case filing, but in
15 no event more than two years after the Commission's order in this case. In
16 addition, the Commission should direct a few improvements to BIPCO's
17 existing rate design in this case in order to fix rate design problems that
18 are not dependent upon the performance of a cost study and cost-based
19 rate design. Additionally, the IRP working group should maintain
20 oversight of the rate study.

1 I. THE NET GAIN FROM THE SALE OF COMPANY REAL ESTATE
2 SHOULD BE CREDITED ENTIRELY TO RATEPAYERS BECAUSE THE
3 REAL ESTATE HAS BEEN ACCOUNTED FOR AS UTILITY PLANT IN
4 SERVICE AND INCLUDED IN COMPANY REVENUE
5 REQUIREMENTS, ALONG WITH EXPENSES RELATED TO THE
6 REAL ESTATE

7 Q6. WHAT STANDARDS OF REVIEW GENERALLY APPLY TO
8 RATEMAKING TREATMENT OF THE GAIN ON THE SALE OF
9 UTILITY PROPERTY?

10 A. The Commission has consistently required that ratepayers should benefit from any
11 gain on the sale of utility property that has been supported by ratepayers during
12 the rate-setting process. Both this Commission and the courts have consistently
13 established standards whereby the gain on the sale of assets supported by the
14 ratepayers of a utility must be directed to the ratepayers.

15 Regulatory policies at state and federal levels also have consistently separated
16 plant assets into those chargeable to customers and those not chargeable to
17 customers. Those assets charged to customers whether above or below market
18 value are maintained for the benefit of customers and correspondingly become the
19 financial responsibility of the customer. For example, regulatory decisions in
20 recent restructuring proceedings, including Rhode Island, have determined that
21 the shortfalls (losses) associated with rate base assets which were sold at market
22 prices were a cost responsibility of the customer. Similarly, gains from market
23 sales of assets that have had greater value than book cost have been used to

1 reduce other customer liability, e.g., other debt. Additionally, gains from the sale
2 of assets supported by ratepayers have been used to offset prospective rate
3 increases, through the amortization of the gain over a period of years. Other
4 methods of flowing through gains for the benefit of ratepayers may be adopted by
5 Commissions include debt reduction, return reduction, rate stabilization, new
6 construction and capital reserves.

7 **Q7. ARE THERE SPECIFIC EXAMPLES OF THIS TREATMENT OF THE**
8 **GAINS ON CUSTOMER SUPPORTED ASSETS BEING USED TO THE**
9 **BENEFIT OF CUSTOMERS IN RHODE ISLAND?**

10 A. Yes. In a 1984 Order involving Block Island Power Company in Docket No.
11 1709, the Commission required that gain from the sale of office trailers be
12 amortized as revenues to reduce the amount of the rate increase requested by the
13 Company. Rhode Island courts have approved the Commission's policy that
14 ratepayers should receive the benefit of gains on the sale of utility assets to the
15 extent that they contributed to the support of utility assets. Specifically, the
16 Commission has looked to whether an asset and related expenses were included in
17 revenue requirements and if they were charged above or below the line, to
18 determine which party, ratepayer or stockholder, was entitled to any gain on the
19 sale of the asset. Where the asset was included in rate base and supported by
20 ratepayers in the ratemaking process, the gain on the sale of the asset has been
21 applied to the benefit of the utility's customers.

1 **Q8. WHAT IS YOUR UNDERSTANDING OF BIPCO'S RATEMAKING**
2 **TREATMENT OF ASSETS SOLD DURING 2006?**

3 A. My understanding from the Company's responses to data requests is that the
4 assets sold were carried on the Company's books under its land account and that
5 the original cost of the assets has been included in rate base (BIPCo response to
6 Division 1-16). Further BIPCo has made no effort over the years to divide this
7 asset into utility and non-utility property, nor did it divide expenses associated
8 with this property as utility and non-utility expenses (BIPCo response to TOWN-
9 49). Any and all expenses were treated as cost of service expenses for ratemaking
10 purposes. Rental revenues were credited to cost of service for ratemaking
11 purposes (BIPCo response to TOWN-49). As a result of the accounting and
12 ratemaking treatment of the assets sold, I conclude that the assets have been
13 supported by ratepayers and that no part of the assets or expenses associated with
14 the assets were recorded by BIPCO as below the line non-utility property or
15 expenses.

16 **Q9. BASED ON YOUR REVIEW, DO ANY TENANT IMPROVEMENTS**
17 **MADE TO THE PROPERTY OR ANY NON-UTILITY USES OF THE**
18 **PROPERTY BY TENANTS ALTER THE RATEMAKING TREATMENT**
19 **OF THE GAIN ON THE SALE OF THIS PROPERTY?**

20 A. No. The original cost of this property is stated to be \$1,456 and BIPCo has not
21 divided the property between utility and non-utility operations (BIPCo response to

1 TOWN-49). Any non-utility tenant uses of property in rate base would not
2 change the fact that the property has been supported by ratepayers in its entirety.
3 BIPCo's own accounting records recognize the sold property entirely as a rate
4 base asset (BIPCo response to TOWN-46). Since the property was part of rate
5 base, BIPCo has earned a return on this investment through the rate setting
6 process. The leasehold improvements made by tenants in lieu of paying higher
7 rent reverted to BIPCo prior to its sale of the property in question under the terms
8 of its leases (BIPCo response to TOWN-52).

9 **Q10. ARE THERE OTHER ASPECTS AS TO HOW THE BIPCO'S**
10 **ACCOUNTING FOR THE PROPERTY DEMONSTRATES ITS**
11 **INCLUSION IN RATE BASE?**

12 A. Yes. As noted above, BIPCo stated in the response to TOWN-49, that all
13 expenses incurred by BIPCo and rental revenues were included in cost of service.
14 Thus, land was recorded in a regulated plant account and the associated expenses
15 and rental revenues were treated as cost of service-related accounts. This is
16 precisely the way all "above the line" utility property is handled for ratemaking
17 purposes. Considering the specific charges which were included in their cost of
18 service, the expenses of the property appear in both operating costs and rate base.
19 Property-related expenses identified by BIPCo as included in the rates, via cost of
20 service, are property taxes and some (indivisible) portion of insurance. Both these
21 items are included as expenses in the lead-lag study which form the working
22 capital component of rate base. Any claims by BIPCo, at this point, that the

1 property was actually comprised of utility and non-utility parts, would have no
2 basis in their own accounting or ratemaking procedures. In fact, a consideration
3 of their accounting and ratemaking procedures indicate quite the opposite.

4 **Q11. HOW HAS BIPCO TREATED THE GAIN ON THE SALE OF THE**
5 **PROPERTY FOR RATEMAKING PURPOSES?**

6 A. BIPCO has not flowed through to ratepayers the net gain on the sale of the
7 property for ratemaking purposes. In fact, it has done just the opposite. It has
8 accounted for the entirety of this net gain as an addition to its common equity
9 balance, thereby enriching its owners and increasing the claimed overall cost of
10 capital.

11 **Q12. DOES THE FACT THAT THE PROPERTY SOLD AT A GAIN, I.E.,**
12 **WELL ABOVE THE ASSET VALUE INCLUDED IN RATE BASE,**
13 **AFFECT THE NATURE OR AMOUNT OF UTILITY OR NON-UTILITY**
14 **PROPERTY OR RATEMAKING TREATMENT OF THE NET GAIN?**

15 A. No. The assets making up a utility's rate base usually will consist of assets which
16 at any time can be above or below their then market value. There was a huge
17 inventory of assets sold or transferred during the utility restructuring period in the
18 late-1990's during which assets sold from well above to well below their book
19 (rate base) value. The ultimate sale price had no bearing on whether the asset was
20 classified as utility or non-utility property. If the asset were in rate base, its full
21 value, regardless of how much higher than book value its market value was,

1 stayed a utility asset. Similarly, the amount of gain recognized does not alter
2 whether that gain should be applied for the benefit of ratepayers where the asset
3 has been a rate base asset supported by ratepayers.

4 **Q13. SHOULD THE FULL VALUE OR GAIN ON THE SALE OF AN ABOVE**
5 **THE LINE ASSET ACCRUE TO THE CUSTOMERS OF A UTILITY?**

6 A. It would be reasonable for the Commission to treat the net gain on the sale of rate-
7 based assets as accruing solely for the benefit of ratepayers since BIPCO has
8 included the entire original cost of these assets in rate base and never separated
9 these assets into utility and non-utility property. This approach would be
10 consistent with prior Commission policy.

