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January 28, 2008

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

Re: Block Island Power Company – Docket No 3900

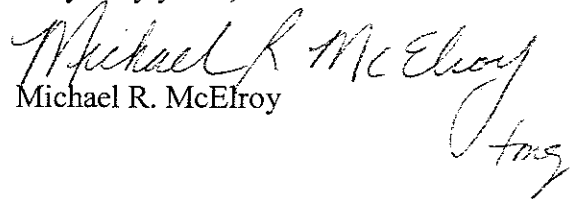
Dear Luly:

As you know, this office represents Block Island Power Company (BIPCo).

Enclosed for filing in this matter are BIPCo's Responses to the 2nd Set of Data Requests for the Town of New Shoreham. An original and nine copies are enclosed.

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

Very truly yours,


Michael R. McElroy

MRMc:tmg
BIPCo9:Massaro7
cc: Service List

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-42 Please confirm that the Company did not seek formal approval from the Division or Commission in advance of or after its consummation of the real estate transaction described on page 2, lines 13-19 of Mr. Edge's pre-filed testimony.

Response: From the time this transaction was being contemplated, BIPCo sought assistance, advice and comment from the Division and maintained close contact with the Division as the transaction was completed. BIPCo addressed all of the Division's concerns.

If by "formal approval", the Town means the opening of a docket and the issuance of orders, then BIPCo did not seek "formal approval" from the Division or the Commission regarding the real estate transaction noted in the question, because no such approvals were required. However, in order to keep the Commission, the Division, the Attorney General, and the Town fully informed, BIPCo made an "Informational Filing" to the Commission and the Division (copy attached) on May 24, 2006. Among other things, this informational filing addressed in detail the following:

1. The financial status of BIPCo at the time of the sale.
2. The status of BIPCo's compliance with RUS ratios.
3. Cash flow problems and equity level.
4. Approvals received from Washington Trust Company and RUS and coordination of the details of the transaction with the Division.
5. How the funds received from the sale would be accounted for and used.
6. How the value of the property and buildings was determined (an appraisal was attached).
7. The buyer of the property.
8. The benefits of the transaction.
9. Closing documents (purchase and sale agreement and HUD-1 settlement sheet were attached).

This document was provided to Merlyn O'Keefe, Esq. and Alan Mandl Esq. who were both legal counsel for the Town at the time. It was also provided to the Town Clerk (by certified mail) and to the Attorney General's Office.

BIPCo received no negative comments from the Division, the Commission or the Attorney General's Office regarding its informational filing.

Prepared by WEE

Schacht & McElroy

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May 24, 2006

Luly Massaro
Clerk
Public Utilities Commission &
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: Block Island Power Company - Informational Filing

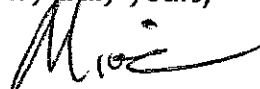
Dear Luly:

As you know, this office represents Block Island Power Company (BIPCo).

Enclosed are an original and 9 copies of an informational filing for distribution to the Public Utilities Commission and the Division of Public Utilities and Carriers. Because no approvals are required for the property transaction outlined in the informational filing, this filing is being made solely to inform the Commission and the Division of this important transaction and its financial impact on BIPCo.

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

Very truly yours,



Michael R. McElroy

MRMc/kmc

BIPCo/Sale-Massaro 1

cc: BIPCo owners
Walter Edge
Paul Roberti, Esq.
Merlyn O'Keefe, Esq.
Alan Mandl, Esq.
Block Island Town Clerk (CMRRR)

**INFORMATIONAL MEMORANDUM
REGARDING
BLOCK ISLAND POWER COMPANY PROPERTY SALE
AND
FINANCIAL UPDATE**

**For
The Rhode Island Division of Public Utilities and Carriers
And
The Public Utilities Commission**

Prepared by

**Walter E. Edge Jr. MBA CPA
President
B&E Consulting LLC**

May 20, 2006

**INFORMATIONAL MEMORANDUM
REGARDING
BLOCK ISLAND POWER COMPANY PROPERTY SALE
AND
FINANCIAL UPDATE**

A number of financial issues were identified in Block Island Power Company's (BIPCo) most recent rate filing Commission Docket # 3655 including:

1. The Rural Utilities Service (RUS) is BIPCo's first mortgage lender. BIPCo did not make its financial ratios as required by its RUS loan documents for the calendar year ended December 31st 2004, and was in danger of missing the RUS financial ratios for the calendar year ended December 31st 2005, if BIPCo did not receive adequate rate relief in Docket # 3655. Failure to make these ratios for two years in a row would have put BIPCo in default of its RUS loans.
2. BIPCo was facing significant cash flow issues coming out of the winter of 2004-2005 (well over \$400,000 of payables) that could not be addressed without a significant infusion of cash.
3. The Division of Public Utilities and Carriers (Division) identified, and the Public Utilities Commission (Commission) agreed, that BIPCo's equity level had declined to an uncomfortable level (83% debt and 17% equity). The Commission in its Order in Docket #3655 encouraged BIPCo "to develop a financial plan to increase the equity level, while still maintaining and upgrading the system."

The following memorandum will address the current status of these financial issues.

Issue 1: RUS Financial Ratios

BIPCo was able to make its financial ratios for the calendar year 2005 as a result of the rate increase allowed by the Commission in Docket # 3655. As a result, BIPCo applied for, and received, a waiver of the quarterly financial statement reporting that had been imposed upon BIPCo when BIPCo missed its December 31st 2004 ratios.

BIPCo is currently working with RUS to obtain a \$600,000 loan for the purchase of a new engine (# 25) and a larger loan for improvements to the distribution system. The \$600,000 RUS loan application was recently filed with the RUS. The larger loan application is in the early planning stage. The actual amount and the timing of the larger loan will depend to a great extent on the financial status of BIPCo (which will be improved significantly by the property sale) and the decisions made by the Integrated Resource Plan (IRP) working group which consists of representatives of BIPCo, the Division, and the Town of New Shoreham.

In order to process the \$600,000 loan application, BIPCo obtained approval of an amendment to its existing RUS work plan to add engine # 25. Further, BIPCo is in the early stages of preparing and submitting a new RUS work plan for distribution system upgrades. As an integral part of this process, BIPCo recently received approval of its new 2006 Power Requirements Study which was prepared by HDR, Inc., the same firm hired by the IRP working group. BIPCo also obtained a short term interest only, unsecured \$600,000 "bridge loan" (at prime plus 1%) from The Washington Trust Company, its second mortgage lender, to pay for engine #25 in anticipation of the \$600,000 RUS "take-out" loan.

Issue 2 and 3: Cash Flow Problem and Equity Level

Initial Action Taken:

Soon after the completion of Docket # 3655, BIPCo began to evaluate its options to improve cash flow and to increase its equity level. The first decision made by management was to continue its efforts to grow equity by not declaring or paying dividends for the FYE May 31st 2006.

Unexpected Additional Costs:

Unfortunately, certain cash flow matters did not work out well for BIPCo in FYE May 31, 2006. In the fall and winter of 2005, BIPCo was faced with much larger than expected costs for engine maintenance needed for engines #22 and #24. In fact, actual engine maintenance cost for FYE 2006 is expected to be at least \$80,000 greater than the amount allowed in Docket #3655 for engine maintenance and SCR costs. This extra maintenance cost exacerbated BIPCo's already bleak cash flow problems. Further, BIPCo was faced with over \$400,000 of invoices that carried forward from the winter of 2004-2005. BIPCo had no funds to pay these invoices. (BIPCo made this point in its rate filing but could not obtain rate relief for unpaid invoices due to the prohibition against retroactive rate-making.)

In addition to the unexpected engine maintenance costs, BIPCo was faced with other unexpected costs that were not included as part of the rate relief received in Docket #3655. These costs included the costs of obtaining the \$600,000 bridge loan from The Washington Trust Company and the monthly interest payments on the loan; the costs of preparing and obtaining approval from RUS of BIPCo's amended work plan to include engine # 25; the costs related to the initial preparation of the new RUS work plan for the distribution upgrade; the cost of a new RUS Power Requirements Study; and the costs of obtaining RUS approval for the eventual \$600,000 take out loan for engine #25 that will pay back The Washington Trust Company.

In order to accomplish these tasks, BIPCo had to complete a multiple year financial projection of revenues and expenses using a RUS financial model; BIPCo had to hire an engineering firm to prepare a 2006 Power Requirements Study and work with that firm to provide the necessary data; and then BIPCo had to get approval of the Power Requirements Study from the RUS. The costs of these very important items further adversely impacted BIPCo's cash flow.

Review of Other Alternatives:

With cash flow getting ever worse, BIPCo was forced to look at more creative avenues of obtaining the funds to pay the outstanding bills and to improve its equity. BIPCo reviewed its assets to determine if there were any assets that were not used in the production of electricity that could be sold to provide much needed cash and, if possible, also provide an infusion of equity into the company.

Communications Tower:

BIPCo first looked to selling the revenue stream from the communications tower leases, but found that, due to the uncertainty of the future revenue stream as a result of mergers in the telephone industry, the amount offered to BIPCo (less than \$450,000 and not in writing) would not solve the problem, and in return, BIPCo would have to give up in excess of \$100,000 per year in current lease revenues. The loss of this significant revenue stream (which was built into the rate projections) would not only hurt cash flow, but would also have required BIPCo to consider filing another rate increase request to replace the lost revenue. This idea was therefore rejected by management.

Rental Property:

Next, BIPCo turned its attention to the rental property at the rear of BIPCo's large parcel of land. (Approximately an acre of land, less than 5% of BIPCo's total land, located next to the tower with a small house and a garage is rented). This property has never been used by BIPCo for the generation of electricity. Further, management believes that there is no foreseeable future need for this property by BIPCo. In fact, this property has been leased for as long as the current owners have owned BIPCo (about 20 years).

The leasehold improvements on the property (the small house and garage) were built at no expense to the ratepayers. Further, the small house had been recently renovated (increasing its value) at the sole expense of the current tenant. Annual rent from these properties was less than \$18,000 per year. BIPCo's management decided to investigate if it could sell the property (including the small house and garage).

Approvals:

1. The Washington Trust Company

BIPCo determined that it would need RUS and The Washington Trust Company approval for the sale and release of liens because RUS (in first position) and The Washington Trust Company (in second position) hold all of BIPCo's property and assets as collateral for BIPCo's outstanding loans. BIPCo decided to start its investigation with Washington Trust to get a feel for what their position would be if BIPCo were to sell this small amount of property at the rear of BIPCo's property. Washington Trust stated that the property sale would be a great idea if the funds from the sale were used exclusively to pay off BIPCo's current debts and improve BIPCo's debt/equity ratio.

Washington Trust felt that the proposed transaction would put them, as a secured creditor, in a stronger financial position. As a result, they would be willing to release their liens on this small portion of BIPCo's property with no payment going to Washington Trust.

2. The RUS

BIPCo then contact RUS to determine what they thought of the proposal. BIPCo found that RUS has a significant number of rules and regulations relating to the sale of assets pledged for RUS loans. After reading the rules it appeared that BIPCo would not need RUS approval to sell the property but BIPCo would need a release of RUS first position liens. In addition, the RUS rules and regulations required that the entire net proceeds from the sale had to be used either to pay down long term debt or be deposited in BIPCo's RUS project account. Funds could only be disbursed from that account with the consent of the RUS.

After further review and many discussions with RUS personnel, BIPCo developed a plan, verbally approved by RUS that would allow BIPCo to address the RUS regulatory requirements. From the beginning, RUS felt that this sale was a good idea for BIPCo and RUS has worked very hard to help BIPCo make it work so that the net proceeds could be used to pay down BIPCo debts.

3. The Division

BIPCo next turned its attention to the Division to determine the Division's position on the proposed sale and to determine if the Division agreed with BIPCo that the transaction would address the Commission and Division concerns relating to cash flow and equity. BIPCo spoke to and met with the Division and explained the proposed transaction and asked the Division for assistance and comments.

The Division was very interested in the fact that the proposed transaction was structured as an arm's length transaction; that the proceeds from the sale would be used to address BIPCo's current debts; and that BIPCo was proposing to leave the net proceeds in the company to improve the debt/equity ratio. (None of the proceeds of the sale will be distributed to BIPCo's owners). The Division was kept updated as the negotiations progressed.

Accessing the Funds:

With the help of RUS personnel, BIPCo determined that monies that would be deposited into BIPCo's RUS project account from the sale of the property could be withdrawn by BIPCo, but only for capital item that were purchased by BIPCo without RUS funds during the past five years. These capital items have to be reviewed and evaluated by RUS to determine if they could be approved, and then added to BIPCo's RUS approved work plan. If approved, these reimbursement items will be identified in the RUS work plan as approved capital expenditures – "no funds provided" (by RUS).

An example of this type of item would be additional monies spent by BIPCo to complete the new \$1.5 million dollar sub-station that cost more than the funds made available from RUS. These additional expenditures could be approved by RUS and added to the work plan (no funds provided). BIPCo could then reimburse itself for these capital expenditures and use the funds to pay current debts. It must be emphasized that all of these funds will be used to reduce debt or pay for capital projects and that none of the funds will be distributed to the owners.

Value of the Property:

BIPCo's managers insisted that the sale must be strictly an arm's length transaction. This was especially important because a possible purchaser was the Estate of Marjorie McGinnes, the late wife of Clifford McGinnes a BIPCo owner.

Therefore, the value of the land and its improvements had to be determined independent of the power company or its owners. BIPCo asked its attorney to retain and supervise a certified appraiser to perform an appraisal of the land and improvements at the rear of the BIPCo property. The appraiser hired was Peter M. Scotti & Associates of Providence. Mr. Scotti and his associate Michael Kern, who did much of the work, are both Members of the Appraisal Institute (MAI), the highest national certification available to real property appraisers. BIPCo identified the buildings and general area of land that it was prepared to sell and then allowed the appraisers to determine the fair market values. The appraisal was completed and the land and improvements were valued at a total of \$855,000 (see the appraisal attached as exhibit 1).

Validation:

In order to confirm that the appraisal was fair and reasonable, the President of BIPCo met with a prominent realtor on Block Island. He showed her the appraisal and asked if she was aware of any possible buyers. She knew of none that would be interested at the appraised price.

Further, she explained that she was aware of similar piece of property on Block Island that has been for sale (at a lower price than the BIPCo appraisal) for a number of months and had not been sold. She stated that the appraisal appeared to be well done and fair. She noted that if BIPCo could find a buyer that was willing to pay the full appraised value, that BIPCo should sell and feel very comfortable that BIPCo got a good deal.

Buyer for the Property:

BIPCo was fortunate to find a motivated buyer for the property (the Estate) that was in the process of completing an I.R.C. Section 1031 like kind exchange that would save the Estate significant tax dollars by buying the BIPCo property at the full appraised value.

Since BIPCo found this buyer before placing the property with a realtor, BIPCo saved the commission on the sale (at 6 percent the commission would have been \$51,300).

Further, the buyer was prepared to do a cash transaction for the property without a financing contingency, and to purchase the property "as is" without the normal environmental testing that would have been mandated by a lender. These considerations made the Estate an ideal candidate for the purchase. A purchase and sale agreement was negotiated between counsel for BIPCo and counsel for the Estate and executed (see Exhibit 2).

As stated earlier, the buyer is the Estate of Marjorie McGinnes. The agent for the Estate's like kind exchange was Connecticut Attorneys Title Insurance Company (CATIC Exchange Solutions, Inc. as qualified intermediary for Marjorie G. McGinnes Estate). Mr. Clifford McGinnes, one of the owners of the power company, was married to Marjorie but neither Marjorie McGinnes nor the Estate ever had any ownership interest in BIPCo or in the property being sold. BIPCo has been advised by its legal counsel that this transaction is not an affiliated transaction under the DPUC statutes and no approval is required from the DPUC or the PUC. However, even though no Division or Commission approvals are required, BIPCo felt that the filing of this informational memorandum would be a good idea to keep the Division and the Commission advised of BIPCo's progress in addressing these important financial issues.

The Estate had previously sold a parcel of land on Block Island. The proceeds from the sale of that land were being held in trust by CATIC, the like kind exchange agent. CATIC paid \$855,000 for the BIPCo property and improvements (see the HUD-1 settlement sheet attached as Exhibit 3). Please note that the property transferred was all of lot 38 and a portion of lot 37 (identified as lot 37B). Because lot 37B needs an administrative subdivision for it to be transferred by deed, that property was transferred via a 99 year lease, while lot 38 was sold outright. If the administrative subdivision is approved, a deed will be substituted for the 99 year lease. The closing was recorded on May 12, 2006, one day before the like kind exchange period expired.

Benefits of the Sale:

The benefits of this sale include the following:

1. BIPCo receives an infusion of up to \$813,800 (subject to the restrictions on reimbursement imposed by RUS). These funds will be used to pay off as many of BIPCo's current payables as possible. Remaining funds that are deemed by RUS to be released from BIPCo's RUS project account that are not needed to pay accounts payable will be used for working capital to help BIPCo get through next winter without amassing a huge list of payables. Any funds that cannot be distributed from the RUS capital account will be used for anticipated distribution upgrades or other capital items. The use of these remaining funds for other capital items would reduce the amount of money BIPCo would have to borrow from RUS.
2. BIPCo will have addressed Division and Commission concerns relating to BIPCo's equity balance. Since the land being sold is on BIPCo's books at a value of less than \$10,000, and per my review the improvements are not on BIPCo's books at all, the net proceeds of this sale (\$813,800) will almost entirely flow to retained earnings and equity. This one time infusion of capital will improve significantly BIPCo's debt to equity ratio to closer to 67% debt and 33% equity.

Please note that in Docket #3655, BIPCo's equity balance was \$863,535 (or \$17.26%). An infusion of \$800,000 should nearly double the equity percentage. Further, it is important to note that BIPCo has a large federal income tax loss carry forward and as such will not have to pay any income taxes on this transaction, thereby allowing the entire balance to pass through to equity.

3. Vendors of BIPCo will be paid. BIPCo has loyal vendors that have waited very patiently, some as long as a year, to get paid for goods and services provided to BIPCo. For example, BIPCo will be able to get current on its payments to the Division for rate case expense, the State of Rhode Island for gross receipts taxes, the Town of New Shoreham for property taxes, and The Washington Trust Company for its line of credit. In general, BIPCo will be able to present to the public a much stronger, more financially sound company.

4. With this sale, BIPCo will be in a much better position to borrow the funds needed to complete BIPCo's necessary distribution system upgrades. Further, BIPCo's management is concerned at this early date (with seven months to go in the calendar year) that BIPCo may have difficulty achieving its RUS ratios at December 31st 2006. The ratios are at two levels, operating ratios and total company profit ratios. This deal will allow BIPCo to easily make the total company profit ratios, and BIPCo believes that RUS will understand and hopefully waive the operating ratio requirements for one year, given the fact that BIPCo made the total company profit ratios. As the year progresses, BIPCo will be evaluating its need for a rate increase to address its operating ratios.

Conclusion:

The sale of this small portion of the property (a little more than an acre leaving BIPCo with 23.5 acres) that was of little value to BIPCo and unused in the production of electricity is very beneficial to BIPCo and its ratepayers. No proceeds will be distributed to BIPCo's owners. All of the proceeds will be distributed from BIPCo's RUS construction project account under the supervision and control of the RUS, and all such payments will benefit the ratepayers at no direct cost to them. BIPCo and its ratepayers end up in a stronger position.

Summary Report of Limited Appraisal

**Mixed-Use Property (Residential/Commercial)
70 Ocean Avenue
New Shoreham, Rhode Island**

**Effective Date
February 23, 2006**

**Report Date
February 23, 2006**

Prepared For

**Block Island Power Company
100 Ocean Avenue
Block Island, Rhode Island 02807**

Prepared By

**Mr. Michael Kern, MAI
Peter M. Scotti & Associates
246 Hope Street
Providence, Rhode Island 02906**

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February 23, 2006

Mr. Albert Casazza
Block Island Power Company
100 Ocean Avenue
Block Island, RI 02807

**RE: Summary Report of Limited Appraisal:
70 Ocean Avenue
New Shoreham, RI**

Dear Mr. Casazza:

At your request, I have inspected and analyzed the referenced property in order to estimate the Market Value of the Fee Simple Interest in the property. The effective date of this appraisal is the date of property inspection, February 23, 2006. The condition upon which the appraisal is based is both "as is" and subject to the division of Lot 37 resulting in the creation of a 30,000 SF lot as improved with the existing 2,358 SF garage. See drawing enclosed.

As of the report date Lot 38, of Plat 17 contains 15,200± SF of land located on the westerly side of Ocean Avenue. The land is improved by a 1.5 story wood frame and wood sided residential dwelling of 912 SF. Lot 37 presently contains 7.5 acres and supports the existing Block Island Power plant. As a condition of this report approximately 30,000 SF of Lot 37 will be subdivided from the larger tract. The two parcels will share a common access road.

Pursuant to your terms of engagement, this is a Summary Report of a Limited Appraisal. The attached Certification, Contingent Assumptions and Limiting Conditions and Special Limiting Conditions, if any are integral to this report.

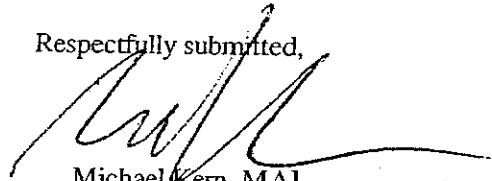
Based upon the analyses and conclusions contained herein, our appraisal files and subject to the limiting conditions and assumptions noted, it is the opinion of the undersigned that the estimated Market Value of the Fee Simple Interest in Lot 38, of Plat 17 as of the effective date of this appraisal is:

Three Hundred Eighty Thousand (\$380,000) - Dollars

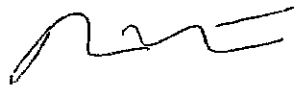
It is also our opinion that the Market Value of the Fee Simple Interest in the newly created lot of 30,000 SF with the existing service garage is:

Four Hundred Seventy-Five Thousand (\$475,000) - Dollars

Respectfully submitted,



Michael Kern, MAI
Senior Commercial Appraiser
Rhode Island License #A00213G



Peter M. Scotti, MAI
Review Appraiser
Rhode Island License #A00110G

Certification

1. Michael Kern, MAI inspected the subject property on February 23, 2006. Peter M. Scotti, MAI did not inspect the property.
2. We have no present or contemplated future interest in the subject property.
3. We have no personal interest or bias with respect to the subject of this report or the parties involved.
4. Our fee is not contingent upon reporting a predetermined value or upon the amount of the value estimated.
5. This report sets forth all of the special and limiting conditions affecting its analyses, opinions and conclusions.
6. No one other than the undersigned performed the analyses, conclusions and opinions set forth herein.
7. This Limited Appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
8. To the best of our knowledge, statements of fact contained herein are true and correct.
9. As of the date of this report Peter M. Scotti, MAI and Michael Kern, MAI have completed the requirements of the Continuing Education Program of the Appraisal Institute.
10. This Summary Report of Limited Appraisal has been prepared in compliance with the Appraisal Institute's Standards of Professional Practice and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. It is subject to review by members and designates of the Appraisal Institute.

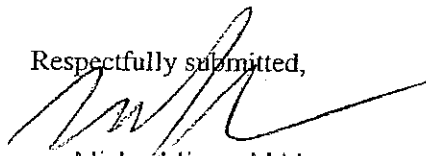
Based upon the analyses and conclusions contained herein, our appraisal files and subject to the limiting conditions and assumptions noted, it is the opinion of the undersigned that the estimated Market Value of the Fee Simple Interest in Lot 38, of Plat 17 as of the effective date of this appraisal is:

Three Hundred Eighty Thousand (\$380,000) - Dollars

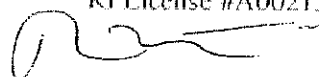
It is also our opinion that the Market Value of the Fee Simple Interest in the newly created parcel of 1,000 SF which is improved with the service garage is:

Four Hundred Seventy-Five Thousand (\$475,000) - Dollars

Respectfully submitted,



Michael Kern, MAI
RI License #A00213G



Peter M. Scotti, MAI
RI License #A00110G

Extraordinary Assumption

This appraisal specifically excludes consideration for the expense of removing debris and materials stored about the property which in the opinion of the appraiser have a negative affect on the appearance and therefore the value of the property. This appraisal also excludes consideration for any costs necessitated to remediate environmental conditions at the property. The owner reports that there may have been leakage of underground oil storage tanks on the abutting Lot 37 which could have migrated toward the subject property. This appraisal also excludes any costs associated with the subdivision of Lot 37. Lastly, this appraisal assumes that the subdivision of Lot 37 is granted without condition and that the newly created 30,000 SF lot will be permitted as a stand alone parcel.

Advisory

The client may wish to retain professional counsel regarding fields outside the scope of this appraisal and the expertise of the appraiser such issues include environmental sciences, flood hazard, wetlands, geology, hydrology, engineering, surveyal and legal matters (particularly ADA, zoning, building and fire code, title and restrictions).

Appendix

The reader is urged to study the appendix. It contains information integral to this report including legal description, Contingent Assumptions and Limiting Conditions, Competency Rule, definitions of Appraised Interest and Market Value, appraisers' qualifications, et cetera.

Effective Date of Appraisal

The effective date of this Limited Appraisal is February 23, 2006. The date of the report is also February 23, 2006.

Identification of the Real Estate

The subject property was identified (by the client) as Lot 38, of Plat 17 of the Tax Assessor's Plat Maps of the Town of Block Island or New Shoreham, Rhode Island. The property is assessed to Block Island Power Company, Inc. However, in addition to the 15,000± SF of Lot 38 this appraisal includes approximately 30,000± SF from Lot 37.

Based on a legal description recorded with a mortgage as found on Page 47, of Book 239 of the Land Evidence Records of Block Island the parcel identified as "Parcel IV" shows a direct correlation with Lot 38, of Plat 17. The additional land being subdivided from Lot 37 is a portion of that which is described as "Parcel II on the referenced legal description. The particular portion of the land subdivided from the parcel is described Exhibit "A". A copy of each of these legal descriptions can be found in the addenda.

There is no personal property, business or business equipment addressed in this appraisal. This appraisal values only the real property identified above.

Interest Appraised

This report values the Fee Simple Interest (as defined in the Appendix). However the client has indicated that a proposed conveyance of both parcels to an officer of Block Island Power may in-fact be made via a 99 year lease with purchase option. Although a 99 year lease is generally commensurate (at the outset) with a Fee Simple conveyance it may be that potential purchasers of the property will be less comfortable with such a transfer and as such a small discount may be applicable.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the Market Value of the Fee Simple Interest in the stated property. The function of this appraisal is to provide a value estimate to the client, Block Island Power Co., Inc so that they may analyze the property for financial considerations. The condition upon which the appraisal is being made is under the extraordinary assumptions reported earlier.

The intended use of the appraisal is to provide a value estimate to the client for financial considerations. The intended users of this appraisal are the client and those other appropriate users.

Scope of Appraisal

This is a Summary Report of a Limited Appraisal as described by USPAP. A Limited Appraisal relies on only one approach to value. A Summary Report concisely presents the data utilized and the analyses made. The scope of this appraisal and report is judged not so limited in scope as to mislead or confuse the intended users.

The Scope of this appraisal includes:

- The property's inspection on February 23, 2006.
- Research and collection of property and market data from local government records and other sources deemed reliable.
- Research and collection of data to satisfactorily apply the Sales Comparison and Cost Approaches to value.
- Value conclusion and preparation of this report.

The Scope of this appraisal does not include:

- Review, analysis and investigation of environmental conditions of any kind.
- Review of plans, specifications or surveys.
- Analysis of assessment and taxes.
- Zoning analysis.
- Application of the Income Approach to value.

Identification of Departures from Specific Appraisal Guidelines;

Because of the foregoing limitations, the appraiser acknowledges departure from the Specific Guidelines and/or requirements of the USPAP, in particular:

- SR 1-4b: Only two valuation approaches have been relied upon.
- SR 1-4g: A new and specifically tailored market analysis has not been made. The scope of the analysis is limited to updating previously researched information.

Block Island Power Company (the client) agrees that a Limited Summary Report is appropriate for this assignment. Furthermore, the client is aware of the lower level of reliability and the limitations that are inherent in a Limited Appraisal.

Exposure Time

It is estimated that to achieve the estimated Market Values, as derived herein an exposure time of about three months (individually) would have been necessary to achieve a sale. A similar estimate is predicted for a marketing time as of the effective date.

Ownership and Sale History

Investigation at the Block Island Town Clerk's Office indicates that there has been no recent sale involving property that is the subject of this appraisal. The client reports that the property is not being actively marketed and there are no offers to purchase or lease being considered. An officer of Block Island Power Company is apparently interested in acquiring the property but no monetary amounts have been discussed or established.

Location Summary

United States

The national economy continues to grow. For the second quarter of 2005 gross domestic product, GDP expanded at an annual rate of 3.4%; slightly less than the 3.5% of the first quarter and considerably less than the record 8.2% for much of the last half of 2003. The Dow Jones industrial average hovers around the 10,500 mark and unemployment which had been over 6.0% for much of the first half of the decade is currently 5.0%. Over the last three years the national labor force expanded at an annualized rate of 1.2%. Personal income is up about 7% over 2004 estimates and despite concern regarding the \$200 billion needed to continue the war in Iraq and repair devastation from hurricanes in the south consumer confidence remains high.

The consumer lead recovery was fueled by a major tax rebate and very low costs for capital. Recent efforts by the Federal Reserve to control inflation however have resulted in numerous increases in the federal funds rate to the present 5.00%. The prime lending rate is now 7.25% and the average rate for a thirty year residential mortgage continues to hover in the range of 6.5%.

Unfortunately with major increases in the cost of energy and building materials the overall increase in the consumer price index was 2.8%. Home price inflation as measured from the conventional home price index increased 9.6% over 2004 estimates and total sales for 2004 was just over 7.0 million units.

The population of the United States increased by approximately 2.5% (2000 to 2002) to 290 million people. The number of housing units increased by a similar percentage over this same period. Favorable financing has fueled residential home building across the country with housing starts at a record 1.96 million (annualized) for October 2003 the highest rate since 1986. The median sale price of an existing single family home reached \$206,000 for 2004.

As a result of the expanding economy and an increase in personal wealth the market for all types of real estate especially non-business, income producing real estate has been quite strong in most markets. According to the National Association of Realtors (NAR) the commercial real estate market is very strong and vacancy rates are expected to decline in all four major sectors of the market.

In the 57 markets which NAR tracks office vacancy is expected to decline to 14.2% for 2005 and rentals are expected to increase by 2.8%. In the retail market, the NAR projects a vacancy of 6.5% which is slightly improved over the 7.5% of last year but which reflects many store closings as a result of merger activity.

In the industrial market the NAR projects a vacancy of 10.4%, down only 50 basis points from the 10.9% of a year earlier. In the multifamily net absorption is projected at 238,600 which is slightly less than the 264,300 in 2004 but much greater than the 159,400 units in 2003.

New England

Buoyed by advances made in several New England states including Maine and Rhode Island the regional economy remains fairly strong. Initial claims for unemployment are lower than a year ago and all the New England states have reported increases in net employment over 2004 data. Merchandise exports from the region have grown and coincident indexes which measure economic activity show continued improvement. Through the summer of 2005 the regional unemployment remains less than 5.0%.

Residential real estate remains very strong despite a decline in residential construction contracts for most states and the region. Housing permits are also on the decline in many states but the region total has increased modestly. Analysis of the Conventional Mortgage Home Price Index, formerly titled the Repeat Sales Home Price Index reveals increases of 12% to nearly 18% over previous year estimates and an overall regional increase of 13.4%.

Unfortunately with the increase in the price of crude oil and natural gas the typical New England homeowner is expected to pay an additional \$527 for the 2005 heating season. Also, commercial and industrial electricity sales have recently begun to decrease in many states but on a regional level appear stable.

Overall, the New England economy remains strong but relies heavily on natural resources and support for infrastructure from the federal government. Such support may be curtailed due to an increasing budget deficit. Federal programs may also be jeopardized.

Rhode Island

Rhode Island is located on the Interstate 95 corridor between New York and Boston. Other principal infrastructure includes passenger rail service provided by Amtrak RR and the Ports of Providence and Quonset Point. The recently renovated T. F. Green Airport is enjoying significant success and has become the third most utilized airport in the region. Recent reports from the State Airport Corporation indicate that passenger volume at the airport has reached an all time high of five million.

There are 39 communities in the State and the 2002 estimate of population is 1,069,725.¹ This estimate presents a small but significant increase over the 2000 Census estimate and planners' project continued increases through 2030.

Like the national economy the composition of the workforce is very similar with a majority of the 500,000± labor force employed in the service sector, (education health and social services) followed by manufacturing, ±82,000 and then retail. Over the last ten years the labor force has only increased by about 4,000 or less than one percent. The seasonally adjusted unemployment rate for July 2005 was 5.1%. Per capita personal income increased by about 11% over the ten year period beginning 1990 but the median family income only increased by 3.3%, to \$52,781.

Since 1990 the total number of housing units increased by 6.1% to 439,837 and of that estimate single family development lead the way with a 10.2% increase to 241,202 units. The median sale price for a single-family home in the state has been increasing steadily from less than \$125,000 in 1990 to \$156,000 in 2001 to \$285,000 in 2005.

¹ Office of Statewide Planning

Fortunately, favorable financing has resulted in the median monthly mortgage payment increasing by only \$300, to \$1,205 per month. The 2000 Census also reports a drop in the median monthly rent of 11.9% from \$628 in 1990 to \$553 in 2000. However, the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) reports that over the last four years the average rental for a two bedroom apartment has actually increased 39% to \$854/month. RIHMFC reports that a yearly rental should not exceed 30% of a person's annual income. [This implies a minimum annual income of ±\$34,000 to support the average rental.]

Residential building permits have remained fairly level over the last four years, about 2,200 per year with the exception of multi-family permits which doubled for 2003. Land available for new development is scarce and prices are high. Communities which had moratoriums on new building or quotas have recently begun to accept applications for new permits.

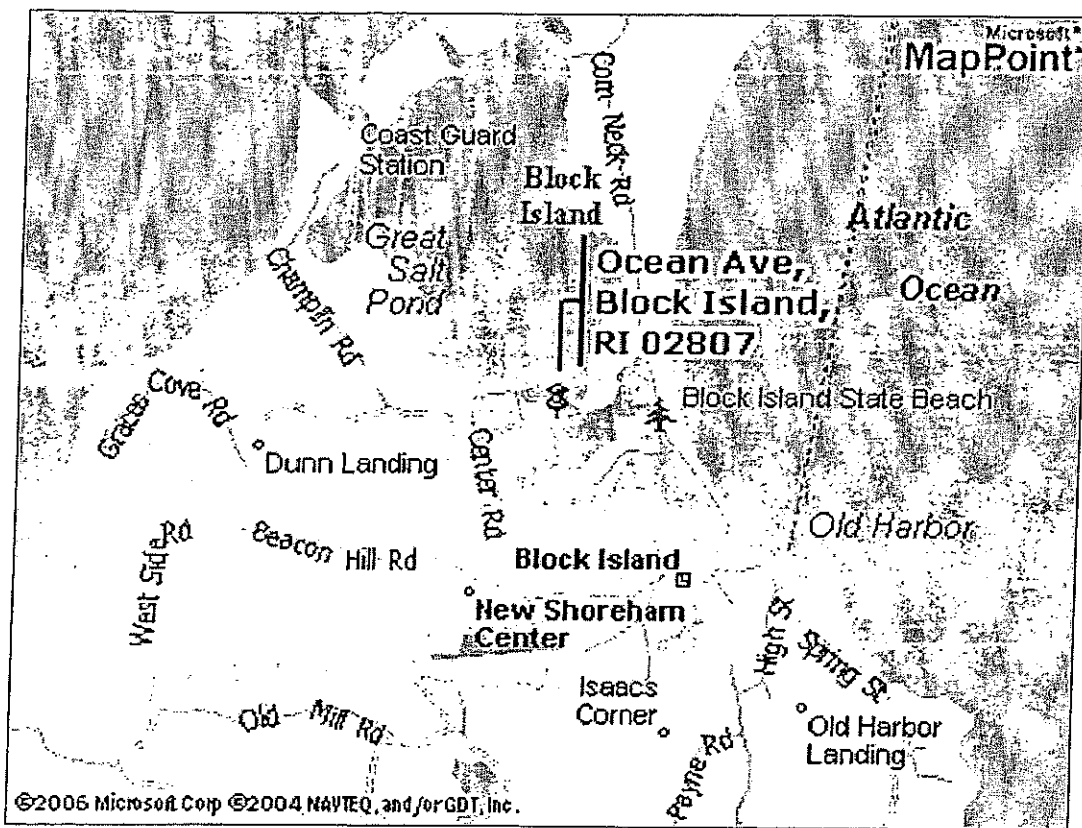
Conclusions, Rhode Island

Overall, the demographic profile of the State of Rhode Island very much resembles that of the nation as evidenced in the table that follows. Over the last several years the local economy performed at least as well as the national economy but few expect this performance to continue.

