

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

DIRECT TESTIMONY OF AMY ROSCHELLE,
SYNAPSE ENERGY ECONOMICS, INC.
ON BEHALF OF
INTERVENORS BARABARA BORN, ET AL.

CASE # 03-1860-E-CS-CN
CASE # 05-1467-E-CN

Application of Longview Power, LLC for a Certificate of Public Convenience and
Necessity Authorizing Construction and Installation of a 500kV Electric Transmission Line and
to satisfy Conditional Siting Certificate for Exempt Wholesale Generating Facility in
Monongalia County, West Virginia

FEBRUARY 20, 2006

I. INTRODUCTION AND SUMMARY

Q. Please state your name, business address, and occupation.

A. My name is Amy Roschelle. I am employed by Synapse Energy Economics, Inc., 22 Pearl Street, Cambridge, Massachusetts, 02139. Synapse Energy Economics is a research and consulting firm specializing in electricity industry regulation, planning, and analysis. Synapse works for a variety of clients, with an emphasis on consumer advocates, regulatory commissions, and environmental advocates.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Intervenors Barbara Born, et al. (Concerned Citizens). Intervenors Born, et al. are concerned with the proposed Longview Power, LLC (Longview) coal plant project (Project) – its economic and environmental impact on Monongalia County residents.

Q. What is the purpose of your testimony?

A. My testimony addresses financial issues related to the Application of Longview for a Siting Certificate for the Project.

Q. Please summarize the results of your review.

A. Longview has not provided adequate information regarding the short and long-term financial viability of the Project. Without such information, it is impossible for Intervenors Born, et al. and the Public Service Commission to make a determination regarding the economic impact of the Project on Monongalia County and residents in the State of West Virginia.

In particular, Longview has not fully satisfied the Commission's conditional requirements for the Siting Certificate, as detailed in its August 27, 2004 Order. Without

1 a more complete picture of financial viability, the Commission cannot determine whether
2 the proposed plant and related transmission line offend the public interest. For this
3 reason, I recommend that the Commission deny Longview of a Siting Certificate for the
4 proposed coal plant.

5 **Q. Please describe how your testimony is organized.**

6 A. My testimony is organized into 3 major topics. Section I, an introduction and summary,
7 is found above. Section II describes my qualifications. Section III discusses the issues
8 and their importance in more detail.

9 **II. WITNESS QUALIFICATIONS**

10 **Q. Please summarize your educational background and professional experience.**

11 A. I hold an MBA in Management Sciences from the MIT Sloan School of Management, a
12 Master of Science in Materials Science and Engineering from UCLA, and a Bachelor of
13 Science in Materials Science and Engineering from the Massachusetts Institute of
14 Technology.

15 From 1997-2000, I worked for the Gillette Company for three years as a Process and
16 Product Engineer. I then went to business school full-time for two years. Thereafter, I
17 worked briefly for a startup company called GreenFuel in an operations role. I then
18 joined the technology transfer arm of the Massachusetts General Hospital, where I
19 focused on technology strategy, grant writing, and product development initiatives. In
20 May 2003, I joined Synapse Energy Economics. Since that date, I have worked on issues
21 relating to economic analysis and environmental impact of technologies and polices,
22 power plant valuation, utility resource planning and portfolio management, financial
23 analysis and cost of equity calculations, evaluation of water use and air emissions of

1 electricity generation, and other topics including marketing/business development,
2 project management, consumer advocacy, and technology strategy within the energy
3 industry.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE A PUBLIC UTILITY**
5 **COMMISSION?**

6 A. Yes. I have testified on financial issues before the California Public Utilities
7 Commission, the Vermont Public Service Board, and the Texas Public Utilities
8 Commission. My complete resume is provided at the end of this testimony.

9 **III. Conditional requirements have not been satisfied**

10 **Q. WHAT DID THE AUGUST 27, 2004 COMMISSION ORDER STATE WITH**
11 **REGARD TO CONDITIONS THAT LONGVIEW MUST SATISFY BEFORE IT**
12 **COULD RECEIVE THE SITING CERTIFICATE FOR THE NEW COAL**
13 **PLANT?**

14 A. The Commission Order stated that Longview's Application for a Siting Certificate for the
15 proposed plant would be granted, subject to the following conditions:

16 I.a. Final detailed plans and specifications as the plant layout and related
17 equipment;

18 I.b. A predictive noise impact study for the Project and a statement as to how
19 noise will be mitigated;

20 I.c. Evidence demonstrating financial viability, such as committed financing and
21 purchase power agreement(s);

22 I.d. Reasonable estimates of the amount of taxes Longview would pay if,
23 hypothetically, Longview constructed and operated the Project in the absence of

1 the Public Documents. The estimates shall be accompanied by an explanation of
2 the assumptions employed in calculating such taxes.

