

**DIRECT TESTIMONY**  
**OF**  
**WILLIAM P. SHORT III**

1 **Introduction**

2

3 Please state your name and business address.

4 My name is William P. Short III and my business address is 947 Linwood Avenue,  
5 Ridgewood, New Jersey 07450.

6

7 Please state your position.

8 I am vice president of power marketing for Ridgewood Power Management, LLC  
9 (“Ridgewood”). I am responsible for, among other things, the sale of traditional energy  
10 products (capacity, energy and ancillary services) and Renewable Energy Certificates  
11 (“RECs”) from renewable energy generators managed and operated by Ridgewood. I am  
12 also primarily responsible for representing Ridgewood and its renewable energy facilities  
13 before State agencies and legislatures developing or implementing Renewable Portfolio  
14 Standards (“RPS”).

15

16 Will you describe your educational background and training?

17 I hold a Masters of Business Administration (Finance and Accounting) degree from New  
18 York University, as well as undergraduate and graduate degrees in Electrical Engineering  
19 from Duke University and the University of Pennsylvania, respectively.

20

21 What is your professional background?

1 Between 1973 and 1978 I worked for Philadelphia Electric Company (now Exelon Corp.)  
2 and then between 1978 and 1980 EBASCO Services (now a part of Raytheon) as a  
3 Project Engineer on the design and engineering of central station power plants.

4

5 Between 1980 and 1996 at Kidder, Peabody (now UBS Financial Services), I participated  
6 in the financing of generating assets, including biomass, geothermal, small hydroelectric,  
7 and landfill gas power plants.

8

9 Between 1996 and 1997, at the beginning of deregulation in the United States, I  
10 represented several institutional investors in the restructuring of the California electricity  
11 markets.

12

13 I have worked at Ridgewood since 1997. Initially, I worked primarily on the acquisition  
14 of generating facilities. Starting in 1998, I began to work on marketing traditional energy  
15 products of our merchant power plants and, beginning in 1999, on the development of  
16 State RPS programs. In 2002 I started to market the RECs from Ridgewood's renewable  
17 energy facilities.

18

19 Have you previously testified before the Rhode Island Public Utilities Commission (the  
20 "Commission")?

21 Yes.

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1 **Purpose Of Testimony**

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3 What is the purpose of my testimony?

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5 The purpose of my testimony is to present support, in part, for National Grid's proposed  
6 Procurement Plan (the "Plan") and suggest improvements to that Plan. The following  
7 topics will be covered in my testimony.

8 • National Grid's Plan **may** produce adequate new supplies and prices of NEPOOL  
9 GIS Certificates qualified for the Rhode Island Renewable Energy Standard ("RI  
10 Certificates"). If National Grid's Plan becomes the only means to procure  
11 Certificates, then shortfalls in Certificates from new renewable facilities will  
12 certainly occur.

13 • National Grid's Plan needs a backstop method to insure that adequate new  
14 supplies of RI Certificates are purchased and the Alternative Compliance  
15 Mechanism does not become the primary method of compliance with the Rhode  
16 Island Renewable Energy Standard ("RES").

17

18 **Background**

19

20 Can you provide the Commission with some of Ridgewood's experience with the  
21 development of renewable energy and implementation of RPS programs?

22

1 Ridgewood operates and manages numerous renewable energy generators in New  
2 England (including Johnston Landfill and Blackstone Hydro), has participated in the  
3 development of numerous RPS programs (including the RES), and acts as the agent for  
4 the sale of its facilities' RECs to Load Serving Entities ("LSEs"). Through its affiliates,  
5 Ridgewood has financed, designed and built new renewable energy generators in New  
6 England, that provide RECs to LSEs, without the aid of long-term contracts, relying  
7 instead, solely on short-term contracts.

8 .

9 What is your general overview of National Grid's Procurement Plan?

10

11 Ridgewood has reviewed the Plan and believes that, although National Grid's proposal  
12 might produce a reasonable supply of new RI Certificates, it will not produce the lowest  
13 price for or largest supply of such RI Certificates. That price and that supply is, however,  
14 attainable by implementing a contracting method that minimizes the time between the  
15 production of new RI Certificates and the sale of such RI Certificates to Rhode Island  
16 LSEs.

17

18 What are your specific criticisms of National Grid's Procurement Plan?

19

20 Ridgewood's primary concern with the Plan is that it is likely to result in undercapitalized  
21 entities winning these contracts and thereafter defaulting, especially in the out years of  
22 their proposed maximum contract term, on their obligations to supply new RI Certificates

1 to Rhode Island LSEs. From its experience with the California and Nevada RPS,  
2 Ridgewood has first hand knowledge of the adverse effect undercapitalized entities can  
3 have on an RPS. Simply put, these entities generally bid low in an effort to obtain a long-  
4 term contract they later hope to use in order to obtain financing. When these entities are  
5 unable to obtain such financing, they default on their obligations under the long-term  
6 contract. Even National Grid admits that this has been a common experience of its  
7 PURPA contracts.