University of Rhode Island professor and local economist Len Lardaro tracks the state economy working with an index of 12 leading economic indicators. For June 2005 the Current Conditions Index (CCI) was a very positive 92. A number of greater than 50 indicates that the economy is in a state of expansion, a number of less than 50 signals contraction.

2004 data	U.S.	R.I.
Median HH Income, yr.	\$44,684	\$48,772
Median Family Income, yr.	\$53,692	\$58,978
Per Capita Income, yr.	\$24,020	\$25,087
Population Below Poverty Level, %	13.1	12.8
Disposable Income, yr. (2000)	\$23,233	\$23,425
Median Age, years	36.2	36.7
Average HH Size, persons	2.60	2.47
Average Family Size, persons	3.18	3.07
% High School Completion	83.9	82.8
% With 4 Year Degree	27.0	28.1

Location Map



New Shoreham

New Shoreham, also referred to as Block Island is a 10± square mile island located about five miles south of the Rhode Island coastline. The year round population of the island is about 1,010 (2000 Census) making it the least most populated community in the state. However, the island is a very popular tourist destination so the seasonal population can grow as high as 20,000. Primary access to and from the island is by Interstate Navigation's Ferry Service which sails from Old Harbor daily. The town does maintain a state airport and air traffic has increased significantly over the years. A second ferry service has also begun operating from New Harbor.

Neither of the two principal harbors is a natural harbor, both were created in the late 1880's and both require routine maintenance in order to maintain the navigable waters. By comparison, Old Harbor is slightly more advantageous for ferry operators as there is greater water depth and speed limitations in New Harbor negate its more attractive proximity to the mainland.

Just about all the freight and automotive shipments are made by way of Interstate Navigation's Old Harbor terminal which has the facility and capability of accommodating commercial traffic as well as passenger travel. The new ferry service provides only passenger service.

As of April 2000 there were 1,606 housing units in the Town of New Shoreham representing an increase of over 25% from the 1990 estimate. Such an increase probably represents the largest increase of any community in the state but given its size and recent attraction is reasonable. Of the total estimate almost 70% are seasonal homes.

Primary entertainment and food and beverage service is located within the Old Harbor District but New Harbor also has some restaurants and the like. There are several public beaches on the island including Crescent Beach which is located just north of Old Harbor. The island has a very functional roadway system and motor vehicles are the primary source of transportation.

The community produces about 800 year round employment positions of which a majority can be found in the construction trade. Obviously the demand for hospitality type work increases significantly in the summer months. The most recent estimate of unemployment is less than 5%. According to the 2000 census the median household income is \$44,779 per year and the median family income is \$59,844/year.

The Multiple Listing Service, MLS of Rhode Island has no report of the median sale price of homes in this community but Census Bureau information indicates that the median *value* of homes was \$479,300 in 2000. This estimate is probably the highest in the state and represents the significant influence of outside participants in this market.

Overall New Shoreham is a very attractive summer resort community that obviously entertains a population that is much greater than the state in which it is a part. Presently the community is in a state of unprecedented expansion and vitality but like all resort communities this could prove temporary under certain economic conditions.

Old Harbor District

The subject property is located northwest of the Old Harbor District of the island. Old Harbor is the most intensely developed commercial district on the island and the principal destination for retail and service goods. It is also the principal location for most hospitality related services including lodging and food and beverage establishments. Principal access to the district is from Interstate Navigation's Ferry Service on Water Street or the state airport which is about .25 mile away. The recently begun hi-speed ferry service from Point Judith to New Harbor stops at Champlins Wharf which is about .5 mile northwest of Old Harbor.

Located between Water Street and Adrian House Lane is a 44,000± SF commercial parcel that was recently (2004) acquired by the Block Island Sewer Commission for \$800,000 or nearly \$20.00/SF. A mixed-use building containing a hardware store and residential dwelling over on West Side Road also sold in 2004 for \$600,500. The latter may have been a distressed transaction. Other than these sales there have been few commercial property transactions on the island.

Property Description

Site, Lot 38

Lot 38 consists of one generally rectangular shaped parcel of land located off the westerly side of Ocean Avenue in the Old Harbor District of the Town of Block Island. The parcel presently contains 15,200± SF but has no frontage on Ocean Avenue. The dimensions of the property are basically 140 linear feet by 115 LF. Access to the property is from a non-designated ROW or easement over the abutting Lot 37 which provides access to Ocean Avenue. It is assumed for purposes of this appraisal and report that the ROW will be dedicated and recorded with the town clerk.

The parcel is slightly below the grade of Ocean Avenue and generally irregular with regard to topography. The parcel abuts wetlands to the southwest and west and Lot 37 to the east and northeast.

Site drainage appears adequate and soil conditions are assumed supportive of conventional community type development as evidenced by improvements to the site and surrounding property.

Off Site Improvements

Off site improvements include some overhead street lighting. At the point of the subject property Ocean Avenue is an asphalt paved municipal roadway.

Utilities

The building site is reportedly connected to municipal sewer and though water is available to the property it is currently served by well. Other available utilities include electricity and telephone.

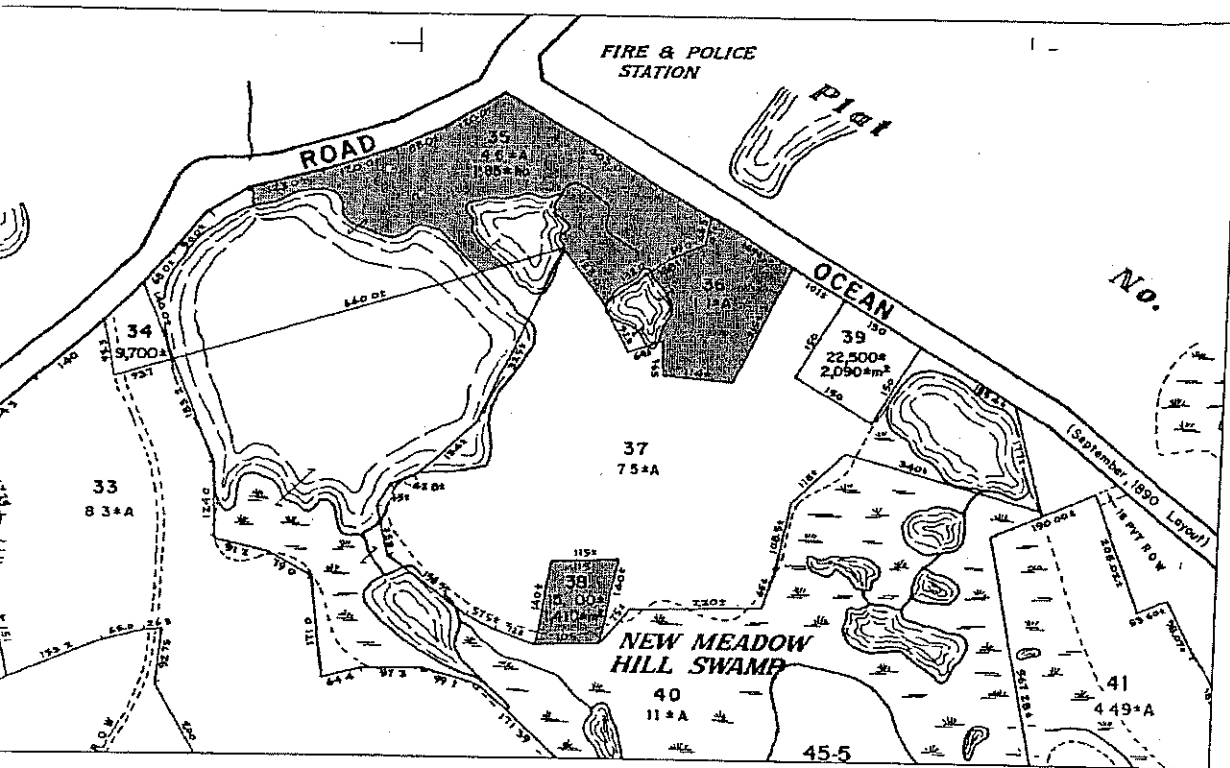
Site Improvements

The site has few improvements other than the buildings. Landscaping is minimal.

Conclusions, Site

Overall, the site is typical to the many commercial and residential sites located about the island. However, from the residential point of view the abutting utility operated on Lot 37 is considered a negative influence. And from the commercial perspective the lack of frontage on a municipal roadway could be a negative attribute.

Applicable Portion of Plat Map



New Lot, a portion of Lot 37

Approximately 30,000 SF of land bordering Lot 38 to the north and east will be subdivided from Lot 37. The new lot will have an elliptical shape similar to that found on the drawing that follows. The parcel will have no frontage on Ocean Avenue and access to the property will be from the same designated ROW or easement utilized by Lot 38. The easement or ROW crosses lot 37 and provides access to Ocean Avenue.

The new lot will likely contain some wetlands but unfortunately no definitive conclusion can be made in this regard.

Off Site Improvements

Off site improvements include some overhead street lighting. At the point of the subject property Ocean Avenue is an asphalt paved municipal roadway.

Utilities

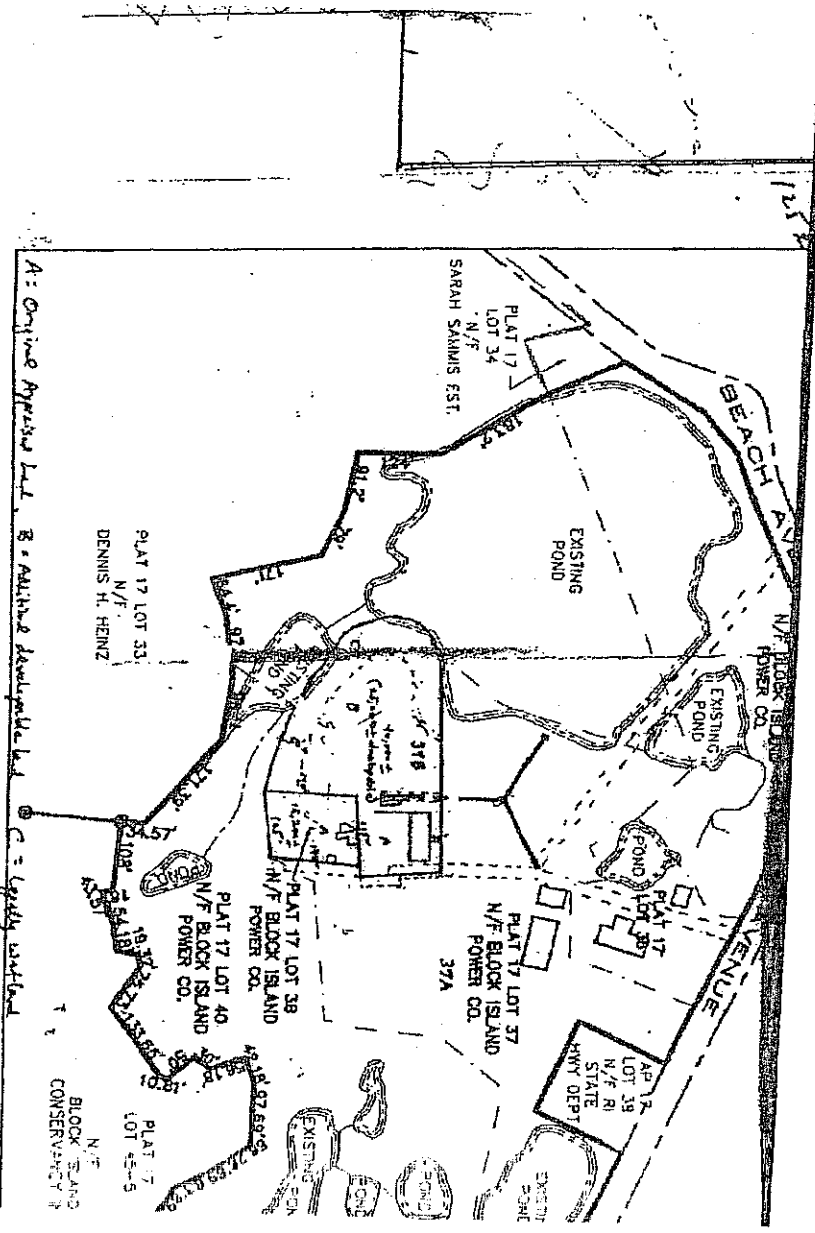
The new lot is assumed to have access to the same utilities as Lot 38 which include municipal sewer and water. Other available utilities include electricity and telephone.

Site Improvements

The lot has few improvements other than the building. Landscaping is minimal. There is a guy anchor located adjacent to the service garage that is likely to require an easement. The guy supports a 250' communications tower located east of this property.

Conclusions, Site

Overall, the newly created lot is typical in size to the many commercial and residential sites located about the island but the influence of the electric plant and communications tower could be viewed as negative influences for certain uses including residential. And in the event that the tower falls it will likely impact the property in some capacity.



OVERALL SITE PLAN

SCALE 1"=200'

EXHIBIT A1

Building Improvement (Lot 38) House

The site is improved by a one and one half story wood frame and wood sided residential dwelling that was constructed over a partial basement, circa 1940. The owner has divided the living area into two residential units but the Tax Assessor's records indicate that it is a single family house and it is upon this basis that the property is valued. The exterior of the structure is natural wood shingle. Incorporated into the walls are wood, double hung windows. The gable style roof is covered with asphalt shingles. There is a 200± SF wood deck located off the north wall. Access to the rubble constructed basement is available only from a wood bulkhead.

The interior of the structure is apportioned into about five total rooms, with two full baths and one full kitchen. There is a second kitchenette type area located on the second floor but this is probably not legal and therefore not considered. The interior finish consists of sheetrock walls and ceiling that are taped and painted and either carpeting or vinyl tile floors. The first floor kitchen is improved with new cabinetry and the bath fixtures are relatively new.

The house has reportedly been improved with new wiring and there is new 100 ampere service providing electricity to the building. Heat is provided by a natural gas fired forced hot air furnace.

Overall, the building is in fair to average condition and requires attention to exterior repairs including rotted sills, painting and repair or replacement of the deck. From a functional perspective the building offers average utility for a single family residence. Based upon this analysis of the property and market the estimated effective age of this property is ±18 years.

Building Improvement (Lot 37) Garage

The newly created lot is improved by a one story steel and wood frame service type garage that was built on a slab, circa 1975. The four bay garage with shed type addition is presently leased to two separate entities one an automotive repair operation and the other for storage.

The exterior of the structure is natural wood shingle or Texture 1-11 which is not painted. Incorporated into the west wall are five overhead doors and one personnel door, all at grade. The exterior wall height is about 16 feet. The roof is covered by asphalt shingles. The structure actually appears to have been built into the hillside as the east wall of the structure is much shorter than the 12 foot west wall.

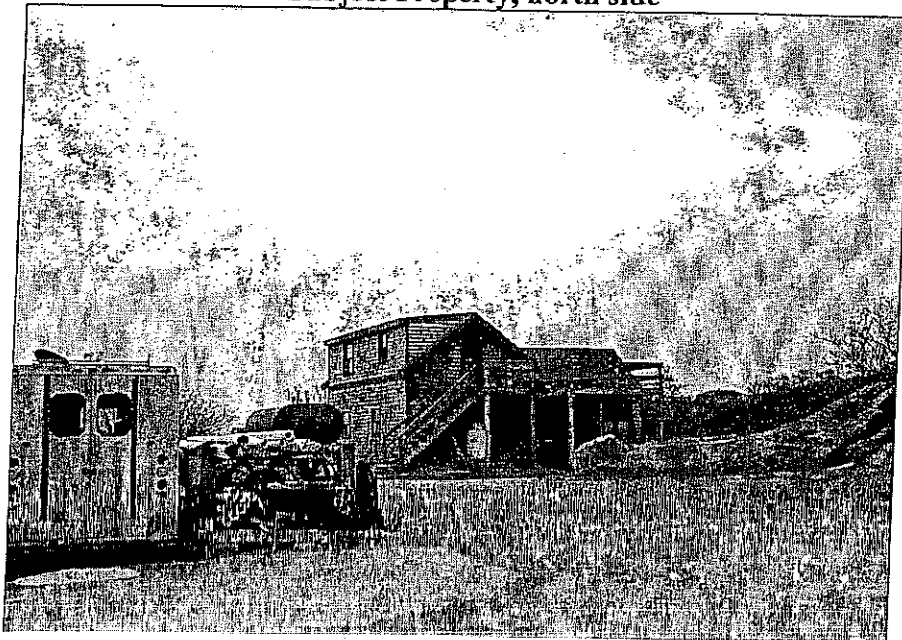
The interior of the structure is apportioned into four large bays suitable for the accommodation of automobiles or small trucks. The floors are concrete and most of the walls are exposed insulation. There is no plumbing in the building but it does have electricity and heat.

Overall, the building is in fair to average condition and requires just routine maintenance such as repairs to several of the overhead doors and replacement of rotted wood trim. From a functional perspective the building offers fair utility for a service garage but probably average utility for a storage use. Based upon this analysis of the property and market the estimated effective age of this property is 14± years.

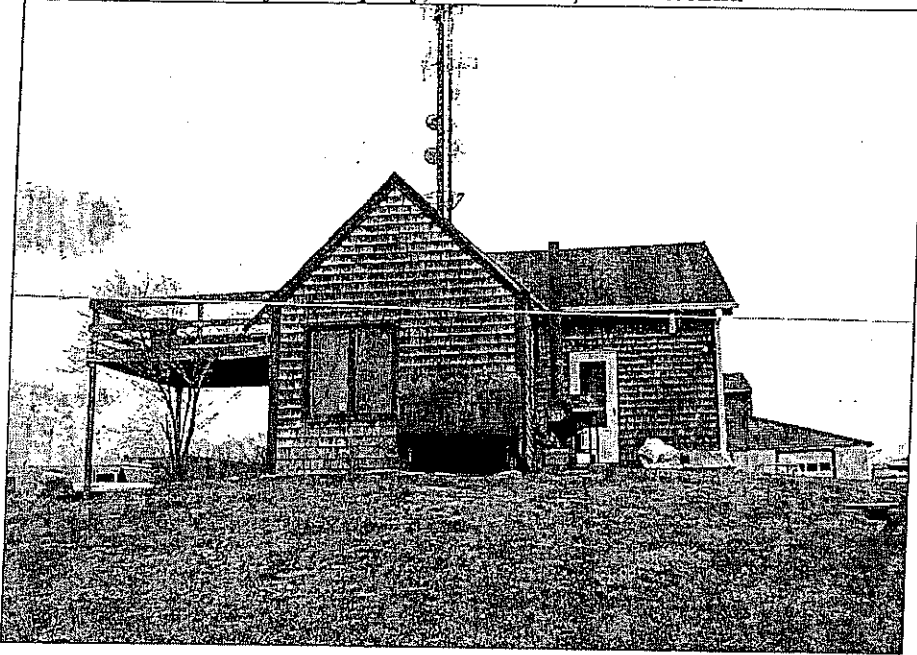
Subject Property, Lot 38



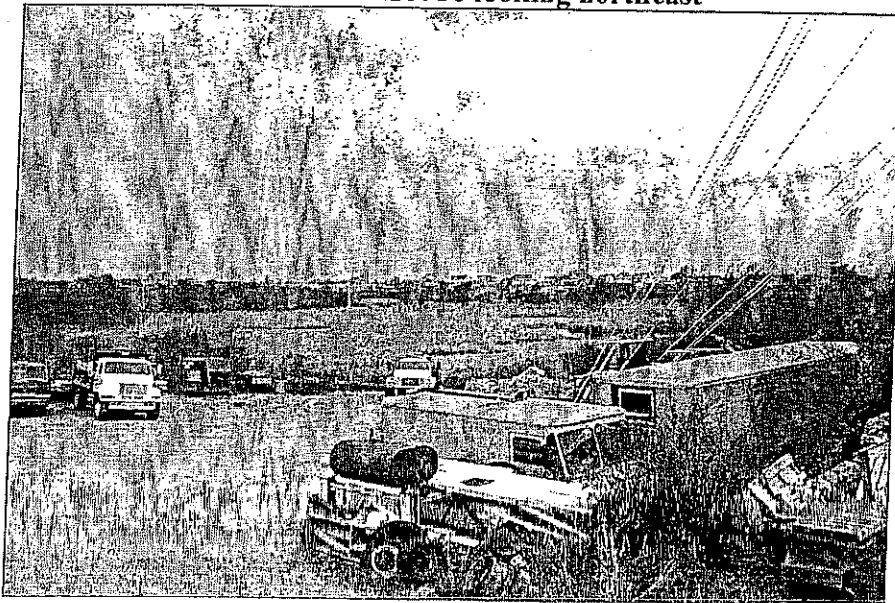
Subject Property, north side



Subject Property, Lot 38 rear, note antenna



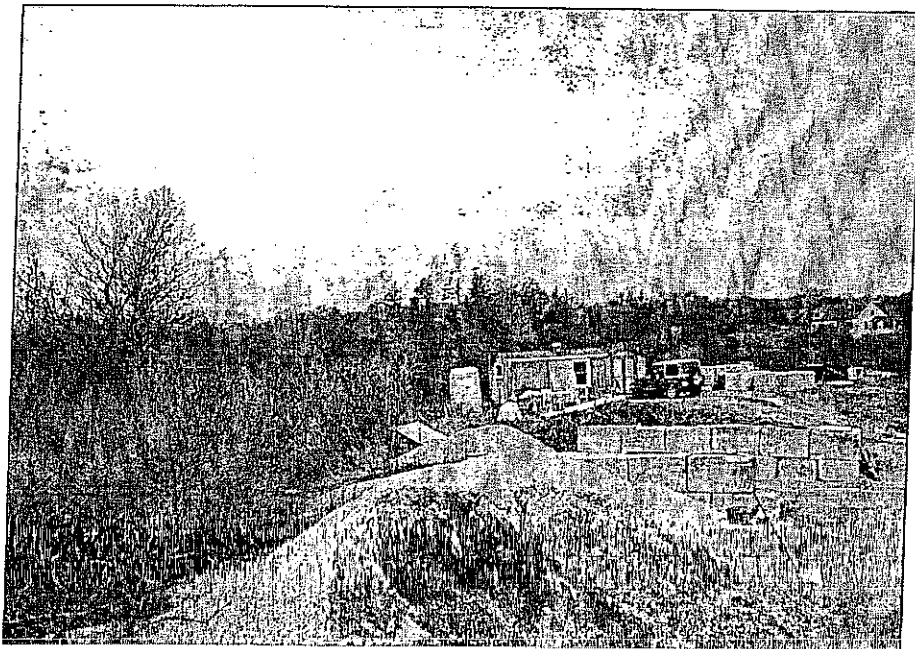
View from Lot 38 looking northeast



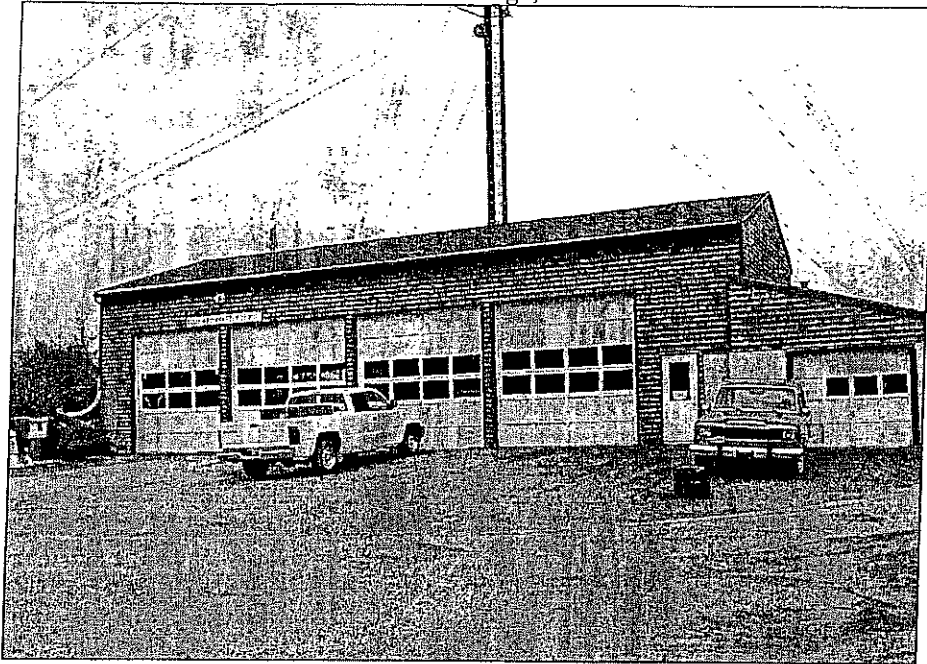
View from Lot 38 looking west



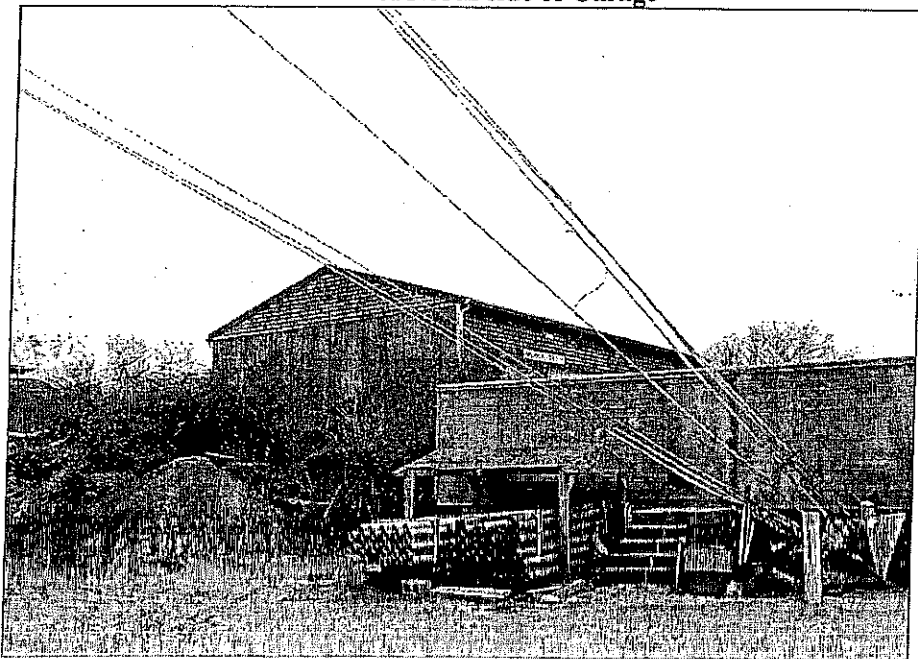
View from Lot 38 looking north



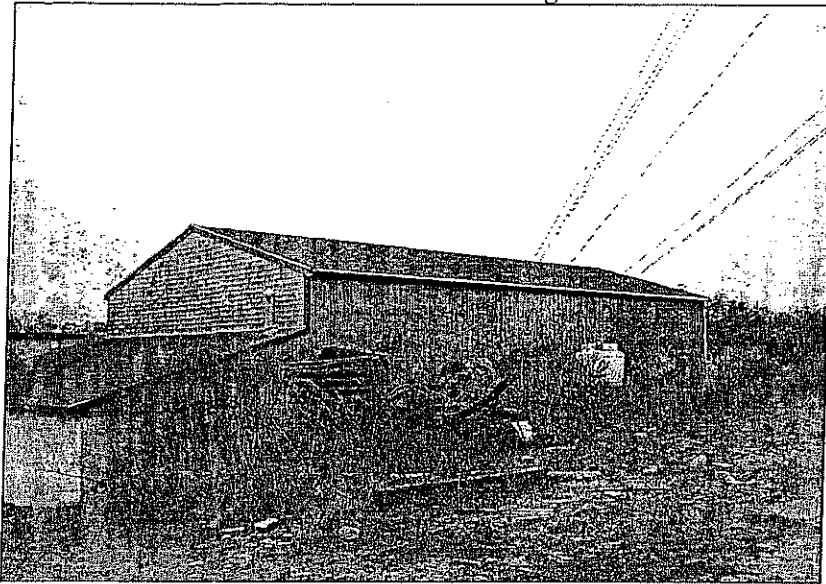
View of Garage, new lot



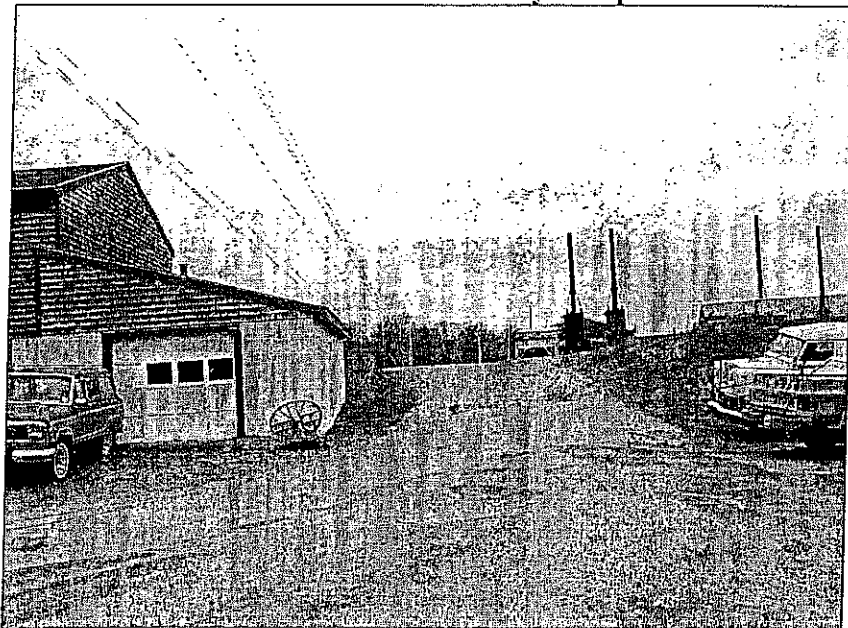
View of North side of Garage



View of Rear of Garage



View of Access to be shared by both parcels



Environmental

It was reported to the appraiser that there are environmental concerns on Lot 37 resulting from leaks detected in petroleum storage tanks. Obviously such leakage has the potential to migrate to the subject property and the new lot and may already have done so. Therefore, the appraiser strongly suggests that an environmental assessment be made of the subject property to determine its status and condition. This valuation and report does not consider the impact, if any, which may result from an adverse environmental report of the property.

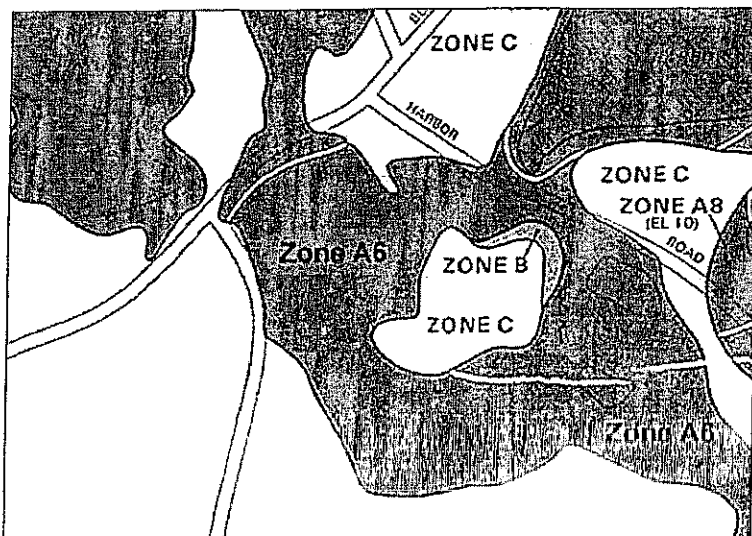
Restrictions, Easements and Encroachments

The subject property (both parcels) will be accessed by a right of way, ROW to be created over Lot 37. Presently there is a partially paved road serving as the primary access to both parcels.

The newly created lot also supports one of the guy wires for the antenna located on Lot 37. This will require the creation of an easement to secure the continued use, as such. This easement will negatively affect the property both aesthetically and physically.

Flood Zone

According to a review of Community Panel #440036-0004D, of the National Flood Insurance Rate Maps, which Map is dated September 30, 1995, it appears that most of the property (both parcels) falls on an island of land zoned "C". Zones designated "C" are not susceptible to flooding and flood insurance is not required in these areas. A copy of the applicable portion of this map follows. Note that only an engineer can determine exactly where the bounds of the flood hazard area are located.



Taxes and Assessment

The subject property, Lot 38 but including the four bay service garage is assessed to:

BI Power Company

as follows for the 2005 fiscal year:

Plat	Lot	Land	Building	Total	Taxes
17	38	\$223,300	\$187,400	\$410,700	\$1,634.59
Total		\$223,300	\$187,400	\$410,700	\$1,634.59

The 2005 tax rate for the Town of New Shoreham was \$3.98/\$1,000. The assessments are based on a revaluation that was conducted in 2003 for the 2004 fiscal year. **Note that the above assessment includes consideration for the service garage but not the additional land to be subdivided.**

Zoning

The subject property (both parcels) fall within the SC, or Service Commercial zoning district of the town. The SC zone is intended to serve the utility and service needs of the island. Allowed uses in this zone include single family, restaurants, retail and mixed use (retail/residential). Uses permitted by special exception include auto sales and service and warehouse and storage. Accessory residential uses are also allowed.

The minimum lot size in the district is 20,000 SF and the minimum frontage is 100 feet. The maximum lot coverage by building is 25%. Setbacks are also applicable.

As presently improved (and utilized) Lot 38 is considered legal but non-conforming. No opinion can be offered as to whether the proposed subdivision of Lot 37 and the creation of a new lot consisting of 30,000± SF will be permitted as described herein. It is assumed for purposes of this appraisal that it will and that the resulting division will result in two parcels similar to that described herein. Any material deviation will likely require the amendment of the appraisal.

Zoning is a legal matter beyond the scope of this appraisal and report. The client is advised to obtain qualified zoning counsel if required. This opinion is being offered only for purposes of valuation.

Highest and Best Use, Conclusions

Lot 38

As Vacant:

An examination of the physical and legal aspects of this property suggest that the likely use of the property as vacant is for improvement with a single family residential dwelling. Such uses are legal under the SC zoning and though the size of the lot is presently smaller than required it is a legal lot of record and therefore considered legal but non-conforming by dimension.

While located proximate to the utility there are fairly attractive views to the west which would indicate that the property is reasonably attractive for residential purposes. Such a use is also the most financially rewarding use given the demand for residential housing on the island and the lack of affordable alternative property. Therefore, the Highest and Best Use of the subject property, Lot 38 as vacant is for improvement with a single family residential use.