3 **Q. TO DATE, HAS LONGVIEW SATISFIED THESE CONDITIONS?**

4 A. No, and I am particularly concerned with conditional requirement I.c and I.d of the
5 Commission's Order. I believe that in developing the conditional requirements for the
6 Siting Certificate, the Commission intended that Longview would submit clear and
7 comprehensive responses. We have seen neither clear evidence demonstrating financial
8 viability of the proposed plant, nor a comprehensive analysis detailing the amount of
9 property taxes that Longview would be required to pay to Monongalia County in absence
10 of the Payment in Lieu of Taxes (PILOT) agreement.

11 **Q. CAN YOU PROVIDE MORE SPECIFICS ON THE KINDS OF INFORMATION**
12 **THAT THE COMMISSION SHOULD SEE IN ORDER TO PREPARE AN**
13 **INFORMED REVIEW CONCERNING FINANCIAL VIABILITY OF THE**
14 **PROPOSED PLANT?**

15 A. Yes. The following pieces of information are either missing altogether or are outdated:

- 16 • Pro forma financial statements for the Project, detailing projected costs, revenues,
17 and profits of the Project over the next 10-20 years.
- 18 • Updated, unredacted copy of the Longview Market Impact Assessment for
19 GenPower, LLC (last updated December 17, 2003.)
- 20 • Assessments of the expected market prices for the output of the proposed
21 Longview facility that have been prepared by or for GenPower (or Longview)
22 since January 1, 2003.

-
- 1 • Assessments or evaluations of the annual O&M expenditures and the annual fuel
2 prices for the Longview facility that have been prepared by or for GenPower
3 since January 1, 2003.
 - 4 • Assessments of the annual output, production, or capacity factors of the
5 Longview facility that have been prepared by or for GenPower since January 1,
6 2003.
 - 7 • The Assessed value of the Longview facility that have been prepared by or for
8 GenPower using the “market” or “income” approaches to value.
 - 9 • Calculation of property taxes that the Project would make to Monongalia County,
10 WV without the Payment in Lieu of Taxes (PILOT) agreement.
 - 11 • Calculation of property taxes that the Project would have to pay to Pennsylvania
12 (or other potential locations) had the Project been located there instead of in West
13 Virginia.
 - 14 • Evidence that parties will sign purchase power contracts for the output from the
15 Project.
 - 16 • Credit agencies reports and opinions towards Longview regarding the Project.

17 **Q. WHAT HAS LONGVIEW SAID WITH REGARD TO PROVIDING FINANCIAL**
18 **VIABILITY INFORMATION ON OF THE PROPOSED PLANT?**

19 A. In his direct testimony, Robert D.S. Place stated that Longview cannot finalize the
20 Project’s power purchase agreements until the Commission issues all of the final permits
21 for the Project. Instead, Place simply stated that there is “interest” in the Longview
22 project and that the coal plant project will be financially viable, since coal is currently
23 priced more competitively than natural gas. In supplemental testimony, Place also stated

1 that Longview has retained Goldman Sachs and WestLB to help structure the financing
2 of the Project.

3 **Q. ARE THESE ARGUMENTS ENOUGH TO SATISFY THE COMMISSION'S**
4 **CONDITIONAL REQUIREMENTS DEMONSTRATING LONG-TERM**
5 **FINANCIAL VIABILITY OF THE PROPOSED PLANT?**

6 A. No. There is not sufficient evidence to demonstrate that this plant will be financially
7 viable either in the short or long-term. Simply having Goldman Sachs and WestLB Ag as
8 advisors does not ensure that either the Project will get financing, nor that the Project
9 will, financially, be a success over the long-term.

10 **Q. CAN YOU TALK MORE ABOUT THE PROPERTY TAX ISSUE?**

11 A. Yes. The County owns the property on which the proposed plant would be built. The
12 County normally receives tax revenue from all businesses located on County property.
13 Such tax revenue is used to provide basic services to the community. In rebuttal
14 testimony dated April 8, 2004, page 2, representing Longview, Christopher Colbert states
15 that "if the theoretical full burden of West Virginia's current property tax structure were
16 to be imposed on a plant such as this over its first thirty years of operation, it would not
17 be an economically viable investment in today's market place."

18 As a result of this kind of argument, a payment in lieu of taxes (PILOT) agreement has
19 been entered into between Longview and Monongalia County, which would reduce
20 Longview's property taxes by approximately 40-70%.¹

21 **Q. WHY ARE YOU CONCERNED ABOUT THE REDUCED PROPERTY TAX**
22 **PAYMENTS?**

¹ June 3, 2003 Assessment by Rodney A. Pyles, Assessor for Monongalia County.

