

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

STATE OF NEW HAMPSHIRE

SITE EVALUATION COMMITTEE

October 31, 2012 - 9:05 a.m.
Concord, New Hampshire

DAY 3
MORNING SESSION ONLY

In re: **SITE EVALUATION COMMITTEE:**
DOCKET NO. 2012-01: Application
of Antrim Wind, LLC, for a
Certificate of Site and Facility
for a 30 MW Wind Powered Renewable
Energy Facility to be Located in
Antrim, Hillsborough County,
New Hampshire.
(Hearing on the merits)

PRESENT:	SITE EVALUATION COMMITTEE:
Kate Bailey, Engineer <i>(Presiding Officer)</i>	Public Utilities Commission
Harry T. Stewart, Dir.	DES - Water Division
Johanna Lyons, Designee	Dept. of Resources & Econ. Dev.
Craig Green, Designee	Dept. of Transportation
Brad Simpkins, Dir.	DRED - Div. of Forests & Lands
Ed Robinson, Designee	Fish & Game Department
Richard Boisvert, Designee	Division of Historic Resources
Brook Dupee, Designee	Dept. of Health & Human Services

COUNSEL FOR THE COMMITTEE: Michael J. Iacopino, Esq.

COUNSEL FOR THE PUBLIC: Peter C. L. Roth, Esq.
Senior Asst. Atty. General
N.H. Attorney General's Office

COURT REPORTER: Steven E. Patnaude, LCR No. 52

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

APPEARANCES: **Reptg. Antrim Wind, LLC:**
Susan S. Geiger, Esq. (Orr & Reno)
Douglas L. Patch, Esq. (Orr & Reno)
Rachel A. Goldwasser, Esq. (Orr & Reno)

Reptg. Antrim Board of Selectmen:
Galen Stearns, Town Administrator
Michael Genest, Selectman, Town of Antrim

Reptg. the Harris Center for Cons. Edu.:
Stephen Froling, Esq.

Reptg. Antrim Planning Board:
Martha Pinello, Member
Charles Levesque, Member

Reptg. Antrim Conservation Commission:
Peter Beblowski

Reptg. Audubon Society of New Hampshire:
David M. Howe, Esq.
Amy Manzelli, Esq. (BCM Envir. & Land Law)

Reptg. Industrial Wind Action Group:
Lisa Linowes

Reptg. Intervenors Allen/Edwards:
Mary Allen
Robert Edwards

Reptg. North Branch Group of Intervenors:
Richard Block
Loranne Carey Block

P R O C E E D I N G

1
2 MS. BAILEY: Good morning, everyone.
3 We'll open the third day of hearings in Antrim Wind, LLC's
4 Application for -- to the Site Evaluation Committee for a
5 Certificate of Site and Facility. We will begin today by
6 introducing members of the panel -- sorry, of the Site
7 Evaluation Subcommittee. My name is Kate Bailey. I am
8 the substitute Chair for this day. And, we'll start with
9 Mr. Stewart.

10 DIR. STEWART: Harry Stewart, Director
11 of Water Division, Department of Environmental Services.

12 MS. LYONS: Johanna Lyons, Department of
13 Resources and Economic Development.

14 MR. SIMPKINS: Brad Simpkins, Department
15 of Resources and Economic Development.

16 MR. ROBINSON: Ed Robinson, New
17 Hampshire Fish & Game Department.

18 MR. DUPEE: Brook Dupee, here on behalf
19 of the Department of Health and Human Services.

20 MR. GREEN: Craig Green, New Hampshire
21 Department of Transportation.

22 MR. BOISVERT: Richard Boisvert, New
23 Hampshire Division of Historical Resources.

24 MS. BAILEY: And, Mike Iacopino, the

1 Committee's counsel. And, now, we'll take appearances.

2 MS. GEIGER: Yes. Good morning, madam
3 Chairwoman and members of the Committee. Susan Geiger,
4 from the law firm of Orr & Reno. I represent Antrim Wind
5 Energy, LLC, the Applicant. And, with me today at
6 Counsels' table are Attorneys Douglas Patch and Rachel
7 Goldwasser.

8 MR. FROLING: Good morning, madam
9 Chairman. My name is Stephen Froling. I'm here
10 representing the Harris Center for Conservation Education.

11 MS. BAILEY: Good morning.

12 MR. GENEST: Good morning. Mike Genest,
13 Selectman, Town of Antrim.

14 MR. EDWARDS: Bob Edwards, and I'm an
15 intervenor, here with Mary Allen, as part of a panel.

16 MS. PINELLO: Good morning. Martha
17 Pinello, from the Antrim Planning Board. And, I'm here
18 with Charles Levesque.

19 MS. MANZELLI: Good morning. Amy
20 Manzelli, from the law firm of BCM Environmental & Land
21 Law, representing New Hampshire Audubon, an intervenor in
22 this matter. And, here with me is Attorney David Howe,
23 also for New Hampshire Audubon. Thank you.

24 MR. BLOCK: Richard Block, representing

[WITNESS: Kenworthy]

1 the North Branch intervenors, here with Lorraine Carey
2 Block.

3 MR. ROTH: Peter Roth, New Hampshire
4 Department of Justice, as Counsel for the Public.

5 MS. BAILEY: Okay. Thank you. We're
6 going to start today with a few questions from Ms.
7 Manzelli to Mr. Kenworthy, and then proceed to the
8 Cofelice/Pasqualini panel.

9 Do we have any preliminary matters to
10 address?

11 (No verbal response)

12 MS. BAILEY: Okay.

13 (Whereupon **John B. Kenworthy** was
14 recalled to the stand, having been
15 previously sworn.)

16 MS. BAILEY: Mr. Kenworthy, I'll remind
17 you that you're still under oath.

18 MR. KENWORTHY: Yes.

19 MS. BAILEY: Thank you. Ms. Manzelli.

20 MS. MANZELLI: Thank you. Good morning
21 again, Mr. Kenworthy.

22 WITNESS KENWORTHY: Good morning.

23 MS. MANZELLI: My name is Amy Manzelli,
24 still representing the New Hampshire Audubon.

[WITNESS: Kenworthy]

1 **JOHN B. KENWORTHY, Previously Sworn**

2 **CROSS-EXAMINATION (Resumed)**

3 BY MS. MANZELLI:

4 Q. Did you, in your testimony earlier, did you
5 characterize the area for the wind facility as
6 "inaccessible to the public"?

7 A. I do not recall if I used those words to describe that
8 area.

9 Q. How would you describe the accessibility of the area to
10 the public?

11 A. By "the area", do you mean the properties that Antrim
12 Wind leases?

13 Q. I mean that area, and the abutting properties.

14 A. Well, it's certainly not accessible by vehicle traffic
15 right now. There aren't roads that go through the
16 area. There are some informal trail networks, there
17 are former skidder trails from logging operations. A
18 number of places on the ridge are accessible by
19 four-wheel drive vehicles -- or, not four-wheel drive
20 vehicles, but off-road four-wheelers and things of that
21 nature, but that type of use is not permitted by the
22 landowners currently to members of the public.

23 As the Project proceeds, the access road
24 will be a road that is gated and locked. So, it will

[WITNESS: Kenworthy]

1 not be available for use by members of the public.

2 But, certainly, people could travel through the woods
3 on foot or, presumably, on some form of cross-country
4 skis or other things, which is part of the reason why
5 we agreed to have signage on those informal trails that
6 are in that area, at 500 feet from the base of the
7 turbines.

8 Q. So, you are aware that people do access the area where
9 the wind facility is proposed and the surrounding area,
10 on some sort of a self-propulsion? They're on skis,
11 they're on a snowmobile, they're on foot?

12 A. Sure. Yes. I'm aware that a certain number of people
13 do access that area, yes.

14 Q. And, are you aware that at least some of the properties
15 in the area are in a status under New Hampshire law
16 that's called "current use"?

17 A. Yes, I am.

18 Q. And, are you aware that there is an element of public
19 access associated with that status?

20 A. I'm not familiar with the extent to which current use
21 properties allow for public access generally.

22 Q. And, are you aware that the New Hampshire Audubon
23 Sanctuary abuts the proposed facility site?

24 A. I am.

[WITNESS: Kenworthy]

1 Q. And, are you aware that that is a very popular
2 sanctuary, including use by public and private
3 schoolchildren?

4 A. I am not aware of its popularity, no.

5 Q. And, how would you characterize "access for hunting" to
6 this area right now?

7 A. I'm sorry, again, could you characterize the "area"
8 that you're talking about?

9 Q. Sure. The proposed wind facility and the abutting
10 properties.

11 A. But I can't really speak to the abutting properties.
12 I'm not familiar with them. There are a great deal of
13 abutting properties to the land that Antrim Wind
14 leases. My understanding is that all of the hunting
15 that occurs on property that Antrim Wind leases is by
16 permission of the landowners.

17 MS. MANZELLI: Thank you. I have no
18 further questions for you.

19 WITNESS KENWORTHY: Thank you.

20 MS. BAILEY: Any redirect?

21 MS. GEIGER: No thank you.

22 MS. BAILEY: All right. Thank you, Mr.
23 Kenworthy.

24 WITNESS KENWORTHY: Thank you.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MS. BAILEY: You may call your next
2 panel.

3 (Whereupon *Joseph Cofelice* and
4 *Martin J. Pasqualini* were duly sworn by
5 the Court Reporter.)

6 MR. PATCH: Good morning.

7 **JOSEPH COFELICE, SWORN**

8 **MARTIN J. PASQUALINI, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. PATCH:

11 Q. Would you each please state your name and address.

12 A. (Pasqualini) Martin Pasqualini, 30 Chestnut Hill Road,
13 Chestnut Hill, Massachusetts.

14 A. (Cofelice) Joseph Cofelice. My work address is 25
15 Braintree Hill Park, Braintree, Mass.

16 MR. PATCH: Is that microphone on? Are
17 they both on?

18 WITNESS COFELICE: Is it on? Okay.
19 Sorry.

20 MR. PATCH: Yes. Good.

21 BY MR. PATCH:

22 Q. And, by whom are you each employed and in what
23 capacity?

24 A. (Pasqualini) I am the Managing Director and Principal

1 in CCA Group, LLC.

2 A. (Cofelice) I am the CEO of Westerly Wind. And, I'm an
3 Executive Officer of Antrim Wind Energy.

4 Q. And, could you each give the Committee a brief summary
5 of your qualifications and background.

6 A. (Pasqualini) I have approximately 22 years of
7 experience in the energy sector as a project finance
8 attorney and as an investment banker. I have been
9 involved in the financing of approximately 50 utility
10 scale wind projects in 17 states. With a -- well, I
11 guess, gross capacity -- a gross capacity of over
12 6,000 megawatts at this point.

13 A. (Cofelice) I've been in the energy industry since 1981,
14 and I started out in the oil and gas business. I was a
15 finance person, then I sold oil and gas. In 1987, I
16 became involved in Independent Power. I spent the next
17 15 years developing and managing natural gas plants for
18 a company called "American National Power". Over that
19 period of time, I performed a number of functions. I
20 was in charge of development, in charge of marketing,
21 in charge of financing, and I was eventually the CEO of
22 that company. While we were there, we grew,
23 organically developed, financed, constructed, operated
24 over 4,000 megawatts of natural gas fired plant, and

1 did over \$2 billion of project financings, which --
2 when I was CEO.

3 Subsequent to that, I was president of a
4 wind company, based in Rutland, Vermont, called
5 "Catamount Energy". While I was at Catamount, we
6 organically developed 585 -- I should say, developed,
7 financed, constructed and operated 585 megawatts of
8 wind energy assets, approximately 20 Antrims. And, no
9 offense to Marty, but we managed to finance those 585
10 megawatts without his help.

11 In 2008, we sold that company to Duke
12 Energy. And, subsequent to that, I did some consulting
13 for a private equity firm called "U.S. Renewables
14 Group", based in Santa Monica. And, as a result of
15 that consulting assignment, we set up a company called
16 "Westerly Wind", and the purpose of providing
17 development funding and expertise to development
18 companies in the wind sector. And, that's how we
19 became connected with Eolian and formed our joint
20 venture.

21 Q. And, could you each describe for the Committee your
22 role in the Antrim Wind Project?

23 A. (Pasqualini) Yes. I've been engaged to act as
24 financial advisor in connection with these proceedings,

1 and in the preplanning stages at this point for the
2 anticipated financing of the Project.

3 A. (Cofelice) As CEO of Westerly Wind, we provide the --
4 in that role, we provide development capital to Antrim
5 Wind Energy to develop the Project. And, in my role as
6 Executive Officer of Antrim Wind Energy, I'm on the
7 Management Committee, the decision-making committee for
8 the Project.

9 Q. And, you're the same Joseph Cofelice and Martin
10 Pasqualini who submitted prefiled testimony in this
11 docket, that's been marked as part of Exhibit AWE-1, I
12 believe it's Tab 2 in Volume 1. Are you the same
13 individuals who submitted that testimony?

14 A. (Cofelice) Yes.

15 A. (Pasqualini) Yes.

16 Q. And, did you also submit joint supplemental prefiled
17 testimony in this docket, which has been marked as part
18 of AWE-9? I believe, again, it's Tab 2. That's in the
19 Fourth Supplement?

20 A. (Cofelice) Yes.

21 A. (Pasqualini) Yes.

22 Q. And, do you have any corrections or updates to either
23 the prefiled or the supplemental prefiled testimonies?

24 A. (Pasqualini) My only updates are a -- is a change in

1 name of our company, which is merely a rebranding from
2 what it was in the original testimony to CCA Group.
3 And, an updating of the resumé: Since the original
4 filing, we have closed four more wind financings of
5 another 875 megawatts, and bringing the total
6 financings we've done into the neighborhood of
7 \$12 billion in asset costs.

8 Q. And, with those corrections and updates that you just
9 described, if you were asked the same questions
10 contained in Exhibits AWE 1 and 9 today, under oath,
11 would your answers be the same?

12 A. (Cofelice) I have a small one, too.

13 Q. Okay. Fine.

14 A. (Cofelice) Yes. Sorry.

15 Q. Go ahead.

16 A. (Cofelice) On I guess it's Page 7 of our supplemental
17 testimony, where we refer to the increase in the
18 Massachusetts REC requirement, the RPS requirements.
19 Just to be more precise, because I think it's
20 important, on Line 14, where it says "which increases
21 RPS requirements", I'd like to add "for the portion of
22 the requirement that must be derived from long-term
23 contracts."

24 Q. Could you just say that again, maybe a little bit more

1 slowly.

2 A. (Cofelice) Sorry.

3 Q. And, exactly where you would put that in on Line 14?

4 A. (Cofelice) On Line 14, after "RPS requirements", --

5 Q. Yes.

6 A. (Cofelice) -- before the word "from".

7 MR. ROTH: Excuse me. Before you go any
8 further, could you just point to which testimony and on
9 what page you're looking again?

10 WITNESS COFELICE: Oh, I'm sorry.

11 MR. ROTH: I'm sorry.

12 WITNESS COFELICE: Sorry about that.

13 Our supplemental testimony, on Page 7.

14 BY MR. PATCH:

15 Q. So, it's the October 11, 2012 testimony?

16 A. (Cofelice) Yes. Sorry.

17 Q. And, that's been marked as "AWE 9". Page 7, Line 14,
18 after "RPS requirements". And, what was the wording
19 again?

20 A. (Cofelice) Yes. "For the portion of the requirement
21 that must be derived from long-term contracts".

22 MS. LINOWES: I'm sorry. I apologize.
23 I wanted to make sure. Are you actually adding words to
24 your testimony or are you just making a statement that you

1 wanted to clarify? Were those actual words to be added to
2 your testimony?

3 WITNESS COFELICE: Yes.

4 MS. LINOWES: Can you repeat exactly
5 where they go again?

6 WITNESS COFELICE: In Line -- sorry. On
7 Page 7 -- I apologize. On Page 7, Line 14, after the word
8 -- after the words "RPS requirements", before the word
9 "from", insert "for the portion of the requirement that
10 must be derived from long-term contracts".

11 MS. LINOWES: Thank you very much.

12 BY MR. PATCH:

13 Q. Okay. With those changes or corrections and updates
14 that you've just described, if you were asked the same
15 questions contained in both of those exhibits today,
16 under oath, would your answers be the same?

17 A. (Cofelice) Yes.

18 A. (Pasqualini) Yes.

19 Q. Now, there's some testimony that has been filed in this
20 docket since you filed that supplemental testimony on
21 October 11th. And, I have a couple of questions
22 related to that.

23 Would you care to comment on Ms.

24 Linowes' supplemental testimony, dated October 11th,

1 which has been marked as I believe it's "IWAG Number
2 2", Pages 4 and 5 of that testimony, where she responds
3 to a question about her direct testimony referencing
4 the "contracted wholesale pricing for onshore wind in
5 New England". Do you have any comments you'd like to
6 make in response to that?

7 A. (Cofelice) Yes, please.

8 MR. IACOPINO: Which page, I'm sorry?

9 WITNESS COFELICE: On Page --

10 MR. PATCH: Pages -- I'm sorry. That's
11 Pages 4 and 5 of IWAG-2.

12 MR. IACOPINO: Thank you.

13 MR. PATCH: The October 11th Linowes
14 testimony.

15 MR. IACOPINO: Yes. I'm sorry.

16 WITNESS COFELICE: Are we all set?

17 **BY THE WITNESS:**

18 A. (Cofelice) One of the things I just wanted to point out
19 on this page is IWAG has presented a chart. And, in
20 that chart, if you're looking at it, on the left-hand
21 side you'll see a "contract price" for wind of \$90 a
22 megawatt-hour. And, IWAG is showing a levelized wind
23 price there of 90 for a period of 15 years. And, while
24 that's not our -- our cost, that's a reasonable proxy

1 for a wind farm in New England, \$90 levelized.

2 But, in the next column, IWAG is showing
3 a \$40 energy price, and they're holding that constant
4 also for a period of 15 years. And, what I want to
5 point out is, is that the current wholesale price that
6 IWAG is referring to of \$40 has occurred in a year
7 where we have had historically low natural gas prices.
8 And, if you just went back to 2008, that \$40 price
9 would be \$80. And, if you took the EIA natural gas
10 forecast for 2015, they have a price in there of \$6.95,
11 which is approximately double, for natural gas, which
12 is approximately double the natural gas price that we
13 have today. Which would imply that, if gas was on the
14 margin, as it is today, in New England, most of the
15 hours producing power, that we could see an energy
16 price back up at \$80 a megawatt-hour as early as 2015,
17 if you believe the EIA forecast.

