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January 19, 2010

BY HAND DELIVERY AND EMAIL

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

Re: RIPUC Docket No. 4111

Dear Luly:

Enclosed please find for filing in this matter an original and nine (9) copies of the Direct Testimony of Richard La Capra on behalf of the Town of New Shoreham.

Copies of this filing are being emailed to the Commission and the service list today.

Do not hesitate to contact me if you have any questions concerning this filing. Thank you for your assistance.

Sincerely yours,

Alan D. Mandl, Bar No. 6590

Enclosures
cc: Service List

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

_____)
Review of Proposed Town of New Shoreham)
Project Pursuant to RI General Laws,)
§39-26.1-7)
_____)

DOCKET NO. 4111

DIRECT TESTIMONY OF RICHARD LA CAPRA

ON BEHALF OF

THE TOWN OF NEW SHOREHAM

January 19, 2010

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS**
3 **ADDRESS.**

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

7 **Q. WOULD YOU PLEASE SUMMARIZE YOUR PROFESSIONAL**
8 **QUALIFICATIONS?**

9 A. Yes. I have been working in the areas of energy planning and
10 pricing for over thirty years. My experience includes professional
11 positions with the Pennsylvania-New Jersey-Maryland
12 Interconnection (“PJM”) and various utility service companies. In
13 1980, I formed La Capra Associates to bring specialized services to
14 managers and policy makers within the energy industry. In 2001, I
15 left the management of the company to pursue several interest in
16 the environmental and public policy areas of the industry. My
17 resume is appended as Attachment 1 to my testimony.

18
19 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE STATE PUBLIC**
20 **UTILITIES COMMISSIONS?**

1 A. I have testified before public utilities commissions in 26 states,
2 several courts, legislatures and FERC. My previous testimony is
3 identified in Attachment 1 to my testimony.
4

5 **Q. PLEASE SUMMARIZE YOUR EXPERIENCE REGARDING POWER**
6 **PURCHASE ISSUES AND UNDERSEA CABLE MATTERS.**

7 A. Over the last twenty-five years, I have been actively involved in
8 negotiating, evaluating and reviewing contracts for the purchase of
9 electricity for public and private utilities, power authorities and
10 government. I have worked on many island power systems including
11 Hawaii, Kauai, and Puerto Rico and locally for Nantucket and Fox Islands.
12 My work for Nantucket Electric Company included evaluating, and siting
13 an undersea cable and negotiating, through an open bid, a long term
14 power supply for the island's customers.
15

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
17 **PROCEEDING?**

18 A. My testimony will highlight for the Commission the position of the Town of
19 New Shoreham ("the Town") regarding the power purchase agreement
20 filed on December 9, 2009, by National Grid and Deepwater Wind (the
21 "PPA"), and the scope of Commission actions in this proceeding under
22 R.I.G.L. §39-26.1-7. My testimony also addresses the potential need for
23 future proceedings to address other actions that the Commission may

1 need to take pursuant to R.I.G.L. §39-26.1-7 and explains why those
2 actions must be deferred at this time.

3
4 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

5 A. The Town does not object to Commission approval of the PPA. The Town
6 defers to the Commission to evaluate whether the proposed PPA between
7 National Grid and Deepwater Wind (“DWW”) meets Commission
8 standards for approval. The Town, however, concurs with National Grid
9 that R.I.G.L. §39-26.1-7 has created unique circumstances that must be
10 taken into account by the Commission in evaluating the commercial
11 reasonableness of the PPA. It further concurs with National Grid that the
12 PPA and any Commission approval should not be regarded as precedent
13 for the reasonableness of any other purchase of power from a renewable
14 energy source by National Grid (or any wholesale purchaser, for that
15 matter). Under the Town of New Shoreham statute, the Commission may
16 review the PPA and is not required, at this time, to consider cost allocation
17 issues under subsection 7(a) of the statute. Moreover, it would be
18 premature to consider such cost allocation issues.

19
20 **Q. ARE THERE OTHER ISSUES RELATED TO THE TOWN OF NEW**
21 **SHOREHAM PROJECT THAT THE TOWN WISHES TO BRING TO THE**
22 **COMMISSION’S ATTENTION?**

1 A. Yes. Assuming approval of the PPA and the construction of an undersea
2 cable to the mainland, the Commission will need to address a number of
3 issues that are critical to Block Island Power ratepayers. Among these are
4 the cost allocation issues. Because these issues may be decided in
5 future proceedings, it is important that the Commission clarify the process
6 for consideration of these and related issues. The Town reserves all of its
7 legal rights with respect to the Town of New Shoreham Project statute and
8 any cost allocation decisions made by the Commission regarding the
9 Town of New Shoreham Project.

