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June 24, 2015

Luly E. Massaro
Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: The Narragansett Electric Company d/b/a National Grid and Block Island Power
Company – Town of New Shoreham Project – Docket No. D-14-20

Dear Luly:

This office represents Block Island Power Company.

Enclosed for filing are an original and five copies of the Response of Block Island Power Company to the Division's 1st Set of Data Requests directed to Block Island Power Company.

If you have any questions, please feel free to call.

Very truly yours,


Michael R. McElroy

MRMc:tmg
cc: Service List

BIPCo/DWW-NG/Responses to Division Set 1

RECEIVED
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PUBLIC UTILITIES COMMISSION

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY d/b/a NATIONAL GRID and : DOCKET No.: D-14-20
BLOCK ISLAND POWER COMPANY :
TOWN OF NEW SHOREHAM PROJECT :

**RESPONSE OF THE BLOCK ISLAND POWER COMPANY TO THE
DIVISION'S FIRST SET OF DATA REQUESTS
DIRECTED TO THE BLOCK ISLAND POWER COMPANY**

Division 1-1. With reference to page 5, Paragraph 9 of the Joint Petition for Approval of a Utility Transaction between National Grid and BIPCo, please provide all underlying details comprising how the values were arrived at for the three components of the transaction set forth in paragraph 9 (Condominium Unit 1-\$280,000; Right of Way Easement-\$ 34,125; and Access Easement-\$18,375), including:

- a) The description and details of any and all appraisal approaches utilized to arrive at the within valuation; and
- b) Provide all documents including appraisals or other analysis of the subject real estate supporting your responses to this request.

RESPONSE: At the beginning of the negotiations between BIPCo and Deepwater Wind (DWW) the parties were exploring the idea of using permanent easements and temporary easements.

The parties agreed to get appraised values and that those appraisals would act as the top and bottom of the price range for negotiations. BIPCo selected Peter M. Scotti & Associates and DWW selected LandVest, Inc. When the appraisals were completed and presented the parties found that the two appraisals were somewhat different in their findings and in what they were appraising.

LandVest provided an appraised value for a permanent easement in gross for 20,000 sq. ft. of land at \$380,000, and an appraisal of a temporary construction easement of 5+/- Acres at \$190,000.

Peter Scotti provided an appraisal for a permanent easement in gross for 20,000 sq. ft. of land and associated easements for access and connection to utilities at \$475,000, and an appraisal for a temporary construction easement at \$230,000.

The temporary construction easement amounts set forth above are not part of the \$475,000 total purchase price for Condo Units 1 and 2 and related easements as ultimately negotiated between BIPCo and DWW. Nevertheless, the agreed

temporary construction easement price for a two year period was set at \$228,000 (\$57,000 for six months, with three six-month options of \$57,000 each for the next 18 months). This ties in nicely with the Scotti appraisal of \$230,000.

BIPCo was allowed to allocate the \$475,000 between the sale of the condos 1 and 2 and the related easements. BIPCo allocated \$400,000 to the purchase price of Condo Units 1 and 2 and \$75,000 to the easements. DWW and TNEC allocated the \$400,000 sale price between Condo Units 1 and 2 based upon relative square footage of the land in each condo to the best of my knowledge. TNEC would pay \$280,000 (70%) and DWW would pay \$120,000 (30%) for a total of \$400,000. Likewise, DWW and TNEC divided the easement amounts so that Grid would pay \$52,500 (70%) and DWW would pay \$22,500 (30%).

The allocation between access and utility right of way easement amounts was left to DWW and TNEC. BIPCo understands that DWW assigned \$500 to the access easement and \$22,000 to the utility right of way easement, while TNEC made the allocation based upon a square footage allocation resulting in \$18,375 for access and \$34,125 for utility right of way.

Both appraisals are attached hereto and the methods used are set forth therein.

Prepared by WEE

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of June, 2015, I transmitted an electronic copy of the aforesaid to the attached service list via electronic mail.


Theresa M. Gallo

**Docket No. D-14-20 - In Re: Town Of New Shoreham Project Transmission Facilities
Purchase Agreement effective 03/19/14**

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**Summary Appraisal Report
Proposed Electric Distribution Site
Block Island Power Property
8 Ocean Avenue
Block Island, Rhode Island**

**Effective Date
June 21, 2012**

**Report Date
June 21, 2012**

Prepared For

**Block Island Power Company
100 Ocean Avenue
Block Island, Rhode Island 02807**

Prepared By

**Mr. Michael Kern, MAI
Peter M. Scotti & Associates
246 Hope Street
Providence, Rhode Island 02906
401-421-8888 / 401-331-3018 Fax
Email: mkern@scottire.net**

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Addenda

General Assumptions and Limiting Conditions

Definitions

Qualifications

June 21, 2012

Block Island Power Company
Att: Cliff McGinness
100 Ocean Avenue
Block Island, Rhode Island 02807

**RE: Summary Appraisal:
Electric Substation for Deepwater Wind/National Grid
8 Ocean Avenue
New Shoreham, RI**

Dear Mr. McGinness:

At your request, I have inspected and analyzed the referenced property in order to estimate the Market Value of several easements that are proposed for the property. The easements include an easement in gross to a 20,000 SF tract of land located at the south end of the above noted property and easements to access this tract from the public roadway and for connection to available utilities and Block Island Power's electric distribution system. These easements are perpetual easements with no termination whether implied, expressed or by statute. In addition there is proposed a temporary construction easement, (TCE) of five acres which has no reported term in the documentation provided but which you estimate will be for a term of two years. The effective date of this appraisal is the date of property inspection, June 21, 2012. The condition upon which the appraisal is based is "as is."

The easements will affect Lots 35, 36, 37, and 40 of Plat 17 of the Tax Assessor's Plat Maps which in aggregate contains 23.5± acres and is improved and utilized by the Block Island Power Company for the generation and distribution of electricity to the island. The easement in gross will be placed on the principal tract which is Lot 37. The temporary construction easement, (TCE) and the access easements may affect all four parcels.

Pursuant to your terms of engagement, this is a Summary Appraisal Report. The attached Certification and any Special Limiting Conditions contained in the report, as well as the addenda material which includes General Assumptions and Limiting Conditions, are integral to this appraisal and should be understood by all users of the report.

Based upon the analyses and conclusions contained herein, and subject to the limiting conditions and assumptions stated here, it is our opinion that the value of the permanent easements which include an easement in gross to about 20,000 SF and those associated easements for access and connection to utilities as of the effective date of this appraisal is:

Four Hundred Seventy Five Thousand (\$475,000) – Dollars

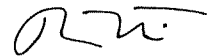
It is also our opinion based upon the analyses and conclusions contained herein, and subject to the limiting conditions and assumptions stated in herein, that the value of the temporary construction easement which affects an area of five acres of the subject property and which has a term of two years as of the effective date of this appraisal is:

Two Hundred Thirty Thousand (\$230,000) – Dollars

Respectfully submitted,



Michael Kern, MAI
Senior Appraiser
RI License #A00213G

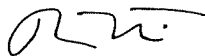


Peter M. Scotti, MAI
President
RI License # A00110G

Certification

1. Michael Kern, MAI inspected the property on June 21, 2012. Peter M. Scotti, MAI did not inspect the property.
2. We have no present or contemplated future interest in the subject property.
3. We have no personal interest or bias with respect to the subject of this report or to the parties involved in this assignment.
4. Our compensation for completing this assignment is not contingent upon the development, or reporting of a predetermined value, or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
5. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and represents our personal, impartial, and unbiased professional analyses, opinions and conclusions.
6. No one provided significant real property appraisal assistance to the undersigned.
7. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
8. To the best of our knowledge, statements of fact contained herein are true and correct.
9. As of the date of this report Peter M. Scotti, MAI and Michael Kern, MAI have completed the requirements of the Continuing Education Program of the Appraisal Institute.
10. Our analysis, opinions and conclusions were developed and this report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice. It may be subject to review by members and designates of the Appraisal Institute.
11. We have not provided no consultation, brokerage or appraisal service relative to the property that is the subject of this appraisal within the last three years.

Respectfully submitted,



Peter M. Scotti, MAI
President
RI License A00110G

Respectfully submitted,



Michael Kern, MAI
Senior Appraiser
RI License A00213G

Extraordinary Assumptions/Hypothetical Conditions

1. This appraisal has been prepared and the market value estimated based on engineering and property information provided by the client. Such information includes an existing conditions plan prepared by DiPrete Engineering of Cranston, RI. The plan is dated December 6, 2011. The particular area of consideration for the easement in gross is identified as Proposed Substation Alternative A on a portion of the plan prepared by DiPrete. There has been no identification of the area for the related access easements or the temporary construction easement. We therefore must assume reasonable access to the area identified. The TCE will, according to the client consist of land throughout the parcels identified. We assume this information to be correct and accurate.
2. As a condition of this appraisal we assume that the property owner will be responsible for the continued maintenance of the property as well as the expense of property taxes. We assume the TCE is for a term of two years.
3. The final market value estimate assumes local and state ordinances, and regulations such as local soil erosion and sediment controls, FEMA construction setbacks and standards, DEM regulations, prohibitions, assent stipulations regarding structure placement, wetland restrictions, drainage requirements, storm water, construction and other resource management issues are adhered to and that the lots would ultimately be allowed.
4. The client is advised to retain qualified, professional counsel regarding fields outside the scope of our expertise including environmental sciences, flood hazard, wetlands, geology, hydrology, engineering, surveyal and legal matters, particularly those pertaining to ADA, zoning, title and restrictions.

Identification of the Property

The property was identified by the client as being portions of Lot 35, 36, 37 and 40 of Plat 17 of the Tax Assessor's Plat Maps of the Town of New Shoreham. According to the New Shoreham Tax Assessor's Office the property so identified is assessed to Block Island Power Co. Unfortunately we were unable to locate a recent deed for the property and therefore rely on the Assessor's identification and description as well as the plan provided by DiPrete Engineering.

This appraisal concerns only the real property identified above and does not address any personal property, fixtures or equipment of the owner.

Sales History/Marketing

An investigation of the New Shoreham Town Clerk's records indicates that there has been no recently recorded transfer of the property which is the subject of this appraisal. The client reports that a proposal has been made in the form of an option to acquire certain easements on the property the details of which will be made evident in the valuation section of this report.

Purpose of the Appraisal

The purpose of this appraisal is to develop and report to the client an opinion of the Market Value of two perpetual easements that are proposed for the property and one temporary construction easement.

Client, Intended Users, Intended Use

The intended users of this appraisal include the client and those designated by the client as being appropriate to their needs and the intended use of the appraisal. The appraisal is intended to be used as aid in the client's consideration for the purchase of the property.

Effective Date and Date of Report

The value opinion developed in this appraisal has an effective date of June 21, 2012, the date of our property inspection. The date of the report is June 21, 2012.

Scope of Work

The scope of work for this assignment includes the necessary research and analysis to develop a credible opinion of value in the context of the intended use of the appraisal, in accordance with the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of the Appraisal Foundation.

1. Michael Kern, MAI inspected the subject property on June 21, 2012.
2. We collected and analyzed subject property and market data from various sources, including local municipalities, Multiple Listing Service records, the Rhode Island Department of Environmental Management, and our appraisal files. We also reviewed data and maps provided by the client and the proposed easement holder.
3. Area and district data are based on information obtained from several sources including the Rhode Island Department of Economic Development, the U.S. Bureau of the Census, the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, the Federal Reserve Bank of Boston, the National Association of Realtors, real estate periodicals, and our appraisal files.
4. Brokers and appraisers considered knowledgeable of the subject market were consulted on relevant issues.
5. We utilized a single Sales Comparison Approach to value the subject property and from this estimate we calculated the various, less than fee simple values that are the subject of this appraisal. We did consider other approaches but this approach was concluded to be the best for the assignment at hand.
6. We did not review, analyze, or investigate environmental conditions of any kind. Information regarding specific site characteristics such as wetlands, soil conditions, topography, geology, *et cetera* was limited to that which was available from public sources, the relevant plan that was provided and our inspection of the property.

Advisory

The client may wish to retain professional counsel regarding fields outside the scope of this appraisal and the expertise of the appraiser. Such issues include environmental sciences, flood hazard, wetlands, geology, hydrology, engineering, survey and legal matters (particularly, zoning, title, and restrictions).

Report Format

This is a Summary Appraisal Report. Based on discussion with the clients, this format is considered to be appropriate for the intended use of the appraisal.

Addenda

The reader is urged to study the addenda. It contains information integral to this report including definitions, the legal description of the property, General Assumptions and Limiting Conditions, and appraisers' qualifications, *et cetera*.

Most Likely Buyer

For all intents and purpose the property and interest to be acquired is a limited market or specific use property which in the absence of interest by the easement holder or beneficiary would offer limited utility and therefore value to the broader general market. We therefore offer no opinion as to the most likely buyer of the interest being valued herein.

Exposure Time

For similar reasons to those noted above we are unable to estimate an exposure or marketing time for the property due to the very limited market in which this property would compete.

Location and Market Analysis

United States

Gross Domestic Product - The U.S. economy as measured by real gross domestic product (GDP) grew at a seasonally adjusted annual rate of 1.9% in the first quarter of 2012 (that is, from the fourth quarter to the first quarter), according to the second estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased by 3.0%. The deceleration in real GDP in the first quarter primarily reflected a deceleration in private inventory investment, and acceleration in imports, and a deceleration in nonresidential fixed investment that were partly offset by accelerations in exports and personal consumption expenditures.

Consumer Prices - For the 12 month period ending in May 2012, the CPI-U for all items rose 1.7%. This figure has been declining steadily since its 3.9% recent peak in September 2011. The decline has been driven mostly by the energy index, which decreased 3.9% over the last 12 months, the first 12-month decline since October 2009. The 12-month change in the food index, which was 4.7% as recently as December, fell to 2.8% in May. The 12-month change in the index for all items less food and energy was 2.3% in May, the same figure as in April and March.

Employment - Non-farm payroll employment rose by 69,000 in May, marking the 20th consecutive monthly increase, based on preliminary seasonally-adjusted BLS data. The economy has now added nearly 3.8 million jobs since February 2010, which was the low point of the recent recession. Non-farm job losses since the pre-recession peak in January 2008 now total 5.0 million, including 4.6 million in the private sector. Employment in the service-providing sector, which accounts for nearly 85% of private sector employment, has declined by 1.0% during this period, and employment in the goods producing sector has dropped by 16.6%.

