

October 21, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Review of Proposed Town of New Shoreham Project
Pursuant to RI General Laws § 39-26.1-7**

Dear Ms. Massaro:

Enclosed for filing in Docket 4111 is National Grid' response to the letter of Deepwater Wind that was attached to their Motion to Intervene sent to the service list electronically late Friday afternoon on October 16.

Because Deepwater filed their letter with the Commission, National Grid is providing its response as a courtesy to the Commission.

Very truly yours,



Ronald T. Gerwatowski

cc: Docket 4111 Service List
Leo Wold, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate was electronically submitted, hand delivered, and mailed to the individuals listed below.



Joanne M. Scanlon

October 9, 2009

Date

**National Grid – Review of Proposed Town of New Shoreham Project
Docket No. 4111 Service List Updated 10/21/09**

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October 21, 2009

Mr. William Moore
Chief Executive Officer
Deepwater Wind, LLC
56 Exchange Terrace, Suite 100
Providence, RI 02903

Dear Mr. Moore:

This letter is being provided in response to the letter you sent to the Company's counsel and attached to the Motion to Intervene of Deepwater Wind Block Island, LLC ("Deepwater") that was filed with the Rhode Island Public Utilities Commission ("PUC") in Docket 4111 on October 16.

We understand that Deepwater is interested in returning to the negotiating table. We also read with interest reports in the news media that you believe that the price for the power would be between 20 and 25 cents per kilowatt-hour, as compared to the price of 30.7 cents per kilowatt-hour, in the first full year of operation in 2013. We were surprised to see this quoted price, since we do not recall actually receiving a pricing proposal from Deepwater in response to the Request for Proposals that reflected such pricing. Having said that, however, we would be willing to meet with you again to consider this pricing proposal, but only if the pricing represents a true fixed price, for a project that can be shown to comply with the statute. While 20 to 25 cents per kilowatt-hour is still significantly above the pricing Deepwater submitted to the state in 2008 and remains substantially above expected market prices, it is at least a step in the right direction.

To be clear, if Deepwater is serious about offering a fixed price arrangement that is between 20 to 25 cents per kilowatt-hour in the first full year of operation in 2013, including an escalation rate over the term of the contract (no greater than the fixed rate of 3.5% per year that has already been proposed), we would be interested in meeting with you again, even while the PUC proceeding goes forward. It is imperative, however, that you confirm to us that you are offering a true fixed price.

By a true fixed price, we mean that there would be no upward pricing adjustments to reimburse Deepwater for operation and maintenance expenses not covered by the fixed price, or for any other reason except for the application of the fixed escalation rate. Further, we mean that National Grid would only pay for power that is actually produced at the stipulated price. For example, if the wind is not blowing as expected or the project encounters operational problems that reduce the output of the unit, National Grid would only be charged for power that is actually produced, without a revenue make-up provision in later years. Finally, we would not expect to see the price change if the project does not become operational on the targeted date in 2012. As long as the proposal does not contain such price adjustments that shift operational, permitting, and construction risks to customers, National Grid believes that renewing negotiations could be fruitful. While we cannot promise that we would necessarily support a new proposal at the stipulated pricing, given the fact that 20 to 25 cents per kilowatt-hour is still quite high, we certainly would

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consider and evaluate it. Of course, there are other important issues that would need to be addressed in negotiations as well, but the issue relating to fixed pricing is a threshold issue.

Please confirm in writing whether you are able to offer a true fixed price, as outlined above, at 20 to 25 cents per kilowatt-hour. Upon receipt, I will make arrangements to set up a meeting to discuss your proposal and the remaining open issues in the agreement.

Sincerely,

A handwritten signature in purple ink that reads "Madison N. Milhous".

Madison N. Milhous, Jr.

cc: Rhode Island Public Utilities Commission
Docket 4111 Service List
Leo Wold, Esq.