11 **Q14. IS THE USE OF THE NET GAIN FOR THE BENEFIT OF BIPCO**
12 **CUSTOMERS FAIR TO ALL PARTIES?**

13 A. Yes. The property was a part of rate base and its associated expenses were treated
14 as above the line cost of service expenses. Consequently, all gain from the sale
15 should be directed to the benefit of BIPCo customers. Potential sharing of the
16 proceeds from the sale of an asset would relate to whether an asset was always
17 fully in rate base or whether part of the asset was treated as non-utility property or
18 if the asset was in and out of rate base over different periods of time. These
19 circumstances have not been shown here, given BIPCo's accounting and
20 ratemaking practices regarding the land that it has sold.

1 Regulation has historically treating rate base assets as providing benefit for
2 customers, whether in service or sold to raise cash. There are also many
3 compelling arguments that can be made which focus purely on the equity of
4 providing these benefits to customers. Among these are the symmetry of sales of
5 assets wherein shortfalls from assets sold at below book value have typically
6 become the responsibility of the customer and not required a write down of the
7 equity of the utility. Also, the rate base property is in use for the customers, that
8 is, the customers pay a return on rate base assets as well as costs associated with
9 rate base assets.

10 **Q15. HAS BIPCO APPORTIONED ANY OF THE NET GAIN TO**
11 **RATEPAYERS?**

12 A. No. BIPCo has claimed ownership of the full amount of the proceeds by claiming
13 that the gain represents an increase in net income and, in turn, common equity.
14 This completely unsupportable. This gross claim can be seen as unrelated to
15 financial reality by considering that if BIPCo, or any company, was sold at the
16 value of its capitalization (book value) and all the funds were taken as a return
17 on/of equity, the debt holders would be left with no proceeds for repayment. The
18 fact that the particular asset resulted in a gain had, by definition, a higher market
19 than book value has no bearing on the correct apportionment since many other
20 assets have costs below market values and investors can enrich themselves by
21 selling off assets with high market value relative to cost while stranding their

1 customers with high cost, low value assets. This is clearly a fundamental
2 violation of the regulatory compact.

3 In short, BIPCo is proposing to give the entire net gain on the sale of rate base
4 assets to shareholders and saddle ratepayers with a higher rate of return on rate
5 base and a higher income tax component of cost of service. BIPCo's approach is
6 contrary to Commission precedent and should be rejected by the Commission.

7 **Q16. HASN'T BIPCO CLAIMED THAT IT APPORTIONED THE GAIN TO**
8 **ITS CUSTOMERS BY USING SALES PROCEEDS TO PAY FOR PAST**
9 **BILLS THAT PRE-DATED THE SALE?**

10 A. BIPCO made that claim in its "informational filing" regarding the sale of rate-
11 based property. In the present case and for accounting purposes however, BIPCo
12 has more than doubled its common equity due to the gain on the land sale.
13 BIPCo's assertion that it applied sales proceeds for the benefit of ratepayers and
14 that ownership derived no benefit from these sales proceeds is totally
15 unsupported. First, BIPCo's accounts payable prior to the land sale were covered
16 by the rate-setting process in and perhaps even prior to Docket No. 3655. Second,
17 the sales proceeds have dropped to the bottom line for accounting purposes to
18 inflate the Company's common equity balance. Ownership has clearly benefited
19 from the large increase in the common equity balance of the Company, while
20 ratepayers have received no benefit. Essentially, BIPCo is attempting to require
21 its customers to pay twice for the same expenses by recovering pre-sale expenses

1 through the ratemaking process (whether or not it paid these expenses or when it
2 chose to pay them) and then depriving ratepayers of the benefit from the net gain
3 on the sale of rate-based assets.

4 **Q17. WHAT DO YOU RECOMMEND?**

5 A. I recommend that the Commission apply the entire net gain from the sale of above
6 the line rate base assets for the benefit of ratepayers, consistent with the
7 Commission's prior decisions. Tenant leasehold improvements that reverted to
8 BIPCo prior to the sale of the property represent rental value that should have
9 been credited to customers, who were credited with rental revenues and supported
10 all Company expenses associated with its ownership of the asset.

11 **Q18. HOW SHOULD THE COMMISSION APPLY THE NET GAIN FOR THE**
12 **BENEFIT OF RATEPAYERS?**

13 A. When there is a major infusion of cash from an "above the line" asset sale, the
14 most common way is a reduction in rates through an amortization of the gain on
15 the sale of rate-based assets over a period of years. Other alternatives would
16 include applying the gain to make improvements to the utility system that benefits
17 ratepayers. Each of these approaches would be consistent with the appropriate
18 regulatory use of funds from gains on the sale of a rate base asset.

1 **II. THE COMMISSION SHOULD ORDER BIPCO TO INVEST THE NET**
2 **PROCEEDS FROM THE GAIN ON THE SALE OF PARCELS 37A AND**
3 **38 IN IMMEDIATE UPGRADES TO ITS DISTRIBUTION SYSTEM**

4 **Q19. WHAT IS YOUR RECOMMENDATION REGARDING THE METHOD**
5 **OF APPLICATION OF THE NET GAIN FOR THE BENEFIT OF BIPCO**
6 **RATEPAYERS?**

7 A. Given the current needs of BIPCo, a rate reduction through amortization of the
8 gain on the sale of these rate-based assets would be a temporary and a
9 counterproductive signal and consequently not the best use of the net gain from
10 the asset sale. I therefore recommend that the net gain be used immediately to
11 support necessary system improvements. The BIPCo distribution system is in
12 need of major upgrades. The engineering report submitted to BIPCo by HDR in
13 December 2004 presented several options and recommended one which called for
14 a voltage upgrade to 4.16 kV wye distribution configuration. The report is now
15 over three years old with BIPCo distribution conditions still unimproved as
16 recommended by HDR.

17 A distribution system upgrade represents a system improvement that should be
18 supported by the net gain on the sale of utility property. The need for upgrading
19 the Company's distribution system is undisputed and long overdue. As I explain
20 below, this upgrade would benefit ratepayers in substantial ways. The upgrading
21 of the BIPCO distribution system was assumed in the September 2007 Integrated
22 Resources Plan Report and recommendations made by HDR pursuant to the IRP

1 process conducted pursuant to the settlement in the Company's last rate case,
2 Docket No. 3655. The working group, consisting of representatives of BIPCO,
3 the Town and the Division all endorsed that part of the IRP that included the
4 upgrading of the Company's distribution system. Other information provided in
5 this case further supports the need for a distribution system upgrade and the
6 substantial ratepayer benefits that would result from applying the net gain toward
7 the cost of this overdue system improvement. Additional funds needed for this
8 upgrade may be available to the Company through grants or through RUS loans.
9 What I am suggesting is consistent with both the HDR recommendations for
10 system improvement and BIPCo's own recent RUS grant proposal. As BIPCo
11 notes in their High Energy Grant Application to the RUS (BIPCo response to
12 TOWN-41), they propose to sell off additional land in rate base and use the
13 proceeds to defray the cost of capital projects, a submarine cable to the mainland
14 and a distribution system upgrade.

15 **Q20. WHAT TYPES OF ADVANTAGES CAN BE REALIZED BY THE**
16 **SIGNIFICANT IMPROVEMENT IN THE BIPCO DISTRIBUTION AS**
17 **RECOMMENDED BY HDR?**

18 A. The advantages are enumerated in the December 2004 HDR report as providing
19 for meeting load growth and improving reliability. Use of the net gain in this way
20 also would reduce the rate base impacts of the distribution system upgrade
21 because it would be partly funded by ratepayer funds. Another increasingly
22 important benefit to consumers from an immediate distribution upgrade is the

1 reduction in losses on the current system which upon the HDR study and industry
 2 experience.

3 For example, BIPCo has reported that in FY 2007 the difference between net
 4 generation and sales amounted to 1,675,578 kWh) or 15.4% of load. The BIPCo
 5 response to TOWN-76 showed the following relationships between kWh
 6 production and kWh sales.

	FY 2005	FY 2006	FY 2007
Gross Generation - kWh	12,382,240	12,773,192	12,907,646
Plant Use – kWh	449,533	310,691	395,600
Net Generation - kWh	11,932,707	12,462,501	12,512,046
Retail Sales – kWh	10,545,806	10,826,080	10,836,468
Gross Losses (1) – kWh	1,386,901	1,636,421	1,675,578
Gross Losses as % of Sales	13.15%	15.12%	15.46%
(1) Includes approximately 22,000 kWh of free electricity to owners and 41,600 kWh of annual street lighting usage			

7
 8 Not only is the net production extremely high given ultimate retail sales, the
 9 amount has been growing over the last three years. The excessive cost impacts
 10 upon customers due to this high and recurring level of losses is dramatic. In FY
 11 2007 BIPCo's fuel costs charged to customers were \$2,139,368. Thus,
 12 considering only fuel related variable costs, BIPCo customers paid an average of
 13 \$0.171/kWh (= \$2,139,368 divided by 12,512,046 kWh). Each reduction in gross
 14 losses equal to 1% would save customers \$21,400/year¹.