Monetary Policy - The federal funds rate is an important tool used by the Federal Reserve to implement short term monetary policy. The rate is set by the Federal Open Market Committee (FOMC), and represents the interest charged to commercial banks and other depository institutions on short term loans they receive from the Federal Reserve Bank. The federal funds rate is a closely-watched indicator of the outlook for price stability and sustainable economic growth, the dual mandates of the Committee. From 2004 through mid 2006 the FOMC implemented a series of rate increases in an effort to control inflation during a period of economic expansion. A series of rate reductions began in 2007, reflecting efforts to stimulate the weakening economy and add liquidity to stressed financial markets. The target range for the rate was reduced to 0 – ¼% in December 2008 and has remained unchanged since that date. Following are comments extracted from the Committee's June 20, 2012 press release:

Information received since the Federal Open Market Committee met in April suggests that the economy has been expanding moderately this year. However, growth in employment has slowed in recent months, and the unemployment rate remains elevated. Business fixed investment has continued to advance. Household spending appears to be rising at a somewhat slower pace than earlier in the year. Despite some signs of improvement, the housing sector remains depressed. Inflation has declined, mainly reflecting lower prices of crude oil and gasoline, and longer-term inflation expectations have remained stable. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects economic growth to remain moderate over coming quarters and then to pick up very gradually. Consequently, the Committee anticipates that the unemployment rate will decline only slowly toward levels that it judges to be consistent with its dual mandate. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook.

The Committee anticipates that inflation over the medium term will run at or below the rate that it judges most consistent with its dual mandate. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities.

Selected National Economic Statistics										
	Source	2010				2011				2012
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
GDP - (SAAR) % Change From Prior Quarter	(a)	3.9%	3.8%	2.5%	2.3%	0.4%	1.3%	1.8%	3.0%	1.9%
CPI-U - Annual Change - 12 Months Ending	(b)	2.3%	1.1%	1.1%	1.5%	2.7%	3.6%	3.9%	3.0%	2.7%
U.S. Unemployment Rate - Quarter Ending Month	(b)	9.8%	9.4%	9.5%	9.4%	8.9%	9.1%	9.0%	8.5%	8.2%
Federal Funds Rate - Quarter Ending	(c)	0-1/4%	0-1/4%	0-1/4%	0-1/4%	0-1/4%	0-1/4%	0-1/4%	0-1/4%	0-1/4%
(a) U.S. Bureau of Economic Analysis; (b) U.S. Bureau of Labor Statistics; (c) Federal Reserve										

New England (Federal Reserve Report)

The First District (Boston) *Beige Book* issued June 6, 2012 reported the following general conditions:

Economic activity in the First District continues to expand, with contacts in most sectors citing steady growth. Commercial real estate markets show slight improvement and residential real estate contacts are finally mentioning recovery, albeit fragile. Respondents in this round rarely mention prices or pricing. Except for software and IT services where growth continues to be relatively strong, few firms are doing substantial hiring. The outlook is generally for more of the same, although a couple of manufacturers mention making contingency plans for a potential slowdown.

Commercial Real Estate - According to contacts, commercial property markets in the First District remain in a holding pattern, with some signs of improvement. The strength of Boston's commercial market continues to stand out within the region and nationally, making it the target of a tremendous amount of investor interest. Construction activity in Boston appears to be increasing--contacts report an uptick in large-scale build-to-suit construction activity for the first time in several years. However, the market is still not strong enough to warrant speculative construction. In Portland, construction activity has increased significantly from the last report, propelled by projects in the public, industrial office, and multifamily sectors. Elsewhere in the First District, construction activity is muted. Strict lending standards are still the norm District-wide.

Despite a recent uptick in showings, demand in the industrial sector remains flat across New England. Office leasing volumes throughout the District are unchanged from six weeks ago, and the retail sector continues to be quiet in New England. The outlook among contacts is that, barring significant macroeconomic turmoil, conditions should remain flat or improve slightly in the rest of the year.

Residential Real Estate - Residential real estate shows further signs of improvement in the First District as year-over-year increases in sales continued in April across the region. Contacts report steady increases in market activity, which they attribute to low interest rates and competitive prices as well as confidence in economic conditions. In the Greater Boston area, sales continue to increase while inventories fall to low levels, particularly in the condominium market. Some respondents say activity among first-time homebuyers has increased, reflecting continued affordability. Reports also indicate increased activity for homes in the mid-price range. Changes in median sales prices compared to a year ago vary across the First District, with some states experiencing modest gains and others observing moderate declines. Rhode Island, where the median sales price in April dropped almost 8 percent from a year earlier, faced the largest price decline in the region, but the drop was close to zero excluding distressed sales.

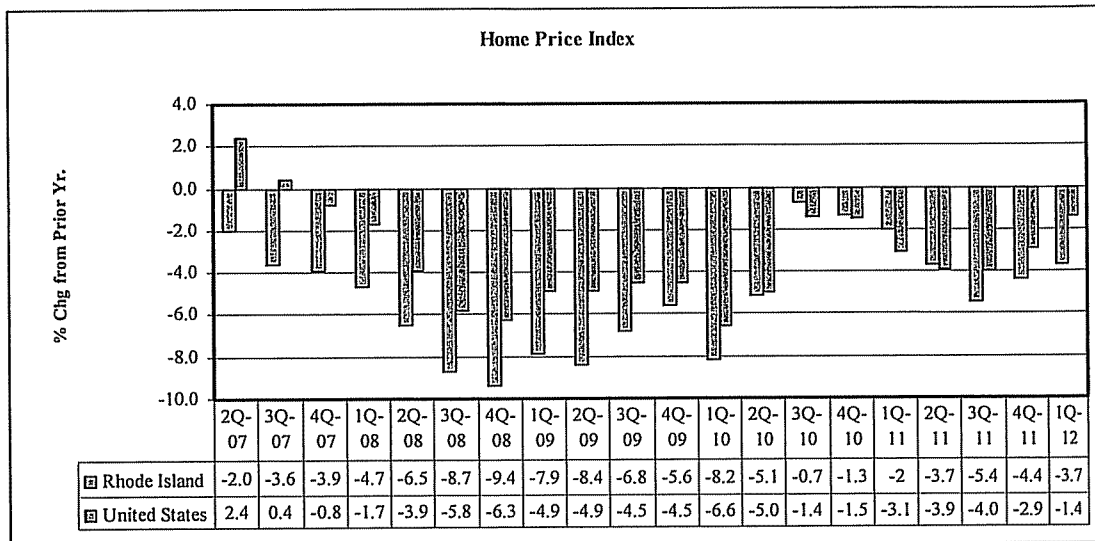
Though contacts characterize housing markets as recovering, they note that conditions remain fragile; in particular, with sales gains fairly well established, their concerns focus on the possibility of further price declines. Contacts expect the delicate recovery of housing markets to continue gradually; most anticipate modest gains in sales activity for the next several months and modest price changes, up and down. Respondents say declining inventory levels and increasing demand in Greater Boston may put upward pressure on prices there.

Rhode Island

Rhode Island is located on the Interstate 95 corridor between New York and Boston. Principal transportation infrastructure includes passenger rail service provided by Amtrak, the Ports of Providence and Quonset Point, and T. F. Green Airport. T. F. Green has become the third most utilized airport in the region, serving nearly four million passengers per year, according to reports by the State Airport Corporation.

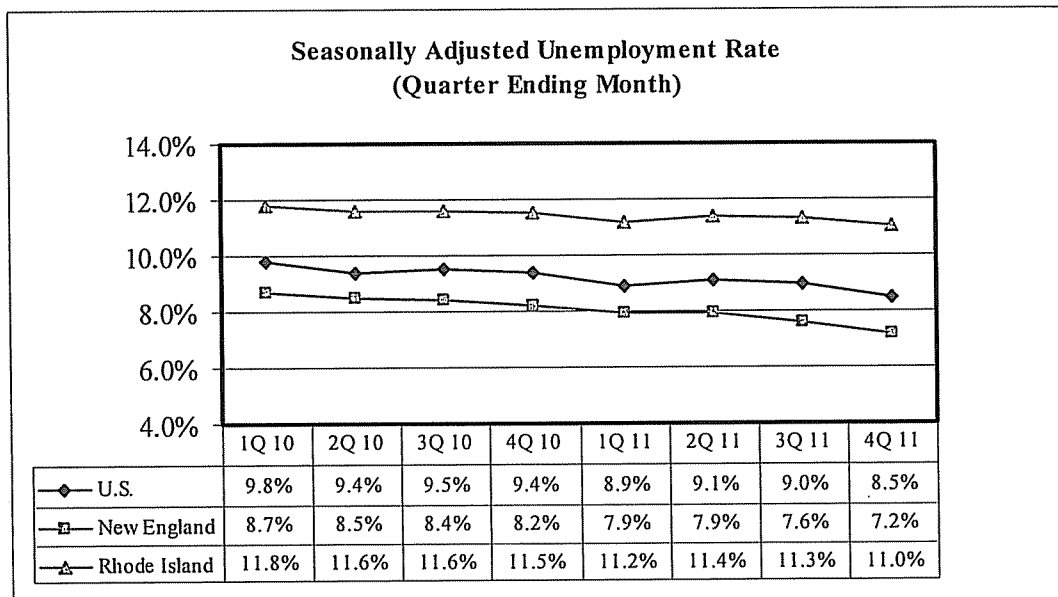
Rhode Island amenities include excellent educational institutions. Brown University and Rhode Island School of Design are best known. The 400±-mile coastline, over 100 marinas, and some of the finest beaches on the eastern seaboard make the state a popular tourist venue. There are 39 communities in the State and the Census Bureau's 2010 estimate of population is 1,052,567. This estimate represents an increase of less than one-half of one percent over the 2000 Census estimate and a slight decline from 2009. The composition of Rhode Island's workforce is similar to that of the United States with a large majority of the labor force (approximately 85%) employed in the service sector, compared with 15% in production.

Housing - Rhode Island housing prices, after experiencing double-digit increases from 2003 through 2005, began a protracted decline in the first quarter of 2007. The Home Price Index for Rhode Island dropped by 1.4% in the first quarter of 2012, compared with the year-earlier quarter, marking the 21st consecutive quarterly decline in this measure. As of the end of the first quarter 2012, the index has dropped 24% from its peak in June 2006.



Source: Federal Housing Finance Agency

Employment – Rhode Island civilian employment declined to 495,388 in May on a seasonally adjusted basis. This represents a reduction of about 4,800 jobs from the same period a year ago, and a drop of more than 53,000 (9.7%) from the pre-recession peak of December 2006. The labor force was estimated at 556,783 in May, which is the lowest level in recent history. The Rhode Island labor market continues to perform much worse than the U.S. and other New England states.



Current Conditions Index - The Rhode Island Current Conditions Index (CCI) is a monthly indicator of the state of the Rhode Island economy prepared by University of Rhode Island economist Leonard Lardaro, Ph.D. that is often cited in local news media. The index is derived by measuring the behavior of twelve key economic indicators pertaining to housing, retail sales, fiscal pressures, employment and labor supply. The CCI can range from zero, when no indicators improve from their year-earlier levels, to 100 when all twelve show improvement. A value greater than 50 indicates that the economy is in a state of expansion; a value less than 50 signals contraction. The table following summarizes the monthly Rhode Island Current Conditions Index (CCI) for recent periods.

Rhode Island Current Conditions Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009	17	8	0	8	17	33	17	42	33	42	50	33
2010	42	58	67	67	75	75	83	83	67	67	75	83
2011	50	67	67	58	50	58	58	42	50	50	58	50-58
2012	58-75	50-67	58-75	50-75								

Starting in December 2011, the index has been stated as a range, with the lower value based on “official” labor market data (which Lardaro considers to be flawed), and the higher value reflecting anticipated corrections that are not yet “official”. The conclusion as stated in the April report is as follows:

“The second quarter started with a continuation of the reacceleration that followed the doldrums of the second half of 2011. Rhode Island’s economy is definitely doing better than it did then. There are, however, reasons to believe that this recent acceleration may be losing momentum, as the growth rates in several key non-survey indicators are moderating. And, of course, we can’t overlook the fact that the national economy is also slowing. The good news is that Rhode Island now has at least some margin for error.”

CoStar Sector Reports – Following is a summary of market statistics for commercial property sectors in Rhode Island, as reported in the First Quarter 2012 reports of CoStar Property®.

Rhode Island Office Market Statistics						
Market	Existing Inventory		Vacancy		SF Under Construction	Quoted Rates /SF
	# of Bldgs	Total RBA SF	SF	%		
Central / West Bay	872	9,757,857	1,072,182	11.0%	112,500	\$16.66
East Bay	173	2,426,868	175,088	7.2%	0	\$14.24
Northern	281	6,292,846	446,259	7.1%	0	\$14.57
Providence Metro	824	16,585,876	1,507,460	9.1%	12,395	\$21.02
Southern	291	3,165,039	300,343	9.5%	0	\$13.64
Total	2,441	38,228,486	3,501,332	9.2%	124,895	

Source: CoStar Property® 2012 First Quarter Report

Rhode Island Retail Market Statistics						
Market	Existing Inventory		Vacancy		SF Under Construction	Quoted Rates /SF
	# of Bldgs	Total GLA SF	SF	%		
Central / West Bay	1,925	19,421,702	1,212,693	6.2%	7,412	\$14.42
East Bay	461	3,506,224	355,311	10.1%	0	\$16.54
Northern	726	7,711,269	579,285	7.5%	3,229	\$11.70
Providence Metro	2,070	17,064,419	809,496	4.7%	3,000	\$14.57
Southern	950	9,841,983	578,107	5.9%	5,547	\$16.21
Total	6,132	57,545,597	3,534,892	6.1%	19,188	

Source: CoStar Property® 2012 First Quarter Report

Rhode Island Industrial Market Statistics						
Market	Existing Inventory		Vacancy		SF Under Construction	Quoted Rates /SF
	# of Bldgs	Total RBA SF	SF	%		
Central / West Bay	879	24,141,627	1,384,234	5.7%	0	\$5.04
East Bay	209	7,366,303	732,720	9.9%	0	\$4.57
Northern	340	14,146,660	736,928	5.2%	28,900	\$4.60
Providence Metro	809	26,284,220	1,812,383	6.9%	0	\$4.32
Southern	195	7,970,796	1,036,330	13.0%	0	\$4.45
Total	2,432	79,909,606	5,702,595	7.1%	28,900	

Source: CoStar Property® 2012 First Quarter Report

Rhode Island – Conclusion – Opinions are mixed about the outlook for the Rhode Island economy in the near term. Although there are some signs of improvement, the State's persistent high unemployment, unfavorable tax structure, lack of population growth, and unresolved government deficits will likely cause economic recovery in Rhode Island to lag behind other states in the region and the nation.