18 So, what I want to point out here is
19 that this comparison, which I don't think is a good
20 comparison in the first place, and I'll explain that in
21 a minute, I think is -- is grossly inaccurate. Because
22 she's taking the levelized cost of a wind farm over 15
23 years, and comparing it to the current historically low
24 energy prices in New England as a result of natural gas

1 prices.

2 The second point I want to make here is
3 that I think a better way to think about this answer is
4 that the price for renewables is really determined by
5 the supply and demand for renewables. We have -- five
6 of the six states in New England have an RPS. And, as
7 a result today of that RPS not being fully met, we
8 have --

9 BY MR. PATCH:

10 Q. Could I just stop you, Mr. Cofelice. Just so all the
11 Committee members know what "RPS" stands for, maybe if
12 you could just explain that.

13 A. (Cofelice) I'm sorry. Five of the six states in New
14 England have Renewable Portfolio Standards, which
15 require load-serving entities to serve a certain
16 percentage of their load with renewable power. And, if
17 they don't serve that load, they have to pay a penalty.
18 And, that penalty is subject to a cap. And, I believe
19 the cap in New Hampshire is currently \$55 a
20 megawatt-hour. And, it's somewhere in the order of \$65
21 a megawatt-hour in Massachusetts. It's 65 or so in
22 Rhode Island. And, I think it's 55 in Connecticut.

23 And, if you look at the current traded
24 markets in New England, those renewable energy

[WITNESS PANEL: Cofelice|Pasqualini]

1 certificates that they have to retire, retire -- or,
2 acquire to serve their load, are currently trading
3 close to those caps. The New Hampshire market is
4 currently trading in the low 50s, the Massachusetts
5 market is trading in the low 60s. So, if you were to
6 look at Ms. Linowes' chart, and let's just agree for a
7 moment that her \$90 price is a reasonable proxy for
8 which -- by which a utility could acquire wind power,
9 if you took that \$60 price, and you -- and you take
10 into account a \$55 REC price at the cap in New
11 Hampshire, the utility would be acquiring energy at
12 approximately \$45, if I'm doing my math right. Let's
13 see. \$35, excuse me. Which is, you know, close to
14 this historically low wholesale price that Ms. Linowes
15 is referring to. And, that is why utilities are
16 interested in buying wind power right now.

17 The other point I want to make is that
18 the renewable obligations that we have in our five
19 states ramp up over time. Which means we don't put new
20 renewable facilities on line that we're going to end up
21 with likely that this price will remain at that cap for
22 a longer period of time. And, we think that that is a
23 much better and more accurate way to look at the -- you
24 know, at the value of renewables in New England.

{SEC 2012-01} [Day 3/MORNING SESSION ONLY] {10-31-12}

1 There's a demand for renewables that is essentially set
2 by the RPSs. And, then, there's a supply of renewables
3 that essentially is brought to the market by companies
4 like Antrim Wind Energy.

5 Do you have anything to add, Marty?

6 A. (Pasqualini) I would add just as an observation then to
7 demonstrate Joe's point. In a year of historically low
8 natural gas prices, you see installations in the United
9 States of wind farms well in excess of 10,000 megawatts
10 this year. So, there is, obviously, the RP -- and the
11 principal driver for that development is the continued
12 existence of RPS in the various states where wind power
13 is a viable generation resource.

14 Q. Now, Ms. Linowes, in her second supplemental testimony,
15 that was dated October 23rd, that's been marked as
16 IWAG-3, she has a response to Question 5, on Page 2,
17 where she discusses the "Applicant's project cost
18 estimates". Do you have any comments you'd like to
19 make in response to that?

20 A. (Cofelice) Yes, we do. If we go to Page 3 of Ms.
21 Linowes' October 23rd supplemental testimony, there's a
22 chart that Ms. Linowes has that shows comparing Antrim
23 Wind Energy's cost per kilowatt to these other
24 projects. And, the first point I'd like to make is, is

1 that the capital cost range that we provided to the SEC
2 in our supplemental testimony is \$60 to \$70 million.
3 And, the first point I want to make is Ms. Linowes did
4 not use a number within that range.

5 The second thing I would say is, while
6 we, for competitive reasons, we don't want to disclose
7 the specific number, the number that we did disclose to
8 Deloitte was at the very high end of that range, I'll
9 say that. And, if you take the number that we
10 disclosed to Deloitte, and you divide it by
11 30 megawatts, you'd have a number that's approximately
12 \$2,300 a kilowatt, which is \$500 higher than Ms.
13 Linowes' calculation. That's really all I have there.

14 Q. In the same testimony, the second supplemental
15 testimony dated October 23rd, she has a response to
16 Question 6, on Page 3, and Question 7, on Page 4, where
17 she discusses "capacity factors". Did you have
18 anything you'd like to say in response to that?

19 A. (Cofelice) Yes, please. On Page 3, same page we were
20 just on, in Section 6, Ms. Linowes begins her comment
21 by saying "I agree that AWE has overstated its average
22 annual capacity factor relative to operating projects
23 within New England and the Northeast." I'm not sure
24 who she agrees with, because Deloitte said, and

1 Ms. Linowes quotes Deloitte in her question, that "the
2 project's capacity factor assumption is within the
3 range of observed capacity factors, however, it is at
4 the near end of the upper range" -- I'm sorry -- I'm
5 sorry, "it is near the upper end of the range, and well
6 above the mean, median, and upper quartile of the
7 data."

8 Yesterday, you heard from the
9 representative from Garrad Hassan who explained the
10 evolution, I think, of gas turbines. That the newer
11 gas turbines, which are much higher, are able to
12 capture wind at a much higher elevation. They have
13 much longer blades, which much larger swept areas.
14 And, in the testimony that we submitted in response to
15 a question from the Chairman, --

16 Q. Can I just stop you one second? I think you said "gas
17 turbines".

18 A. (Cofelice) I'm sorry?

19 Q. I think you said "gas turbines" when you were talking
20 about that. Did you mean "gas turbines"?

21 A. (Cofelice) No, I didn't. I meant "wind turbines".
22 Sorry.

23 Q. Okay. So, the record is clear.

24 MR. ROTH: And, I have to voice an

[WITNESS PANEL: Cofelice|Pasqualini]

1 objection to this testimony. I think, for this witness to
2 now go in and critique the questions and the testimony
3 that occurred yesterday is beyond the scope of what has
4 been permitted for rebuttal testimony of prefiled
5 testimony that was filed as supplemental on October 11th.

6 MS. BAILEY: I'm going to let him
7 proceed, because I don't hear him critiquing the
8 engineer's testimony from yesterday. I think he's
9 rebutting something that Ms. Linowes has put in her
10 testimony.

11 MR. ROTH: Well, maybe he's not
12 critiquing it, maybe he's simply bolstering it. But, in
13 either case, I think this goes beyond the scope of what
14 has been established by the Committee as how to proceed in
15 terms of this rebuttal. And, if he wants to rebut Ms.
16 Linowes' testimony, he should use his own testimony, and
17 not attempt to bolster the testimony that was given
18 yesterday.

19 MR. PATCH: Well, I mean, in response,
20 he did not have the opportunity to submit testimony after
21 Ms. Linowes submitted her testimony. So, he could never
22 have rebutted it in his testimony. And, I think he's just
23 trying to be helpful in terms of explaining something to
24 the Committee.

{SEC 2012-01} [Day 3/MORNING SESSION ONLY] {10-31-12}

[WITNESS PANEL: Cofelice|Pasqualini]

1 MR. ROTH: And, I have no objection to
2 him doing the rebuttal of Ms. Linowes' late-filed
3 testimonies. But, for him to now to repeat and bolster,
4 and whatever he's doing with it, but going into this land
5 of "let's talk about everything that happened yesterday",
6 I think is beyond the scope of what has been envisioned
7 and allowed for this type of direct testimony.

8 MS. BAILEY: Okay. I'm going to
9 overrule your objection. Just, you know, keep it short on
10 the repetition of what we heard yesterday.

11 WITNESS COFELICE: Thank you. Thank
12 you.

13 **BY THE WITNESS:**

14 A. (Cofelice) And, the only point I want to make is that,
15 when you think about the evolution of gas turbines, gas
16 turbines --

17 MS. BAILEY: Wind turbines.

18 MR. DUPEE: Wind turbines.

19 WITNESS COFELICE: I'm sorry. I keep
20 saying that.

21 **BY THE WITNESS:**

22 A. (Cofelice) Wind turbines. You know, we submitted to
23 the SEC, in a response from a request from the
24 Chairman, on September 5th, a comparison showing the

1 difference in capacity factor between the turbine we're
2 proposing at Antrim, and the two previous turbines that
3 were permitted in New Hampshire. And, in one of the
4 instances, the capacity factor, if you put the older
5 turbine that was permitted on a previous project on our
6 site, our capacity factor would have been 32 percentage
7 points lower. And, that's -- that difference is as a
8 result of the fact that our turbine is significantly
9 taller and has significantly longer blades. That's
10 what explains the capacity factor difference that we
11 have at that site. We received multiple tenders from
12 turbine suppliers for this site for turbines of similar
13 technology. The Acciona turbine is not a turbine that
14 stands out with a high capacity factor.

15 One of the things that Ms. Linowes
16 refers to in this section, she refers to the Mars Hill
17 Project, which has a capacity factor of 36 percent, at
18 least she claims it does, I don't have any specific
19 knowledge of their capacity factor. But, at a 36
20 percent capacity factor, this is a 36 capacity factor
21 for a project put in service in 2007 with much smaller
22 GE one and a half megawatt turbines. You know, I don't
23 have access to the wind data. But, you know, it seems
24 pretty obvious that, if you put a more efficient

1 turbine on that site, their capacity factor could be
2 significantly higher than our capacity factor.

3 You know, so that the difference, I
4 mean, what we have here I think is, on the Antrim Wind
5 Energy side of this argument, is we have observed
6 actual wind data. We have a nationally recognized wind
7 analysis company that opines on financings for banks,
8 and I think has looked at something like 25 percent of
9 the wind farms in the U.S. And, we have guaranteed
10 power curves from the turbine manufacturer, and we're
11 coming up with a capacity factor. And, what IWAG is
12 doing is comparing us to other wind farms, with
13 different wind speeds, using older technology. It's
14 just a comparison that doesn't make any sense at all.
15 Without knowing the specifics of the project and the
16 specifics of the turbine, and taking into account the
17 efficiency of the newer turbines, you can't make that
18 comparison fairly.

19 A. (Pasqualini) I would add that, if you take any of the
20 sites, which are either -- have been referenced in
21 other testimony either -- or the Deloitte report, if
22 you put the -- let alone putting this turbine
23 technology on those same sites, you'd get pronouncedly
24 different capacity factors as a result of the

1 difference in turbine technology, you could just do
2 iterative changes. In fact, some of the -- six of the
3 projects sited in the Deloitte report --

4 MR. ROTH: I'm going to object to this
5 testimony as well. The Applicant had something like 12
6 pages out of 20 in their supplemental prefiled testimony
7 to make their comments and observations about the Deloitte
8 report. And, interestingly, they loved the conclusions,
9 but challenge the analysis and the methodology. So, I'm
10 not sure which way it comes out for them. But they had an
11 ample opportunity to make testimony about it. And, I
12 think it's -- the objection is that they should not be
13 allowed to continue to layer on additional direct
14 testimony in contravention of this Committee's rule that
15 was announced at the prehearing conference.

16 MR. PATCH: Well, and I guess I would
17 just like to say in response, that I think all they're
18 doing is responding to what Ms. Linowes said in testimony
19 that was filed 12 days later than their testimony was
20 filed and -- on October 23rd. So, you have to make
21 reference to the Deloitte report when you respond to the
22 question, because she made reference to it in her
23 October 23rd testimony.

24 MS. BAILEY: Okay. Can you show me

[WITNESS PANEL: Cofelice|Pasqualini]

1 where you're responding to in Ms. Linowes' testimony
2 exactly? Because, and I know you -- I understand you did
3 have an opportunity to respond to the Deloitte report.

4 MS. LINOWES: Madam Chair, may I
5 interject for one second and clarify, because there's been
6 reference to the fact that my testimony was late-filed.
7 Testimony -- supplemental testimony was due October 11,
8 and everyone submitted supplemental testimony. The
9 Deloitte report was released after October 11th. The
10 second supplemental testimony that I submitted was
11 specifically responding to the Deloitte report, which no
12 other party, other than the Applicant, had an opportunity
13 to respond to, because he was the only entity, other than
14 Public Counsel -- Counsel for the public who had the
15 Deloitte report. So, now, no one else had an opportunity
16 to rebut any of this testimony that went on on October 11.
17 So, to say that now he should be given this opportunity to
18 testify because this late file happened, and I just want
19 to make the point that this special consideration should
20 be no different than any other supplemental testimony.

21 WITNESS COFELICE: Chairman?

22 MS. BAILEY: Yes. I don't think
23 anybody's claiming that the reason they get to do it is
24 because it was late. The reason that they get to do it is

[WITNESS PANEL: Cofelice|Pasqualini]

1 because they're the Applicant and they get the last word.
2 So, I think, you know, it's reasonable to allow them an
3 opportunity to rebut your testimony. We're taking your
4 testimony. So, you have to give them a chance to rebut
5 it.

6 MR. PATCH: And, to respond to your
7 question, on Page 3, at the bottom of the page, two lines
8 up, Ms. Linowes, this is Page 3 of her October 23rd
9 testimony, she said "the Deloitte report appears to
10 grossly understate capacity factors for many projects."
11 So, that's one of a number of instances in there where she
12 refers to the Deloitte report. So, I think the testimony
13 was responding to that.

14 WITNESS PASQUALINI: Right. And,
15 actually, my point is, I wasn't referring to that, but, in
16 the following paragraph, in the penultimate and last
17 sentences, where there's references to the Deloitte
18 report, and the statement that "there's no available data
19 to suggest New England onshore winds support annual
20 average capacity factors above 36 percent", and referring
21 to the "Mars Hill".

22 My point is, if you put these turbines
23 on all these sites, all the sites referenced, that
24 36 percent number, the average of all the sites, and

1 certainly that would be the Mars Hill site, which I have
2 some familiarity with, would be much higher. That's my
3 point.

4 MS. BAILEY: Okay. Thank you.

5 MR. PATCH: Two more questions, and then
6 we'll be done.

7 BY MR. PATCH:

8 Q. Would you care to comment on Ms. Linowes' second
9 supplemental testimony again, her response to Question
10 8, on Page 5, where she discusses the "production tax
11 credit"?

12 A. (Pasqualini) Sure. The increase of 2.2 percent is not
13 -- does not represent it, that doesn't directly
14 correspond to the PTC. In the non-PTC case model, that
15 just so happens to be the amount of increased price
16 necessary to recoup the economics of the Project.

17 Q. I think you said "2.2 percent". Did you mean 2.2 --

18 A. (Pasqualini) 2.2 cents, excuse me. While the math is
19 correct here, in terms of grossing up the PTC for tax
20 effecting, from to 2.2 to 3.4 cents, in reality, you
21 don't need to -- for a variety reasons, you do not need
22 to get into an entire gross-up. And, I'll try to
23 explain as simply as I can. The PTC lasts for ten
24 years. The cash difference, increase in price, lasts

[WITNESS PANEL: Cofelice|Pasqualini]

1 for the duration of the project. PTCs are financed
2 over a ten year period at a very high discount rate and
3 very -- tax equity is very expensive, in comparison to
4 debt, which finances at a much lower coupon, and for a
5 much longer period of time. So, therefore, you don't
6 need to fully gross up from 2.2 to 3.4 cents to recoup
7 the economics by virtue of the lost PTC. And, if I
8 lost anyone there, I will back up and slow it down.

9 A. (Cofelice) Could I just add something, just to helpful
10 for Lisa's benefit. Lisa, just so you know, the \$22
11 that -- sorry.

12 MS. LINOWES: Excuse me. I don't need
13 you to educate me right now. We can wait until I
14 cross-examine you. Thank you.

15 MR. IACOPINO: Actually, Mr. Pasqualini,
16 can we back up --

17 WITNESS PASQUALINI: Sure.

18 MR. IACOPINO: -- and go over what you
19 just said again, because we want to make sure we
20 understand it. So, can you bring it down maybe --

21 WITNESS PASQUALINI: Sure. Part of the
22 -- part of that --

23 MR. IACOPINO: -- to ninth grade level.

24 WITNESS PASQUALINI: I'll do my best.

1 And, this is sort of esoteric anyway. So, I appreciate
2 it. So, always slow me down if I go too fast.

3 **BY THE WITNESS:**

4 A. (Pasqualini) So, part of the statement in Ms. Linowes'
5 testimony is you need to go from 2.2 to 3.4 percent
6 [cents?] in order to recoup the economics. And,
7 basically, to get from 2.2 to 3.4 percent [cents?],
8 you're going from, you know, an after-tax concept to a
9 pre-tax concept. You're basically multiplying times
10 1.35. Okay? The difference being, and that's -- and,
11 if someone were to ask a simple question, "what's" --
12 you know, "what's the pre-tax/after-tax equivalent
13 between non-PTC/PTC?" I think that's a correct answer
14 to a point. However, only to a point, because of the
15 way these projects are actually financed. The PTC has
16 a duration of ten years. And, a market rate for
17 financing of the PTC and the tax component of these
18 projects is 8 percent after tax, so double-digit
19 pre-tax.

20 The cash portion, which would be in the
21 non-PTC scenario, which assumes debt financing, you
22 actually raise more financing, because you have a cash
23 stream which lasts 20 years, for which a lender is
24 willing to lend 19 years against, but, more

1 importantly, at a 6 percent pre-tax return, which is
2 equivalent of about a 4 percent after tax. So, it's
3 much less expensive money. So, because of the factor
4 of the ability, you know, the advantage that leverage
5 provides into the return, you don't need to go from 2.2
6 to 3.4, because you have a longer, cheaper stream to
7 finance. So, you get more financing out of the debt of
8 the cash than you do of the tax attributes.

