

Schacht & McElroy

Robert M. Schacht
Michael R. McElroy

Attorneys at Law

(401) 351-4100
fax (401) 421-5696

Members of Rhode Island
and Massachusetts Bars

21 Dryden Lane
Post Office Box 6721
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com
McElroyMik@aol.com

December 30, 2005

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

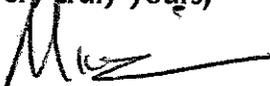
Re: Block Island Power Company
Rate Filing -- Docket No. 3655

Dear Luly:

Enclosed are an original and nine copies of BIPCo's Objection to the Motion of the Town of New Shoreham for summary rejection of BIPCo's Management Compensation filing, or, in the alternative, for an Investigation of BIPCo's Management Compensation Payments and Practices.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:kmc
BIPCo5:Town-Massar034
cc: Service List
BIPCo owners
Walter Edge

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: BLOCK ISLAND POWER COMPANY : DOCKET NO. 3655
COMPLIANCE FILING

OBJECTION OF BLOCK ISLAND POWER COMPANY (BIPCO)
TO THE MOTION OF THE TOWN OF NEW SHOREHAM
REGARDING BIPCO'S COMPLIANCE FILING

On December 12, 2005, in accordance with this Commission's Order and a Stipulation and Settlement signed by the Division, the Town, and BIPCo, BIPCo made a compliance filing that consisted of (1) compliance testimony of Walter E. Edge, Jr., MBA CPA, (2) an analysis of BIPCo's executive compensation prepared by Matthew M. Bodah, Ph.D., (3) the resume of Matthew M. Bodah, Ph.D., and (4) job descriptions for BIPCo's managers. On December 21, 2005, before this Commission had an opportunity to address BIPCo's compliance filing, the Town filed a 15 page Motion. BIPCo hereby objects to the Town's Motion and respectfully asks the Commission to reject it in its entirety.

The Motion continues the Town's pattern throughout this docket of (1) driving up the costs of all parties with frivolous motions, and (2) trying to dictate to the Commission how it should handle this docket. For example, even though a Motion for Summary Disposition is allowed only for a "rate tariff filing" under Rule 1.15(e), the Town asks that BIPCo's compliance filing be "summarily rejected" due to alleged non-compliance with the Commission's Order.

BIPCo's compliance filing speaks for itself. Therefore, we will not go into great detail demonstrating how BIPCo has complied in each and every respect with the Commission's Order. Mr. Edge's compliance testimony, combined with the detailed management compensation report of Dr. Bodah (and the job descriptions prepared by Dr. Bodah) meet all of the Commission's requirements. This Commission knows exactly what it ordered BIPCo to do (and what it did not order) and BIPCo is confident that the Commission will review the compliance filing in due course and agree that BIPCo has supplied all the information the Commission was seeking.

The Town's Motion essentially asks the Commission to reopen the rate case. The Town is inappropriately asking the Commission to expand the scope of the compliance filing well beyond what all parties (and this Commission) agreed to. The Town, after having previously signed off on a Stipulation and Settlement with limited compliance directives, concedes as much when it repeatedly asks this Commission in its Motion to "issue further directives", to "defer payments", to "open an investigation", to "consider fines", etc. The Town's demands go well beyond the Commission's Order and what the Town, BIPCo, and the Division agreed to when they signed the Stipulation and Settlement.

Moreover, the Town's alleged "support" for its demands rests in nothing more than the quicksand of arguments of legal counsel presented in a Motion. The Town has presented no evidence to counter the substantial evidence presented by BIPCo by way of the testimony of Mr. Edge and the report of Dr. Bodah.¹

¹ As only one example of the Town's unsupported and incorrect allegations, on Page 5 of the Town's Motion, the Town claims that Dr. Bodah "made no attempt to find a

The Town's attempt to turn this compliance filing into a second rate case is inappropriate and we respectfully submit that the Town's Motion should be denied.

Respectfully submitted,
Block Island Power Company
By its attorney



Michael R. McElroy, Esq. #2627
Schacht & McElroy
21 Dryden Lane
P.O. Box 6721
Providence, RI 02940-6721
Tel: (401) 351-4100
Fax: (401) 421-5696
E-mail: McElroyMik@aol.com

group of 'comparable' entities in terms of size (number of customers, sales volume, non-fuel revenues)." (Emphasis added) The only conclusion that we can reach from such an allegation is that the Town either did not read Dr. Bodah's report or did not understand Dr. Bodah's report. Dr. Bodah very explicitly considered the size comparability. On Page 10 of Dr. Bodah's report, he explained that the market range he used to establish appropriate salaries is the lowest salary percentile to the 10th percentile by number of customers. For example, as Dr. Bodah stated in his report in Paragraph 3 on Page 10:

"The logic in using the lowest and 10th percentile salaries for the range is that BIPCo's size, as measured by the number of customers, places it in the lowest decile of firms in the regional market. The validity of using the number of customers as a measure is supported by the relatively strong correlation between general manager salary and the number of customers (r. = .71) in the market data." (Emphasis added)

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of December, 2005, I mailed a true copy of the foregoing by first class mail to the following:

Packer & O'Keefe
1220 Kingstown Road
Peace Dale, RI 02883

Alan D. Mandl, Esq.
Mandl & Mandl
c/o Smith & Duggan LLP
Lincoln North
55 Old Bedford Road
Lincoln, MA 01773

William Lueker, Esq.
Attorney General's Office
150 South Main Street
Providence, RI 02903



Kimberly McNulty