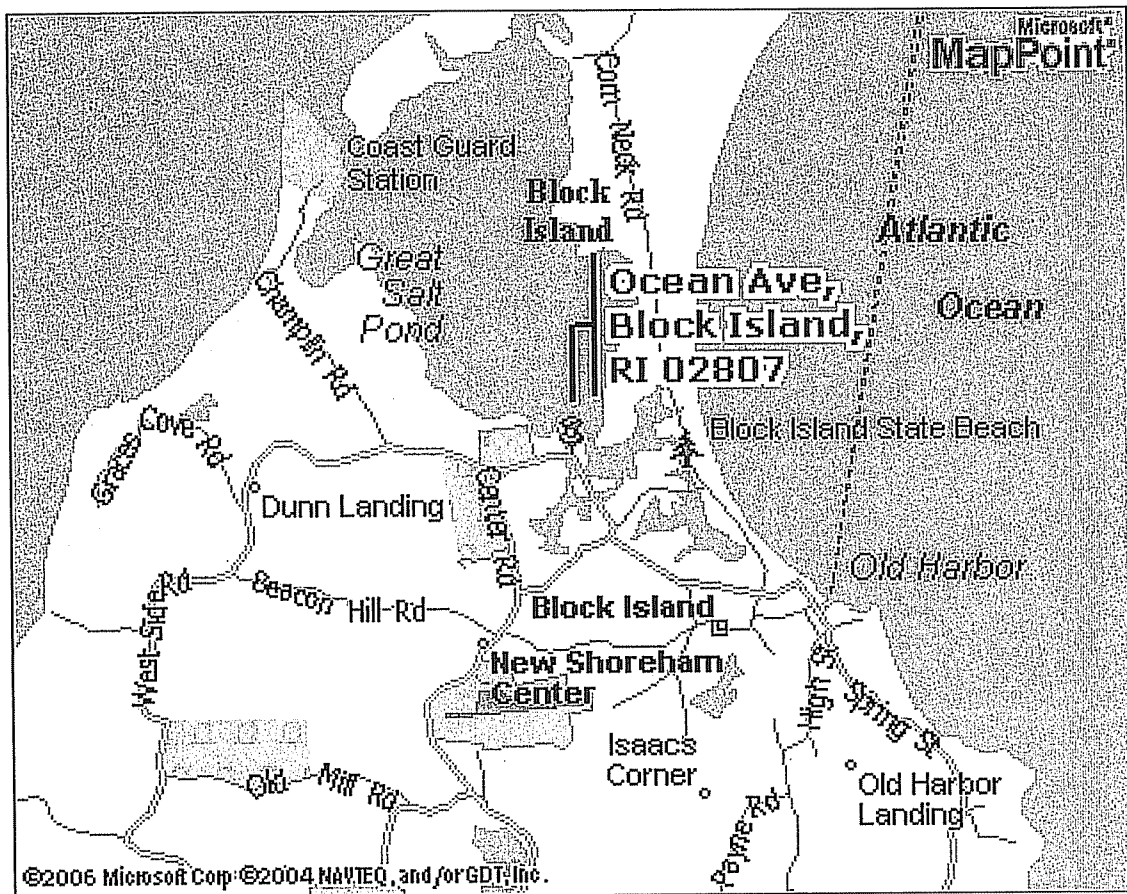
Commercial Real Estate Market Conditions

According to Moody's Real Property Price Index, which tracks repeat sales for the four major categories of commercial property, the market for commercial real estate in the Eastern United States peaked in 2007/2008 and was at its lowest point just three years later. Since the peak apartments and retail are off less than 10% while office and industrial are off 33.6% and 13.3%, respectively. Over the last year all four property types showed an increase in price with apartments and office leading the way and retail and industrial not far behind.

	Index	% chg, 1yr.	Peak Date	Since Peak	Low	% chg. from low
Apartments	194.61	26.4	2007	-8.3	2010	26.4
Industrial	164.16	11.6	2008	-13.3	2010	11.6
Office	134.44	21.1	2008	-33.6	2010	21.1
Retail	194.81	10.8	2008	-9.1	2009	15.8

The above information suggests that all four categories for institutional grade real estate are in a state of correction showing modest signs of improvement. There is insufficient data available to confirm a correction in any major property category on a local level but we have observed some very interesting sales of investment grade properties at prices that are above previous levels. We have also observed an increase demand for such property especially stable, net lease investments. Multi-family demand has also increased especially in certain areas of the state and region.

Therefore, based on a combination of our observations and the data provided by Moody's we believe that the application of any standardized adjustment is not practical. We therefore consider the property type, previous sales data of similar property and location to be of utmost importance in determining the applicable adjustment for market conditions.



New Shoreham

New Shoreham, also referred to as Block Island is a 10± square mile island located about five miles south of the Rhode Island coastline. The year round population of the island is about 1,010 (2000 Census) making it the least most populated community in the state. However, the island is a very popular tourist destination so the seasonal population can grow as high as 30,000. Primary access to and from the island is by Interstate Navigation's Ferry Service which sails from Old Harbor daily. The town does maintain a state airport and air traffic has increased significantly over the years. A second ferry service has also begun operating from New Harbor.

Neither of the two principal harbors is a natural harbor, both were created in the late 1880's and both require routine maintenance in order to maintain the navigable waters. By comparison, Old Harbor is slightly more advantageous for ferry operators as there is greater water depth and speed limitations in New Harbor negate its more attractive proximity to the mainland.

Just about all the freight and automotive shipments are made by way of Interstate Navigation's Old Harbor terminal which has the facility and capability of accommodating commercial traffic as well as passenger travel. The new ferry service provides only passenger service.

As of April 2000 there were 1,606 housing units in the Town of New Shoreham representing an increase of over 25% from the 1990 estimate. Such an increase probably represents the largest increase of any community in the state but given its size and recent attraction is certainly expected. Of the total estimate almost 70% are seasonal homes.

Primary entertainment and food and beverage service is located within the Old Harbor District but New Harbor also has some restaurants and the like. There are several public beaches on the island including the Crescent Beach which is located just north of Old Harbor. The island has a very functional roadway system and motor vehicles are the primary source of transportation on island.

The community produces about 800 year round employment positions of which a majority can be found in the retail or hospitality trade. Obviously the demand for hospitality type work increases significantly in the summer months. The rate of unemployment is typically less than five percent in the summer months and can increase to about 30% in the winter months. According to the 2000 Census the median household income is \$44,779 per year and the median family income is \$59,844/year.

According to the Warren Group the median sale price of a home on the island was just over \$1,000,000 for 2008 and 2009 but has since declined to \$930,000 for the most current and complete year, 2011. This estimate is probably the highest in the state and represents the significant influence of outside participants in this market.

Overall New Shoreham is a very attractive summer resort community that obviously entertains a population that is much greater than the state in which it is a part. Presently the market for most types of real estate (on the island) would be considered stable but showing signs of limited significant improvement.

Old Harbor District

The subject property is located northwest of the Old Harbor District of the island. Old Harbor is the most intensely developed commercial district on the island and the principal destination for retail and service goods. It is also the principal location for most hospitality related services including lodging and food and beverage establishments. Principal access to the district is from Interstate Navigation's Ferry Service on Water Street or the state airport which is about .25 mile away.

There have been few commercial sales in this district over the last several years. Those which did occur are cited in the Sales Comparison Approach. Land sales are nearly non-existent due to the limited amount of commercially zoned land on the island. According to our research there is at least one commercially zoned parcel being offered for sale and that is by the firm of Ferrucci Russo which has been charged by the court to sell two sites on Ocean Avenue, one a residential site of 2.51 acres and the other a commercial site. The residential site is being offered for sale at \$760,000. There is also a recent confirmed sale on the harbor, proximate to the ferry terminal which sold in April of 2010. The 9,000 SF parcel sold for \$80.00/SF.

Local brokers report fairly decent activity for residential property but pretty slow conditions for commercial. Gail Heinz of Sullivan RE has a two story commercial building located at 239 Ocean Ave for sale for \$639,000. She reports that it has been on the market for two years and they actually had an offer greater than the current asking price about one year ago when it was priced higher.

Property Description

Larger Site:

The larger parcel or the property that will be subject to the easements consist of a 23.5 acre tract of land located on the westerly side of Ocean Avenue, at its' intersection with Beach Avenue. The very irregular shaped parcel has about 700 linear feet of frontage on Ocean Avenue and about the same amount of frontage on Beach Avenue. Access to the property is currently made only from the Ocean Avenue frontage but there are portions of the Beach Avenue frontage which could be utilized for access as well.

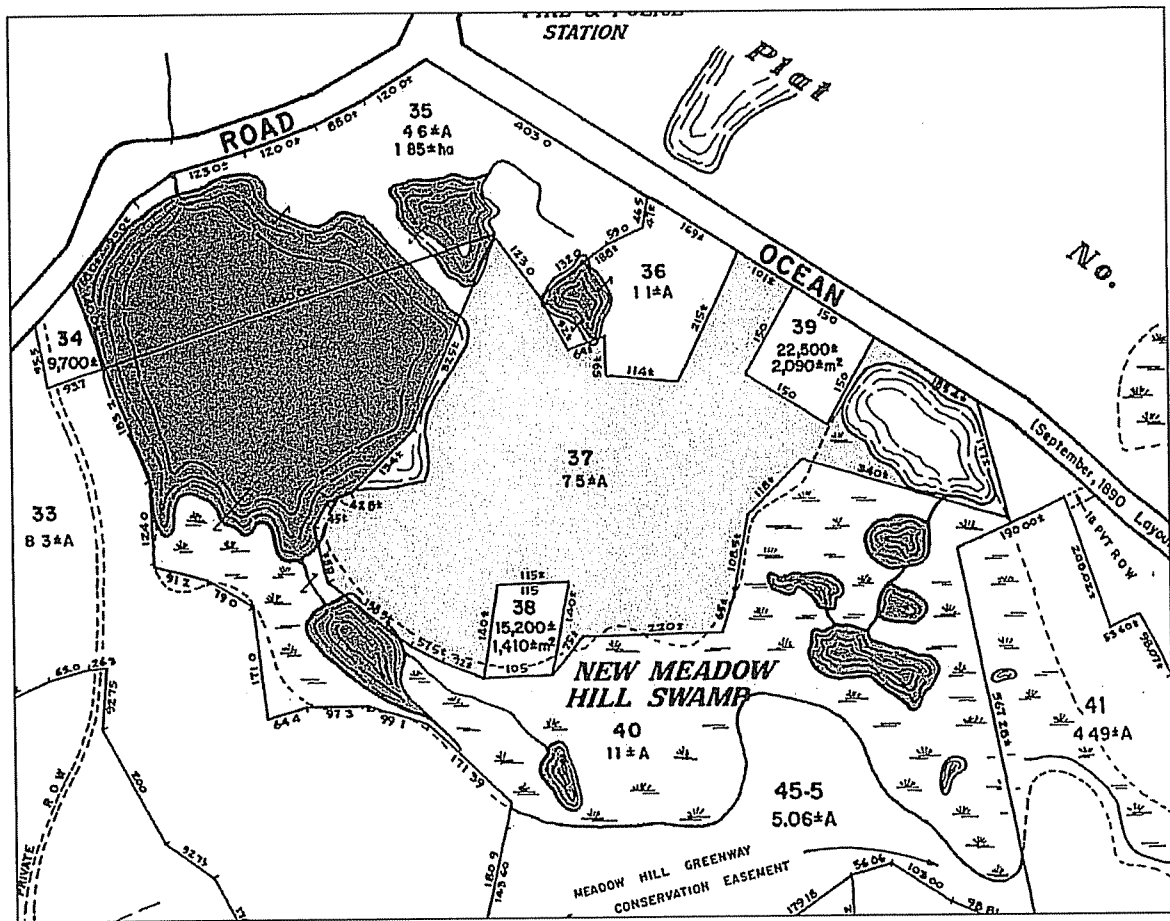
The site has an irregular topography with small hills and slopes consistent with most of the land on the island. We estimate that nearly half of the 1,023,660 SF of land is unsuitable for development because of wetlands and/or water or setbacks as a result of these features.

Those portions of the property not presently in-use by the power station are covered by vegetation which includes native species trees, plants and woodlands. An area of between five and ten acres has been cleared for development and supports the electric generating plant.

Utilities that are available for connection to the property include electricity, water and telephone. In the area of the subject off-site improvements include some overhead lighting.

Overall, the land is suitable for the current use and there exists some surplus which could offer expansion, if desired.

Applicable Portion of Plat Map



All of the colored area is the property of Block Island Power.
The area colored green will actually be the lot that will be encumbered by the easement in gross
We assume the access easement and the TCE will encumber all of the colored area

Improvement

The property is improved by six mostly utility type buildings which were constructed between 1950 and 1975 and contain a gross building area of 12,500± SF. The buildings along with a half dozen or so shed structures are utilized in conjunction with other machinery and apparatus to generate, store and distribute electricity to the island. Most of the building improvements are in fair to average condition.

As would be expected most of the improvements are situated on the ten or so acres directly in the middle of the property which is cleared and suitable for development so while the land to building ratio of over 85 to one would suggest that there is plenty of room for expansion, or to support additional development this is not the case.

Aerial

Delineation below is only an approximation



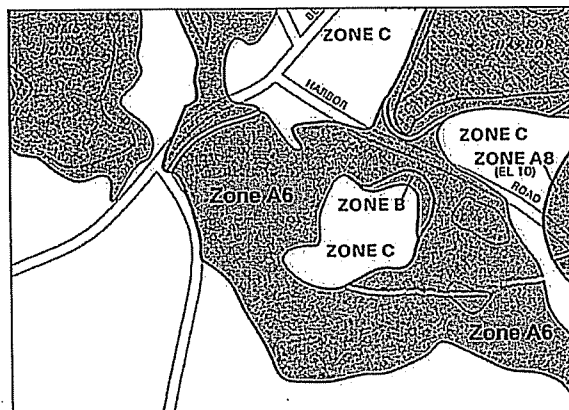
Geology/Wetlands

Based on the plan provided most of the soils directly in the middle of the property and which include Hinckley Sandy Loan and Udorthents-Urban Land Complex are suitable for development but the areas south and west are predominantly unable to support development. Such a delineation is also consistent with the wetlands flagging that overlays the plan provided. In addition to the wetlands delineation and the establishment of the required 50' setback, a portion of the street fronting land also falls within the jurisdiction of the Coastal Resource Management Council or CRMC because it is within 200 feet of the coastal feature. The coastal feature is a harbor pond located across Ocean Avenue from the subject.

