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*ADMITTED TO PRACTICE IN
RHODE ISLAND & MASSACHUSETTS

December 31, 2009

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**Re: *Review of Proposed Town of New Shoreham
Project, Pursuant to R.I.G.L. § 39-26.1-7
Docket No. 4111***

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of Deepwater Wind Block Island, LLC's response to the Division of Public Utilities and Carrier's First Set of Data Requests. Please note that an electronic copy has been sent to the Service List.

Thank you for your attention to this matter.

Sincerely,

Joseph A. Keough, Jr.

JAK/kf
Enclosure

CC: Service List

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Div. 1-1: Please state the types of jobs that the PPA will create in Rhode Island that are known to Mr. Moore or Deepwater and all facts supporting your response.

Response: Deepwater Wind's estimates of projected job growth encompass both the Block Island Wind Farm and the proposed utility scale project (the "Rhode Island Sound Wind Farm"), considered in tandem. It is estimated that both projects will have labor requirements that will create the equivalent of approximately 600 or more direct jobs, and many more indirect jobs.

While Deepwater Wind's original estimates incorporated jobs estimates for both the Block Island Farm and Rhode Island Sound Wind Farm, in attempting to provide information sought in this request, we anticipate that the Block Island Wind Farm will generate between 35 and 50 direct local construction period jobs, and possibly more if assembly operations are performed at Quonset, an option Deepwater Wind is currently investigating. Further, we estimate that post-construction, operation and maintenance of eight (8) turbines making up the facility will require approximately 6 permanent full time equivalent jobs. The operations and maintenance workforce will increase substantially if the larger project is built, as at that point it is quite likely that the cost structure of such a workforce would be the optimal solution for operating and maintaining both projects.

It is important to note that the Block Island Wind Farm is a small scale project and is not intended, in and of itself, to result in significant job creation in Rhode Island. However, it is an important strategic asset that will give Rhode Island first mover advantage in a potentially significant new industry that could attract green businesses at all levels of the supply chain to Rhode Island, such as wind turbine or component manufacturers.

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Div. 1-2: Please provide any facts, studies or analyses showing the economic development benefits to the State of Rhode Island from the proposed wind farm, which was relied upon by Mr. Moore in support of his testimony.

Response: As noted in the response to Division DR 1-1, the Block Island Wind Farm is intended to serve as a stepping stone to future economic development and, in and of itself, is likely to have a modest impact on the Rhode Island economy. Deepwater Wind has not commissioned an economic development benefits study specific to Rhode Island, but believes it is generally accepted that the construction of large scale infrastructure projects that employ local labor and provide opportunities for local businesses tend to be accretive to economic development. The Block Island Wind Farm is a key feature of Rhode Island's plans to develop a renewable energy industry in the state, a policy supported by the Office of the Governor, the General Assembly and the Rhode Island Economic Development Corporation.

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Div. 1-3: In what geographic area does Mr. Moore or Deepwater believe renewable energy projects can be located and qualify under Rhode Island's Renewable Energy Standard ("RES")?

Response: As noted in Mr. Moore's testimony, based on resource assessments provided by the U.S. Department of Energy, Deepwater Wind does not believe that any renewable resource other than offshore wind is sufficiently scalable to meet the long term RES goals of the State of Rhode Island. An offshore wind farm within state waters around Block Island would qualify under Rhode Island's RES.

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Div. 1-4: RE: page 9 at 5-10: Please provide copies of the two reports referenced in Mr. Moore's testimony the RIWINDS Phase I: Wind Energy Siting Report and the Rhode Island Offshore Wind Stakeholders Final report.

Response: Copies of the reports are attached hereto.

Prepared by: William Moore

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Div. 1-5: Please provide an executed copy of the Joint Development Agreement entered into between the state of Rhode Island and Deepwater.

Response: A copy of the executed Joint Development Agreement is attached.

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Div. 1-6: Please provide a specific reference or citation to the statutory section that provides “the commercially reasonable standard should take into account the sizing restriction placed by the legislation, and the PPA should be evaluated in light of the size and scope of the facility” as set-forth in Mr. Moore’s testimony.

Response: Mr. Moore’s testimony stating that “the PPA should be evaluated in light of the size and scope of the facility” was prepared with the assistance of and under the supervision of counsel relying on two provisions of R.I.G.L. 36-26 that should be read together.

First, the first sentence of R.I.G.L. 39-26.1-2(1) provides that:

“Commercially reasonable” means terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources.

Second, R.I.G.L 36-26.1-7 requires:

“the electric distribution company to solicit proposals for one newly developed renewable energy resources project of ten (10) megawatts or less that includes a proposal to enhance the electric reliability and environmental quality of the Town of New Shoreham”.