9 I'm not sure I can do it more simply
10 than that. But I can try, if I lost you.

11 A. (Cofelice) Excuse me, if I could just add one thing to
12 that. Marty said this, but I'm not as sophisticated
13 when it comes to figuring this out as Marty is. It's,
14 really, just think about a mortgage. On one deal, you
15 have a 19-year mortgage at 6 percent. On the other
16 deal, you've got a 10-year mortgage that's between 7.7
17 and 8. And, if you have that capital -- those two
18 different capital structures account for approximately
19 \$12 a megawatt-hour in difference.

20 And, so, I think what's caused a little
21 bit of confusion here is, when we ran these models and
22 gave them to Deloitte, the model spit out, you know, a
23 \$22 difference. And, I think someone could read that
24 and say "Well, that's the PTC amount. They didn't

[WITNESS PANEL: Cofelice|Pasqualini]

1 gross it up." That's not what happened. You know, the
2 \$34 grossed up number was in the calculation, it's just
3 you don't need that much, because, candidly, you know,
4 I'll admit this as a wind guy, the PTC is a much less
5 -- the production tax credit provides a much less
6 efficient financing than a structure without a tax
7 credit.

8 A. (Pasqualini) I just want to correct one thing. What
9 Mr. Cofelice meant to say was a comparison -- comparing
10 6 percent to about an 11 percent mortgage.

11 A. (Cofelice) Sorry.

12 A. (Pasqualini) Because he used the after-tax number to
13 compare the pre-tax.

14 A. (Cofelice) Sorry.

15 Q. Okay. The final question I have on direct, would you
16 care to comment on Ms. Linowes', again, her second
17 supplemental testimony, Pages 7 and 8. And, that's
18 where she discusses the "long-term power purchase
19 agreement availability".

20 A. (Cofelice) Actually, I think I covered that in my first
21 answer. So, we're fine.

22 MR. PATCH: Okay. Good. Then, the
23 witnesses are available for cross-examination.

24 MS. BAILEY: Thank you. Mr. Froling?

[WITNESS PANEL: Cofelice|Pasqualini]

1 MR. FROLING: No questions at this time.
2 MS. BAILEY: Is Mr. Beblowski here
3 today?
4 (No verbal response)
5 MS. BAILEY: Stoddard Conservation
6 Commission?
7 (No verbal response)
8 MS. BAILEY: Katharine Sullivan?
9 (No verbal response)
10 MS. BAILEY: Ms. Longgood?
11 MS. LONGGOOD: No questions at this
12 time.
13 MS. BAILEY: Town of Antrim, Mr.
14 Stearns? No.
15 MS. GENEST: No questions. Mr. Genest.
16 MS. BAILEY: Thank you. Antrim Planning
17 Board?
18 MS. PINELLO: No questions at this time.
19 MS. BAILEY: You guys are all saying "no
20 questions at this time." This is the time you have.
21 MS. PINELLO: The one and only?
22 MS. BAILEY: Yes. Okay. Ms. Manzelli?
23 (No verbal response)
24 MS. BAILEY: She, too, has left. Mr.

{SEC 2012-01} [Day 3/MORNING SESSION ONLY] {10-31-12}

1 Edwards?

2 MR. EDWARDS: Just a few, madam
3 Chairman. If I may, I'm Bob Edwards, and an intervenor.
4 And, I just have several questions here, quick questions.

5 **CROSS-EXAMINATION**

6 BY MR. EDWARDS:

7 Q. Is it your expectation that some of the Project costs
8 will be financed through conventional bank type of
9 debt?

10 A. (Cofelice) In a -- if the Project is constructed with a
11 PTC, production tax credit, our expected case is that
12 it will be done with a typical PTC structure, that's
13 been employed in the industry, and, in my previous
14 company, we did it a number of times. Which would be,
15 essentially, unleveraged non-tax equity and unleveraged
16 tax equity at the project level, with no debt at the
17 project level. That's with the PTC structure. There
18 would not be any debt.

19 In a non-PTC world, as Mr. Pasqualini
20 was referring to earlier, we have the advantage,
21 because we don't have all these tax incentives that we
22 have to deal with, of engaging in a more typical
23 project finance structure, which would be a combination
24 of equity and traditional project finance debt. So, it

1 depends on whether there's a PTC or not.

2 Q. If I understood you correctly then, the PPC [PPA?]
3 aspect of that is critically important in the
4 conventional financing world?

5 A. (Cofelice) No, I'm sorry. The production tax credit,
6 if you have a production tax credit, you generally have
7 to put in place a production tax credit financing
8 structure. And, it's easier to do that without putting
9 debt on at the project level.

10 Q. Yeah, I misspoke. I meant "PPA".

11 A. (Cofelice) Oh, I'm sorry.

12 Q. I'm sorry. At this time, listening to your testimony,
13 it seems that a financing has not been approved.
14 They're still in the process at this point, is that
15 correct?

16 A. (Pasqualini) That's correct.

17 Q. Could you represent to us whether or not there have
18 been complete applications filed for financing at this
19 time?

20 A. (Pasqualini) At this point, it would be premature,
21 because the Project has not secured -- it's not
22 permitted, and it does not have contracted offtake for
23 its generation. And, those are the two, you know, this
24 is a sequential process. Financing parties, you know,

1 won't pay attention to a given development project
2 until it's far enough along to approach its time for
3 financing. When those milestones are met, then
4 conversations can be had on a real substantive level,
5 beyond, you know, conversations in terms of "this is
6 what our Project looks like. Based on today's
7 financing parameters, how much financing can we raise?"

8 Q. If I may, the reason for my asking was that there was a
9 sense of urgency expressed at the Town level, through
10 the Selectmen, that it was important to get the PILOT
11 signed back in June, because you were seeking
12 financing, and it was critically important to get that
13 in place. And, so, if it's my understanding now that
14 that has not been filed for financing at this time for
15 the reasons your stated?

16 A. (Cofelice) Yes. I think that's probably not our
17 understanding of what was said at the selectboard
18 meeting.

19 Q. Okay. In your opinion, due to Antrim Wind Energy's
20 success being based on protections at this point, is it
21 likely that a conventional lender would require the
22 guarantees of, whether secured or unsecured, of any of
23 the other members of Antrim Wind Energy, in your
24 experience and opinion?

1 A. (Pasqualini) They would not. I would anticipate that
2 this financing would be done on a traditional,
3 non-recourse project finance basis. So that the only
4 -- the only means for repayment of debt and/or tax
5 equity would be the revenue of the Project, and it's
6 collateral would be the Project itself, and all of the
7 Project contracts which are around the Project, the
8 land rights, the PPA, *etcetera*.

9 Q. All of those being assigned?

10 A. (Pasqualini) All of those would be assigned.

11 Q. Yes. Thank you. So, if a lender or any of the
12 financing arm required a guarantee for any of the LLC
13 members, that's not on the table at this point? And, I
14 recognize you're saying that's perhaps not an industry
15 standard, but --

16 A. (Pasqualini) It certainly isn't for debt. In the
17 instance of a -- in the instance of a tax equity
18 financing, there are some indemnity obligations, which
19 usually the parent company of the sponsor may be asked
20 to support by means of a guarantee, they are very
21 limited. And, in my experience, I've never seen an
22 indemnity obligation actually brought in the context of
23 a tax equity deal. But there is the possibility, in
24 the instance of a tax equity financing, that there

1 would be a request for a parent guarantee for those
2 specific indemnity obligations, which generally sunset
3 after a year.

4 Q. Okay. Thank you. If I may, for a moment, just refer
5 to the Deloitte report, if that's acceptable.
6 Exhibit PC 7, Page 30 and 31 describes in the report
7 the typical financing sources that might be likely in
8 this industry. And, I don't know if you have that
9 there, but --

10 A. (Pasqualini) I do.

11 Q. -- there are three options, "foreign banks", "finance
12 companies", and "regional banks". You have discussed
13 in some detail as to how you see this happening.

14 A. (Pasqualini) Uh-huh.

15 Q. But I'd like to just refer to the "regional bank"
16 aspect of it, on Page 31. And, just ask a couple of
17 questions based on your expertise. One of the -- one
18 of the terms listed in the regional bank refers to
19 amortization periods of -- excuse me -- "17 to 19
20 years", but calls for "a balloon...at 7 or 8 years".
21 Would you comment on any financing risk that might be
22 associated should there be a balloon included in the
23 financing?

24 A. (Pasqualini) Well, a couple of things. I don't

[WITNESS PANEL: Cofelice|Pasqualini]

1 necessarily agree with the -- a variety of things in
2 the "regional bank" description, in terms of how the
3 financing would set up, either by virtue of coupon
4 sizing or the -- or when a balloon would come in, if a
5 balloon were in effect. I think the current market,
6 while the amortizations are anywhere from 15 to 19
7 years, I think we see -- I think we see primary
8 maturities of up to 12 years now, generally 9 to 12.
9 So, you can call it a "mini-perm" or a "maxi-perm", if
10 you will. The debt is generally swapped out for the
11 full length -- interest rate swapped out for the full
12 length of the amortization. So, your risk, you have
13 refinancing risk, you really have event risk. Your
14 coupon is going to be locked in, but your -- the risk
15 to the sponsor would be your inability to refinance the
16 balloon at year X, be it 9 -- which I believe, in the
17 current market, is somewhere between 9 and 12 years.

18 Q. So, would you agree that that does pose a potential
19 risk, depending on where we are in the interest rate
20 cycle, and even if you're swapping out or --

21 A. (Pasqualini) It's more event risk, because, yes, you've
22 swapped your interest rate out. So, it will be the
23 availability -- your risk is the availability of
24 financing at year we'll say "ten", just for argument

1 sake.

2 Q. Right. Okay. Also listed on the "regional banks", and
3 in others that are shown on Page 30 and 31, they talk
4 about the covenants that apparently are usual and
5 customary in the financing area for these. Do you
6 agree with that? And, is that a full length of
7 covenants, based on your experience, that you would
8 expect to see in the financing provided or would there
9 be additional covenants?

10 A. (Pasqualini) Their -- again, I think some of this is,
11 I'll use the word "mistaken". I think they -- I think
12 a few concepts got blended. Their coverage ratios are
13 used for -- in a couple ways for these financings.
14 And, I think some of the coverage ratios got confused
15 here. Generally, debt is sized in a couple of ways.
16 And, it's usually a two -- you know, a two-prong test;
17 1.5 times coverage ratio in the P50 case and a 1.0
18 times coverage ratio in the P99 case. One year --
19 using the one year cases in each instance.

20 There are other references -- so, that's
21 the general -- they're in the general sizing metrics.
22 And, depending on a project and the distribution of its
23 wind cases play out, one of those things may actually
24 control the amount of debt you can raise. So, that's

1 one way coverage ratios are used.

2 Then, you usually have a distribution
3 test, which is really -- that's just a going-in sizing
4 test. That means you adjust, as you finalize your
5 model, you use those two tests to decide "do I get \$100
6 of financing or \$95 of financing?", because that will
7 just fall out.

8 Then, you have the basic test throughout
9 your term. And, generally, that is, in order to get
10 cash distributed to your sponsors, after debt flow and
11 funding of all reserves, you have to meet a 1.2 times
12 coverage ratio. Otherwise, it gets trapped. Just in
13 case, because the project looks like it might get the
14 shorts at some point, until it emerges above, again,
15 it's the distribution.

16 And, then, of course, there's the basic
17 one, right? One times. If you fall below one times,
18 you don't have enough money to pay your debt service.
19 There seems to be a little bit of blending here.

20 There's also another test, which can
21 possibly be there, which the Deloitte report doesn't
22 speak to at all: Institutional debt, which is fully
23 amortize -- which is fully amortizing debt, if you went
24 to an insurance company, which I think is, from a debt

1 -- from a non-PTC perspective, is, by far, the most
2 likely financing vehicle for this Project. There's an
3 additional test that institutionals use. You use those
4 same two other tests for sizing and the same test for
5 distribution, but they also use a 1.3 times P90 test.
6 And, they do that, because the rating agencies have
7 given that as guidance for the debt to be investment
8 grade rated.

9 So, there's a bunch of things bouncing
10 around here, which I think are not used correctly.
11 Because the fixed coverage ratios which they refer to,
12 I do not think are at all representative of the actual
13 bank market. And, it may be confusing some of those
14 concepts.

15 Q. And, if we could speak in generalities, --

16 A. (Pasqualini) Uh-huh.

17 Q. -- you alluded to the tests that are performed
18 throughout the term.

19 A. (Pasqualini) Yes.

20 Q. And, typically, would those be annualized at the end of
21 the fiscal year to do the testing?

22 A. (Pasqualini) It usually would be on whatever the
23 periodicity of the payback is. So, if you're doing
24 quarterly or semiannual amortization, which will be --

1 it will never be annual, you'll test, you'll test
2 coverage ratios at those points in time when the
3 payments are done.

4 Q. And, in the event that they don't meet or are compliant
5 with the requirements of the covenant, what happens in
6 that case? Does that trigger other -- and, first of
7 all, are these covenants the conditions of default or
8 are they simply standards that you try to measure up
9 to?

10 A. (Pasqualini) The only -- there will be a standard,
11 there will be a distribution test standard, which is
12 1.2 times, and then the 1.0 times. The 1.0 times will
13 be -- the 1.0 times coverage ratio, you ultimately will
14 be in default. Because that means, by definition, you
15 have to dip into your reserves. And, if it's
16 perpetual, at some point the debt service reserve will
17 run out of money. And, so, there will be an actual
18 payment default. Falling below 1.2 is not a default,
19 and neither an incipient default, like, you know, small
20 "d" default, or a capital "D" Default, where you have
21 rights and remedies, which the lender can realize. All
22 that will do is prevent cash from being distributed to
23 the equity. Debt's still being serviced and being paid
24 down, but Antrim Wind Energy will not be getting

1 regular cash distributions until they -- the Project
2 performs above the distribution test again. And, it's
3 usually not one time. They usually will -- the
4 standard is usually that if -- usually two tests. And,
5 sometimes there's also a wrinkle that, if you -- if
6 it's really building up, the trapped cash is really,
7 really building up, you know, the project is
8 performing, but 1.19 forever? Usually, there's a
9 negotiation with the debt to under what conditions can
10 some of that cash be released. And, it's either paid
11 -- and whether it's paid to the sponsor or it's
12 actually used to pay down the debt, so that you get --
13 you'll be back into a 1.2 and greater project going
14 forward.

15 Q. Yes.

16 A. (Pasqualini) Does that all make sense?

17 Q. Yes. Yes, it does. Are there any other covenants,
18 such as number of days cash or --

19 (Court reporter interruption.)

20 MR. EDWARDS: I'm sorry.

21 BY MR. EDWARDS:

22 Q. Are there any other covenants that are industry
23 standards, such as number of days cash, something on
24 the balance sheet, or is that not applicable in your

1 industry?

2 A. (Pasqualini) No. Generally, what is required is a debt
3 service coverage reserve and a working -- and some work
4 working capital reserve, which, you know, which are
5 required to be funded in a controlled waterfall. So,
6 the lenders know that, you know, not only is the money
7 there, but it can only be distributed down through a
8 priority waterfall through direction to a third party
9 trustee.

10 Q. Uh-huh.

11 A. (Pasqualini) The other types of -- so, you don't, in a
12 project financing transaction, other than the
13 distribution-type covenants, coverage ratios and debt
14 service 1.0 times ratio that I referred to, you don't
15 have financial covenants. You will have other
16 covenants, in things like maintaining insurance, you
17 know, maintaining --

18 Q. Administrative type of --

19 A. (Pasqualini) Yes, maintaining your resistance, periodic
20 reporting for the project and for this project's
21 sponsor, financials, *etcetera*.

22 Q. May I ask you a question relative to bonding, since
23 it's part of the financing, if you will?

24 A. (Pasqualini) Uh-huh.

1 Q. Is it likely that your primary financing source would
2 provide an irrevocable letter of credit to the Town of
3 Antrim under the decommissioning requirement in the
4 agreement or PILOT?

5 A. (Pasqualini) I think that that is -- that would be the
6 most likely route for this Project. Again, there's --
7 I would typically expect any LC requirements to be part
8 of a debt facility and to be issued by, you know,
9 issued under the debt facility for the debt for the
10 Project itself. And, therefore, the reimbursement
11 obligations, if those LCs were ever to be drawn, would
12 be secured by the Project itself for the lenders.

13 Depending who ultimately were to be the
14 term equity for this Project, it's often the case that,
15 for decommissioning liabilities and other -- and even
16 sometimes for debt service coverage -- for debt service
17 reserve obligations, sometimes some sponsors with the
18 financial wherewithal will provide the security outside
19 the project. So, they will provide a corporate LC, as
20 opposed to a project-backed LC. I think, assuming all
21 things remaining the same today, my assumption would be
22 that there would be a LC that is secured by the
23 Project, issued with the Project, you know, in the
24 Project's credit, in favor of the Town.

1 Q. We've had a lot of talk about the bond and the amount
2 in previous testimony. And, a lot of discussion on
3 where the Town of Antrim might lie in recovery of
4 assets, if there was a liquidation. Is it your
5 experience that a municipality could file or is allowed
6 to file, based on the lender's attitude, a second lien
7 position on all business assets tied to the performance
8 of a -- of an agreement or a PILOT? Or, would that not
9 be allowed?

10 A. (Pasqualini) I've never seen it done.

11 Q. Okay. So, --

12 A. (Pasqualini) That's just an answer, though.

13 Q. Yes.

14 A. (Pasqualini) You know? You follow me? I mean, I've
15 never seen it done. I can't accurately gauge the
16 reaction of a lending party if that were a requirement.
17 If it were to be a requirement, it would have to be a
18 very, very deeply subordinated lien. A lien that it's
19 only value would be in a liquidation on a bankruptcy.
20 It would have no rights.

21 Q. So, when you say "deeply in line", so to speak, it
22 would be, perhaps, certainly behind the primary lender,
23 but maybe others as well?