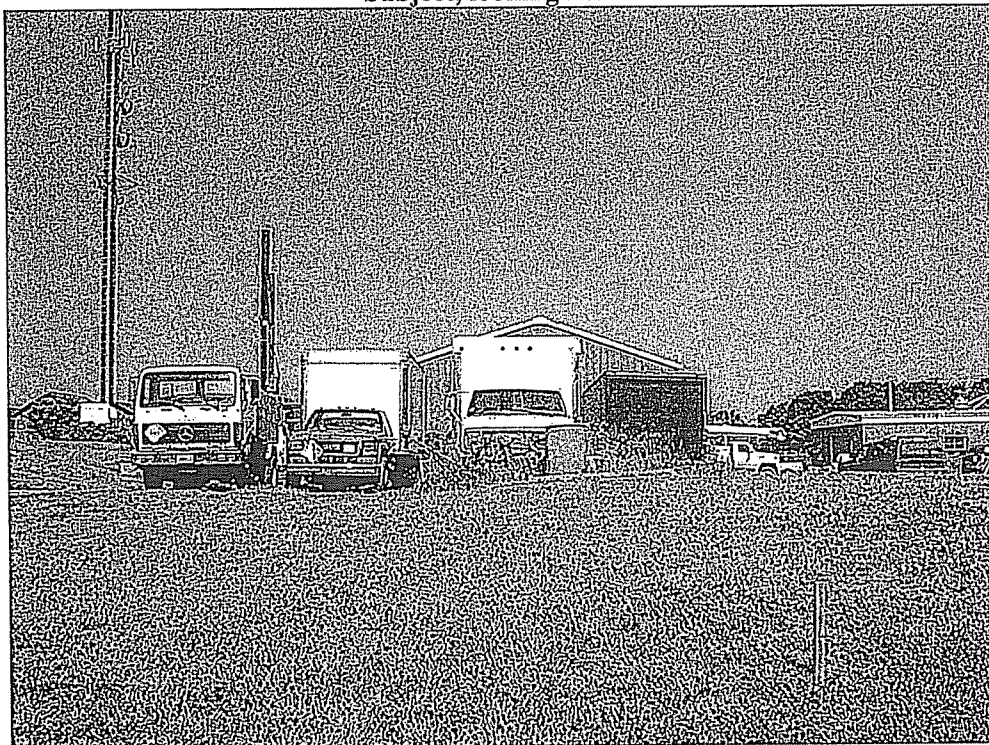
Hazardous Substances: We are not trained or experienced in recognizing, detecting, or measuring the quantities of hazard substances. No publicly known toxic hazards are believed to be associated with or affect the subject property. No surface evidence or suspicion of, toxic or environmental hazards was noted. This valuation does not consider the impact of an adverse environmental report of the property.

Flood Zone

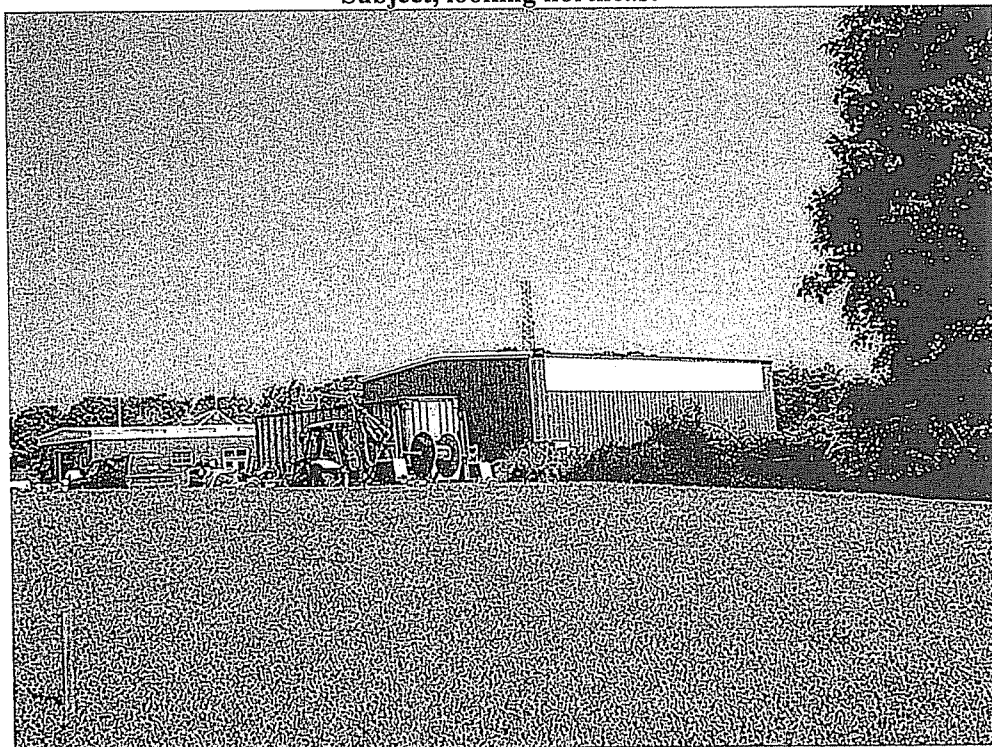
According to a review of Community Panel #440036-0004D, of the National Flood Insurance Rate Maps, which Map is dated September 30, 1995, it appears that most of the property is located in a flood hazard zone designated A6. Zones so designated are susceptible to flooding and flood insurance, if available is required. A copy of the applicable portion of this map follows. Note that that on the plan provided the engineer has determined that most of the land cleared for development and in-use by the power company falls within the less susceptible "B" and "C" zones.



Subject, looking north



Subject, looking northeast



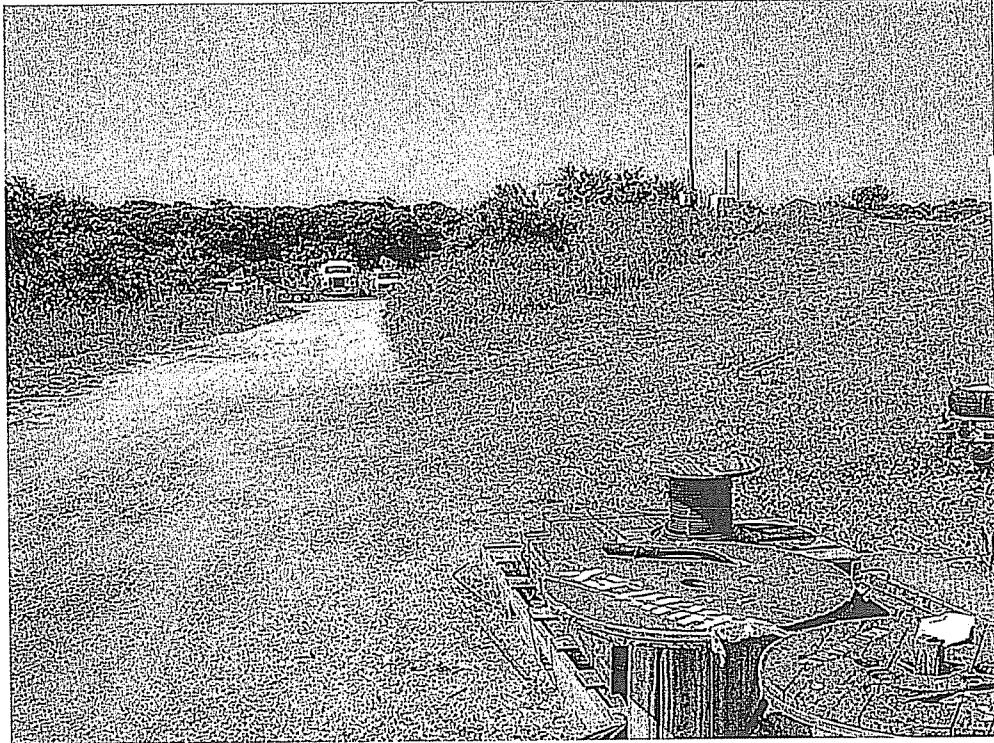
Subject, looking east



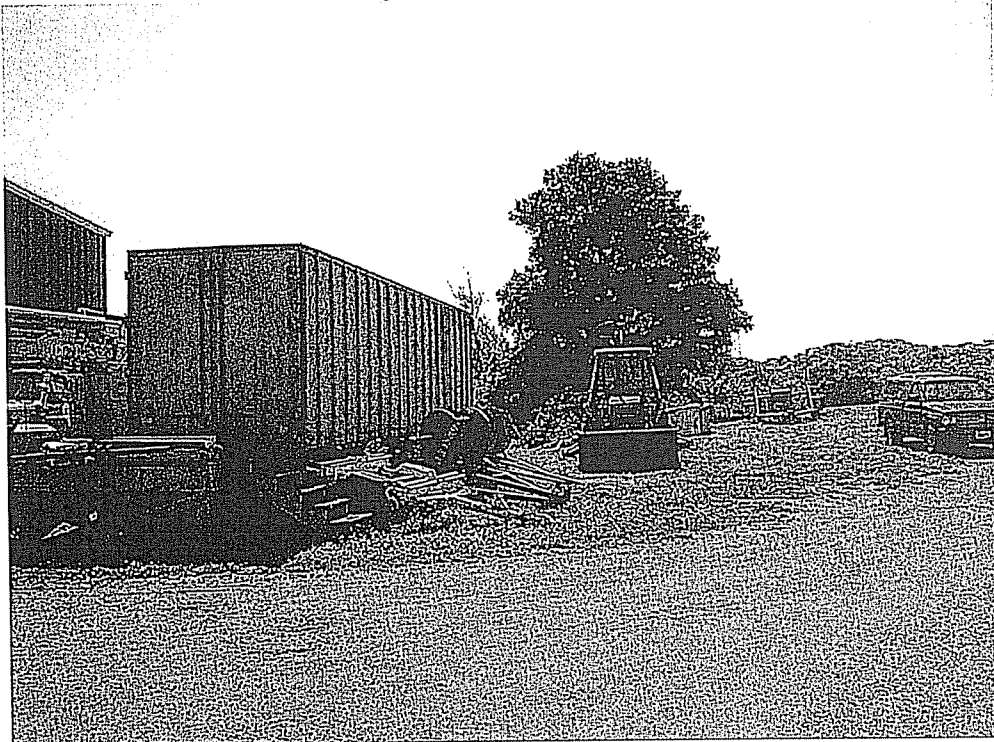
Subject, looking east



Subject, looking west



Subject, looking southwest



Taxes and Assessment

The larger subject property is assessed to:

BI Power Company

as follows for the 2012 fiscal year:

Plat	Lot	Land	Building	Total	Taxes
17	35	\$392,300	\$316,000	\$ 708,300	\$3,357.34
17	36	\$376,200	\$199,400	\$ 575,600	\$2,728.34
17	37	\$873,600	\$563,100	\$1,436,700	\$6,809.96
17	40	\$ 90,800	\$ -0-	\$ 90,800	\$ 430.39
Total		\$1,732,900	\$1,078,500	\$2,811,400	\$13,326.03

The 2011 tax rate for the Town of New Shoreham is \$4.74/\$1,000. The assessments are based on a revaluation that was conducted in 2009 for the 2010 fiscal year.

Zoning

All of the property falls within the SC, or Service Commercial zoning district of the town. The SC zone is intended to serve the utility and service needs of the island. Allowed uses in this zone include single family, restaurants, retail and mixed use (retail/residential). Uses permitted by special use permit include auto sales and service and warehouse and storage. Accessory residential uses are also allowed.

The minimum lot size in the district is 20,000 SF and the minimum frontage is 100 feet. The maximum lot coverage by building is 25%. Setbacks are also applicable.

Use of any property for a utility facility is permitted by special use permit, only in all of the districts. However, as a condition of granting such a permit in the residential districts the property must have visible screening (to the extent possible) such as would resemble a single family house or accessory structure. Naturally this would increase the cost of such a facility in the residential districts as there is no such condition existing in the SC zone of the subject.

According to documentation recorded in the Land Evidence Records of the community the optionor or beneficiary received approval from the community for the proposed substation in 2012 as recorded on Page 87, of Book 446 of the Land Evidence Records. The approval sought was for the Special Use permit but also for relief from the height restriction of 30 feet as apparently the easement holder may install poles to carry the electricity.

Zoning is a legal matter beyond the scope of this appraisal and report. The client is advised to obtain qualified zoning counsel if required. This opinion is being offered only for purposes of valuation.

Easements/Encroachments/Restrictions

Lacking a recent deed for the property we are not able to comment on any recorded easements or restrictions that would affect the property and that which is the subject of this appraisal. We therefore assume there are no recorded easements or restrictions which would affect the proposed easements as described herein. Contrary facts may affect value.

On the date of inspection no notice was made of any encroachment on to, or from the subject property to any of the abutting properties. Contrary facts may affect value.

Subject Property Description**Easement In Gross**

The area to be encumbered by the easement in gross consists of a 20,000± SF tract of land located at the southeast corner of Lot 37. The area is just west of the property identified as Lot 39 which is n/f of the State of Rhode Island. The tract has no frontage on the municipal roadway but the dimensions of the tract are generally in the range of 150' by 140'. The tract will be accessed from easements over the existing roadways and paths now utilized by Block Island Power.

