



Ridgewood Renewable Power

Stephen D. Galowitz
Managing Director

June 22, 2010

Ms. Luly Massaro
Division Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

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 Ms. Massaro:

This letter responds to the request of Director of the Department of Administration, Rosemary Booth Gallogly, dated June 7, 2010, a copy of which is attached hereto, in connection with the above matter.

- 1. Provide evidence that all the findings provided in Section I of S2482 Sub A as Amended have been executed. [If necessary provide summary and reference specific sections documents submitted].***

The findings provided in Section I of S2842 Sub A as Amended were legislative findings about the need for and benefits of the legislation. Items 1 through 4 (iii) are determinations made by the General Assembly which can not be "executed" except by completion of the Project. Items 4(iv) and (vi) are supported by the executed agreement with Rhode Island Resource Recovery Corporation ("RIRRC") which may be found at Tab 11 of the Document Index Summary submitted on June 15, 2010 ("the Document Index"). Items 4(v) and (viii) were executed and can be found at Tabs 22 and 23 of the Document Index. Item 4 (vii) is the executed Power Purchase Agreement ("PPA") which is the subject matter of this Docket .

- 2. Please explain why you feel the contract between Ridgewood and National Grid is in the best interest of the State.***

Please see Stephen Galowitz's submission to the DPUC dated June 15, 2010 ("RILG 6-15 Letter") which sets forth a detailed response to this question.

- 3. Please explain the reasons for the legislation (S2482 Sub A as amended) which modified the regulatory process to allow for an expedited process.***

Please see email from Richard Licht to members of the House Environment Committee dated May 9, 2010 (a copy of which is attached hereto), legislative findings in Section I of S2482 Sub A as Amended and Exhibits C and D to RILG 6-15 Letter.

- 4. Please provide history of the National Grid contract, the need for it, and its purpose. Please also provide the history, purpose and the date of execution of the contract between Resource Recovery Corp and Ridgewood. Please provide a copy of both contracts and all amendments.***

The purpose of the Power Purchase Agreement with National Grid ("NGRID") ("the PPA") is to secure a long-term off-take arrangement for the output of the new proposed power plant. A long-term off-take arrangement from a credit worthy counterparty is a necessary prerequisite to securing financing to build the power plant. Initial informal discussions about a long-term contract with National Grid date back to July 2008. A copy of the PPA was filed by NGRID with the DPUC on June 7, 2010.

Ridgewood's relationship with RIRRC dates back to approximately 1995 when Ridgewood first purchased its interest in the 12 MW power plant from the original developer. The relationship between RIRRC and Ridgewood (and its affiliates) is complex and there are many contracts and agreements between the parties that govern various aspects of this relationship. Please see Tabs 10 to 14 of the Document Index for the key agreements that would be most relevant to the above matter.

- 5. What were all the financing sources and uses for the capital project at the time Ridgewood first entered into the contract with Resource Recovery Corp? Please explain why Ridgewood did not proceed with the PUC regulatory process at the time the RRC contract was first signed? Please indicate specifically if Federal tax credits were anticipated at that time. Please provide a pro forma of revenues and expenses for the facility which were expected when the RRC contract was first executed.***

As described in response 4 above, Ridgewood first entered into a contract with RIRRC in 1995. An amended and restated agreement was entered into in November, 2008, at which time the capital project was initially conceived. At that time, the capital project was merely an idea and there were no financing sources identified for the project. Ridgewood did not proceed with any PUC regulatory process when the RIRRC contract was first signed because the contract had no relevance to the PUC. At the time the contract was entered into, there was no specific project pro forma. At the time, federal production tax credits were available for landfill gas fueled electricity generation projects. However, at the time, there was no provision in the federal law for grants-in-lieu-of-tax credits, as that provision was added in the American Recovery and Reinvestment Act of 2009, after the financial melt-down.

- 6. Please provide the sources and uses of the capital project as you now plan to implement it. Please provide a pro forma of revenues and expenses for the facility.*** While a sources/uses and revenue/expense analysis is an appropriate method for analyzing a greenfield project, this analysis is neither appropriate nor possible in the