The section further provides that “the distribution company and the selected party may agree to a contract for a project that includes up to (but not exceeding) eight (8) wind turbines with aggregate nameplate capacity of no more than thirty (30) megawatts, subject to and conditioned upon the approval of the commission, even if the actual capacity factor of the project results in the project technically exceeding ten (10) megawatts.”

In applying the statute and determining whether or not a contract meets the “commercially reasonable” standard, Deepwater Wind believes it would be appropriate for the Commission to take into account, in considering the contract, the legislative parameters imposed on the project, specifically, the requirement that the project be smaller than thirty (30) megawatts of aggregate nameplate capacity, and that the project achieve the stated goal of enhancing the electric reliability and environmental quality of the Town of New Shoreham. A project that does not achieve these goals would run afoul of the intent of the legislature, even if its terms were more favorable to the electric distribution company by comparison.

Prepared by: William Moore

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Div. 1-7: What is the status of the application to the United States Department of Transportation for more than 40 million dollars in stimulus funding for the Quonset Business Park and state whether Deepwater intends to develop this facility as proposed without this stimulus funding?

Response: The Quonset Development Corporation, not Deepwater Wind, is the applicant for the U.S. Department of Transportation grant. If the grant application is not successful, Deepwater Wind intends to develop the facilities at Quonset if it obtains power purchase agreements for each wind farm, secures the necessary permits and raises sufficient capital to construct each such facility.

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Div. 1-8: Please describe in as much detail as possible all incentives and grants that Deepwater expects to receive as set-forth in the testimony of Mr. Moore.

Response: Deepwater Wind has assumed that it will receive the investment tax credit under Section 48 of the Internal Revenue Code and the associated cash grant made available under Section 1603 of the American Recovery and Reinvestment Act. In addition, Deepwater Wind has assumed that it will be able to realize the value of the Modified Accelerated Recovery System (or MACRS) tax depreciation either on a current or loss carry forward basis. Finally, Deepwater Wind has assumed that it will receive a Federal Loan Guarantee to finance the construction of the project. The pricing that was agreed with National Grid assumes that Deepwater Wind will receive all of these incentives.

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Div. 1-9: Who will build, own, and operate the transmission cable from Block Island to the Mainland.

Response: The construction, ownership and operation of the transmission cable from Block Island to the Rhode Island mainland is a matter still under discussion with National Grid and no decisions have been made. However, Deepwater Wind's preference is to develop and construct the transmission cable in collaboration with National Grid, but for National Grid to own and operate the transmission cable.

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Div. 1-10: Please provide copies of the Roger Williams University and Brown University surveys identified in the testimony of Mr. Moore.

Response: A copy of the survey, and the survey results, are attached.

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Div. 1-11: Has Deepwater committed to using the steel jacket foundations and if so, please describe these foundations in as much detail as possible. Also, describe how the use of these foundations types for offshore wind turbines is different from their use on offshore drilling rigs.

Response: At present, steel jacket foundations are the most economical solution for installing offshore wind turbines in deep water such as the waters off the coast of Block Island, and Deepwater Wind has no plans to use an alternative foundation. The steel jacket foundation is a four-legged lattice-type steel tower structure with a main deck situated atop each jacket and fitted with an integral base assembly to accommodate the wind turbine tower, and, on top of the tower, the wind turbine generator. These foundations are similar to foundations used for offshore drilling rigs but are much smaller in scale.

Offshore foundations are custom designed to meet the unique situations of the seafloor and the topside. In the case of an offshore oil drilling facility, the foundations are designed to address very significant loads. In the case of an offshore wind facility, foundations are designed to address the unique loading, torque, sheer and other forces at work.

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Div. 1-12: Please provide the basis and supporting documentation for the 20 to 25% cost savings for the hypothetical ninth wind turbine described in the testimony of Mr. Moore.

Response: Using Deepwater Wind's current budget assumptions, total capital costs for installing eight and nine turbines are \$219,311,412 and \$238,544,293, respectively. The marginal cost for installing the ninth turbine is therefore \$19,232,882. On a per kW basis, capital costs decrease from an average of \$7,615/kW for the first eight turbines to \$5,495/kW for the ninth turbine. The marginal cost reduction is mostly due to greater amortization of fixed costs. For example, there is virtually no incremental cost associated with the submarine cable and development expense in building nine, rather than eight, turbines. Based on this analysis, we consider 20-25% in cost savings an achievable goal for the Rhode Island Sound Wind Farm as compared to the costs projected for the Block Island Wind Farm.

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Div. 1-13: Please provide a detailed capital cost for the eight wind turbines showing as many components of the installed cost as possible. Also provide a construction schedule showing assumed start and completion dates at the monthly construction expenditures.