As Improved:

An examination of the physical and legal aspects of this property as improved indicates that the most reasonable use of the property is represented by a continuation of the current use. The property is in need of the curing of some deferred maintenance but with the expenditure of about \$10,000 will be considered in fair to average condition. Assuming continued adequate maintenance the improvements can be expected to contribute another 50 or so years of utility in this regard. Despite the non-conforming status of the property the current use is legal and appears to represent the maximum allowable density of the property. Since there is no other recognizable use that would produce a greater return to the property than the invested capital. It is concluded that the Highest and Best Use of the subject property is for a continuation of the current use.

Land Valuation (Lot 38)

The valuation of the subject land, as vacant is accomplished by the application of the Sales Comparison approach to value. In this regard three confirmed sales were obtained for comparison to the subject property.

The basic unit of comparison upon which properties of this type and size are analyzed and valued is the price per square foot of land area, or \$/SF. Following is the information on the three land sales that form the basis of this approach.

The existing Lot 38 contains 15,200 SF of land. The property has no views other than of the wetlands situated adjacent to the property. It is also considered to be negatively affected by the abutting operation of the utility and the antenna.

Unimproved Sale #1

Address: New Haven House, Block Island
 Location: South of the subject, about ¼ mile
 Parcel / Lot: 8/111A and 111B
 Date of Sale: September 2005
 Grantor: Novatt
 Grantee: Crawford
 Book / Page: 347/272
 Sale Price: \$412,500
 Financing: Washington Mutual for \$268,000
 Verification: Municipal Records/Deed
 Days on Market: Not available

Property Description

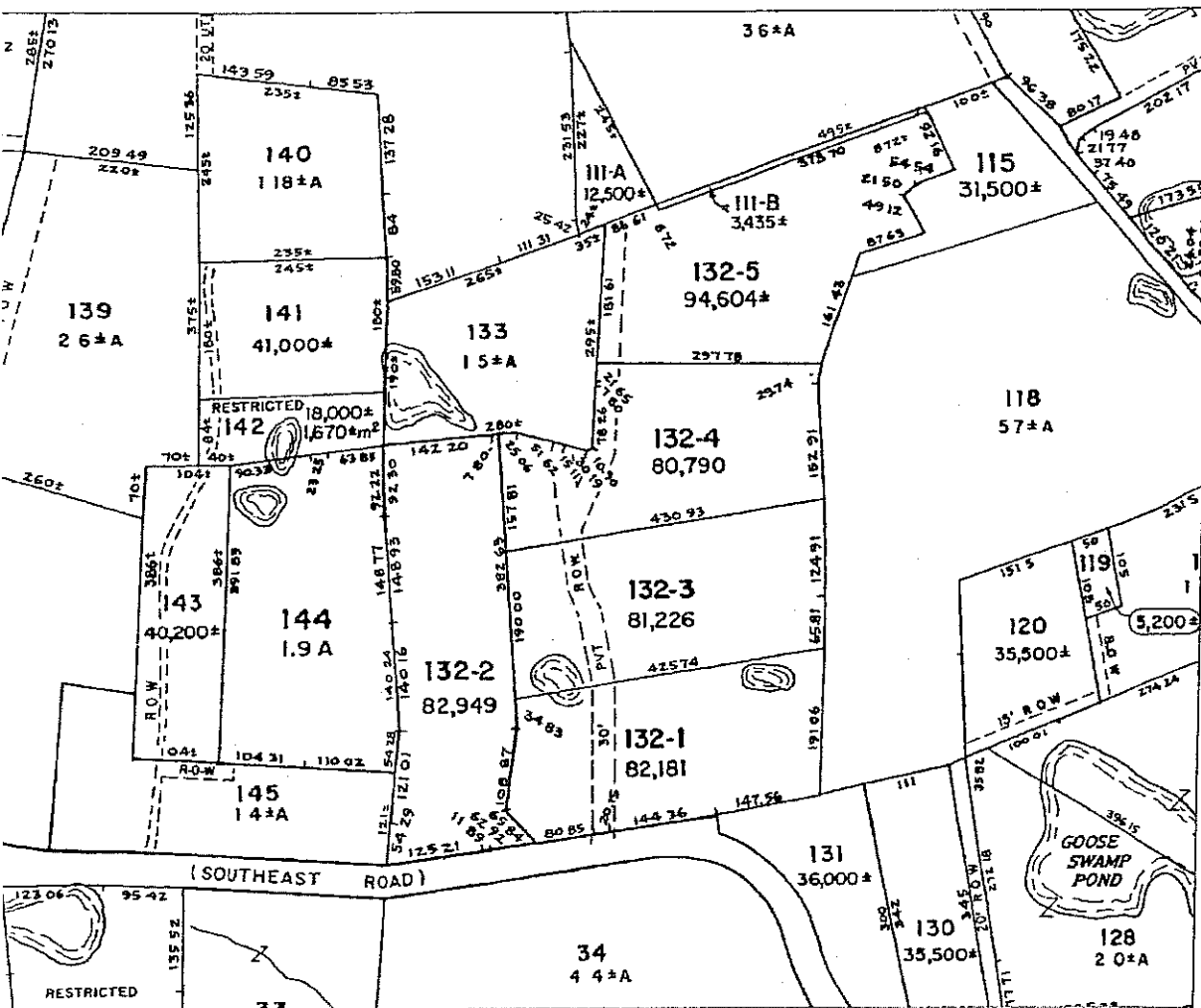
Land Area: 15,935 SF aggregate
 Shape: Irregular
 Contage: None
 Utilities: Well and septic
 Zoning: Residential, RA
 Features:

Units of Comparison

Price \$/Unit: \$25.88/SF

Comments: This lot is accessed via a 30 ROW off of Southeast Road. This property likely has some view of the southeast shore.

Unimproved Sale #1
New Haven
Block Island, Rhode Island



Unimproved Comparable Sale #2

Address: Mohegan Trail, Block Island
Location: South of the subject about one mile

Plat/Lot: 9/59
Zoning: Residential, RA
Grantor: Ritzinger
Grantee: Gorham
Date of Sale: March 2005
Sale Price: \$400,000
Book/page: 339/126
Financing: Cash sale
Verification: Municipal records/deed
Days on Market: N/A

Property Description

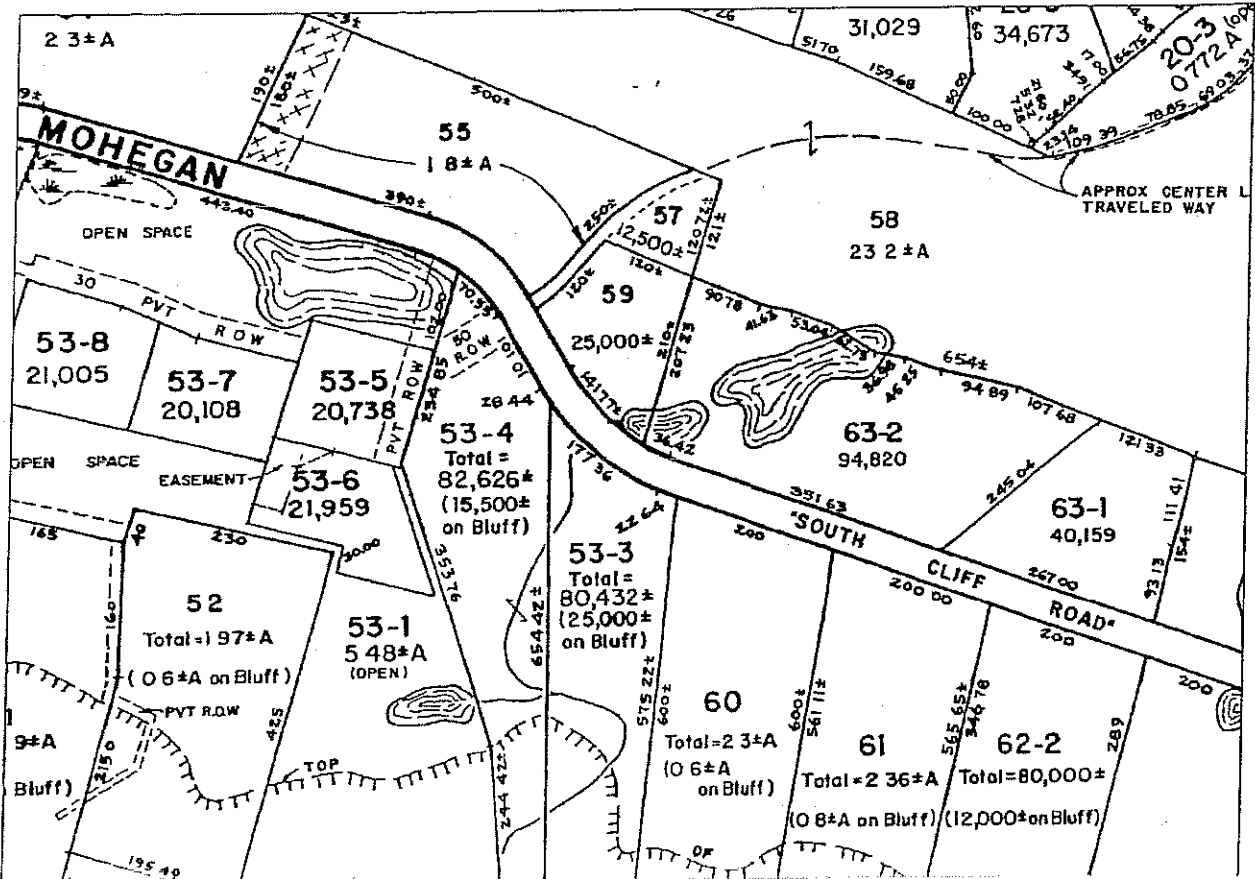
Land Area: 24,829 SF
Shape: Generally rectangular
Frontage: 100± LF on Mohegan
Utilities: Well and septic
Features: Partial water view

Units of Comparison

Price per SF: \$16.11/SF

Comments: This lot is located on the northerly side of Mohegan Trail. There would be view of the south shore from the second floor of an improvement to this property.

Unimproved Sale #2
Mohegan Trail
Block Island, Rhode Island



Unimproved Sale #3

Address: High View, Block Island
Location: South of the subject about ½ mile

Plat/Lot: 8/224
Zoning: Residential, RB
Grantor: Drazen Block Island, LLC.
Grantee: Carfaro
Date of Sale: December 2005
Sale Price: \$415,000
Book/page: 352/116
Financing: Washington Trust for \$290,500.
Verification: Municipal Records/Deed
Days on Market: N/A

Property Description

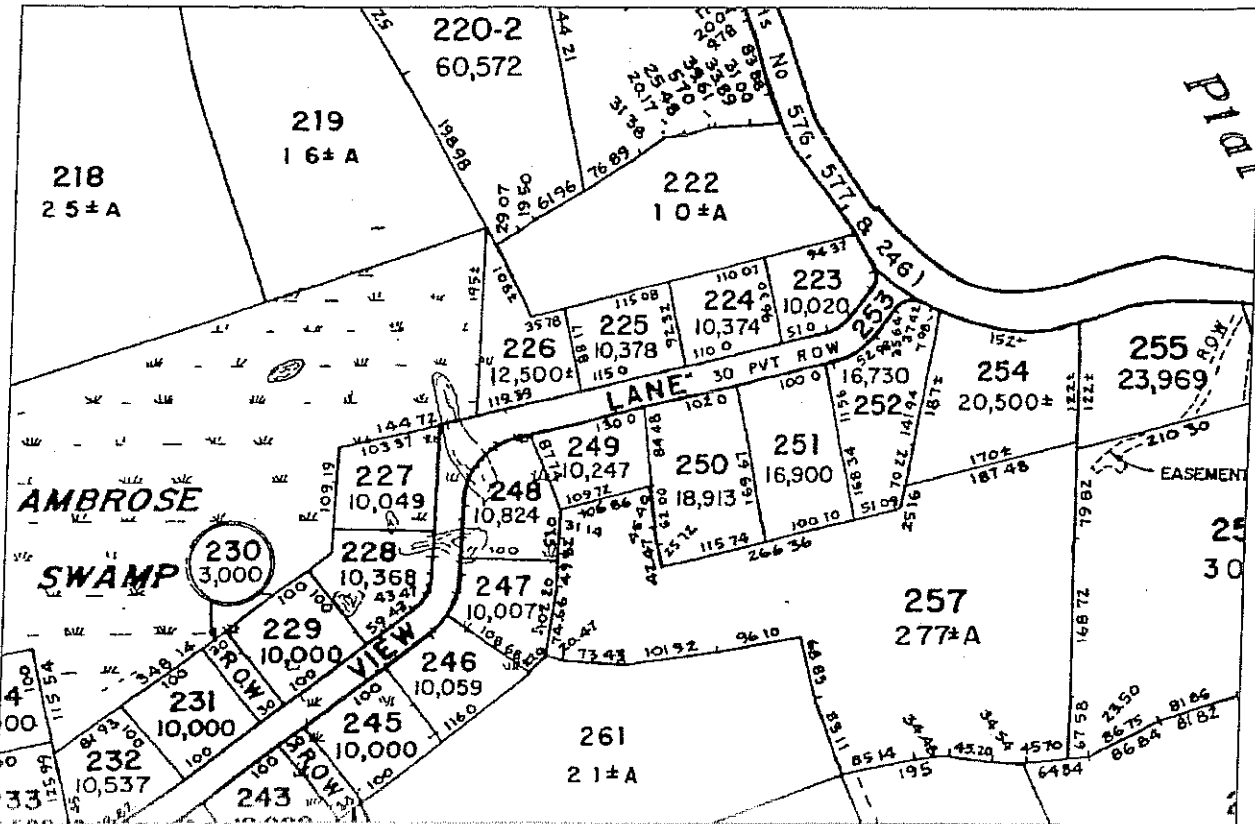
Land Area: 10,374 SF
Shape: Generally rectangular
Frontage: 110± LF on High View
Utilities: Municipal water and sewer
Features: Partial view of southeast shore

Units of Comparison

Price per SF: \$40.00/SF

Comments: This newly created lot is located in a subdivision off of High Street.

Unimproved Sale #3
High View
Block Island, Rhode Island



Adjustment Methodology

Rights Conveyed

All three sales represent the conveyance of the Fee Simple Interest in the properties which is the same interest being valued with respect to the subject property. Therefore, no adjustments are made for property rights conveyed.

Financing

All three sales involved cash to seller transactions. Thus no adjustments are made for atypical financing.

Conditions of Sale

All three comparable sales were purchased under normal or typical conditions of sale without any known undue pressure to sell or purchase.

Market Conditions

The three comparable sales transpired between March 2005 and December 2005 and are therefore subject to adjustment for market conditions or date of sale. Analysis of empirical data indicates that residential property values have stabilized after having appreciated significantly since the turn of the century. Therefore, a relatively modest adjustment of about 5% per year is made to the three sales.

Location

The location of the subject is considered fair due to the abutting operation of the utility as well as the antenna. In comparison to the subject the three comparable sales are superior some with water views and none affected by something as unattractive as the abutting utility. Therefore, rather substantial negative adjustments are required for all three sales.

The adjustment applied to the sales for location is based on a comparison made of the three sales as well as empirical data of residential sales that were afflicted by such things as major highways or industrial use property. The indicated adjustments ranged from a negative 30% to a negative 50%.

Physical Characteristics

Size

All other things being equal smaller parcels tend to sell for more per square foot than larger parcels and as such adjustments are required for all three sales. The intensity of the adjustments utilized is based on the results of a study made by the appraiser suggest that for a 100% increase in land size between two otherwise similar properties the unit sale price of the smaller parcel is typically about 20% greater and vice versa. Adjustments are therefore made accordingly.

Shape and Topography

The subject is rectangular in shape but with a slightly irregular topography not unlike Sale #1. Sales #2 and #3 are mostly rectangular and relatively level. Therefore, negative adjustments of 5%, each are made to these two sales.

Utilities

The subject property has access to municipal sewer and water. Sale #3 has similar access but Sales #1 and #2 do not have such access and are therefore inferior. Therefore, positive adjustments of 5%, each are made to these two sales.

Zoning/Land Use

The subject property is zoned Service Commercial. All three comparable sales are zoned residential. The Service Commercial permits residential and since this is the Highest and Best Use of the property no adjustments are required in this regard.

	SUBJECT	COMP #1	COMP #2	COMP #3
LOCATION	Ocean	New Haven	Mohegan	High View
SALE PRICE/SF		\$25.88	\$16.11	\$40.00
RIGHTS CONVEYED	F.S.	FS	FS	FS
(ADJ)		0%	0%	0%
FINANCING		Market	Cash	Market
(ADJ.)		0%	0%	0%
CONDITIONS OF SALE		Normal	Normal	Normal
(ADJ.)		0%	0%	0%
MARKET CONDITIONS	Feb-06	Sep-05	Mar-05	Dec-05
(ADJ.)		3%	5%	0%
MKT. ADJ. SALE PRICE		\$26.66	\$16.92	\$40.00
LOCATION	Fair	V. Good	Average	Good
		-50%	-30%	-40%
PHYSICAL CHARACT.				
SIZE, SF	15,200	15,935	24,829	10,374
(ADJ)		0%	10%	-15%
SHAPE/TOPOGRAPHY	Rect/irreg	Irreg/level	Rect/level	Rcct/level
(ADJ)		0%	-5%	-5%
UTILITIES	All	None	None	All
(ADJ.)		5%	5%	0%
ZONING/LAND USE	SC	RA	RA	RII
(ADJ.)		0%	0%	0%
TOTAL ADJUSTMENTS		-45%	-20%	-60%
INDICATED PRICE/SF		\$14.65	\$13.55	\$16.00

Conclusion on Land Valuation

Based upon the aforementioned methodology, an adjusted unit value range of \$13.55/SF to \$16.00/SF is obtained from the comparable sales. In the final analysis greatest consideration is given to Comparable Sale #2 which is considered most similar to the subject as indicated by the least amount of adjustment. Therefore, a unit value of \$13.55/SF is considered appropriate for the primary site that supports the existing improvements.

Calculations are as follow:

15,200± SF of land @ \$13.55/SF = \$205,960, round to \$205,000.

Cost Approach, Lot 38

Valuation by the Cost Approach involves estimating the reproduction or replacement cost of the improvements, as of the effective date deducting accrued depreciation from all sources and adding the value of the land, as vacant. In the analysis of the subject replacement cost is used as the basis for value estimation.

To estimate the replacement cost new, RCN of the improvements the appraiser consulted with several home builders on the island as well as the Marshall and Swift Commercial Valuation Service Handbook, M&S. The handbook is maintained by a national cost estimating company and is updated monthly for local and national conditions.

Cost Approach Valuation

Direct Costs

The single family building that improves Lot 38 is considered an average quality, class "D" residence. The estimated, on island cost for an average quality residential dwelling is \$250.00/SF. A contingency of 2.5% of the total direct cost is added for miscellaneous items and possible delays in construction.

Indirect Costs

Indirect costs include six months of property taxes on the land, legal and consultant work which may include the surveyor and appraiser, the construction loan fee which is estimated at 1.5% of the total hard costs and developer's insurance which is basically an umbrella policy over and above the builder's risk policy.

The insurance expense is based on a cost of approximately \$3.00 for every \$1,000 invested and pro-rated over a six month development period.

Accrued Depreciation

Accrued depreciation is defined as the loss in value from all causes including physical, functional and external. The most recognized form of depreciation is curable physical or deferred maintenance because it is easily observed. In the case of the subject property there is deferred maintenance to include the necessary replacement of sills and other exterior components that appear rotted or damaged by wood boring insects. The estimated cost of these repairs is \$10,000.

Upon completion of the repairs to the cure the deferred maintenance the effective age of the property will be 18 years and the condition fair to average. The actual age of the property is ± 65 years. Based on the improved comparable sales discussed in subsequent sections of this report the indicated depreciation of the subject improvements is .005% per year or $\pm 33\%$. The depreciation estimates were extracted from the sales as follows.

Depreciation Estimation from Improved Comparable Sales

Address	494 Old Town	496 Old Town	497 Old Town
Land Area	16,117	14,000	3,050
a. Gross Living Area	1,584	1,502	1,028
Construction Quality	Avg. cls. D	Avg. cls. D	Avg. cls. D
b. RCN, \$/SF,	\$250.00	\$250.00	\$250.00
c. RCN, Structure, (a x b)	\$396,000	\$375,500	\$257,000
g. Sale Price	\$775,000	\$570,000	\$360,000
h. less land value	\$350,000	\$350,000	\$200,000
i. less contributory value of site improvement	\$ 50,000	\$50,000	\$35,000
j. equals building contribution	\$375,000	\$170,000	\$125,000
x. estimated building depreciation, (c-j), [%]	(21,000)[6%]	\$205,500 [54%]	\$132,000 [51%]
Actual Age, years, (y)	100	100	100
Indicated depreciation, % per year, x/y	.0005%	0.005%	0.005%

Conclusions

Sale #1 may have sustained recent renovations thereby resulting in much less building depreciation. Discounting Sale #1 there appears to be a compelling argument that building depreciation should be in the range of .005% per year or ½ percent per year for every year of actual age.

On the following page is a summation of the Cost Approach

Cost Approach

Direct Costs:																																									
		912 SF @																																							
House		\$250.00/SF		\$228,000																																					
Other				\$0																																					
Site Improvements				\$20,000																																					
Contingency		2.5% of hard costs		<u>\$6,200</u>																																					
Total Direct Costs					\$254,200																																				
Indirect Costs:																																									
Construction Loan Fee		1.5% of total hard costs		\$3,720																																					
Legal/Consultation		Flat estimate		\$2,500																																					
Interim taxes		three months on land		\$3,000																																					
Developer's Insurance		\$3.00 for every \$1,000 in hard costs		<u>\$744</u>																																					
Total Indirect Costs					\$9,964																																				
Entrepreneurial Profit					\$0																																				
Total Replacement Cost																																									
New					\$264,164																																				
Depreciation:																																									
Curable physical				\$10,000	(\$10,000)																																				
Depreciable basis		\$254,164																																							
Incurable physical, short-lived:																																									
<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Component</th> <th style="text-align: right;">Cost</th> <th style="text-align: center;">Eft. Age</th> <th style="text-align: center;">Age Life</th> <th style="text-align: center;">% Depre.</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Roof</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">20</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>Parking Lot</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">15</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>HVAC</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">15</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>Interior finish</td> <td style="text-align: right;"><u>\$0</u></td> <td style="text-align: center;">0</td> <td style="text-align: center;">10</td> <td style="text-align: center;">0%</td> <td style="text-align: right;"><u>\$0</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$0</td> <td></td> <td></td> <td></td> <td style="text-align: right;">\$0</td> </tr> </tbody> </table>						Component	Cost	Eft. Age	Age Life	% Depre.	Amount	Roof	\$0	0	20	0%	\$0	Parking Lot	\$0	0	15	0%	\$0	HVAC	\$0	0	15	0%	\$0	Interior finish	<u>\$0</u>	0	10	0%	<u>\$0</u>	Total	\$0				\$0
Component	Cost	Eft. Age	Age Life	% Depre.	Amount																																				
Roof	\$0	0	20	0%	\$0																																				
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HVAC	\$0	0	15	0%	\$0																																				
Interior finish	<u>\$0</u>	0	10	0%	<u>\$0</u>																																				
Total	\$0				\$0																																				
Total incurable physical, short-lived					\$0																																				
Incurable physical, long-lived:																																									
Depreciable basis		\$254,164																																							
Effective age, 18 years, life of 55 years:			33%		(\$83,871)																																				
Incurable functional					\$0																																				
External					\$0																																				
Land Value					\$205,000																																				
Indicated Value via Cost Approach					\$375,290																																				
			Round to		\$375,000																																				

Sales Comparison Approach (Lot 38)

In estimating the value of the subject property via the Sales Comparison Approach three recent and comparable property sales were obtained for comparison to the property. All three sales are located on Old Town Road and the improvements to each property are similar in terms of construction, design and age to the 65 year old structure that improves the subject property.

The basic unit of comparison upon which sales such as the subject are purchased and therefore analyzed is the sale price per square foot of building area, \$/SF. Following is the information on the three comparable sales and the adjustment methodology utilized to equate the sale prices of the comparables to the subject.

Comparable Sale #1

Address: 494 Old Town Road, Block Island
 Location: South of the subject about ¼ mile

Plat/Lot: 17/11
 Date of Sale: January 2006
 Sale Price: \$775,000
 Grantor: Ballard
 Grantee: Hatfield
 Book/Page: 354/243
 Financing: Eastern Bank for \$417,000
 Verification: Municipal Records, Deed
 Days on Market: Not actively marketed

Property Description

Land Area: 16,117± SF
 Shape: Basically rectangular
 Frontage: 150± LF on Old Town Road
 Gross Building Area: 1,584 GSF
 Construction: One and one half story wood frame and wood sided residential dwelling constructed over a full basement, circa 1900. Apportioned into five rooms with two bedrooms and two baths.

Utilities: All available
 Land/Building Ratio: 10.17:1
 Amenities: Standard package

Unit of Comparison

Price per SF: \$489.27

Comment: Average quality residential structure probably renovated in the recent past.

Photo Not Available

Comparable Sale #2

Address: 496 Old Town Road, Block Island
 Location: South of the subject about ¼ mile

 Plat/Lot: 17/14
 Date of Sale: April 2005
 Sale Price: \$570,000
 Book/Page: 341/107
 Grantor: Wholey
 Grantee: Gelsomini
 Financing: Gateway Funding for \$456,000
 Verification: Municipal Records, Deed
 Days on Market: Not actively marketed

Property Description

Land Area: 14,000± SF
 Shape: Basically rectangular
 Frontage: 75± LF on Old Town Road
 Gross Building Area: 1,502 GSF
 Construction: One and one half story wood frame and wood sided residential dwelling constructed over a full basement, circa 1910. Apportioned into seven rooms with five bedrooms and one bath.

 Utilities: All available
 Land/Building Ratio: 9.32:1
 Amenities: Standard package

Unit of Comparison

Price per SF: \$379.49

Comment: Average quality residential structure maintained in average condition. Property is subject to a ROW that does not appear to diminish the value of the property.

Comparable Sale #2
496 Old Town Road
Block Island, Rhode Island



Comparable Sale #3

Address: 497 Old Town Road, Block Island
 Location: South of the subject about ¼ mile

Plat/Lot: 17/15
 Date of Sale: August 2005
 Sale Price: \$360,000
 Book/Page: 346/38
 Grantor: Brown
 Grantee: Leone
 Financing: Washington Trust for \$350,000
 Verification: Municipal Records, Deed
 Days on Market: Not actively marketed

Property Description

Land Area: 3,050± SF
 Shape: Basically rectangular
 Frontage: 50± LF on Old Town Road
 Gross Building Area: 1,028 GSF
 Construction: One and one half story wood frame and wood sided residential dwelling constructed over a full basement, circa 1900. Apportioned into five rooms with two bedrooms and one bath.

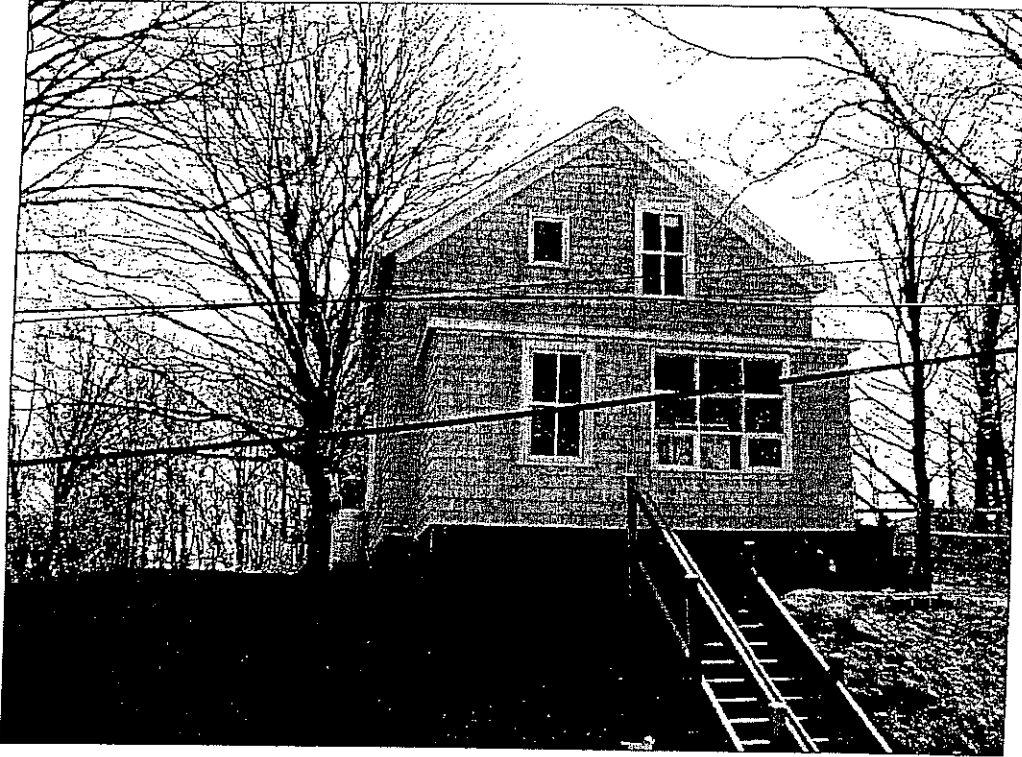
Utilities: All available
 Land/Building Ratio: 2.97:1
 Amenities: Standard package

Unit of Comparison

Price per SF: \$350.20

Comment: Average quality residential structure that probably required some work as of the date of sale.

Comparable Sale #3
497 Old Town Road
Block Island, Rhode Island



Sales Comparison Summary

	SUBJECT	COMP #1	COMP #2	COMP #3
LOCATION	Ocean	494 Old Town	496 Old Town	497 Old Town
SALE PRICE/SF		\$489.27	\$379.49	\$350.20
RIGHTS CONVEYED (ADJ)	FS	FS 0%	FS 0%	FS 0%
FINANCING (ADJ.)		Market 0%	Market 0%	Market 0%
CONDITIONS OF SALE (ADJ.)		Normal 0%	Normal 0%	Normal 0%
MARKET CONDITIONS (ADJ.)	Feb-06	Jan-06 0%	Apr-05 5%	Aug-05 3%
MKT. ADJ. SALE PRICE		\$489.27	\$398.46	\$360.71
LOCATION	Average	Superior -15%	Superior -15%	Superior -15%
PHYSICAL CHARACT.				
CONSTRUCTION/ DESIGN (ADJ)	1.5 story wood frame and wood sided, pft base.	1.5 story wood frame and wood sided, full base. -5%	1.5 story wood frame and wood sided, full base. -5%	1.5 story wood frame and wood sided, full base. -5%
AGE/CONDITION (ADJ)	18E/FtoA	15E/Avg. -10%	18E/Avg. 0%	18E/Avg. 0%
SIZE, SF (ADJ.)	912	1,584 10%	1,502 10%	1,028 0%
LAND TO BUILD RATIO (ADJ)	16.66	10.17 10%	9.32 10%	2.97 30%
BATHS (ADJ)	Average	Superior -5%	Inferior 5%	Inferior 5%
TOTAL ADJUSTMENTS INDICATED PRICE/SF		-15% \$415.90	5% \$418.40	15% \$414.80

Comparative Analysis

Market Conditions: An adjustment of about 5% per year is made for market conditions or date of sale. This is much less than the appreciation that has been evident for the last four or five years but in this price range there remains a significant demand that is likely to maintain appreciation that is no less than the rate of inflation.

Rights Conveyed: All three of the sales represent a conveyance of the Fee Simple Interest which is the same interest being valued with respect to the subject property. Therefore, no adjustments are required for property rights conveyed.

Financing: All three conveyances involved cash to seller transactions and as such no adjustments are necessary for atypical financing.

Conditions of Sale: All three sales were also believed to have been conveyed under normal or typical conditions of sale without any undue buyer/seller motivation. Therefore, no adjustments are made for conditions of sale.

Location: Based on the same rationale discussed earlier in the land valuation section of this appraisal the negative influence of the utility operation and antenna require the application of a negative adjustment. However the intensity of the adjustment is much less given that the land represents about half the value of an improved property.

Physical Characteristics:

Construction and Design: The subject and all three sales are older colonial style cottages, the only difference being the full basement that all three comparable properties possess. Therefore, a minor negative adjustment of 5% is made to the three comparable sales.

Age/Condition: Sales #2 and #3 are considered similar to the subject in terms of age and condition but it appears from the depreciation study made earlier that Sale #1 may have been renovated recently. Therefore, it is superior to the subject and requires the application of a negative adjustment of 10%.

Size: An analysis of the three sales indicates that negative adjustments of 10%, each are required for Sales #1 and #2 for their larger size.

Land to Building Ratio: In regard to land to building ratio all three sales are inferior to the subject and require adjustment the intensity of which is based on the cost of acquiring sufficient land to equate the comparables' land to building ratio to the subject.

Amenities: The subject has an average amenity package to include two full baths. Sales #2 and #3 are inferior in this regard but Sale #1 is superior. Adjustments are made accordingly.

Conclusion

Application of the aforementioned adjustments, to the unadjusted sale prices results in a unit value range of \$414.80/SF to \$418.40/SF. In the final analysis just about equal consideration is given to the unit values obtained from all three sales and a final unit value of \$416.00/SF is concluded appropriate for the subject property. Note that this estimate excludes consideration for the garage.

Calculations are as follow:

$$912 \text{ SF @ } \$416.00/\text{SF} = \$379,392, \text{ round to } \$380,000$$

Reconciliation and Final Value Estimate, Lot 38

The indicated values derived via the two approaches are, as follows:

Sales Comparison Approach - \$380,000

Income Approach - Not Applied

Cost Approach - \$375,000

Application of the two approaches to value produced similar values suggesting support for either of the two values to be chosen as the final indicator of value for the subject property. However, in the final analysis primary consideration is given to the value indication that results from the application of the Sales Comparison Approach to value since this is most recognized approach to value.

Therefore, it is the appraiser's opinion that as of the effective date of this appraisal, the Market Value of the Fee Simple Interest in the property (Lot 38) is:

Three Hundred Eighty Thousand (\$380,000) - Dollars

New Lot, a portion of Lot 37

The following analysis concerns the valuation of the 30,000± SF of land that will be subdivided from Lot 37 to create a stand alone parcel supporting the service garage of 2,358 SF. As a condition of this appraisal it is assumed that the division of the land will be permitted generally as shown on the plan contained herein.

Highest and Best Use, conclusions

As Vacant

An examination of the physical aspects of this property indicates that the property is capable of supporting just about any reasonable use. Allowed uses include single family residential, restaurants, retail and mixed-use. Vehicle service and warehouse/storage (the current use of the property) is permitted by special exception. Although the proposed lot has no formal frontage on a municipal road it is assumed that it will be a legal lot of record and therefore conducive to improvement with any one of the permitted uses.

In addition to the basic zoning criteria there is a prohibition whereby no residential uses are permitted within 250' of a transmission tower. Therefore, the proposed lot is not legally capable of being improved with a residential use.

From a location perspective the property has no visibility from a town roadway and the abutting utility offers little or no appeal in regard to potential uses of the site. Therefore, some type of storage or warehouse use or perhaps service is probably the most reasonable use of the property. Given few abutters to object to such use it is likely that the owner could obtain a special use permit for either of these uses. Such a use is also likely to be the most financially rewarding use given almost no competing use on the island. Therefore, the Highest and Best Use of the proposed lot is for improvement with a service or storage type use.