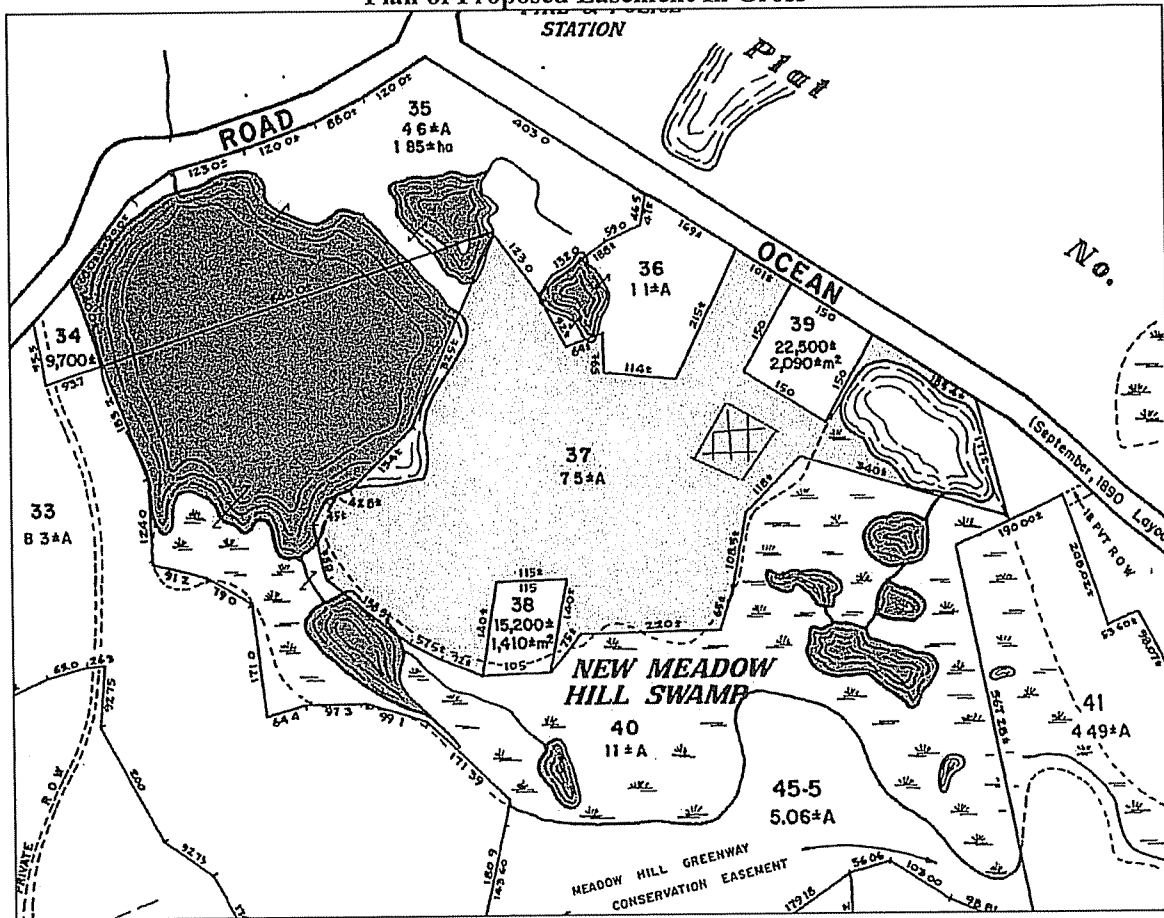
The topography of the land is gently rolling with some small hills and a slope toward the south. Soils in the area of this tract are generally suitable for development. About 25% of the tract falls within the 50' setback from the wetlands to the south but the area is totally outside of the CRMC jurisdiction. The area is also outside of the established flood plain. Presently the area is covered with grass and small trees.

This tract will be utilized to support the proposed substation and will be improved with what appears to be two small buildings and the apparatus necessary to accept, store and distribute electricity to various locations including the fee simple owner's distribution system and systems off-island.

The tract will be provided access to whatever utilities are available to the fee simple owner's property and are assumed to include water, electricity and telephone. The area will be fenced and while we have no language as to what rights will be retained by the fee simple owner we assume that most all of the rights but for ownership will be transferred to the easement holder thereby leaving little to the fee simple owner. As such we consider the transfer to represent a majority of the interest of the fee simple owner.

Overall the area to be encumbered is conducive to development and while offering no frontage or visibility directly from a municipal roadway by virtue of its' integration with the large parcel has the ability to be improved with any reasonable and permitted use including the proposed substation.

Plan of Proposed Easement In Gross



Area in Red is approximate area which is to be encumbered by the easement in gross

Access Easements

The easement in gross will be benefited by easements for access to and from the municipal roadway as well as for connection to the fee simple owner's existing distribution system. Also included will be access and connectivity to whatever utilities are available to the fee simple owners' property including water, telephone and electricity. The bounds of these easements are not strictly defined and will likely overlay existing rights of way about the property. Therefore, the easement holder will have non-exclusive use of whatever additional land is required for these easements.

In overall terms these easements add no additional value to the easement in gross as access to and from the tract is assumed included in the easement in gross but with consideration to the fact that the fee simple owner will be providing direct connection to their distribution system the extent of the benefits to the easement holder are more beneficial than typical. Therefore, the compensation due to the fee simple owner should be greater.

Temporary Construction Easement, or TCE

The temporary construction easement, (TCE) will encumber five of the 23.5 acres but the exact bounds and areas are not described and will consist of areas located about the property which can be utilized as temporary lay-down areas for placement of construction materials, storage and for temporary construction of systems required for the project. The exact bounds will be agreed upon prior to the execution of the easement. While the areas to be encumbered are not likely to be exclusive for the use of the easement holder the fact that there may be placed in said areas equipment or materials that would prevent the use of the land by the fee simple owner results in the loss of most of the rights of the fee simple owner until such time as the easement is extinguished. We therefore consider the easement to result in the temporary loss of 50% of the fee simple interest in the property for the two year period.

Highest and Best Use

When the purpose of an appraisal assignment is to develop a market value opinion, an appraiser must develop an opinion of the Highest and Best Use of the real estate and value the property on that basis. The highest and best use of the land (or site) if vacant and available for use may be different from the highest and best use of the improved property. This will be true when the improvements are a less than optimal use and yet make a positive contribution to the total property value.

Definition

The Highest and Best Use of a property is defined as the reasonably probable use of vacant land or an improved property that meets the following criteria:

- The use is physically possible
- The use is legally permissible
- The use is economically feasible
- The use is maximally productive, *i.e.* it is likely to produce the highest value of the property among all uses meeting the first three criteria.

Conclusion, subject easement only

The area proposed for the easement is apparently physically suited to the proposed use as the optionee had identified two sites on the fee simple owner's property which would meet the requirements of their needs. In addition, there are mutual benefits to each party resulting from the placement of the substation on land already utilized for the purpose of electric generation and distribution.

The proposed use is also a legal use as the optionee has received the approval from the community to locate the substation on this property. This included favorable decisions by the local planning office and from several state and local authorities.

While we are not privy to the financial constraints and benefits of the optionee we must assume for the purpose of this appraisal that there is sufficient financial reward to locate the proposed substation on this property. Therefore, based on these considerations the Highest and Best Use of the property that is proposed for the new substation is for development of the site with the proposed substation.

Valuation

General

There are three basic approaches that may be used by appraisers to estimate value. The three approaches include the Sales Comparison Approach, the Cost Approach and the Income Approach. All three rely heavily on market data and as such the greater and more reliable the data, the greater the support for the value estimate.

The Sales Comparison Approach is based on the principal of substitution whereby an informed purchaser will pay no more for a property than it would cost to acquire a property which offers similar utility. The approach essentially involves the comparison of several similar properties that have recently sold, to the subject property.

The underlying principal of the Cost Approach is also substitution since the same purchaser will be willing to pay no more for a property than that which it cost to develop a similar property, offering like utility. Valuation via the Cost Approach involves estimating the reproduction, or replacement cost of the improvement, making appropriate deductions for accrued depreciation (from all sources) and adding to this estimate the value of the site.

The Income Approach consists of methods and techniques used to analyze a property's potential to generate income and converts this estimate of income into an estimate of value by capitalization or discounting. In basic terms, the greater the income, the greater the value.

Specific

Valuation of a less than fee simple interest is always difficult because sales or lease information for these transactions is often not available. This case is no different. We therefore value the easement by first valuing the Fee Simple Interest in the property. We then consider the discount that may be associated with non-exclusive use of the property and any limitations associated with the lack of title to the property. Consideration may also be given to the party that will be burdened with the maintenance and property taxes associated with the property. Lastly, consideration is given to the term of the easement whether perpetual or for a specified term of encumbrance.

Option Agreement

The owner is in possession of an option agreement for which we have been provided an unexecuted and undated copy for the purpose of valuation. The relevant details of the agreement are as follow.

Optionee:	Block Island Power, or BIPCO
Optionor:	Deepwater Wind, et al
Purpose:	Acquire permanent and temporary easements over land of BIPCO for the purpose of establishing, constructing and maintaining a utility substation on the property including connection to BIPCO's existing facility and infrastructure.
Easement Area:	Easement in gross is ±20,000 SF; TCE is 5.0± acres
Option date:	On or before 12/31/2012
Extensions:	Three, six month
Option Payment:	\$7,000, and \$6,000 for each extension
Price:	To be determined, by appraisal
Easement:	Perpetual right an easement to construct and maintain for just about any purpose including electric generation and telecommunication a utility substation on the area identified as "Alternative A" on the plan provided and for access to and from this area to the public ROW and other property of BIPCO. Also a temporary construction easement of approximately five acres; the area of which is to be mutually agreed upon by the parties. The term of the TCE was not identified in the submission but the client has indicated it is two years.
Comments:	We assume that all of the maintenance and expense of real estate taxes will remain with the property owner or optionee. We also assume the term of the TCE is two years.

Fee Simple Valuation**Land Valuation**

Valuation of the land to be encumbered by the easement in gross is accomplished by the application of the Sales Comparison Approach. Unfortunately, we were unable to obtain a sufficient number of land sales to apply this approach in the strictest of senses and we therefore had to also incorporate sales of improved property for which we made deductions for the improvements to the property. This is sometimes referred to as the land residual technique. It is a recognized approach to the value of land when there is an insufficient number of vacant land sales available.

On the following pages is information on three improved and one unimproved property sales that are utilized to value the subject land. It is important to note that while we could have utilized sales of vacant residential land we would have had to make adjustment for the cost of providing an envelope to contain the improvements per the requirements of zoning and unfortunately there is too much uncertainty as to exactly what those requirements would entail. We therefore chose to utilize only commercial land sales which do not require the increased development costs associated with the screening of the improvements.

The unit of measure upon which the comparison is based is the sale price per square foot of land or \$/SF. Each of the sales was personally observed by the appraiser as evidenced by the photographs that accompany the data. In all cases we also attempted to confirm the information utilized with an informed party to the transaction.

Sale #1

Address:	1186 Dodge Street, Block Island, Rhode Island
Location:	Just south of the subject, more proximate to town
Plat/Lot:	6/121
Zoning:	OHC, Old Harbor Commercial
Grantor:	Miliken
Grantee:	Cusick
Date of Sale:	June 1, 2012
Sale Price:	\$420,000
Book/page:	448/290
Financing:	Seller for \$280,000
Verification:	Municipal Records/Deed/Broker
Days on Market:	325 days

Property Description

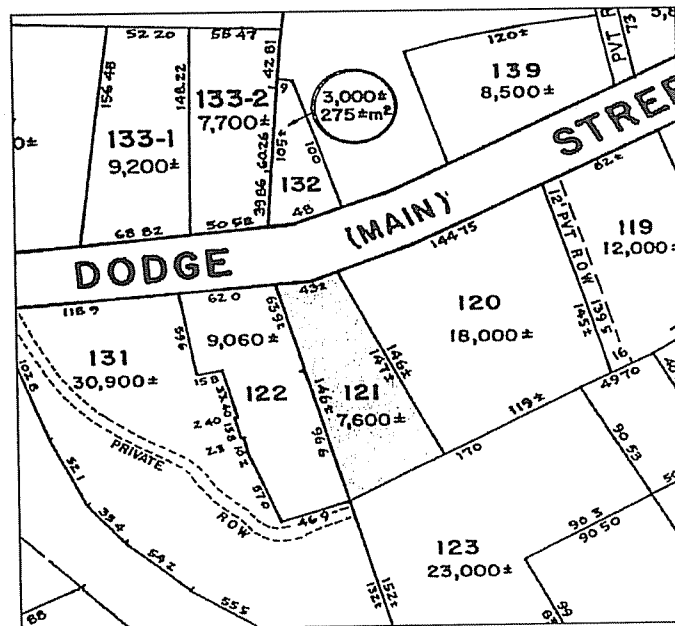
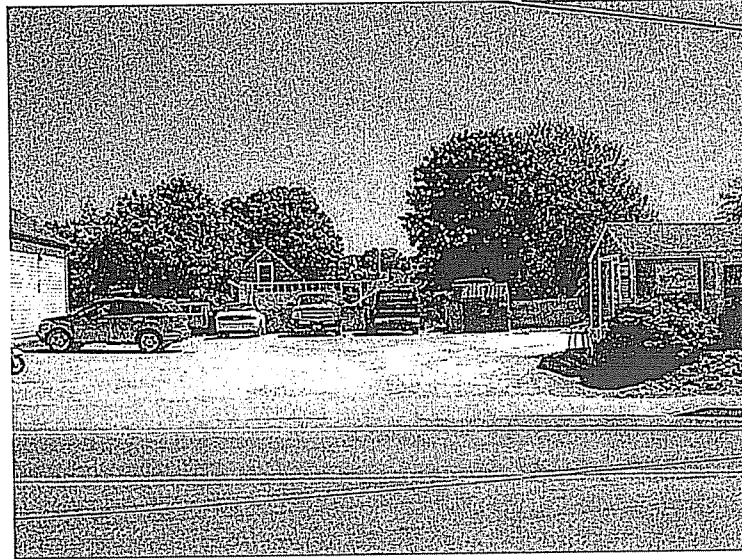
Land Area:	11,774 SF
Shape:	Irregular
Frontage:	43± LF
Utilities:	All available
Improvements:	240 SF shed, circa 1940 but renovated since
Easements:	17' along property boundary
Wetlands:	None

Units of Comparison

Price per SF land:	See comments
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Comments: This parcel was sold by Real Estate Masters. The agent Brian Dupont confirmed that the price was based principally on the land and that only a minor contribution was made to the existing improvements. On the date of the photo construction was underway on a new building.