context of a project redevelopment like the proposed power plant at the Central Landfill. As discussed in response 4 above, Ridgewood's relationship with RIRRC dates back to approximately 1995 when Ridgewood first purchased its interest in the 12 MW power plant from the original developer. Accordingly there are innumerable vested rights, obligations and existing valuable assets that would need to be considered in any attempt to analyze the project financials. By way of example, as part of the proposed redevelopment and in order to provide for the Phase VI landfill expansion, Ridgewood will surrender to RIRRC a 12 MW power plant for zero cash consideration. This plant operates exceedingly well is fully paid for and has an historical capacity factor of close to 100%. The surrender of the plant (along with the associated landfill void space with a tipping value to RIRRC of more than \$200 Million) is a "source" of the capital project. Another example is Ridgewood's existing right to the gas generated by the Central Landfill, which it purchased in the mid-1990's and which is also a "source" of the capital project. Similarly, the cash flow from the 12 MW plant, and from another 6 MW plant owned by Ridgewood at the Central Landfill and from additional funds provided by Ridgewood affiliated entities provides yet another "source" of funding for the capital project, in particular, many of the preconstruction development costs which total in excess of \$8 million. Any sources/uses or revenue/expense analysis would require a comprehensive identification and valuation of each of these factors, along with myriad others, which is not possible to do with any reasonable level of accuracy.

7. *How much do you anticipate the Federal tax credits to be worth? What is the process/timing for receiving the Federal tax credits?*

To clarify, the Project is not anticipated to benefit from the use of federal tax credits. Rather, the development will take advantage of two distinct federal grant programs.

The first grant is a highly competitive and discretionary DOE job stimulus grant in the amount of \$15 Million secured with the support of the Rhode Island delegation in Washington DC. This grant program is structured as a reimbursement program that offsets a pro rata portion of the qualified expenditures for the project. For details about the grant and a copy of the grant application please see Section VI of the Document Index.

The second grant is an as-of-right program that permits certain qualified renewable energy projects that start construction prior to the end of calendar year 2010 to elect to receive a grant equal to 30% of the tax basis in the project in lieu of receiving production tax credits or investment tax credits. This grant is anticipated to be approximately \$40 Million. This program was established by Congress in recognition of the fact that, as a result of the financial meltdown, the market for tax credits had become thin or non-existent. Without this grant program it would be very difficult to find a third party who was capable and interested in monetizing the tax credits. The grant money is payable after commercial operation of the facility.

8. *Please document the change in project funding sources and uses as it was originally anticipated and as contemplated now. Please specifically show who receives the*

benefit of the Federal Tax credits authorized by the ARRA legislation, enacted by Congress in 2009. Identify how the new Federal tax credit benefit the cash flows of the project:

- 1) reductions in fees received from National Grid over time;***
- 2) increased costs of construction;***
- 3) aid to Johnston;***
- 4) higher profits for Ridgewood; or***
- 5) other [(please specify)].***

As discussed above, the Project is not anticipated to benefit from the use of federal tax credits. With respect to the DOE jobs stimulus grant, one of the primary factors considered in the awarding of this grant was the jobs created by the project. For a detailed description of the jobs to be created in Rhode Island please see Section VI. B. of RILG 6-15 Letter and Exhibit C thereto. These job calculations were performed in connection with the federal grant application. The grant application also identifies the exact application of the funds to equipment, labor and other qualified project expenses. With respect to the grant-in-lieu-of tax credits, without this grant no party would be willing to finance this project and it would not be built. Accordingly all of the benefits to Rhode Island as outlined in Section VI. B. and C. of RILG 6-15 Letter are predicated on the receipt of this grant money. Briefly, however, it is the ratepayers who receive the real benefit. Under Rhode Island law NGRID must purchase a certain amount of renewable energy. Also, RIRRC must expand the landfill and under EPA requirements, RIRRC must also deal with the landfill gas. Assuming, for the moment, that the Project could be built in the absence of the grants, it would cost whoever developed it significantly more which means that the cost of the electricity to NGRID and ultimately the ratepayers would be significantly higher.

9. What is the estimated present value of the long term contract with National Grid?

If the Department of Administration provides the appropriate discount rate that it wishes to assume, Ridgewood will promptly provide a calculation with the estimated present value of the long term contract with NGRID. Reference is also made to NGRID's June 21, 2010 response to DPUC's data request which notes that the PPA pricing is approximately \$10 million under market value on an NPV basis.

10. Please describe the projected aid to the Town of Johnston, the terms, and documentation of any agreements. Are you aware if the Resource Recovery is obligated in any way to pay additional aid to Johnston as a result of this project?

Please see Tabs 22 and 23 of the Document Index. Also, RILG will be purchasing significant amounts of water from the Town at retail rates which will provide substantial revenue to that Town enterprise. Ridgewood is not aware of any obligations that RIRRC would have to pay additional aid to Johnston as a result of this project.

11. Provide evidence that all local permits associated with the siting or operation of the facility have been obtained or are likely to be obtained.