¹ One-percent of retail sales = 125,120 kWh, times fuel costs of \$0.17/kWh = \$21,394. Further, the FY 2007 fuel cost average understates current costs, e.g., January 2008 fuel charge/kWh was over \$0.25/kWh

1 BIPCo has projected in its financial forecast to the RUS (BIPCo response to
2 TOWN-96) that is losses would be reduced to 8.0% (of generation). This range is
3 reasonable for BIPCo and would represent considerable savings. Again, note its
4 actual FY 2007 showed a 1,675,578 kWh difference between net generation and
5 sales. This value, given BIPCo's own plan, should have been reduced by 1/3 or
6 555,451 kWh. The appropriate values, in kWh can be derived as:

7	FY 2007 Sales	10,836,468
8	Plus: Street Lighting	41,600
9	Free Electricity	22,000
10	Allowance –BIPCo Use	100,000
11	8% losses	956,527
12		<hr/>
13	Expected Generation	11,956,595

14 Thus, BIPCo with proper management of losses should have been able to service
15 its retail sales with a net generation output of 11,956,595 kWh, yet it actually
16 required 12,512,046 to service this load. In short, BIPCo losses are 555,451 kWh
17 (=12,512,046 kWh – 11,956,595 kWh) higher than they should be under proper
18 system management. Considering only fuel costs, rather than full avoided costs,
19 these additional losses cost the ratepayer almost \$95,000 in FY 2007 (555,451
20 kWh x \$0.171/kWh). This highlights the importance of loss reduction, in
21 specific, and overall distribution system improvement in general. The December

1 2004 HDR distribution upgrade study also focused on the benefits to be gained
2 from a reduction in system losses.

3 **Q21. ARE THERE OTHER BENEFITS TO RATEPAYERS FROM A**
4 **DISTRIBUTION SYSTEM UPGRADE, AS ASSUMED BY HDR IN ITS**
5 **LONG RANGE DISTRIBUTION PLANNING REPORT?**

6 A. Yes, HDR lays out several important advantages in proceeding with a distribution
7 upgrade. Overall, upgrades are needed to insure sufficient line and substation
8 capacity. There are many other specific existing deficiencies that HDR has
9 opined will be solved through system upgrades. HDR determined that:

- 10 1) BIPCo has excessive voltage drop on 5 of its 6 circuits which need to be
11 corrected (Report p10.);
- 12 2) BIPCo's 2.4 kV was already too heavily loaded and its insufficient for
13 additional growth (Report p 13);
- 14 3) BIPCo needed larger conductor sizes on most all lines to handle flows and
15 eliminate overflow conditions (Report p 13);
- 16 4) BIPCo needed a better switching capability between feeders to improve
17 reliability (Report p15); and
- 18 5) BIPCo's current 2 kV system cannot pick up other parts of the system
19 where faults have occurred, thus hampering restoration (Report p 16).

1 The report makes clear that the current system is not adequate in terms of
2 capacity, voltage stability, reliability or restoration. The report lays out four
3 options for remedying these problems and clearly offers a recommendation for a
4 specific plan. The recommended plan requires an upgrade to 4.16 kV and line
5 reconductoring at a cost of \$1,400,000. The Town has announced its support and
6 approval of the HDR recommendation through its acceptance of the September
7 2007 HDR IRP Report. The Town is concerned, however, that the continuing
8 BIPCo delays have added to the cost of this needed work.

9 **Q22. HAS BIPCO PROVIDED A RATIONALE FOR DELAYING THESE**
10 **NEEDED IMPROVEMENTS?**

11 A. There is no justification for BIPCO's substandard distribution system or for
12 delaying its upgrade any further as supply side options are being sorted out. I
13 understand that BIPCO has borrowed funds in order to make improvements and
14 additions to its generating units and that it has upgraded a substation. The time
15 has now come for BIPCO to upgrade its distribution system. The \$813,000 net
16 gain from the sale of land provides a substantial source of funding to jumpstart the
17 \$1.4 million distribution system upgrade option recommended by HDR in its
18 December 2004 study and assumed in its September 2007 IRP Report. BIPCO
19 has significant proceeds from the gain on the land sale. Consider, the HDR
20 estimate for its recommended distribution plan was \$1,400,000 and BIPCo has
21 received \$813,000 from the net gain on the land sale. With the application of the
22 appropriate amount of funds from the gain on the land sale plus the reduction in

1 losses, BIPCo essentially has a significant fraction of the annual cost of the
2 distribution reinforcement already earmarked.

3 Unfortunately, BIPCo has not made a loan application requesting funds for the
4 distribution system upgrade. Instead, and in advance of the filing of the
5 September 2007 HDR IRP Report with the Commission, BIPCo has applied for a
6 \$5,000,000 RUS grant to modestly defray a \$21,000,000 cable project and a
7 distribution system upgrade. The HDR IRP Report did not endorse the submarine
8 cable option and stated that it should not be pursued relative to other supply side
9 alternatives absent a significant amount of grant moneys. HDR has not opined on
10 the Company's pursuit of an option that was not specifically endorsed by HDR,
11 the working group or the Commission.

12 **Q23. SHOULD THE DISTRIBUTION UPGRADES BE DELAYED UNTIL THE**
13 **FINAL POWER SUPPLY PLAN HAS BEEN DEVELOPED?**

14 A. No. The upgrade from 2.4 kV to 4.16 kV would be common to any plan,
15 regardless of the ultimate supply side option implemented following Commission
16 review of the HDR IRP Report. While there may be some line configuration
17 which would vary from plan to plan, depending upon the supply side options
18 selected (diesels, wind, submarine cable or some combinations of these options),
19 these should be the focus of any refinements to the HDR supply side
20 recommendations. As both HDR and BIPCo note in their distribution study and
21 as BIPCo notes in its recent RUS cable/distribution upgrade grant application,

1 respectively, line reconductoring is also common to any distribution upgrade plan
2 regardless of longer-term supply side decisions.

3 Thus, moving ahead with a distribution upgrade through the use of net proceeds
4 from the sale of rate base assets would not prejudice the ultimate supply side
5 decisions to be made.

6 **Q24. HAS THE TOWN OF NEW SHOREHAM ACCEPTED THE HDR IRP**
7 **REPORT ASSUMPTIONS REGARDING A DISTRIBUTION SYSTEM**
8 **UPGRADE?**

9 A. Yes, my understanding is the Town has endorsed the HDR IRP Report and is
10 strongly behind upgrading the distribution system, lowering the excessive system
11 losses and improving system reliability. The Division filed the HDR IRP study
12 with the Commission in February, 2008, and noted the concurrence of all working
13 group parties regarding the distribution upgrade recommended by HDR in
14 December 2004.

15 **Q25. DOES THE BIPCO GRANT APPLICATION, WITH ITS DISTRIBUTION**
16 **UPGRADE ADJUSTMENTS TIED TO THE CONSTRUCTION OF A**
17 **SUBMARINE CABLE, ALTER YOUR POSITION?**

18 A. No. As stated above, BIPCO can proceed with a distribution system upgrade
19 without prejudice to the selection of supply side options, following any review by
20 the Commission of supply side decision-making in advance of any commitment to
21 specific supply side decisions.

1 **III. THE COMMISSION SHOULD REQUIRE THE SELECTION OF AN**
2 **ENERGY ADVISOR, AS RECOMMENDED BY HDR'S IRP REPORT TO**
3 **INVESTIGATE AND IMPLEMENT ALL COST EFFECTIVE DEMAND**
4 **SIDE MANAGEMENT PROGRAMS**

5 **Q26. HAVE YOU REVIEWED THE SEPTEMBER 2007 ELECTRIC**
6 **RESOURCE PLANNING STUDY PREPARED BY HDR ENGINEERING,**
7 **INC., PURSUANT TO THE SETTLEMENT APPROVED BY THE**
8 **COMMISSION IN DOCKET NO. 3655?**

9 A. Yes. The HDR Electric Resource Planning Study was made available to me by
10 the Town's working group representative.

11 **Q27. HAS THE TOWN APPROVED OF THE HDR STUDY?**

12 A. Yes. My understanding is that on January 7, 2008, the Town Council passed a
13 motion to "receive, accept and acknowledge" the HDR Study and endorsed its
14 suggestions for conservation, including the creation of a Block Island Energy
15 Advisor. The Town accepted the HDR Resource Planning Study and supports
16 pursuing alternative energy sources and a greatly expanded demand side
17 management program.