1 A. Since Longview has not sufficiently demonstrated the economics of the project, there is
2 no way to determine how profitable the plant will be with or without a property tax break.
3 It may very well be that Longview can and should pay full property taxes to Monongalia
4 County. But without a pro forma financial statement for the Project, detailing forecasted
5 costs, revenues, profits, and all associated assumptions, it is near impossible to make this
6 determination.

7 **Q. WHAT WILL HAPPEN IF THE COMMISSION GRANTS THE SITING**
8 **CERTIFICATE WITHOUT A MORE COMPLETE ASSESSMENT OF THE**
9 **FINANCIAL VIABILITY OF THE PLANT?**

10 A. Should the Commission move in this direction, the public would be precluded from any
11 further opportunity to review any project financing arrangements. This would certainly
12 not be in the interest of County residents, particularly with regard to determining if the
13 Project could support paying full property taxes to Monongalia County.

14 **Q. HAVE YOU HAD AN OPPORTUNITY TO EVALUATE THE SUPPLEMENTAL**
15 **TESTIMONY ON FINANCIAL ISSUES THAT WAS FILED BY LONGVIEW ON**
16 **FEBRUARY 16, 2006?**

17 A. No. I have briefly reviewed testimony filed by Eric Batchelder. However, I have not
18 been able to review the pro forma statements or the other financial reports that Longview
19 evidently has prepared for potential investors.

20 **Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?**

21 A. Yes. However, I would like to reserve the right to supplement this testimony when and if
22 Longview provides the financial information that has been requested by the Commission
23 Staff and by Intervenors Born, et al.

Amy Beth Roschelle

Business Consultant
Synapse Energy Economics, Inc.
22 Pearl Street, Cambridge, MA 02139
(617) 661-3248 ext. 227 • fax: (617)-661-0599
www.synapse-energy.com
aroschelle@synapse-energy.com

PROFESSIONAL EXPERIENCE

Synapse Energy Economics, Inc., Cambridge, MA. Business Consultant. May 2003 - Present.
Consulting on economic analysis and environmental impact of technologies and policies, resource planning and portfolio management, financial analysis, evaluation of water use and air emissions of electricity generation, and other topics including marketing/business development, project management, and technology strategy within the energy industry.

Project Topics:

- Financial incentives directed towards specific generation technologies
- Resource planning
- IGCC plants and carbon sequestration
- Mergers and acquisitions
- Control premiums
- Capital structures
- Regulated return on equity
- Weighted average cost of capital
- Best practices in procurement of default electric service
- Portfolio management practices
- Laddering theory and practice
- Auctions and auction strategies
- Generating options
- Financial hedging
- Wind financing
- Relationship between contract durations and contract prices
- Electricity rate trends
- Advanced metering technologies
- Renewables and advanced energy efficiency technologies
- Renewable Portfolio Standards
- Renewable costs and environmental externalities
- Natural gas supply and LNG terminals
- End-user electricity options
- Underground transmission lines
- Health effects of diesel generators
- Health effects of particulate matter
- EPA Modeling assumptions with respect to the Clean Air Act.

Papers:

- “Portfolio Management and the Use of Generation Options and Financial Instruments,” NRRI Journal of Applied Regulation, November 2004.
- “Best Practices in Procurement of Default Electric Service,” Electricity Journal, October 2004.
- “Long-term Power Contracts: The Art of the Deal,” Public Utilities Fortnightly, August 2004.
- “Energy Efficiency: Still a Cost-Effective Resource Option,” prepared for the USAEE/IAEE Conference, Washington, DC July 2004.
- “Strategies for Procuring Residential and Small Commercial Standard Offer Supply in Maine,” April 2004
- “The 2003 Blackout: Solutions That Won't Cost a Fortune,” Electricity Journal, November 2003.
- “FERC's Transmission Pricing Policy: New England Cost Impacts,” October 2003
- “Portfolio Management: How to Procure Electricity Resources to Provide Reliable, Low-Cost, and Efficient Electricity Services to All Retail Customers,” September, 2003
- Panelist on Renewable Technologies, Costs, and Environmental Externalities: Economic Impact Analysis of NJ's Proposed 20% Renewable Portfolio Standard, Rutgers University's Center for Energy, Economic & Environmental Policy, February 2005.

