

Prefiled Direct Testimony

Of

**Clifford McGinnes
Chief Operating Officer**

For

Block Island Power Company

Docket # _____

December 2004

1 **Q. Please provide you full name and business address for the record.**

2 A. My name is Cliff McGinnes and I work at the Block Island Power Company on Ocean
3 Ave. Block Island.

4

5 **Q. What is your position with Block Island Power Company (BIPCo)?**

6 A. I am the Chief Operating Officer and I also supervise special projects. I am responsible
7 for the acquisition and installation of generation and related equipment, fuel procurement
8 and the supervision of management and plant staff.

9

10 **Q. Please describe the type of special projects that you have worked on.**

11 A. One of my most profitable special projects was the new communications tower. I was
12 the point man on getting the tower (negotiations), installing the tower, obtaining approval
13 for the tower (permits) and any other activities that had to be addressed. This tower is
14 worth about \$146,000 (rent and transfer of ownership) per year for the rate payers.

15

16 My most recent project was the negotiation of the installation of a new CAT system SCR on
17 BIPCo's engine 23 on a trial basis at no cost to BIPCo (except for installation). The
18 existing SCR system is not working as well as we hoped it would. It is not a CAT system.
19 CAT manufactures our new engines and is now developing an SCR system. If this CAT
20 SCR system works it will provide a better and hopefully cheaper way for us to reduce our air
21 emissions. When the testing is over BIPCo will be given the SCR equipment and a one
22 year warrantee on its operation. I believe that this has a value of about \$125,000 to the
23 ratepayers.

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25 **Q. How are you compensated for your efforts as Chief Operating Officer for BIPCo?**

26 A. BIPCo pays a management fee for the services provided by myself, the President, and
27 the Treasurer. I receive part of that management fee.

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29 **Q. Approximately how much time do you spend on BIPCo business per week?**

30 A. It varies from week to week but I average about thirty five hours per week on BIPCo
31 business.

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1 **Q. Will you continue to spend that amount of time on BIPCo business through the**
2 **rate year 2006?**

3 A. Yes, I expect that I will spend at least that amount of time and maybe more. BIPCo is
4 going to purchase a new CAT engine this year for the summer of 2005. The purchase of
5 that engine will have to be negotiated and the engine will have to be installed and connected
6 to our distribution system. In addition BIPCo is looking to spend about \$315,000 in the rate
7 year on distribution system improvements which will require a significant amount of hands
8 on time. Lastly, Mike Wagner, our Vice President and General Manager, is leaving our
9 Company next year after 36 years of service and it will be a difficult job to replace him. I
10 expect that these activities will keep me very busy in the rate year.

11

12 **Q. You stated that you are responsible for the engines and related equipment, does**
13 **that include tanks?**

14 A. Yes.

15

16 **Q. Please provide the Commission with a description of the efforts that you and**
17 **others at the power company made in relation to the removal and replacement of fuel**
18 **tanks?**

19 A. We saved the ratepayers significant money by first cleaning and double walling five
20 tanks (of the original 52 tanks) that were considered necessary to cover the current fuel
21 storage demands and the future growth of BIPCo. This approach was much less expensive
22 than removing all of the tanks. It should be noted that BIPCo suggested that all of the
23 unused tanks remain in the ground. The DEM said that all of the unused tanks had to be
24 removed. At that time the PUC directed a data request to the DEM asking what the
25 environmental impact was of not removing the unused tanks and the DEM refused to reply.
26 The PUC then struck all of the DEM testimony in the docket, but BIPCo had to remove the
27 remaining unused tanks.

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1 **Q. How many dollars do you believe that BIPCo's internal efforts on the tank project**
2 **saved the ratepayers?**

3 A. As I recall BIPCo made inquiries of companies that did this type of work relating to the
4 cost of removing the remaining tanks and all of the contaminated soil around the tanks. The
5 quotes that we received were as high as \$900,000. BIPCo decided to complete the project
6 using its own management (myself) and BIPCo employees and hired only the expertise
7 needed to do the cleaning. The project was completed for \$340,000 saving the ratepayers
8 as much as \$560,000.

9
10 **Q. A great deal has happened over the last thirteen years regarding engines. Would**
11 **you please describe the efforts that BIPCo has made to improve efficiency and**
12 **reliability?**

13 A. Over the years, BIPCo has acquired eight new CAT engines (#17 - #24). The last three
14 engines were purchased with Rural Utilities Services (RUS) financing. The RUS financed
15 engines were fitted with state of the art SCR equipment. The low emissions CAT engines
16 have significantly reduced fuel consumption and the SCR equipment has greatly reduced air
17 emissions.

18
19 BIPCo has also recently (using RUS financing) purchased and installed a new substation and
20 removed the old substation. The new substation equipment has significantly improved
21 reliability and efficiency.

22
23 **Q. Is BIPCo in compliance with Federal and State law relating to engines?**

24 A. We are substantially in compliance, but it has been very expensive and we are
25 experiencing SCR problems. After spending millions of dollars on new engines and SCR
26 equipment, we have encountered technical difficulties with the SCR system. We have had
27 to spend over \$100,000 per year due to the failure of the system to fully meet its technical
28 specifications. We are working closely with regulatory officials at DEM on these issues.
29 We are trying to change the SCR equipment to reduce the cost and come into complete
30 compliance.

1 **Q. Can you estimate how much the ratepayers have saved as a result of BIPCo's**
2 **efforts in the generation equipment?**

3 A. Certainly. BIPCo's new engines are far more fuel efficient and have accordingly saved
4 hundreds of thousands of dollars in fuel costs each year. Using figures from pre engine 17
5 to figures for the test year (FYE 2004) we calculated that the new engines that BIPCo has
6 acquired over the past thirteen years saved \$ 340,680 of fuel cost in the test year alone.
7 BIPCo saved 368,977 gallons of fuel usage that represent about 37 tankers of fuel. This
8 reduction resulted in additional savings of fuel transportation costs of \$33,498.

9
10 **Q. BIPCo obtained RUS financing for the new substation, engines, SCR and related**
11 **equipment. Would you please explain what if any savings have been obtained through**
12 **BIPCo's efforts of obtaining RUS financing?**

13 A. The savings are obviously interest cost. The RUS financing was far less expensive
14 with interest rates ranging from 4.392%-5.915% compared to our previous bank financing
15 interest rate of 7.75%. BIPCo will save on average about 2% on the outstanding balance of
16 the \$3,000,000 loan over twenty years or about \$600,000 ($\$1,500,000 * .02 * 20$). That's
17 real money. See the testimony of Mr. Edge and Mr. Casazza for more details.

18
19 **Q. In addition to your compensation from the management fee do you get any other**
20 **compensation for your efforts?**

21 A. Yes. I have individual blue cross coverage through the company. I believe that this is
22 appropriate because of my employee status (COO) with the Company.

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24 **Q. Does that conclude your testimony?**

25 A. Yes.
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