Sale #1



Sale #2

Address:	598 Corn Neck Rd., Block Island, RI
Location:	Northeast of the subject
Plat/Lot:	5/7-1 and 7-2
Zoning:	Mixed use
Grantor:	Long Boat Key Tavern
Grantee:	Beachhead III LLC
Date of Sale:	December 12, 2009
Sale Price:	\$1,684,000
Book/page:	414/265
Financing:	Private mortgage for \$1,850,000
Verification:	Municipal Records/Deed
Days on Market:	N/A

Property Description

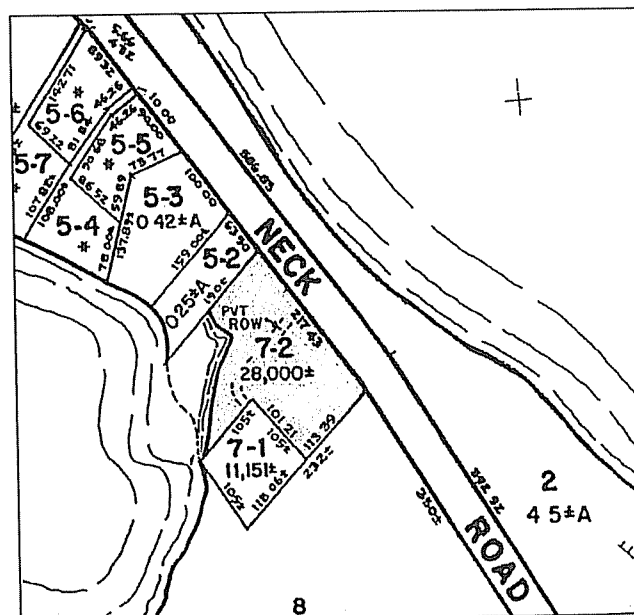
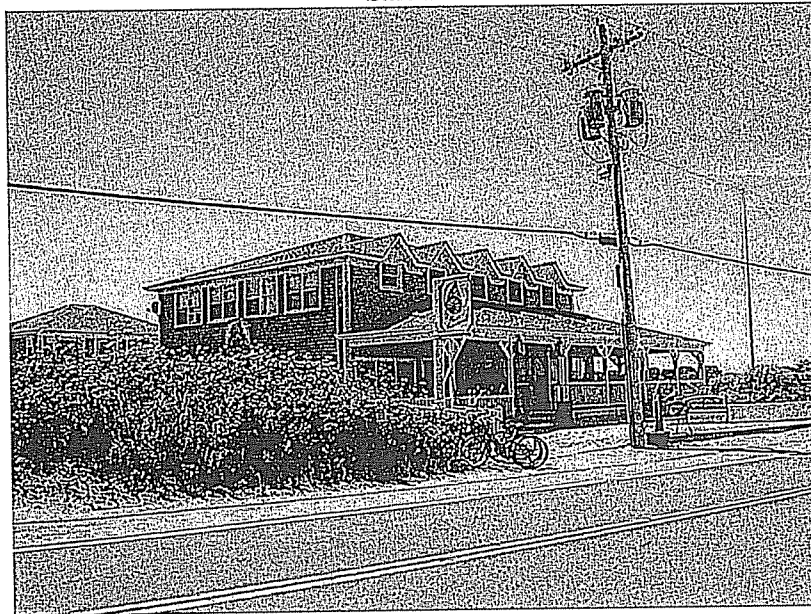
Land Area:	39,151 SF in aggregate
Shape:	Irregular
Frontage:	217± LF
Utilities:	All but sewer
Improvements:	1.75 story wood frame and wood sided restaurant constructed over a full basement, circa 1970. 3.0 story wood frame and wood sided multi-family dwelling constructed over a partial basement, circa 1970.
Gross Building Area:	7,554 SF
Easements:	None known

Units of Comparison

Price per SF of land:	See valuation
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Comments: This property is located across the street from the beach in an area just outside of town.
The improvements are in average condition.

Sale #2



Sale #3

Address:	Corn Neck Rd., Block Island, RI
Location:	Northeast of the subject
Plat/Lot:	5/5-6
Zoning:	Mixed use
Grantor:	Long Boat Key Tavern
Grantee:	Doyon
Date of Sale:	March 2, 2012
Sale Price:	\$476,000
Book/page:	444/227
Financing:	Cash sale
Verification:	Municipal Records/Deed
Days on Market:	N/A

Property Description

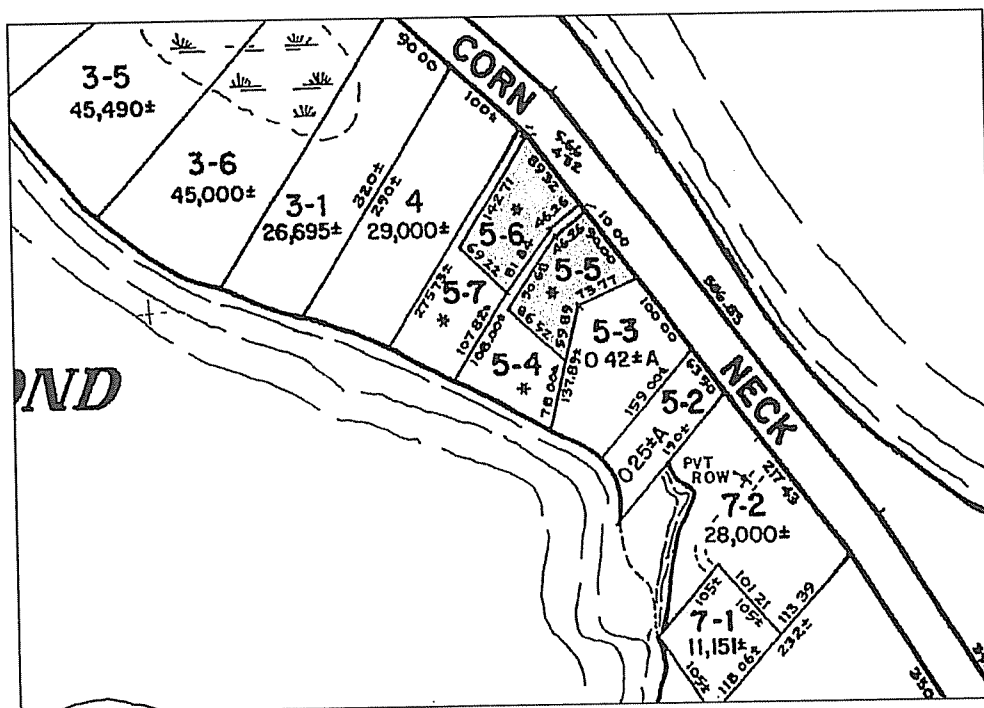
Land Area:	27,883 SF
Shape:	Irregular
Frontage:	90± LF
Utilities:	No sewer
Improvements:	None
Easements/Restrictions:	As associated with the abutting harbor

Units of Comparison

Price per SF of land:	\$17.07/SF
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Comments: This property is located across the street from the beach in an area just outside of town. Subsequent to sale the owner granted a conservation easement over the property to the Block Island Land Trust but reserved the right to construct a small home on the property. The abutting property, Lot 5-5 and 5-4 sold directly to the trust for consideration of \$17.90/SF.

Sale #3



Sale #4

Address:	231 Water Street, Block Island, RI
Location:	Southeast of the subject
Plat/Lot:	6/155
Zoning:	OHC, Old Harbor Commercial
Grantor:	Butler
Grantee:	Settler's Rock Realty. LLC
Date of Sale:	January 5, 2012
Sale Price:	\$1,000,000
Book/page:	441/225
Financing:	Seller for \$470,000
Verification:	Municipal Records/Deed
Days on Market:	N/A

Property Description

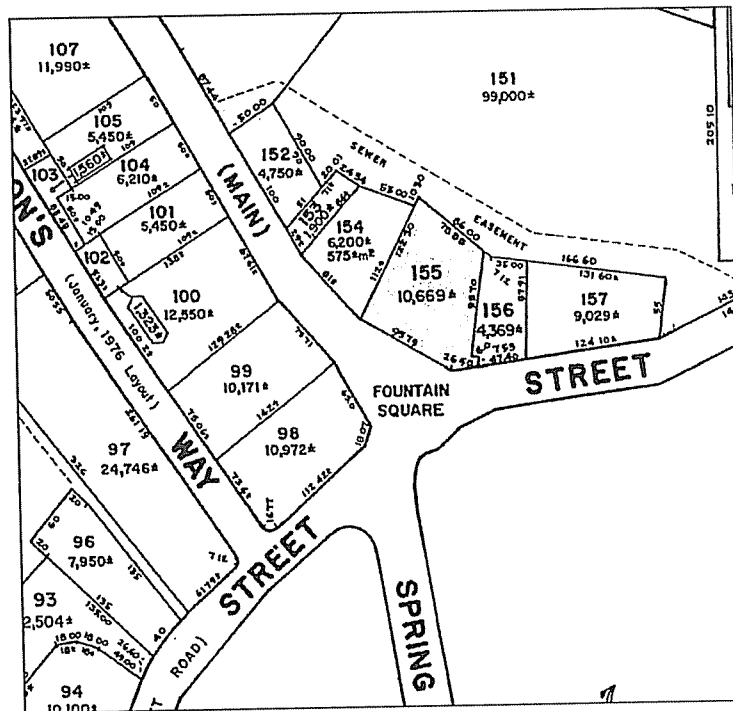
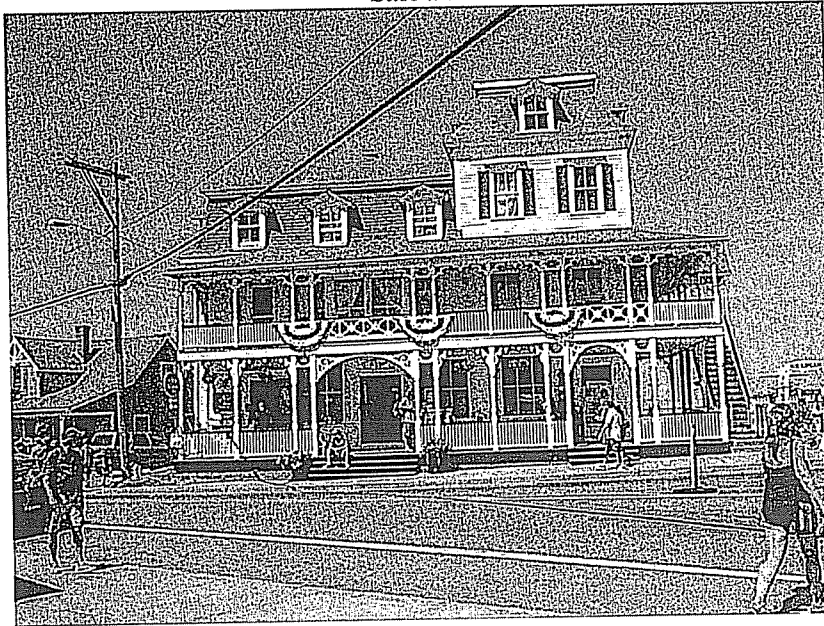
Land Area:	10,669 SF
Shape:	Irregular
Frontage:	110± LF
Utilities:	All including sewer
Improvements:	Three story wood frame and wood sided former hotel now consisting of some street retail and hotel, above constructed over a full basement, circa 1900.
Gross Building Area:	6,538 SF
Easements:	None known

Units of Comparison

Price per SF of land:	See valuation
-----------------------	---------------

Comments: This property is located at the center of town directly at the ferry terminal. It is improved with an old hotel that is in fair condition.

Sale #4



Land Residual Application

Prior to consideration for any adjustments to Comparable Sales #1, 2 and 4 which supported improvements at the time of sale we had to determine the contributory value of those improvements. In the table which follows are the results of the application of the land residual technique. The technique requires input from several sources including the replacement cost of the existing improvements and estimating the accrued depreciation. We base our input for cost and depreciation on information obtained from the Marshall and Swift Commercial Valuation Service Manual. Note that the cost estimates are inflated by about 20% for the fact that the material must be transported by ship or ferry due to the island location.

Address	1186 Dodge St	231 Water St.	598 Corn Neck Rd.
Land Area	11,774	10,669	39,151
a. Gross Building Area	240	6,538	7,554
Construction Quality	Avg. cls. D	Avg. cls. D	Avg. cls. D
b. RCN, \$/SF,	\$100.00	\$129.33	\$143.00
c. RCN, Structure, (a x b)	\$24,000	\$845,560	\$1,080,222
Effective Age, years, (g)	25	20	20
Physical Life, years, (h)	45	45	45
d. Estimated Depreciation, (g/h)	56%	44%	44%
e. Building Contribution [c-(c x d)]	\$10,667	\$469,755	\$600,123
f. Contrib. Site Improve.	\$5,000	\$15,000	\$30,000
g. Sale Price	\$420,000	\$1,000,000	\$1,684,000
h. (e + f)	\$15,667	\$484,755	\$630,123
Land Contribution, (g-h)	\$404,333	\$515,245	\$1,053,877
Indicated SP of Land, \$/SF	\$34.34	\$48.29	\$26.92

Adjustment Methodology

Rights Conveyed

All four sales represent the conveyance of the Fee Simple Interest which is the same interest being valued with regard to the subject property, thus, no adjustments are made for property rights.

Financing

Sales #1 and 4 involved seller financing and though the terms of the financing were not disclosed there are benefits to seller financing that translate into price premiums. For this reason we make negative adjustments of 15% to 20% to these two sales.

Conditions of Sale

It is believed that the conservation easement which was subsequently placed upon Sale #3 after the purchase was probably negotiated prior to that sale since it was recorded immediately after the initial sale. For this reason the price paid likely reflected the imposition of the easement on the utility and therefore the value of the property. We therefore apply a positive adjustment of 30% to this sale which reflects the loss in utility and interest conveyed.

Market Conditions

According to studies made by the appraiser as well as studies conducted by such professional organizations as Moody's Investor Service the commercial real estate market peaked in the Summer of 2007 and has now declined between 15% to 40% from prices observed at that time.

More recent studies of MLS data indicate a stabilization in 2010 but prices remain 5% to 15% below the 2008/2009 values. Therefore, a negative adjustment of 5% is made to Sale #2 for market conditions.

Location

We base our consideration for any adjustment relative to location on the proximity of the property to the harbor. There are few commercial uses on the island which would not be enhanced by being more proximate to the harbor and in-fact we know from previous studies made of sales located on the harbor and the one reported in the location section of this appraisal that the value of land directly on the harbor ranges from \$35.00/SF to about \$100.00/SF. Therefore, the location of Sale #4 which is almost on the harbor is considered the most appealing sale in terms of location while Sale #1 which is located not far from the subject is considered the most similar. Sales #2 and 3 are located on Corn Neck Road which while having a water view does not have the same appeal as the harbor since it is not within walking distance.

Based on this rationale we make negative adjustments of 10% to the two Corn Neck sales and a more intense negative adjustment of 20% to the one harbor sale.

Size

All other things being equal, larger parcels tend to sell for less per square foot than smaller parcels. Based on a study by this firm of over 150 property sales it was observed that for otherwise similar properties, a 100% increase in size is accompanied by a reduction in unit price of 10% to 20%. Adjustments to comparable sales are made accordingly.

Shape/Topography

All four sales are like the subject in that they have an irregular shape or topography which potentially upsets development but none of the sales is so irregular that it would radically affect development. Therefore, no adjustments are made in this regard.