10

11 **Q. WHAT ARE SOME OF THE RELATED ISSUES WHICH NEED**
12 **TO BE PART OF THE CABLE EVALUATION?**

13 **A.** There are a number of interrelated but distinct steps in evaluating the
14 cable project. The primary requirement is that the overall economics of
15 the cable are sound. At this point, DWW and National Grid are
16 determining the basic parameters such as cost, sizing, route and
17 ownership. These issues are either preliminary or as yet undetermined.
18 While it is appropriate that the PPA determination is made at this point
19 since the all the stakeholders should be satisfied that there is a
20 commercially viable power project before focusing on the transmitting of
21 that power, the ultimate ownership by either National Grid or DWW and
22 classification by ISO-New England (ISO) would be essential factors to
23 consider in evaluating the project. Also, the economics of the cable

1 project are dependent on whether the Block Island Power Company
2 (“BIPCo”) or a successor entity purchases power from the mainland.

3
4 **II. THE POWER PURCHASE AGREEMENT BETWEEN NATIONAL GRID**
5 **AND DEEPWATER WIND**

6
7
8
9 **Q. HAVE YOU REVIEWED THE PPA AND RELATED MATERIALS FILED**
10 **IN THIS PROCEEDING?**

11 A. Yes. I have reviewed the PPA, direct testimony filed by National Grid and
12 Deepwater Wind and discovery responses filed by both parties. I also
13 have reviewed R.I.G.L. §39-26.1-7.

14
15 **Q. WHAT IS THE TOWN’S POSITION REGARDING THE COMMISSION’S**
16 **REVIEW OF THE PPA?**

17 A. The Town, after reviewing the filings of National Grid and DWW and public
18 record discovery responses, has no objections to the parties’ positions.
19 As noted, the Town, other than voicing a general support for the project,
20 has not presented an analysis of the rates and terms of the signed PPA.
21 The Town defers to the Commission as to whether the PPA satisfies the
22 standards governing approval of the PPA. The Commission can make its
23 decision and need not consider cost allocation issues under Section 7(a)
24 regarding the PPA.
25

1 **Q. PLEASE EXPLAIN WHY CONSIDERATION OF PPA COST**
2 **ALLOCATION ISSUES WOULD BE PREMATURE.**

3 A. Neither National Grid nor Deepwater Wind has addressed
4 PPA cost allocation issues in direct testimony, and for good reason.
5 At this time, Project benefits to the Town and its ratepayers have
6 not been established. It is not certain at this point that BIPCo or a
7 successor will obtain power from the mainland. The Commission
8 previously found, in Docket No. 3655, that Block Island Power
9 Company should make supply and demand side resource decisions
10 through an Integrated Resource Planning (“IRP”) process.

11

12

13 **III. THE UNDERSEA CABLE TO THE MAINLAND PROJECT**

14

15

16 **Q. WHAT IS THE TOWN’S POSITION REGARDING THE COMMISSION’S**
17 **REVIEW OF THE UNDERSEA CABLE?**

18

19 A. As National Grid and Deepwater Wind have indicated, the physical
20 characteristics of and contractual arrangements for the undersea cable
21 have not been determined. Because of the potential importance of the
22 undersea cable, the Town suggests that the Commission defer its review
23 of the undersea cable portion of the project until it has been presented
24 with detailed information from National Grid and Deepwater Wind. At that

1 time, it should afford stakeholders an opportunity to review that
2 information and submit testimony to the Commission.

3 The Town believes no allocations of PPA or undersea cable costs
4 can or should be directed at this stage of the New Shoreham
5 Project because it is our understanding that R.I.G.L. §39-26.1-7
6 does not require the Commission to make any allocations of these
7 costs at this stage. The statute does, however, contemplate future
8 Commission allocations of costs. The Town expects to address
9 cost allocation issues at that time.

10 It is not certain at this point that if BIPCo or a successor will obtain
11 power from the mainland. The Commission previously found, in
12 Docket No. 3655, that Block Island Power Company should make
13 supply and demand side resource decisions through an IRP.