As Improved

An examination of the physical and legal aspects of this property as improved indicates that the most reasonable use of the property is represented by a continuation (and possible expansion thereof) of the current use of the property as a service garage and storage. The property is in need of the curing of some deferred maintenance but with the expenditure of about \$5,000 will be considered in fair to average condition. Assuming continued adequate maintenance the improvements can be expected to contribute another 40 or so years of utility in this regard. It is assumed for purposes of this appraisal that the newly created lot will be accepted by the town as a legal lot of record and therefore the existing use will be considered a legal use as permitted by Special Use Permit.

Based on the dimensional criteria of the Service Commercial zoning it appears that the existing use could be expanded but since the use is permitted only by Special Exception any expansion may require the approval of the Zoning Board. Therefore, the Highest and Best Use of the proposed lot is as currently improved.

Land Valuation (new lot)

Valuation of the newly created lot is accomplished by the application of the Sales Comparison Approach to value. In valuing this lot via the Sales Comparison Approach only one commercial land sale was obtained for comparison. The two other indicators of land value utilized in this approach are derived from the sale of two improved properties. The indicated value of the land was derived from these two sales by extraction. Extraction involves the deduction of the building and site components from the sale price thereby leaving the value attributable to the land. The land values are then compared to the subject property in order to arrive at an indication of the value of the subject land.

The basic unit of comparison upon which properties of this type and size are analyzed and valued is the price per square foot of land area, or \$/SF. Following is the factual information on the three sales as well as the adjustment methodology utilized to value the proposed lot.

Unimproved Sale #1

Address:	Water Street and Adrian House Lane, Block Island
Location:	Old Harbor
Plat/Lot:	7/portion of Lot 19
Zoning:	Commercial
Grantor:	Phillips
Grantee:	Carfaro
Date of Sale:	NS Sewer Commission
Sale Price:	\$800,000
Book/page:	329/72
Financing:	Cash sale
Verification:	Municipal Records/Deed
Days on Market:	N/A

Property Description

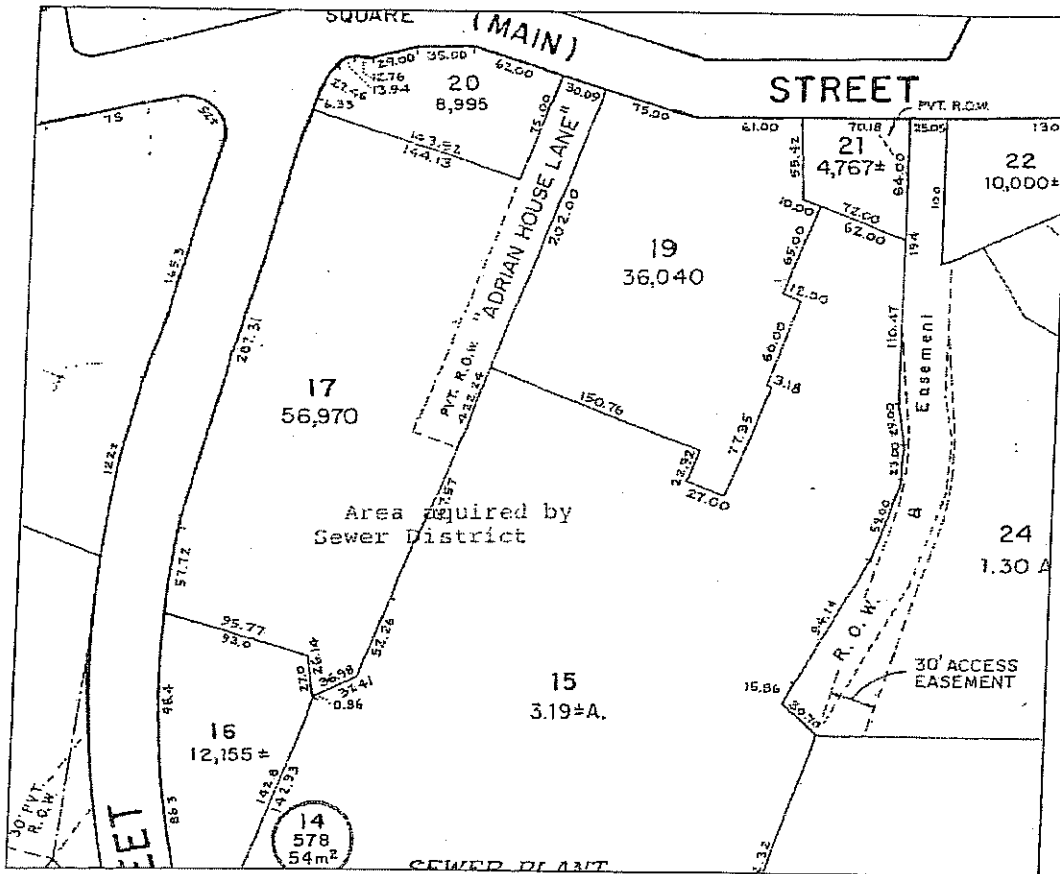
Land Area:	44,327± SF
Shape:	Irregular
Frontage:	150± LF on Adrian House Lane and 300± LF on ROW
Utilities:	Municipal water and sewer
Features:	Water view, proximate to other businesses

Units of Comparison

Price per SF:	\$18.05/SF
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Comments: This newly created lot is located behind the new Post Office. It was purchased for expansion of the sewer commission property.

Unimproved Sale #1
Adrian Hall Lane
Block Island, Rhode Island



Improved Sale #2

Address: 102 Ocean Avenue, Block Island
Location: Just east of the subject

Plat/Lot: 6/37/02
Zoning: Commercial
Grantor: Schaller
Grantee: H&H Ocean Ave, LLC
Date of Sale: 8/4/2004
Sale Price: \$600,500
Book/page: 326/30
Financing: Cash sale
Verification: Municipal Records/Deed
Days on Market: N/A

Property Description

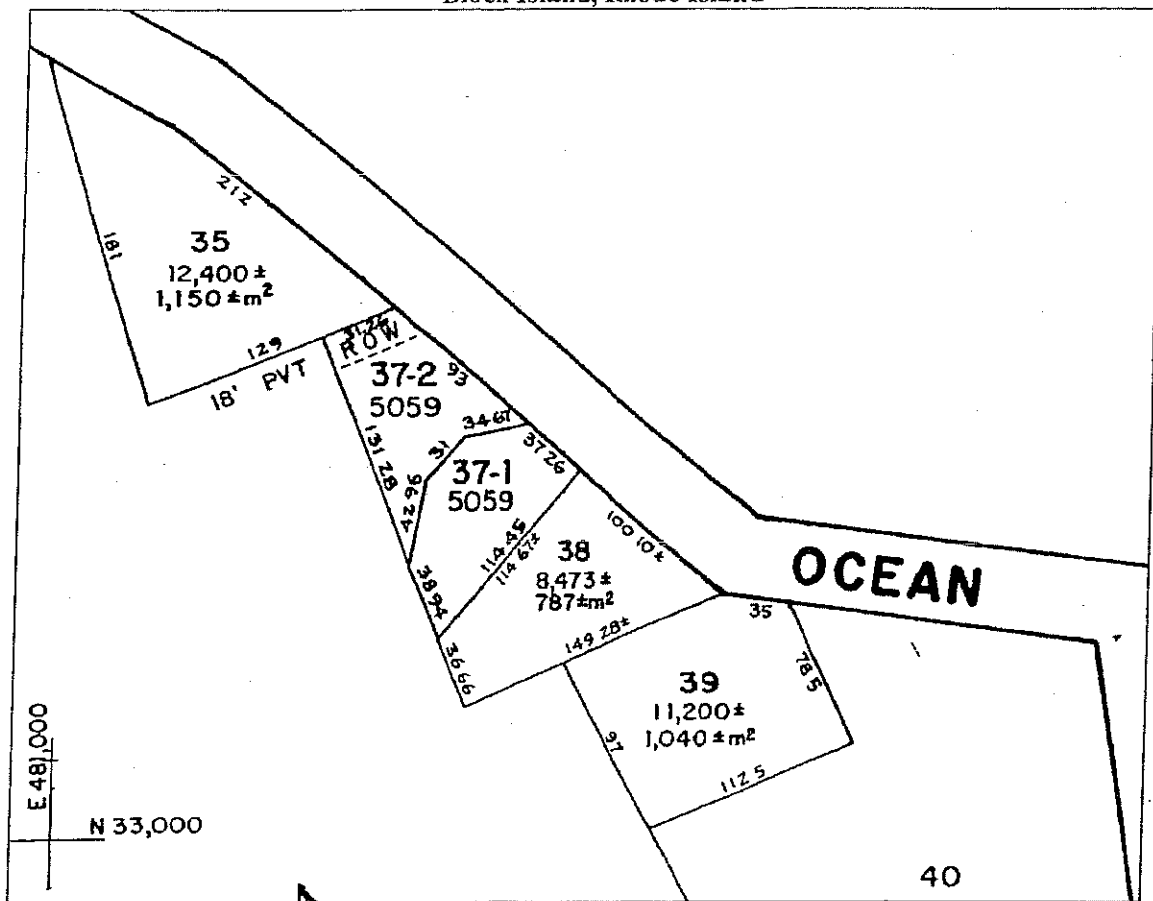
Land Area: 5,227± SF
Shape: Irregular
Frontage: 93± LF on Ocean Ave.
Utilities: Municipal water and sewer
Improvements: Improved with a 2,520 SF mixed use building constructed, circa 1980.

Units of Comparison

Price per SF of land: \$23.95/SF (see extraction chart that follows)

Comments: This is considered a distressed sale. First floor is a hardware store, second floor is residential.

Improved Sale #2
102 Ocean Avenue
Block Island, Rhode Island



Improved Sale #3

Address: 217 Ocean Avenue, Block Island
Location: Just east of the subject

Plat/Lot: 6/32
Zoning: Commercial
Grantor: Kellys of New Shoreham
Grantee: Shanley
Date of Sale: 9/16/2005
Sale Price: \$995,000
Book/page: 348/104
Financing: Cash sale
Verification: Municipal Records
Days on Market: N/A

Property Description

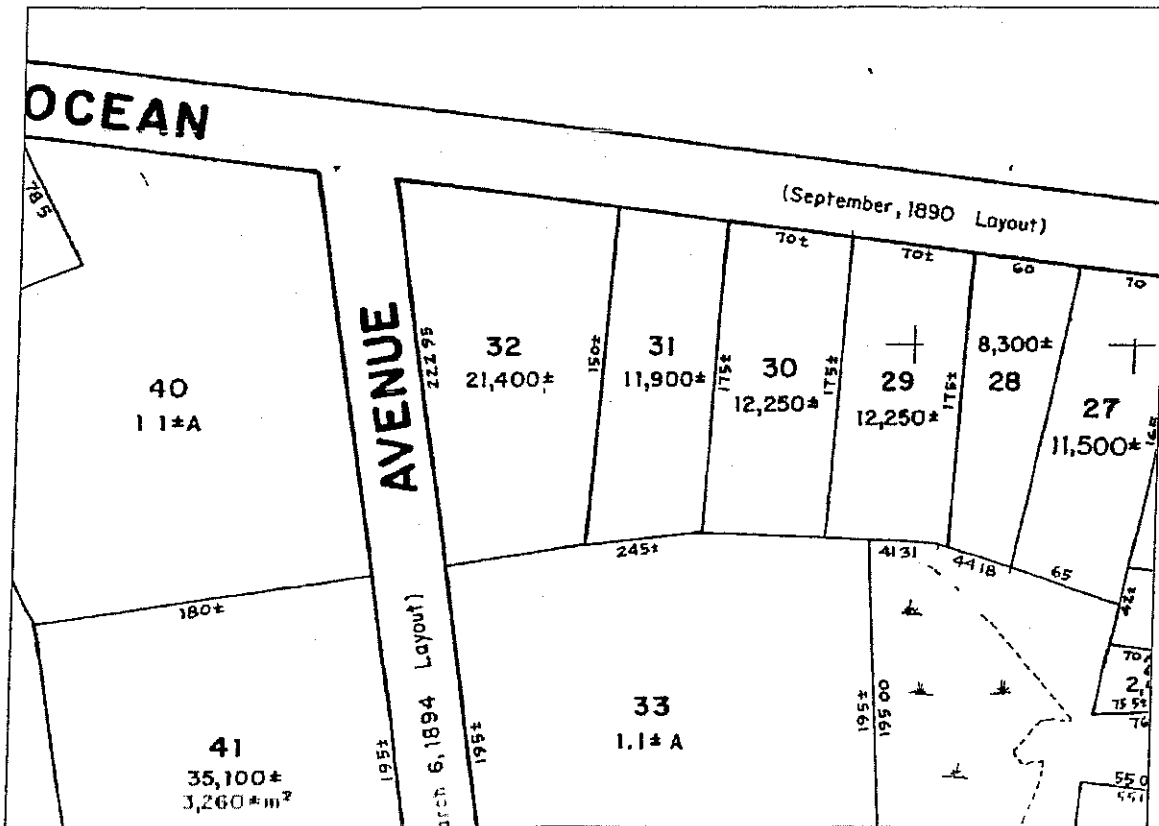
Land Area: 21,344± SF
Shape: Rectangular
Frontage: 100± LF on Ocean and 300± LF on Ct. Ave
Utilities: Municipal water and sewer
Improvements: Improved with a 2,250 SF mixed use building constructed, circa 1985.

Units of Comparison

Price per SF of land: \$25.30/SF (see extraction chart that follows)

Comments: First floor appears to be two retail units, second floor is residential. Sale was confirmed only by municipal records.

Improved Sale #3
 217 Ocean Avenue
 Block Island, Rhode Island



Land Extraction from Improved Comparable Sales

Address	102 Ocean	217 Ocean
Land Area	5,227	21,344
a. Gross Building Area	2,520	2,250
Construction Quality	Avg., cls. D	Avg. cls. D
b. RCN, \$/SF,	\$225.00	\$225.00
c. RCN, Structure, (a x b)	\$567,000	\$506,250
g. Sale Price	\$600,500	\$995,000
h. less depreciated RCN	\$425,250	\$405,000
i. less contributory value of site improvement	\$ 50,000	\$50,000
j. equals land value	\$125,000	\$170,000
Indicated price per SF	\$23.95	\$25.30

Adjustment Methodology, Summarized

Market Conditions

The three comparable sales transpired between September 2004 and September 2005 and are therefore subject to minor adjustment for market conditions or date of sale. Analysis of empirical data indicates that commercial property values have stabilized after having appreciated significantly since the turn of the century. Therefore, a relatively modest adjustment of about 3% per year is made to the three sales.

Conditions of Sale

For the distressed sale conditions of Sale #2 a 10% positive adjustment is made. The adjustment appears supported by a comparison of this sale with Sale #3 which is within sight of this property.

Location

The overall location of the subject is considered fair due to the lack of visibility on a municipal roadway and the inferior access. In comparison to the subject in this regard, Sale #1 probably has the most attractive location as it is in the Old Harbor Village adjacent to other commercial generators. Sales #2 and #3 are not too distant from the subject but these properties are fronted on a municipal roadway and therefore possess much greater commercial potential. Therefore, in overall terms the location of Sale #1 is nearly twice as attractive as Sales #2 and #3 and as such any adjustment utilized in this regard should reflect this ratio of adjustment.

The intensity of the adjustments applied to the three sales for location is based on a number of factors including some common variations derived from mainland properties as well as rental differentials between highly traveled areas and those less accessible. Note that mainland values for similar use property would fall in the range of \$6.00/SF to \$8.00/SF so with the island influence the resulting value estimates support the applied location adjustments.

Physical Characteristics

Size

All other things being equal smaller parcels tend to sell for more per square foot than larger parcels and as such adjustments are required for all three sales. The intensity of the adjustments utilized is based on the results of a study made by the appraiser suggest that for a 100% increase in land size between two otherwise similar properties the unit sale price of the smaller parcel is typically about 20% greater and vice versa. Adjustments are therefore made accordingly.

Shape and Topography

The subject land as proposed will be elliptical in shape and with a slightly irregular topography. All three comparable sales are superior in this regard especially Sales #3. Therefore, a negative adjustment of 5% is made to Sales #1 and #2 and a more intense negative adjustment of 10% is made to Sale #3.

Utilities

The subject property has access to municipal sewer and water. All three sales are similar in this regard therefore no adjustments are made for utilities.

Zoning/Land Use

The subject property is zoned Service Commercial. All three comparable sales are zoned commercial. Therefore, no adjustments are made for zoning and/or land use.

Adjustment Summary

	SUBJECT	COMP #1	COMP #2	COMP #3
LOCATION	Ocean	Water St.	102 Ocean	217 Ocean
SALE PRICE/SF		\$18.05	\$23.95	\$25.30
RIGHTS CONVEYED	F.S.	FS	FS	FS
(ADJ)		0%	0%	0%
FINANCING		Cash	Cash	Cash
(ADJ.)		0%	0%	0%
CONDITIONS OF SALE		Normal	Distressed	Normal
(ADJ.)		0%	10%	0%
MARKET CONDITIONS	Mar-06	Sep-04	Aug-04	Sep-05
(ADJ.)		5%	5%	0%
MKT. ADJ. SALE PRICE		\$18.95	\$27.66	\$25.30
LOCATION	Fair	Good	Average	Average
		-50%	-30%	-30%
PHYSICAL CHARACT.				
SIZE, SF	30,000	44,327	5,227	21,344
(ADJ)		10%	-30%	-10%
SHAPE/TOPOGRAPHY	Irreg/irreg	Irreg/level	Irreg/level	Rect/level
(ADJ)		-5%	-5%	-10%
UTILITIES	All	All	All	All
(ADJ.)		0%	0%	0%
ZONING/LAND USE	SC	OHIC	SC	SC
(ADJ.)		0%	0%	0%
TOTAL ADJUSTMENTS		-45%	-65%	-50%
INDICATED PRICE/ACRE		\$10.42	\$9.68	\$12.65

Conclusion on Land Valuation

Based upon the aforementioned methodology, an adjusted unit value range of \$9.68/SF to \$12.65/SF is obtained from the comparable sales. In the final analysis greatest consideration is given to Comparable Sale #1 which is considered most similar to the subject as indicated by the least net adjustment. Therefore, a unit value of \$10.42/SF is considered appropriate for the newly created lot.

Calculations are as follow:

30,000± SF of land @ \$10.42/SF = \$312,600, round to \$310,000

Cost Approach Valuation, New Lot

Direct Costs

The service garage that improves the property is considered an average quality, class "D" garage. Given the island location of the property the final cost per square foot is \$90.00. A contingency of 2.5% of the total direct cost is added for miscellaneous items and possible delays in construction.

Indirect Costs

Indirect costs include six months of property taxes on the land, legal and consultant work which may include the surveyor and appraiser, the construction loan fee which is estimated at 1.5% of the total hard costs and developer's insurance which is basically an umbrella policy over and above the builder's risk policy.

The insurance expense is based on a cost of approximately \$3.00 for every \$1,000 invested and pro-rated over a six month development period.

Accrued Depreciation

Accrued depreciation is defined as the loss in value from all causes including physical, functional and external. The most recognized form of depreciation is curable physical or deferred maintenance because it is easily observed. In the case of the subject property there is deferred maintenance to include the necessary replacement of several overhead doors and some wood trim. The estimated cost of these repairs is \$5,000.

Upon completion of the repairs to the cure the deferred maintenance the effective age of the property will be 14± years and the condition fair to average. The actual age of the property is ±35 years. Based on the age life method the indicated depreciation of the subject improvement is ±28%.

Cost Approach

Direct Costs:																																									
House		Out		\$0																																					
Service		2,358 SF @																																							
Garage		\$90.00/SF		\$212,220																																					
Site Improvements				\$5,000																																					
Contingency		2.5% of hard costs		<u>\$5,431</u>																																					
Total Direct Costs					\$222,651																																				
Indirect Costs:																																									
Construction Loan Fee		1.5% of total hard costs		\$3,258																																					
Legal/Consultation		Flat estimate		\$2,500																																					
Interim taxes		three months on land		\$3,000																																					
Developer's Insurance		\$3.00 for every \$1,000 in hard costs		<u>\$652</u>																																					
Total Indirect Costs					\$9,410																																				
Entrepreneurial Profit					\$0																																				
Total Replacement Cost New					\$232,060																																				
Depreciation:																																									
Curable physical				\$5,000	(\$5,000)																																				
Depreciable basis		\$227,060																																							
Incurable physical, short-lived:																																									
<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Component</th> <th style="text-align: right;">Cost</th> <th style="text-align: center;">Eft. Age</th> <th style="text-align: center;">Age Life</th> <th style="text-align: center;">% Depre.</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Roof</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">20</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>Parking Lot</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">15</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>HVAC</td> <td style="text-align: right;">\$0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">15</td> <td style="text-align: center;">0%</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td>Interior finish</td> <td style="text-align: right;"><u>\$0</u></td> <td style="text-align: center;">0</td> <td style="text-align: center;">10</td> <td style="text-align: center;">0%</td> <td style="text-align: right;"><u>\$0</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$0</td> <td></td> <td></td> <td></td> <td style="text-align: right;">\$0</td> </tr> </tbody> </table>						Component	Cost	Eft. Age	Age Life	% Depre.	Amount	Roof	\$0	0	20	0%	\$0	Parking Lot	\$0	0	15	0%	\$0	HVAC	\$0	0	15	0%	\$0	Interior finish	<u>\$0</u>	0	10	0%	<u>\$0</u>	Total	\$0				\$0
Component	Cost	Eft. Age	Age Life	% Depre.	Amount																																				
Roof	\$0	0	20	0%	\$0																																				
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Total	\$0				\$0																																				
Total incurable physical, short-lived					\$0																																				
Incurable physical, long-lived:																																									
	Depreciable basis	\$227,060																																							
	Effective age, 14 years, life of 50 years:		28%		(\$63,576)																																				
Incurable functional					\$0																																				
External					\$0																																				
Land Value					\$310,000																																				
Indicated Value via Cost Approach					\$473,484																																				
			Round to		\$475,000																																				

Final Value Estimate, New Lot

The indicated value of the service garage with storage and approximately 30,000 SF of supporting land is \$475,000. Only one approach to value was utilized and the resulting unit estimate of \$201.44/SF appears high in comparison to mainland values. However residential property values are two and three times the value of mainland residential sales and nearly all of the differential is attributed to the island location of the subject. Therefore, the indicated value is reasonable and market supported.

Therefore, the indicated value of the proposed lot of 30,000 SF with the service and storage garage is:

Four Hundred Seventy - Five Thousand (\$475,000) – Dollars

Contingent & Limiting Conditions

1. This is a Summary Appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal report. As such, it includes only a summary discussion of the data, reasoning and analysis that were used in the appraisal process to develop the final opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's file. All of the data contained in the file of Peter M. Scotti & Associates, Inc. is made part of this report by reference. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report. Disclosure of the contents of this report is governed by the By-laws and Regulations of the Appraisal Institute.
2. Information furnished by others (for use within this report) is assumed to be true, factually correct and reliable. No effort has been made to verify such information and no responsibility for its accuracy is assumed by the appraiser. Should there be any material error in the assumptions in this report, the results of this report are subject to revision and/or review.
3. All mortgages, liens and encumbrances have been disregarded unless so specified within this report. The property is appraised as though under responsible ownership and competent management.
4. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
5. No responsibility is assumed for matters legal in nature, nor is any opinion rendered as to title, which is assumed to be good and marketable.
6. Subsurface rights (minerals and oil) were not considered. We assume no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. We assume no responsibility for such conditions or for any studies required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance was specifically stated, defined and considered within the report. Unless otherwise stated it is assumed that no information was provided to or obtained by the appraiser confirming, disproving or leading us to suspect the presence of environmentally hazardous substances. The appraiser is not qualified to detect such substances. We urge the client to retain experts in this field.
8. On January 26, 1992, The Americans with Disabilities Act (ADA) became effective. The Act requires compliance based on each property owner's financial ability with regard to the cost to cure the property's potential physical characteristics. Given that compliance is dependent upon the specific financial ability of each owner as determined by the U.S. Justice Department, it is not possible for the appraiser to comment on either current or potential adherence to the act or its impact on value. Consequently, a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines has not been undertaken.

9. Unless specifically stated to the contrary the appraiser made no in-depth analysis of the ad/valorem tax burden for the subject property. Investigation into the zoning status of the property was limited to a determination of the conformity of the current use of the property.
10. The legal description used in this report is assumed to be correct. It is assumed that the utilization of the land is within the boundaries/property lines of the property described and that there are no encroachments or trespass unless otherwise noted. No survey has been made of the property specifically for this report. Sketches are included to assist the reader and no responsibility is assumed for accuracy.
11. Unless arrangements have been previously made, no appearances in court or requirements to give testimony in respect to the subject property will be assumed by the appraiser.
12. Neither all nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client without the previous written consent of the appraiser and/or client; nor shall it be conveyed by anyone but the client to the public through advertising, public relations, news, sales or other media without the written consent and the approval by the author(s), particularly as to valuation conclusions, the identity of the appraiser or firm.
13. The signatories of this appraisal are fully qualified commercial appraisers who have been involved in the valuation of several properties similar to the subject in the recent past. The education and experience of the appraisers satisfies the competency provisions of the Uniform Standards of Professional Appraisal Practice. The qualifications of the appraisers are attached in the Addenda.
14. This appraisal and report does not consider or address the impact upon the property that may result from recently (post 2001) enacted life saving legislation, specifically amendments to state and local fire and building codes. Unless specified it is assumed that the property meets all fire and building codes as of the effective date.

Competency Rule

Peter M. Scotti, MAI and Michael Kern, MAI are certified Rhode Island appraisers whose professional experience, education and knowledge qualify them to competently complete this assignment.

Market Value Defined

Market Value is: The most probable price in terms of money which a property should bring in an open and competitive market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1 Buyer and seller are typically motivated;
- 2 Both parties are well informed or well advised, and acting in what they consider their own best interest;
- 3 A reasonable time is allowed for exposure in the open market;
- 4 Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5 The price represents the normal consideration for the property, sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Appraised Interest, Defined

Fee Simple, defined is: an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. An inheritable estate.³

Leasehold Estate – A non-freehold estate, the tenant's or lessee's interest. An estate in property created by a lease.

¹ Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696.
Real Estate Appraisal Terminology (Boyce), Page 102 and 149, respectively.

**QUALIFICATIONS OF MICHAEL KERN, MAI
SENIOR APPRAISER/BROKER
PETER M. SCOTTI & ASSOCIATES, INC.
PROVIDENCE, RHODE ISLAND 02903**

GENERAL ACTIVITIES

Associate of Peter M. Scotti for the past sixteen years. Daily activities consists mostly of appraisal and brokerage of commercial, industry and investment property. Also perform brokerage and appraisal of hospitality, recreation and specific use property. Geographic area of expertise include all of Rhode Island and portions of Southeastern Massachusetts.

EDUCATION

Formal:

Graduate, University of Rhode Island, 1981: BA, Economics.

Specific:

Successfully completed the following courses in the pursuit of membership within the Appraisal Institute;

- | | |
|-----------|---|
| S.R.E.A.- | Course 101, Introduction to Appraising Real Property
Course 102, Applied Property Valuation
Course 201, Principles of Income Property Appraising
Course 202, Applied Income Property Valuation |
| A.I. - | Course 500, Narrative Report Writing
Course 410, Standards of Professional Practice, Part A
Course 420, Standards of Professional Practice, Part B |

Recent Seminars:

- | | |
|--------|---|
| A.I. - | The Expert Values the Business 9/00 |
| A.I. - | Appraising for Federal Agencies 2/01 |
| A.I. - | Appraising from Blueprints and Specifications 3/00 |
| A.I. - | Appraisal of Local Retail Properties 5/99 |
| A.I. - | Appraising and The Internet 4/99 |
| A.I. - | Office Building Valuation 1/99 |
| A.I. - | Uniform Standards of Professional Appraisal Practice (USPAP) 4/98 |
| A.I. - | Analysis of Operating Expenses 2/98 |

MEMBERSHIP:

Appraisal Institute, Member #11007
Continuing Education Completed
Vice President, RI Chapter of Appraisal Institute, 1999, 2000, 2001
President, RI Chapter of Appraisal Institute, 2002
Board of Directors, RI Chapter of Appraisal Institute, 2003

LICENSURE

Certified General Appraiser, State of Rhode Island: #A00213G
Certified General Appraiser, Commonwealth of Massachusetts: #2829 CG
Broker, State of Rhode Island # B14926

APPRAISALS FOR:Financial Institutions:

- Bank of America, Providence, R.I. and Boston, MA
- First Federal Savings Bank, Fall River, MA
- Citizens Bank, Providence, RI
- South Shore Bank, Boston MA
- First National Bank of New England, Hartford, CT
- Bank Rhode Island, Providence, RI
- Sovereign Bank, Providence, RI
- Webster Bank, Hartford, CT
- Struever Bros, Eccles & Rouse
- Toyota North America

Regulatory Agencies:

- Federal Deposit Insurance Corporation, Franklin, MA
- R.I. Depositors Economic Protection Corporation, Warwick, RI

Governments\ Municipalities:

- City of Providence, Rhode Island, Department of Planning
- State of Rhode Island, Department of Administration
- United States Postal Service
- United States Navy
- United States Marshals Office, Providence, RI
- Rhode Island Department of Transportation (RIDOT)

Religious\Civic:

- Catholic Diocese of Providence, RI
- Salvation Army, Providence, RI
- University of Rhode Island, Kingston, RI

Attorney(s)\Private:

- Boyajian, Harrington, & Richardson
- Grande, Law Offices
- Hinckley, Allen and Snyder
- Adler, Pollock & Sheehan

QUALIFICATIONS OF PETER M. SCOTTI, MAI
 RHODE ISLAND CERTIFICATION NO. A00110G
 MASSACHUSETTS CERTIFICATION NO. 2805
 REALTOR AND APPRAISAL SPECIALIST
 PETER M. SCOTTI & ASSOCIATES

Engaged in Real Estate business for 30 years.

W. Henry Coleman, Inc., Office Manager, 1974-1980
 Providence Land Co., Treasurer/Principal, 1980-1983
 Henry W. Cooke Co., Chief Appraiser/Principal, 1983-1988
 Peter M. Scotti & Associates, President, 1988-Present

Licensed Real Estate Broker State of Rhode Island, License #B14864
 Licensed Real Estate Appraiser, State of Rhode Island, License #A00110G
 Licensed Real Estate Appraiser, Commonwealth of Massachusetts, License #2805
 Graduate of Washington and Jefferson College, Bachelor of Arts Degree, Political Science

Member:

Appraisal Institute Member, MAI
 Greater Providence Board of Realtors/Board of Directors, 1987
 Vice President, R.I.A.R./CID, 1989
 Chairman Rhode Island Appraisal Board 2003
 National Association of Realtors
 Greater Providence Chamber of Commerce
 Board of Directors RI Chapter Appraisal Institute
 President RI Chapter Appraisal Institute

Successfully completed the following:

GRI - Course #1 & #2
 SREA - Course #101 - Introduction to Appraising Real Property- Challenged 1986
 Course #102 - Applied Property Valuation - Challenged 1986
 American Institute - Course #201 - Principles of Income Property Appraising - 1989
 Course #202 - Applied Income Property Valuation - 1989
 Course #413 - Professional Practice Seminar - 10/89
 Course #1410 - Standards of Professional Practice Part A - 3/93
 Course #1410 - Standards of Professional Practice Part B - 12/95
 Appraisal Institute - USPA Update - 1/97
 Course #430 - USPAP - 4/98
 USPAP -4 /03
 Course #600 - Income Valuation Mixed Use - 3/01

Seminars - Appraising Apartments Seminar
 FNMA/Multi-Family, Condo Seminar & Workshop - 7/90
 Demonstration Report Seminar - 11/91
 Comprehensive Review Seminar - 2/93
 Appraisal of Complex Residential Properties - 3/93
 Feasibility Analysis - 5/93
 Valuation of Leased Fee Interest - 10/93
 Appraising Troubled Properties Seminar - 6/94
 Highest & Best Use Seminar

Market Extractions Income Properties - 4/95
 Appraisal Practices for Litigation - 9/95
 Mock Trial Seminar - 9/95
 Economic Factors in Real Estate Appraisal - 4/96
 Comprehensive Appraisal Workshop - 9/96
 Appraising 1-4 Family Income Properties - 11/96
 Eminent Domain & Condemnation - 10/97
 Expert Witness - 2/97
 High-Tech Appraisal Office - 2/97
 Appraising High Value & Historic Homes - 3/97
 Economic Factors in RE Appraisal - 3/97
 Data Collection, Analysis & Rep. - 10/97
 Loss Prevention - 11/97
 Condemnation Case Studies - 2/98
 Zoning Ordinances - 3/98
 Issues - Appraising Lodging Properties - 9/99
 Local Economic - 5/01
 Real Estate Disclosure - 11/01
 University of Rhode Island, Extension Division
 "Introduction to Real Estate Appraisal"
 "Fundamentals of Real Estate"
 "Income Property Appraisal"
 Guest Lecturer, Johnson & Wales College,
 "Fundamentals of Real Estate"

Instructor -

Qualified as an Expert Witness in the following Cities and/or
Towns, Zoning Board of Review:

Barrington, Bristol, Burrillville, Central Falls, Coventry, Cranston, Cumberland, East Greenwich, East
 Providence, Exeter, Foster, Gloucester, Jamestown, Johnston, Lincoln, Middletown, Narragansett, Newport, New
 Shoreham, North Kingstown, North Providence, Pawtucket, Portsmouth, Providence, Richmond, Smithfield,
 South Kingstown, Tiverton, Warren, Warwick, West Warwick, Seekonk, MA.

Town of Barrington, Tax Review Board
 Town of Bristol, Tax Review Board
 City of Cranston, Tax Review Board
 Town of Cumberland, Town Council
 Town of Johnston, Tax Review Board
 Town of Lincoln, Town Council
 Town of Narragansett, Tax Review Board
 Town of North Kingstown, Tax Review Board
 Town of North Kingstown, Town Council
 Town of North Providence, Town Council
 City of Pawtucket, Tax Review Board
 City of Providence, Tax Review Board
 Town of South Kingstown, Tax Review Board
 City of Warwick, Tax Review Board
 Town of West Greenwich, Tax Review Board
 Town of West Warwick, Tax Review Board

Qualified as a Real Estate Expert to Testify:

Family Court, District Court, Superior Court - State of Rhode Island; United States Bankruptcy Court; U.S.
 District Court

Appraisals for:

Fleet National Bank
Citizens Trust Company
First Bank & Trust Company
Bank Rhode Island
Home Loan & Investment Co.
First International Bank of New England
First Bank & Trust Company
Compass Bank, Massachusetts
Westminster Development Bank
Union Bank
Greenwood Credit Union
Coastway Credit Union
Merrill-Lynch Relocation
EXXON
Texaco Corporation
Merritt Oil Co.
Blue Cross/Blue Shield
Metropolitan Insurance Corporation
Puritan Life Insurance Company
City of Providence
City of Woonsocket
City of Pawtucket
Town of North Kingston
Town of Middletown
Town of Richmond
Town of Somerset
Town of Portsmouth
Town of Lincoln
Coastal Resource Management Council/State of Rhode Island
Department of Environmental Management/State of Rhode Island
Department of Transportation/State of Rhode Island
Department of Administration / State of Rhode Island
State of Rhode Island Port Authority
United States Department of Justice
United States GSA/U.S. Small Business Administration
Rhode Island Housing Mortgage Finance Corporation
Bristol County Water Authority
Providence Water Supply Board
Edwards & Angell
Winograd, Shine & Zacks
Blais, Cunningham, Crowe, Chester
Lynch & Greenfield
Carroll, Kelly & Murphy
Boyajian, Harrington & Richardson
Hinckley, Allen, Snyder & Comen
Adler Pollack & Sheehan
Vetter & White

EXHIBIT A

That certain tract or parcel of land, in the Town of New Shoreham, County of Washington and State of Rhode Island and Providence Plantations, known as New Shoreham Assessors Plat 17 Lot 38 and a portion of Lot 37. Together with and subject to easements and restrictions of record and including all buildings and appurtenances thereon. Said premises are further known as Parcel IV and a portion of Parcel II in Volume 239 Page 085 of the Land Evidence Records of the Town of New Shoreham.