24 A. (Pasqualini) Maybe others as well. If, ultimately, the

1 -- what is quite typical, and time will tell, when the
2 Project arranges for its offtake, whether it's a
3 bilateral PPA with a utility-type player or some sort
4 of derivative arrangement with a financial player, it
5 is typical and customary for those entities to have a
6 lien on the Project, which is subordinated to the debt,
7 and there are arrangements in terms of how they play
8 together, from an intercreditor perspective. That is
9 the only -- that would be the only other permitted
10 lien, other than *de minimus* liens. So, this deeply --
11 theoretical deeply subordinated with prime, everybody
12 else, because everyone else would be general
13 unsecureds, other than a PPA provider.

14 Q. Thank you. My last question goes to the agreement, and
15 I believe the agreement is Exhibit EA-2F. This was an
16 agreement between Antrim Wind Energy and the Town of
17 Antrim. And, it speaks to, on Page 12, I believe under
18 Section 14.2, it talks about the "decommissioning
19 bonding" requirement. And, I'd just like to ask, when
20 you get there, your opinion --

21 MR. IACOPINO: Which exhibit was that,
22 Mr. Edwards?

23 MR. EDWARDS: I'm sorry. It's EA-2F.

24 MR. IACOPINO: Thank you.

1 MR. EDWARDS: And, I believe that was
2 executed on the 8th of March of '12.

3 MR. PATCH: I think it's also been
4 marked as AWE 4, Appendix 17-A --

5 (Court reporter interruption - multiple
6 parties speaking at the same time.)

7 MR. PATCH: AWE 4, Appendix 17-A, which
8 is the signed agreement between the Applicant and the Town
9 of Antrim. Is that what you're referring to?

10 MR. EDWARDS: Yes. Agreement between
11 Town of Antrim and Antrim Wind Energy.

12 MR. PATCH: And, you said "Page 12,
13 Section 14.2"?

14 MR. EDWARDS: Well, on mine it's Page
15 12. But it's Section 14.2, and it refers to
16 "Decommissioning Funding Assurance". And, it's --
17 specifically, it's 14.2.3.

18 BY MR. EDWARDS:

19 Q. And, my question is simple. When I reviewed this as we
20 had our public meetings, my concern was that, when
21 we're asking for a bond or letter of credit, I sort of
22 separate those out, because letters of credit
23 typically, I believe, and correct me if I'm wrong, are
24 issued by financial institutions, where bonding more

1 frequently comes from insurance companies. And, on
2 that basis, we required a rating of BBB on Standard &
3 Poor's and a Ba on Moody's, which I thought was not
4 typically industry standard, although it does say "or
5 their commercial equivalent". But would you comment on
6 that being the criteria for a letter of credit or a
7 bond, as opposed to maybe an insurance company issuing
8 under a rating of A.M. Best and what your experience
9 shows?

10 A. (Pasqualini) My experience generally, when it comes to
11 decommissioning obligations, is that it happens a
12 little bit later in the project. And, there's a
13 variety of ways that it actually gets done. Either by
14 demonstrating a funded reserve over time, and, of
15 course, how it gets computed varies by project and by
16 project, because different technologies, different size
17 of projects, what becomes appropriate. But there's a
18 methodology, which I think you guys have agreed on, in
19 terms of computing the amount. I think that you start
20 from day one. And, I apologize, because I don't know
21 all the details of the underlying project stuff, but I
22 can comment -- I'll get to answer the question. So, I
23 think that it's good, good for the Town, in an unusual
24 aspect that you're getting security from day one.

[WITNESS PANEL: Cofelice|Pasqualini]

1 Generally, I've seen cash posted down the road, usually
2 starting in some year out, which starts to accrete to
3 demonstrate the liability or an LC. I haven't seen
4 performance bonds used. And, that's not because you
5 couldn't use one, and I know it specifically speaks to
6 it. And, you know, the difference between how one
7 feels about a, you know, HSBC AA- LC, which is -- which
8 would be an Evergreen, because you can't get an LC
9 which is going to stand for 20 years, it would have to
10 be renewed every year. Versus a surety bond, which
11 would come from an insurance company, which has --
12 which whose obligations are made on a claims-paying
13 ability.

14 You know, are they equivalent? I think
15 so. How the rating agencies assign ratings for those
16 types of obligations are a little bit different. I am
17 more accustomed to see performance bonds used in the
18 construction period, either to backstop the general
19 obligations of the BOP contractor, or for specific
20 construction period obligations, like restoral of
21 roads, roadbeds and the like. If there is some
22 specific obligation and an amount agreed, it's very
23 common to see performance bonds issued in that aspect.
24 That's not to say it's dispositive of the ability to do

1 it in this instance.

2 Q. My question was, let's say we have a letter of credit
3 issued by a regional bank. The reference here is that
4 it should be rated on the basis that you can see in
5 Paragraph 14.2.3.

6 A. (Pasqualini) Yes.

7 Q. And, my concern is that those ratings are typically
8 indicative of the quality of the investment that you're
9 purchasing, as opposed to the financial capacity of the
10 entity to honor its obligation. And, have you seen
11 irrevocable letters of credit issued on the basis of
12 BBB Standard & Poor's or as a rated bank?

13 A. (Pasqualini) They actually are typically done as a
14 long-term credit rating of the financial institutions.
15 So, not of the bank entity. So, this is very standard.
16 Well, it's not fully graduated language that you'd see
17 in a loan agreement, but I would expect to see a
18 reference to long-term credit rating.

19 MR. EDWARDS: Okay. Thank you.

20 MS. BAILEY: Okay. Thank you. Mr.

21 Block.

22 MR. BLOCK: Yes. Just a few questions
23 based on some earlier comments.

24 BY MR. BLOCK:

1 Q. Mr. Cofelice, first, please forgive me if I've
2 mispronounced your name.

3 A. (Cofelice) That's okay.

4 Q. Have you personally visited the Antrim site?

5 A. (Cofelice) Yes, I have.

6 Q. Have you also visited personally the Mars Hill wind
7 farm?

8 A. (Cofelice) No, I have not.

9 Q. Okay. Are you aware then of the extreme difference in
10 topography between the two, the surrounding areas,
11 particularly with the orientation of the ridges and the
12 amount of exposed topography there is for many, many
13 miles to east and west?

14 A. (Cofelice) No, I'm not.

15 Q. Okay. Since the land is wide open for many, many miles
16 to the west and east of Mars Hill, wouldn't that boost
17 the efficiency of what you referred to as "smaller,
18 less efficient turbines", with that hill -- with that
19 ridge, where Mars Hill is so exposed?

20 A. (Cofelice) Well, I don't have access to the wind data
21 from Mars Hill. But, assuming for a minute that Mars
22 Hill has stronger winds, just to make -- keep it simple
23 than from Antrim, --

24 Q. Yes.

1 A. (Cofelice) -- you would expect Mars Hill to have a
2 higher capacity factor. The point I was making was, is
3 that Mars, if you take the range of capacity factors
4 that we have in our Application, 37 to 90, and you take
5 the level of discount that we applied to the capacity
6 factor in the September 5th analysis in response to the
7 Chairman's question, --

8 MR. PATCH: Mr. Cofelice, I think you
9 said "37 to 90" for the range. I don't think you meant
10 "90", just to clarify.

11 **BY THE WITNESS:**

12 A. (Cofelice) I'm sorry. Thirty-seven (37) to 40 range.
13 If the take 30 percent off that, right, or even, you
14 know, and there are other turbines that are taller than
15 those turbines that we referred to will be likely, you
16 know, 20 percent off, you'd be below the range of Mars
17 Hill. So, if Mars Hill has a stronger wind, you would
18 expect to see Mars Hill at 36 with the turbine it has.
19 And, our project, with a similar turbine, might be, you
20 know, 34 or something. I mean, that would be accurate.

21 The only point I was making is, is that
22 Ms. Linowes was referring to that particular wind farm
23 as being one to compare Antrim to. And, our only point
24 was is that you were comparing a project that had

1 really large turbines, in the case of Antrim, and with
2 -- that was catching wind at a higher elevation, and
3 had larger blades, with a much smaller turbine. So, it
4 would be no surprise that Antrim would have a higher
5 capacity factor. But, if Mars Hill has a higher wind
6 speed, then you would expect Mars Hill to have a higher
7 capacity factor, if we had an apples-to-apples
8 comparison of the turbines, that would be correct.

9 MR. BLOCK: All right. Thank you.

10 That's all.

11 MS. BAILEY: Okay. Anybody here from
12 Appalachian Mountain Club?

13 (No verbal response)

14 MS. BAILEY: All right. Ms. Linowes.

15 MS. LINOWES: Thank you, madam Chair.

16 BY MS. LINOWES:

17 Q. Okay. I have a number of questions. But, before I get
18 started on my questions, I do want to follow up on some
19 of the comments/statements that were made in rebuttal
20 testimony.

21 And, firstly, the change that you made
22 to your testimony, this would be on Page 7 of 20, Lines
23 14, the statement currently reads now, and I want to
24 make sure that I have exactly the wording that you had

1 stated, well, it's beginning on Line 13: "AWE expects
2 additional upward pressure on REC pricing as a result
3 of recent legislation in Massachusetts passed on
4 August 3rd, 2012, which increases RPS requirements for
5 the portion that must be derived from long-term
6 contracts from 3 percent to 7 percent." Is that the
7 correct wording?

8 A. (Cofelice) Wait, let me read it. Which page are you on
9 now?

10 Q. Page 7. You just made the changes.

11 A. (Cofelice) No, I know that. I was looking at the wrong
12 page. Yes, we would -- do you want me to respond to
13 it?

14 Q. I just want you to -- I just want to verify that that
15 is the correct wording?

16 A. (Cofelice) Yes.

17 Q. Okay. Are you aware -- now, okay, that "3 percent to
18 7 percent", that's referring to the percentage of RPS
19 load, correct?

20 A. (Cofelice) Yes.

21 Q. Do you know the size of RPS load in the State of
22 Massachusetts?

23 A. (Cofelice) Off the top of my head, no.

24 Q. Would you surprised if I told you it's 50 million

1 megawatt-hours?

2 A. (Cofelice) I don't have the number.

3 Q. Pardon me?

4 A. (Cofelice) I don't have the number.

5 Q. Okay. Then, 3 percent, can we stipulate that that is
6 the size of the RPS load?

7 MR. PATCH: Well, we can't stipulate,
8 because Mr. Cofelice said he doesn't know. So, --

9 BY MS. LINOWES:

10 Q. Okay. Then, if you can just accept, for the sake of
11 argument, that that's the size of the RPS load in the
12 State of Massachusetts?

13 A. (Cofelice) No. I don't know whether it's right.

14 Q. Okay. Are you aware that the 3 percent in the original
15 legislation that is now changed -- that will be
16 effective November 1st, happens to be exactly identical
17 to the 50 percent of Cape Wind that was contracted with
18 National Grid?

19 A. (Cofelice) I'm not aware of the exact number, no.

20 Q. So, do you understand the Massachusetts market?

21 A. (Cofelice) Yes, I understand the market. You're asking
22 me "do I know if the Cape Wind load for the contracted
23 part meets the exact 3 percent number?" I'm telling
24 you, I don't have that information.

1 Q. Okay. I would have thought you would have known that.
2 Okay. My apologies. Okay. When it jumped to 7
3 percent, are you aware that NSTAR, which is now in the
4 process of merging with Northeast Utilities, has
5 contracted for the other portion of Cape Wind,
6 representing another 3 percent?

7 A. (Cofelice) Yes, I am.

8 Q. So, you are aware of that?

9 A. (Cofelice) Of course.

10 Q. Okay. So, how much is remaining, once you take care of
11 3 percent and 3 percent, how much is remaining, out of
12 7 percent?

13 A. (Cofelice) I don't know whether the 3 percent and
14 3 percent is right, so I'm not agreeing with those
15 numbers. I don't know whether they're correct or not.

16 Q. For the case here, can we do the math? Three (3)
17 percent and 3 percent equals 6 percent, what's
18 remaining?

19 MR. PATCH: I'd just like to object to
20 the question. I think the witness has been clear that he
21 doesn't know if those numbers are right. And, she keeps
22 trying to get him to say that he agrees with those numbers
23 or would he accept them, and he doesn't know, so he can't
24 accept them.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MS. LINOWES: Madam Chair, the point I'm
2 getting at is he's making a statement it's going to --
3 this particular change in the legislation is going to
4 force "upward pressure on REC prices". I'm trying to make
5 the point that politically --

6 MR. PATCH: She's trying to testify.
7 She's not asking a question of the witness. If she wants
8 to get information from the witness, you know, she asks a
9 question. And, she can't testify while she's asking
10 questions.

11 MS. LINOWES: That's fine. That's fine.

12 MS. BAILEY: I agree, Ms. Linowes. You
13 should take this point in your testimony.

14 MS. LINOWES: Okay.

15 MS. BAILEY: Because he's not going to
16 agree with you.

17 MS. LINOWES: Thanks.

18 BY MS. LINOWES:

19 Q. Mr. Pasqualini, you made the statement that "in periods
20 of historic low natural gas prices, we saw
21 10,000 megawatts of wind installed in the United
22 States", is that correct?

23 A. (Pasqualini) I said "at least 10,000" --

24 Q. Okay. And, that would have been --

1 (Court reporter interruption.)

2 **BY THE WITNESS:**

3 A. (Pasqualini) Over 10,000 last year, and we'll be well
4 in excess of 10,000 this year.

5 BY MS. LINOWES:

6 Q. I'm sorry. There was less than 10,000 megawatts
7 installed in 2011.

8 A. (Pasqualini) Very close to 10,000 megawatts.

9 Q. Okay. Would you -- and, you seem to be attributing
10 that to RPS policies?

11 A. (Pasqualini) To a very large degree.

12 Q. So, Section 1603 Grant Program under the Stimulus
13 package and the PTC had nothing to do with it?

14 A. (Pasqualini) There are the -- the demand-side
15 incentives drive PPA pricing. 1603 and PTC are
16 financing incentives. Can't get a PPA because you have
17 a PTC, and you can't get a PPA because you can apply
18 for the grant. The mode of financing, and, to a
19 certain extent, the acceleration of financing into last
20 year and into this year were by virtue of technical
21 attributes of qualifying for a 1603 grant for wind.

22 Q. Okay. So, it wasn't just RPS. RPS may have created
23 demand?

24 A. (Pasqualini) No. No. You didn't listen to my answer.

1 I said, all it did is accelerate the -- in certain
2 instances, accelerated introduction of financing into
3 last year versus this -- versus this year, where --
4 because of needing to qualify for the grant. It was
5 not the impetus for getting a power contract, which is
6 totally separate from the financing, from either the
7 tax subsidies or cash subsidies provided by the federal
8 government.

9 Q. Mr. Pasqualini, the fact that we had a compressed
10 production -- or, introduction of 10,000 megawatts or
11 thereabouts, in a year, it was compressed, accelerated,
12 whatever word you want to use, was attributed likely to
13 1603 and PTC?

14 A. (Pasqualini) I said "the acceleration of certain of the
15 financings."

16 Q. 1603 expired when?

17 A. (Pasqualini) It depends. 1603 will expire at the end
18 of this year.

19 Q. When did it actually expire, in terms of people being
20 able to qualify for it?

21 A. (Pasqualini) There was a -- are we going to go -- do
22 you want to go into the technical --

23 Q. No, I just want you to give me a year.

24 A. (Pasqualini) -- the commence construction tests for

1 1603? Because I don't have that --

2 Q. Yes. That's what I'm looking for.

3 MS. BAILEY: Excuse me, excuse me. You
4 guys need to speak one at a time please. I know you're
5 really excited about this, but could you slow down a
6 little bit please.

7 **BY THE WITNESS:**

8 A. (Pasqualini) You had to commence construction by the
9 end of last year for wind.

10 BY MS. LINOWES:

11 Q. Okay. Thank you.

12 A. (Pasqualini) And, there are very technical tests, which
13 we can discuss as well, in terms of 5 percent
14 construction or look-through tests or otherwise. But
15 you had to commence construction by the end of last
16 year for a layperson's understanding.

17 Q. Yes.

18 A. (Pasqualini) And, be complete by the end of this year,
19 in service.

20 Q. And, one other question in follow-up to the rebuttal.
21 I believe it was Mr. Cofelice who had stated that
22 "natural gas prices are historically low, and, by 2015,
23 perhaps will be starting to go up." Or, at least you
24 were contesting the table that I had in my testimony,

1 is that correct?

2 A. (Cofelice) That's correct.

3 Q. Okay. Are you aware that the *EIA Energy Outlook*
4 reference case forecasts natural gas prices staying low
5 through to the end of -- to the middle of next decade?

6 A. (Cofelice) The EIA 2012 report has the natural gas
7 price for 2015 in its reference case at \$6.95. And, I
8 have a copy of it here, I can dig it out for you.

9 MR. IACOPINO: I'm sorry, what was the
10 amount?

11 WITNESS COFELICE: \$6.95 an MMBtu, which
12 is approximately double the price of natural gas today.

13 BY MS. LINOWES:

14 Q. So, you're saying natural gas prices today are 3 --

15 A. (Cofelice) I believe the October contract closed at
16 3.44, 3.43, somewhere in that range.

17 Q. And, are you also aware that the *EIA Energy Outlook*
18 reference case states, or at least in their discussion,
19 states "Natural gas production increases through
20 projection period exceeds consumption early into the
21 next decade"?

22 A. (Cofelice) I'm not familiar with that specific
23 statement. But the conclusion from their analysis is
24 natural gas prices are going up in the reference case

1 to \$6.95 in 2015, and escalating thereafter.

2 Q. And, then, also, actually, there was one other point.
3 You had mentioned -- I believe you were making the
4 point that we can expect natural gas prices to go up,
5 because, as recently as 2008, they were very high? Is
6 that what you were -- is that the point you were trying
7 to make?

8 A. (Cofelice) No. No, no, no. I was simply making the
9 point that, in your chart, you chose to pick a year
10 with historically low gas prices and represent that as
11 the gas price in your chart for the next 15 years. I
12 was simply making the point that, in 2008, that price
13 was double the price you have in your chart. And, if
14 you were to assume that gas sets the price for power in
15 New England, which it does over 80 percent of the time,
16 that, if we double the natural gas price between now
17 and 2015, as forecast by EIA, we might see a doubling
18 again back to \$80 of the energy price. I'm just
19 saying, I don't think your forecast of \$40 for 15 years
20 is reasonable.