18 **Q28. WHAT DID HDR RECOMMEND REGARDING A BLOCK ISLAND**
19 **ENERGY ADVISOR?**

20 A. As stated in its Executive Summary at page ES-1 and detailed in Section 4 of its
21 Study, HDR provided a recommendation and guidance for establishment of an

1 Island Energy Advisor position to coordinate and promote the implementation of
2 energy efficiency measures in which survey and interview respondents were very
3 interested. HDR explained in Section 4 of its Study at pages 4-3 and 4-4 that
4 energy efficiency is a recognized resource and consistent with several new
5 legislative energy mandates in Rhode Island. HDR noted the lack of any demand
6 side management leadership on the part of BIPCo, given its “organizational make
7 up,” the fact that there was currently only one full-time BIPCo staff person
8 dedicated to administrative functions of the Company and the lack of adequate
9 office technology and record keeping needed to track the success of energy
10 efficiency measures. HDR further acknowledged that “the financial burden of
11 implementing and financing a DSM program is one the company cannot bear
12 alone.” HDR therefore recommended on page 4-5 that the creation of an Energy
13 Advisor position would be the first step to be taken the implement demand side
14 management on Block Island.

15 **Q29. WHAT DUTIES WOULD THE ENERGY ADVISOR PERFORM?**

16 A. HDR recommended that among the first duties would be securing funding and
17 grants from outside agencies. The Energy Advisor would serve as a point person
18 to research state and national energy management resources that Block Island
19 currently does not uses to its advantage, but which are available to Block Island.
20 Table 4-2 to the HDR Study sets forth in more detail the Energy Advisor’s
21 responsibilities and their potential to impact electric demand. The Energy
22 Advisor would, among other things, design and implement activities to acquire

1 specific conservation resource measures, provide public information and advise
2 customers on energy conservation opportunities, as envisioned by HDR. The
3 Town Council has endorsed the establishment of an Energy Advisor who would
4 function in accordance with HDR's recommendations to establish and implement
5 an energy conservation resources program for Block Island.

6 **Q30. HOW WOULD THE ENERGY ADVISOR POSITION BE FUNDED?**

7 A. HDR discussed funding approaches in different states at pages 4-7 and 4-8 for
8 DSM funding such as the creation of the Energy Advisor position and associated
9 activities. Based upon its review, HDR concluded that funding levels should fall
10 between \$33,000 and \$72,000. Among the options noted by HDR was the
11 continuation of the \$0.01/kWh surcharge in the summer period to fund DSM
12 activity. This surcharge generated about \$55,000 per year, according to HDR,
13 which viewed this amount as a reasonable starting point on page 4-8 of its study.
14 The Town supports the funding of the Energy Advisor position through a
15 continuation of the \$0.01/kWh surcharge during the summer period. The Energy
16 Advisor position can also be funded from the gain on the land discussed in
17 Section I. This would allow for a portion of the gain to be amortized and
18 reinvested in cost effective DSM which is an alternative to the surcharge. The use
19 of a surcharge, however, would take the financial burden for DSM
20 implementation away from BIPCo and allow for the funds from the gain on the
21 land sale to be fully earmarked for distribution upgrades. At the same time, a

1 surcharge would allow for a close assessment of the cost effectiveness of DSM
2 and community outreach programs.

3 **Q31. WHO WOULD SERVE AS THE ENERGY ADVISOR?**

4 A. The Town believes that the Energy Advisor should be an independent party who
5 is neither an employee of BIPCo nor an employee of the Town. While the details
6 for the selection and retention of an Energy Advisor need to be ironed out, one
7 option would be the selection of an Energy Advisor by the IRP Plan working
8 group, which consisted of representatives of the BIPCo, the Town and the
9 Division.

10 **Q32. HOW WOULD THE SUCCESS OF THE DSM PROGRAM BE**
11 **EVALUATED?**

12 A. The collaborative efforts of the working group would help ensure that, as HDR
13 recommends at page 4-19, that demand side options pursued for BIPCo should be
14 “manageable, meet specific objectives and be cost - effective investments.” These
15 efforts would be consistent with HDR’s suggestion at page 4-8 that a case by case
16 approach be taken to assess the cost effectiveness of DSM and community
17 outreach programs and determine whether additional funding may be desirable or
18 warranted. As in the case of the IRP working group, the working group as a whole
19 or a working group member could suggest changes in the initial DSM program
20 after some experience is gained. As discussed by HDR at pages 4-4 and 4-5 of its

1 Study, various stakeholders, in addition to the Town and BIPCo, may be able to
2 contribute to the success of a DSM program led by an Energy Advisor.

3 **Q33. ARE THERE ANY MODELS FOR THE ENERGY ADVISOR PROPOSAL**
4 **RECOMMENDED BY HDR AND SUPPORTED BY THE TOWN?**

5 A. Yes, much of the region has acquired DSM resources through collaborative
6 processes. As noted in section II, BIPCo variable costs alone are now in excess of
7 \$0.20/kWh with full avoided costs much higher. Given all the cost effective
8 DSM that has been acquired throughout New England at avoided cost in the
9 \$0.08 - \$.10/kWh range, I would anticipate, with careful management of
10 administrative costs, DSM will be a valuable resource in BIPCo's IRP.

11 **Q34. WHAT DO YOU RECOMMEND?**

12 A. I recommend that the Commission approve continuation of the \$0.01/kWh
13 surcharge during the summer period to fund the establishment of an Energy
14 Advisor and kick start a DSM program as recommended by HDR. Power cost
15 conservation was shown in the HDR study to be least cost options for ratepayers,
16 based upon its supply side costing assumptions.

1 **IV. THE COMMISSION SHOULD REDUCE TOTAL PAYMENTS AND**
2 **BENEFITS TO BIPCO'S OWNER/OFFICERS TO THE \$135,000 LEVEL**
3 **ESTABLISHED IN DOCKET NO. 3655, PENDING THE SUBMISSION**
4 **AND APPROVAL OF JOB DESCRIPTIONS AND A TIMESHEET**
5 **REPORTING SYSTEM FOR THE OFFICER/OWNERS**

6 **Q35. HAVE YOU REVIEWED THE COMPANY'S PROPOSED PAYMENTS**
7 **AND OTHER BENEFITS THAT THE COMPANY'S OWNERS HAVE**
8 **MADE TO THEMSELVES?**

9 A. Yes. The Company's witness, Mr. Edge, has generally addressed the amount of
10 payments made to owner/officers during the test year and rate year. Mr. Edge's
11 schedules also identify medical and dental expenses associated with these
12 owner/officers. The Company's responses to data requests indicate several
13 additional economic benefits provided by the Company to its owners. These
14 include free electricity for two owners, personal use of Company-owned or
15 leased vehicles, and apparently free storage of an owner's boat located on utility
16 property. According to Mr. Edge at page 11 of his testimony, the Company has
17 not filed any separate justification for these payments and benefits made by the
18 owners to themselves in this docket, but has relied upon a compliance filing made
19 with the Commission in Docket No. 3655. I have reviewed that compliance
20 filing as well, along with the Company's responses to discovery requests
21 regarding payments and benefits provided to its owner/officers. In its order on
22 the BIPCo compliance filing in Docket No. 3655, the Commission stated at page
23 4 that issues raised by the Town in opposition to the Company's compliance

1 filing could be raised in the next rate case, which is now before the Commission.

2 I also note that since the last Company rate proceeding, the owners decided to
3 pay a fellow owner, Mr. Edwards, the sum of \$24,000 per year, claiming that this
4 is a retirement benefit. However, this payment does not come under the
5 Company's pension plan for employees and appears entirely voluntary on the part
6 of the owners. No prior contractual obligation to make this payment to Mr.
7 Edwards has been identified by the Company. The owners also have
8 substantially increased the payments to themselves since BIPCo's last rate case
9 and charged the full amounts of these payments to cost of service.

10 **Q36. WHY ARE YOU PROPOSING THE COMMISSION BECOME**
11 **INVOLVED AGAIN IN BIPCO'S PAYMENTS AND RELATED**
12 **BENEFITS GIVEN TO ITS OWNERS?**

13 A. Normally there is a balance in payments and benefits to corporate officers
14 occasioned by boards of directors representing the shareholders. In the case
15 where the utility officers and shareholders are the same, this balance does not
16 exist. In absence of this balance, ownership can pay itself whether or not the
17 Company is profitable, at the expense of ratepayers, and, in the absence of any
18 controls, whether or not they performed services commensurate with the
19 payments received and of any value to the Company. This violates the traditional
20 regulatory compact. My understanding is that these officer/owners are considered
21 affiliates of the Company and that payments to them for services are subject to
22 strict scrutiny by the Commission as well as separate legal requirements relating

1 to affiliate transactions. These payments and benefits made by owners to
2 themselves remain a serious concern of the Town. Based on my review of the
3 information available on this issue, the Commission should take action to (1)
4 remove from revenue requirements unsubstantiated payments and benefits given
5 by the owners to themselves and (2) establish prospective compliance
6 requirements that are needed to help put this recurring issue to rest.