Please see Tabs 19 to 21 to the Document Index which set forth the local permits necessary to the siting of the Project. Construction permits can not be issued until final engineering plans are submitted which can not occur until the financing is closed. A requirement of that closing is having the PPA certified pursuant to Section 39-26.1-9. Operational permits, if any, are not issued until construction is complete.

12. What is the price commitment (all in) by year contained in the National Grid contract?

As set forth in Appendix X to Exhibit E of the PPA, the bundled (i.e. all-in) price per megawatt-hour is \$119.80 commencing in 2012. As set forth in Section 5.1(b) of the PPA, the bundled price per megawatt-hour escalates at a rate of 2.5%.

13. Provide comparable methane pricing for long term contracts like the National Grid contract. Please explain any reasons your feel contribute to variances in pricing by region.

Ridgewood is not aware of any comparable prices for long-term contracts like the PPA. There are numerous factors that render this contract and the underlying project unique. Some of these factors include, the size of the project, the gas clean-up technology, the post combustion emissions technology, the location, the qualification for particular environmental attribute incentive programs in Rhode Island and in other New England states, and the load profile.

Please do not hesitate to contact me or Richard Licht if you have any questions or if we can be of further assistance as you complete your review.

Sincerely,



Stephen Galowitz
Managing Director, Ridgewood Renewable Power
On Behalf of Rhode Island LFG Genco, LLC

CC: Ms. Rosemary Booth Gallogly
Service List

Galowitz, Stephen

From: Licht, Richard [RLicht@apslaw.com]
Sent: Sunday, May 09, 2010 9:03 PM
To: rep-handy@rilin.state.ri.us; rep-segal@rilin.state.ri.us; rep-giannini@rilin.state.ri.us; rep-mcnamara@rilin.state.ri.us; rep-naughton@rilin.state.ri.us; rep-ferri@rilin.state.ri.us; rep-sullivan@rilin.state.ri.us; rep-mrice@rilin.state.ri.us; rep-ehrhart@rilin.state.ri.us; rep-walsh@rilin.state.ri.us; rep-marcello@rilin.state.ri.us; rep-ucci@rilin.state.ri.us; rep-vaudreuil@rilin.state.ri.us; rep-messier@rilin.state.ri.us; rep-gallison@rilin.state.ri.us; rep-rice@rilin.state.ri.us
Subject: H 8073
Attachments: Ridgewood Project Fact Sheet 04-10.doc

With the permission and at the suggestion of Chairman Handy I am writing concerning

House Bill No. 8073**BY Ucci, Petrarca, O'Neill JP, Fellela, Handy****ENTITLED, AN ACT RELATING TO PUBLIC UTILITIES AND CARRIERS - LONG -TERM CONTRACTING STANDARD FOR RENEWABLE ENERGY.**

This bill will be before the HOUSE COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES at the rise on Tuesday May 11 in Room 313.

An affiliate of Ridgewood Renewable Power ("Ridgewood") operates an electric generation plant at the Central Landfill in Johnston which is owned and operated by the Rhode Island Resource Recovery Corporation ("RIRRC"). That plant captures the methane gas created as trash decomposes. The existing plant is located at two sites on RIRRC property. The first generates approximately 12 megawatts of electricity, and the second generates approximately 6 megawatts of electricity. The larger plant is in the precise area which RIRRC needs for the next phase of the landfill. Consequently, RIRRC and Ridgewood entered into a long term agreement whereby Ridgewood would give up its existing rights to the plant in the path of landfill expansion, and would lease two sites one on either side of Shun Pike on land which is not necessary for landfill operations. The existing 6 megawatt plant will remain.

The project encompasses several components. First, there will be a \$10 million upgrade to the existing gas collection system which Ridgewood will take over from RIRRC. Second, Ridgewood will assume the future obligation to finance the ongoing construction and maintenance of the collection system, which has historically cost RIRRC about \$5 million per year. The improved collection system will result in significantly less methane escaping into the atmosphere which will reduce odors in the neighborhood and constitute a significant reduction in greenhouse gases. Third, there will be a \$10 million gas treatment plant to clean and purify the gas, principally removing sulfur from the gas. Fourth, there will be a new ultra-high efficiency combustion turbine combined cycle ("CTCC") electric generation plant with a 32 megawatt capacity. The landfill gas will power large turbine generators and the by-product of the turbine process produces an excess amount of heat which will be captured to produce steam to drive a steam turbine generator. Lastly, the electricity generated will be conveyed to the transmission grid by a short interconnection loop on poles located on RIRRC property.

