

February 19, 2010

Luly E. Massaro, Commissioner 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
PUC Docket No. 4111

Is a 98% Annual Internal Rate of Return Really “Commercially Reasonable”?

Dear Ms. Massaro:

I am writing to you regarding a proposal that is now before the Rhode Island Public Utilities Commission concerning the proposed Deepwater Wind demonstration project off the Southeast point of Block Island (New Shoreham).

Since 2004, I have been a land owner on Mohegan Trail, on the Southeast side of Block Island. Like most land owners on a small island like Block Island and island tourists, we are all fortunate to enjoy unspoiled panoramic views of the Atlantic Ocean and Rhode Island Sound. On clear days, one can see up to 20 miles - easily making out the Rhode Island mainland, the Newport Bridge to the Northeast and the tip of Montauk, Long Island, to the Southwest. And, if we can see those points, they can see us.

I have often been asked “Why did someone from Michigan, like you, become interested in Block Island?” It is because Block Island is a very special place, unique, one of the last great places. The decades-long tireless work of the volunteers on the BI Land Trust, Block Island Conservancy, Nature Conservancy and the people that support these organizations financially have secured and maintain close to 50% of the island as preserved open space. It is a measure of the Island’s grit to resist developmental encroachment and preserve the natural integrity of a Rhode Island jewel. These are the core reasons why a guy from Michigan (a state with the largest fresh water bodies in the world) evolved from a frequent Block Island tourist from the Midwest to an island land owner. Everywhere you stop on the island; there is a story on why it looks the way it looks – from the preservation of local histories and topographies to long-standing traditions. These histories include such things as how, in the early 17th century, Block Island’s domestic Maniscean Indians forced a much larger contingent of the invading Mohegan Indians from Connecticut to perish off the cliffs where the Southeast Lighthouse presently sits – and where, in close proximity, utility easements will be cut to lay cabling to the nearshore Block Island turbines. There is much history and peacefulness to continue preserving.

These important things notwithstanding, it is my understanding that the PUC’s primary mandate in this docket item is the determination of whether the terms of the Power Purchase Agreement (PPA) recently entered into by Deepwater and National Grid is “commercially reasonable”. On February 2nd, the RI Attorney General’s Office filed important direct expert testimony on point. To solve for the question of what is “commercially reasonable”, it is obvious in utility project finance that the way to do that is to determine Deepwater’s equity investment returns and measure them for fairness against the burden of subsidies provided by ratepayers and the involved governments. The PUC has been empowered by the State to examine and limit equity returns on the BI Wind Farm because those returns are derived from revenue based on regulated utility rates & subsidies, special taxes and government credit support.

Luly E. Massaro
February 19, 2010
Page 2 of 2

The RI Attorney General's expert witness, testified that the PPA (i) would lead to significantly outsized investor returns to Deepwater, returns that would generate annual internal rates of return (IRR) on equity invested by Deepwater's owners in excess of 98% for each and every year of the wind farm's expected 20-year useful life, using Deepwater's planned capital structure, and (ii) would cause ratepayers to pay \$500,000,000 over the market value of the electric output that will come from the BI Wind Farm. These conclusions are reached even without including the \$42.5 million median cost estimate of the transmission cable from Block Island to the mainland, an additional cost to RI ratepayers.

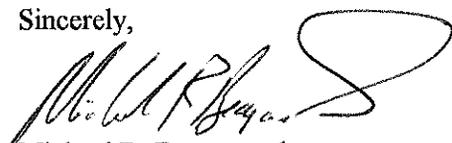
It is clear that the current terms of the PPA would enrich Deepwater at the serious expense of the US Treasury (who would guaranty project financing loans, and provide investment & production tax credits to the project) and Rhode Island's statewide citizenry through unnecessarily high increased power costs and subsidies (effectively a new tax on ratepayers). These excess charges would be in our electric bills and derive third-party profits more than they should. An annual rate of return of 98% is obviously not commercially reasonable, not even close. The planned energy purchase costs are much too high. In fact, the current PPA recently became a benchmark for "commercial unreasonableness" for Massachusetts' Secretary of Energy and Environmental Affairs in connection with a Cape Wind project in that state.

There are other ways to get to a utility-scale project than to do so by spoiling a Rhode Island gem with a demonstration project so close to shore, one which, as it stands, will also allow a third-party power developer to reap outsized and unreasonable gains from ratepayer and government subsidies.

This letter is not about being for or against wind farms. I admire the resolve of Rhode Island's leadership to bring nascent alternative energy projects to the East Coast. I support the 15-mile off-shore utility-scale wind farm and for getting Block Island its long sought-after cable to the mainland. In fact, I would invest in both, and lead a grass-roots effort to do so along-side Deepwater.

Please be vigilant with your fiduciary mandate on our behalf. Thank you for considering this position.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Beauregard". The signature is fluid and cursive, with a large, stylized flourish at the end.

Michael R. Beauregard
975 Mohegan Trail, Block Island, RI 02807