21 Q. Mr. Cofelice, do you at least acknowledge that the U.S.
22 economy incurred a shock as of September 2008, when
23 Lehman Brothers collapsed?

24 A. (Cofelice) I do. And, I believe EIA includes that type

1 of analysis in their forecast of their prices.

2 Q. And, you acknowledge that technology that has been
3 introduced within the last couple of years, in the form
4 of new drilling and fracking has made access to natural
5 gas -- has increased our supplies of natural gas
6 significantly?

7 A. (Cofelice) Absolutely. And, EIA includes that in their
8 forecast of coming up with their price.

9 Q. So, isn't it reasonable that 2008 being omitted from
10 the table makes sense, because the world kind of
11 changed after 2008?

12 A. (Cofelice) You weren't looking in 2008, so it was okay
13 not to have 2008 in your table. I was simply making a
14 point, once again, that you picked an historically low
15 year, which served the purpose of your analysis, and
16 you carried it forward unescalating for 15 years. And,
17 that EIA would not agree with that. I would not agree
18 with that. But I think EIA carries a whole lot more
19 weight than I do.

20 Q. Okay. So, now, I just want to get into my next set, my
21 questions I intended to ask of you today. And, those
22 exhibits --

23 MS. BAILEY: Ms. Linowes, excuse me.

24 I'm sorry. We always end up with you in the middle of the

[WITNESS PANEL: Cofelice|Pasqualini]

1 breaktime. And, I don't want to cut you off. But, since
2 this is -- it seems like maybe it might be a good time to
3 take a break?

4 MS. LINOWES: Yes. This would be a good
5 time.

6 MS. BAILEY: Okay. Let's take a break
7 for the court reporter.

8 MS. LINOWES: Thank you.

9 MS. BAILEY: Ten minutes.

10 (Recess taken at 10:26 a.m. and the
11 hearing resumed at 10:41 a.m.)

12 MS. BAILEY: Okay. Mr. Patch.

13 MR. PATCH: Madam Chair, Mr. Cofelice
14 would like to correct one statement that he made this
15 morning with regard to the "\$6.95" in the EIA study. And,
16 I just think it's important to clear that up on the record
17 now, since we're right in the middle of Ms. Linowes'
18 testimony.

19 MR. ROTH: I'm going to object to that.
20 He will have an opportunity for redirect later on. He
21 should make the point then. This is very irregular.

22 MR. PATCH: Well, --

23 MS. LINOWES: Madam Chairman, I'm -- I'm
24 sorry.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MS. BAILEY: Go ahead.

2 MS. LINOWES: I'm done with the natural
3 gas thing. So, I do think -- I'm not going to be asking
4 any more follow-up that would require him to correct the
5 record. So, I think it should be done after my testimony
6 -- cross-examination.

7 MS. BAILEY: I think it would be a good
8 point right now to correct the testimony, so I don't
9 forget it. Maybe we should have a document that shows the
10 number, and I don't know.

11 MR. PATCH: We could certainly try to
12 get a document and submit it later. I don't know that we
13 have one right now. But I know that Mr. Cofelice could at
14 least offer oral testimony to correct, you know, that
15 number.

16 MS. BAILEY: Okay.

17 MR. ROTH: I again renew my objection.
18 I would object to the document as well. They had an
19 opportunity to submit all the documents they wanted, along
20 with everybody else.

21 MS. BAILEY: Sorry. Just correct it
22 now, so it's done.

23 MR. PATCH: Okay.

24 WITNESS COFELICE: Okay. Thank you.

1 **BY THE WITNESS:**

2 A. (Cofelice) Excuse me. Earlier, I spoke -- I said that
3 the EIA forecasted price in 2015 was \$6.95. I pulled
4 the number from the wrong line. That line was for
5 "natural gas to combined heat and power plants". The
6 price to a -- for the purpose of generating wholesale
7 electricity is \$4.62, which is a lower price, which is
8 about 15 percent higher from the price we have right
9 now.

10 MS. BAILEY: Ms. Linowes, do you have
11 any questions based on that new information?

12 MS. LINOWES: I do. Actually, and my
13 apologies, I don't have my testimony in front of me. Can
14 Mr. Cofelice state the number he said and the number I had
15 in my table for 2015? I would really appreciate that.

16 WITNESS COFELICE: No, I'm sorry. I
17 wasn't making a comparison to your number.

18 MS. LINOWES: I know. But I would like
19 -- do you have my testimony there?

20 MS. BAILEY: I have it.

21 WITNESS COFELICE: Yes. Your price, you
22 held a \$40 price for power through 2000 and -- for 15
23 years.

24 BY MS. LINOWES:

[WITNESS PANEL: Cofelice|Pasqualini]

1 Q. And, the price that you said, I'm sorry, that was out
2 of the EIA?

3 A. (Cofelice) Yes, it was a natural gas price.

4 Q. And, what was that?

5 A. (Cofelice) \$4.62, about 15 percent higher than the
6 price this month.

7 Q. Okay. So, close?

8 A. (Cofelice) Fifteen percent higher, and, according to
9 EIA, still escalating. It's not flat, even under that
10 forecast.

11 MS. LINOWES: Okay. Thank you, madam
12 Chair.

13 MS. BAILEY: All right. Thank you.
14 Would you like to proceed with the rest of your cross?

15 MS. LINOWES: I would.

16 MS. BAILEY: Thank you.

17 BY MS. LINOWES:

18 Q. With regard to this next set of questions, I'm going to
19 be referencing four exhibits. They would be the
20 prefiled direct testimony from both January and
21 October 2012, and corresponding attachments that were
22 included with those; Mr. Kenworthy's supplemental
23 testimony from October 11; the document, which is
24 Exhibit IWAG-E, E, letter "E", 2, (IWAG-E2), which is a

1 memorandum that to the -- that I prepared and a
2 colleague to the ISO New England; as well as the V-Bar
3 report, from September 4th, I believe, which is
4 Appendix 21. I believe that covers all of the exhibits
5 I will be referencing. You all set? Okay.

6 MR. IACOPINO: Actually, I'm not. What
7 was that Appendix 21? What exhibit number would that be?

8 MS. LINOWES: Oh, that was -- it was the
9 V-Bar report. Do you -- I don't remember the exhibit
10 number on it.

11 MR. ROTH: Seven.

12 MS. LINOWES: AWE 7.

13 MR. IACOPINO: Actually, it's 8.

14 MS. LINOWES: Eight.

15 MR. IACOPINO: Appendix 21, V-Bar Wind
16 Resource Study.

17 MS. LINOWES: That's correct.

18 MR. IACOPINO: Thank you.

19 MS. LINOWES: Thanks.

20 BY MS. LINOWES:

21 Q. Okay. I wanted to ask a couple of questions first
22 regarding the second met tower, that there was some
23 discussion about that yesterday. Were you both here
24 yesterday or at least one of you were here yesterday?

1 A. (Pasqualini) Yes.

2 A. (Cofelice) Yes.

3 Q. Okay. In Mr. Kenworthy's supplemental testimony from
4 October 11th, I want to direct your attention to
5 Page 6, Line 11. Here he states, "AWE believes a
6 second met tower would enhance the value of the on-site
7 data collected to date by further reducing uncertainty
8 and therefore increasing the associated p-values, [or]
9 probabilities of exceedance, that lenders use to size
10 the amount of debt they are willing to lend."

11 A. (Cofelice) I'm sorry. Could you tell me what page that
12 is on again please?

13 Q. Yes. That's Page 6.

14 A. (Cofelice) Page 6 of Mr. Kenworthy's October 11th
15 testimony?

16 Q. Correct. Line 11.

17 A. (Cofelice) Okay.

18 Q. Do you need me to read that to you?

19 A. (Cofelice) No, no. That's fine. I see it.

20 Q. Okay. So, you agree with that statement?

21 A. (Cofelice) Yes, I do.

22 Q. By "probabilities of exceedance", is he referring to
23 the P50 and the P90 figures, and other associated
24 generation -- expectation of generation or net capacity

1 factors?

2 A. (Pasqualini) Yes.

3 A. (Cofelice) Yes, he is.

4 Q. Okay. And, could you explain what the "P90" figure is?

5 I understand that that is under a protective -- there's
6 a motion pending regarding the protective order. But
7 can you just explain what the "P90" figure is?

8 A. (Cofelice) Yes. You know, sure. Essentially, just
9 starting with P50 for everyone, "P50" is the amount of
10 output that you would expect to have when there's a 50
11 percent chance that the output could be higher or the
12 output could be lower. So, that's your expected case.
13 In a "P90" case, you have a much lower level of output,
14 because that's the level of output that you would
15 expect 90 percent of the time that you would hit.

16 MS. BAILEY: Could you say that again
17 please? I'm sorry.

18 WITNESS COFELICE: I'm sorry. In a
19 "P90" case, it's a case where there's a 90 percent
20 probability that you'll meet or exceed that number.

21 BY MS. LINOWES:

22 Q. Okay. So, your expectation, if I understand you
23 correctly, with the P50 figures now ranging between
24 37.5 percent and up, your expectation is that the P90

1 figure would be a smaller or lower number, is that
2 correct?

3 A. (Cofelice) Yes. It always is.

4 Q. And, that it is the P90 figure that is particularly of
5 interest to investors?

6 A. (Cofelice) Yes, P90 and P99.

7 Q. Okay.

8 A. (Pasqualini) That's not entirely --

9 Q. In comparison to the P50?

10 A. (Pasqualini) It depends what you're using it for. P50
11 is used to size tax equity investment. And, I think,
12 and earlier, and P99 is used for debt parties as one of
13 their sizing tests.

14 Q. Okay. Thank you. So, after three years of met tower
15 data that's been collected to date, I believe, from
16 November 2009 till November of this year, and one year
17 or almost one year of LiDAR data, you still need
18 another amount of wind data. How much? How many more
19 years or year, do you know?

20 A. (Cofelice) Well, what you normally do in this situation
21 is, you have your wind consultant, your expert, who
22 looks at your site, and he looks at your turbine
23 locations. And, basically, they tell you where they
24 would like to see met towers, so that they can, you

1 know, fine-tune the numbers for all the different
2 turbines. And, this is very important in the
3 financing.

4 Q. Okay. And, that's okay. I don't need you to go
5 through in a large explanation, but I do --

6 A. (Cofelice) Can I complete my answer please?

7 Q. Okay.

8 A. (Cofelice) Thank you. And, it's very important in the
9 financing, which is the reason that Mr. Kenworthy
10 raised it yesterday. Because, when you have that
11 additional data, what it does is it probably won't
12 change the P50, but what it's going to do is increase
13 the accuracy of all the different variations. It may
14 -- what the -- what the wind consultants do is, based
15 on the quality of the data they have, they build in --
16 build in conservatism.

17 So, the more data they have, the better
18 data they have, they're able to fine-tune the numbers
19 and say, with a higher degree of probability, that
20 you'll hit a certain number, say, at a P90. So, by
21 having better wind data, what will generally happen is,
22 and Marty can opine on this from a financing
23 standpoint, is the wind consultant will tell you "We
24 feel more confident about your output. Therefore, when

1 we're sizing that debt at P90 and P99, they will loan
2 you more money."

3 Q. Okay. Thank you. And, I think I'm all set. The
4 answer I was asking for, the question, you answered it
5 for me, that you needed more data. Now, V-Bar was,
6 according to their letter, was hired by AWE in
7 November 2010. Wouldn't a more experienced wind energy
8 developer have brought in a wind expert at the time
9 when they sited their met tower?

10 A. (Cofelice) They did. They used a different firm. And,
11 we, when Westerly came in, we used V-Bar, we asked them
12 to change to V-Bar.

13 Q. So, you were not -- so, Westerly Wind was not satisfied
14 with the wind expert that AWE contracted with?

15 A. (Cofelice) You're putting words in my mouth, Ms.
16 Linowes. I did not say that. I said, "we have a wind
17 consultant that we use, and we imposed that wind
18 consultant on Eolian."

19 Q. I am -- am I to understand, based on the current
20 outcome, that the wind consultant that AWE hired back
21 in sometime in 2009, provided information or
22 recommendations that were out of line with your expert,
23 V-Bar?

24 A. (Cofelice) Absolutely not. The normal procedure, when

1 you're engaging in greenfield development, is you put a
2 first met mast up. From that, when you get your
3 initial data and you prove up the site, then you do
4 things like put a second mess mat -- excuse me, met
5 mast up, or engage in an expensive LiDAR campaign,
6 which we're doing right now. It's sort of an orderly
7 way you do this, so you don't take unnecessary
8 development risk.

9 Q. Didn't I hear you say, Mr. Cofelice, that, "when a wind
10 expert is brought onboard, they go out to the site,
11 they look at the conditions, they evaluate where the
12 met towers should be, and then they make decisions
13 around that." Didn't I not hear you say that?

14 A. (Cofelice) Absolutely. And, I'm sure, in the case of
15 -- I can't speak for what Eolian did at the time, but I
16 can speak for all of our other projects, the wind
17 consultant would advise where to put the first met
18 mast. And, I suspect that's what happened in the case
19 of Eolian, and they put it there. There's wrong where
20 the met mast is. It's just you need more met masts.

21 Q. But, now, three years later, you need another met
22 tower?

23 A. (Cofelice) Yes.

24 Q. Correct?

1 A. (Cofelice) That's correct.

2 Q. And, whose recommendation was it that the second met
3 tower be erected?

4 A. (Cofelice) From a business perspective, it was the
5 recommendation of the Management Committee, but it's
6 based on the advice of V-Bar.

7 Q. Now, in Mr. Kenworthy's testimony again, on Page 6,
8 Line 8, of the same October 11th, he states "AWE's
9 current wind measuring campaign consisting of a met
10 tower and LiDAR machine "provide a sound basis for
11 estimating the wind resource across the site"." And, I
12 believe he is quoting out of the V-Bar report. Is that
13 correct?

14 A. (Cofelice) I don't know whether he's quoting out of
15 that report, but that statement sounds correct.

16 Q. Okay. Now, if I can direct you to the V-Bar's report,
17 on Page 2, under "Data Quality Control". Do you see
18 that section?

19 A. (Cofelice) Yes, I do.

20 Q. Okay. It appears from that section, in reading it,
21 that V-Bar's job was to "perform analysis... [on] the
22 raw data", "eliminate spurious data", and "verify", and
23 I'm paraphrasing a little bit, "verify...the tower
24 configuration" that it was installed correctly and

1 operating correctly. And, further determine if there
2 was any "missing data", and other issues potentially
3 with the data collection process. Is that about right?

4 A. (Cofelice) Sounds right.

5 Q. Okay. And, then, if you look on Page 1 of that same
6 report, on that third paragraph, they go into details
7 to what their scope of work was. And, this is -- it
8 starts the second sentence, third paragraph: "The
9 scope of V-Bar services included: Equipment
10 verification and validation, site inspection," and the
11 like, "turbine array recommendations." Correct?

12 A. (Cofelice) Could you tell me where you are again? I'm
13 sorry.

14 Q. Third paragraph of the V-Bar study -- report.

15 A. (Cofelice) On Page 1?

16 Q. Yes. Correct. Is that --

17 A. (Cofelice) I'm sorry, I'm just having a hard time
18 finding it. I apologize.

19 Q. It's the second sentence of the third paragraph. "The
20 scope of V-Bar services have included".

21 A. (Cofelice) I may be looking at the wrong page. Oh, I'm
22 sorry. Excuse me, I'm sorry. That's accurate.

23 Q. Okay. And, now, yesterday Mr. Kenworthy stated that
24 there was "high confidence in the wind resource", based

1 on V-Bar's report. Isn't it possible that V-Bar could
2 be right on everything, that it collected the data, it
3 conducted its analysis, it did the ground truthing with
4 remote wind -- long-term remote wind sources, and gave
5 you some numbers, but not necessarily numbers that
6 would be acceptable by an investor?

7 A. (Cofelice) No, I think it's clear, and Mr. Pasqualini
8 can comment on this. We have -- we have bankable wind
9 data from having the met mast we have and the LiDAR
10 campaign that we have. What we're talking about is
11 trying to fine-tune the uncertainty regarding I'm going
12 to call them "confidence intervals", for lack of a
13 better word. So that we, when we're sizing debt, that
14 the lenders have more confidence in the numbers that
15 are there.

16 Q. Has any lender indicated he is not confident with the
17 numbers?

18 A. (Cofelice) No.

19 A. (Pasqualini) If I can explain the exercise, because I
20 represent lenders and tax equity investors on a very
21 regular basis. As a general proposition, I don't care
22 how much wind data I see for a site if it's to be
23 financed; more is better. And, the reason why more is
24 better is because, as important as the P50 and the P99

1 is, the dispersion of the p-cases throughout the
2 spectrum, from P50 to P75 to P90 and P99, are also very
3 important, in terms of the number of standard
4 deviations of the -- of the results. And, the more
5 wind data you have, the tighter that band, as a general
6 proposition, will become. And, the reason why that's
7 important is because financing parties look to those --
8 look to those way stops along the way between P50 and
9 P99, very typically for downside sensitivities. So,
10 it's a way for them to measure the relative strength of
11 a project, and what I will often do for tax equity
12 investors is look at a P75 result and perpetuate that
13 result over a life of a project to see how strong the
14 project is, you know, when the tax equity will flip and
15 get their return. The debt will do certain things as
16 well, just to, you know, they will say "if we have P75
17 performing project, and equipment issues in year eight,
18 you know, how did that impact?"

19 Q. Okay.

20 A. (Pasqualini) That's why it becomes very important.
21 It's not so much that you're trying to refine the P50,
22 as you're trying to refine the dispersion, and to get
23 the more data that's had and the more correlative data
24 that it has. And, that's why additional wind -- excuse

[WITNESS PANEL: Cofelice|Pasqualini]

1 me, additional met towers are generally additive,
2 because then, in the science of the V-Bar's and the GHs
3 of the world, they can correlate the two sites. So, it
4 gives them a more precise result on those interim way
5 stops to P99.

6 Q. And, how long will you need that second met tower
7 erected?

8 A. (Cofelice) Well, any amount of time that the met tower
9 went up would be helpful. But isn't the second tower
10 -- the second tower is part of our Application, and
11 it's to remain up?