Testimony:

- Assisted in preparation of direct and rebuttal testimony regarding ComEd's Post-2006 Proposal to Implement a Competitive Procurement Process, Filing June 2005.
- Assisted in preparation of direct and rebuttal testimony regarding Ameren's Post-2006 Proposal to Implement a Competitive Procurement Process, Filing June 2005.
- Testified on the behalf of the Gulf Coast Coalition of Cities regarding Centerpoint's ROE and its relation to a competition transition charge, April 2005.
- Testified on the behalf of AARP regarding Central Vermont Public Service's allowed return on equity, November 2004.
- Testified on the behalf of the Union of Concerned Scientists regarding California's Long-term Resource Plans, September 2004.
- Assisted in preparation of direct testimony regarding Texas Centerpoint Stranded Cost True-up Filing, May 2004.
- Assisted in preparation of direct testimony regarding Ohio Market Based Standard Service Offer, April 2004.
- Assisted in preparation of comments on the California Natural Gas Utilities' Phase 1 Proposals regarding natural gas supply, March 2004.
- Assisted in preparation of direct testimony regarding return on equity in regard to Central Vermont Public Service Memorandum of Understanding, November 2003.

Clients: Union of Concerned Scientists, AARP, Massachusetts Audubon Society, Arkansas Public Service Commission, Natural Resource Defense Counsel, CHOKE, Illinois Citizens Utility Board, US Public Interest Research Group, Gulf Coast Coalition of Cities, Ohio Office of Consumer Counsel, Ratepayers for Affordable Clean Energy, US Environmental Protection Agency, Industrial Economics, Reliant Energy, Pennsylvania Office of Consumer Advocate, enXco, Town of Rockingham, New Jersey's Division of Ratepayer Advocate, Massachusetts Office of Attorney General, Connecticut Office of Consumer Counsel, Maine Office of the Public Advocate, New Hampshire Office of Consumer Advocate, Regulatory Assistance Project, Connecticut Towns, Nova Scotia Utility Review Board, PJM Independent System Operator, Tellus Institute, National Association of Regulatory Utility Commissioners, Delaware Public Service Commission, Low Income Energy Affordability Network of Massachusetts, Utah Committee of Consumer Services, Southern California Edison, CPS Energy, City of Austin, Lower Colorado River Authority.

Center for Integration of Medicine and Innovative Technologies, Cambridge, MA. Project Specialist. February – May 2003. Experience with technology strategy, grant writing, and product development. Led effort to raise \$2.5M to fund the tissue engineering initiative at MIT, Draper, and MGH. Evaluated proposals for new medical technologies in terms of potential for long-term patient impact. Coordinated technology implementation plans and progress of currently funded research initiatives.

Greenfuel Corporation, Cambridge, MA. Director of Operations. Summer 2002. Experience raising capital and preparing/implementing business plans. Developed and implemented strategies for venture capital funding and market share growth. Led \$3 million project proposal initiative to fund initial product development. Negotiated all legal and employee issues including incorporation and stock plan incentives. Managed investor/board relationships and coordinated corporate decision-making process.

National Park Service, Washington, DC. Business Plan Initiative Consultant. Summer 2001. Financial analysis, marketing, operations experience. Produced a 40-page business plan detailing funding needs and shortfalls for the most visited park in the National Park Service. Prepared park-wide operational standards to be used as performance management tools. Analyzed \$25 million budget and recommended strategies for efficient resource allocation and alternative funding-source identification. Developed and re-branded park literature for distribution to congressional representatives, outside agencies, the National Park Foundation, and the 20 million annual visitors to the National Mall.

The Gillette Company, Boston, MA
Process Engineer. 1997-2000

Project management and consumer product experience. Managed overall operations of the corporate measurement laboratory to ensure worldwide product standardization. Streamlined product flow by implementing information management system to automatically prioritize, monitor, and analyze test results. Reduced overtime substantially by creating metrics to understand personnel efficiency and machine utilization. Led multidisciplinary Safety, Health, and Environment Team to international standards (ISO) approval.

Product Engineer. Cross-functional team and new product experience. Organized product for distribution to critical marketing consumer-use tests. Insured that product specifications conformed to overall product definition. Partnered with operations team to schedule prototype builds and analyses. Linked Mach3 blade and cartridge engineering teams by attaining hands-on technical expertise in each area.

Siemens AG, KWU, Erlangen, Germany. Researcher, MIT Coop Program. Summer 1992. Nuclear Power Generation Division. Worked in multidisciplinary team to design, test and enhance performance of novel high temperature superconducting materials.

Mobil Solar Energy Corporation, Billerica, MA. Researcher, MIT Coop Program. Summer 1991. Evaluated the process of manufacturing solar cells in an effort to boost process yields. Performed edge strain/strength tests on laser cut cells to determine fracture pattern and process handling sensitivities.

EDUCATION

MIT Sloan School of Management, MBA, Management Sciences, Cambridge, MA, 2002.

University of California, Los Angeles, MS, Materials Science and Engineering, Los Angeles, CA, 1995

Massachusetts Institute of Technology, BS, Materials Science and Engineering, Cambridge, MA, 1993

Resume dated January 2006.