7 **Q37. WHAT AMOUNT OF MANAGEMENT COMPENSATION HAS THE**
8 **COMPANY INCLUDED IN ITS REVENUE REQUIREMENT?**

9 A. I have not reviewed the compensation paid to the General Manager, Mr. Milner,
10 who has day to day responsibility for the Company's operations. The Town does
11 not question Mr. Milner's compensation as an employee of the Company. I have
12 focused on payments and other benefits that the owners have made to themselves.
13 Three of the four owners serve as President, Chief Financial Officer and Chief
14 Operating Officer, while a fourth owner does not appear to hold any official
15 position with the Company. According to Mr. Edge, the President of the
16 Company, Dr. Casazza, receives \$72,000, while Dr. Pezzimenti, the Chief
17 Financial Officer receives \$48,000. Chief Operating Officer Mr. McGinnes also
18 receives \$48,000. These compensation amounts are included in the adjusted rate
19 year revenue requirements, as shown in Schedule WEE-3. These levels of
20 compensation represent significant, almost 25%, increase from the levels of
21 compensation established in the Docket 3655, BIPCo's last rate case. Mr. Edge
22 has testified at page 12 of his testimony that the Company "chose to pay the

1 compensation all as salaries instead of a combination of salaries and dividends”
2 on the ground that it is cheaper for ratepayers to do so. In addition to the above
3 payments, the Company apparently pays for, or in one case, reimburses an
4 officer/owner for employee benefits, even though the Company claims that its
5 officers are not employees but independent contractors. Rate year employee
6 benefits for the owners of the Company (which include a retired officer, Mr.
7 Edwards) included: \$30,243.74 for medical benefits for Mr. Edwards and Mr.
8 McGinnes, \$1,397.50 in dental benefits for Mr. McGinnes, \$9,697.45 in
9 reimbursements to Dr. Casazza and \$7,625 in free electricity for BIPCo officers.
10 These figures appear in Schedule WEERY-6b to Mr. Edge’s testimony. No
11 payroll taxes or pension expenses are included for Messrs. Casazza, McGinnes or
12 Pezzimenti, according to Schedules WEE-6 and WEE-7, respectively. The
13 officer/owners are also allowed personal use of Company-owned or leased
14 vehicles, the cost of which, \$20,347, has not been divided into personal and
15 business usage, making the exact amount of personal benefit to the owners
16 difficult to determine. (Company response to Town-100). In addition, the owners
17 have apparently decided to pay Mr. Edwards, a fellow owner, \$24,000 per year as
18 a retirement benefit, even though he was not an employee for the past 13 years,
19 and even though this payment does not fall under the Company’s employee
20 pension plan or any pre-existing contractual obligation. It appears to be a purely
21 discretionary payment made by the owners. It also appears that Mr. McGinnes is
22 allowed to store a personal boat on Company property at no charge to him, while
23 his son pays the Company a \$1200 storage fee for his boat stored on Company

1 land included in rate base. The total dollar value of officer/owner compensation
2 can be summed as:

3	Payments to owner/officers	\$168,000.00
4	Benefits to owner/officers	\$41,338.69
5	Free Electricity	\$7,625.00
6	Free Boat Storage	\$1,200.00
7	Personal Use of Company Vehicles- portion of	\$20,347.00
8	Payment to Mr. Edwards	\$24,000.00
9	<hr/>	
10	Total	\$ 262,510.69

11 These amounts do not include any expenses associated with the General Manager,
12 Mr. Milner.

13 The compensation of Dr. Cassazza was increased from \$57,000 in FY 2006 to
14 \$72,000 in FY 2007 and the rate year, apart from fringe benefits. The
15 compensation to the other two officer/owners was increased from \$38,000 each in
16 FY 2006 to \$48,000 each in FY 2007 and the rate year, apart from fringe benefits.
17 The \$24,000 annual payment to Mr. Edwards is an entirely new item since the
18 Company's last rate case.

19 **Q38. IS THE ABOVE AMOUNT A SIGNIFICANT LEVEL OF EXPENSE FOR**
20 **BIPCO?**

21 A. Yes, it is. BIPCo has only nine employees. BIPCo's rate year payroll for
22 employees is proposed to be \$634,223. Employee benefits for the rate year are

1 proposed to be \$118, 867.31 (excluding the \$41,338.69 to be incurred for the
2 owner/officers, which is included under rate year employee benefits). The owners
3 receive over twenty-five percent of the total payments described above and the
4 benefits that they receive are over thirty-four percent of the amount of all other
5 employee salaries and benefits. This level of expense also is quite significant in
6 terms of BIPCo's total non-fuel operating and maintenance expenses.

7 **Q39. DO YOU HAVE AN OPINION REGARDING THE REASONABLENESS**
8 **OF THIS PROPOSED COMPENSATION FOR OFFICER/OWNERS OF**
9 **THE COMPANY?**

10 A. Yes. In my opinion the projected payments and benefits for the officer/owners are
11 unreasonable, based upon the information available, and should be reduced by the
12 Commission for ratemaking purposes. The Company maintains no time records
13 regarding the services provided by its owner/officers. It maintains no other
14 information to enable the Commission to evaluate whether any owner/officer
15 works 1 day per week on Company business or any other amount of time. In the
16 case of Dr. Pezzimenti, the Company acknowledged in a data response that Dr.
17 Pezzimenti is a practicing doctor in Danbury, Connecticut 4 days per week.
18 (BIPCo response to TOWN-99). Given payments to him, exclusive of benefits, of
19 \$48,000, he receives on an annualized basis the equivalent of \$240,000 per year,
20 presuming he works for BIPCo at all times he is not attending to his medical
21 practice. This issue of unsubstantiated payments to owner/officers should be a
22 familiar one to the Commission. In Docket No. 1998, the Commission stated,

1 “Although there was testimony that Mr. McGinnes and Dr. Casazza performed
2 certain services for the Company, there was no evidence that the fourth owner, Dr.
3 Pezzimenti, had done any meaningful work for BIPCO during the test year.” The
4 Commission further found that “the scope and productive effect of Dr. Casazza’s
5 and Mr. McGinnes’ efforts in BIPCO’s behalf remains hazy.” The same type of
6 situation exists in this case: no time records, no objective way to determine
7 whether and to what extent the owner/officers perform any meaningful work on
8 behalf of the Company. This lack of objective information is very troubling
9 because we are talking about affiliates of the Company who pay themselves
10 without any internal controls.

11 Assuming that they are independent contractors, it is highly unusual that they are
12 able to pay themselves what ever they please, without documentation of services
13 commensurate with these payments and other benefits. The lack of detailed
14 information and support for payments to owner/officers, despite the recurrence of
15 this issue since the early 1990s, suggests that the owners have not earned
16 payments and benefits of the magnitude that they seek to recover from ratepayers
17 as cost of service items.

18 **Q40. DID BIPCO’S COMPLIANCE FILING IN DOCKET NO. 3655 ADDRESS**
19 **THESE CONCERNS?**

20 A. The compliance filing did not establish the reasonableness of payments made to
21 the owner/officers. Nowhere did the Company demonstrate the amount of work

1 actually performed on behalf of the Company by its owners. Comparisons to
2 salaries paid to general managers of municipal utilities or corporate officers
3 presume that the individuals being compared are working the same number of
4 hours, perform similar work and have similar levels of expertise. As the example
5 of Dr. Pezzimenti illustrates, the Commission cannot presume whether and to
6 what extent the Company's owners perform services for the Company and
7 whether and to what extent any services have any productive effect for the
8 Company. It was not even clear in the compliance filing whether the owners
9 could be properly classified as independent contractors and the Company has
10 provided no justification for this classification in this case. I disagree with Dr.
11 Casazza's implication at page 2 of his testimony that the Docket No. 3655
12 compliance filing provides any support for the payments and benefits that
13 BIPCo's owners give to themselves. The consultants simply assumed that
14 BIPCo's owner/officers were putting in the time typical of a utility executive. As
15 illustrated by Dr. Pezzimenti, this assumption cannot be made.