Zoning

All four of the sales are located in commercially designated zones not unlike the subject property. Therefore, no adjustments are made for zoning.

Utilities

Two of the sales are like the subject in that they do not have access to municipal sewer service which is considered an amenity worth some consideration especially for certain uses. Based on this knowledge we apply negative adjustments of 5% to the two sales which have access to municipal sewers.

	SUBJECT	COMP #1	COMP #2	COMP #3	COMP #4
LOCATION	Ocean Ave	Dodge	Corn Neck	Corn Neck	Water St
SALE PRICE/SF		\$34.34	\$26.92	\$17.07	\$48.28
RIGHTS CONVEYED	FS	FS	FS	FS	FS
(ADJ.)		0%	0%	0%	0%
FINANCING		Seller	Market	Cash	Seller
(ADJ.)		-15%	0%	0%	-20%
CONDITIONS OF SALE		Normal	Normal	Conservation Ease	Normal
(ADJ.)		0%	0%	30%	0%
MARKET CONDITIONS	Jun-12	Jun-12	Dec-09	Mar-12	Jan-12
(ADJ.)		0%	-5%	0%	0%
MKT. ADJ. SALE PRICE		\$29.19	\$25.57	\$22.19	\$38.62
LOCATION	Average	Similar	Superior	Superior	Superior
		0%	-10%	-10%	-20%
PHYSICAL CHARACT.					
SIZE, SF	20,000	11,774	39,151	27,883	10,669
(ADJ.)		-10%	20%	15%	-10%
ZONING/LAND USE	SC	OHC	Mixed Use	Mixed-use	OHC
(ADJ.)		0%	0%	0%	0%
SHAPE/TOPOGRAPHY	Irreg/slope	Irreg/level	Irreg/slope	Irreg/Slope	Irreg/slope
(ADJ.)		0%	0%	0%	0%
UTILITIES	No Sewer	All	No sewer	No Sewer	All
(ADJ.)		-5%	0%	0%	-5%
TOTAL ADJUSTMENTS		-15%	10%	5%	-35%
INDICATED VALUE/SF		\$24.81	\$28.13	\$23.30	\$25.11

Conclusion on Fee Simple Value

Based upon preceding analysis, an adjusted value range of \$23.30/SF to \$28.13/SF is obtained from the comparable sales. In the final analysis we give greatest consideration to the single best sale which is Comparable #1 which recently closed and is only minutes from the subject location. Therefore, after rounding we conclude upon a value of \$25.00/SF as being appropriate for application to the subject property.

Calculations are as follow:

$$20,000 \text{ SF @ } \$25.00/\text{SF} = \$500,000$$

Physical Affects of Acquisition

The area to be acquired for the easement in gross is located at the southeast corner of the property and contains approximately 20,000 SF of land most of which is good quality upland. The area will be fenced and for the exclusive use of the easement holder or beneficiary. Given the location of the existing improvements the Fee Simple owner will, after the execution of the easement have to access the southwestern portions of Lot 37 by entering through Lot 36 and navigating around Buildings 1 and 3 as depicted on the plan. This could result in some inconvenience to the owner.

For purposes of this appraisal we assume the associated easements for access and such will allow the holder of the easement to move, on a temporary and non-exclusive basis about the entire 23.5 acre property. We also assume that the easement holder will have direct access to Ocean Avenue from the use of the existing driveway on Lot 36. The easement holder will also have access for connection to all utilities now existing on the property and for connection to the distribution system of Block Island Power.

The TCE will also allow the easement holder the non-exclusive use of the entire site for purposes of constructing, storing and other reasonable and legal uses in connection with the development of the substation for a two year term.

Legal Considerations of Acquisition

As a result of the perpetual easements, the affected property is probably rendered no more non-conforming under the current zoning. The property currently hosts several uses that did or currently require the issuance of a special use permit including a cell tower and the existing utility facility so the application and approval of another special use permit probably does not further diminish the potential and current uses of the property. And the intensity of the proposed development is relatively minor in consideration to that which currently exists.

Special Benefits/Severance Damages

There are mutual benefits to both parties as a result of the perpetual easements. The easement holder or beneficiary will be able to connect to the existing system of Block Island Power but the fee simple owner will also likely benefit from this connection. Although we have not been provided any documentation relative to agreements between the parties for the purchase or sale of electricity we assume there will be available to the fee simple owner the ability to purchase electricity from the easement holder.

Based on these consideration we estimate that the easement in gross will result in the loss of 95% of the fee simple value of the property and just compensation should be based on this amount. This estimate is relatively high in comparison to the normal or typical easement but includes consideration for the access easements which will provide for access to the easement in gross and for the fact that all of the expense associated with the maintenance of the land and the associated property taxes will be borne by the fee simple owner.

Given the non-exclusive but potentially very disruptive affects of the TCE we estimate that the loss in value associated with the TCE is no less than 50% of the fee simple value of the property. However, since the easement affects an area that is over five times as large as the easement in gross we apply a negative adjustment of 40% to the fee simple value to reflect the difference in size.

Valuation; Easement in Gross

Value, prior to easement \$500,000
Discount for less than fee simple conveyance 5%, or \$25,000
Indicate value of easement in gross \$475,000

Valuation; TCE

With consideration to the differences in size associated with this easement as it compares to the easement in gross we make a substantial 40% negative adjustment to the indicated value prior to easements of \$25.00/SF. The resulting fee simple value for the area to be encumbered by the TCE is therefore \$15.00/SF. The area to be encumbered by the temporary easement is five acres or 217,800 SF. Thus the fee simple value of the area to be encumbered is approximately \$3,300,000.

Based on the non-exclusive nature of the easement we make a further adjustment of 50% to the indicated fee simple value in order to calculate the permanent easement value of the property. The resulting estimate is \$1,650,000.

The value of the two year easement is then estimated by taking the applicable rental value of the land for each of the years and discounting the value back to a present worth estimate. Using a capitalization rate of 8% the indicated yearly rental of this land would be \$132,000. (\$1,650,000 times .08)

Using a discount rate of 10% per year, the present value of the compensation for the two year temporary easement is calculated as follows.

Year	Rental per Year	Discount Factor	Discounted Value
1	\$132,000	.9090	\$119,988
2	\$132,000	.8264	\$109,085
		Total	\$229,073

We round the above estimate to \$230,000.

General Assumptions & Limiting Conditions

This appraisal report, the Letter of Transmittal and the Certification of Value are made expressly subject to the following assumptions and limiting conditions and any special limiting conditions contained in the report which are incorporated herein by reference.

1. The legal description used in this report is assumed to be correct.
2. Sketches in this report are included to assist the reader and no responsibility is assumed for accuracy. No independent survey has been made of the property by the appraisers specifically for this report.
3. No responsibility is assumed for matters legal in nature, nor is any opinion rendered as to title, which is assumed to be good and marketable. Fee simple title is assumed.
4. Information, estimates and opinions furnished by others in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy was assumed by this appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within this report. The property is appraised as though under responsible ownership and competent management.
6. Subsurface rights (minerals and oil) were not considered in making this appraisal.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions nor is the appraiser responsible for arranging engineering, which might be required to discover such factors.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within this report.
11. Unless arrangements have been previously made, no appearances in court or requirements to give testimony in respect to the subject property will be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purposes by any person other than the person to whom it is addressed without the written qualification and only in its entirety.

13. The distribution of the total valuation in this report between land and improvements applies only under the highest and best use of the subject property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. Neither all nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client, without the previous written consent of the appraiser and/or client; nor shall it be conveyed by anyone but the client to the public through advertising, public relations, news, sales or other media without the written consent and the approval by the author(s), particularly as to valuation conclusions, the identity of the appraiser or a firm.
15. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. In this appraisal assignment, the existence of potentially hazardous material in the construction or maintenance of the building, such as the presence of ureaformaldehyde foam insulation, asbestos, and/or the existence of toxic waste or radon gas, which may or may not be present on the property, has been considered. No information was obtained confirming, disproving, or leading us to suspect the existence of such hazards, except where noted. The appraiser is not qualified to detect such substances. We urge the client to retain an expert in this field if desired. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
16. On January 26, 1992, The Americans with Disabilities Act (ADA) became effective. The Act requires compliance based on each property owner's financial ability with regard to the cost to cure the property's potential physical characteristics. Given that compliance is dependent upon the specific financial ability of each owner as determined by the U.S. Justice Department, it is not possible for the appraiser to comment on either current or potential adherence to the act or its impact on value. Consequently, a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines has not been undertaken.
17. This appraisal and report does not consider or address the impact upon the property that may result from recently (post 2001) enacted life saving legislation, specifically amendments to state and local fire and building codes. Unless specified it is assumed that the property meets all fire and building codes as of the effective date.

Definitions

Market Value

Market value, for purposes of this appraisal, is defined as the most probable price in terms of money which a property should bring in an open and competitive market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interest;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property, sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Fee Simple is absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

Easement³ An interest in real property than conveys use, but not ownership of a portion of an owner's property.

Leased Fee Interest is the collection of property rights, including use and occupancy, that are conveyed by a lessor (leased fee owner) to a lessee (leaseholder) as specified by contract terms contained within a lease.⁴

Competency Rule

Peter M. Scotti, MAI and Michael Kern, MAI are certified Rhode Island appraisers who are qualified by education, knowledge, and experience to competently complete this assignment.

¹ Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696.

² Appraisal Institute, The Appraisal of Real Estate, Twelfth Edition, Page 69

³ Dictionary of Real Estate Appraisal, fourth edition. Appraisal Institute

⁴ Appraisal Institute, The Appraisal of Real Estate, Twelfth Edition, Page 81

PETER M. SCOTTI ASSOCIATES • REAL ESTATE

QUALIFICATIONS OF MICHAEL KERN, MAI
 SENIOR APPRAISER/BROKER
 PETER M. SCOTTI & ASSOCIATES, INC.
 PROVIDENCE, RHODE ISLAND 02903

GENERAL ACTIVITIES

Associate of Peter M. Scotti for the past nineteen years. Daily activities consist mostly of appraisal and brokerage of commercial, industry and investment property. Also perform brokerage and appraisal of hospitality, recreation and specific use property. Geographic area of expertise include all of Rhode Island and portions of Southeastern Massachusetts.

EDUCATION

Formal:

Graduate, University of Rhode Island, 1981: BA, Economics.

Specific:

Successfully completed the following courses in the pursuit of membership within the Appraisal Institute;

S.R.E.A. -	Course 101, Introduction to Appraising Real Property
	Course 102, Applied Property Valuation
	Course 201, Principles of Income Property Appraising
	Course 202, Applied Income Property Valuation
A.I. -	Course 500, Narrative Report Writing
	Course 410, Standards of Professional Practice, Part A
	Course 420, Standards of Professional Practice, Part B

Recent Seminars:

A.I. -	The Expert Values the Business 9/00
A.I. -	Appraising for Federal Agencies 2/01
A.I. -	Appraising from Blueprints and Specifications 3/00
A.I. -	Appraisal of Local Retail Properties 5/99
A.I. -	Appraising and The Internet 4/99
A.I. -	Office Building Valuation 1/99
A.I. -	Uniform Standards of Professional Appraisal Practice (USPAP) 4/98
A.I. -	Analysis of Operating Expenses 2/98

MEMBERSHIP:

Appraisal Institute, Member #11007
 Continuing Education Completed
 Vice President, RI Chapter of Appraisal Institute, 1999, 2000, 2001
 President, RI Chapter of Appraisal Institute, 2002
 Board of Directors, RI Chapter of Appraisal Institute, 2003

LICENSURE

Certified General Appraiser, State of Rhode Island: #A00213G
 Certified General Appraiser, Commonwealth of Massachusetts: #2829 CG
 Broker, State of Rhode Island # B14926

PETER M. SCOTTI ASSOCIATES • REAL ESTATE

APPRAISALS FOR:

Financial Institutions:

- Bank of America, Providence, R.I. and Boston, MA
- First Federal Savings Bank, Fall River, MA
- Citizens Bank, Providence, RI
- South Shore Bank, Boston MA
- First National Bank of New England, Hartford, CT
- Bank Rhode Island, Providence, RI
- Sovereign Bank, Providence, RI
- Webster Bank, Hartford, CT
- Struever Bros, Eccles & Rouse
- Toyota North America

Regulatory Agencies:

- Federal Deposit Insurance Corporation, Franklin, MA
- R.I. Depositors Economic Protection Corporation, Warwick, RI

Governments\ Municipalities:

- City of Providence, Rhode Island, Department of Planning
- State of Rhode Island, Department of Administration
- United States Postal Service
- United States Navy
- United States Marshals Office, Providence, RI
- Rhode Island Department of Transportation (RIDOT)

Religious\Civic:

- Catholic Diocese of Providence, RI
- Salvation Army, Providence, RI
- University of Rhode Island, Kingston, RI

Attorney(s)\Private:

- Boyajian, Harrington, & Richardson
- Grande, Law Offices
- Hinckley, Allen and Snyder
- Adler, Pollock & Sheehan

PETER M. SCOTTI ASSOCIATES • REAL ESTATE

QUALIFICATIONS OF PETER M. SCOTTI, MAI
RHODE ISLAND CERTIFICATION NO. A00110G
MASSACHUSETTS CERTIFICATION NO. 2805
REALTOR AND APPRAISAL SPECIALIST
PETER M. SCOTTI & ASSOCIATES

Engaged in Real Estate business for 38 years.