12 MR. KENWORTHY: Temporary.

13 WITNESS COFELICE: But that's temporary?
14 Okay.

15 BY MS. LINOWES:

16 Q. A year? I'm thinking that there must be some amount of
17 data that will make you -- a minimum of a year?

18 A. (Cofelice) I would say a minimum of a year, yes.

19 Q. Okay. Mr. Iacopino raised an important point
20 yesterday, I thought, on his cross. He pointed out,
21 and I'm going to paraphrase here, that "AWE is asking
22 the Committee to certificate the Project conditioned on
23 no construction beginning until financing is in place."
24 Yet, you need to begin construction of some fashion in

[WITNESS PANEL: Cofelice|Pasqualini]

1 order to erect the second temporary met tower, is that
2 right?

3 A. (Cofelice) Yes. And, in a certificate, we're asking
4 for permission to put the second met mast up prior to
5 coming back with a proof of financing.

6 Q. And, yesterday Mr. Kenworthy stated that he "did not
7 think that there was a clear path to get the second met
8 tower approved by the Town." Is that correct? Is that
9 your understanding?

10 A. (Cofelice) I didn't hear that statement yesterday. I'm
11 not sure what he said.

12 MS. LINOWES: Could I ask him to
13 validate, so there's no confusion?

14 MS. BAILEY: No.

15 MS. LINOWES: Would that be okay?

16 MS. BAILEY: No.

17 MS. LINOWES: Okay.

18 MS. BAILEY: Sorry.

19 BY MS. LINOWES:

20 Q. Okay. So, is it your belief that the second -- well,
21 why are you going to -- why aren't you going back to
22 the Town then?

23 A. (Cofelice) Well, I'm not the right --

24 MR. PATCH: Yes. I think that --

1 **BY THE WITNESS:**

2 A. (Cofelice) I apologize. I'm not the right person to be
3 testifying about this. I'm not --

4 BY MS. LINOWES:

5 Q. You're the management -- your management on AWE?

6 A. (Cofelice) I'm management of AWE, but --

7 Q. And, you made a decision that you needed a second met
8 tower?

9 A. (Cofelice) I made the decision we needed a second met
10 tower, but we have other people who are working on the
11 way to get the met tower up. I mean, it's a typical.
12 We don't -- I don't do everything in the company.

13 Q. So, you don't know why you're not going back to the --
14 AWE, which you're a partner to, is not going back to
15 the Town to ask for the met tower to be erected?

16 A. (Cofelice) My understanding is, our team felt it was
17 more appropriate to get it permitted through this
18 process.

19 Q. Is it your belief that the second met tower would
20 simply be rubber stamped by the Committee?

21 A. (Cofelice) Of course not.

22 Q. Okay. Given the number of parties involved in this
23 proceeding, do you believe that there's a potential for
24 intervenors that are involved to pursue an appeal of

1 the Project, if it's certified?

2 A. (Cofelice) That's possible.

3 Q. So, it could be a long process before you might get a
4 cleared, unappealable situation where you can erect
5 that met tower. Do you agree?

6 A. (Cofelice) That's -- that's possible.

7 Q. Since the court sided with AWE on the met tower appeal
8 that was just decided, which is now part of the record,
9 and found it to be a legal use in the rural
10 conservation district, wouldn't your easiest path to
11 getting the met tower erected be through the Town?

12 A. (Cofelice) My previous answer stands.

13 Q. Now, one last question. It's not just a second met
14 tower, is it? You need -- what is the status of your
15 current met tower?

16 A. (Cofelice) The current met tower, we're also seeking
17 certification of the current met tower.

18 Q. And, why is that?

19 A. (Cofelice) Because the met tower is scheduled -- I
20 believe the permit expires on that.

21 Q. I'm sorry, the permit expires when?

22 A. (Cofelice) End of November, I believe.

23 Q. Okay. So, you're actually asking this Committee to
24 permit two temporary met towers?

[WITNESS PANEL: Cofelice|Pasqualini]

1 A. (Cofelice) That's correct.

2 Q. To your knowledge, has this Committee ever been
3 involved with permitting met towers?

4 A. (Cofelice) I don't know.

5 Q. When AWE went before the Town and requested putting up
6 a met tower, is it surprising it didn't go to the Site
7 Evaluation Committee to have that done?

8 MR. PATCH: Madam Chair, I'm going to
9 object. I think the witness has made it clear that he's
10 not the appropriate one to be answering these questions.
11 I think she's trying -- she should have asked these
12 questions of Mr. Kenworthy, if she had these questions. I
13 just think she's going on and on with questions, you know,
14 to a witness that isn't the appropriate one to answer
15 them.

16 MR. ROTH: Madam Chairwoman, this is the
17 same problem we had yesterday. I think, you know, the
18 parties get to choose the witnesses they ask questions of,
19 and not the Applicant.

20 MS. BAILEY: I agree, the parties get to
21 choose who they make -- who they ask the questions of.
22 But, if the witness says they "don't know" or that that's
23 not part of their job description, then we need to move
24 on.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MR. ROTH: Well, that may be his answer,
2 but he is, you know, manager of this enterprise, and
3 should be held accountable to answer those kind of
4 questions. And, if he doesn't know the answers, then that
5 should be in the record.

6 MS. BAILEY: Yes, and I think it is.
7 So, go ahead. But you have to accept his answers when he
8 gives them to you.

9 MR. PATCH: And, I just think it ought
10 to be clear that, just because this witness can't answer
11 the questions, if they had been asked of the right
12 witness, then they would be in the record.

13 MS. BAILEY: Okay. Point taken. Thank
14 you.

15 MS. LINOWES: I didn't realize that it
16 was broadcast in advance who the right witness would be
17 for this, these questions.

18 MR. PATCH: And, I think the answer is
19 in Mr. Kenworthy's testimony.

20 MS. BAILEY: Okay. Let's go to the next
21 question please.

22 MS. LINOWES: Okay.

23 BY MS. LINOWES:

24 Q. I wanted to now direct your attention to your

1 testimony, this is the October 11 testimony of both
2 you, Mr. Pasqualini, and Mr. Cofelice. And, I have to
3 be honest, I am not sure who wrote this and who
4 prepared some of the responses or the comments in the
5 testimony. So, please, whoever is the best suited to
6 answer. On Page 17 of your testimony, in Line 13, and
7 I think that this is part of what you had brought up
8 earlier on rebuttal. You raise and you comment or you
9 have an -- you take an assertion out of my testimony
10 that states -- where I stated that "onshore wind in New
11 England demands between 9 and 11 cents per
12 kilowatt-hour." Is that -- is that correct? That is
13 in the testimony?

14 A. (Cofelice) Are you asking me if I agree with it or
15 whether it's there?

16 Q. You're agreeing -- you agree it's there?

17 A. (Cofelice) Yes, I agree it's there.

18 Q. Okay. And, you stated earlier today that you thought
19 that the amounts, the \$90 that I had in the table, is
20 about what you would think an adequate proxy for cost
21 of onshore wind?

22 A. (Cofelice) I wouldn't say it's a "proxy for onshore
23 wind", but there are many onshore wind projects that
24 we've looked at in New England that would need that

1 price. So, it's not an unreasonable number to use.

2 Q. Okay. So, \$90 to \$110, or 9 to 11 cents --

3 A. (Cofelice) No.

4 Q. -- per kilowatt-hour would be within the range?

5 A. (Cofelice) No. I'd say that "9" -- what I said was "9
6 was in the range". I didn't say "9 to 11".

7 Q. Okay. Then, if I can direct your attention to Page 13
8 of your testimony, on Line 2. That there's a question
9 -- you had posed a question to yourself in your
10 testimony, where you cite a line out the Deloitte
11 report. And, it says: "The Applicant has indicated
12 that [he] has knowledge of PPAs that have recently been
13 signed in New England in the range of \$90 to \$100 per
14 megawatt-hour." Is that -- do you still agree that you
15 have seen contracts in New England in the \$90 to \$100 a
16 megawatt-hour range?

17 A. (Cofelice) We haven't seen the contract. I think what
18 we did is we -- I'm not sure where we did it, but we
19 quoted that, in the Town of Hingham, --

20 Q. Uh-huh.

21 A. (Cofelice) -- I think it was the Annual Report, they
22 reported that the price being received by a particular
23 wind farm was \$99 flat, non-escalated.

24 Q. Uh-huh.

1 A. (Cofelice) And, so, that's -- that's the information
2 that we were able to disclose.

3 Q. So, it would be appropriate to say that you are aware
4 of contracts in the New England region that are in the
5 \$90 to \$100 range?

6 A. (Cofelice) Yes.

7 Q. Okay. Now, you also, going back -- have you seen any
8 others that are outside that range?

9 A. (Cofelice) I can't comment on that.

10 Q. Now, -- Mr. Cofelice, I'm not asking you to reveal any
11 confidential information. Just whether or not you have
12 seen power purchase agreements for onshore wind in New
13 England that are outside the range of \$90 to \$100?

14 A. (Cofelice) I have not seen those contracts, no.

15 Q. Are you aware of any, even if you haven't seen them?

16 A. (Cofelice) Yes.

17 Q. Okay. Thank you. Now, I want to go back, this would
18 be Line 16 an 17, again, back to Page 17, Line 16 and
19 17, if I can. Here, you appear to be, in the sentences
20 before, I make the point that "New England demands
21 between 9 and 11 cents per kilowatt-hour", and we'll
22 agree that it's 9 and 10 cents a kilowatt-hour, or \$90
23 and \$100 a kilowatt-hour.

24 A. (Cofelice) No, no, no. Ninety (90) to 100 was in a

1 non-PTC case. You're not comparing apples and apples.

2 The reference on the other page to "90 to 100" --

3 Q. But you have not seen -- when you refer to "onshore
4 power purchase agreement" --

5 MR. PATCH: Madam Chair, --

6 MS. LINOWES: I'm trying to understand
7 what he's saying.

8 MR. PATCH: -- she interrupted. He was
9 trying to answer the question. She didn't let him finish
10 the answer.

11 MS. LINOWES: Okay. I'm sorry. Go
12 ahead.

13 **BY THE WITNESS:**

14 A. (Cofelice) Let me answer your question. The one
15 contract that I'm aware of, that's outside of the range
16 90 to 100, is lower than 90. Let me make that point.
17 It's not higher than 100.

18 MS. LINOWES: Okay.

19 **BY THE WITNESS:**

20 A. (Cofelice) The "90 to 100" that was referred to -- make
21 sure I've got this right. Just move on with your
22 question, that's fine.

23 **BY MS. LINOWES:**

24 Q. I believe you're referring to Page 12 of your

1 testimony, on Line 15 -- or, 17, where you refer to
2 "Hingham, Mass." Is that what you're trying to find?

3 A. (Cofelice) No, no, no. I referred to that earlier.

4 Q. Okay.

5 A. (Cofelice) That's fine. You can proceed with your
6 questioning.

7 Q. You were going to make a point about a "non-PTC
8 environment. I'd like to understand what you were
9 getting at.

10 A. (Cofelice) I don't need to make that point in response
11 to your question.

12 Q. Okay. So back to where I was. The onshore wind in New
13 England demands between \$90 and \$100 per megawatt-hour.
14 Are we agreeing on that, in a PPA price?

15 A. (Cofelice) I will repeat myself again. I said "\$90 was
16 a good proxy for it". That's what I said.

17 Q. Okay. We'll go to 90 then. More than twice -- now, I
18 add on that it's "more than twice the wholesale price
19 of natural gas." And, it sounded like you knew exactly
20 what the price of wholesale -- the wholesale price of
21 natural gas today is for electricity purposes. What
22 would that number be?

23 A. (Cofelice) For electricity purposes?

24 Q. Uh-huh.

1 A. (Cofelice) In my response, I was using your number of
2 \$40 a megawatt-hour.

3 Q. No, you had -- you had mentioned another number. You
4 want to work with \$40?

5 A. (Cofelice) No, no, no. \$40 a megawatt-hour is
6 electricity. I was quoting \$4.62 an MMBtu for gas.
7 Two different things.

8 Q. Okay. So, for electricity purposes, wholesale price of
9 natural gas in New England, do you know what that price
10 is today?

11 A. (Cofelice) In the second quarter of this year, I think
12 the Pool, and this may not be exactly right, but I
13 believe that using a power plant heat rate of 7,800,
14 they said the spark spreads were about \$13. So, if we
15 take 7,800 times four, which is around 30, and we add
16 13, it's probably 43, 44, would be my guess.

17 Q. Okay. And, I believe you do state that in your
18 testimony somewhere. So, let's look at the --

19 A. (Cofelice) Yes, I think I used "45".

20 Q. Okay. So, let's use "45" then. \$45, the wholesale
21 price -- wholesale price of natural gas for electricity
22 purposes, \$45 a megawatt-hour. Would you agree that
23 \$45 a megawatt-hour is half the price of \$90 a
24 megawatt-hour?

1 A. (Cofelice) Absolutely. But that's not what my question
2 was responding to.

3 Q. What question?

4 A. (Cofelice) I'm sorry. I'm sorry. That's not what my
5 answer was responding to.

6 Q. The answer here?

7 A. (Cofelice) Yes.

8 Q. Correct. Okay. Yeah, I understand that. Okay. So,
9 now, in your response, late going in the next couple of
10 sentences, you complain, on Line 16 and 17, that I am
11 "comparing the cost of new unamortized wind generation
12 to the spot [market] of power in ISO-New England", and
13 that I'm "ignoring the cost of building new natural gas
14 generation plants." Is that what you're saying?

15 A. (Cofelice) Exactly.

16 Q. Okay. And, then, you direct us to an exhibit, okay, if
17 I can go there -- or, rather, an attachment. There is
18 an attachment to your testimony, it's after the last
19 page of your testimony?

20 A. (Cofelice) That is correct.

21 Q. And, you state that "To meet New England generating
22 requirements, a more correct comparison would compare
23 the cost of new wind generation to build new coal,
24 nuclear, natural gas generation", and you reference

1 these attachments?

2 A. (Cofelice) That's correct.

3 Q. Okay. And, that attachment that I'm pointing to you,
4 it's titled "Estimated Levelized Costs of New
5 Generation Resources", is that right?

6 A. (Cofelice) That's right.

7 Q. And, you have "wind" there, down towards the bottom,
8 with a total system levelized cost of "\$96 a
9 megawatt-hour", is that correct?

10 A. (Cofelice) That is correct.

11 Q. Okay. Now, I have a couple of quick questions I want
12 to throw at you. And, I'm just trying to understand
13 your understanding of the New England market -- power
14 market, okay? Are you aware that all six states in New
15 England are deregulated, at least in the wholesale
16 market, and that New England's power market is a
17 competitive power market?

18 A. (Cofelice) Yes.

19 Q. Are you aware that, in a deregulated competitive power
20 market, as New England has, the price of energy is set
21 by the market, and it is not set by the utilities
22 seeking cost recovery from rate base?

23 A. (Cofelice) The wholesale price of power is set by the
24 market. I agree with that.

1 Q. Okay. Do you agree that merchant plants, such as the
2 AWE plant, those plants are at liberty to participate
3 in the wholesale market, but they do not -- but they do
4 so at the competitive energy price?

5 A. (Cofelice) Whose plant are you referring to again?

6 Q. Any merchant plants, including AWE's. You're at
7 liberty to participate in the New England energy market
8 --

9 A. (Cofelice) We're at liberty to be a merchant plant, but
10 we don't plan to be a merchant plant.

11 Q. Such plants do operate within the competitive market,
12 they do not set the price, correct?

13 A. (Cofelice) Currently, in NEPOOL, wind assets are not
14 allowed to set the price. But there's actually a
15 proposal in front of NEPOOL right now that will allow
16 wind plants to start setting the price in the 2014-15
17 timeframe.

18 Q. Okay. Let's talk about today.

19 A. (Cofelice) Well, this Project will be in operation in
20 2014.

21 Q. Now, do you understand -- this is a very important
22 point, I want to make sure we're clear here. Your
23 attachment shows levelized costs, total levelized costs
24 for energy -- for projects, based on fuel type. Do you

1 understand that the levelized cost of new builds, while
2 it's interesting to know, is largely meaningless, and,
3 in fact, obsolete in a deregulated competitive
4 environment?

5 A. (Cofelice) The price that a power plant receives in an
6 unregulated environment is going to be the market
7 price. And, its cost is irrelevant to what price it
8 receives in the market. What I was responding to was
9 your comparison of the all-in cost of wind, including
10 recovery of capital, against a spot price, to make the
11 argument that wind was uncompetitive. What I said is a
12 more appropriate thing to do, if we're talking about
13 dealing with new generating capacity, is to compare the
14 all-in cost of new wind to the all-in cost of new gas,
15 new coal, and new nuclear, you were making an unfair
16 comparison, which I referred to earlier, when we were
17 looking at your chart comparing the \$90 price to the
18 \$40 price. You're picking and choosing your numbers.

19 Q. Okay. Now, I acknowledge that the \$90 figure
20 represents energy, RECs, and capacity. Do we agree
21 with that, the all-in figure?

22 A. (Cofelice) Well, if you're selling under a PPA, it is
23 normal to sell all of those products.

24 Q. Okay. So, we agree that the all-in price, you would

1 have -- or, even if it's not an all-in price, you would
2 have three components to the energy price, that we're
3 talking about \$90, correct?

4 A. (Cofelice) Could you repeat. I mean, you're --

5 Q. Energy, RECs, capacity.

6 A. (Cofelice) If that's how the utility elects to look at
7 it, that's fine. But what the wind company receives is
8 the one number. They don't -- they generally don't
9 receive three components.

10 Q. Yes. I understand that. So, it is an all-in price.
11 Just I'm trying to, like, understand how you're going
12 to look at it. So, we'll treat it all as an all-in
13 price, \$90?

14 A. (Cofelice) Fine.

15 Q. Is that the market price for the energy -- is that the
16 public price of the generation coming from the AWE Wind
17 Project in the wholesale market?

18 A. (Cofelice) Well, first of all, we're not talking about
19 AWE. We're talking about a project that would require
20 \$90. So, we're not talking about AWE. But, for this
21 particular project that would require \$90, today, the
22 market price for a REC in Massachusetts is \$63.

