

Prefiled Direct Testimony

of

**Albert R. Casazza, MD, MBA
Treasurer**

for

Block Island Power Company

Docket # _____

DECEMBER 2004

1 **Q. Please state your name and relationship to BIPCO for the record.**

2 A. My name is Albert R. Casazza, MD, MBA. I am the treasurer of BIPCO and have been
3 since 1994.

4

5 **Q. Dr. Casazza, have you testified as a witness prior to this docket?**

6 A. Yes. I have testified as a witness in support of a number of filings for Block Island
7 Power Company (BIPCO).

8

9 **Q. What is your educational background?**

10 A. I received my Bachelors of Arts Degree from Princeton University, and my Doctor of
11 Medicine Degree from Columbia University. I also received a Masters Degree in Business
12 Administration (MBA) with honors from the University of Connecticut with a concentration
13 of studies in Finance. I have held significant administrative and executive positions for 35
14 years. In addition to my position at BIPCo, I am the Associate Physician in Chief for the
15 Regional Network at Memorial Sloan Kettering Cancer Center.

16

17 **Q. What are your functions at BIPCO?**

18 A. I am responsible for the financial stability of BIPCo. I manage current expenditures,
19 cash flow, accounts receivable and payable, and financial relationships with banks,
20 suppliers, and government agencies. I also supervise the bookkeeping activities.

21

22 **Q. What has been the most significant accomplishment of your financial management
23 of the company?**

24 A. We have repowered and successfully operated the Company without requesting a rate
25 increase in base rates for thirteen years. We have increased revenues and managed to keep
26 expenditures as low as possible.

27

28 **Q. What are the major innovations in managing finances that you accomplished at
29 BIPCO?**

30 A. We have installed and managed an operating budget. We have changed the fiscal year
31 to one ending on May 31 to allow better planning since our peak season begins in June. We
32 have centralized control of expenditures and cash management.

1 **Q. What other innovations have occurred?**

2 A. We participate in on line banking to (1) facilitate cash management, (2) provide remote
3 access and (3) optimize interest earnings. With this capability we can leave money in an
4 interest bearing account until the last day and then transfer to the checking account when the
5 funds are needed. We also have established check protection coverage incase monies are,
6 for what ever reason, not transferred in time, the bank will make the transfer for us from our
7 money market account to our checking account to cover any checks.

8

9 **Q. What have been some of the results of your efforts?**

10 A. We have improved the credit worthiness of BIPCO. The company's credit worthiness
11 was low when I assumed my position as treasurer. Over time and through prudent financial
12 management the credit worthiness of the company has improved significantly.

13

14 **Q. What steps were taken to improve BIPCo's credit worthiness?**

15 A. When the Company's credit worthiness was low we negotiated lease/purchase
16 agreements for new engines to avoid having to incur long term bank debt at high interest
17 rates. Over the last thirteen years, the owners have reinvested all but \$20,000 of operating
18 profits back into the company to increase the equity in the company from about zero dollars
19 thirteen years ago to an average equity in the test year of \$863,535. We refinanced company
20 debt and changed banks from Fleet to Washington Trust to obtain lower interest rates.

21

22 We were the first company in Rhode Island (to our knowledge) to successfully obtain a very
23 low interest rate Rural Utilities Services (RUS) federal loan for new engines, new air
24 emissions control equipment (SCR) and a new \$1,000,000 substation. The low RUS
25 interest rate saved hundreds of thousands of dollars for the ratepayers. We have paid
26 careful attention to the covenants of all company's loans and have satisfied them to date.

27

28 **Q. What other financial accomplishments have occurred?**

29 A. We have reduced fuel expenses by gathering timely payment deductions. We have
30 exercised financial and strategic prudence by rejecting, in collaboration with the Division, a
31 costly underwater cable project. Such a project was carefully investigated twice before
32 coming to that decision.

1 Moreover, BIPCo became compliant with DEM requirements by replacing underground fuel
2 tanks at a cost of about \$400,000. BIPCo dealt with significant environmental costs for
3 many years and is still paying expenses related to clean air and soil. While some of these
4 environmental costs were covered by an allowed PUC surcharge, the surcharge has been
5 discontinued and the cost for SCR equipment and the related clean air compliance is
6 approaching \$140,000/ year on a continuing basis.

7
8 **Q. What additional financial benefits have accrued to the rate payer?**

9 A. Without any borrowing, BIPCo has been able to install a communication tower (radio
10 and cell phones) that produces in excess of \$146,000/year revenue and \$129,000/ year cash
11 for the ratepayers.

12
13 **Q. How have the employees of BIPCo fared since the last rate increase?**

14 A. Employees have received consistent (but modest) raises, profit sharing distributions, and
15 where appropriate, defined contribution pension benefits without rate relief to BIPCo's base
16 rates. Continued progress in this area of employee relations is threatened by the continued
17 inflation of costs, the need to import workers from the mainland and the recurrent costs of
18 environmental issues.

19
20 **Q. What other evidence is there of good financial management of BIPCo?**

21 A. As mentioned above, BIPCo has received a \$3.2 million low interest loan from RUS.
22 Such loans are rarely granted to "for profit" companies. In addition, we were able to
23 negotiate with Washington Trust so that they would take a second position to the RUS loan
24 for our previous borrowings with that institution, without increasing the interest rate.

25
26 **Q. Dr. Casazza, what other gains have been obtained for the Company and the
27 ratepayers as a result of your good financial management?**

28 A. There has been consistent growth in the net worth of the company, and continued good
29 relationships with employees, banks, suppliers, and regulatory agencies.

30
31 **Q. Does that conclude your testimony?**

32 A. Yes.