



State of Rhode Island and Providence Plantations

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*Patrick C. Lynch, Attorney General*

January 3, 2006

Luly Massaro, Clerk  
Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**Re: Block Island Power Company General  
Rate Filing – Commission Docket No. 3655**

Dear Ms. Massaro:

This letter is filed on behalf of the Division of Public Utilities and Carriers (“Division”) and is intended to express the Division’s position with respect to the Block Island Power Company’s (“BIPCO”) Compliance Filing of December 12, 2005, and the Town of New Shoreham’s (“Town”) Motion of December 21, 2005. Nine (9) copies of this letter are included for the Public Utilities Commission’s (“Commission”) benefit. Copies of this letter are being mailed to the service list for this docket electronically as well as by U.S. Mail.

First of all, the Division notes that BIPCO’s filing of December 12, 2005, was nothing more or less than a Compliance Filing intended to respond to several specific requests set out in the Commission’s order in the referenced Docket, an order which generally approved the Settlement of the Parties to that Docket. We believe that BIPCO in fact addressed each of the issues for which it was required to respond. Whether or not those issues were addressed to the satisfaction of the Commission is, of course, something for the Commission itself to determine.

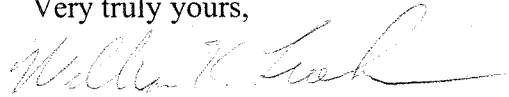
Second, the management compensation level of \$135,000 that was agreed to by all the Parties in this Docket is the same amount included in the design of the Company’s rates. It is the Division’s belief and understanding that BIPCO will compensate its management during the rate year based on this Settlement amount. There does not seem to be a pressing need to take any of the actions advocated by the Town with respect to BIPCO’s management compensation level at this time; the rate issues have been resolved and nothing in the Compliance Filing would support revisiting those rates prior to the next time BIPCO comes back to the Commission for a general rate filing. At the time of the Commission’s Order in this matter, all of the Parties agreed that the rate-related issues being raised in the Town’s Motion would be addressed more fully in the next rate filing.

Third, the Division believes that the energies of the Parties to the referenced Docket should be devoted to completing the important Integrated Resource Planning (IRP) process, and

not be dissipated in addressing rate questions that were resolved by the Settlement Agreement. The IRP needs to be resolved in the near term. All of the Parties recognize that, and have been working to that end as required by the Settlement Agreement. In fact, at the time of this writing, the three parties, the Town, BIPCO, and the Division are reviewing proposals from firms who have responded to the RFP issued seeking development of a comprehensive IRP. Opening up what would likely be a highly contentious proceeding might possibly jeopardize the heretofore operative working relationship on the IRP which has occurred between the three parties to the Settlement

Finally, the Division does believe that it would be appropriate at this point for BIPCO to provide updates to the Commission and to the other Parties as to the status of the search for a permanent replacement for General Manager Mike Wagner, and as to how, and by whom, the day to day operations of BIPCO are being overseen in Mr. Wagner's absence.

Very truly yours,



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Encl.

cc: Service List PUC Docket No. 3655