The proposed project has significant economic benefits to the State of Rhode Island and the Town of Johnston. It will result in investment in Rhode Island of over \$120 million. It will save the RIRRC significant costs. There will also be significant payments in lieu of taxes made to the Town of Johnston. The Project has no subsidies whatsoever from the State of Rhode Island or the Town of Johnston. There will be over 100 union construction jobs, a project labor agreement and approximately 26 permanent jobs. Ridgewood has committed to hiring qualified Johnston residents.

The new facility will have significant benefits to energy production in the State of Rhode Island. It will be the second largest landfill gas-to-energy plant in the country and will expand significantly the State's renewable energy infrastructure.

Ridgewood has obtained air and wetland permits from RIDEM, approval from the Energy Facilities Siting Board, and zoning and planning approval from the Town of Johnston.

The project has been granted a \$15million US DOE stimulus grant and approximately \$40 million in federal tax credits which can be converted to a cash payment IF the project is substantially underway by December 31, 2010. Without these grants the project can not go forward.

This project was always contemplated when the long - term contracting legislation was under discussion. The original proposed long-term contracting legislation established a requirement of 70 megawatts over four years. At the time, it was already known that the RFP time frame would not work for this project. Accordingly, in contemplation of the Ridgewood project, the original bill was modified to increase the legislative long-term contracting requirement to 90 megawatts and National Grid("Grid") was allowed to negotiate power purchase agreements outside the RFP process.

Ridgewood has nearly completed its negotiations for a power purchase agreement with Grid and the initial price will be less than \$ 0 .12 per kilowatt hour which is less than the current market rate for renewable energy.

This legislation is needed because of the time constraints of the federal stimulus bill. The bill provides a fast track method of governmental approval which can meet the required timeline. Ridgewood is confident the PUC would approve its contract with Grid but the process takes too long. Ridgewood's lenders have told it it needs the legislation and a signed contract with Grid in approximately 10 days. Otherwise it does not believe the federal grant deadlines can be met. The reason for this tight timeline occurred in part because the bids received by Ridgewood for the construction costs were substantially greater than anticipated which meant that a prior power purchase agreement was no longer financially viable,

I have attached a one page summary of the benefits of this project.

We look forward to our presentation on Tuesday and we would appreciate your support.

Thank you.

Richard A. Licht
ADLER POLLOCK & SHEEHAN P.C.
One Citizens Plaza, 8th Floor
Providence, RI 02903

E-Mail RLicht@apslaw.com
Phone 401.274.7200
Direct 401.427.6159
Fax 401.751.0604
Mobile 401.578.1300

ADLER POLLOCK & SHEEHAN P.C.

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Ridgewood Renewable Power

Ridgewood Johnston LFG Facility – Johnston, Rhode Island

- Schedule**
- Construction will begin this year.
 - 2012 Commercial operation date.
- Economic Benefits**
- Total investment: More than **\$120 million**
 - **\$54.5 million** of grants from the Federal government.
 - Benefits to the Town of Johnston: **\$250,000/year** in PILOT payments.
 - Cost to RI state taxpayers: **Zero**.
- Job Creation**
- Ridgewood Renewable Power currently employs **18** people in RI.
 - Project development phase will create or retain **537** jobs nationwide.
 - **112** RI jobs will be created during the **construction phase** of the new facility.
 - Ridgewood is committed to hiring **qualified local residents and suppliers**.
 - Ridgewood is committed to utilizing **union labor**.
- Energy Production**
- The new facility will produce **32 megawatts** of low-cost renewable energy, enough to supply **19,000 average homes**.
 - Over a period of 30 years, the new facility will produce the same amount of energy as burning **213,000 rail cars full of coal**.
 - The new facility will be the **2nd** largest LFG power plant in the U.S.
 - The electricity produced by the facility will be sold to NGRID and will be used locally.
- Environmental Benefits**
- The natural decomposition of trash buried in the landfill produces **methane**, a **powerful greenhouse gas** that contributes to **global warming**.
 - Capturing the methane gas and using it to produce electricity **reduces greenhouse gas emissions** from the landfill, and also **reduces the need to use fossil fuels like coal or oil** for electricity production.
 - The facility will also include a **\$10 million gas clean-up system** that will remove impurities like sulfur from the gas.
- RI Resource Recovery Corp Benefits**
- At least **\$5 million** annually in avoided costs, plus additional rent and royalties.
 - Makes room for the critically needed landfill expansion by decommissioning existing generating facility, freeing up landfilling space worth more than **\$200 million**.