16 **Q41. DO YOU HAVE SPECIFIC RECOMMENDATIONS TO THE**
17 **COMMISSION REGARDING PAYMENTS AND BENEFITS FOR THE**
18 **OWNERS?**

19 A. Yes. I recommend that the Commission allow no more in revenue requirements
20 than \$135,000 to cover all of the expenses that I have identified above as
21 attributable to payments and benefits for the three owner/officers. I also
22 recommend that the Commission disallow the voluntary \$24,000 annual payment

1 that the owners agreed to make to a fellow owner Mr. Edwards, who was not an
2 employee for the past 13 years and who was not part of the Company's pension
3 plan for employees. These two adjustments reduce cost of service by about
4 \$127,510. I do not believe that even the \$135,000 amount has been justified and
5 the Commission would be within its rights if it rejected all payments to owners as
6 unsupported. However, I suggest the \$135,000 be recognized to maintain the
7 status quo from the Docket No. 3655 settlement, pending further remedial
8 directives from the Commission and compliance by BIPCo management with those
9 directives. My first recommendation is intended to serve as a placeholder,
10 pending an overhaul of the manner in which the Company's officer/owners receive
11 payments and other benefits from the Company. Such an overhaul is needed to
12 enable the Commission to evaluate objectively the reasonableness of payments
13 and benefits given to BIPCo's owner/officers. The absence of any internal checks
14 and balances that might be provided by an independent board of directors, and the
15 history associated with this recurring issue, make it critical that the Commission
16 require objective verification of the time and value of any work performed by the
17 owner/officers. In my testimony below, I make specific recommendations that the
18 Commission should adopt to reform the Company's practices of payments to
19 affiliates and to hopefully put this issue to rest in future rate proceedings.

20 Should the Commission decline to adopt my first recommendation regarding a
21 reduction in cost of service for payments and benefits given to owner/officers, I
22 can offer an alternative recommendation. While the Company claims that Dr.

1 Pezzimenti is an independent contractor, he is not required to maintain any time
2 records or otherwise demonstrate that he performs a specific amount of Company
3 work. His compensation is especially troublesome and unwarranted; given that he
4 works four days a week as a physician in Connecticut and that the Company out-
5 sources virtually all of its financial and accounting functions to Mr. Edge's firm as
6 well as an outside accountant. These outside services fees are substantial and are
7 detailed in Mr. Edge's schedules and testimony. The accounting services for
8 audit, bookkeeping, board and annual meetings, finance committee and budgeting
9 and accounting-taxes add to \$69,768 for the rate year, as shown in Schedule WEE-
10 3. This figure does not include other accounting services included in the revenue
11 requirement of \$35,988 nor the accounting portion of the \$25,000 RUS
12 legal/accounting-RUS rate year expenses, also shown in Schedule WEE-3. I have
13 seen no contract between Dr. Pezzimenti and the Company, as would be common
14 for independent contractors. Nor has any rate for work performed been
15 established. Finally, there is no evidence of the amount of work performed by Dr.
16 Pezzimenti on behalf of the Company. Given that Dr. Pezzimenti is an affiliate of
17 the Company and that no independent Board of Directors reviews his
18 compensation, there is no basis for the Commission to find this level of
19 compensation reasonable. I consequently recommend that the Commission deny
20 the \$48,000 in payments to Dr. Pezzimenti. I further recommend that the
21 \$15,121.87 in fringe benefits for Dr. Pezzimenti be disallowed. This total,
22 \$63,121.87, should be removed from cost of service expenses.

1 As part of my alternative adjustment, I also recommend that the Commission
2 disallow the \$24,000 pension that the owners of the Company voluntarily voted to
3 pay to a fellow owner. This amount can hardly be characterized as a pension, and
4 it would be most unusual for any corporation to voluntarily pay a pension to a
5 non-employee. BIPCo is a small company that can ill afford this type of
6 discretionary annual payment to an affiliate when it has not updated its system
7 with, for example, new meters that would reduce the incidence of incorrect meter
8 readings. Limiting such cross payments to owners for alleged pensions, bonuses
9 and benefits is a crucial step in capping the total compensation that BIPCo can
10 include in cost of service. The Commission also should deny the significant
11 increases in payments made to Dr. Casazza and Mr. McGinnes since FY 2006,
12 totaling \$25,000. There has been no demonstration that 26.3% increases in
13 payments to Dr. Casazza and Mr. McGinnes above FY 2006 levels are
14 reasonable. Further, the Commission should impute revenues to the Company in
15 the amount of \$1,200 for the storage of Mr. McGinnes' boat on Company land.
16 This combination of adjustments would reduce cost of service by \$113,322,
17 subject to any additional adjustments that would flow through the revenue
18 requirements determination based upon these adjustments.

1 **Q42. DO YOU RECOMMEND ANY ADDITIONAL ADJUSTMENTS TO THE**
2 **PROPOSED RATE YEAR PAYMENTS AND BENEFITS TO THE**
3 **OFFICER/OWNERS OF BIPCO?**

4 A. Not at this time. The Town will review testimony on these issues filed by the
5 Division as well as any information that may develop during the course of hearings
6 and determine what further responses are appropriate. However, BIPCo practices
7 are troubling because they are blurring what should be a bright line between
8 legitimate operating expenses and dividends payable out of earnings. This why
9 the Commission should directly address this issue in a clear and final way.

10 As I mentioned before in my testimony, the issue of officer/owner compensation
11 has been a recurring problem, and I believe that the Commission must do more
12 than it did in the Company's last rate case. My own review indicated that this
13 problem has been unresolved since at least the early 1990s. I also reviewed the
14 compliance filing made by the Company in BIPCo's last rate case. The
15 Commission concluded that BIPCo's filing was in literal compliance with the
16 Commission's directive but the Town noted several deficiencies in the compliance
17 filing. The underlying problems with payments to the owners were left to be
18 addressed in the Company's next rate case, the one now pending before the
19 Commission. The settlement in Docket No. 3655 stated that BIPCo needed to
20 justify its management compensation and satisfy other directives in its next rate
21 case, now Docket No. 3900. The Commission, however, directed BIPCo to
22 submit a compliance filing on the management compensation issue within 90 days.

1 The Town anticipated that the compliance filing would essentially address the list
2 of issues being raised at this time, such as the lack of any records to substantiate
3 whether and to what extent the owner/officers are performing services of value to
4 the Company, above and beyond board of director functions. However, the
5 compliance filing, although accepted, was silent on these important issues and did
6 not result in any going forward requirements that the Company demonstrate, in a
7 reviewable manner, whether and to what extent the owner/officers are performing
8 services of value to the Company. In the present case, the Commission must
9 require a program to establish an appropriate and permanent corporate discipline to
10 insure that ratepayers are insulated from affiliate transactions and unsupported
11 payments and benefits to owner/officers.

12 The issue that existed then and that remains today is whether the officer/owners
13 perform an amount of work, with adequate expertise, to justify the compensation
14 that they receive. Nowhere in the Company's compliance filing or in this case did
15 the Company demonstrate how much work is performed by its officer/owners.
16 The salaries paid to full time municipal light plant managers are not a proper
17 measure of the reasonableness of compensation for officer/owners who do not
18 perform the duties of a municipal light plant manager. Moreover, these full-time
19 managers usually fill three positions claimed as distinct by BIPCo. Municipal or
20 Cooperative managers act as President, CFO and COO all rolled into one,
21 occasionally with a senior staff person or assistant. In the case of BIPCo, it has a

1 general manager who performs the significant part of the day to day work. The
2 officer/owners are in addition to this position noted as municipal manger.

3 The Company has only 9 employees and in FY 2007 showed a distribution of
4 wages and salaries totaling \$430,799. Payments to the owner/officers (excluding
5 the general manager that is included in payroll and benefits) is another \$168,000
6 (equal to 39% of the payroll expenses for nine employees). The payments to the
7 owner/officers (who are not classified as employees) represent a very high
8 percentage of total compensation paid by the Company. Because these payments
9 to owners constitute affiliate transactions, they deserve a much closer look from
10 the Commission and the Company should be required to justify these payments
11 based upon actual work performed.

12 **Q43. WHAT REMEDIAL RECOMMENDATIONS ARE YOU ASKING THE**
13 **COMMISSION TO PUT IN PLACE?**

14 A. I am proposing a system which sets out specific job requirements and a time and
15 materials billing system to compensate owner/officers to the extent that they
16 perform services of value to the Company.

17 BIPCo has yet to establish management contracts for owner/officers, delineate
18 clear management responsibilities among the owners, create a time reporting
19 system for part-time management, or establish an amount of work that must be
20 performed. BIPCO has not established a rationale whether the owner/officers
21 should be independent contractors or payroll employees. Since the essential

1 Town concerns remain unaddressed, the placeholder amount of \$135,000 set in
2 Docket 3655 does not resolve the management compensation issues and should be
3 viewed as an interim measure, pending remedial actions directed by the
4 Commission.

5 Complete transparency regarding payments made by owners to owners is needed.
6 By the high standards governing affiliate transactions, the deficiencies noted, such
7 as, no contracts, no time reporting, no clear job descriptions and no demonstration
8 of best value for the customers, would surely require a revamp of the entire
9 BIPCo process for payments and benefits given to owner/officers.

