



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of  
Public Utilities and Carriers  
89 Jefferson Blvd.  
Warwick RI 02888  
(401) 941-4500

June 26, 2015

Luly Massaro, Division Clerk  
Rhode Island Division of Public Utilities and Carriers  
89 Jefferson Blvd.  
Warwick, RI 02888

**RE: Docket D-14-20 - Town of New Shoreham Project  
Joint Petition of The Narragansett Electric Company d/b/a National Grid  
and The Block Island Power Company for Approval of a Utility Transaction Pursuant to  
Rhode Island General Laws § 39-3-24 and § 39-3-25**

Dear Luly,

Please find for filing with the Division of Public Utilities and Carriers, (the Division) the within comments of the Advocacy Section in the above captioned docket. On June 3, 2015, a Joint Petition was filed with the Division by The Narragansett Electric Company d/b/a National Grid ("National Grid") and The Block Island Power Company For Approval of a Utility Transaction ("Joint Petition") pursuant to R.I. Gen. Laws §§ 39-3-24 and § 39-3-25, which has been executed and verified by the President and Secretary for National Grid and the Block Island Power Company ("BIPCO"). R.I. Gen. Laws Section 39-3-24 requires the consent and approval of the Division for specified transactions in which a public utility purchases or leases "all or any part of the property, assets, plant, and business of any other public utility." Similarly, R.I. Gen. Laws Section 39-3-25 requires the filing of a petition, which may be jointly executed and verified by the president and secretary of the respective companies.

The joint filing here by NGRID and BIPCO seeks the Division's approval for purchase and sale to National Grid from BIPCO, certain real property rights related to National Grid's construction of the submarine transmission cable and relevant facilities on Block Island as part of the Town of New Shoreham project ("Project") authorized under R.I.G.L. § 39-26.1-7.<sup>1</sup> Specifically, National Grid proposes to pay BIPCO a total of \$332,500 for the purchase of a land

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<sup>1</sup> National Grid acquired an Option for the real property rights from Deepwater Wind Block Island Transmission, LLC as part of the closing of the Transmission Facilities Purchase Agreement, which the Division approved in its written Report and Order, dated April 2, 2014

only condominium unit (Condo. Unit 1),<sup>2</sup> together with related easements upon which National Grid will construct a new 34.5kV substation enabling the interconnection of the submarine transmission cable with BIPCO's facilities. National Grid's avers that the "acquisition of these real property rights is a necessary next step for the Project".

On January 30, 2015, National Grid executed and closed a purchase agreement (Purchase Agreement). At closing, National Grid received an assignment of rights under the BIPCO Option pursuant to an Assignment and Assumption Agreement.<sup>3</sup> Upon National Grid's exercise of the BIPCO Option, BIPCO will convey to National Grid a condominium unit deed for certain real property upon which National Grid will construct the new 34.5kV substation, together with access and transmission right of way easements.<sup>4</sup> BIPCO also intends to convey certain real estate rights to Deepwater Wind (DWW) in a separate transaction to construct a building required to house equipment necessary for the construction of the wind farm by DWW off the coast of Block Island.<sup>5</sup>

According to the Joint Petition, BIPCO's Lot 37 will be sub-divided into three condominium units (Condo. 1, Condo. Unit 2 & Condo. Unit 3). Condo. Unit 1 will be sold by BIPCO to National Grid and Condo. Unit 2 will be sold to DWW. BIPCO will retain the remaining portion of Lot 37 (Condo. Unit 3). Interests in the BIPCO land condominium will be allocated as follows:

- Condo. Unit 1 a 33% share;
- Condo. Unit 2 a 33% share; and
- Condo. Unit 3 a 34% share.

The three condominium owners shall be liable for their respective condominium unit according to the filing. Based upon the fact that Condo. Unit 1 and Condo. Unit 2 are land-locked by Town of New Shoreham property to the North and BIPCO properties to the South, East, and West, BIPCO proposes to also convey permanent transmission right-of-way and access easements to National Grid and DWW as part of the transactions.

National Grid intends to pay BIPCO a total of \$332,500 at closing for the following right to real property:

- Condo. Unit 1: \$280,000
- Right-of-way Easement: \$34,125
- Access Easement: \$18,375

According to the Joint Petition, the \$332,500 that National Grid pays to BIPCO to acquire the Condo. Unit 1 together with the related easements to construct the new substation on Block Island will be included in the total costs of the Project, which will be recovered through FERC-approved transmission rates pursuant to R.I. Gen. Laws § 39-26.1-7(f).

On June 19, 2015, the Division interposed Data Requests to BIPCO seeking the basis for the valuations it assigned to the three components of the condominium unit sale here. The response supplied by BIPCO included two independent appraisals, one commissioned by

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<sup>2</sup> Land Only Units are defined pursuant to R.I. Gen. Laws § 34-36.1-1.03 (17); *see also*, McConnell et al. vs. Town Clerk of South Kingstown, 543 A.2d 249 (1988).

<sup>3</sup> *See*, Exhibit A-3 of the Purchase Agreement attached to the Joint Petition.

<sup>4</sup> *See*, Proposed copies of the Declaration of Condominium and Warranty Deed to National Grid, attached to the Joint Petition as Exhibit B.

<sup>5</sup> Joint Petitioner's assert that Division approval is not required for the transaction between BIPCO and DWW as DWW does not constitute a "public utility" under Rhode Island law. However, the parties have included references to the DWW real estate transaction where appropriate for context.

BIPCO, and the second appraisal commissioned by DWW. The two appraisals were commissioned to determine the value of a 20,000 sq. ft. easement on gross (location of proposed substation) on Lot 37 together with access and polling easements, approximating 5 plus acres of land traversing Lots 35, 36, 37 and 40 of Plat 17, generally bordered by Beach Avenue and Ocean Avenue in the Town New Shoreham, presently owned by BIPCO. BIPCO's appraisal valued the 20,000 parcel with access and polling easements at \$475,000 whereas DWW appraisal for the parcels was \$380,000.

The Advocacy Section has reviewed the Joint Filing (including attached exhibits thereto); memoranda of a real estate practitioner involved in the instant transaction; the Advocacy Section's own review of applicable condominium statute and case law (including McConnell et al. vs. Town of South Kingstown, 543 A.2d 249 (R.I. 1988)); and responses to Advocacy Section Data Requests. Based upon this review, the Advocacy Section concludes that manner and type of transfer of the land only condominium unit proposed here is lawful. Further, based upon the responses of BIPCO to the Advocacy Section's Data Request relating to the valuation of the parcels which are the subject of this matter, the Advocacy Section concludes that the proposed transaction is a reasonable arm's length transaction supported by agreed upon consideration. Therefore the Advocacy Section has no objection to the Division's approval of the proposed land only condominium transaction which is the subject of the Joint Petition in this matter.

I appreciate your attention in this matter.

Very truly yours,



Jon G. Hagopian  
Senior Legal Counsel

cc: Thomas F. Ahern, Administrator  
Stephen Scialabba, Chief Accountant