8

9 Regarding Certificates from renewable facilities which were placed in service before  
10 1998, Ridgewood notes that several million such Certificates should be able to qualify for  
11 the RES. However, the portion of the RES requirement that may be satisfied with  
12 Certificates from such facilities is only 2% of Rhode Island's load or approximately  
13 170,000 Certificates. Consequently, this requirement of the RES should be satisfied  
14 many times over. In fact, both National Grid and Ridgewood are on the record that the  
15 prices of such RI Certificates should be \$1.00 or less. The need for any long-term  
16 contract for existing RI Certificates is simply not warranted. Yet, National Grid proposes  
17 to procure these Certificates, along with RI Certificates from new renewable facilities,  
18 with long-term contracts.

19

20 Should National Grid's procurement plan contain contracts for longer terms than those  
21 mentioned in its procurement plans?

22

1 No. Contrary to the allegations made by the proponents of long-term contracts, that such  
2 contracts offer the potential for lower priced RECs, history has demonstrated time and  
3 again that long-term contracts are generally awarded to undercapitalized facilities that are  
4 largely never built and, if built, are never built on time. As described by National Grid,  
5 these facilities are generally resold to new investors whose first act is to ask for contract  
6 extensions. Since local electric utilities will not generally sign additional contracts until  
7 they have cancelled their non-performing contracts, other viable renewable energy does  
8 not get developed. Ridgewood notes that the purpose of the RES enabling legislation  
9 was to promote renewable generation and not to promote contracts for renewable  
10 generation.

11  
12 The proponents of long-term contracts also claim that long-term contracts are needed for  
13 financing of the development and construction of renewable energy projects. That is  
14 simply not the case. In 2003 Ridgewood raised the moneys to build the Johnston Landfill  
15 Expansion, an 8.4 MW landfill gas power plant, without a single long-term contract – not  
16 one for energy, capacity or Certificates. The last phase of this plant went into service in  
17 July 2005.

18  
19 Ridgewood intends to build, at the Johnston Landfill, a new 36 MW facility, replacing its  
20 existing 12 MW power plant by June 2010. Again, it is Ridgewood's intention to finance  
21 this facility without one long-term contract. If Ridgewood has not needed long-term  
22 contracts to finance its facilities and does not believe it will need long-term contracts to

1 develop additional renewable energy facilities, why should National Grid be required to  
2 enter into them?

3

4 Are there other reasons why National Grid should not enter into long-term contracts with  
5 expiration dates after December 31, 2009?

6

7 Yes. Ridgewood concurs with National Grid that it and other LSEs not be required to  
8 sign any contracts for RI Certificates (whether from existing or new renewable facilities)  
9 with a delivery dates after December 31, 2009. With the expiration of Last Resort  
10 Service in 2009, Ridgewood believes that most load will start to move at a very rapid rate  
11 from National Grid to other LSEs and from one LSE to another LSE. As a result of this  
12 movement, Ridgewood believes that by 2011 National Grid will have no more than 60%  
13 of the load that it has now. By 2020, Ridgewood believes that this service will decline by  
14 another 60%, to about 20% of Rhode Island's total load.

15

16 Based on the foregoing scenario, National Grid's remaining load should be about  
17 1,800,000 MWh. This, assuming a requirement for new renewables of 14%, results in a  
18 need to procure only 250,000 new RI Certificates at the out years of the long-term  
19 contracts proposed by some. A combination of 30 MW biomass or landfill gas plants  
20 can annually supply this requirement. Ridgewood believes that four times this  
21 requirement **already** exists in New England. Consequently, National Grid could  
22 conceivably have contracts for both existing and new RI Certificates that it will not need.



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2 What should National Grid do to maximize the success of the Plan?

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4 Instead of mandated long-term contract procurement, Ridgewood proposes that National  
5 Grid and other Rhode Island LSEs be required to procure their RI Certificate  
6 requirements within 60 days after the close of the month in which they served that  
7 monthly load through a declining clock, public auction process. National Grid and other  
8 Rhode Island LSEs would be free to procure RI Certificates under long-term contracts of  
9 any term. The public auction process would, however, provide National Grid and such  
10 other Rhode Island LSEs a way of procuring sufficient RI Certificates for the load served  
11 during a given month, within 60 days after the end of such month. National Grid and  
12 other Rhode Island LSEs could use the auction process to obtain all of the RI Certificates  
13 they need for a given month, or to cover short-falls resulting from the failure of its long-  
14 term contracting counterparties to deliver the contracted for amount of RI Certificates.

15

16 **Conclusion**

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18 Does this conclude your testimony?

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20 Yes.

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