

March 7, 2010

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PUBLIC UTILITIES COMMISSION

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

SUBJECT: Comments Regarding Proposed Town of New Shoreham Project
Pursuant to RI General Laws 39-26.1-7 PUC Docket No. 4111

Dear Ms. Massaro:

I am writing to you regarding the proposed 6-8 wind turbine Deepwater Wind project off the southeast point of Block Island (New Shoreham) that is now before the Rhode Island Public Utilities Commission (PUC).

As owners of property on the south side of Block Island that has been in our family for five generations, we oppose the project for several economic and environmental reasons and request that the information discussed in this letter, be considered in the PUC's decision on the Deepwater Wind proposal.

Before I discuss the specifics of the proposed project, I have several observations regarding the process by which the PUC has been reviewing the contract and the merits of the Town of New Shoreham (Block Island) wind energy project. There have been a lot of words tossed around recently by Rhode Island state officials about the need to "streamline cumbersome federal and state permitting processes" and to establish efficient approaches to reviewing and approving (or denying) proposed renewable energy projects in general, and more specifically offshore wind projects.

As part of their legislation for Long-term Contracting Standard for Renewable Energy, state lawmakers did us no favors by excluding the need for the developer to submit a complete application to the PUC as part of Section 39-26.1-7 (Town of New Shoreham Project). Section 39-26.1-8 (Utility-scale offshore wind project) of the legislation has such a requirement. I don't know what the lawmakers had in mind; perhaps this was their attempt to contribute to streamlining state processes. But the lack of an application has lead to an endless parade of requests for information from the developer and electric distribution company by the PUC, rebuttals, supplemental rebuttals, confusing and conflicting statements and information. The process has also lead to a lack of transparency, and the appearance that the developer is hiding facts, even some of the most basic project information that would typically be presented in an application. All of this has also lead to a far more cumbersome procedure, and one where no one is exactly sure of the truth. This is no way for the State of Rhode Island to begin the very important job of critically reviewing and approving or denying wind energy proposals that come before them.

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Purpose and Need for the Project

The BI project has been touted by Deepwater Wind as a "demonstration project" As more is learned about the project during the PUC's discovery process, it has become more evident that the purpose and need for the project becomes less evident. In February 16, 2010 rebuttal testimony William Moore, CEO of Deepwater Wind provided a curious interpretation of the "demonstration" aspects of the Block Island Wind Farm project, stating that:

"TheWind Farm is not being used to prove that an offshore wind farm is viable from a technological standpoint. The technology to be used for the Block Island Wind Farm is established. The Block Island Wind Farm allows Deepwater Wind, and the State of Rhode Island, to demonstrate that offshore wind projects are viable in the United States from the point of view of community support, environmental permitting, and other regulatory obstacles. It is not the technology that needs to be proven, it is the building of a specific regulatory, political and stakeholder environment in the United States that needs to be established."

How is the Block Island Wind Farm not a technology demonstration project and how will this small project in near-shore waters off Block Island build (or perhaps the term meant to be used was "rebuild") the "regulatory, political and stakeholder environment in the United States" ? There are no offshore wind energy projects in the United States and there are no projects in the U.S. utilizing the wind tower substructure techniques proposed by Deepwater. All of the offshore wind technology is located in Europe. The Block Island Wind Farm is, in fact, a research and development (R&D) project for Deepwater with the costs and risks to be borne by the Rhode Island rate payers.

Deepwater has used as an example, the technology of wind tower substructure and assembly and construction developed for the Beatrice Demonstrator project off the coast of Scotland. That 10MW two-turbine project was built during 2006 and 2007, 10.6 miles off the Scottish coast at a location proposed for a future large commercial-scale wind farm. Beatrice is a true demonstration and R&D project with a five-year time frame to "...test the technologies and to develop solutions that will make a full-scale development economically viable in deeper water distant from shore and minimise the visual impact of wind power generation." Beatrice was not presented to the public as a commercial project, recognizing that "...forecasts for electricity prices will never render the Demonstrator Project economic. It (Beatrice) is an R&D project, not a commercial one." Fifty nine percent of Beatrice was funded by Talisman Energy and Scottish and Southern Energy, and 41 percent by the U.K. Department of Trade and Industry, European Commission, and Scottish Executive, not by Scottish rate payers.

<http://www.beatricewind.co.uk/home/default.asp>

The Beatrice project was a part of the European Union-sponsored DOWNViND project. DOWNViND, which stands for "Distant Offshore Wind farms With No Visual Impact in Deepwater", is Europe's largest renewable energy research and technology development program. Europe recognizes the value of developing wind energy far offshore, in an area of steadier wind and greater wind velocities, and located far enough off shore to avoid visual

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impacts. Ironically, Deepwater has chosen a near-shore location for the Block Island Wind farm rather than a distant location near their proposed phase 2 project and that would avoid the visual impacts.

I do not question the need for R&D for emerging technology such as offshore wind, but the evidence is that Deepwater and their financial backers, are using the proposed rate structure for the BI project to "hedge their bets", reduce their R&D costs and risks (a large part of which should rightfully be borne by the project proponent) through a high base-year power price and high annual escalation rate borne by the Rhode Island rate payers. Why should the Rhode Island rate payers and the residents of Block Island be responsible for funding a developer's startup costs?

