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RHODE ISLAND & MASSACHUSETTS

January 15, 2010

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 Carriers' Third 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 (via electronic mail)

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION
DOCKET No. 4111
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Response To
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Div. 3-1: In response to Div 1-16, National Grid indicated that the indicative pricing from the May 30, 2008 Deepwater proposal relative to the Block Island project was 15.5¢ per kWh, in 2008 dollars (bundled rate at 39% capacity factor). Does Deepwater agree with National Grid's assessment of the indicative price of 15.5¢ based on the May 30 pricing proposal to the State of Rhode Island. If not, please explain in detail why not.

Response: Deepwater Wind's May 30, 2008 proposal to the State of Rhode Island included several alternative projects in response to the State's request for proposals for off-shore wind farms capable of producing 1.32 million MWh per year. One of those alternatives was entitled the "Block Island Project." However, that project is not the same project that is the subject of this Docket. The May 30, 2008 Block Island Project proposal consisted of 107 turbines placed within state waters near Block Island. The project that is the subject of this Docket is also located within state waters near Block Island, but it consists of no more than eight turbines.

The project that is the subject of this Docket was the result of negotiations between the State of Rhode Island and Deepwater Wind after the State of Rhode Island selected Deepwater Wind as its preferred developer of off-shore wind projects. The Joint Development Agreement ("JDA") negotiated between the parties calls for the development of two projects, the smaller project of no more than eight turbines off of the coast of Block Island and a larger utility-scale project in federal waters.

As Deepwater Wind has explained in its filings in this Docket, a comparison of the pricing for larger wind farms, such as the 107 turbine project submitted in May 2008, to the pricing for the current Block Island Wind Farm of no more than eight turbines, is unfair and inappropriate because of the significant diseconomies of scale associated with the smaller project as compared to the larger project

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Div. 3-2: Deepwater's pricing proposal in the May 2008 Proposal to the State assumed a price escalation of 2.5% over the 20-year term of a Power Purchase Agreement. The Proposal acknowledged that final pricing is subject to change, though it anticipated that "final pricing will be within a range of plus or minus ten percent (10%) of proposed pricing." Proposed pricing of 15.5¢ escalated at 2.5% annually yields a price of 17.5¢ per kWh in 2013, the anticipated start date.

The filed signed PPA has a 2013 price of 24.4¢ per kWh and an annual escalator of 3.5%. The starting price is 39% higher than was represented in the proposal and the annual escalator is a percentage point higher than was represented in the proposal. Please explain how the pricing in the signed PPA is consistent with the May 2008 Proposal to the State?

Response: Please see Response to Request 3-1.

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Div. 3-3: Please explain whether Sections IX B. 2 and IX. B. 3. of the Joint Development Agreement (JDA) between Deepwater and the State Rhode Island allow Deepwater to discontinue the Economic Development Activities, as listed in the JDA.

Response: The Economic Development Activities under the JDA may be discontinued according to the provisions of the JDA, which state as follows:

Section IX.B.2:

If the Parties conclude that under no circumstances can a Milestone Date or delayed Milestone Date be met for an Economic Development Activity, or cannot agree to delay a Milestone Date for an Economic Development Activity, upon expiration of the Milestone Date, DWW may discontinue the Economic Development Activity relating to the Milestone Date in question, provided however, that in the event DWW discontinues the particular Economic Development Activity, DWW shall not be relieved of its obligations to pursue development of Phase I or Phase II of the Project as prescribed by this JDA or other Economic Development Activities prescribed by Section VIII. of this JDA.

Section IX.B.3:

In the event that DWW discontinues an Economic Development Activity or Activities pursuant to Section IX.B.2. above, DWW shall have no further obligation, liabilities or responsibilities to the State in connection with the Economic Development Activity that was the subject of the Milestone Event and Date(s).

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Div. 3-4: Does Deepwater have a firm, binding commitment to the State of Rhode Island regarding job creation if either the Block Island or the larger utility-scale project is completed.

Response: Deepwater Wind has executed a Joint Development Agreement (“JDA”) with the State of Rhode Island whereby Deepwater Wind has agreed to use good industry and engineering practice and commercially reasonable efforts to undertake the Economic Development Activities detailed in the JDA. Those Economic Development Activities include: (1) location of a corporate manufacturing headquarters in Rhode Island; (2) location of a regional development headquarters in Rhode Island; (3) entering into options to lease land and facilities from the Quonset Development Corporation, subject to negotiating mutually agreeable terms; (4) pursuing other Rhode Island-based economic development activities; and (5) causing its vendors to negotiate in good faith a project labor agreement in support of its Rhode Island projects. These Economic Development Activities are described in greater detail in Section VIII of the JDA.

The Block Island Wind Farm is a critical step in bringing these job creation initiatives to reality as it provides Rhode Island the opportunity to have “first mover” advantage in developing the infrastructure to support the off-shore wind industry in the northeast.

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CERTIFICATION

I hereby certify that on January 15, 2010, 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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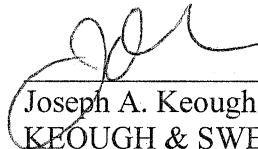
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