Said premises to be further shown on a Plan prepared by Geiser and Associates, May 2006 with Lot 38 on said Plan being the same as said Assessors Plat 17 Lot 38 and Lot 37B being that portion of said Lot 37, containing 30,000 square feet more or less, being bounded as follows:

Beginning at the northeast corner of said Lot 38, bounded EASTERLY by the remaining property of Block Island Power Company (Lot 37A), with the line running northerly to a point which is twenty-five feet easterly of the existing garage to the north of Lot 38, presently occupied by Old Town Auto and Ballard's Oil Company, and continuing to run northerly parallel to and easterly twenty-five feet to a point which is an additional twenty-five feet easterly of the northeasterly of the said garage building and then continuing an additional twenty-five feet northerly; thence turning a corner,

bounded NORTHERLY by the remaining property of Block Island Power Company (Lot 37A) and running westerly twenty-five feet northerly of said garage building and parallel with the northerly side of said garage to the mean high water mark of New Meadow Hill Swamp, also being Assessors Plat 17 Lot 38 and also being property of Block Island Power Company, and thence by the high water mark of said swamp, and also the line of said Lot 35, in a generally westerly and then southerly direction to a the southwesterly corner of Lot 38;

thence turning northerly, bounded EASTERLY by said Lot 38 to the northwesterly corner of Lot 38; thence turning a corner,

bounded SOUTHERLY by said Lot 38, and running easterly to the point and place of beginning.

Together with an easement and right of way for access and utilities, twenty-five feet wide, running parallel with the easterly line of Lot 38 and then continuing northerly, running easterly of Lot 37B and thence following the path of the existing traveled way and utility lines until said traveled way splits. The easement then runs in two directions, generally northerly to Ocean Avenue and also turning westerly and running Beach Street. The grantee herein shall jointly use said access roads and utility lines with Block Island Power Company, its representatives and assigns. Said roadways and utility lines shall continue to be maintained by Block Island Power Company, but the grantee herein reserved the right to maintain said roadways and utility lines in the event the owner of Lot 37A does not so maintain them.

REAL ESTATE PURCHASE AND SALES AGREEMENT

THIS AGREEMENT is entered into between, BLOCK ISLAND POWER COMPANY, P.O.Box 518, Ocean Avenue, Block Island, Rhode Island, 02807 (after this called "Seller") and CATIC EXCHANGE, acting for MARJORIE G. McGINNES ESTATE, P.O.Box 403, Block Island, RI 02807 (after this called "Buyer"), on the following terms:

1. CONVEYANCE BY SELLER .

Seller agrees to sell and convey to Buyer, under the terms and conditions set forth herein, certain real estate situated in the Town of New Shoreham, County of Washington, State of Rhode Island and Providence Plantations. The property is generally known as Assessors Plat 17 Lot 38 and a portion of Lot 37, Block Island, RI 02807. It is further described in Exhibits A-1, A2 and A-3 as Lots 37B and 38. Together with and subject to all rights of way, easements, or other rights of property, appurtenant to said real estate ("Premises").

2. STATE OF TITLE.

Conveyance shall be made subject to (i) plat restrictions of record, (ii) applicable zoning and other municipal regulations, and (iii) taxes and municipal utilities assessed upon the Premises as of the December 31 next preceding the Closing Date. Taxes and assessments shall be apportioned in the manner set forth herein.

3. CLOSING DATE.

Unless some other time and place shall be mutually agreed upon in writing, the conveyance of title and payment of the unpaid portion of the purchase price, pursuant to this Agreement ("Closing"), shall take place on or before 1:00 P.M. on May 12, 2006 (the date of Closing being herein referred to as "Closing Date") at Taubman Law Offices, Ltd., Addison House, High Street, Block Island, Rhode Island 02807. Closing may be by mail or courier with appropriate powers of attorney.

4. PURCHASE PRICE.

Buyer agrees to purchase the Property and to pay the Seller the sum of EIGHT HUNDRED TWENTY FIVE THOUSAND AND 00/100 (\$825,000) DOLLARS, as possibly adjusted as set forth herein, to be paid as follows:

- (a) ONE THOUSAND dollars (\$1,000) shall be paid as a deposit to the Sellers, upon signing of this agreement and Buyer hereby assigns an additional \$40,250 of the funds which are in the hands of CATIC Exchange for the like-kind exchange; the said payments, set forth in this subparagraph, being referred to as the "Deposit". Said Deposit shall be held in the Schacht & McElroy client funds account and CATIC Exchange; and
- (b) The balance of the purchase price shall be paid upon closing and recording of the

Deed, by attorney's check, cash, or by certified or bank check, or other form agreed by Seller. Adjustments shall be as described further herein.

5. DEED

Conveyance shall be made by a good and sufficient Warranty Deed, conveying a good, clear and marketable title to the Premises, including rights of way and easements of record, free from all encumbrances except as set forth in Paragraphs 2, 6 and 11 herein. The portion of Lot 37 (37B) will be conveyed by a ninety-nine year lease, pending approval of a subdivision of the property. Upon approval of a subdivision the lease shall be converted by a warranty deed into a fee title.

6. POSSESSION, LEASES AND PERSONAL PROPERTY.

Full possession of the Premises shall be delivered to Buyer, subject to existing leases. All personal property and the rights on any leases, on the premises as of the date of closing, go with the sale. The Buyer shall accept the leases on the premises, and the rents shall be prorated as of the date of closing. Seller may seek an attornment agreement from the lessees, but Buyer agrees to accept the premises "as is" and Buyer will indemnify and hold Seller harmless from any claims by lessees thereon for any claims after the date of closing. This provision shall survive the closing.

7. DISCLOSURE.

Buyer recognizes receipt of the required Rhode Island real estate disclosures regarding this transaction. Buyer has elected not to do an environmental assessment, but has reviewed previous environmental assessments of the property, which the Administrator of the Estate has reviewed. This provision shall survive closing.

8. INSPECTION OF PREMISES; IMPROVEMENTS

The property is being sold in an "as is" condition. No warranty, except as to title, is made. Buyer reserves the right to make any inspections. Buyer shall pay for these inspections. Buyer accepts responsibility for any environmental violations, which are found on the premises after the date of closing except for environmental harm which spreads from the retained lands of the Seller. This portion shall survive closing.

9. INSURANCE.

The Seller agrees to keep the premises insured, at least for the current amounts of insurance pending the Closing. The responsibility to insure the Premises shall shift to the Buyer at Closing. In the event of a loss, the Seller may use the proceeds of insurance for repair, or at Seller's option, assign the proceeds to the Buyer.

10. APPLICATION OF PURCHASE PRICE.

Seller shall have the right, at the time of the delivery of the Deed, to use and apply the Purchase Price to the payment, discharge or release of any encumbrance on, or outstanding interest in, the Premises; provided that provision shall be made for recording the discharges or funds sufficient to pay for such discharge or release shall be held in escrow.

11. CONTINGENCIES; TAXES AND ASSESSMENTS; ADJUSTMENTS

There is no finance contingency in this sale. However, Seller shall cooperate with buyers as to any reasonable documentation required on an IRC B 1031 exchange, including amendments to this Purchase and Sale Agreement by the Exchange Agent, CATIC Exchange.

The only contingency, prior to closing, is title. If approvals and any necessary releases from the Rhode Island Division of Public Utilities (DPUC) Washington Trust Company(WTC), and the United States Rural Utilities Service (RUS), are not received prior to closing, then the proceeds shall be deposited in bank account by Schacht & McElroy, and not be rendered to the Seller until the approvals and any necessary releases are received. Buyer shall agree to provision of funds to a releasor, in order to obtain a release. The transaction shall be considered a completed closing on transfer of funds to the client funds account of Schacht & McElroy and recording of the deed. Schacht & McElroy shall payout all fees stated on the closing statement (HUD-1) on the date of closing, including any fees due for title insurance, Block Island Land Trust fees, recording fees and outstanding attorneys fees. Payment may be made by wire transfer or attorneys check, but must be provided by May 12, 2006 in order that recording may occur. The funds held by Schacht & McElroy shall, if possible, be held at interest and the interest shall flow to Seller if all conditions are satisfied, or the Buyer if Seller defaults on this agreement.

Seller shall bear the cost of obtaining the DPUC, WTC and RUS approvals. The cost of obtaining Planning Board approval shall be borne by Buyer. The parties shall equally share the cost of appraisals, engineering and surveying to prepare for the closing and immediate post closing. Ten-thousand dollars (\$10,000), each, of the Buyer's and Seller's funds shall be retained by Schacht & McElroy, for these purposes.

Real Estate taxes, municipal utility charges, and rents, if any, assessed or due upon the Premises shall be apportioned at the Closing on the basis of the calendar year of 2006, in such manner that Seller shall pay or, at Seller's election, allow to Buyer as a credit against the Purchase Price that portion thereof which corresponds to the portion of said calendar year which has expired on the Closing Date, and Buyer shall pay or assume the balance.

Adjustments may be made in the amount of land subject to the 99-year lease on Lot 37 (Lot 37B) and for any closing costs and other adjustments so that the amount of consideration equals or is less than the amount of funds held by CATIC Exchange. The price shall be determined by the independent appraisal, as amended, which has been done

for the seller. Unless otherwise agreed, the allocation shall be \$380,000 for Lot 38 and its appurtenances, and the balance, agreed by the parties, for Lot 37B, the closing costs, attorneys fees, and any other allocations. A further allocation shall be made for the cost of a sewer line (\$9,800), which has been paid by the current subtenant of Lot 38 and the replacement of two overhead doors (\$) on the garage on Lot 37B. The intention is to both comply with the Like-kind exchange statute and regulations and to pay the appraised value of the property conveyed, as both parties are in a fiduciary capacity.

After closing, Buyer and Seller shall promptly, and in good faith, jointly proceed to seek approval from the New Shoreham Planning Board for the subdivision to be able to convey fee title to the land which will be a 99 year lease. Both parties agree to change the proposed boundaries if the Planning Board requests it, as long as buyer has the use of the existing house and garage, and seller retains land of the same value (The parties agree with the appraisers' determination that this is \$11 per square foot as to the initial 25,000 square feet and such discounted value as the appraiser shall determine as to the remaining 5,000 square feet more or less.)

This document and further documentation of the lease shall not be recorded by either party, unless the arbitrator, as further provided hereon, may order such recording.

The provisions of this section shall survive closing.

12. LAND TRUST TAX.

Buyer acknowledges that there is a three percent (3%) tax, on the full purchase price of real property, payable to the Block Island Land Trust, and it is agreed that seller is responsible for payment of this tax out of the proceeds which will be provided from CATIC Exchange in addition to the purchase price. The parties agree that this tax must be paid as a condition of recording the documents of transfer.

13. SELLER'S TITLE DOCUMENTATION.

If Seller shall for any reason be unable to give title and make conveyance as required by this Agreement, all payments made by Buyer shall, at Buyer's option, be refunded, together and thereupon all obligations of either party hereto shall be terminated; provided, however, that in the event the reason that Seller is unable to give title and make conveyance as required by this Agreement is susceptible to being cured, Seller shall take such actions as are reasonably necessary to cure such title defect. Buyer and Seller hereby agree to any reasonable extension of the Closing to enable Seller to effect such cure, but no later than May 12, 2006, time being of the essence for the Buyer. Acceptance of a Deed, 99 year lease and possession by a Buyer shall in any event constitute conclusive evidence of full performance and discharge by Seller of all Seller's obligations hereunder, subject to defeasance in the event the releases, required herein to clear title, are not received after closing.

14. SELLER'S DEFAULT.

Upon default by Seller, Buyer shall have the right to the return of the Deposit, or the Buyer may have specific performance by arbitration, as otherwise provided for herein.

15. BUYER'S DEFAULT.

Upon default by Buyer, the Deposit and any interest accrued thereon shall be applied as liquidated damages to Seller.

16. BROKERS.

Seller and Buyer hereby represent and warrant, such representation and warranties to survive Closing and delivery of Deed in this transaction that they have dealt with no real estate brokers regarding this sale.

17. COMPLIANCE WITH ZONING LAWS.

Buyer acknowledges that buyers of real estate in Rhode Island are legally obligated to comply with all local real estate ordinances including, but not limited to, ordinances on the number of unrelated persons who may legally reside in a dwelling, as well as ordinances on the number of dwelling units permitted under the local zoning ordinance. The parties acknowledge that the buildings on Lots 38 and 37B do not have certificates of occupancy and Seller makes no representation that these buildings are residences and Buyer accepts title with this condition known.

18. WETLANDS DISCLOSURE.

For the purpose of compliance with the Rhode Island General Law Section 2-1-26 relating to disclosure of the existence of wetlands, the Seller represents that all or part of the Premises may have been previously determined by the Rhode Island Department of Environmental Management to be a coastal wetland, fresh water wetland, bay, pond, marsh, riverbank, or swamp, as these terms are defined in Chapter 1 of Title 2 of the Rhode Island General Laws, and may also be subject to Coastal Resources Management Council jurisdiction on such wetlands.

19. RADON DISCLOSURE.

Radon has been determined to exist in the State of Rhode Island. Testing for the presence of radon prior to purchase is advisable. No representation has been made by either Seller or its agents as to presence or absence of radon gas.

20. LEAD PAINT DISCLOSURE.

Every Buyer of real estate built prior to 1978 is hereby notified that the properties may have lead exposures that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage including learning disabilities, reduced IQ, behavioral problems, and impaired memory. The Seller of such property is required to provide the Buyer with a copy of any

lead inspection report in the Seller's possession and notify the Buyer of any known lead poisoning problem. Environmental lead inspection is recommended prior to purchase. Buyer acknowledges receipt of any documents required by law as to lead paint.

21. DEPOSIT AND ESCROW.

If proper notice by the date of closing has been given of non-satisfaction of the contingencies, and satisfaction cannot or will not be provided by Seller, then the escrow agent shall refund the deposit to the Buyer. If, by the date of closing, Buyer has not given Seller's attorney notice that such notice has not been satisfied and resolved, then the parties shall proceed to closing. If the Buyer is in breach, the escrow shall be turned over to the Seller.

22. ENTIRE AGREEMENT AND DISCLOSURES

This Agreement merges any and all understandings and Agreements between Buyer and Seller with respect to the Premises and shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, and assigns. The parties recognize to each other that all disclosures required by law have been made. This includes disclosure that the Seller is a United States and Rhode Island resident and that there is a requirement for withholding of capital gains for the Rhode Island Division of Taxation, if an individual Seller is not a resident of Rhode Island at closing. The parties agree to execute any documents required by tax authorities or a title insurance company at closing.

23. APPLICATION OF RHODE ISLAND LAW.

This agreement shall be deemed to have been executed in the State of Rhode Island and Providence Plantations and shall in all respects be governed and construed in accordance with the laws of said State.

24. NOTICES; ATTORNEYS.

Notices hereunder shall be made to the parties at the addresses stated above and to the following attorneys:

Michael McElroy, Esq., Schacht & McElroy, P. O. Box 6721, Providence, Rhode Island 02940-6721, (Seller)

and Elliot Taubman, Esq., Taubman Law Offices, Ltd., P.O. Box 277, Addison House, High Street, Block Island, RI 02807, (Buyer)

The attorneys shall share the responsibility to obtain the releases and approvals provided for herein, with the responsibility for physical actions required on the mainland being primarily done by McElroy, and the actions required from or on Block Island being done by Taubman. Their fees shall be paid out of the escrow upon presentation of a statement with a copy to the clients. Any disagreement as to attorneys fees shall be subject to

arbitration on the same terms as in the following section.

25. ARBITRATION PROVISION.


In the event that a dispute shall arise, pursuant to this Agreement as to the disposition of the deposit, or any other matter, which is not otherwise resolved, such dispute shall be submitted to binding arbitration under the aegis of the New Shoreham Probate Court. If the Court declines to arbitrate a matter, then the arbitration shall be done under the auspices of the American Arbitration Association (AAA). Such Probate Court arbitration shall take place on Block Island, Rhode Island unless the arbitrator shall direct otherwise, or the parties agree to the contrary. Judgment may be entered upon the decision of the arbitrator in any court of competent jurisdiction. The intention of this paragraph is to provide immediate adjudication of any dispute.

WITNESS OUR HANDS THIS th DAY OF MAY 2006.

SELLER

BUYER





by Albert R. Casazza, President
Block Island Power Company

by Clifford R. McGinnes, Sr.
Administrator, Marjorie G.
McGinnes Estate

EXHIBIT A-1
(Lot 38)

That certain tract or parcel of land, in the Town of New Shoreham, County of Washington and State of Rhode Island and Providence Plantations, being known as New Shoreham Assessors Plat 17 Lot 38. Together with and subject to easements and restrictions of record, including all buildings and appurtenances thereon. Said premises are further known as Parcel IV in Volume 239 Page 88 of the Land Evidence Records of the Town of New Shoreham.

Said premises to be further shown on a Plan prepared by Geisser Engineering Corp., May 2006, and an approximate plan attached hereto as Exhibit A-2, with Lot 38 on said Plan being the same as said Assessors Plat 17 Lot 38, containing 15,200 square feet more or less, and another lot (here designated as Lot 37B) being a portion of said Assessors Plat 17 Lot 37, being bounded as follows:

Beginning at the southwest corner of said Lot 38, bounded WESTERLY by the retained property, now or formerly of Block Island Power Company (Lot 37B), at an old fence line, with the line running northerly N. 23 E., for one hundred forty (140) feet to a point; thence turning a corner;

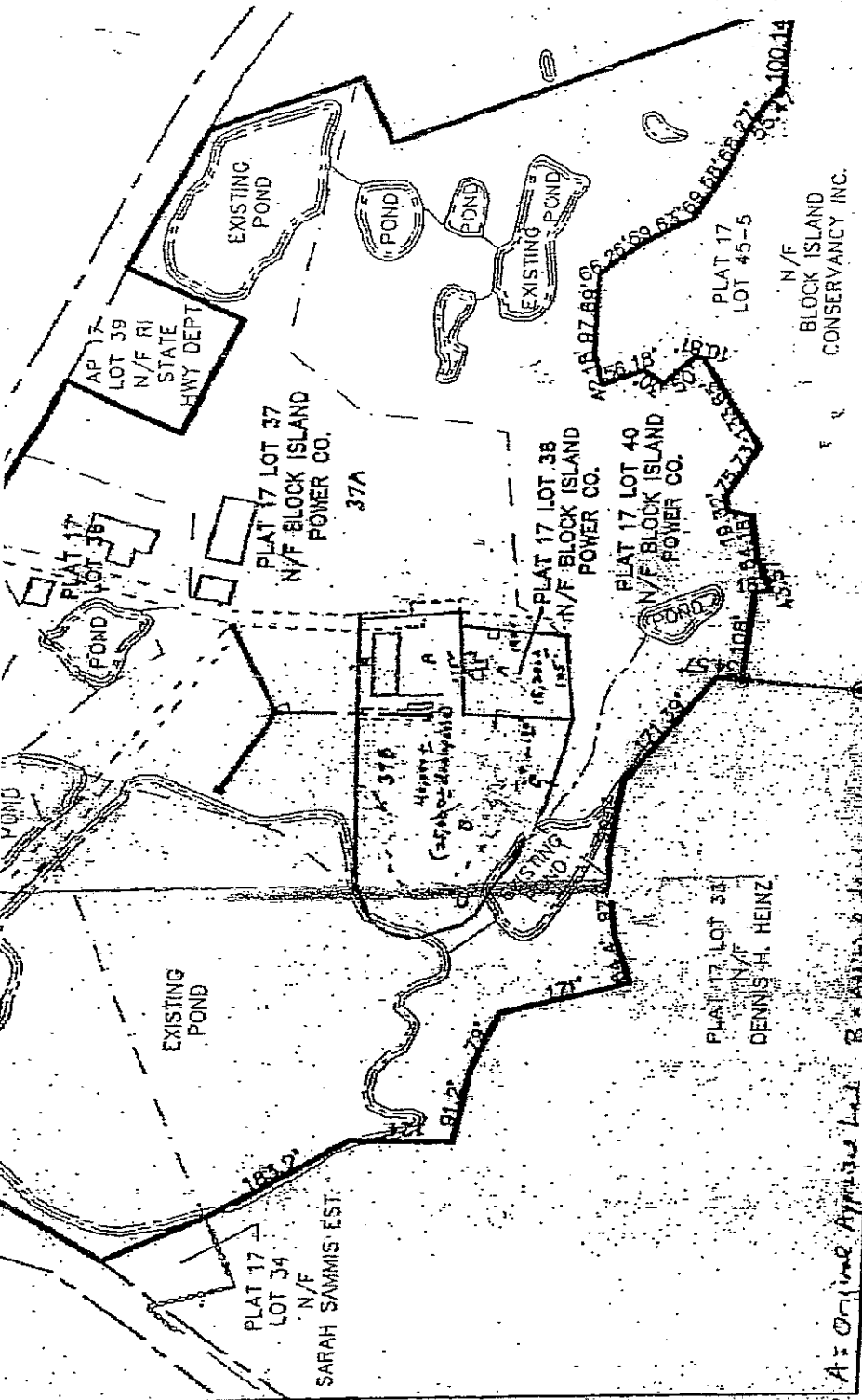
bounded NORTHERLY by the remaining property of Block Island Power Company (Lot 37B) and running easterly S. 78 degrees E., one hundred fifteen (115) feet abutting the northerly side of a residence on said Lot 38, to a point where there formerly was a stonewall, at the northeasterly corner of said lot 38; thence turning a corner;

bounded EASTERLY by Lot 37A, retained by Block Island Power Company, and running southerly, S. 24 degrees W., for one hundred forty (140) feet, to the intersection with Assessors Plat 17 Lot 40, being New Meadow Hill [Tug] Swamp and retained property of Block Island Power Company; thence turning a corner;

bounded SOUTHERLY by said Lot 40, and running westerly, N. 80 degrees W., for one hundred five (105) feet, by the edge of said Lot 40 and the said Swamp, to the point and place of beginning.

Being the same premises described in a deed from Frank C. Payne to Annie Arabella Payne, dated June 10, 1921 and recorded in Volume 21 Page 134 of the New Shoreham Land Evidence Records.

Together with an easement and right of way for access and utilities, twenty-five feet wide following the path of the existing traveled way and utility lines until said traveled way splits. The easement then runs in two directions, generally northerly to Ocean Avenue and also turning westerly and running to Beach Avenue. The grantee herein shall jointly use said access roads and utility lines with Block Island Power Company, its representatives and assigns. Said roadways and utility lines shall continue to be maintained by Block Island Power Company, but the grantee herein reserves the right to maintain said roadways and utility lines in the event the owner of Lot 37A does not so maintain them.



A = Original Appraisal Map B = All other developments C = Legacy West Dev

OVERALL SITE PLAN

SCALE: 1"=200'

EXHIBIT A2

EXHIBIT A3

Lot 37B

That certain tract or parcel of land, in the Town of New Shoreham, County of Washington and State of Rhode Island and Providence Plantations, being known as a portion of New Shoreham Assessors Plat 17 Lot 37. Together with and subject to easements and restrictions of record, including all buildings and appurtenances thereon. Said premises are further known as a portion of Parcel II in Volume 239 Page 85-87 of the Land Evidence Records of the Town of New Shoreham.

Said premises to be further shown on a Plan prepared by Geisser Engineering Corp., May 2006, and an approximate plan attached hereto as Exhibit A2, with Lot 38 on said Plan being the same as said Assessors Plat 17 Lot 38 and another lot (here designated as Lot 37B) being that portion of said Lot 37, containing 30,000 square feet more or less, being bounded as follows:

Beginning at the northeast corner of said Lot 38, thence running easterly twenty-five (25) feet to a point, thence turning northerly, bounded EASTERLY by the retained property of Block Island Power Company (Lot 37A), with the line running northerly to a point which is twenty-five feet easterly of the existing garage to the north of Lot 38, presently occupied by Oldfield Automotive and Ballard's Oil Company, and continuing to run northerly parallel to and twenty-five feet easterly of the said garage, to a point which is twenty-five feet easterly of the northeasterly corner of the said garage building and then continuing twenty-five feet northerly; thence turning a corner,

bounded NORTHERLY by the retained property of Block Island Power Company (Lot 37A) and running westerly twenty-five feet northerly of said garage building and parallel with the northerly side of said garage to the mean high water mark of New Meadow Hill Swamp, also being Assessors Plat 17 Lot 40 and also being property of Block Island Power Company, and thence by the high water mark of said swamp, and also the line of said Lot 40, in a generally westerly and then southerly direction to a the southwesterly corner of Lot 38;

thence turning northerly, bounded EASTERLY by said Lot 38 to the northwesterly corner of Lot 38; thence turning a corner,

bounded SOUTHERLY by said Lot 38, and running easterly to the point and place of beginning.

Together with an easement and right of way for access and utilities, twenty-five feet wide (except for a portion of Lot 37B where the traveled way is on said Lot 37B, where the easement is five feet in width), running parallel with the easterly line of Lot 38 and then continuing northerly, running easterly of Lot 37B and thence following the path of the existing traveled way and utility lines until said traveled way splits. The easement then runs in two directions, generally northerly to Ocean Avenue and also turning westerly and running to Beach Avenue. The grantee herein shall jointly use said access roads and utility lines with Block Island Power Company, its representatives and assigns. Said roadways

and utility lines shall continue to be maintained by Block Island Power Company, but the grantee herein reserves the right to maintain said roadways and utility lines in the event the owner of Lot 37A does not so maintain them. Also subject to an easement ten feet in width, surrounding the portion of the guy wire, and its appurtenances, for the FM-Wireless tower of the Block Island Power Company, for the inspection, maintenance, repair and replacement of said guy wire and its appurtenances, and an access easement, twenty feet wide, to be located by the parties herein, which is east and south of the existing garage, which are on Lot 37B for the sole purpose of the inspection, maintenance, replacement and repair of the said guy wire and appurtenances. Together with an access easement, twenty-five feet in width, on the retained land of Lot 37A southeast of the garage building and northeasterly of Lot 38. Together with an underground easement for the existing sewer line running easterly and northerly to Ocean Avenue, being twenty feet in width, for servicing, repair and replacement of said sewer line.

SETTLEMENT STATEMENT

Page 1

NAME OF BORROWER:
CATIC Exchange Solutions, Inc. as
Qualified Intermediary for
Marjorie C. McGinnes Estate
Rocky Hill, CT

NAME OF SELLER:
BLOCK ISLAND POWER COMPANY
P.O.Box 578
Block Island, RI 02877
PROPERTY: AP 17 L 38 AND PORTION L 37, BLOCK ISLAND, RI
TYPE OF LOAN: No loan

HOME ADDRESS:

SETTLEMENT AGENT: Elliot Taubman, Esq.
FILE NO. LOAN NUMBER:
MORTGAGE INS. CASE NO.

SETTLEMENT: BLOCK ISLAND, RI

Table with columns for Borrower's Transaction, Seller's Transaction, and Adjustments. Rows include items like 100. GROSS AMOUNT DUE FROM BORROWER, 101. Contract Sales Price, 102. Property taxes - N.S., etc.

Michael R. McElroy
Attorney for BIPCO 11-11-06

Albert J. Casano
President, BIPCO 11-11-06

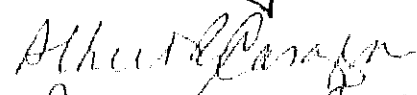
SETTLEMENT CHARGES	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. BROKER'S COMMISSION	0.00	\$
Division of Commission (Ls 700) as Follows:		
701.		
#		
800. ITEMS PAID IN CONNECTION WITH LOAN		
801. Loan Orig. Fee TO NCM 1%		
802. Loan Discount		
803. Appraisal Fee to Secori and Associates	2500.00	2500.00
804. Credit Report to		
805. Broker's Fee to		
806. Document Preparation Fee to		
810. Processing Fee to		
811. Underwriting Fee to		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901. INT. FROM 11/07 TO @ \$		
902. Mort. Ins. Prem. for months		
903. Hazard Ins. Prem. for months		
1000. RESERVES DEPOSITED WITH		
1001. Hazard Ins. mos		
1002. Mort. Ins.		
003. Town Prop. Tax @ mos.		
007. Aggregate Adjustment		
100. TITLE CHARGES		
101. Closing fees to B&E Consulting		3000.00
102. Abstract or Title Search to		
103. Title Examination to		
104. Title Insurance Binder to		
105. Document Preparation to		
06. Closing Fee - Schacht & McElroy		6500.00
07. Atty. Fee-E.Taubman (Inc 1101-1105)	6500.00	
08. Title Insurance TO CATFC (E.Taubman)	2150.00	
09. Lender's Coverage		
10. Owner's Coverage \$866,000		
1. Fee/Freight/Telephone/Copies/Courier	398.99	POC
100. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1. Rec. Fee/Deed\$:Mort.\$:Rel\$	130.00	141.00
2. B.L.Land Trst;Deed\$:Mort.\$	25650.00	
3. S.L.Tx/Stamp;Deed\$		3420.00
4. TAX CERTIFICATE	25.00	
5. Wiring	28.58	25.00
ADDITIONAL SETTLEMENT CHARGES		
Surveying/Engineering: Geisner Eng. Corp.	2500.00	2500.00
TOTAL SETTLEMENT CHARGES	39683.98	20086.00

signed Borrower(s) acknowledge receipt of the above disclosure.

BORROWERS:

 Clifford R. McGinnis Sr.

SELLERS:  5-11-06
 Michael McElroy, Its Attorney in Fact


 President, BIPCO
 5-11-06

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-43 With regard to each of the buildings sold by the Company as part of the real estate transaction described on page 2, lines 13-19 of Mr. Edge's pre-filed testimony, please provide the original cost to the Company, together with supporting documentation and any calculations and assumptions used to derive the original cost of each such building.

Response: See the responses to Div.1-16, 1-17, and 1-18. In order to respond to these three Division data requests BIPCo reviewed its own records and reviewed the Town's Land Evidence Records. Much of the activity relating to these pieces of property and buildings happened prior to the current ownership of BIPCo and detailed records beyond what has already been provided to the Division data requests are not available.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-44 With regard to each of the buildings sold by the Company as part of the real estate transaction described on page 2, lines 13-19 of Mr. Edge's pre-filed testimony, please provide the gain realized by the Company, together with supporting documentation and any calculations and assumptions used derive the gain as to each building.

Response: The buildings and land were transferred as a unit and therefore the specific gain realized for each of the buildings is undeterminable.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-45 With regard to the land sold by the Company as part of the real estate transaction described on page 2, lines 13-19 of Mr. Edge's pre-filed testimony, please provide the original cost to the Company, together with supporting documentation and any calculations and assumptions used to derive the original of such land.

Response: See the response to Div.1-16. The only supporting documents available to BIPCo are the Town's Land Evidence Records. See the response to Town-43.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-46 With regard to the land sold by the Company as part of the real estate transaction described on page 2, lines 13-19 of Mr. Edge's pre-filed testimony, please provide the gain realized by the Company, together with supporting documentation and any calculations and assumptions used derive the gain as to such land.

Response: The land and buildings were transferred as a unit and therefore the specific gain realized on the land is undeterminable. See the response to Town-65 for the profit booked for the entire transaction.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-47 Please provide any test year expenses relating to zoning determinations regarding sold lots 37 and 38, including any outside services expenses associated with local board proceedings and any complaint filed with the Commission under R.I.G.L. §39-1-30.

Response: The test year expenses relating to the property sale and the zoning were charged to accounts 5923-0019 and 5923-0020 in the test year. Mr. Bebyn removed all of these expenses when he normalized the test year. See DGB-1 page 3 of 5.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-48 Please state whether the Company incurred during the test year and continues to incur costs associated with maintaining access to the real estate sold during FY 2006. Indicate whether the Company is reimbursed for such costs.

Response: The Company has always maintained the service roads on its property for its own usage. In addition, Transue has always maintained the access to the parcels sold. There are no added costs incurred relating to the 2006 real estate transferred.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-49 Mr. Edge has testified that the Company historically has credited rental revenues from the real estate sold in FT 2006 to ratepayers for revenue requirements purposes in its rate cases. Please state whether the Company has charged to regulated expense accounts costs associated with this real estate, including but not limited to property taxes. If so, specify the types of expenses so charged and over what period of time such expenses were charged to regulated expense accounts.

Response: BIPCo did not segregate any costs relating to the rental property nor did BIPCo eliminate any of the rents from the rental property from rate consideration. In other words, any costs (if any, other than property taxes) relating to the rental property was charged to "regulated expense accounts". BIPCo's historic records would not show these costs separately, therefore the information requested (if there was any) is not available. See the response to Town-67 for the rental income for the past five years.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-50 Please state whether lessees of the land and buildings sold by the Company in FY 2006 made any leasehold improvements to the property. If so, please: state (a) over what periods of time such leasehold improvements were made; (b) the nature of such leasehold improvements; (c) whether and how the Company accounted for such leasehold improvements; (d) whether the value of such leasehold improvements were credited to ratepayers for revenue requirements purposes in the Company's rate cases; and (e) the cost of such leasehold improvements, to the extent known by the Company.

Response: (a) (b) See the response to Div 1-16 for all the information available to BIPCo regarding leasehold improvements.

(c) BIPCo did not account for the leasehold improvements.

(d) The value was not credited to the ratepayers.

(e) The cost of the additions is unknown to BIPCo.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-51 Please identify any use of the house and other above building for utility-related purposes, including but not limited to housing for Company workers or contractors, storage or other purposes. If any such use has occurred over time, please provide the nature and duration of such use.

Response: The best response to this data request is to direct the Town to the Affidavits filed by Mr. McGinnes and Mr. Transue regarding the use of Lot 37 and Lot 38 and the representations of Mr. Taubman ESQ. in a memo dated October 18, 2007 to Mr. Tillson, Building Official for the Town and the October 28, 2007 memorandum of Mr. McGinnes to the New Shoreham Planning Board and the New Shoreham Zoning Board.

Prepared by CM

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-52 Did the Company maintain records of leases or other records regarding lease arrangements between the users of each of the house and building and the Company? If so, please provide during each year for which such records are available for each lessee:

- a) the name of the lessee
- b) whether the lessee was an owner, affiliate or relative of any owner
- c) whether the lessee made any leasehold improvements
- d) specific leasehold improvements made
- e) whether written leases were executed by the lessee
- f) whether and how any written leases and any oral leases addressed leasehold improvements made by lessees
- g) copies of all such leases (for inspection at the offices of the Division) or if not a writing, a description of their terms and conditions

Response:

- (a), (c), (d) See response to Div.1-18
- (b) There were no leases to owners. The house was leased to a company (Ballard's Oil) owned by the son of one of the owners.
- (e) (g) See attached.
- (f) All leasehold improvements reverted to BIPCo at the conclusion of the lease.

Prepared by WEE

LEASE AMENDMENT

This lease AMENDMENT is between Block Island Power Company, of P.O.Box 518, Block Island, Rhode Island 02807 ("Lessor") and A. Transue Corp. ("Lessee"), both Rhode Island corporations, with principal place of business on Block Island, Rhode Island, on Block Island Power Company premises, off Beach Avenue, Town of New Shoreham, RI. The premises leased shall be defined by iron pipes, telephone poles, or other permanent markers set by lessor. The premises shall be no more than the amount of land presently used by lessee.

THE EXISTING LEASE IS AMENDED AS FOLLOWS:

Section 1.02. The term of the lease shall be from August 1, 1999 to July 31, 2004, and is renewable, at Lessee's option, by giving written notice, on or before May 1, 2004, to Lessor, of the intent to renew for another five (5) year term.