Clearly Deepwater plans to use the Block Island project as a springboard to establish cutting-edge techniques (and patents) for offshore wind energy development in the U.S. in general, and specifically to launch their phase 2 wind farm at our expense.

Mr. Moore mentioned the Block Island Wind farm as a demonstration project to address "environmental permitting and other regulatory obstacles". How is this wind farm within Rhode Island territorial waters going to rebuild the regulatory environment for offshore wind? A near-shore 6-8 turbine wind energy project is no way representative of utility-scale projects far offshore that will require a lead role by the federal government. Unless the State of Rhode Island is planning to develop more wind energy projects within the 3-mile limit.

Commercially Reasonable

I believe that the proposed power purchase agreement between National Grid and Deepwater Wind does not represent a commercially reasonable long-term contract. This point was clear from the information recently presented to the PUC by Richard Hahn, as pre-filed testimony by National Grid, and from the responses to data requests from the various parties. As a case-in-point, in their December 9, 2009 letter transmitting the pre-file testimony and the Power Purchase Agreement (PPA) with Deepwater Wind, National Grid clearly stated that "... National Grid ...believes that the cost of this power is higher than what can likely be obtained from other renewable energy sources. For that reason, it is imperative that customers and the Commission recognize that facilitating this small-scale off-shore wind project comes at a premium." In their transmittal letter, and later in Responses to Division Data Requests - Set 2, National Grid further states: " It is National Grid's view that the terms and pricing in this (the) PPA by no means represents what an experienced power market analyst would expect to see in transactions involving newly developed renewable projects generally, where the (limitations and) complexities associated with an off-shore wind demonstration such as this are not present."

This "premium" would be borne by the National Grid rate payers to achieve an infinitesimally small level of energy self-sufficiency and generation of renewable energy. In my opinion, approval of the project would be for a "forced" and artificially-created renewable energy project.

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One of the economic benefits that has been touted is that of providing a renewable energy source for Block Island. No one will argue that Block Island has one of the highest costs for electric power in the country, but the proposed project has not included the cost for a cable from Block Island to the mainland. How can that be? The terminal use of the power generated by the wind turbines would not be Block Island, it would be the National Grid customers in Rhode Island. Block Island is not even within the National Grid service area. The true picture of costs of the project is incomplete without that information.

A major limitation to the PUC's ability to determine true costs of this project (and whether it is commercially reasonable), is the missing cost for a cable link from the mainland to Block Island. It is puzzling to me as to how the PUC could require National Grid to be party to a project that does not even connect to their transmission system. The cable is already a requirement of 39-26.1-7(b) yet the cost implications of the cable are not known but are necessary to determine true project costs and rates for Block Island residents.

One alternative to the Block Island project that should be evaluated from a cost standpoint by the PUC, is a submarine cable from the mainland to Block Island without the wind generation. A cable provided by National Grid or from the Block Island Power Company could be funded and constructed to include a requirement for Block Island rate payers to pay a higher charge on their electric bills than customers on the mainland. In fact, since the need for a transmission cable from the mainland to Block Island is one thing that everyone can agree upon, why not build it first?

To meet Rhode island's mandate for renewable energy, the PUC should consider the wide range of Eligible Renewable Energy Resources as defined in Section 39-26-5. As allowed for under the law, a wide net could be cast to capture eligible renewable energy from other sources that would be equal to the small amount of power that would be generated by the proposed Block Island project. This renewable energy could come from New England, New York, New Brunswick or the Hydro Quebec system in Canada, or even be purchased from the proposed Cape Wind project.

Effect of the Project on the Block Island Economy and Resources

One important and unknown consideration for the PUC is the economic effect of the project on Block Island, specifically the effect on tourism, the island's primary industry. Those of us who have lived on the island for many years, know of the incredible beauty of the south and southeast coastline of Block Island. The Southeast Lighthouse and Mohegan Bluffs are iconic symbols and major tourist attractions. The south shore of Block Island may be the last remaining place in Rhode Island where the view is infinite, and unimpeded by manmade structures or distant lights. At a distance of slightly less than 3 miles, the 400 to 450-foot tall wind turbines would become the most dominant visual feature on the south and east shores, towering over the bluffs, which are only 150 feet high, and over the lighthouse itself, which is only 52 feet higher than the bluffs. I have enclosed with this letter, a copy of a Deepwater Wind diagram (from an October 2009 NJ Clean Energy Conference),

http://www.njcleanenergy.com/files/file/2009%20Conference%20and%20Leadership%20Award%20presentation_pdfs/2-1-A%20Lanard.pdf

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depicting the height of a wind turbine tower in relation to several buildings in downtown Providence and elsewhere. This diagram provides an excellent perspective of what to expect.

In a July 20, 2009 Boston Globe article, Beth Daley addressed the issue of visual effects:

"Wind turbines need to be about 20 miles offshore to be invisible from land, many wind researchers say, although those that are at least 13 miles offshore are barely visible most of the time".