Response: Deepwater Wind is in the process of selecting and negotiating contracts with equipment suppliers and service providers for the Block Island Wind Farm. We expect capital cost categories to include structural engineering, wind turbine generators, jacket foundation fabrication, pile fabrication, pile template fabrication, topside fabrication, electrical cable and substation (connecting the offshore wind turbines to Block Island), offshore transportation of jacket, piles, pile templates, topsides, and turbines, offshore installation of jacket, piles, pile templates, topsides, and turbines, utility system hookup, project management and inspection, insurance during construction, development costs, and project financing costs. As no contracts have been signed, none of these individual cost categories has been finalized. Deepwater Wind's current estimate of the capital cost is \$219,311,412 for installing eight turbines.

Based on current plans, Deepwater Wind's construction activities will start in the first quarter of 2012 and will be complete by the third quarter of 2012. The spending schedule will depend on terms of supply contracts that are under negotiation

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Div. 1-14: Please provide a detailed estimate of the on going, post commercial operation maintenance cost for the eight wind turbines.

Response: The annual operation and maintenance costs are largely driven by the cost of an O&M contract with the turbine supplier, insurance expenses, vessel chartering costs, and turbine parts replacement. Vessel chartering cost is very volatile, and depends on the availability of vessels as a function of demand and supply (e.g. offshore construction activities in the Gulf of Mexico), as well as inclement weather, which may increase charter duration. Deepwater Wind has not yet selected a turbine supplier, and therefore has yet to negotiate the duration and terms of the turbine supplier's O&M obligations. In addition, turbine parts replacement cost and insurance are also subject to final contracting terms with the providers.

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Div. 1-15: Please provide the book and tax depreciation schedules that Deepwater expects to use for this project.

Response: Deepwater Wind expects to follow the respective schedules set by GAAP and IRS in recording book and tax depreciations.

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Div. 1-16: Please provide estimates of any non-income taxes that Deepwater expects to pay, including but not limited to property or value-added taxes.

Response: Deepwater Wind may need to pay sales, value-added and/or import taxes on certain equipments and services. However, whether the suppliers or Deepwater Wind will be responsible for paying these taxes is subject to terms in the supply contracts, which have yet to be finalized.

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Div. 1-17: Please provide pro forma financial statements for the project showing revenues, expenses, and net income and after tax cash flows.

Response: Deepwater Wind will work with the Division to provide a response to this request.

However, in light of the Commission's Rules of Practice and Procedure regarding the timing of responses to data requests, and to preserve its rights pending those discussions, Deepwater Wind objects as this request, in its broadest interpretation, is overly broad, calls for speculation, and calls for the production of confidential business, proprietary, trade and financial information.

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Div. 1-18: Please describe all efforts to date by Deepwater to obtain financing for the project. Include any presentations or other materials given to prospective lenders. What percentage of the project does Deepwater expect to finance with debt and what percentage is expected to be financed with equity.

Response: At present, it is too early to obtain debt financing for the project. Typically, the capital raising process for a project such as the Block Island Wind Farm does not commence until after an offtake agreement has been signed, all principal permits have been issued, and detailed engineering is complete. Deepwater Wind anticipates that this should occur by late 2010. However, as noted above, Deepwater Wind has applied for a Federal loan guarantee, which would provide financing for the project. At present, Deepwater Wind anticipates a debt to equity ratio of slightly less than 4:1.

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Div. 1-19: Do the power prices in the PPA include the cost of the interconnection between the eight turbines and Block Island and if so, what is the assumed interconnection point and voltage but if not, please explain how these costs will be recovered and state whether Deepwater will own and maintain these facilities.

Response: The price agreed upon in the PPA accounts for the cost of all equipment necessary to deliver power to a substation on the premises of the Block Island Power Company at 34.5 kV.

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Div. 1-20: Has Deepwater had any communications, or exchanged any information, with Block Island Power Company regarding the use of the Transmission Cable (from Block Island to the mainland), including but not limited to how cable capacity and costs will be shared and if so, please provide copies of all related documents.

Response: Deepwater Wind has coordinated with Block Island Power Company regarding the design and engineering of the Transmission Cable, but has not engaged in detailed discussions regarding the operations of the Transmission Cable.

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Div. 1-21: Please explain what happens if the Production Tax Credit is not extended past 2012 and the project is not online until 2013 or later and whether this will affect the contract price.

Response: At present, Deepwater Wind does not intend to rely on the Production Tax Credit under Section 45 of the Internal Revenue Code. There is no mechanism to adjust the contract price if the Production Tax Credit is not renewed beyond its current scheduled expiration in 2012.

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CERTIFICATION

I hereby certify that on December 31, 2009, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

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