Section 2.01. For the term of the lease, Lessee agrees to pay to lessor \$375.00 per month, in advance on the first day of each month. Upon renewal, the rent shall increase by fifteen percent for ~~the~~ the renewal period. *A.R.F.*

Section 3.03. This lease does not require approval of the Rhode Island Division of Public Utilities.

All other terms of the existing lease shall remain in full force and effect and are hereby ratified.

IN WITNESS WHEREOF, Dated and effective August 1, 1999.

LESSOR:

Jerome A. Edwards
President and authorized agent for
Block Island Power Company

LESSEE:

Andrew Transue

Andrew Transue
Authorized agent for
A. Transue Corp.

LEASE

This lease is between Block Island Power Company, of P.O.Box 518, Block Island, Rhode Island 02807 ("Lessor") and A. Transue Corp. ("Lessee"), both Rhode Island corporations, with principal place of business on Block Island, Rhode Island, on Block Island Power Company premises, off Beach Avenue, Town of New Shoreham, RI. The premises leased shall be defined by iron pipes, telephone poles, or other permanent markers set by lessor. The premises shall be no more than the amount of land presently used by lessee including a small storage building, formerly of WOST-TV.

Article 1. Basic Term

Section 1.01. For and in consideration of the rent prescribed herein and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, Lessor hereby leases unto Lessee the storage area as presently in use and to be further defined as stated above. Also included is reasonable access off of Beach Avenue to the storage area. Access is not granted off of Ocean Avenue.

Section 1.02. The term of the lease shall be from August 1, 1999 to July 31, 2004, and is not renewable except by agreement.

Article 2. Annual Rental

Section 2.01. For the term of the lease, Lessee agrees to pay to lessor \$375.00 per month, in advance on the first day of each month.

Article 3. Use of Property

Section 3.01. Lessee may use the premises for storage primarily of sand and gravel and other building materials and for a reasonable amount of heavy equipment used for lessee's business.

Section 3.03. The lessee agrees to conform to all Federal, State and Town of New Shoreham regulations regulating to the business. This lease is subject to approval by the Rhode Island Division of Public Utilities and is invalid to the extent not so approved.

Article 4. No Subletting or Assignment

Section 4.01. Lessee shall not assign this lease, nor any interest therein, or sublet the premises, without the prior written consent of Lessor.

Article 5. Lessee's Improvements

Section 5.01. Lessee shall accept the premises in "as is" condition, at the time lessee is entitled to enter upon the premises, without any obligation of Lessor to perform any work, and without warranty or representation as to such condition.

Section 5.02. All improvement to the property shall become the property of Lessor at the end of this lease or any extensions thereto.

Article 6. Insurance

Section 6.01. Lessee shall maintain adequate fire and other casualty insurance covering the premises and shall maintain liability insurance of at least \$2,000,000 and indemnify Lessor, its agents and employees from any liability from operation of Lessee's business. Lessee shall provide proof of insurance and shall immediately notify Lessor if notice of termination for insurance is received or insurance is stopped.

Article 7. Utilities

Section 7.01. Lessee will be responsible for all utilities it shall use.

Article 8. Miscellaneous

Section 8.01. This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island.

Section 8.02. The covenants and agreements herein contained shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns, and Lessee, its successors and assigns, except as otherwise provided herein.

Section 8.03. Default shall have occurred and lessor may at its option declare this lease in default upon violation of any of its terms or upon thirty (30) days nonpayment of rent.

Section 8.04. Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

Article 9. Arbitration

Section 9.01. Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration. The Lessor and the Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. Arbitration may be under the Superior Court rules for Arbitration. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules for commercial arbitration. Any arbitration hearing shall take place on Block Island, Rhode Island unless otherwise ordered by the arbitrator(s). Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this lease effective on the 1st day of August, 1999.

LESSOR:

Jerome A. Edwards
President and authorized agent for
Block Island Power Company

LESSEE:

Andrew Transue
Andrew Transue
Authorized agent for
A. Transue Corp.

LEASE AGREEMENT

This lease agreement is entered into by and between BLOCK ISLAND POWER COMPANY, a Rhode Island Corporation, of Block Island, Rhode Island (the Lessor), and ANDREW A. TRANSUE of Block Island, Rhode Island (the Lessee), this 9th day of May, 1987, for the lease an area on Lessor's property of approximately 6,700 square feet, as shown on the attached map (the Premises), on the following terms and conditions.

ARTICLE 1: Description of Property and Term

Section 1.01 For and in consideration of the rent prescribed herein, and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, Lessor hereby leases unto Lessee and Lessee does hereby rent from Lessor the Premises. The lease includes the use of the dike roadway currently existing off Beach Avenue for ingress and egress to the Premises.

Section 1.02 The initial term of this Lease shall be for five (5) years from June 1, 1987 to May 31, 1992. The lease shall be renewable, at Lessee's option, at the end of the initial lease term for an additional term of five (5) years. Such renewal term shall commence on June 1, 1992 and terminate on May 31, 1997.

ARTICLE 2: Annual Rental

Section 2.01 For the initial term of the Lease, Lessee agrees to pay to Lessor at its office on Block Island \$10,000 per year, payable monthly at the rate of \$833.33 per month, in advance on the first day of each month. If the Lease is renewed as provided in Section 1.02, the annual rent during the renewal period shall be \$12,500, payable monthly at the rate of \$1,041.67 per month.

ARTICLE 3: Use of Property

Section 3.01 Lessee may use the Premises for the operation of a construction and excavation business conducted by him or A. TRANSUE CORPORATION and for the storage and/or processing of equipment and materials used in that business. Lessee also has the right, at his expense, to erect a building on the Premises, utilizing the existing foundation. This building will become the property of Lessor at the end of this lease or any extensions thereto.

ARTICLE 4 Subletting and Assignment

Section 4.01 Lessee shall not assign this lease, or any interest therein or sublet the Premises without the prior written consent of Lessor, except to A TRANSUE CORPORATION.

ARTICLE 5: Lessee's Improvements

Section 5.01 Lessee shall accept the Premises in their "As Is" condition at the time Lessee shall be entitled to enter upon the Premises as hereinafter provided without any obligation on the part of Lessor to perform any work and without warranty or representation as to such condition

Section 5.02 Lessee shall be entitled to build a single-story garage over the existing foundation on the Premises as well as rebuild the existing house. All improvements to the property shall become the property of Lessor at the end of this lease or any extensions thereto.

ARTICLE 6: Insurance

Section 6.01 Lessee will maintain adequate fire and other casualty insurance covering improvements to the Premises and will maintain liability insurance on operation of Lessee's business or that of A. TRANSUE CORPORATION in an amount of not less than \$300,000. *changed to \$100,000*

ARTICLE 7: Utilities

Section 7.01 Lessor will bring and connect electric service to each of the structures on the Premises, ~~and will provide adequate electrical service to Lessee during the term of this lease and any extensions thereto at no additional cost to Lessee.~~ *deleted A.R.T. ORM*

ARTICLE 8: Notices

Section 8.01 All notices, demand and requests required under this lease shall be in writing. All such notices, demands and requests shall be deemed to have been properly given if served personally, or if sent by United States certified mail, postage prepaid, addressed as hereinafter provided. All such notices, demands and requests mailed shall be addressed if to Lessor, at: P. O. Box 518, Block Island, RI 02807, and if to Lessee, at: P. O. Box 39, Block Island, RI 02807; or at such other addresses as either party may from time to time designate by written notice to the other.

ARTICLE 9: Arbitration

Section 9.01 Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. In any dispute arising under this provision, the Lessor and the Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules. Any arbitration hearing shall take place on Block Island, Rhode Island. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

ARTICLE 10: Miscellaneous

Section 10.01 The captions of this lease are for convenience and reference only, and in no way define, limit or describe the scope or intent of this lease.

Section 10.02 This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island.

Section 10.03 The covenants and agreements herein contained shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns, except as otherwise provided herein.

Section 10.04 Lessee agrees that it will not record this Lease Agreement, but it may record a notice of lease which identifies the Premises and the parties hereto.

Section 10.05 Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

ARTICLE 11: Contingencies

Section 11.01 This lease is contingent upon (i) the Lessor obtaining

necessary authority from the Rhode Island Public Utilities Commission to enter into this lease and (ii) the Lessee obtaining a special exception from the Zoning Ordinance and any other local approvals, permits etc needed for the operation of his business or that of A. TRANSUE CORPORATION. Both Lessor and Lessee covenant and agree to use their best efforts to obtain all such approvals as soon as possible, to include meeting reasonable conditions and/or restrictions placed on either by an appropriate regulatory authority

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this lease the day and year first above written.

WITNESS.

John Edward

LESSOR

C.R. M. Jones - Pres
Black Island Power Co. Inc

LESSEE

Andrew C. Transue

LEASE

This lease is between Block Island Power Company a Rhode Island corporation, of P.O.Box 518, Block Island, Rhode Island 02807 ("Lessor") and Richard O. Mazzur, Jr. ("Lessee") of Block Island, Rhode Island, for an automobile and truck repair business, in an existing building, on Block Island Power Company premises, off Beach Avenue in the Town of New Shoreham. The premises leased shall be defined by iron pipes, telephone poles, or other permanent markers set by lessor. The premises shall be no more than the amount of land presently used by James Stockman and the larger east bay in a garage building.

Article 1. Basic Term

Section 1.01. For and in consideration of the rent prescribed herein and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, Lessor hereby leases unto Lessee the storage area as presently in use and to be further defined as stated above. Also included is reasonable access off of Beach Avenue to the storage area.

Section 1.02. The initial term of the lease shall be from August 1, 2000 , to August 31, 2001, and is not renewable except by agreement.

Article 2. Annual Rental

Section 2.01. For the term of the lease, Lessee agrees to pay to lessor \$500.00 per month, in advance on the first day of each month.

Article 3. Use of Property

Section 3.01. Lessee may use the premises for the repair of automobiles and trucks, but must have specific permission of Lessor for any other activities.

Section 3.03. The lessee agrees to conform to all Federal, State and Town of New Shoreham regulations regulating to the business. This lease is subject to approval by the Rhode Island Division of Public Utilities and is invalid to the extent not so approved.

Article 4. No Subletting or Assignment

Section 4.01. Lessee shall not assign this lease, nor any interest therein or sublet the premises without the prior written consent of Lessor.

Article 5. Lessee's Improvements

Section 5.01. Lessee shall accept the premises in "as is" condition, at the time lessee to enter upon the premises, as hereinafter provided, without any obligation on the part of lessor to perform any work and without warranty or representation as to such condition.

Section 5.02. All improvement to the property shall become the property of lessor at the end of this lease or any extensions thereto.

Article 6. Insurance

Section 6.01. Lessee will maintain adequate fire and other casualty insurance covering the premises and will maintain liability insurance of at least \$2,000,000 and indemnify Lessor, its agents and employees from any liability from operation of Lessee's business. Lessee shall provide proof of insurance and shall immediately notify Lessor if insurance is threatened with or is actually terminated.

Article 7. Utilities

Section 7.01. Lessor will be responsible for all utilities at the site.

Article 8. Miscellaneous

Section 8.01. This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island.

Section 8.02. The covenants and agreements herein contained shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns, and Lessee, its successors and assigns, except as otherwise provided herein.

Section 8.03. Default shall have occurred and lessor may at its option declare this lease in default upon violation of any of its terms or upon thirty (30) days nonpayment of rent.

Section 8.04. Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

Article 9. Arbitration

Section 9.01. Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration. Lessor and Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules. Any arbitration hearing shall take place on Block Island, Rhode Island unless ordered to the contrary by the arbitrator(s). Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this lease effective on this day
of August, 2000..

LESSOR:

Jerome A. Edwards
President and authorized agent for
Block Island Power Company

LESSEE:

Richard O. Mazzur, Jr.

Notes 9/1/99

LEASE

This lease is between **Block Island Power Company**, a Rhode Island corporation, of P.O.Box 518, Block Island, Rhode Island 02807 ("Lessor") and **Ballard's Oil Company, Inc.** ("Lessee") of Block Island, Rhode Island, for a petroleum business, being bays in an existing garage building, on Block Island Power Company premises, off Beach Avenue in the Town of New Shoreham. The premises leased shall be defined by iron pipes, telephone poles, or other permanent markers set by lessor. The initial premises rented shall be the two westerly bays, an apartment in second floor and the vacant part of cottage.

Article 1. Basic Term

Section 1.01. For and in consideration of the rent prescribed herein and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, Lessor hereby leases unto Lessee the storage area as presently in use and to be further defined as stated above. Also included is reasonable access off of Beach Avenue to the area.

Section 1.02. The term of the lease shall be from September 1, 1999 to August 31, 2004 with an optio to renew for a 5 year term thereafter.

Article 2. Annual Rental

Section 2.01. For the term of the lease, Lessee agrees to pay to lessor \$500.00 per month, in advance on the first day of each month. The basic rent shall increase to six hundred dollars (\$600.00) per month when the office in the cottage previously referred to becomes available.

Article 3. Use of Property

Section 3.01. Lessee may use the premises for the storage of vehicles, an office, and related activities, but must have specific permission of Lessor for any other activities.

Section 3.03. The lessee agrees to conform to all Federal, State and Town of New Shoreham regulations regulating to the business.

Article 4. No Subletting or Assignment

Section 4.01. Lessee shall not assign this lease, nor any interest therein or sublet the premises without the prior written consent of Lessor.

Article 5. Lessee's Improvements

Section 5.01. Lessee shall accept the premises in "as is" condition, at the time lessee to enter upon the premises, as hereinafter provided, without any obligation on the part of lessor to perform any work and without warranty or representation as to such condition.

Section 5.02. All improvement to the property shall become the property of lessor at the end of this lease or any extensions thereto.

Article 6. Insurance

Section 6.01. Lessee will maintain adequate fire and other casualty insurance covering the premises and will maintain liability insurance of at least \$2,000,000 and indemnify Lessor, its agents and employees from any liability from operation of Lessee's business. Lessee shall provide proof of insurance and shall immediately notify Lessor if insurance is threatened with or is actually terminated.

Article 7. Utilities

Section 7.01. Lessee will be responsible for all utilities it shall use.

Article 8. Miscellaneous

Section 8.01. This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island.

Section 8.02. The covenants and agreements herein contained shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns, and Lessee, its successors and assigns, except as otherwise provided herein.

Section 8.03. Default shall have occurred and lessor may at its option declare this lease in default upon violation of any of its terms or upon thirty (30) days nonpayment of rent.


Section 8.04. Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

Article 9. Arbitration

Section 9.01. Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration. The Lessor and the Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules. Any arbitration hearing shall take place on Block Island, Rhode Island. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

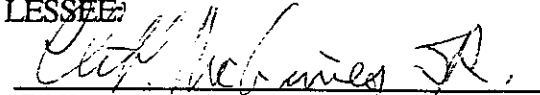
IN WITNESS WHEREOF, Lessor and Lessee have duly executed this lease on the day of
October, 1999.

LESSOR:



Jerome A. Edwards
President and authorized agent for
Block Island Power Company

LESSEE:



Clifford R. McGinnes, Jr.
President and authorized agent for
Ballard's Oil Company, Inc.

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-53 Please refer to the Company's response to Division information request 1-16. What specific fixed asset records of the Company did Mr. Edge review? Please provide such records as they relate to the land and buildings that are the subject of the Division's data request.

Response: See Division 1-31.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-54 Please refer to the Company's response to Division information request 1-16, subpart d. Please provide the basis for Mr. Edge's "understanding that neither the house or garage that were transferred were ever put on BIPCo's books and were never included in rate base."

Response: The basis for Mr. Edge's understanding is stated in the response to Div 1-16 as follows: "I have reviewed the fixed asset records and discussed this issue with management and noted the following." Further, it states that "It is my understanding that the house and garage that were transferred were never put on BIPCo's books and were never included in rate base. I have reviewed the fixed asset records, but I have been unable to identify the garage and the house in the structure section of the fixed asset records".

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-55 When the Company acquired land and a house as described by Mr. Edge, what accounting entries were made by the Company?

Response: BIPCo acquired Lot 37 in 1958 for \$5,000 and Lot 38 with a building in 1961 for \$1,456. The records are not available to the current owners.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-56 Please provide an itemized breakdown of the land and land rights account of \$79,610 as shown in Schedule WEE-10. Identify the land and land rights covered in this account and the uses of all such land.

Response: See the complete response to Div 1-16 and the response to Div 1-31.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-57 Please identify all buildings owned by the Company and explain how each building was accounted for in the test year.

Response: BIPCo has eight buildings that it owns. They are as follows:

1. Building 1 is a former generator room and was unused during the test year.
2. Building 2 is the Day Room Building. It houses the computer controls for the sub-station and Engine 25. There is also an employee lounge for the night watchmen and employee breaks. Attached is a garage portion of the building that is used when repairing vehicles and also provides storage space for the Company's tractors.
3. Building 3 is the generator building for engines 24 and 25.
4. Building 4 is the generator building for engines 19, 22, and 23. The building also houses one of the Company's bucket trucks and storage space for the line crew.
5. Building 5 is the containment building for storage of waste oil, unused oil and equipment. The building also houses the Company's larger bucket truck.
6. The Office Building 1st floor is used for the Company's offices. The 2nd floor is the property of Island Services. The basement is leased to Hull Suburban and is used by BIPCo for handicapped access which is required by RUS. There is also a utility room for the entire building in the basement.
7. There is an old pump building that is falling down on the front of the property which is not used.
8. One of the small buildings at the base of the communications tower has been turned over to BIPCo at no cost by ATT.

The second floor of the Office Building (part of item 6) has never been in rate base and is not in the test year rate base. The small building at the base of the tower (item 8) had no cost to BIPCo. Therefore, it is not in test year rate base. All of the remaining buildings were fully depreciated and therefore not included in the test year rate base. Included in the test year rate base therefore were only the un-depreciated building improvements made on the buildings listed above.

Prepared by CM and WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-58 Please state whether any land or buildings owned or leased by the Company during the test year were used, in any part, for non-utility purposes, by the Company or by any third party. If so, provide an explanation and the cost of service treatment during the test year and for the rate year.

Response: Yes, some of BIPCo's land and part of one of its buildings was used for non-utility purposes in the test year. BIPCo has a "Good Neighbor" policy on occasion allowing islanders and the Town to use some of its 25 plus acres for a limited time and for the good of the Island. For example, BIPCo has allowed the following usages at no cost to the Town or others.

1. BIPCo has the Statue "Rebecca" in one of its buildings where it has been rebuilt. No rent has been charged to the Town.
2. When the fire department wants to use its property for social activities, BIPCo allows the fire department to park its trucks on BIPCo land.
3. Each weekend that the farmers Market is held, BIPCo allows participants to park on BIPCo land.
4. Island Rescue is allowed to park their vehicle on BIPCo property whenever necessary.
5. BIPCo allowed the fire department to park one of its old fire trucks in a BIPCo garage for over six months at no cost to the Town.
6. FEMA water trailers were stored for a period of time on the BIPCo property.
7. BIPCo also allows some use of its property for storage for a fee. The following are current agreements:
 - Block Island Marine is paying \$1,200 to store one of its boats on BIPCo property over the winter.
 - Michael J. McGinnes is paying \$1,200 to store his boat on BIPCo land over the winter.
 - Hull Suburban uses part of BIPCo's land for storage as part of their \$600 per month rental of the basement and land.

There are two other agreements relating to the use of BIPCo land. OMNI is allowed to store a truck and some materials on the property in exchange for free use of the OMNI truck by BIPCo, when needed. Cliff McGinnes is allowed to store his boat on the property in the winter at no charge.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-59 Please identify all affiliate transactions that occurred during the test year. For each such transaction, please provide:

- a) written contracts memorializing each affiliate transaction or if no such written contract exists, an explanation of each such transaction;
- b) the affiliated person or entity involved in each transaction;
- c) annual amounts paid to the Company during the test year;
- d) the treatment of such payments for revenue requirements purposes;
- e) how long the transaction has occurred prior to the test year;
- f) the annual payment to the Company for each transaction over the last 5 fiscal years and the annualized payments to be made in FY 2008 and the rate year

Response: See the attached table and contracts. Please note that, that as an accountant, I have identified “affiliated transactions” per accounting principles (items included in the notes to the financial statements). I am not expressing a legal opinion as to these transactions per PUC requirements for affiliated transactions. The treatment of these activities in the test year is that revenues are posted to revenue accounts and expenses are posted to expense accounts.

Prepared by WEE

**Block Island Power Company
Affiliated Transactions**

Part b)

IFR Trucking (Fuel Delivery - Exp.)
 Ballards Oil (Rental of Property - Rev.)
 Ballards Oil (Heating Oil - Exp.)
 BI Cable TV (Pole Rental - Rev.)
 Ballards Oil (Rental of Oil Tanks - Rev.)
 Owners free electricity

Affiliated person or entity involved

IFR owned by stockholder of Company
 Ballards owned by son of the Vice President of Plant Operations
 Ballards owned by son of the Vice President of Plant Operations
 BICTV owned by stockholder of Company
 Ballards owned by son of the Vice President of Plant Operations
 President and Vice President of Plant Operations

Part c & f)

IFR Trucking (Fuel Delivery - Exp.)
 Ballards Oil (Rental of Property - Rev.)
 Ballards Oil (Heating Oil - Exp.)
 BI Cable TV (Pole Rental - Rev.)
 Ballards Oil (Rental of Oil Tanks - Rev.)
 Owners free electricity

	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 Projected
						Not projected in rates
	\$ 20,350	\$ 22,615	\$ 14,975	\$ 26,000	\$ 27,407	
	7,200	7,200	7,200	7,200	-	-
	7,204	6,817	8,004	8,238	7,296	7,296
	1,700	1,703	1,703	1,703	3,249	-
	6,342	7,649	7,526	7,560	6,700	6,700
	N/A	6,619	6,325	7,260	7,625	Not projected in rates

Part e)

IFR Trucking (Fuel Delivery - Exp.)
 Ballards Oil (Rental of Property - Rev.)
 Ballards Oil (Heating Oil - Exp.)
 BI Cable TV (Pole Rental - Rev.)
 Ballards Oil (Rental of Oil Tanks - Rev.)
 Owners free electricity

Treatment of such transactions for revenue requirement
--

Part of Fuel Adjustment Clause
 Reduction of revenue requirement
 Increase of revenue requirement
 Reduction of revenue requirement
 Reduction of revenue requirement
 Not part of revenue requirement (these amounts are not billed)

Part d)

IFR Trucking (Fuel Delivery - Exp.)
 Ballards Oil (Rental of Property - Rev.)
 Ballards Oil (Heating Oil - Exp.)
 BI Cable TV (Pole Rental - Rev.)
 Ballards Oil (Rental of Oil Tanks - Rev.)
 Owners free electricity

Length Transactions has occurred

Prior to 1999
 Prior to 1999
 Prior to 1999
 since 2003
 Prior to 1999
 Prior to 1999

Contract Amendment

**IFR TRUCKING
P.O. BOX 403
BLOCK ISLAND, RI
02807
401-742-0025**

July 17, 2006

Dr. Al Casazza, President
Block Island Power Company
P.O. Box 518
Block Island, RI 02807

RE: IFR Truck Lease Amendment

Dear Al,

Per our conversation, I have agreed to accept your increase in trucking fees to \$300 per trip for transporting diesel fuel to BIPCO. As I mentioned when we spoke, an increase of \$325 per trip is appropriate due to increases in fuel, insurance and repairs.

I am willing to ride with \$300 per trip for now. But please be aware that all our expenses continue to increase and this agreement may need to be ammended in the near future.

Sincerely,

CRM
C.R. McGinnes, Sr.
President

cc: Lease File

RENEWAL AGREEMENT

This Agreement is between Block Island Power Company, of P.O.Box 518, Block Island, Rhode Island 02807 ("BIP") and IFR /dba ("IFR"), both Rhode Island entities, with principal place of business on Block Island, Rhode Island, on Block Island Power Company premises, off Beach Avenue, Town of New Shoreham, RI. This Agreement is for the renewal of an agreement, since 1988, of the parties.

Article 1. Basic Term

Section 1.01. For and in consideration of the payment prescribed herein and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, hereby agree for the transport of diesel fuel. Also included is reasonable access off of Beach Avenue to the storage area. The estimated volume is 650,000 gallons per year.

Section 1.02. The term of this Agreement shall be from September 1, 1999 to August 31, 2000, and be renewable on an annual basis.

Article 2. Annual Rental

Section 2.01. For the term of the Agreement BIP agrees to pay to IFR \$225.00 per round trip to Block Island, payable monthly.

Article 3. Other Terms

Section 3.01. The ferry charges and driver shall be paid directly by BIP.

Section 3.03. Both parties agree to conform to all Federal, State and Town of New Shoreham regulations regulating the business.

Section 3.04. BIP agrees provide all repairs to the truck and all transportation fuel the vehicle consumes.

Article 4. Insurance

Section 4.01. Lessee shall maintain adequate fire and other casualty insurance covering the premises and shall maintain liability insurance of at least \$2,000,000 and indemnify Lessor, its agents and employees from any liability from operation of Lessee's business. Lessee shall provide proof of insurance and shall immediately notify Lessor if notice of termination for insurance is received or insurance is stopped.

Article 5. Miscellaneous

Section 5.01. This Agreement shall be construed and enforced in accordance with the laws of the State of Rhode Island.


Section 5.02. The covenants and agreements herein contained shall bind and inure to the benefit of the parties, their successors and assigns, except as otherwise provided herein.

Section 5.03. Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

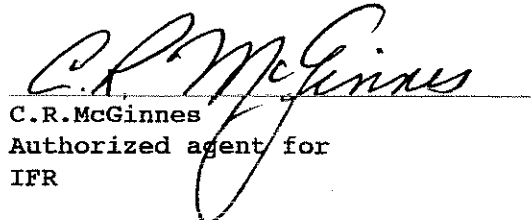
Article 6. Arbitration

Section 9.01. Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration. The Lessor and the Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. Arbitration may be under the Superior Court rules for Arbitration. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules for commercial arbitration. Any arbitration hearing shall take place on Block Island, Rhode Island unless otherwise ordered by the arbitrator(s). Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF the parties have duly executed this Agreement, effective on the 1st day of September, 1999.



Jerome A. Edwards
President and authorized agent for
Block Island Power Company



C.R. McGinnes
Authorized agent for
IFR

Not 9/1/99

LEASE

This lease is between **Block Island Power Company**, a Rhode Island corporation, of P.O.Box 518, Block Island, Rhode Island 02807 ("Lessor") and **Ballard's Oil Company, Inc.** ("Lessee") of Block Island, Rhode Island, for a petroleum business, being bays in an existing garage building, on Block Island Power Company premises, off Beach Avenue in the Town of New Shoreham. The premises leased shall be defined by iron pipes, telephone poles, or other permanent markers set by lessor. The initial premises rented shall be the two westerly bays, an apartment in second floor and the vacant part of cottage.

Article 1. Basic Term

Section 1.01. For and in consideration of the rent prescribed herein and the mutual and faithful performance by the parties of the other terms, covenants, agreements and conditions herein contained, Lessor hereby leases unto Lessee the storage area as presently in use and to be further defined as stated above. Also included is reasonable access off of Beach Avenue to the area.

Section 1.02. The term of the lease shall be from September 1, 1999 to August 31, 2004 with an optio to renew for a 5 year term thereafter.

Article 2. Annual Rental

Section 2.01. For the term of the lease, Lessee agrees to pay to lessor \$500.00 per month, in advance on the first day of each month. The basic rent shall increase to six hundred dollars (\$600.00) per month when the office in the cottage previously referred to becomes available.

Article 3. Use of Property

Section 3.01. Lessee may use the premises for the storage of vehicles, an office, and related activities, but must have specific permission of Lessor for any other activities.

Section 3.03. The lessee agrees to conform to all Federal, State and Town of New Shoreham regulations regulating to the business.

Article 4. No Subletting or Assignment

Section 4.01. Lessee shall not assign this lease, nor any interest therein or sublet the premises without the prior written consent of Lessor.

Article 5. Lessee's Improvements

Section 5.01. Lessee shall accept the premises in "as is" condition, at the time lessee to enter upon the premises, as hereinafter provided, without any obligation on the part of lessor to perform any work and without warranty or representation as to such condition.

Section 5.02. All improvement to the property shall become the property of lessor at the end of this lease or any extensions thereto.

Article 6. Insurance

Section 6.01. Lessee will maintain adequate fire and other casualty insurance covering the premises and will maintain liability insurance of at least \$2,000,000 and indemnify Lessor, its agents and employees from any liability from operation of Lessee's business. Lessee shall provide proof of insurance and shall immediately notify Lessor if insurance is threatened with or is actually terminated.

Article 7. Utilities

Section 7.01. Lessee will be responsible for all utilities it shall use.

Article 8. Miscellaneous

Section 8.01. This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island.

Section 8.02. The covenants and agreements herein contained shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns, and Lessee, its successors and assigns, except as otherwise provided herein.

Section 8.03. Default shall have occurred and lessor may at its option declare this lease in default upon violation of any of its terms or upon thirty (30) days nonpayment of rent.

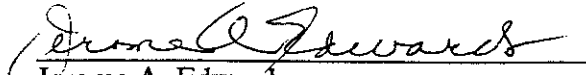
Section 8.04. Neither party shall be liable for its failure to perform hereunder due to any occurrence beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, inability to obtain material, equipment or transportation, and any other similar occurrence.

Article 9. Arbitration

Section 9.01. Any controversy or claim arising out of or related to this lease, or the breach thereof, shall be settled by arbitration. The Lessor and the Lessee shall each name one arbitrator, and the two arbitrators shall agree on the appointment of a third arbitrator. If the arbitrators appointed by the Lessor and the Lessee are unable to agree on a third arbitrator, the third arbitrator shall be appointed by the American Arbitration Association in accordance with its then prevailing rules. Any arbitration hearing shall take place on Block Island, Rhode Island. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

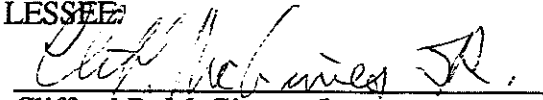
IN WITNESS WHEREOF, Lessor and Lessee have duly executed this lease on the day of
October, 1999.

LESSOR:



Jerome A. Edwards
President and authorized agent for
Block Island Power Company

LESSEE:




Clifford R. McGinnes, Jr.
President and authorized agent for
Ballard's Oil Company, Inc.

LEASE


Block Island Power Company (BIP), is Lessor, and Ballard's Oil Company, Inc. (Ballard's), as Lessee enter into a lease for the use of a portion of the premises of BIP on the following terms and conditions:

1. The use of 20,000 gallons of storage capacity at any one time for petroleum products, or other fuel, but not gasoline, in tank number two (2) of the tank farm of Block Island Power Company, or any replacement for such tankage.
2. The rent shall be 2.5 cents (\$.025) per gallon for all fuel placed into such tankage.
3. Payment shall be on an annualized basis and shall be paid on May 1, 2000 and every May 1 thereafter.
4. In addition to the basic lease payment, Ballard's shall pay 1/6 of all increases in taxes and insurance on the tank farm, and associated facilities and the Consumer Price Index increase for each year minus such tax and insurance increases.
5. Ballard's may also park up to three motor vehicles in designated areas of the BIP property.
6. The term of this lease is for fifteen (15) years with one five (5) year right of renewal.
7. In the event of any dispute of the parties which cannot otherwise be resolved, such dispute shall be submitted to binding arbitration under the rules for commercial arbitration of the American Arbitration Association. Such arbitration shall take place on Block Island, Rhode Island unless the arbitrator chooses to the contrary and shall be binding in any court.

Dated and effective this 1st day of May, 1999.



Clifford R. McGinnes, Jr. President
and Authorized Agent for
Ballard's Oil Company, Inc.



Jerome A. Edwards, President
and Authorized Agent for
Block Island Power Company

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-60 Please state for how long Mr. Edge has been providing accounting and regulatory services to the Company.

Response: Mr. Edge has never worked for BIPCo directly but rather he has provided services through the accounting firms that he has worked for. Mr. Edge, through Parmelee, Bacon & Edge PC (PB&E) and subsequent companies has provides services to BIPCo on and off since 1990. The first engagement was in 1990 when he assisted in a rate filing for BIPCo. The successor firm to PB&E, Bacon & Edge started doing BIPCo's bookkeeping in CY 2001 at which time Bacon & Edge ended its services as year end auditor. Bacon & Edge's consulting department became B&E Consulting LLC in 2005. Mr. Edge has been the lead executive (but not the audit executive) on the BIPCo's account since 1990.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-61 Please provide any written communications by Mr. Edge to the Company regarding its accounting treatment of the house and building sold during FY 2006.

Response: Mr. Edge communicates with the owners of BIPCo either orally or by e-mail. Mr. Edge's procedure is to delete all E-mails at the conclusion of each calendar year. Therefore, the 2006 e-mails (if there were any) relating to the accounting treatment of the house and building are no longer available. Please see the response to Town-65.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-62 Please provide any written communications to or from Company auditors regarding the accounting treatment of the house and building sold during FY 2006.

Response: See attached

Prepared by DGB

Accounts Receivable - Land Sale
Block Island Power Company
5/31/06

G/L # 3142.0401

Balance per General Ledger at 5/31/06 836,436.61

Balance per detailed analysis at 5/31/06 836,436.61

Variance -

Accrued
Interest

Record sale of Land	<u>912,812.68</u> pre-audit#03
Record settlement fees paid by Escrow Agent	(62,346.07) pre-audit#04
Record closing fees paid by Escrow Agent	(14,000.00) pre-audit#05
Record transfer fees paid by Escrow Agent	(30.00) pre-audit#06
	<u><u>836,436.61</u></u>

BIPCO SALE ACCT

BIPCo-Sale
7/20/2006

Date	Num	Transaction	Increase	C	Decrease	Balance
5/11/2006		Transfer Fee cat: [Checking] memo: BIPCo-Sale			10.00	10.00
5/11/2006		Transfer Fee cat: [Checking] memo: BIPCo-Sale			20.00	30.00
5/11/2006		Deposit - Wire Transfer cat: [Checking] memo: BIPCo - Sale of buildings	912,812.68	#03		-912,782.68
5/12/2006		Elliot Taubman cat: [Checking] memo: Settlement Charges			62,346.07	-850,436.61
5/15/2006		Michael R. McElroy cat: [Checking] memo: Sale to CATIC			813,800.61	-36,636.00
		<i>this amount was not transferred to Bipco until 6/26/06</i>				
5/15/2006		Scotti & Associates cat: [Checking] memo: Appraisal Fees			2,500.00	-34,136.00
		<i>See Bank Statement #05</i>				
5/15/2006		B & E Consulting cat: [Checking] memo: Closing Fees			5,000.00	-29,136.00
5/15/2006		Michael R. McElroy cat: [Checking] memo: Closing Fees			6,500.00	-22,636.00
5/15/2006		Michael R. McElroy cat: [Checking] memo: Wire transfer fees and handling			25.00	-22,611.00
5/15/2006		Dep cat: [Checking] memo: BIPCo reimbursement for wire fees and han...	25.00			-22,636.00
6/2/2006		Michael R. McElroy cat: [Checking] memo: SERVICES RENDERED TO BIPCO			10,000.00	-12,636.00
6/6/2006		B & E Consulting cat: [Checking] memo: Invoice Number 237			10,000.00	-2,636.00
7/11/2006		Block Island Power Company cat: [Checking] memo: BIPCO-earned interest			273.77	-2,362.23
7/11/2006		Dep cat: [Checking] memo: BIPCo-earned interest	273.77			-2,636.00

209.52 int on transfer to Bipco

*****AUTO**3-DIGIT 029
2597 0.6050 AT 0.308 20 1 41
BLOCK ISLAND POWER COMPANY
21 DRYDEN LN
PROVIDENCE RI 02904

Account Number: 81182424
Start Date: 06-01-2006
End Date: 06-30-2006
Enclosures: 0

Statement Summary

Account Number	Type	Balance
81182424	Business Analysis	420.09

Account Summary for Business Analysis - 81182424

Starting Balance	+	Deposits	+	Interest Paid	-	Withdrawals	-	Service Charges	=	Ending Balance
909.96		814,010.13		0.00		814,500.00		0.00		420.09

Transactions for Business Analysis - 81182424

Date	Description	Checks/ Debits	Deposits/ Credits
06-26	DOMESTIC WIRE DEPOSIT WIRE FROM/MICHAEL R MCELROY, ESQ		814,010.13
06-26	WITHDRAWAL INTERNET TRANSFER TO 3010759	-814,500.00	



Disbursement Sheet - BIPCo Sale to CATIC

\$62,346.07 ✓
wire transfer to ET

- † + \$912,812.68 (incoming funds) Pre-audit #03
- 39,683.98 ✓ ET¹ for settlement charges Pre-audit #0
- 18,128.70 ✓ ET for prepaid taxes & repairs
- 1,113.39 ✓ ET for Seller's taxes ✓
- 3,420.00 ✓ ET for Seller's stamps ✓
- 813,800.61 ✓ to BIPCo² (Hold)
- 2,500.00 ✓ to Scotti & Associates Pre-audit #05
- 5,000.00 ✓ to B & E³ for closing fees
- 6,500.00 ✓ to S & M⁴ for closing fees
- 25.00 ✓ to S & M for wire transfer fee Pre-audit #0
- 141.00 ✓ Hold for Town Hall for releases \$30 instead of \$25
- 2,500.00 ✓ Hold for Geisser
- 10,000.00 ✓ Hold for S & M - invoice 16733 - June 14
- 10,000.00 ✓ Hold for B & E - invoice 237 - June 14

these were not in A/P #08

Change cost Seller

#7 re class exp already in AP


\$912,812.68 (outgoing funds)
† Interest


APPROVED for BUYER:

A = B

APPROVED for SELLER:


Elliot Taubman, Esq.
5-10-06


Michael R. McElroy, Esq., Attorney
5-10-06


Albert Casazza, M.D., President
5-10-06

Elliot Taubman (ET)
Block Island Power Company (BIPCo)
& E Consulting (B & E)
Schacht & McElroy (S & M)

SETTLEMENT STATEMENT

NAME OF BORROWER:
CATIC Exchange Solutions, Inc. as
Qualified Intermediary for
Marjorie G. McGinness Estate
Rocky Hill, CT

NAME OF SELLER:
BLOCK ISLAND POWER COMPANY
P.O. Box 516
Block Island, RI 02887
PROPERTY: AP 17 L38 AND PORTION L 37, BLOCK ISLAND, RI
TYPE OF LOAN: No loan

HOME ADDRESS:

SETTLEMENT AGENT:
Elliot Taubman, Esq.