10 **Q44. IS THE LEVEL OF MANAGEMENT PERSONNEL EMPLOYED BY**
11 **BIPCO TYPICAL WITHIN THE INDUSTRY?**

12 A. No. In fact it seems quite extreme. BIPC is a 4,000 KW utility with 1,750
13 customers serviced by nine (9) full time employees. The need for three (3)
14 executives plus an outside firm for financial, tax and regulatory services is
15 extreme. BIPCo is on the scale of many municipal utilities which function with a
16 manager or general manger and a senior staff position. BIPCo employs a general
17 manager and then adds three executives. It appears that utility management could
18 be adequately provided by a general manger, the services of B&E Consulting and
19 the owners serving on a board of directors. If, the owners chose to remain as
20 active participants in utility operations, they should be paid commensurately with
21 the services they provide. As with virtually all service provide by non-salaried,

1 part-time individuals, the services should be provided through a specific contract
2 and billed on an actual time and material basis. Adopting such a system would
3 address the primary concerns of the Town.

4 **Q45. WHAT SPECIFIC PROCEDURES ARE YOU RECOMMENDING?**

5 A. I recommend the Commission require BIPCo to establish a timesheet recording
6 system for the owner/officers. Also, I would recommend that pensions for non-
7 employees be prohibited, as they are discretionary expenditures that the
8 owner/officers could otherwise make to themselves and that would continuously
9 burden ratepayers. Absent a consistent application of providing for employee
10 pensions, the total owner/officer compensation would again not have clear
11 boundaries. Lastly, hourly rates for service of part-time owner/officers should be
12 established so that actual time recorded in the reporting system can result in
13 appropriate payment.

14 **Q46. DO YOU HAVE A SPECIFIC RECOMMENDATION ON HOW OWNERS**
15 **SHOULD BE PAID, ASSUMING THAT THEY PERFORM VALUABLE**
16 **SERVICES FOR THE COMPANY?**

17 The payments should be in line with similar sized northeastern utilities. As noted,
18 due to BIPCO's size, it should be compared to the smaller municipal or
19 cooperative utilities in the region and the management compensation of these like
20 sized utilities sets the range of total compensation. A review of these electric

1 utilities indicates a salary range for the chief executive² of between \$80,000 -
2 \$125,000 for full time employment. This would result in an hourly rate of
3 between \$40.00/hour to \$60.00/hour plus benefits. Since full time positions have
4 certain other benefits such as paid holiday, vacation and sick time, increasing the
5 above hourly rates by 10% - 15% would not be unreasonable. Thus, an hourly
6 rate of, roughly \$50 - \$70 plus benefits seem appropriate. Of course, records of
7 actual services provided and the amount of time dedicated to company work must
8 be required.

9 **Q47. HOW WOULD YOU PROPOSE THE INTERIM LEVEL OF \$135,000 BE**
10 **PAID AMONG THE OWNER/MANAGEMENT OF BIPCO?**

11 A. I would hope that the new system could be implemented quickly since there is
12 nothing particularly unusual about a part-time services time and materials contract
13 procedure. I would propose that the terms of the new system be filed within thirty
14 days of the Commission order in this Docket. The payments to owners, capped as
15 I have recommended, may be divided as the owners see fit, pending the
16 implementation of a new system that ties payments to actual and valuable services
17 performed.

² Cooperatives generally have an elected unpaid president who is a board member. In these cases I have looked at the compensation of the chief operating officer.

1 **Q48. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE OWNER**
2 **COMPENSATION SYSTEM APART FROM TOTAL PAYMENTS?**

3 A. Yes. I am concerned about the claim that officer/owners of the Company are
4 independent contractors. It is my understanding that officers who claim to
5 provide substantial services to a company are generally regarded as employees for
6 federal employment tax purposes. I am not an attorney and do not offer a legal
7 opinion on this issue. The resolution of this issue ought to be a matter of concern
8 for the Division and Commission. The fact that the IRS has not disturbed the
9 current payment arrangements, according to Mr. Edge, does not mean that BIPCo
10 is properly handling the classification of its owner/officers.

11 **Q49. SHOULD THE COMMISSION HAVE ANY ADDITIONAL CONCERNS**
12 **ABOUT THE LEVEL OF PAYMENTS TO AFFILIATE OWNERS?**

13 A. Yes. As Mr. Edge recognized in his testimony, it is a simple matter for the
14 officer/owners to compensate themselves entirely through "above the line"
15 payments charged to ratepayers, rather than pay themselves a lower, justifiable
16 level of compensation (as independent contractors or employees, as the case may
17 be) with any additional payments made in the form of dividends. Dividends
18 would be payable as a portion of the Company's earnings on common equity.
19 The ratemaking process requires that a return be allowed on rate base using the
20 weighted cost of capital. Dividends should be covered by this component of
21 revenue requirements and not from operating expenses. The approach taken by

1 the Company unfairly shifts enterprise risks to ratepayers-the owners receive
2 payments from operating expenses, whether or not the Company has any
3 earnings. The Company's approach also has the effect of depressing its financial
4 ratios, which relate to its ability to meet RUS coverage tests. The unfair
5 burdening of operating expenses overstates revenue requirements and also
6 deprives the Company of retained earnings that could be reinvested in the
7 business or improve the Company's common equity ratio.

8 **V. THE COMMISSION SHOULD ORDER BIPCO TO COMPLETE A**
9 **COMPREHENSIVE REVIEW OF ITS RATES AND CHARGES TO**
10 **IT'S VARIOUS CUSTOMER CLASSES**

11 **Q50. ARE THE CURRENT BIPCO RATES AND CHARGE BASED ON COST**
12 **OF SERVICE?**

13 A. In Docket 3655, the Division did not find a strong correspondence between cost
14 of service and rates.³ Since that time, summer usage has growth relative to winter
15 usage in all classes but public authority service. Further, the average usage per
16 customers has grown in all sectors but general (non-demand) commercial service.
17 Given these significant changes, it is unlikely that the current rates would reflect,
18 except by coincidence, their costs. Additionally, the construction of individual
19 tariffs seems to consistently follow seasonal cost patterns. Summer /winter
20 differentials, for example, vary significantly from rate to rate. Lastly, service

³ Direct pre-filed testimony of Division witness Bruce Oliver, pp 2-3

1 classification should be reviewed to verify that current classes do represent
2 reasonably distinct usage characteristics.

3 **Q51. HAVE YOU REVIEWED BIPCO'S PROPOSED RATES?**

4 A. I have reviewed the proposed rates and the testimony of BIPCo's rate witness,
5 Mr. Walter Edge. From the testimony presented by Mr. Edge it is apparent the
6 BIPCo is wholly focused on their revenue requirement and show little, if any,
7 interest in reviewing rates based on cost or other criteria that would benefit
8 customers and the Company alike.

9 **Q52. WHAT DO YOU RECOMMEND REGARDING COMMISSION REVIEW**
10 **OF THE COMPANY'S PROPOSED RATES IN THIS CASE?**

11 A. BIPCO should be directed to institute a full rate study consisting of, at least, the
12 following analyses; marginal cost of service, revenue allocation and
13 reconciliation, review of customer classifications, analysis of summer/winter rate
14 periods and a structure review of its rate designs.

15 **Q53. IS THERE REASON TO BELIEVE THAT CURRENT RATES ARE NOT**
16 **JUST AND REASONABLE?**

17 A. As noted, the last review by the Division indicated that rates were not well cost-
18 based and system conditions have changed since then. Thus, customer classes are
19 likely paying too much or too little for the service they receive. Additionally, the

1 current rate designs raise issues that certainly invite review and some corrective
2 steps should be taken by the Commission in this proceeding. For example:

3 1) The use of a “system charge” which assesses a fixed monthly charge if a
4 customer’s summer usage exceeds twice their average monthly winter
5 usage. This charge first forgives increases in summer usage up to twice
6 and then has no impact regardless of how much higher than twice the
7 summer usage becomes. This charge applies the same dollar “penalty” in
8 a specific rate whether the increase is from 100 kWh to 200 kWh or from
9 2,500 kWh to 5,000 kWh; such system charges clearly need to be
10 reviewed as to their reasonableness and to determine whether higher
11 system charges should apply as customer consumption increases.

12 2) The system charge is applicable to demand metered Public Authority
13 customers but not to demand metered General Service customers; this
14 oversight should be corrected by the Commission in this proceeding.

15 3) There is no ratcheted demand charge or annual minimum for purely
16 seasonal loads; this issue should be studied to determine whether a
17 ratcheted demand charge or annual minimum for seasonal loads would be
18 desirable.

19 4) The summer-winter energy differential varies 2:1 to almost 3:1 among the
20 various classes of service; this differential should be evaluated.