23 Q. Uh-huh.

24 A. (Cofelice) Let's use your number for energy, it's 40.

1 That's 103. That's higher than \$90.

2 Q. Okay. That is fair. And, the price of natural gas is
3 40 -- \$40? Okay. I wasn't sure if we were using 40 or
4 45. So, I'll say "\$40". So, wind is more expensive
5 than natural gas, and based on the market price?

6 A. (Cofelice) Look, I mean, just a minute ago you told me
7 that you were trying to make a comparison of the \$90
8 price to what the market tells us the price is.

9 Q. Uh-huh.

10 A. (Cofelice) And, today, the market is telling us that
11 the energy from a wind farm, using your number, is
12 worth \$40, and that the REC from the wind farm is worth
13 anywhere from 55 to 65, depending on whether you're
14 selling it in Massachusetts, Connecticut, Rhode Island
15 or New Hampshire. And, all of those numbers are higher
16 than the \$90, which means, if a utility were to buy the
17 power and sell the REC, they would have energy less
18 than \$40 today.

19 Q. Okay. Let's go on and talk more about that. Okay.
20 Let's jump into the whole PPA concept, because it
21 sounds like you don't want to separate out from that.

22 A. (Cofelice) I'm willing to discuss whatever you want to
23 discuss.

24 Q. Okay. All right. Then, so, we have -- I want to

1 establish two points then. Are you aware, in the New
2 England power market, that it operates under what is
3 called "system market design principles"?

4 A. (Cofelice) Yes.

5 Q. And, do you know what those are?

6 A. (Cofelice) I don't know them offhand, no.

7 Q. Okay. Well, could I mention -- I'm going to ask you a
8 couple of them -- mention a couple and I want to ask if
9 you're familiar with them, okay? First one, under
10 "system market design", are you aware that projects
11 that generate electricity during low load conditions
12 are paid less for their energy than projects that
13 produce during peak periods of generation?

14 A. (Cofelice) You mean, off-peak prices are lower than
15 on-peak prices"?

16 Q. Yes.

17 A. (Cofelice) Yes.

18 Q. Okay. And, the other point, under a system market
19 design, generators that are built longer distances from
20 load are penalized in their energy prices, versus those
21 that are built closer to load. Would you -- are you
22 familiar with that?

23 A. (Cofelice) I'm very familiar with that. And, that's
24 why we were -- we were favorable towards the Antrim

1 Project, because the Antrim Project requires no
2 transmission upgrades to interconnect -- to connect the
3 Project, unlike a number of wind farms up in northern
4 Maine.

5 Q. Okay. So, now -- okay, so, we've spent a lot of time
6 talking about energy. Let's talk about the REC market.
7 Do you agree that the REC market is also a competitive
8 market in New England?

9 A. (Cofelice) Yes, I do.

10 Q. Okay. And, do you agree that the REC market is a
11 different -- has a peculiar characteristic to it, that
12 it's a binary market or has a binary characteristic to
13 it?

14 A. (Cofelice) To an extent. I don't believe it's binary
15 to the extent that it's zero or 60. I mean, obviously,
16 we've had numbers trading well in between. I
17 understand the theory, but I'm not sure it operates
18 that way.

19 Q. Can you explain what is meant by a "binary" -- that
20 "binary" nature to it, though?

21 A. (Cofelice) Sure. In a binary market, if you have --
22 essentially, what it means is, if you have an adequate
23 supply of RECs, then the price ought to be zero. And,
24 if you're short a couple, it ought to be 60. In my --

1 Q. So, it can --

2 A. (Cofelice) Okay.

3 Q. And, so, if I can paraphrase. If compliance is met
4 under the RPS policy, the REC prices are low, and, in
5 theory, it should go to zero, you're saying?

6 A. (Cofelice) No, no, no. Hold on. I did not say "they
7 should go to zero." I'm saying, people who believed in
8 that theory would make the argument that "it should go
9 to zero."

10 Q. Okay.

11 A. (Cofelice) But, what I'm saying is, is that, if you
12 look at the history of REC prices, the prices have
13 varied between zero and 60. So, it doesn't quite work
14 that way. That's my point.

15 Q. Okay. So, if I may direct your attention to the second
16 attachment to your October 11 testimony. This is a
17 little hard to read, because it's in black and white.
18 But do you see some semblance of that binary
19 characteristic occurring? Oh, you have it in color.

20 A. (Cofelice) No, actually -- actually, I don't at all. I
21 think this chart proves the point I just made. If this
22 was binary, we'd see \$50 and \$60 prices and zero
23 prices. We have a lot of movement up and down between
24 the two ranges.

1 Q. But, if I may ask you, do you know what was happening
2 in the New England market in the year -- at the time
3 when you see those very low REC prices under \$20, do
4 you? I'll ask you, if you don't know, then I'll just
5 move on?

6 A. (Cofelice) You can move on.

7 Q. So, you don't know about whether compliance was met or
8 not?

9 A. (Cofelice) I don't have data for those particular
10 months. All I know is the market, and we've been
11 talking that the market is -- the market is the driver
12 here. And, we're in a competitive market, they price
13 the RECs low.

14 Q. Okay. Thank you. That's primarily what I wanted to
15 ask. So, and you also stated that, at several points
16 in your testimony and also today that, when compliance
17 has not been met, then the REC prices are up at or near
18 the Alternative Compliance Payment. You had referred
19 to it as a "penalty", is that correct?

20 A. (Cofelice) I'm not sure if I used the word "penalty" or
21 not. I don't know.

22 Q. Okay. But you do agree with that, when compliance has
23 not been met?

24 A. (Cofelice) If compliance has not been met, then there's

1 an amount that the load-serving entity has to pay. But
2 I'm not sure if it's called a "penalty".

3 Q. Okay. But that's what you're referring to as a 60 -- I
4 think you said it was up around "\$63" in Massachusetts
5 for Class I RECs, wind RECs?

6 A. (Cofelice) Yes. That was of a week or two ago, yes.

7 Q. Okay. Now, if you were to sign a power purchase
8 agreement today, Antrim Wind, for \$90 an all-in price,
9 representing energy, RECs, and capacity, there will be
10 -- you're saying that there is no specific dollar
11 amount that you'd like to assign to energy versus RECs
12 versus capacity. But can we at least acknowledge that
13 the capacity component is nominal?

14 A. (Cofelice) That's, I mean, if I agree on a price of
15 \$90, really, it's the utility that's determining, in
16 their own analysis, what value they're putting on those
17 components to come up with the price. We don't. For a
18 wind farm, it's just a question of whether the number
19 is acceptable.

20 Q. Okay. So, you don't really care. In the end, there is
21 a dollar amount that you need to sell your energy for
22 to make your project work, to be financially viable,
23 correct?

24 A. (Cofelice) That's right.

1 Q. Okay. So, it's not really relevant to you, the price
2 of the RECs, the price of the energy?

3 A. (Cofelice) Well, it's relevant, because the utilities
4 are looking at that information to come up with a
5 price. It's all very relevant. And, that's why we
6 follow the market closely, and we understand what the
7 energy price is and what the REC prices are at any
8 point in time.

9 Q. Okay. And, I assume you also do some kind of
10 forecasting as to what you think the REC market will be
11 into the future?

12 A. (Cofelice) I don't have a REC forecast I'm going to
13 share with you, no.

14 Q. I understand. But your expectation is you have some
15 kind of assumption or modeling that shows what you
16 think the REC market will be -- REC will be priced at
17 sometime into the future?

18 A. (Cofelice) I think what I'd say is "we have a view." I
19 wouldn't say "we have a model" that tries to calculate
20 the REC price, no.

21 Q. Okay. Now, I don't know if this is what you're looking
22 at, but let's think about a power purchase agreement
23 signed between Narragansett or National Grid in Rhode
24 Island and AWE for \$90 a megawatt-hour. We don't care

1 about anything regarding what's energy, what's RECs, we
2 don't care. And, compliance -- and, after a year,
3 compliance is met, and the REC prices drop down to \$10
4 a megawatt-hour. There is now a delta between the
5 price that you're being paid for your power purchase
6 agreement and the price the utility can get for its --
7 what it's selling, from \$90 to \$50. Do you understand
8 the premise?

9 A. (Cofelice) I understand the concept. And, that would
10 depend on what the energy price was at the time.
11 Because, if the energy price was \$80 in that case, then
12 it would still be a wash.

13 Q. Right. But let's say -- we already talked about the
14 energy prices will be staying low.

15 A. (Cofelice) No, no, no. No, we didn't. You talked
16 about energy prices staying low. What I said, is
17 "they're low today". I think they're going to
18 escalate. We have a difference of opinion on that.

19 Q. Okay. Well, let's look at EIA. Let's assume EIA is
20 right out to 2015. And, let's look at compliance,
21 whether it will be met or not. Let's say it's met, and
22 the REC prices drop to \$10. You're, as a signer of
23 that contract, are made whole. You receive \$90 a
24 megawatt-hour, correct?

1 A. (Cofelice) That's correct.

2 Q. And, that would be regardless of the time of day and
3 time of year that you generate, and regardless of where
4 you're located, is that correct?

5 A. (Cofelice) That's correct.

6 Q. So, it will be outside of system market design
7 principles?

8 A. (Cofelice) No. I disagree with that. I mean, the
9 utility who enters into the PPA is making a decision
10 based on their long-term forecast, not some short-term
11 spot price that we're looking at here, but a long-term
12 forecast of where they think REC prices are going to be
13 and where they think energy prices are going to be.
14 And, they agree on a price. They go to their public
15 utility commission, and they defend that price. And,
16 they make a decision as to whether or not that contract
17 was prudent, and they enter into it. They're doing it
18 based on their view of the market going forward in both
19 instances. They're simply buying power long. It's a
20 prudent thing to do. Because, if all utilities did was
21 buy spot power, there's a chance they could run out of
22 power.

23 Q. Okay. I'm asking you now, in this contract that you
24 signed, a fixed price \$90 a megawatt-hour --

1 A. (Cofelice) We have not signed a contract with that.

2 Q. I know that.

3 MR. IACOPINO: Just for the record,
4 you're presenting a hypothetical, correct?

5 MS. LINOWES: Yes.

6 MR. IACOPINO: Okay.

7 BY MS. LINOWES:

8 Q. Because we have discussed the price of energy, the
9 all-in price, all-in price for it. And, we're talking
10 about now fluctuating REC prices, and potentially
11 fluctuating energy prices. Right? You are, as a
12 signer of that contract, you are selling, you are not
13 impacted by any fluctuations in the REC prices or
14 energy prices, is that correct?

15 A. (Cofelice) Yes. And, let me just elaborate on that.
16 One of the things that we have in a free and open
17 traded market, like we have here, is the concept of
18 hedges. I assume everyone will agree that hedges are
19 normal in the industry. People can decide to hedge
20 their costs or not hedge their costs. You can do that
21 financially or you can do that through a firm contract,
22 it's acceptable part of the market. And, in this
23 particular case, the utility would be making a decision
24 to hedge at that price, because they would obviously

1 believe that the combination of the energy and the REC
2 price was going to be higher. Because, in your
3 analysis, if, in fact, gas -- electricity prices go
4 back to where they were in 2008, to \$80, and let's
5 assume, I mean, by your own statement in your
6 testimony, you said "if the PTC went away, REC prices
7 would trade at or near the ACP." You stated that, I
8 agree with that. Actually, that's something we do
9 agree on. So, if there's an \$80 price in the market,
10 and there's a \$60 price for the REC. If a utility is
11 getting, for \$90, \$150 worth of value, they have made a
12 good decision.

13 Q. Mr. Cofelice, --

14 A. (Cofelice) It's a hedge. They can decide whether they
15 want to hedge or not.

16 Q. I understand --

17 A. (Cofelice) It's the market. That's part of the market,
18 as much as the Pool is a part of the market.

19 Q. And, I appreciate, Mr. Cofelice, that you are
20 interested in seeing a upward pressure on energy prices
21 and RECs for the next 20 years. But do you not agree
22 that pre-deregulation, in the world of PURPA, energy --
23 utilities were making a whole lot of mistakes as to
24 what they were forecasting for energy prices out, and

1 the ratepayers were hit pretty hard by that? Do you
2 agree?

3 A. (Cofelice) It would depend on the PPA they entered
4 into. If they entered into a bad one, yes, that's the
5 case. Sometimes they would enter into low ones. It
6 depends on what side of the hedge you came out on.

7 Q. Mr. Cofelice, do you agree that, when natural gas's
8 price -- natural gas prices go up, they have just as
9 much of a chance of coming down, and that cycle has
10 been repeated multiple times over the last couple of
11 decades?

12 A. (Cofelice) Absolutely. And, that's why I completely
13 disagree with your analysis that shows \$40 flat for 15
14 years, because that hasn't happened either.

15 Q. Do you also agree that REC prices, even though it's a
16 relatively new market, have a very good chance of going
17 up, as well as going down?

18 A. (Cofelice) Absolutely.

19 Q. Okay. And, as a -- signing a long-term power purchase
20 agreement as a generator, is it not the case with a
21 PPA, fixed price PPA, that you are 100 percent shielded
22 from any fluctuations, up or down, based on REC prices
23 and energy prices?

24 A. (Cofelice) That's right. And, the party on the other

1 side is similarly hedged, because they have decided
2 they want to lock in a price and not take the risk of
3 it going up and down on their side. That's the whole
4 concept of a hedge in a PPA; two sides that want to
5 eliminate that risk going up or down.

6 Q. Okay. Mr. Cofelice, when there's a delta between the
7 power purchase agreement price that you have signed, or
8 a generator has signed with the utility, and the market
9 price for RECs or energy, and it so happens that the
10 delta is in -- the market price is lower, who is paying
11 the difference between the price that you're receiving
12 for your energy and RECs and the market?

13 A. (Cofelice) I'm not sure what you mean by a "lower", so
14 let me answer it this way. Let's use the example we've
15 been using. If today, right?

16 Q. Uh-huh.

17 A. (Cofelice) The price of energy is \$40, right?

18 Q. Uh-huh.

19 A. (Cofelice) And, let's say the REC value is \$30.

20 Q. Uh-huh.

21 A. (Cofelice) And, that's the total of \$70 in market
22 value. And, we're receiving \$20 under the PPA. Then,
23 for that particular day or month or whatever we're
24 looking at, the utility would be paying \$20 a

1 megawatt-hour more. If, on the other hand, on a day
2 when the energy price was 80, and the REC price was 60,
3 the utility would be getting \$140 of value for \$90, and
4 they would be on the right side of it. And, when
5 people enter into hedges, it's because they have a view
6 or they want to hedge their prices. And, it's, again,
7 it's a normal part of the market. It can work either
8 way.

9 Q. Mr. Cofelice, who pays the difference in the delta?
10 Who pays the delta?

11 A. (Cofelice) Well, --

12 MR. PATCH: Madam Chair, I'm going to
13 object to the line of questioning. I just think it's
14 important every so often to sort of remind ourselves of
15 how the questions relate to what the Committee is charged
16 with looking at.

17 I guess this falls in the area of
18 financial capability, but we seem to be getting more into
19 sort of public policy decisions that are made by public
20 utility commissions about whether or not to approve
21 purchase power agreements, because that seems to be the
22 line of questioning that she's asking now. I don't quite
23 understand how it relates to financial capability of the
24 Applicant.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MS. LINOWES: Madam Chairman, I have a
2 response to that.

3 MS. BAILEY: Can you explain how it
4 relates to financial capability?

5 MS. LINOWES: Yes. Well, I'm responding
6 to statements that he made -- that Mr. Cofelice and/or Mr.
7 Pasqualini made in their October 11th testimony.

8 MS. BAILEY: Wait a second. I don't
9 want you to respond to their statements in their
10 testimony, because that's in your testimony.

11 MS. LINOWES: Oh, I'm sorry. My
12 questions are delving into specific statements that they
13 made in their testimony, in part, where they were -- they
14 were asserting differing opinions from my own testimony,
15 and, in part, because they're making statements about the
16 market, which attempts to argue points made in the
17 Deloitte report. I am trying to get at exactly where he
18 -- what he's trying to say and dispute some -- get him to
19 -- I'm trying to delve into exactly what he's saying, and
20 demonstrate that the market isn't quite exactly how he
21 presented in his testimony.

22 MS. BAILEY: Can you show me where in
23 the testimony you're referring to?

24 MS. LINOWES: I can.

1 MS. BAILEY: I've been following you,
2 but I just want to go back to it.

3 MS. LINOWES: Yes. And, in fact, one of
4 my next questions, and he had already stated it, on Page
5 11 of his testimony, the October 11 testimony, Line 13, --

6 MS. BAILEY: Okay. Wait a minute. Page
7 11, Line 13?

8 MS. LINOWES: Oh. I'm sorry. Page 13.
9 My apologies. Page 13, Line 13.

10 MS. BAILEY: Okay. And, we've had a lot
11 of testimony about that point.

12 MS. LINOWES: Yes, he did. And, there
13 is -- and, I'm going to ask him some very -- a very
14 specific question relating to it. But he makes the point
15 that "a buyer of wind power [in] 90 megawatt-hours would
16 be able to [see] RECs at the ACP level and look" -- "and
17 lock in [the price of the RECs]."

18 MS. BAILEY: Hold on. Slow down.

19 WITNESS COFELICE: No. That's not what
20 I said.

21 MS. LINOWES: No, I'm reading your own
22 testimony. I'm reading from your own testimony.

23 MR. IACOPINO: Please address the Chair,
24 okay.

1 MS. LINOWES: I'm sorry.

2 MR. ROTH: Madam Chairwoman, if I may be
3 heard on this point. If I understand what's going on
4 correctly, there are a couple of things going -- a couple
5 of things that Ms. Linowes is attempting to accomplish.
6 One is, to challenge some of the premises of the financial
7 model, which I'm not sure how that works exactly, but I
8 think it's a fair line of attack.