14 Assuming that power purchases from the mainland, coupled with
15 related transmission expenses, are economic and reliable in
16 relation to alternatives, the Town would then expect that mainland
17 power supply for Block Island would be procured competitively.

18 No wholesale power supply arrangements between BIPCo and any
19 wholesale supplier are before the Commission. Any allocation of either
20 cable or PPA power costs to BIPCo customers in this proceeding would
21 be speculative. Further, neither National Grid nor DWW, in recognition of
22 these facts, has proposed any such allocation in this proceeding
23

1 Also, it is premature for the Commission to make any allocation of
2 undersea cable costs to BIPCO customers until the ownership
3 and the ISO-New England classification of the undersea cable
4 are known. At this point, for example, there is no determination by
5 ISO-New England, or even an application by the parties on whether
6 the cable should be considered local or regional transmission,
7 and filings made at the Federal Energy Regulatory Commission
8 may also affect transmission costs and their allocation. Thus,
9 the Town must expressly reserve its rights under applicable law to
10 challenge allocations of undersea cable costs to BIPCo and its
11 ratepayers.

12
13 **Q. WHAT IS THE TOWN'S POSITION REGARDING STATUTORY**
14 **REQUIREMENT TO RULE ON THE FULL NEW SHOREHAM**
15 **PROJECT?**

16 A. The Commission is required under the Town of New Shoreham Project
17 statute to rule on all aspects of the New Shoreham project - the PPA, the
18 undersea cable and any related cost allocation and rate design issues.
19 The PPA, of necessity, is the first of the Project issues to be finalized and
20 submitted for review. While I am not offering a legal opinion here, my
21 understanding is the Town of New Shoreham Project statute requires the
22 Commission to rule on the PPA and undersea cable arrangements, but
23 does not require it to do so all at the same point. It seems fully consistent

1 with the statute and normal regulatory practice to first determine if the
2 purchase of power from the proposed wind farm is commercially
3 reasonable for the customers of National Grid.
4

5 **Q. IF THE COMMISSION DECIDES TO REVIEW THE PPA AND**
6 **UNDERSEA CABLE IN A SINGLE PROCEEDING, WHAT DOES THE**
7 **TOWN RECOMMEND?**

8 A. If the Commission decides to rule on both the PPA and undersea cable
9 arrangements in a single proceeding, the Town recommends that the
10 Commission first consider approval of the PPA. After the PPA has been
11 reviewed, the Commission can conduct a review of undersea cable
12 arrangements as I have explained above, through proceedings like the
13 current PPA review. While the Town does not recommend an alternative
14 approach, the Commission, if it approves the PPA, could approve a cable
15 arrangement within set parameters. For example, the National Grid
16 testimony gave a range of \$30 - \$50 MM for the cable, which the
17 Commission could approve, while requiring additional investigation should
18 the cost targets (or other set requirements) not be met and further
19 information on updated cost information, cable ownership, contractual and
20 tariff arrangements. The Commission's review of the PPA and undersea
21 cable, at this point, still would not require making any Block Island-related
22 cost allocation or ratemaking decisions
23
24

1 **IV. SUMMARY AND CONCLUSIONS**

2

3 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

4 A. The Town of New Shoreham supports the Town of New Shoreham
5 Project, but defers to the Commission’s determination of the commercial
6 reasonableness of the PPA. The Town also believes that a ruling on the
7 cable portion of the project, and any allocation of either PPA or
8 transmissions costs, are premature. Lastly, the overall impact of the
9 project regarding transmission costs, potential mainland power purchases
10 for the Island and reliability considerations, on-island generation (back-up
11 and renewable power) and demand side resources should be evaluated
12 within a fully integrated resource plan (“IRP”) as previously ordered by the
13 Commission.

14 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

15 A. Yes, it does. One set of data requests has been directed to the Town. There is a
16 10 day period to respond or object. One set of data requests has been directed to
17 the Town. There is a 10 day period to respond or object.

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, valuation 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 establishing plant valuation in regulated industries, 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.

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;

Valuating generating assets for purchasers and sellers, taxing entities and utility restructuring;

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

Designing and managing the auction process for the sale of the assets 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;

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;

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

Consultant Specializing in Regulated Industries

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

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	Development of Retail Competition	98-20
		DSM Funding	Cost Analysis of DSM Programs	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
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
Client	Regulation	Issue/Docket	Subject	Docket Numbers
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
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
Town of New Shoreham	RI PUC	Cost of Service, Management and Distribution System	Rate Case	3900