- 1 5) There is an uncommonly lower demand trigger point, 8 kW,
2 differentiating demand metered from non-demand metered service; and
- 3 6) Residential customers using in excess of 2,500 kWh/month are, according
4 to BIPCo's tariff, to be moved to the general-demand rate which has a
5 lower summer cost/kWh than the residential rate; the propriety of this
6 treatment should be examined.
- 7 7) Current tariffs do not reflect conservation goals, time of usage and many
8 other factors such as net metering (both residential and commercial) or
9 wheeling between the same customers.

10 These comments are not intended to be comprehensive but to demonstrate that the
11 inattention to costs and rates has, over time, resulted in a questionable pricing
12 system. The Division has made efforts to move BIPCo's rates in the right
13 direction, but quite a bit more work needs to be done. Given the already high
14 prices on the island, it is important to the Town to have some assurance that the
15 Company's rates are in fact properly and fairly constructed, cost-based and
16 equitable to customers.

17 **Q54. ARE YOU PROPOSING THAT BIPCO SHOULD DEVELOP A COST OF**
18 **SERVICE STUDY AND PERFORM A COMPREHENSIVE RATE**
19 **REVIEW?**

20 I am recommending that a cost of service a comprehensive rate review be
21 performed but recommend that it be performed under the direction of the IRP

1 study group at BIPCo's expense. This approach has the advantage of bringing
2 together the stakeholders in the process as well as lessening the diversion for
3 BIPCo's management which, as recommended, should be focusing on the
4 distribution system improvements. It would also allow members of the public
5 that may have rate design suggestions to be heard and considered. I would also
6 propose that the rate study be submitted as part of the next BIPCo rate case but in
7 any event not more than two years from the order in Docket 3900, to the extent
8 not addressed specifically in Docket 3900. I understand that the Company has
9 balked at incurring the cost of a cost allocation/rate design study based on its size
10 and financial condition. These objections are unreasonable given BIPCo other
11 funding choices such as bestowing very liberal pay raises to their officer/owners
12 and paying a fellow owner, Mr. Edwards, \$24,000 per year when not obligated to
13 make any such payment. BIPCo has traditionally outsourced bookkeeping,
14 accounting, legal and regulatory functions incurring substantial outside services
15 expenses. Further, BIPCo has seen fit to advance legal expenses to the ultimate
16 buyer of the sold real estate (see BIPCo response to TOWN-91).

17 Based upon my personal experience with the conducting of cost allocation and
18 rate design studies, it is my opinion that BIPCo can well afford the cost of
19 conducting these studies and should not require any further surcharges for this
20 purpose. Such a cost allocation and rate design study can be readily performed
21 for roughly the \$24,000 the Company's owners have elected to pay to a fellow

1 owner and would not constitute an annual recurring expense, as does the \$24,000
2 payment to Mr. Edwards.

3 **Q55. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

4 A. Yes it does.

RICHARD LA CAPRA

Richard La Capra is an experienced advisor in a wide range of energy and regulatory issues.

Mr. La Capra is the founder of La Capra Associates, established in 1980 with a goal of providing state-of-the art, innovative technical analysis to regulated industries. He has over thirty years of experience in consulting in the planning and pricing of services for regulated industries. His experience encompasses financial management, rate of return, competitive procurement and auction strategies, valuation and pricing. Mr. La Capra has negotiated comprehensive restructuring settlements and provided expert consulting services in merger and acquisition in regulated industries, valuation, and new venture feasibility. He has been involved in major bidding and procurement activities in both energy and transportation. His primary interest has been in the energy-related industries, but he has also presented expert testimony on telecommunications, water resources, lending and the taxicab industries. Mr. La Capra is a sought-after teacher and lecturer for industry, trade and research organizations.

ACCOMPLISHMENTS

Mr. La Capra has provided expert testimony in 26 states, federal jurisdictions, legislatures and courts in the areas of transitioning to hybrid (competitive-regulated) markets, interconnection requirements, competitive bidding, power procurement, rate of return, regulated cost of service, facility siting and financial feasibility.

Some of his major assignments have included:

Assisting the financial reorganization of cooperative utilities, including reconfiguring their power supply assets and contracts, and restructuring \$100 million in debt;

Managing asset bids for purchasers or sellers;

Designing the auction process for distributing taxi medallions in the City of Boston;

Designing and managing the auction process for the sale of small utilities;

Designing and managing the auction process for the sale of the power supply infrastructure of several major universities.

Negotiating transmission contracts, wheeling rates, and distribution leases for a number of utilities and independent power producers.

Providing advice to numerous State jurisdictions on the developmental rules and codes of conduct for wholesale markets;

ATTACHMENT 1

Providing advisory services to public and private utilities in the areas of pricing, power supply procurement strategies, negotiation of inter-utility contracts, and market hedging strategies;

Serving as Principal Consultant to the Electric Power Research Institute in the areas of electric utility pricing and customer research;

Managing developmental load research programs in six mid-western and eastern states;

Devising and presenting professional development programs for the Electric Council of New England, the Center for Professional Advancement, the New England Rate Forum, the Electric Power Research Institute, the American Gas Association, the University of Michigan and the University of Missouri;

Directing feasibility studies assessing privatization potential for publicly owned energy facilities; and

Serving as Special Advisor to the City of Boston Police Department in the development of hackney carriage service standards and pricing, and the establishment of a market-based number of hackney medallions.

EMPLOYMENT

La Capra Associates
Principal in Charge

Charles T. Main, Inc.
Manager - Rates, Financial Services and
Utility Management Consulting Groups

American Electric Power Service Corporation
Rate and Load Research Supervisor

Pennsylvania-New Jersey-Maryland Power Pool
Planning Engineer

EDUCATION

Certificate in Advanced Finance, New York University

M.B.A., Fairleigh Dickinson University
Economics

B.S., Stevens Institute of Technology
Electrical and Mechanical Engineering

ATTACHMENT 1**PRIOR TESTIMONY**

Client	Regulation	Issue/Docket	Subject	Docket Numbers
Arizona PUC Staff	AZ PUC	Restructuring	Development of State Transmission Company Stranded Cost Recovery	98-0471 97-0772 94-0165
Boston Edison Company	MA DTE	Rate Case	2 Cases: Cost Allocation and Load Research	92-92, 89-100
Central Vermont Public Service	VT PSB	Restructuring	Restructuring of HQ Contracts	6140
Connecticut Department of Public Utility Control	CDPUC	Change of Control	ConEd and NU	00-01-11
Colonial Gas	MA-DTE	Rate Case	Rate Design	90-90
District of Columbia Public Service Commission	MD PSC	Retail Competition DSM Funding	Development of Retail Competition Cost Analysis of DSM Programs	98-20 96-181
Division of Energy Resources	MA DTE	Mergers Restructuring	Merger Policy; Restructuring Comments	93-167 96-100
Essex County Gas Company	MA DTE	Resource Plan	Least Cost Plan	93-95
Hawaii Consumer Advocate	HI PUC	Restructuring/ Bidding Rates	Restructuring Comments/ IPP Evaluations	96-0493 97-0213

ATTACHMENT 1

Client	Regulation	Issue/Docket	Subject	Docket Numbers
Maine PUC Staff	ME PUC	Central Maine Power	Rate Design	92-345
Massachusetts Department of Energy Resources	MA DTE	Siting Merger	Boston Edison, Cambridge Electric Light Company merger	99-19
Nantucket Electric Company	MA DTE	Cable Siting Merger	Least Cost Plan; Merger with Mass Electric	94-119 91-138 91-106
Nevada Attorney General	NPUC	Power Cost Recovery	Power Purchases-Western Energy Crisis	06-12002
New Hampshire PUC Staff	NH PUC	Restructuring	NE Wholesale Prices, transition charge recovery	96-150
NJ Division of the Ratepayer Advocate	NJ BPU	Atlantic City Electric Restructuring	Stranded Cost/ NUG Mitigation	97070456
Office of the Peoples Council (D.C.)	DC PUC	Washington Gas DSM	Least Cost Gas Plan	834-III
Pennsylvania Office of the Consumer Advocate	PA PUC	PECo Qualified Rate Order	Securitization	00973877
Pennsylvania Office of the Consumer Advocate	PA PUC	PP&L Restructuring UGI Restructuring PECo Restructuring	All Cases- Stranded Costs, Transition Cost Recovery, affiliate Relations	00973954 00973975 00973953

ATTACHMENT 1

Client	Regulation	Issue/Docket	Subject	Docket Numbers
RI Division of Public Utilities	RI PUC	Restructuring	Restructuring Plan, Stranded Cost Measurement	2320
Suffolk Legislature	FERC	LIPA-LILCo Merger	Power Management	98-11-000
Vermont Electric Cooperative	VT PSB	Debt Restructuring	Bankruptcy Reorganization	5971
Vermont Joint Owners	VT PSB	Contract Dispute	VJO Hydro-Quebec	50T 198 0197-98