FILE NO. LOAN NUMBER:
MORTGAGE INS. CASE NO.

SETTLEMENT: BLOCK ISLAND, RI

SUMMARY OF BORROWER'S TRANSACTION

SUMMARY OF SELLER'S TRANSACTION

100. GROSS AMOUNT DUE FROM BORROWER		400. GROSS AMOUNT DUE TO SELLER	
101. Contract Sales Price	855000.00	401. Contract Price	855000.00
102. Property taxes - N.S.		402. Personal Prop.	
103. Settlement Charges	39623.98	403.	
To Borrower (Ln. 1400)		404.	
104. Balance of B.I. Taxes	3078.70		
105. Repair Exp. (203-206)	15050.00	405.	
ADJUSTMENTS FOR ITEMS PAID		ADJUSTMENTS FOR ITEMS PAID	
BY SELLER IN ADVANCE		BY SELLER IN ADVANCE	
106. City/Town Taxes		406. City/Town Taxes to	0.00
107. County Taxes to		407. County Taxes to	
108. Assessments	6.00	408. Assessments to	0.00
109. Oil to		409. Oil to	
110. Schlacht & McElroy Prepaid Exp. POC		410. Credit	
120. GROSS AMT. FROM BORROWER	912812.68	420. GRS. AMT. DUE SELLER	855000.00
200. AMOUNTS PAID BY OR IN		500. REDUCTIONS IN AMOUNT	
BEHALF OF BORROWER:		DUE SELLER	
201. Deposit or earnest money		501. Excess Deposit (See Inst.)	
202. Like-kind exch.(IRC 1031)(CATIC)	912812.68	502. Settlement Costs(Ln 1400)	20086.00
203. Town Taxes-2006 - 3087.70	3	503. Payoff 1st Mortgage	
204. Repair Payment - House		504. Payoff 2d Mtg.	
205. Repair Payment - sewer line 9800		505	
206. Repair Payment - garage doors 5000		506. Fedex for Payoff	
ADJUSTMENTS - ITEMS UNPAID BY SELLER		ADJUST. - ITEMS UNPAID BY SELLER	0.00
210. City/Town Taxes to Day #		510. City/Town Taxes to	1113.39
211. County Taxes to Day #		511. County Taxes to	0.00
212. Assessments to Day #		512. To	0.00
213. Water		513. To	0.00
214. Closing Costs		514. To	0.00
215. Like-kind Exchange (CATIC-Exch)		515.00	
216. Unpaid Taxes -R.I.Div. Tax		516. B&E Consulting Prepaid	10000.00
217. Schlacht & McElroy Prepaid Expenses		517. Schlacht & McElroy Prepaid Exp.	10000.00
220. TOTAL PAID BY/FOR BORROWER	912812.68	520. REDUCT.S DUE SELL.	41199.39
300. CASH AT SETTLEMENT		600. CASH AT SETTLEMENT	
FROM/TO BORROWER		FROM/TO SELLER	
301. Gs. Amt. from Borrower	912812.68	601. Amt. due Seller	855000.00
(Ln 120)			
302. Less Amts. paid by/for	912812.68	602. Less Reductions in Amt.	41199.39
Borrower (Ln 220)		Amount Due Seller (Ln 520)	
303. CASH(FROM)(x TO)BORROWER	8.00	603. CASH(x TO)(FROM) SELLER	813800.61

Michael R. McElroy
Attorney for BIPCO 5-11-06

Albert J. Casazza
President, BIPCO
5-11-06

SETTLEMENT CHARGES	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. BROKER'S COMMISSION	0.00	%
Division of Commission (La 700) as Follows:		
701.		
#		
800. ITEMS PAID IN CONNECTION WITH LOAN		
801. Loan Orig. Fee TO NCM 1%		
802. Loan Discount		
803. Appraisal Fee to Scotti and Associates	2500.00	2500.00
804. Credit Report to		
805. Broker's Fee to		
806. Document Preparation Fee to		
810. Processing Fee to		
811. Underwriting Fee to		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901. INT. FROM 1/1/07 TO @ \$		
902. Mort. Ins. Prem. for months		
903. Hazard Ins. Prem. for months		
1000. RESERVES DEPOSITED WITH		
1001. Hazard Ins. mos		
1002. Mort. Ins.		
1003. Town Prop. Tax @ mos.		
1007. Aggregate Adjustment		
1100. TITLE CHARGES		
1101. Closing fees to B&E Consulting		5000.00
1102. Abstract or Title Search to		
1103. Title Examination to		
1104. Title Insurance Binder to		
1105. Document Preparation to		
1106. Closing Fee - Schacht & McElroy		6500.00
1107. Atty. Fee-E. Taubman (Inc 1101-1105)	6500.00	
1108. Title Insurance TO CATIC (E. Taubman)	2150.00	
1109. Lender's Coverage		
1110. Owner's Coverage \$866,000		
1111. Fax/Freight/Telephone/Copies/Courier	200.00	POC
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201. Rec. Fee-Deed\$:Mort.\$:Rel.\$	130.00	141.00
1202. B.Land Trst:Deed\$:Mort.\$	25650.00	
1203. St.Tv/Stamp:Deed\$		3420.00
1204. TAX CERTIFICATE	25.00	
1205. Wiring	28.98	25.00
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Surveying/Engineering: Geisler Eng. Corp.	2500.00	2500.00
1400. TOTAL SETTLEMENT CHARGES	39683.98	20086.00

Undersigned Borrower(s) acknowledge receipt of the above disclosure.

BORROWERS: Clifford R. McGinness, Sr.
by Clifford R. McGinness, Sr.

SELLERS: Michael McElroy 5-11-06
Michael McElroy, Its Attorney in Fact

Arthur Carafra
President, BIPCO
5-11-06

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-63 Please provide any written communications by Mr. Edge to the Company regarding its accounting treatment of the leasehold improvements to the house and building sold during and prior to FY 2006.

Response: There were none.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-64 Please provide any written communications to or from Company auditors regarding the accounting treatment of leasehold improvements the house and building sold during and prior to FY 2006.

Response: There were none.

Prepared by DGB

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-65 Please provide all accounting entries made by the Company with respect to its sale FY 2006 of land and buildings and gain realized on the sale.

Response: The entries made from the closing statement were posted to two accounts: Gain on Sale of assets-land and Land sale Expense (see attached). The net of these two accounts \$813,795.61 is the gain from the closing. After the closing, BIPCo has incurred additional costs relating to the land transfer for activities with Block Island Planning and Zoning. None of these additional costs, to date, have been included in the cost of service to the ratepayers but are legitimate expenses relating to the property transfer.

Prepared by WEE

**Block Island Power Company 2006
General Journal - Land Sale Entries
For the Period From May 1, 2006 to May 31, 2006**

Date	Reference	Account ID	Account Description	Debit Amt	Credit Amt
5/31/06	pre-audit#03	3142.0401	A/R-Sale of Land	912,812.68	
5/31/06	pre-audit#03	7600.0002	(Gain) on sale of asset-Land		912,812.68
to record sale of land behind power company. Money held by escrow agent. 5/11/06					
5/31/06	pre-audit#04	7600.0003	Land sale expenses	62,346.07	
5/31/06	pre-audit#04	3142.0401	A/R-Sale of Land		62,346.07
to record settlement expenses paid by escrow agent 5/12/06.					
5/31/06	pre-audit#05	7600.0003	Land sale expenses	2,500.00	
5/31/06	pre-audit#05	7600.0003	Land sale expenses	5,000.00	
5/31/06	pre-audit#05	7600.0003	Land sale expenses	6,500.00	
5/31/06	pre-audit#05	3142.0401	A/R-Sale of Land		14,000.00
to record fees associated with land sale paid by escrow agent 5/15/06.					
5/31/06	pre-audit#06	7600.0003	Land sale expenses	30.00	
5/31/06	pre-audit#06	3142.0401	A/R-Sale of Land		30.00
to record transfer fees paid by escrow agent 5/11/06.					
5/31/06	pre-audit#07	7600.0003	Land sale expenses	10,000.00	
5/31/06	pre-audit#07	7600.0003	Land sale expenses	10,000.00	
5/31/06	pre-audit#07	5923.0001	Outside Services		20,000.00
to reclass land sale fees closed to outside service					
5/31/06	pre-audit#08	7600.0003	Land sale expenses	141.00	
5/31/06	pre-audit#08	7600.0003	Land sale expenses	2,500.00	
5/31/06	pre-audit#08	3232.0001	Accounts Payable Trade		2,641.00

to record final expenses of land sale

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-66 Please provide the amount and calculation of any federal and state tax liability incurred on the gain from the land and buildings on lots 37 and 38. If no such tax liability was incurred, please explain.

Response: BIPCo was required to file the transaction as ordinary income. The tax rate was 39% up to \$335,000 and then reduced to 34% up to \$10,000,000; so at the time of the closing, before adding any additional costs incurred for Planning and Zoning activities, the tax on the \$813,795.61 gain was about \$293,440.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-67 Please provide the sources and amounts of rental income derived from lots 37 and 38 and the portion of such income which was credited to BIPCO customers.

Response: See Attached.

Prepared by WEE

**Block Island Power Company
Rental Income from lots 37 & 38**

Rental Income from lots 37 & 38

Mazzola (passed away in May 2005)

Crawford (beginning Jan 2006)

A. Transue Corp.

Oldfield Auto/R. MAZZUR III

BALLARD OIL CORP.

	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL
	\$ 200	\$ 2,400	\$ 1,200	\$ -	\$ -
	-	-	-	500	-
	4,500	4,500	4,500	4,500	-
	6,000	6,000	6,000	6,000	-
	7,200	7,200	7,200	7,200	-
	\$ 17,900	\$ 20,100	\$ 18,900	\$ 18,200	\$ -

The entire amount of the above revenues was posted to Block Island Power Company's miscellaneous operating income and as a result was fully credited to BIPCo's customers.

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-68 Please provide a description (or copy of the policy) of the insurance coverage for liability and losses for lots 37 and 38. Explain whether the Company carried insurance on the house and building located on these lots.

Response: There was no liability insurance specifically for lot 38 and the portion of lot 37 that was sold in the test year. There was no insurance on the house and garage located on these lots.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-69 Please identify the current owner of the land and buildings sold by the Company during FY 2006.

Response: The Estate of Marjorie McGinnes purchased and owns lot 38 outright. Because lot identified as 37B requires an administrative subdivision approval for it to be transferred by deed, that property was transferred via a 99 year lease to the Estate of Marjorie McGinnes.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-70 Please state whether there are persons or businesses occupying or using the sold buildings. If so, please indicate whether any payments are made by any such persons or businesses to any officer and stockholder of the Company and the amount(s) of such payments.

Response: Yes, there are persons or businesses occupying or using the sold buildings. There are no payments made to any officer or stockholder in their capacity as officers or stockholders of BIPCo. Mr. McGinnes is the administrator to the Estate of Marjorie McGinnes and may receive payments in that capacity. However, BIPCo is not aware of how much Mr. McGinnes receives (if any) in that capacity.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-71 Please identify each officer of the Company who owns or holds, directly or indirectly, ten percent (10%) or more of the voting capital stock of the Company, and who received compensation from the Company during and since the test year.

Response: See the attached copies of pages 104 and 106 of the 2007 BIPCo Annual Report filed with the DPUC. BIPCo understood that legal counsel for the Town had already obtained a copy of the 2007 annual report but in case he didn't I have attached the copies. Please note that Mr. Edwards is a stockholder of the Company and as is shown in my testimony on page 19 he receives a pension of \$2,000 per month.

Prepared by WEE

Name of Respondent Block Island Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 5/31/07	Year of Report 2007
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SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were then in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement the circumstances

whereby such security became vested with voting rights and give other important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued on a prorata basis.

1. Give date of the latest closing of the stock book prior to end of year, and state the purpose of such closing:

2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy
Total:
By proxy:

3. Give the date and place of such meeting:

VOTING SECURITIES

Line No.	Name (Title) and Address of Security Holder (a)	Number of votes as of (date):			
		Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	TOTAL votes of all voting securities	7890	7820 (a)		
5	TOTAL number of security holders		4		
6	TOTAL votes of security holders listed below		7820		
7	Jerome Edwards		1955		
8	Clifford McGinnis		1955		
9	John Pezzmenta		1955		
10	Albert Casazza		1955		
11					
12					
13					
14					
15					
16					
17					
18	(a) the difference between total votes & Total voting of security holders is due to treasury stock				

Name of Respondent Block Island Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 5/31/07	Year of Report 2007
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OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.

2. If a change was made during the year in the incumbent of any position, show name and total remunera-

tion of the previous incumbent, and the date the change in incumbency was made.

3. Utilities which are required to file the same data with the Securities and Exchange Commission, may substitute a copy of item 4 of Regulation S-K (identified as this page). The substituted page(s) should be the same size as this page.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	During the Fiscal Year:		
2			
3			
4			
5	President	Dr. Albert Casazza	72,000
6	Vice President	David Milner	78,194
7	Secretary & Treasurer	Dr. John Pezzmenta	48,000
8	Vice President of Plant Operations	Clifford McGinnis	48,000
9			
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**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-72 Please provide all documents filed by the Company with the Division and/or Commission in accordance with R.I.G.L. §39-3-28 regarding the furnishing of managerial services by an affiliate of the Company and payments by the Company for such managerial services for expenses incurred during and since the test year.

Response: None.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-73 Please state when the above documentation provided pursuant to the preceding data request was filed with the Division and/or Commission.

Response: N/A

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-74 Please provide the Company's RUS Form 7 filings for its last two fiscal years and during FY 2008.

Response: The RUS Form 7 filings are prepared on a calendar year basis per RUS requirement. The CY 2007 report has not yet been filed. The CY 2007 report is due by February 28. The 2005 and 2006 filing are attached.

Prepared by DGB

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION RI0001

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
December, 2006

INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.

BORROWER NAME

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

BLOCK ISLAND POWER COMPANY

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

david milner

5/7/2007

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	4,144,092	4,529,803		224,837
2. Power Production Expense	2,193,210	2,608,521		144,194
3. Cost of Purchased Power	0			
4. Transmission Expense	0			
5. Distribution Expense - Operation	177,314	205,689		9,635
6. Distribution Expense - Maintenance	55,257	37,799		1,849
7. Customer Accounts Expense	25,367	26,428		1,894
8. Customer Service and Informational Expense	0			
9. Sales Expense	0			
10. Administrative and General Expense	943,171	1,089,688		71,156
11. Total Operation & Maintenance Expense (2 thru 10)	3,394,319	3,968,125		228,728
12. Depreciation and Amortization Expense	254,671	221,278		21,263
13. Tax Expense - Property & Gross Receipts	172,507	204,025		11,750
14. Tax Expense - Other	65,189	45,706		3,542
15. Interest on Long-Term Debt	184,967	218,792		45,690
16. Interest Charged to Construction - Credit	0			
17. Interest Expense - Other	0			
18. Other Deductions	9,349	21,081		398
19. Total Cost of Electric Service (11 thru 18)	4,081,002	4,679,007		311,371
20. Patronage Capital & Operating Margins (1 minus 19)	63,090	(149,204)		(86,534)
21. Non Operating Margins - Interest	1,548	2,365		371
22. Allowance for Funds Used During Construction	0			
23. Income (Loss) from Equity Investments	44,786	753,708		9,837
24. Non Operating Margins - Other	0			
25. Generation and Transmission Capital Credits	0			
26. Other Capital Credits and Patronage Dividends	0			
27. Extraordinary Items	0			
Patronage Capital or Margins (20 thru 27)	109,424	606,869		(76,326)

USDA - RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI0001
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED December, 2006

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	19	16	5. Miles Transmission	0.00	
2. Services Retired	0		6. Miles Distribution - Overhead	45.44	45.44
3. Total Services in Place	1,727	1,743	7. Miles Distribution - Underground	6.00	6.00
4. Idle Services (Exclude Seasonals)	0	0	8. Total Miles Energized (5 + 6 + 7)	51.44	51.44

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	7,604,035	29. Memberships.....	0
2. Construction Work in Progress	0	30. Patronage Capital.....	213,000
3. Total Utility Plant (1 + 2)	7,604,035	31. Operating Margins - Prior Years.....	556,997
4. Accum. Provision for Depreciation and Amort	3,423,493	32. Operating Margins - Current Year.....	606,869
5. Net Utility Plant (3 - 4)	4,180,542	33. Non-Operating Margins.....	0
6. Non-Utility Property (Net)	160,638	34. Other Margins and Equities.....	(21,485)
7. Investments in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34).....	1,355,381
8. Invest. in Assoc. Org. - Patronage Capital	0	36. Long-Term Debt - RUS (Net).....	0
9. Invest. in Assoc. Org. - Other - General Funds	0	37. Long-Term Debt - FFB - RUS Guaranteed.....	2,855,055
10. Invest. in Assoc. Org. - Other - Nongeneral Funds..	0	38. Long-Term Debt - Other - RUS Guaranteed.....	0
11. Investments in Economic Development Projects	0	39. Long-Term Debt Other (Net).....	651,151
12. Other Investments	0	40. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
13. Special Funds	0	41. Payments - Unapplied	0
Total Other Property & Investments (6 thru 13) ...	160,638	42. Total Long-Term Debt (36 thru 40 - 41).....	3,506,206
15. Cash - General Funds	462,460	43. Obligations Under Capital Leases - Noncurrent.....	0
16. Cash - Construction Funds - Trustee	0	44. Accumulated Operating Provisions and Asset Retirement Obligations..	0
17. Special Deposits	62,885	45. Total Other Noncurrent Liabilities (43 + 44).....	0
18. Temporary Investments	0	46. Notes Payable.....	0
19. Notes Receivable (Net)	0	47. Accounts Payable.....	83,152
20. Accounts Receivable - Sales of Energy (Net)	286,962	48. Consumers Deposits.....	48,399
21. Accounts Receivable - Other (Net)	126,262	49. Current Maturities Long-Term Debt.....	134,801
22. Materials and Supplies - Electric & Other	243,714	50. Current Maturities Long-Term Debt -Economic Development.....	103,530
23. Prepayments	34,166	51. Current Maturities Capital Leases.....	0
24. Other Current and Accrued Assets	0	52. Other Current and Accrued Liabilities.....	96,313
25. Total Current and Accrued Assets (15 thru 24)	1,216,449	53. Total Current & Accrued Liabilities (46 thru 52).....	466,195
26. Regulatory Assets	327,108	54. Regulatory Liabilities.....	343,838
27. Other Deferred Debits	16,063	55. Other Deferred Credits.....	229,180
28. Total Assets and Other Debits (5+14+25 thru 27)..	5,900,800	56. Total Liabilities and Other Credits (35+ 42 + 45 + 53 thru 55).....	5,900,800

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

R10001

PERIOD ENDED

December, 2006

PART D. NOTES TO FINANCIAL STATEMENTS

Notes are presented only on a fiscal year ending May 31st basis.

2006 RUS Form 7 – Part D - (Adjusted April 2007) - Notes

This amended RUS Form 7 annual report for the year ending December 2006 is being submitted to reflect changes discovered during BIPCo's review of accounts for its FYE May 31st 2007 year to date and a detailed review of the accounts for the December 2006 RUS annual report (Form 7). As shown below, these changes relate to the reclassification of non-operating expenses, adjustments from the revised 2005 Form 7, capitalization of fixed asset major improvements and recording of additional revenues.

Adjustment 1:

Reclassification of non-operating revenues and expenses

During the year, property rental revenue is posted to an operating revenue account. BIPCo is required to move this non-operating revenue below the line for the calendar year Form 7. BIPCo's accountant adjustment was overstated by \$10,931.35 and as a result the operating margin was understated. The property rental revenue adjustment was overestimated based upon prior year full rental however several units came out of service as of June 2006.

The other non-operating adjustment resulted from the review of professional service expenditures. This account was charged \$12,709 for expenses regarding the PUC approval of the land sale. Since the revenues and direct expenses from the land sale were recorded as non-operations these professional service expenses required to complete the land deal were reclassified.

Adjustment 2:

Adjustments from the revised 2005 Form 7

The engine maintenance expense accounts as of December 2005 were increased by \$45,262.49 which in turn reduced the engine maintenance expense for December 2006. This adjustment was due to the establishment by the Rhode Island Public Utilities Commission, of a new reserve account. The account was originally established on an accrued basis based on a percentage of revenues billed.

BIPCo's accountant concluded that the account should have reflected actual expenditures. The

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

PART D. NOTES TO FINANCIAL STATEMENTS

originally filed 2005 RUS Form 7 showed the reversal of the accrued expenditure however the actual expenditures of \$45,262.49 through Dec 2005 were not added.

During the May 31, 2006 year end audit BIPCo determined that the monthly depreciation expenses were understated and the monthly property rental income was overstated. The CY 2005 (Form 7) depreciation expense was increased by \$24,236.99 and property rental income was decreased by \$1,540. These changes to the 2005 RUS Form 7 represent a monthly prorated adjustment for the period of June 2005 through December 2005.

These two adjustments reduced the amount charged to calendar year 2006 and improved the operating margin.

Adjustment 3:

Capitalization of fixed asset major improvements

Included in the original 2006 RUS Form 7 was \$29,273.66 of improvements to BIPCo's generation building which were charged to expenses. These improvements included a new overhead door and heating, cooling & ventilation system which should have been capitalized. Since, these items will be capitalized during the fiscal year 2007 audit (June 2006 - May 2007) it is appropriate to capitalize these items for the 2006 RUS Form 7.

These changes resulted in a net increase in margin and operating margin of \$29,273.66.

Adjustment 4:

Additional revenues

The 2006 RUS Form 7 originally submitted did not contained \$22,249.20 of pole rental revenues. These revenues were booked after December 2006 for the May 31st year end audit however it covered the period prior to December 2006. These changes resulted in a net increase in margin and operating margin of \$22,249.20.

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

PART D. NOTES TO FINANCIAL STATEMENTS

The net result of all of these changes were an increase of \$146,202.69 to operating margin and an increase of \$122,562.34 to margin.

USDA - RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI6001
	PERIOD ENDED December, 2006

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	2,694,755	65,437			2,760,192
2. General Plant	849,524	29,273			878,797
3. Headquarters Plant	1				1
4. Intangibles	0				0
5. Transmission Plant	0				0
6. All Other Utility Plant	3,441,833	523,212			3,965,045
7. Total Utility Plant in Service (1 thru 6)	6,986,113	617,922			7,604,035
8. Construction Work in Progress	0				0
9. TOTAL UTILITY PLANT (7 + 8)	6,986,113	617,922			7,604,035

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	192,908	2,056,071		2,005,265			243,714
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
1. Present Year		.30		.10	.40
2. Five-Year Average		.58	.32	.08	.98

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	9	4. Payroll - Expensed	461,174
2. Employee - Hours Worked - Regular Time	20,246	5. Payroll - Capitalized	26,362
3. Employee - Hours Worked - Overtime	1,184	6. Payroll - Other	

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements		
	b. Special Retirements		
	c. Total Retirements (a + b)		
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System		
	c. Total Cash Received (a + b)		

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS	\$ 90,985	2. AMOUNT WRITTEN OFF DURING YEAR	\$ 0
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USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

R10001

PERIOD ENDED

December, 2006

Part K. kWh PURCHASED AND TOTAL COST

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
Total			

USDA - RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI0001
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED December, 2006

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 9/26/2006	2. Total Number of Members 5	3. Number of Members Present at Meeting 4	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 4	7. Total Amount of Fees and Expenses for Board Members \$ 2,500	8. Does Manager Have Written Contract? N

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)				
2	National Rural Utilities Cooperative Finance Corporation				
3	Bank for Cooperatives				
4	Federal Financing Bank	2,855,055	158,703	98,255	256,958
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	Other Non-RUS Loans	651,151	67,569	120,926	188,495
	Total	3,506,206	226,272	219,181	445,453

USDA - RUS

BORROWER DESIGNATION

FINANCIAL AND STATISTICAL REPORT

RI0001

PERIOD ENDED

December, 2006

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART O. POWER REQUIREMENTS DATA BASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER	AVERAGE NO. CONSUMERS SERVED	TOTAL YEAR TO DATE
		(a)	(b)	(c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	1,300	1,298	
	b. kWh Sold			4,171,469
	c. Revenue			1,481,100
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	315	309	
	b. kWh Sold			1,490,317
	c. Revenue			585,361
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	95	94	
	b. kWh Sold			4,171,906
	c. Revenue			1,667,643
6. Public Street & Highway Lighting	a. No. Consumers Served	12	13	
	b. kWh Sold			840,978
	c. Revenue			298,561
7. Other Sales to Public Authorities	a. No. Consumers Served	21	22	
	b. kWh Sold			110,400
	c. Revenue			12,607
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. TOTAL No. of Consumers (lines 1a thru 9a)		1,743	1,736	
11. TOTAL kWh Sold (lines 1b thru 9b)				10,785,070
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)				4,045,272
13. Other Electric Revenue				484,531
14. kWh - Own Use				220,637
15. TOTAL kWh Purchased				
16. TOTAL kWh Generated				12,809,701
17. Cost of Purchases and Generation				2,608,521
18. Interchange - kWh - Net				
19. Peak - Sum All kW Input (Metered) Non-coincident Coincident				3,880

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION
R10001
PERIOD ENDED
December, 2006

PART I. INVESTMENTS

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Tower	160,637			
	Totals	160,637			
6	Cash - General				
	Cash	462,460			
	Totals	462,460			
7	Special Deposits				
	RUS 7 customer dep	420			X
	RIPUC restAcccts IRP surcharge	62,465			
	Totals	62,885			
9	Accounts and Notes Receivable - NET				
	Accounts Receivable other	126,262			
	Totals	126,262			
11	TOTAL INVESTMENTS (1 thru 10)	812,244			

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

PART II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	Total				
	TOTAL (Include Loan Guarantees Only)				

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

RI0001

PERIOD ENDED

December, 2006

Part III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT

[Total Of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form 7, Part C, Line 3)]

10.68 %

PART IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	Total				

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0873-0032. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION R0001
	PERIOD ENDED 12/2005
FINANCIAL AND STATISTICAL REPORT	BORROWER NAME AND ADDRESS BLOCK ISLAND POWER COMPANY
	PO Box 518 Block Island, RI 02807-0518
INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.	
This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.	

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

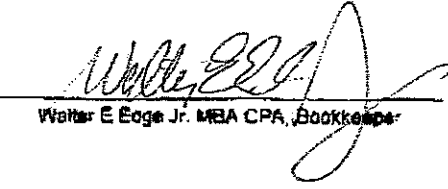
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1782 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII
(check one of the following)

- All of the obligations under the RUS loan documents have been fulfilled in all material respects
- There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.


 David Milner, Acting Manager 02/28/2006
DATE


 Walter E. Edge Jr. MBA CPA, Bookkeeper 02/28/2006
DATE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part A. Statement of Operations

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)	Year-to-date Budget (c)	This Month (d)
1. Operating Revenue and Patronage Capital	3,254,872	4,144,092	0	199,420
2. Power Production Expense	1,741,679	2,147,948	0	126,300
3. Cost of Purchased Power	0	0	0	0
4. Transmission Expense	0	0	0	0
5. Distribution Expense - Operation	135,791	177,314	0	5,043
6. Distribution Expense - Maintenance	36,874	55,257	0	7,550
7. Customer Accounts Expense	27,143	25,367	0	2,515
8. Customer Service and Informational Expense	0	0	0	0
9. Sales Expense	0	0	0	0
10. Administrative and General Expense	994,783	955,171	0	85,432
11. Total Operation & Maintenance Expense (2 thru 10)	2,936,270	3,361,057	0	226,840
12. Depreciation and Amortization Expense	265,714	230,434	0	19,204
13. Tax Expense - Property & Gross Receipts	163,066	172,507	0	9,903
14. Tax Expense - Other	91,329	65,189	0	3,966
15. Interest on Long-Term Debt	195,768	184,957	0	44,281
16. Interest Charged to Construction - Credit	0	0	0	0
17. Interest Expense - Other	0	0	0	0
18. Other Deductions	6,090	9,349	0	14
19. Total Cost of Electric Service (11 thru 18)	3,658,237	4,023,503	0	304,208
20. Patronage Capital & Operating Margins (1 minus 19)	(403,365)	120,589	0	(104,788)
21. Non Operating Margins - Interest	1,501	1,548	0	357
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	27,982	58,326	0	2,651
24. Non Operating Margins - Other	0	0	0	0
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	0	0	0	0
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	(373,882)	180,463	0	(101,780)

Part B. Data on Transmission and Distribution Plant

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)
1. New Services Connected	116	19
2. Services Retired	0	0
3. Total Services in Place	1,708	1,727
4. Idle Services (Exclude Seasonal)	0	0
5. Miles Transmission	0.00	0.00
6. Miles Distribution - Overhead	45.44	45.44
7. Miles Distribution - Underground	6.00	6.00
8. Total Miles Energized (5 + 6 + 7)	51.44	51.44

USDA-RUS
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part C. Balance Sheet

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	6,986,113	29. Memberships	0
2. Construction Work in Progress	0	30. Patronage Capital	213,000
3. Total Utility Plant (1 + 2)	6,986,113	31. Operating Margins - Prior Years	447,573
4. Accum. Provision for Depreciation and Amort.	3,194,645	32. Operating Margins - Current Year	180,463
5. Net Utility Plant (3 - 4)	3,791,468	33. Non-Operating Margins	0
6. Non-Utility Property (Net)	177,305	34. Other Margins and Equities	(21,485)
7. Investments in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	819,551
8. Invest. in Assoc. Org. - Patronage Capital	0	36. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	(Payments - Unapplied)	0
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	37. Long-Term Debt - RUS - Econ. Devel. (Net)	0
11. Investments in Economic Development Projects	0	38. Long-Term Debt - FFB - RUS Guaranteed	2,973,099
12. Other Investments	0	39. Long-Term Debt - Other - RUS Guaranteed	0
13. Special Funds	0	40. Long-Term Debt Other (Net)	185,797
14. Total Other Property & Investments (6 thru 13)	177,305	41. Total Long-Term Debt (36 thru 40)	3,158,896
15. Cash - General Funds	281,435	42. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	43. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	55,460	44. Total Other Noncurrent Liabilities (42 + 43)	0
18. Temporary Investments	0	45. Notes Payable	0
19. Notes Receivable (Net)	0	46. Accounts Payable	438,592
20. Accounts Receivable - Sales of Energy (Net)	307,435	47. Consumers Deposits	46,157
21. Accounts Receivable - Other (Net)	99,080	48. Current Maturities Long-Term Debt	121,081
22. Materials and Supplies - Electric & Other	192,908	49. Current Maturities Long-Term Debt-Economic Development	83,740
23. Prepayments	39,417	50. Current Maturities Capital Leases	0
24. Other Current and Accrued Assets	0	51. Other Current and Accrued Liabilities	44,590
25. Total Current and Accrued Assets (15 thru 24)	975,735	52. Total Current & Accrued Liabilities (45 thru 51)	734,160
26. Regulatory Assets	541,033	53. Regulatory Liabilities	410,855
27. Other Deferred Debits	3,172	54. Other Deferred Credits	365,251
28. Total Assets and Other Debits (5+14+25 thru 27)	5,488,713	55. Total Liabilities and Other Credits (35+ 41 + 44 + 52 thru 54)	5,488,713

Name of Borrower		Report Year	Report Period
BLOCK ISLAND POWER COMPANY (RI0001)		2005	12
Part D. Notes to Financial Statements			

Notes are presented only on a Fiscal year ending May 31st basis.

