



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903

(401) 274-4400

TDD (401) 453-0410

Patrick C. Lynch, Attorney General

June 14, 2010

Stephen D. Galowitz, Managing Director
Rhode Island LFG Genco LLC
14 Philips Parkway
Montvale, NJ 07645-1811

Richard A. Licht, Esq.
Adler Pollock & Sheehan
One Citizens Plaza, 8th Floor
Providence, RI 02903-1345

Re: Purchase Power Agreement Between Narragansett Electric Company, D/B/A National Grid and Rhode Island LFG Genco, LLC, Filed June 7, 2010. DPUC Docket D-10-36.

Dear Attorney Licht and Director Galowitz:

Attached is the Division of Public Utilities and Carriers' First Data Request to Rhode Island LFG Genco regarding its filed Purchase Power Agreement with National Grid. Due to the extremely tight statutory deadline for the certifying agencies to complete their review, please respond within 7 calendar days. If some responses are available sooner, please provide them as soon as they are available. Thank you for your prompt attention to this.

Sincerely,

Jon G. Hagopian
Special Assistant Attorney General
Attorney to the RI Division of
Public Utilities and Carriers

cc: via email to service list of Docket D-10-36

Attachment

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS
PURCHASE POWER AGREEMENT
RHODE ISLAND LFG GENCO (“LFG”) AND NATIONAL GRID
D-10-36

Division’s First Data Request to LFG

1. Please provide a copy of all contractual agreements, past and present, between Ridgewood/Rhode Island LFG Genco (“LFG”) and the Rhode Island Resource Recovery Corporation (“RIRRC”).
2. Please summarize the major differences between the new contractual agreements between the RIRRC and Ridgewood/LFG and the prior agreements. Include changes in revenue streams such as royalties or other payments that flow to the RIRRC under the contractual arrangements, as well as changes in costs and obligations of the parties to the agreements.
3. Prior to entering into discussions with National Grid to purchase the output of the new generating facility, did Ridgewood/LFG engage in contract negotiations or discussions with other parties to purchase the output of the generating facility? If so, when did those discussions occur and why did they not result in a power purchase agreement.
4. What is the expected commercial operation date of the new generating facility?
5. What is the total expected project cost associated with the construction of the planned generating facility?
6. The legislation authorizing the PPA, S 2842 Substitute A As Amended, makes a finding that “The financing plan for the construction of a new landfill gas fueled electric generating facility is supported by more than fifty million dollars (\$50,000,000) of federal government grants,…”

Does LFG agree with the accuracy of this legislative finding? Please describe the nature of the federal government grants.
7. Please review the analysis attached to this data request (Labeled Landfill Project Cost Rate Analysis). While this is a broad-stroke calculation and includes certain assumptions, does LFG agree that this is generally representative of the economics of the project? If not, please provide corrections to the assumptions and detail how those changes affect the analysis.
8. Does the new contractual agreement between Ridgewood/LFG require RIRRC to pay any of the annual operating costs associated with the generating facility?
9. Please provide the rationale for the annual 2.5% price escalator included in the PPA.

10. Please review the spreadsheet attached to this data request (Labeled LFG PPA Rates). Does this accurately portray the PPA rates, including the annual escalator, embodied in the filed PPA? This spreadsheet indicates rates starting at \$0.1198/kwh in year 1, and escalating to \$.1693/kwh in year 15. Is this accurate? Does this spreadsheet accurately portray the annual expected payments under the PPA from National Grid to LFG (totaling to \$513,434,807)?
11. What is the planned facility's nameplate capacity, availability factor, and projected annual energy output that LFG is expecting to sell to National Grid?
12. Please describe and explain the nature of the relationship between Ridgewood Power and the contracting entity, Rhode Island LFG Genco?
13. Please explain what occurs at the end of the fifteen year contract term in terms of the status of the generating facility. Does the generating facility still have an expected useful life? Does the facility need to be decommissioned and removed? If so, what entity is responsible for any associated costs?
14. Is the new generating facility built on land owned by the RIRRC? If so, is there a lease between the two entities, with associated lease payments? Please provide a copy of any lease agreement between the RIRRC and the generating facility.

Landfill Project Cost/Rate Analysis

Reference to LFG Data Request 7

	With Fed Grant	W/out Fed Grant
capital cost	\$ 120,000,000	\$ 120,000,000
capital cost per KW	\$3,739	\$3,739
Federal grants	\$ 50,000,000	\$ -
net capital costs	\$ 70,000,000	\$ 120,000,000
% annual carrying charge ^[1]	25%	25%
annual costs	\$ 17,500,000	\$ 30,000,000
capacity, MW	32.098	32.098
capacity factor	85%	85%
hours use per year	7,446	7,446
MWH per year	239,002	239,002
annual cost per MWH	\$73.22	\$125.52
cents per KWH rate req'd for cost recovery	7.3	12.6

[1] annual carrying charges include debt costs, return on equity, O&M costs, property taxes, etc.

Derivation of carrying charge:

Debt	50.00%	8.00%	4.00%
Equity	50.00%	15.00%	7.50%
inc tax gross-up	40.00%		5.00%
O&M inc A&G			6.00%
Prop Tax			2.50%
Carry Charge Total			25.00%