9 But I also think that what -- and what I
10 think she's trying to do, is to a point related to the
11 orderly development of the region, and whether -- and, in
12 addition, sort of the balance of the environmental harms
13 versus the economic and energy benefit. So that, if I
14 understand her correctly, she's trying to establish that,
15 and I think she's, you know, fairly close to getting this,
16 that that delta that she was talking about is going to be
17 passed along at some point to consumers. And, as Counsel
18 for the Public, that's an important issue for me. And, --

19 MS. BAILEY: Okay. We're going into
20 testimony here, on your side.

21 MR. ROTH: I'm just -- I am not
22 testifying, madam Chairwoman. I'm simply -- I think what
23 I'm trying to do is understand where she's going with
24 this. And, if that's the point she's trying to make, I

[WITNESS PANEL: Cofelice|Pasqualini]

1 think that's an interesting and important thing for this
2 Committee to consider. Does this Project, in terms of the
3 economic benefits, weigh more or less than the
4 environmental harms? That's the essence of what you're
5 going to do here.

6 And, if it turns out that some of the
7 economic benefit is essentially forked over by consumers,
8 and I'm not saying that she's proven that or not, but, if
9 that's what she proves, then that's something you should
10 be considering. That's all.

11 MR. PATCH: Well, if I could respond?
12 If mean, if it's consumers in Rhode Island, does this
13 Committee really care? I mean, where in the statute does
14 it say that. And, furthermore, --

15 MR. ROTH: Then, you really shouldn't
16 care about this --

17 MS. BAILEY: Wait a minute.

18 MR. PATCH: And, furthermore, I don't
19 see that Ms. Linowes is actually asking questions related
20 to particular models. The question she asked that I
21 objected to was trying to ask "who was going to pay for,
22 you know, ultimately, a PPA?" And, we don't know. One
23 hasn't been signed. And, I just don't see how it's
24 relevant.

[WITNESS PANEL: Cofelice|Pasqualini]

1 MR. ROTH: If I may respond? I mean,
2 that's an amazing statement. That we shouldn't care about
3 it, because it's going to Rhode Island. Well, if that's
4 the case, then we should all pack up and go home right
5 now.

6 MR. PATCH: I'm just trying to tie it to
7 the standards that the Committee has to use under the
8 statute in evaluating whether or not to approve this
9 particular Project. I'm afraid we're getting very far
10 afield, and that's why I objected.

11 MR. IACOPINO: Mr. Roth, can I just ask
12 you a question? If, in fact, going down this road is
13 relevant to do this balancing, isn't it just as relevant
14 then for the Applicant to be questioning the witnesses
15 about the clean air benefits, and non-emission benefits
16 that the public gets, and that the Legislature has
17 determined that the public gets through RPS programs and
18 the creation of REC markets and things like that? And,
19 then, if we do do that, aren't we really going far afield
20 and way abroad from a siting decision in this case?

21 MR. ROTH: Well, I guess, if that's the
22 point, then we shouldn't really be listening to Mr. High
23 later on, because I think that's the whole gist of his
24 testimony, if I'm not mistaken about it. I thought --

[WITNESS PANEL: Cofelice|Pasqualini]

1 MS. GEIGER: I think you are mistaken.

2 MR. ROTH: I thought that was, you know,
3 the carbon benefits and the like were part of this
4 calculus. And, so, if I understood your question
5 correctly. Well, I think I've made my point. Thank you.

6 MS. GEIGER: May I address the last
7 statement that Mr. Roth just made about Mr. High's
8 testimony?

9 MS. BAILEY: Yes.

10 MS. GEIGER: This Applicant, and every
11 other applicant that comes before this Committee, has a
12 responsibility under 162-H to demonstrate their energy
13 project impacts on air quality, and whether it's negative
14 or positive. This Applicant is going to show that it's
15 positive. So, that's where Mr. High's testimony comes in.

16 I understand Mr. Iacopino's point about
17 the general calculus about economic and environmental
18 benefits. But I would strongly disagree with Counsel for
19 the Public about how he has characterized Mr. High's
20 testimony. And, we're going to get to that later today.
21 Hopefully, if we can move on, and you'll see for
22 yourselves. Thank you.

23 (Ms. Bailey conferring with Atty.

24 Iacopino.)

1 MS. BAILEY: Okay. I think it's
2 reasonable to challenge the premise of the financial
3 model. I think we probably all get the point that the
4 ratepayer may bear the cost, if, on some days, they -- the
5 utility loses in the price that it pays on a PPA, but may
6 also win if the reverse happens.

7 So, keep that in mind. I'm not going to
8 stop you from asking the questions, but you may not
9 advance the argument any further.

10 MR. ROTH: I would also just suggest,
11 for Ms. Linowes' benefit, that it's getting closer to
12 lunch and people are getting cranky, including me.

13 MR. IACOPINO: Clear.

14 MS. BAILEY: Well, we're going to try to
15 finish up Ms. Linowes before lunch.

16 MS. LINOWES: Yes, madam Chair. I
17 really don't have that many more questions. If I can
18 proceed?

19 MS. BAILEY: Yes, please.

20 BY MS. LINOWES:

21 Q. Mr. Cofelice, you state, on Page 13, Line 13, of your
22 October testimony, and you also stated it earlier
23 today, --

24 A. (Cofelice) I'm sorry, page? Which page?

1 Q. Page 13, Line 13.

2 A. (Cofelice) All right.

3 Q. You're responding to a statement that was made in the
4 Deloitte report. And, you state: "A buyer of wind
5 power at \$90 a megawatt-hour would be able to sell RECs
6 at the ACP levels and lock in energy at less than 40
7 megawatts" -- "\$40 a megawatt-hour." Is that what it
8 says?

9 A. (Cofelice) That's right.

10 Q. In the event that the utility -- or, let me ask you
11 this. Who is the buyer that you're talking about
12 there? Any buyer?

13 A. (Cofelice) Any buyer.

14 Q. Okay. If the buyer is a utility in a state in New
15 England that has an RPS obligation, why would the
16 utility have any opportunity to sell its REC?

17 A. (Cofelice) Well, a utility can sell excess RECs. But,
18 even if utility is not selling excess RECs, the same
19 math holds. Because, if they don't buy the power from
20 the wind farm, they have to go and acquire the REC for
21 \$60. So, if they buy it from the wind farm for 90, and
22 they meet their REC requirement at 60, then they have
23 acquired the energy for 30. That's my point.

24 Q. But that's not what you say. You say that he can "sell

1 it"?

2 A. (Cofelice) They certainly can sell it.

3 Q. Do RECs -- do utilities generally have excess of RECs?

4 A. (Cofelice) No. But, certainly, munies do. And, if --

5 Q. I'm sorry, certain what?

6 A. (Cofelice) Certainly, municipals do. And, in

7 Massachusetts currently, the municipals who do not have

8 a loan -- I shouldn't say -- I'm sorry, municipals that

9 do not have a renewable obligation are entering into

10 PPAs, and they're doing exactly this.

11 Q. That's not what we're talking about. That's --

12 Narragansett does not fit that criteria, does it?

13 A. (Cofelice) I'm not talking about Narragansett. You're

14 raising Narragansett.

15 Q. Utilities that are -- I did say "utilities with an

16 obligation under the RPS" --

17 A. (Cofelice) No, I'm sorry. You were referring to this

18 sentence. This sentence is not referring to

19 Narragansett.

20 Q. Okay. I understand. But the point is, a utility that

21 has an RPS obligation cannot sell his RECs?

22 A. (Cofelice) I don't know whether that's true, but the

23 same economics hold. A utility has two choices. You

24 know, or they have more than two choices. But there's

[WITNESS PANEL: Cofelice|Pasqualini]

1 two choices that I'll mention. One is, they can
2 acquire the REC from a project, like Antrim, and pay,
3 in your example, \$90, right? In which case, they're
4 satisfying a REC requirement that could cost them 60 to
5 go out and get, which means they're left with energy in
6 that scenario at 30. And, the point I was making here
7 is, is that that price, a utility may see that as a
8 very attractive price and a very attractive price to
9 hedge at. And, as, I'm not sure if it was Mike -- I'm
10 sorry, Mr. Iacopino or the Chairman were -- just
11 alluded to earlier, the analysis in this really is and
12 the answer of is -- that I think we're trying to get to
13 is, is that, whenever you enter into a hedge, there's a
14 chance you'll win and there's a chance you'll lose.
15 And, if energy prices go up, and REC prices stay up,
16 or, if hedge prices stay where they are, even in a low
17 gas scenario, the odds are, in your example, the
18 ratepayers are going to be winners. If the hedge price
19 goes down -- I'm sorry, if the REC price goes down, and
20 natural gas prices stay low, then they're a loser. It
21 depends on what happens.

22 Q. But you're always whole?

23 A. (Cofelice) We're always whole, but anybody --

24 Q. Okay.

1 A. (Cofelice) -- who enters -- no, no, actually, we're not
2 always whole.

3 Q. Okay.

4 A. (Cofelice) No, no, no. Let me finish my answer,
5 because you keep coming back to the market. When we
6 enter into that hedge, we're doing the same thing the
7 utility is doing, we're locking in a number. We get to
8 keep that number, but we're forgoing the opportunity to
9 collect a higher number. We're losing vis-a-vis the
10 market just the same way the utility is losing
11 vis-a-vis the market.

12 Q. Okay.

13 A. (Cofelice) That's how a hedge works.

14 Q. Okay. Now, my last line of inquiry, I want to address
15 the production tax credit, because there was some
16 discussion here this morning regarding that. And, as
17 you know, the production tax credit is set to expire at
18 end of this year, are you aware of that?

19 A. (Cofelice) Yes.

20 Q. And, I'll ask you, I don't know if you remember, but
21 you did say at the technical session in late June that,
22 "if the PTC were to expire, then prices would have to
23 go up." Do you remember saying that?

24 A. (Cofelice) That's correct.

1 Q. Okay. And, since the energy price is set by the
2 market, would it be likely that it will be the RECs
3 that would reflect the higher price?

4 A. (Cofelice) Well, I think, as you pointed out in your
5 testimony, and I agreed with you, that, to the extent
6 that the PTC was not extended, it would seem logical to
7 me, because we have an escalating RPS requirement
8 throughout New England, the requirement is getting
9 bigger and bigger over time. That, if he did not have
10 a PTC, then it is likely that the REC price would trade
11 close to the caps, which is \$55 escalating in New
12 Hampshire, 60 something dollars escalating in New
13 England, I agree with that.

14 Q. Okay. Now, you had -- earlier, you tried to educate me
15 as to the difference between the pre-tax and post --
16 the tax credit and its pre-tax equivalent. And, there
17 was some discussion as to whether or not the \$22 a
18 megawatt-hour for the PTC credit, what that would
19 relate to in a pre-tax equivalent. So, with a marginal
20 tax rate of 35 percent, comes out to \$34. But, Mr.
21 Pasqualini, what would that figure be, if not -- if not
22 \$34 a megawatt-hour, what would you expect for a
23 translation, a pre-tax equivalent of the PTC that you
24 would -- that a project would need?

1 A. (Pasqualini) It depends.

2 Q. Can you give me a number? Would it be over \$30?

3 A. (Pasqualini) Would it be over 30? Again, it depends on
4 what you're doing -- what the interest rate on your
5 financing is, and the actual amount of your cash
6 portion of your -- of your PP -- you know, your overall
7 PPA price.

8 Q. Would it be \$22?

9 A. (Pasqualini) I don't know. You can't intelligently
10 answer the question without actually knowing the
11 factors.

12 Q. Okay.

13 A. (Pasqualini) I can't plug in "if x times y equals z", I
14 need to at least know two of the variables to answer
15 the question.

16 A. (Cofelice) Yeah. Let me add something to that. The
17 point I was going to make earlier, and I was just
18 trying to be helpful, I wasn't trying to win a point,
19 was that I can understand how someone would read that
20 report, in Deloitte's language, see \$22, and because
21 that happens to be the PTC price, assume that the
22 difference between the two is the PTC price. That's
23 not what happened in that case.

24 Q. Difference between what two?

[WITNESS PANEL: Cofelice|Pasqualini]

1 A. (Pasqualini) The non-PTC --

2 A. (Cofelice) I'm sorry. What Deloitte stated in their
3 report was the difference between the PPA rate that we
4 require, and the PTC case and the non-PTC case was \$22.
5 And, I believe you responded, saying that you "felt
6 that that number was low, because it had to be grossed
7 up for taxes." Okay? Which I understand. What I was
8 trying to say was, the reason it's not your \$34 number,
9 the reason it's not that number, is because there are
10 other factors in there, which we talked about earlier,
11 Mr. Pasqualini on the financing, --

12 Q. Uh-huh.

13 A. (Cofelice) -- where, in a tax structure, which is very
14 inefficient, we have -- we're borrowing money for ten
15 years at almost eight percent, and then we're getting
16 -- I'm sorry.

17 Q. I understand. You did go through all of that.

18 A. (Cofelice) Right. Right.

19 Q. I understand.

20 A. (Cofelice) I was just trying to be helpful.

21 Q. Now, but I just wanted to make the point, because it
22 was stated yesterday by -- I believe it was yesterday,
23 Mr. Kenworthy, although deferring to your Committee --
24 your group, rather, the panel, that there were -- there

1 were other ways that the Project could be financed. I
2 just wanted to get to the point of how important the
3 PTC is to the Project. Can you at least put a number
4 on that? If we're looking at \$40 for energy, \$60 for a
5 REC, the PTC is going to add somewhere in the range of
6 what?

7 A. (Cofelice) Well, what I'll tell you is, is that, if you
8 look at the Deloitte report, having examined the
9 numbers, Deloitte said in there that "if we receive a
10 PPA rate of between \$90 and \$100 a megawatt-hour, the
11 Project is economic with or without the PTC." And,
12 that is consistent with the models that we provided to
13 Deloitte. And, it's consistent with the analysis that
14 they did for this specific Project.

15 A. (Pasqualini) From a financing perspective, I don't care
16 where the flows come from. They're just line items.

17 Q. Okay.

18 A. (Pasqualini) And, whether they be PTCs, cash,
19 separately sold RECs, if you have such a project where
20 RECs and energy are separated, don't care.

21 Q. So, you --

22 A. (Pasqualini) All I care is how much money you make, and
23 what your expenses are, and give me 20 or 25 years, and
24 I'll tell you how much money you can raise against it.

[WITNESS PANEL: Cofelice|Pasqualini]

1 Q. And, that's fair. So, what you're saying today is
2 that, without the PTC, your project will be fine, if
3 you were to get \$90 to \$100 a megawatt-hour in a PPA?

4 A. (Cofelice) Yes. That's what the analysis shows.

5 Q. You do not need the PTC?

6 A. (Pasqualini) At that price.

7 A. (Cofelice) Yes. If we get that price, but we have to
8 get that price.

9 Q. Okay. I just want to point out, in your attachment
10 with regard to the levelized costs of it, of wind at
11 \$96 a megawatt-hour, that is not including the PTC. Do
12 you agree with that?

13 A. (Cofelice) The \$96 levelized price excludes any benefit
14 from the PTC.

15 Q. Correct.

16 MS. BAILEY: Excuse me. Are we delving
17 into any confidential information here?

18 MS. LINOWES: No.

19 WITNESS COFELICE: No, this is the
20 attachment.

21 MS. BAILEY: Okay. Thank you.

22 MS. LINOWES: I don't have any
23 confidential information.

24 BY MS. LINOWES:

1 Q. Okay. So, my last question for you, and then I'll be
2 done. You had stated, and, you know, following up with
3 the comment Mr. Patch made, if a PPA is signed with the
4 State of Rhode Island on this Project, the ratepayers
5 in the State of Rhode Island would be hit with the cost
6 -- the delta between your contract and the price -- of
7 the market price of your energy and RECs, is that
8 correct?

9 A. (Cofelice) Or, they would benefit from the delta,
10 depending on which way the price went.

11 Q. Okay. So, why are you building in New Hampshire? Why
12 are you dumping your wind turbines in New Hampshire?
13 Why not build them in Rhode Island?

14 A. (Cofelice) Well, --

15 MR. PATCH: I just object to the form of
16 the question. "Dumping our wind turbines in New
17 Hampshire" --

18 MS. LINOWES: Okay. I will rephrase.
19 I'll rephrase it. And, this is a line of inquiry that I
20 will go in more detail with Mr. Magnusson.

21 BY MS. LINOWES:

22 Q. But there is a presentation to -- that will be before
23 this Committee that's in the record, that this Project
24 is going to bring economic benefit that will presumably

1 offset any costs, increased costs in energy and other
2 kinds of costs related to it. So, the State of New
3 Hampshire is going to -- the State of Rhode Island will
4 have no corresponding benefit associated with the
5 Project?

6 A. (Cofelice) Yes. Let me -- let me answer the question.
7 Let me just quote to you from the report of the New
8 Hampshire Public Utilities Commission to the New
9 Hampshire General Court dated November 1st, 2011: "The
10 purpose of the New Hampshire RPS", just as an example,
11 "is stated clearly in RSA 362-F:1, to provide fuel
12 diversity not only to New Hampshire, but to the whole
13 New England region as a whole, to lower regional
14 dependence on fossil fuels, to stabilize and lower
15 energy costs, to invest in local renewable energy, in
16 order to benefit the state's economy."

17 It's clear that the state understands,
18 as the State of Massachusetts and the other states
19 understand, that we have a regional market, and that
20 the market as a whole benefits from the development of
21 renewable energy. And, when we were developing the
22 Project, and just to go further, I mean, we have no
23 idea who's going to buy the power. We're short-listed.
24 But the power could be sold to New Hampshire, it could

1 be sold in Massachusetts. The same goes for a project
2 developed in Massachusetts or Rhode Island. It's one
3 market.

4 MS. LINOWES: Okay. Thank you, Mr.
5 Cofelice. Then, I don't really want to get into a debate
6 over whether or not this Project will reduce our reliance
7 on fossil fuels. So, I will end now. Thank you.

8 MS. BAILEY: Thank you. Perfect timing.
9 It's lunchtime, noon. Okay. So, we'll take -- hang on a
10 second.

11 (Ms. Bailey conferring with Atty.
12 Iacopino.)

13 MS. BAILEY: All right. I'm going to
14 allow everybody a whole hour for lunch today, since we're
15 going to 7:00 tonight. So, let's be back here at 1:00,
16 and with Mr. Roth's cross-examination.

17 (Whereupon the lunch recess was taken
18 and this **Morning Session ONLY** ended at
19 12:01 p.m. The hearing to resume in a
20 transcript to be filed **under separate**
21 **cover** so designated as "**Afternoon**
22 **Session ONLY**".)

23
24