USDA-RUS
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part E. Changes in Utility Plant

PLANT ITEM	Balance Beginning of Year	Additions	Retirements	Adjustments and Transfers	Balance End of Year
Distribution Plant	2,695,388	0	0	(633)	2,694,755
General Plant	849,524	0	0	0	849,524
Headquarters Plant	1	0	0	0	1
Intangibles	0	0	0	0	0
Transmission Plant	0	0	0	0	0
All Other Utility Plant	3,363,907	77,926	0	0	3,441,833
Total Utility Plant in Service (1 thru 6)	6,908,820	77,926	0	(633)	6,986,113
Construction Work in Progress	0	0			0
TOTAL UTILITY PLANT (7 + 8)	6,908,820	77,926	0	(633)	6,986,113

Part F. Materials and Supplies

ITEM	Balance Beginning of Year (a)	Purchased (b)	Salvaged (c)	Used (Net) (d)	Sold (e)	Adjustment (f)	Balance End of Year (g)
1. Electric	168,666	1,771,810	0	1,747,568	0	0	192,908
2. Other	0	0	0	0	0	0	0

Part G. Service Interruptions

ITEM	Avg. Hours per Consumer by Cause	Avg. Hours per Consumer by Cause	Avg. Hours per Consumer by Cause	Avg. Hours per Consumer by Cause	TOTAL (e)
	Power Supplier (a)	Extreme Storm (b)	Preamanged (c)	All Other (d)	
1. Present Year	0.00	0.80	0.10	0.10	1.00
2. Five-Year Average	0.00	0.64	0.42	0.08	1.14

Part H. Employee-Hour and Payroll Statistics

	Amount
1. Number of Full Time Employees	9
2. Employee - Hours Worked - Regular Time	16,609
3. Employee - Hours Worked - Overtime	1,978
4. Payroll - Expensed	411,013
5. Payroll - Capitalized	17,943
6. Payroll - Other	0

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI0001
	PERIOD ENDED 12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part I. Patronage Capital

ITEM	DESCRIPTION	This Year (a)	Cumulative (b)
1. Capital Credits Distributions	a. General Retirements	0	0
	b. Special Retirements	0	0
	c. Total Retirements (a + b)	0	0
2. Capital Credits Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	0	
	c. Total Cash Received (a + b)	0	

Part J. Due from Consumers for Electric Service

	Amount
1. AMOUNT DUE OVER 60 DAYS	132,478
2. AMOUNT WRITTEN OFF DURING YEAR	0

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part K. kWh Purchased and Total Cost

Line No.	ITEM (a)	RUS Use Only Supplier Code (b)	kWh Purchased (c)	Total Cost (d)	Average Cost (Cents/kWh) (e)	Included in Total Cost Fuel Cost Adjustment (f)	Included in Total Cost Wheeling and Other Charges (or credits) (g)
1		0	0	0	0.00	0	0
2		0	0	0	0.00	0	0
3		0	0	0	0.00	0	0
4		0	0	0	0.00	0	0
5		0	0	0	0.00	0	0
6		0	0	0	0.00	0	0
7		0	0	0	0.00	0	0
8		0	0	0	0.00	0	0
9		0	0	0	0.00	0	0
10		0	0	0	0.00	0	0
11		0	0	0	0.00	0	0
12		0	0	0	0.00	0	0
13		0	0	0	0.00	0	0
14		0	0	0	0.00	0	0
15		0	0	0	0.00	0	0
16		0	0	0	0.00	0	0
17		0	0	0	0.00	0	0
18		0	0	0	0.00	0	0
19		0	0	0	0.00	0	0
20		0	0	0	0.00	0	0
Total			0	0	0.00	0	0

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI0001
	PERIOD ENDED 12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part M. Annual Meeting and Board Data

1. Date of Last Annual Meeting 06/02/2005	2. Total Number of Members 5	3. Number of Members Present at Meeting 5	4. Was Quorum Present (Y/N) ? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 5	7. Total Amount of Fees and Expenses for Board Members 2,500	8. Does Manager Have Written Contract (Y/N) ? N

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part N. Long-Term Debt and Debt Service Requirements

ITEM	Balance End of Year (a)	Billed This Year	Billed This Year	Billed This Year
		Interest (b)	Principal (c)	Total (d)
Rural Utilities Service (Excludes RUS - Economic Development Loans)	0	0	0	0.00
National Rural Utilities Cooperative Finance Corporation	0	0	0	0.00
Bank for Cooperatives	0	0	0	0.00
Federal Financing Bank	2,973,099	164,066	93,020	257,086.00
RUS - Economic Development Loans	0	0	0	0.00
Other (List Separately)	185,797	20,901	111,820	132,721.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
TOTAL	3,158,896	184,967	204,840	389,807.00

USDA-RUS
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
 RI0001

PERIOD ENDED

12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

Part O. Power Requirements Data Base - Annual Summary

CLASSIFICATION	Consumer Sales & Revenue Data	December	Average No. Consumers Served	Total Year to Date
		(a)	(b)	(c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	1,296	1,291	
	b. kWh Sold			4,248,981
	c. Revenue			1,381,693
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
3. Irrigation Sales	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	303	299	
	b. kWh Sold			1,459,943
	c. Revenue			531,320
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	92	92	
	b. kWh Sold			4,281,381
	c. Revenue			1,570,937
6. Public Street & Highway Lighting	a. No. Consumers Served	13	13	
	b. kWh Sold			692,429
	c. Revenue			234,874
7. Other Sales to Public Authorities	a. No. Consumers Served	23	21	
	b. kWh Sold			122,733
	c. Revenue			12,468
8. Sales for Resales - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
10. TOTAL No. of Consumers (lines 1a thru 9a)		1,727	1,716	
11. TOTAL kWh Sold (lines 1b thru 9b)				10,805,467
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)				3,731,292
13. Other Electric Revenue				412,800
14. kWh - Own Use				215,191
15. TOTAL kWh Purchased				0
16. TOTAL kWh Generated				12,776,334
17. Cost of Purchases and Generation and Transmission Expense				2,147,948
18. Interchange - kWh - Net				0
19. System Peak - Sum Annual Peak kW input from all Sources (Metered)				3,925

Non-coincident _____ Coincident _____

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION R10001
	PERIOD ENDED 12/2005

INSTRUCTIONS--See RUS Bulletin 1717B-2

7a - Part I. Investments

Line No.	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income or Loss (\$) (d)	Rural Development (e)
6. CASH - GENERAL					
1	cash	281,435	0		
Total: 6. CASH - GENERAL		281,435	0		
1. NON-UTILITY PROPERTY (NET)					
2	tower	177,305	0		
Total: 1. NON-UTILITY PROPERTY (NET)		177,305	0		
7. SPECIAL DEPOSITS					
3	rus 7 customer deposits	1,023	0		
Total: 7. SPECIAL DEPOSITS		55,460	0		
9. ACCOUNTS & NOTES RECEIVABLE - NET					
4	account receivable other	99,080	0	0	
Total: 9. ACCOUNTS & NOTES RECEIVABLE - NET		99,080	0	0	
7. SPECIAL DEPOSITS					
5	RIPUC rest.acct IRP Surcharge	54,437	0		
Total: 7. SPECIAL DEPOSITS		55,460	0		
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION RI0001
	PERIOD ENDED 12/2005
INSTRUCTIONS-See RUS Bulletin 1717B-2	

Line No.	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income or Loss (\$) (d)	Rural Development (e)
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					
51					
52					
53					
54					
55					
56					
57					
58					
59					
60					

11. TOTAL INVESTMENTS	613,280	0	0	
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USDA-RUS
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
 RI0001

PERIOD ENDED
 12/2005

INSTRUCTIONS-See RUS Bulletin 1717B-2

7a - Part II. Loan Guarantees/Part III. Ratio

Line No.	Organization (a)	Maturity date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
1			0	0	
2			0	0	
3			0	0	
4			0	0	
5			0	0	
6			0	0	
7			0	0	
8			0	0	
9			0	0	
10			0	0	
TOTALS			0	0	
TOTAL (included Loan Guarantees only)			0	0	

Ratio of Investments and Loan Guarantees to Utility Plant [Total of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form 7, Part C, Line 3)]

8.7 %

USDA-RUS
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
 RI0001

PERIOD ENDED
 12/2005

INSTRUCTIONS-See RUS Bulletin I717B-2

7a - Part IV. Loans

Line No.	Organization (a)	Maturity date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
1	Employees, Officers, Directors		0	0	
2	Energy Resource Conservation Loans		0	0	
3			0	0	
4			0	0	
5			0	0	
6			0	0	
7			0	0	
8			0	0	
9			0	0	
10			0	0	
11			0	0	
12			0	0	
13			0	0	
14			0	0	
15			0	0	
TOTALS			0	0	

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-75 Please provide the Company's RUS Form 12 filings (including all Form 12 subparts as applicable) for its last two fiscal years and during FY 2008.

Response: The RUS Form 12, like the RUS Form 7, is prepared on a calendar year basis. A copy of the CY 2006 report is attached. In addition, it should be noted that the 2005 Form 12 was not prepared by BIPCo and RUS requested that BIPCo start filing a Form 12 as of CY 2006.

Prepared by DGB

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION RI0001

OPERATING REPORT - FINANCIAL

PERIOD ENDED
December, 2006

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically.
For detailed instructions, see RUS Bulletin 1717B-3.

BORROWER NAME

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

BLOCK ISLAND POWER COMPANY

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Form 12a Section C of this report.

david milner

5/8/2007

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

OPERATING REPORT -
INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION

RI0001

PLANT

Ocean Road

PERIOD ENDED

December, 2006

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically.
For detailed instructions, see Bulletin 1717B-3.

This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)	
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i) Unsche. (j)				
1.	11	1,810	375.50				4,203			4,557		5,119	
2.	19	1,100	0.00				13			8,747		0	
3.	22	1,350	155.62				2,316			6,444		2,018	
4.	23	1,150	155.81				2,587			6,173		2,161	
5.	24	1,640	262.32				3,520			5,240		3,511	
6.	TOTAL	7,050	949.25	0.00	0.00		12,639	0		31,161	0	12,810	
7.	Average BTU		1.05				STATION SERVICE (MWh)						
8.	Total BTU (10 ⁶)		1.00			1.00	NET GENERATION (MWh)				12,809.60	.07	
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS						

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	9	5.	Maint. Plant Payroll (\$)	116,043	1.	Load Factor (%)	40.06%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	20.74%
3.	Total Emp. - Hrs. Worked	21,430	7.	TOTAL Plant Payroll (\$)	252,335	3.	Running Plant Capacity Factor (%)	65.70%
4.	Oper. Plant Payroll (\$)	136,292				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	3,650

SECTION D. COST OF NET ENERGY GENERATED

LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	29,452		
2.	Fuel, Oil	547.1	1,932,667		1,932,667.00
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	1,932,667	150.87	1,932,667.00
7.	Generation Expenses	548	139,740		
8.	Miscellaneous Other Power Generation Expenses	549	192,876		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		362,068	28.26	
11.	OPERATION EXPENSE (6 + 10)		2,294,735	179.14	
12.	Maintenance, Supervision and Engineering	551	29,091		
13.	Maintenance of Structures	552	20,193		
14.	Maintenance of Generating and Electric Plant	553	145,449		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	119,053		
16.	MAINTENANCE EXPENSE (12 thru 15)		313,786	24.49	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		2,608,521	203.63	
18.	Depreciation	553.512	0		
19.	Interest	554.513	0		
20.	TOTAL FIXED COST (18 + 19)		0	0.00	
21.	POWER COST (17 + 20)		2,608,521	203.63	

REMARKS (including Unscheduled Outages)

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-76 Please provide for the last three fiscal years the following:

- 1) gross kwh production by month
- 2) net kwh production by month
- 3) company kwh usage by month
- 4) total retail kwh sales, lag adjusted to production, by month

Response: See attached

Prepared by DGB

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-77 Please provide kwh usage by customer class by month during FY 2006,
FY 2007 and FY 2008 to date.

Response: See attached.

Prepared by DGB

FY 2006 kwh usage by customer class

	June	July	August	September	October	November	December	January	February	March	April	May	Total
Residential													
General	392,229	633,198	628,633	402,641	315,760	260,301	262,141	290,710	244,773	240,305	258,744	286,751	4,216,186
Demand	145,977	205,321	213,277	145,591	115,506	41,416	92,037	92,518	79,553	88,658	93,405	138,268	1,451,527
Pub Demand	484,671	802,581	735,636	499,374	312,759	173,686	167,790	188,667	160,110	180,572	213,799	322,578	4,252,223
Pub Demand	62,414	72,062	70,309	58,025	67,398	64,228	74,693	81,946	72,634	68,860	71,879	69,290	833,738
Pub Non-Dem	3,276	5,589	4,961	5,429	4,897	4,496	4,788	7,583	6,041	7,656	6,913	10,777	72,406
Total Public	65,690	77,651	75,270	63,454	72,295	68,724	79,481	89,529	78,675	76,516	78,792	80,067	906,144
Total Revenue	1,098,567	1,718,751	1,652,816	1,111,060	816,320	544,127	601,449	661,424	563,111	586,051	644,740	827,664	10,826,980

FY 2007 kwh usage by customer class

	June	July	August	September	October	November	December	January	February	March	April	May	Total
Residential													
General	378,584	615,317	642,445	402,964	264,114	250,864	296,037	253,067	266,684	245,667	275,477	286,262	4,177,482
Demand	147,567	216,566	204,849	157,578	104,368	64,778	102,217	84,952	83,201	87,263	105,638	116,466	1,475,434
Pub Demand	469,052	788,857	730,268	482,124	263,855	179,515	192,509	174,641	183,493	170,397	250,913	360,895	4,246,519
Pub Demand	60,568	76,736	72,287	60,879	66,804	61,536	70,358	67,794	65,298	67,464	76,074	73,856	819,654
Pub Non-Dem	9,764	15,797	14,282	10,740	7,723	8,140	10,803	8,875	9,314	8,960	6,348	6,633	117,379
Total Public	70,332	92,533	86,569	71,619	74,527	69,676	81,161	76,669	74,612	76,424	82,422	80,489	937,033
Total Revenue	1,065,535	1,713,263	1,664,131	1,114,286	706,864	564,833	671,924	589,328	607,990	579,751	714,449	844,112	10,836,468

FY 2008 YTD kwh usage by customer class

	June	July	August	September	October	November	December	January	February	March	April	May	Total
Residential													
General	351,191	604,037	578,668	411,967	284,914	241,137							
Demand	124,964	202,825	225,042	180,067	120,447	100,937							
Pub Demand	529,769	689,580	688,685	592,219	277,568	185,292							
Pub Demand	51,127	73,567	67,502	68,537	76,615	71,515							
Pub Non-Dem	7,934	10,229	11,356	8,481	5,096	4,601							
Total Public	59,061	83,796	78,858	77,018	81,711	76,116							
Total Revenue	1,064,985	1,580,237	1,571,253	1,261,271	764,640	603,482							

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-78 Please provide RUS Form 300 Review Rating Summary reports for the Company received during FY 2006, FY 2007 and FY 2008 to date.

Response: See attached.

Prepared by WEE



**United States Department of Agriculture
Rural Development**

October 20, 2006

Mr. David Milner
General Manager
Block Island Power Co.
P.O. Box 518
Block Island, RI 02807

Dear Mr. Milner:

In accordance with RUS Bulletin 1730-1 and 7 CFR Part 1730, a review and evaluation of your electric system and facilities as related to system operations and maintenance (Form 300) was made on October 17, 2006.

The objectives of this review are to carry out RUS' responsibilities for loan security, to assure that your electric system is being operated and maintained in a safe and satisfactory manner, and that you are providing an acceptable quality of service to your members.

My appraisal of the BIPCO's operation and maintenance practices is based on a review of office records/procedures, field visits, and discussions with you.

My review indicates that your facilities are generally being adequately operated and maintained and that you have an effective operation and maintenance program. As a result, I have the following comments:

1. Staking sheets should be completed prior to construction.
2. Purchase and install secondary barriers for their pad-mount transformers.
3. Meter testing should be performed that is consistent with state and/or ANSI requirements.
4. Finalize the Construction Work Plan and Long Range Plan.

1400 Independence Ave. SW - Washington, DC 20250-0700

Web: <http://www.rurdev.usda.gov>

U.S. Department of Agriculture

"USDA is an equal opportunity provider, employer and lender"

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-6410 or call (202) 720-5564 (voice or TDD).

Mr. David Milner

2


Please discuss the results of our review with the Board of Directors. Six months from now, I would appreciate receiving a letter from you summarizing the progress made on the above suggestions.

A board approved, corrective action plan must be completed and submitted to RUS within 90 days for the items that has received a rating of "1" on the RUS Form 300.

I encourage you, your staff and your Board of Directors to continue to maintain a satisfactory maintenance program supported by proper and detailed records. Also, I wish to express my appreciation to you for your cooperation and assistance with this review.

For reference, a copy of this letter will be sent to Mr. Charles Philpott, Chief of Northern Engineering Branch, in Washington.

Sincerely,



RICHELLE L. RICHARDSON
General Field Representative
Northern Regional Division
Rural Development – Electric Programs

cc: Charles Philpott, Chief
Northern Engineering Branch

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 2972-0007. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE REVIEW RATING SUMMARY	BORROWER DESIGNATION BFOU Washington DATE PREPARED October 17, 2006
--	--

Ratings on form are: 0 - Unsatisfactory -- No Records 2 - Acceptable, but Should be Improved -- See Attached Recommendations
 NA: Not Applicable 1 - Corrective Action Needed 3 - Satisfactory -- No Additional Action Required at this Time

PART I. TRANSMISSION AND DISTRIBUTION FACILITIES

1. Substations (Transmission and Distribution) a. Safety, Clearance, Code Compliance b. Physical Conditions: Structure, Major Equipment, Appearance c. Inspection Records - Each Substation d. Oil Spill Prevention 2. Transmission Lines a. Right-of-Way: Clearing, Erosion, Appearance, Intrusions b. Physical Condition: Structure, Conductor, Girding c. Inspection Program and Records 3. Distribution Lines - Overhead a. Inspection Program and Records b. Compliance with Safety Codes Clearances Foreign Structures Attachments c. Observed Physical Condition from Field Flicking: Right-of-Way Other	4. Distribution - Underground Cable a. Grounding and Corrosion Control b. Surface Grading, Appearance c. Riser Pole: Hazards, Girding, Condition 5. Distribution Line Equipment: Conditions and Records a. Voltage Regulators b. Sectionalizing Equipment c. Distribution Transformers d. Pad Mounted Equipment Safety: Locking, Dead Front, Barriers Appearance: Settlement, Condition Other e. Load-tap and Demand Meter Reading and Testing
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PART II. OPERATIONS and MAINTENANCE

6. Line Maintenance and Work Order Procedures a. Work Planning & Scheduling b. Work Backlogs: Right-of-Way Maintenance Poles Retirement of Idle Services Other 7. Service Interruptions a. Average Annual Hours/Consumer by Cause: Complete by each of the previous 5 years.	8. Power Quality a. General Freedom from Complaints 9. Loading and Load Balance a. Distribution Transformer Loading b. Load Control Apparatus c. Substation and Feeder Loading 10. Maps and Plant Records a. Operating Maps: Accurate and Up-to-Date b. Circuit Diagrams c. Staking Sheets
--	--

PREVIOUS 5 YEARS (Year)	POWER SUPPLIER	MAJOR STORM	SCHEDULED	ALL OTHER	TOTAL	(Rating)
	a.	b.	c.	d.	e.	
2005	0.00	0.80	0.10	0.10	1.00	3
2004	0.00	0.60	0.50	0.10	1.20	3
2003	0.00	0.60	0.50	0.10	1.20	3
2002	0.00	0.60	0.50	0.10	1.20	3
2001	0.00	0.60	0.50	0.10	1.20	3

b. Emergency Restoration Plan	3
-------------------------------	---

PART III. ENGINEERING

11. System Load Conditions and Losses a. Annual System Losses 13.74% b. Annual Load Factor 35.2% c. Power Factor at Monthly Peak 99.4% d. Ratio of Individual Substation Annual Peak LW to IXX	13. Land Studies and Planning a. Long Range Engineering Plan b. Construction Work Plan c. Sectionalizing Study d. Load Data for Engineering Studies e. Load Forecasting Data
--	--

12. Voltage Conditions	
a. Voltage Surveys	3
b. Substation Transformer Output Voltage Spread	3

PART IV. OPERATION AND MAINTENANCE BUDGETS

YEAR	For Previous 2 Years		For Present Year	For Future 5 Years		
	2004	2005	2006	2007	2008	2009
	Actual \$ Thousands	Actual \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands
Normal Operation	136	177	141	146	151	156
Normal Maintenance	37	55	30	33	36	39
Additional (Deferred) Maintenance						
Total	173	232	171	179	187	195

14. Budgeting: Adequacy of Budgets for Needed Work _____ 3 _____ (Budget)

15. Date Discussed with Board of Directors _____ January-07 _____ (Date)

EXPLANATORY NOTES

ITEM NO.	COMMENTS
	- See Attached Report

	NAME	DATE
RATED BY: David Milner, Richelle Richardson	General Manager - RUS GEP	
REVIEWED BY: David Milner <i>David A. Milner</i>	General Manager	
REVIEWED BY: Richelle L. Richardson <i>Richelle Richardson</i>	RUS GEP	10/17/06

Form 300 Rating Justification Narrative

Block Island Power Company complies with the conditions normally needed to justify a rating of 3 in the RUS Bulletin 1730-1, Electric System Operation and Maintenance, for all items that have received a rating of 3 on the RUS Form 300.

The following is a narrative for the items that have received a rating of 2:

Part I, 3, b: BIPCO currently does not use staking sheets to stake jobs before construction. Effort is being made to start implementing the staking sheets.

Part I, 5, d: Pad-mount transformers do not meet RUS dead front requirement. BIPCO will purchase and install secondary barriers for their pad-mounts.

Part I, 5, e: BIPCO currently does not test meters. BIPCO tried out meter testing equipment on a trial basis but decided not to purchase it. They are still investigating other types of meter testing equipment available and plan to purchase equipment in the near future. New meters are tested and certified by an outside company prior to installation.

Part II, 6, a: See above comments regarding staking sheets.

Part III, 13: Long Range Plan and Construction Work Plan are being prepared by a consultant. The consultant is waiting for the result of the submarine cable study before finalizing the documents.

The following is a narrative for the items that have received a rating of 1:

Part II, 10, c: As mentioned above, BIPCO does not stake jobs prior to construction. BIPCO will start using staking sheets in the future.

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-79 Please provide RUS Form 261 Summary of System Planning Report filings made by the Company with the RUS during and since FY 2006.

Response: None.

Prepared by DGB

SUMMARY OF SYSTEM PLANNING REPORT	SYSTEM DESIGNATION	DATE PLANNING REPORT COMPLETED 8-Jul-96
	PLANNING ENGINEER	

PART I GENERAL DATA

ITEMS 1.	2. LINE MILES		3. NO. OF CONSUMERS		TOTAL SYSTEM LOAD (kW) 4.	TOTAL SPECIAL LOADS (kW) 5.	TOTAL YEARLY SALES kWh 6.	7. PAST PEAK LOAD		DESIGN LOAD kWh/CONS. /MO. PEAK MO. 8.
	TRANS. a.	DISTR. b.	ALL TYPES (Including special loads) c.	SPECIAL LOADS d.				kWh/CONS. /MO. a.	DATE b.	
PRESENT SYSTEM AS OF _____										
LONG RANGE PLAN										

PART II LINE MILES

ITEMS 1.	2. DISTRIBUTION				3. TRANSMISSION			
	12.5/7.2 kV a.	24.9/14.4 kV b.	_____ kV c.	_____ kV d.	_____ kV a.	_____ kV b.	_____ kV c.	_____ kV d.
PRESENT SYSTEM AS OF _____								
LONG RANGE PLAN								

PART III SUBSTATIONS AND METERING POINTS

NAME OR LOCATION* 1.	POWER SUPPLIER 2.	3. PRESENT SYSTEM			4. LONG RANGE PLAN		
		MVA a.	kV PRIMARY b.	kV SECONDARY c.	MVA a.	kV PRIMARY b.	kV SECONDARY c.

PART IV INVESTMENT IN PLANT (Thousands of Dollars)

ITEMS 1.	TRANSMISSION LINES 2.	ALL SUBSTATIONS 3.	DISTR. TRANSFORMERS METERS & SERVICES 4.	ALL OTHER DISTR. FACILITIES 5.	TOTAL T & D PLANT 6.	GENERAL & PROD. PLANT 7.
PRESENT SYSTEM AS OF _____					\$0	
LONG RANGE PLAN					\$0	

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-79 Please provide any construction forecast prepared internally or filed with the RUS that includes the upgrading of the Company's distribution system.

Response: The most recent information available regarding the Company's distribution system upgrades are in the two HDR reports listed in response to Town-14. Please note however, that the November 2004 HDR report listed in Town 14 was apparently finalized in December of 2004 and a copy of the finalized report is in the grant request reviewed by the Town.

Prepared by WEE

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-80 Please provide records of voltage losses of the Company during FY 2006, FY 2007 and FY 2008 to date.

Response: See the response to Town-76

Prepared by DGB

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-81 Please provide EIA 861 reports filed by the Company during and since FY 2006.

Response: See attached.

Prepared by DGB

Dave B.

ANNUAL ELECTRIC POWER INDUSTRY REPORT

Form Approved OMB No. 1905-0129 Approval Expires 11/30/2007

NOTICE: The timely submission of Form EIA-861 by those required to report is mandatory under Section 13(b) of the Federal Energy Administration Act of 1974 (FEAA) (Public Law 93-275), as amended. Failure to respond may result in a penalty of not more than \$2,750 per day for each civil violation, or a fine not more than \$5,000 per day for each criminal violation. The government may bring a civil action to prohibit reporting violations, which may result in a temporary restraining order or a preliminary or permanent injunction without bond. In such civil action, the court may also issue mandatory injunctions commanding any person to comply with these reporting requirements. A person is not required to respond to collection of information unless the form displays a valid OMB number. Information reported on Form EIA-861 will not be protected and may be publicly released in identifiable form. Title 18 U.S.C. 1001 makes it a criminal offense for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious, or fraudulent statements or to any matter within its jurisdiction.

IRVEY CONTACTS: Persons to contact with questions about this form. Contact Person 1: Telephone: (401) 466-5555 FAX: () Title: E-mail: Contact's Supervisor: David Milner Title: G/M Title: E-mail: Telephone: () FAX: ()

RESPONSE DUE DATE: Please submit by April 30th, following the close of the calendar year. REPORT FOR (Company Name): Block Island Power EIA ID: 1857 REPORTING PERIOD: 20xx

SCHEDULE IDENTIFICATION	
1	Legal Name of Industry Participant Block Island Power Company
2	Current Address of Principal Business Office 100 Ocean Ave POB 518 Block Island, RI 02807
3	Preparer's Legal Name (if Different Than Line 1) David O Milner
4	Current Address of Preparer's Office (if Different Than Line 2)
5	Respondent Type (check one) <input type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Political Subdivision <input type="checkbox"/> Municipal <input type="checkbox"/> Municipal Marketing Authority <input type="checkbox"/> Investor-owned <input type="checkbox"/> Cooperative <input checked="" type="checkbox"/> Independent Power Producer or Qualifying Facility <input type="checkbox"/> Power Marketer (or Energy Service Provider)

ANNUAL ELECTRIC POWER INDUSTRY REPORT
 REPORT FOR (Company Name):
 REPORTING PERIOD:
 Form Approved OMB No. 1995-0125
 Approval Expires 1/30/2007
 EIA ID:

SCHEDULE 2 PART 5 GENERAL INFORMATION	
LINE NO.	
1	Regional North American Electric Reliability Council (not applicable for power marketers) (mark all that apply) <input type="checkbox"/> ERCOT <input type="checkbox"/> NPCC <input type="checkbox"/> SPP <input type="checkbox"/> FRCC <input type="checkbox"/> RFC (formerly ECAR, MAAC, MAIN) <input type="checkbox"/> WECC <input type="checkbox"/> MRO <input type="checkbox"/> SERC
2	(For EIA Use Only) Identify the North American Electric Reliability Council where you are physically located
3	Enter Control Area Operator(s) Responsible for Your Oversight
4	Did Your Company Operate Generating Plant(s)? (check one) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5	Identify the Activities Your Company Was Engaged In During the Year (check appropriate activities) <input checked="" type="checkbox"/> Generation from company owned plant <input type="checkbox"/> Buying distribution on other electrical systems <input type="checkbox"/> Transmission <input type="checkbox"/> Wholesale power marketing <input type="checkbox"/> Buying transmission services on other electrical systems <input type="checkbox"/> Retail power marketing <input type="checkbox"/> Distribution using owned/leased electrical wires <input type="checkbox"/> Bundled Services (electricity plus other services such as gas, water, etc. in addition to electric service)
6	Highest Hourly Electrical Peak System Demand Summer (Megawatts) 4 Winter (Megawatts) 1.3
7	Did Your Company Operate Alternative-Fueled Vehicles During the Year? Does Your Company Plan to Operate Such Vehicles During the Coming Year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Name: Title: Telephone: () Fax: () E-mail address:

ANNUAL ELECTRIC POWER INDUSTRY REPORT

Form Approved
OMB No. 1905-0125
Approval Expires 11/30/2007

U.S. DEPARTMENT OF ENERGY
Energy Information Administration
Form EIA-861 (2006)

REPORT FOR (Company Name):
REPORTING PERIOD:

EIA ID:

STATE / TERRITORY		RESIDENTIAL (a)	COMMERCIAL (b)	INDUSTRIAL (c)	TRANSPORTATION (d)	TOTAL (e)
RI		1678	2779			4457
Revenue (thousand dollars)		4258	6749			11007
Megawatt-hours Sold and Delivered		1304	572			1876
Number of Customers						
TATE						
Revenue (thousand dollars)						
Megawatt-hours Sold and Delivered						
Number of Customers						
TATE						
Revenue (thousand dollars)						
Megawatt-hours Sold and Delivered						
Number of Customers						
TATE						
Revenue (thousand dollars)						
Megawatt-hours Sold and Delivered						
Number of Customers						

ANNUAL ELECTRIC POWER INDUSTRY REPORT

Report Form: Administration
 Form EIA-801 (2016)
 EIA ID: 17002007

REPORT FOR (Company Name):
 REPORTING PERIOD:

SCHEDULE 2, PART B: ENERGY SOURCES AND DISPOSITION

LINE NO.	SOURCE OF ENERGY	MEGAWATT-HOURS	DISPOSITION OF ENERGY	MEGAWATT-HOURS
1	Net Generation	12809	Sales to Ultimate Customers	11002
2	Purchases from Electric Suppliers	17	Sales for Resale	
3	Exchanges Received (In)		Energy Furnished Without Charge	25
4	Exchanges Delivered (Out)		Energy Consumed By Respondent Without Charge	476
5	Exchanges (Net)		Total Energy Losses (positive number)	1323
6	Wheeled Received (In)			
7	Wheeled Delivered (Out)			
8	Wheeled (Net)			
9	Transmission by Others, Losses (negative number)			
10	Total Sources (sum of lines 1, 2, 5, 8, and 9)	12826	Total Disposition (sum of lines 11, 12, 13, 14, and 15)	12826

SCHEDULE 2, PART C: CUSTOMER SERVICE PROGRAMS

Green Pricing programs allow customers to purchase power generated from renewable resources and to pay for renewable energy development. Net Metering programs allow customers to sell excess power they generate back to the electrical grid to offset consumption. Provide the number of customers in these programs by State and customer class.

NUMBER OF CUSTOMERS BY CUSTOMER CLASS

TYPE OF CUSTOMER SERVICE PROGRAMS	RESIDENTIAL (b)	COMMERCIAL (c)	INDUSTRIAL (d)	TRANSPORTATION (e)	TOTAL (f)
Green Pricing					
Net Metering	8		3		11
Green Pricing					
Net Metering					

SCHEDULE 3: ELECTRIC OPERATING REVENUE

LINE NO.	TYPE OF OPERATING REVENUE	THOUSAND DOLLARS
1	Electric Operating Revenue From Sales to Ultimate Customers (Schedule 4, Parts A and B)	4430
2	Revenue From Unbundled (Delivery) Customers (Schedule 4, Part C)	
3	Electric Operating Revenue from Sales for Resale	
4	Electric Credits/Other Adjustments	
5	Other Electric Operating Revenue	
6	Total Electric Operating Revenue (sum of lines 1, 2, 3, 4, and 5)	4430

U.S. Department of Energy
 Energy Information Administration
 Form EIA-851 (2006)
ANNUAL ELECTRIC POWER/INDUSTRY REPORT
 EIA ID: _____

REPORT FOR (Company Name): _____
 REPORTING PERIOD: _____

SCHEDULE 6. MERGERS AND/OR ACQUISITIONS

Mergers and/or acquisitions during the reporting period: Yes No (if no, skip to Schedule 6)

If Yes, Provide:
 Date of merger or acquisition _____
 Company merged with or acquired _____
 Name of new parent company _____

Address _____
 New contact name _____ Telephone No. _____
 Email address _____

SCHEDULE 6. DEMAND-SIDE MANAGEMENT INFORMATION

If your company is a small utility (end-use sales for ultimate customers and sales for resale less than 150,000 MWh) only complete Part A - Incremental Effects and Part B, line 13 - Total Cost

1 Do you have company administered Demand-Side Management Programs? (check Yes or No) Yes No

2 If your Demand-Side Management activities are reported on Schedule 5 of another company's form, identify the company. _____

NOTE If you answered "No," to Line 1 or another Company Reports your Demand-Side Management Activities on their Schedule 6, do not complete the rest of this Schedule.

PART A. ACTUAL EFFECTS

INCREMENTAL EFFECTS

ANNUAL EFFECTS

ENERGY EFFICIENCY	INCREMENTAL EFFECTS				ANNUAL EFFECTS			
	RESIDENTIAL (a)	COMMERCIAL (b)	INDUSTRIAL (c)	TRANSPORTATION (d)	RESIDENTIAL (e)	COMMERCIAL (f)	INDUSTRIAL (g)	TRANSPORTATION (h)
3 Energy Effects (megawatthours)								
4 Actual Peak Reduction (megawatts)								
LOAD MANAGEMENT								
5 Energy Effects (megawatthours)								
6 Potential Peak Reduction (megawatts)								
7 Actual Peak Reduction (megawatts)								
7a Were these savings verified through an independent evaluation?					<input type="checkbox"/> Yes <input type="checkbox"/> No			

ANNUAL ELECTRIC POWER INDUSTRY REPORT

REPORT FOR (Company Name):
 REPORTING PERIOD:

EIA ID:

SCHEDULE B - DISTRIBUTION SYSTEM INFORMATION

If your company owns a distribution system, please identify the names of the counties (parish, etc.) by State in which the electric wire/equipment are located.

LINE NO.	STATE (U.S. POSTAL ABBREVIATION) (a)	COUNTY (PARISH, ETC.) (b)	LINE NO.	STATE (U.S. POSTAL ABBREVIATION) (a)	COUNTY (PARISH, ETC.) (b)
1	RI	Washington	20		
2			21		
3			22		
4			23		
5			24		
6			25		
7			26		
8			27		
9			28		
10			29		
11			30		
12			31		
13			32		
14			33		
15			34		
16			35		
17			36		
18			37		
19			38		

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-82 Please provide the Company's load factor during FY 2007 and FY 2008 to date.

Response: BIPCo maintains a load factor hourly log book at the plant. The watchmen make postings to the log book of the load factor readings hourly (24 hours per day and 7 days a week). Those logs are available for review on the island upon formal request of BIPCo to allow for scheduling.

In general however, BIPCo runs its engines at about 90% capacity at which time a second engine is added and it takes about one half of the load. The two engines are then run up to 90% capacity until that capacity is exceeded when a third engine is added which then shares the load. Each engine is added manually because BIPCo is in the process of getting switch gear for all of its engines so that the engines can be added and removed from service automatically.

Prepared by CM

**SECOND SET OF DATA REQUESTS
OF THE TOWN OF NEW SHOREHAM**

TOWN-83 Please provide the Company's costs per kwh during FY 2007 and FY 2008, including fuel costs.

Response: See attached.

Prepared by DGB

	FY 2007 Audited
Total Revenues (Excluding KWH Sales)	<u>(759,164.45)</u>
Total Salaries	429,886.11
Total Operating Expense	1,096,706.96
Total Maintenance Expense	178,546.95
Total Miscellaneous Expense	539,605.08
Total Taxes	243,411.50
Fuel Expense	<u>2,087,847.91</u>
Net Income (Excluding KWH Sales)	3,816,840.06
FY 2007 kwh usage	10,836,468
Company's costs per kwh	\$ 0.3522

	FY 2008 YTD Nov07
Total Revenues (Excluding KWH Sales)	<u>(411,094.82)</u>
Total Salaries	212,117.53
Total Operating Expense	635,938.55
Total Maintenance Expense	67,243.51
Total Miscellaneous Expense	222,459.38
Total Taxes	63,752.56
Fuel Expense	<u>1,533,311.33</u>
Net Income (Excluding KWH Sales)	2,323,728.04
FY 2008 YTD Nov07 kwh usage	6,845,869
Company's costs per kwh	\$ 0.3394