There is no rule about how far away an offshore wind park must be to win public support, said Willett Kempton, professor of marine policy at the University of Delaware. Yet surveys he conducted of thousands of coastal residents show there is little opposition to projects at least 8 miles offshore. Yet with no turbines built offshore in the United States, he added, it is hard to gauge public reaction.

"Our philosophy is as far from the coastline as possible," said Jim Lanard, managing director of Deepwater. "We think wind parks are a beautiful sight, but we understand some people don't like them. The turbines can look - even though they are not - chaotically placed near shore because they are spinning at different times and speeds."

http://www.boston.com/business/articles/2009/07/20/new_technology_emerges_for_deep_water_wind_farms/

What happened to Deepwater's concern for siting wind turbine projects offshore at a distance where visual impacts would be less of an issue?

The proposed project will also affect views from hotels, beaches, and year-round residences and summer homes, as well as near-shore uses for sailing, commercial and recreational fishing, diving, and power boating. As stated in testimony by Fred Hasway for the Rhode Island Economic Development Corporation, the effect of the project on these resources must be evaluated to determine if the benefits truly outweigh the negative effects. Unfortunately, the visual considerations, along with other important natural resource and socio-economic factors, are being researched and analyzed as part of the Special Area Management Plan (SAMP), the results of which are not being considered in the PUC process.

All of these issues, along with many others, will need to be addressed in future NEPA documentation for the project. Even though the January 8, 2009 press release from the Office of the Governor stated that: "Under the federal Coastal Zone Management Act, preparation of a SAMP may enable permitting of projects within the area covered by the SAMP to proceed on the basis of an Environmental Assessment in lieu of an Environmental Impact Statement",

<http://www.governor.ri.gov/>

it will be the responsibility of the U.S. Army Corps of Engineers to determine the necessary NEPA documentation. The SAMP will provide a baseline of information, but not to a level of detail needed to address the site-specific conditions and impacts of the Block Island project.

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Scientific Information

Science and engineering must work hand-in-hand. The science and engineering are used to make informed decisions for the siting, construction, and economic analysis. The research and analysis being conducted as part of the Rhode Island Ocean SAMP is critical to making those informed decisions for the selection and screening of potential wind energy sites and for project engineering. The intent of the SAMP planning process is to use "Best Available Science", along with public input and involvement, to identify areas most suitable for wind farms, where other off-shore uses will not be compromised. The SAMP process has not been completed, yet the site for the Deepwater Wind project has already been established and a rate has been agreed on by Deepwater and National Grid. The process of selecting, analyzing and screening alternative sites identified in the SAMP has been bypassed. According to the CLF Proposed Timeline, the complete Plan will not be until June 2010, well after the PUC has ruled on the proposed project.

This process is contrary to a January 8, 2009 statement made by the Office of the Governor:

"The joint development agreement outlines the terms and conditions under which Deepwater Wind will construct the wind development. Under the agreement, Deepwater Wind will receive preferred developer status, allowing the company first choice of approved sites for the placement and construction of the project. *Approved locations will be determined through the Special Area Management Plan (SAMP)* (emphasis added) being conducted by the Coastal Resources Management Council (CRMC) in partnership with the University of Rhode Island (URI)."

"The agreement identifies two major phases of the construction of the wind development, each with independent utility. *Phase One will be a 20 megawatt project in state waters, with the exact site selected from locations shown to be acceptable by the SAMP.* (emphasis added). It is expected that construction of Phase One will begin in late 2010 and be completed in late June 2012."

<http://www.governor.ri.gov/>

In summary, I request that the PUC reject the Deepwater Block Island project as not being commercially reasonable. Ratepayers would bear the costs of what is essentially an R&D demonstration project to benefit Deepwater Wind. Furthermore, the demonstration/R&D project should be located further offshore, in the vicinity of the area selected for the Phase 2 utility-scale project. The PUC should immediately consider a transmission cable only from the mainland to Block Island.

Important steps have been bypassed in the rush to approve this project. As intended and stated by the Governor's office, the baseline information and recommendations of the SAMP should be used as tools to screen and select proposed offshore wind energy development sites.

One important and unknown consideration for the PUC is the economic effect of the project on Block Island, specifically the effect on tourism, the island's primary industry. The south shore of Block Island may be the last remaining place in Rhode Island where the view is infinite, and unimpeded by manmade structures or distant lights. The proposed project will affect views

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from hotels, beaches, and year-round residences and summer homes, as well as near-shore uses for sailing, commercial and recreational fishing, diving, and power boating.

I hope the PUC will be vigilant on our behalf. One final request, if you have not done so already, I recommend that before rendering your decision, all members of the PUC visit Block Island, specifically the southeast coast, to gain a full and necessary perspective of what is at stake. I know that the islanders will be more than happy to provide you with a comprehensive tour. As a part of that tour, you are more than welcome to view the coastline from our cottage and our overlook on the bluffs.

Sincerely;

A handwritten signature in cursive script, appearing to read "Jonathan Ives".

Jonathan Ives
807 Mohegan Trail
Block Island, RI 02807

Jacket Structures Withstand Extreme Forces