W. Henry Coleman, Inc., Office Manager, 1974-1980
 Providence Land Co., Treasurer/Principal, 1980-1983
 Henry W. Cooke Co., Chief Appraiser/Principal, 1983-1988
 Peter M. Scotti & Associates, President, 1988-Present

Licensed Real Estate Broker State of Rhode Island, License #B14864
 Licensed Real Estate Appraiser, State of Rhode Island, License #A00110G
 Licensed Real Estate Appraiser, Commonwealth of Massachusetts, License #2805
 Graduate of Washington and Jefferson College, Bachelor of Arts Degree, Political Science 1973
 Member:

Appraisal Institute Member, MAI, 1996
 Greater Providence Board of Realtors/Board of Directors, 1987
 Vice President, R.I.A.R./CID, 1989
 Chairman Rhode Island Appraisal Board 2003
 National Association of Realtors
 Board of Directors RI Chapter Appraisal Institute, 1999
 President RI Chapter Appraisal Institute, 1998
 Member RI Appraisal Board, 2011
 President, RI Commercial Appraisal Board of Realtors, 2012
 Member RI Association of Realtors Board of Directors 2012

Successfully completed the following:

GRI -	Course #1 & #2
SREA -	Course #101 - Introduction to Appraising Real Property- Challenged 1986
	Course #102 - Applied Property Valuation - Challenged 1986
American Institute -	Course #201 - Principles of Income Property Appraising - 1989
	Course #202 - Applied Income Property Valuation - 1989
	Course #413 - Professional Practice Seminar - 10/89
	Course #1410 - Standards of Professional Practice Part A - 3/93
	Course #1410 - Standards of Professional Practice Part B - 12/95
Appraisal Institute -	USPA Update - 1/97
	Course #430 - USPAP - 4/98
	USPAP -4 /03
	Course #600 - Income Valuation Mixed Use - 3/01
Seminars -	Rates and Ratios: Making Sense of GIMs, OARs and DCFs, 6/2007
	The Real Estate Economy: What's in Store for 2008?, 7/2007
	Making Sense of the Changing Landscape of Value, 7/2007
	Office Building Valuation: A Contemporary Perspective, 9/2007
	7-Hour National USPAP Update Course, 10/2007
	Business Practices and Ethics, 10/2007
	Online Analyzing Distressed Real Estate, 11/2007
	Introduction to GIS Applications for Real Estate Appraisal, 12/2007
	Online Appraising From Blueprints and Specifications, 12/2007
	Online Appraising Manufactured Housing, 10/2009
	Online Small Hotel/Motel Valuation, 9/2009
	Online Residential Design & Functional Utility, 10/2009
	7-Hour National USPAP Update Course, 11/2009
	Appraisal Curriculum Overview, 4/2011

Instructor - University of Rhode Island, Extension Division
"Introduction to Real Estate Appraisal"
"Fundamentals of Real Estate"
"Income Property Appraisal"
Guest Lecturer, Johnson & Wales College,
"Fundamentals of Real Estate"

Qualified as an Expert Witness in the following Cities and/or
Towns, Zoning Board of Review:

Barrington, Bristol, Burrillville, Central Falls, Coventry, Cranston, Cumberland, East Greenwich, East
Providence, Exeter, Foster, Glocester, Jamestown, Johnston, Lincoln, Middletown, Narragansett, Newport, New
Shoreham, North Kingstown, North Providence, Pawtucket, Portsmouth, Providence, Richmond, Smithfield,
South Kingstown, Tiverton, Warren, Warwick, West Warwick, Woonsocket, Seekonk, MA.

Town of Barrington, Tax Review Board
Town of Bristol, Tax Review Board
City of Cranston, Tax Review Board
Town of Cumberland, Town Council
Town of Johnston, Tax Review Board
Town of Lincoln, Town Council
Town of Narragansett, Tax Review Board
Town of North Kingstown, Tax Review Board
Town of North Kingstown, Town Council
Town of North Providence, Town Council
City of Pawtucket, Tax Review Board
City of Providence, Tax Review Board
Town of South Kingstown, Tax Review Board
City of Warwick, Tax Review Board
Town of West Greenwich, Tax Review Board
Town of West Warwick, Tax Review Board

Qualified as a Real Estate Expert to Testify: Family Court, District Court, Superior Court - State of Rhode
Island; United States Bankruptcy Court; U.S. District Court

Appraisals for:

Bank of America
Citizens Trust Company
Rockland Trust Company
Webster Bank
TD Bank North
Coastway Community Bank
Citizens Union Savings Bank
Peoples Credit Union
Bank Rhode Island
Home Loan & Investment Co.
Greenwood Credit Union
Merrill-Lynch Relocation
Lifespan
EXXON
Texaco Corporation
Merritt Oil Co.
Blue Cross/Blue Shield
Liberty Mutual
Metropolitan Insurance Corporation

Puritan Life Insurance Company

City of Providence

City of Woonsocket

City of Pawtucket

City of Newport

City of Warwick

Town of North Kingston

Town of Middletown

Town of Richmond

Town of Somerset

Town of Portsmouth

Town of Lincoln

Coastal Resource Management Council/State of Rhode Island

Department of Environmental Management/State of Rhode Island

Department of Transportation/State of Rhode Island

Department of Administration / State of Rhode Island

State of Rhode Island Port Authority

United States Department of Justice

United States GSA/U.S. Small Business Administration

United States Post Office

Rhode Island Housing Mortgage Finance Corporation

Narragansett Bay Commission

Bristol County Water Authority

Providence Water Supply Board

Edwards & Waldman

Winograd, Shine, Land & Finkle

Blais, Cunningham, Crowe, Chester

Lynch & Greenfield

Carroll, Kelly & Murphy

Boyajian, Harrington & Richardson

Hinckley, Allen, Snyder & Comen

Adler Pollack & Sheehan

Vetter & White

Burns & Levenson

Revens, Revens & St. Pierre

Schectman, Halperin & Savage

Olen & Penza

SUMMARY APPRAISAL REPORT

**Proposed Electric Substation Site
Block Island Power Co. Property**

**Located:
8 Ocean Avenue
Town of New Shoreham (Block Island), Rhode Island**

**Report Date:
December 12, 2012**

**Effective Valuation Date:
October 25, 2012**

**Requested By:

Jeff Grybowski
Deepwater Wind
56 Exchange Terrace, Suite 101
Providence, RI 02903**

**Prepared by:
Slater W. Anderson, Senior Appraiser
LandVest, Inc.
Ten Post Office Square
Boston, MA 02109**

REGIONAL OFFICES

One City Center, 11th Floor
Portland, ME 04101
Telephone 207 774-8518
Fax 207 774-5845

22 Bayview Street
P.O. Box 1262
Camden, ME 04843
Telephone 207 236-3543
Fax 207 236-2172

4A Tracy Road
P.O. Box 1068
Northeast Harbor, ME 04662
Telephone 207 276-3840
Fax 207 276-3837

186 College Street
Burlington, VT 05401
Telephone 802 660-2900
Fax 802 660-2543

One The Green
Woodstock, VT 05091
Telephone 802 457-4977
Fax 802 457-9021

19 South Summer Street
P.O. Box 1056
Martha's Vineyard
Edgartown, MA 02539
Telephone 508 627-3757
Fax 508 627-8617

16 Centre Street, First Floor
Concord, NH 03301
Telephone 603 228-2020
Fax 603 226-4391

December 12, 2012

Jeffrey Grybowski
Deepwater Wind
56 Exchange Terrace, Suite 101
Providence, RI 02903

**RE: *Summary Appraisal Report of
Proposed Electric Substation Site
8 Ocean Avenue, New Shoreham (Block Island), Rhode Island***

Dear Mr. Grybowski:

Per your request, we have prepared the following summary appraisal report of a permanent *easement in gross* for a 20,000 square feet land area located at the south end of the above noted property and easements to access this area from the public right-of-way and for connection to available utilities and Block Island Power Company's (BIPCO) electric distribution system. These easements are a *permanent easement* with no termination whether implied, expressed or by statute and a *Temporary Construction Easement (TCE)* on up to five acres which has no reported term in the documentation provided but has been estimated that it will be for a term of up to two years. The purpose of this report is to provide you with fair market values of the two easements for acquisition purposes. Representatives of Deepwater Wind and their assigns are the intended users. The subject property was inspected by Slater Anderson in the company of Bryan Wilson from Deepwater Wind on October 25, 2012 which serves as the effective valuation date of this report.

As agreed, this valuation is reported in a *Summary Appraisal Report* format in full compliance with the Code of Professional Ethics (CPE) and Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute. The market data and notes related to our analysis and opinions are retained in our working files. The opinions of market value rendered in this report are based on cash terms, or conventional market financing with typical rates and terms available as of the effective valuation date.

TELEPHONE: 617 723-1800

FAX: 617 482-7957

WEB: www.landvest.com

Jeffrey Grybowski
December 12, 2012
Page - 2 -

LandVest[®]

Based on the following analysis as of October 25, 2012, we conclude that the permanent and temporary easements have the following market values:

Permanent Easement in Gross on 20,000 Sq. Ft.:

\$380,000

Temporary Construction Easement on 5± Acres:

\$190,000

Thank you for this opportunity to provide our services. Please do not hesitate to call if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Slater W. Anderson", followed by a long horizontal flourish.

Slater W. Anderson
Senior Appraiser
LandVest - Real Estate Consulting Group
RI Certified General License # A01335G

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STANDARD LIMITING CONDITIONS

1. The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Sketches, maps, plans, and exhibits in the report may show approximate dimensions and are included to assist the reader in visualizing this property. The appraiser has made no survey of the property. Data relative to size and area were taken from sources considered reliable. It is assumed that no encroachments exist.
3. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or attend court with reference to the property that is the subject of this appraisal, unless arrangements have otherwise been made.
4. The appraiser assumes there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for engineering which might be required to discover such factors.
5. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.
6. Neither all, nor any part of the content of the report, or copy thereof, including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected, shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, mortgage insurers, or professional appraisal organizations, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
7. On all appraisals subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workman-like manner.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the subject property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser; however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the subject. The value estimate is predicated

on the assumption that there is no such material on or in the subject property that would have an impact on value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

9. The date of value is expressed within this report. Any forecasts included in this report are based on existing market conditions and expectations. The appraiser takes no responsibility for any events, conditions, economic factors, physical factors, or other circumstances occurring after the date of value that would affect the opinions expressed in this report.
10. Except as otherwise noted, it is assumed that there are no encroachments, building violations, code violations, or zoning violations affecting the subject property.
11. Responsible ownership and competent property management are assumed.
12. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
13. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.
14. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report.

SUMMARY OF IMPORTANT FACTS AND PROPERTY DATA

Subject Property: Permanent Easement in Gross on 20,000 Sq. Ft. of vacant land and a Temporary Construction Easement (TCE) on 5± Acres

Property Location: 8 Ocean Avenue, Town of New Shoreham, Rhode Island
A portion of Lots 35, 36, 37 and 40 on Plat 17

Record Owners: Block Island Power Company (BIPCO)

Purpose & Intended Use of Appraisal: The purpose of the appraisal is to establish the market values of two easements for acquisition purposes.

Inspection Date: October 25, 2012

Effective Valuation Date: October 25, 2012

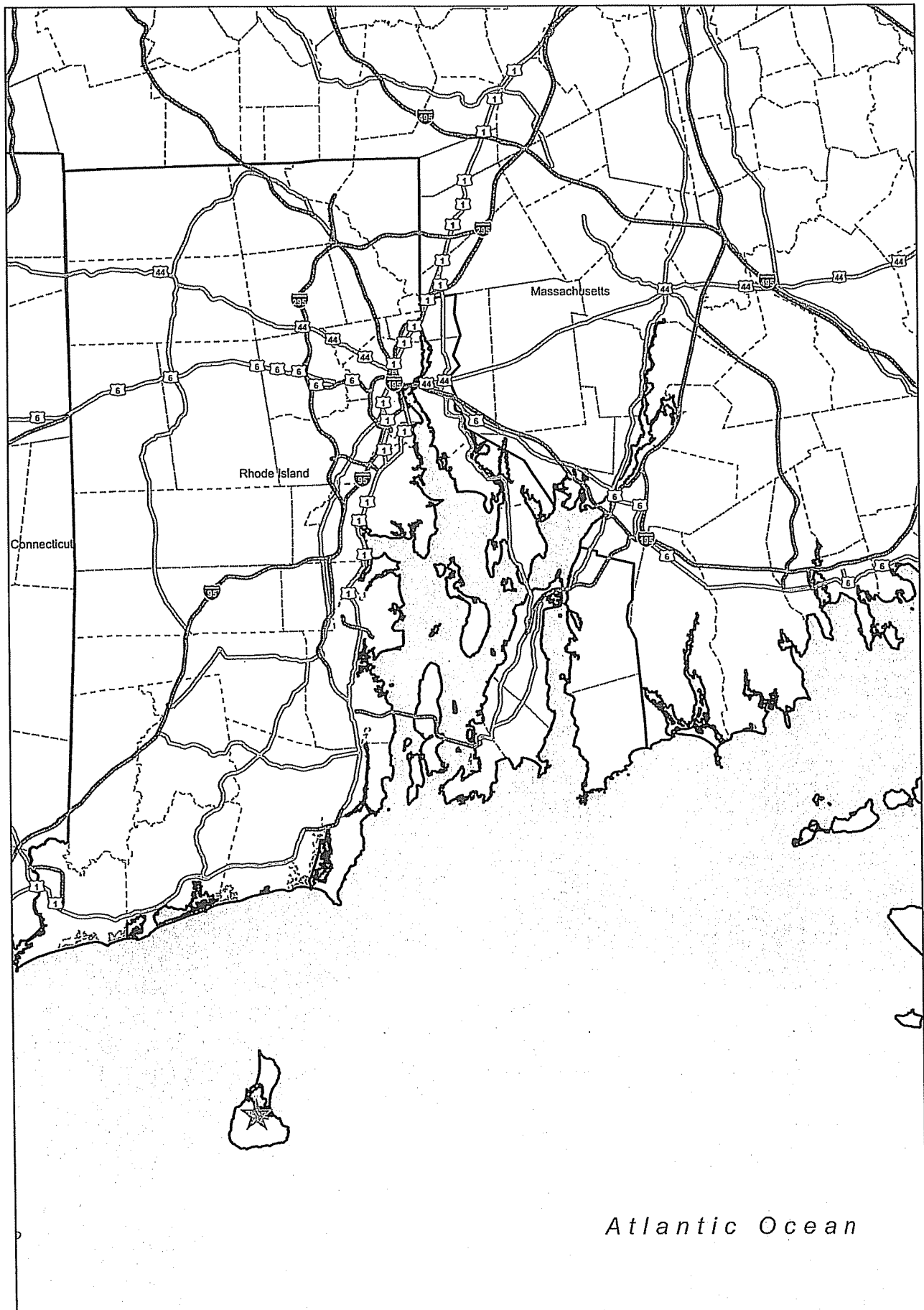
Property Rights Appraised: The property rights appraised are those of a permanent easement and temporary easement.

Property Description: The subject property is comprised of a 20,000 square foot vacant upland area on a larger commercially-zoned parcel and a 5± acre temporary construction easement over adjacent vacant land.

Existing Easements/Encumbrances: It is assumed there are no easements or encumbrances that will affect the market value conclusions.

Market Values:

Permanent Easement in Gross on 20,000 Sq. Ft.:	\$380,000
Temporary Construction Easement on 5± Acres:	\$190,000



Legend

★ Subject Property

Project Number: 12004

Date: December 12, 2012

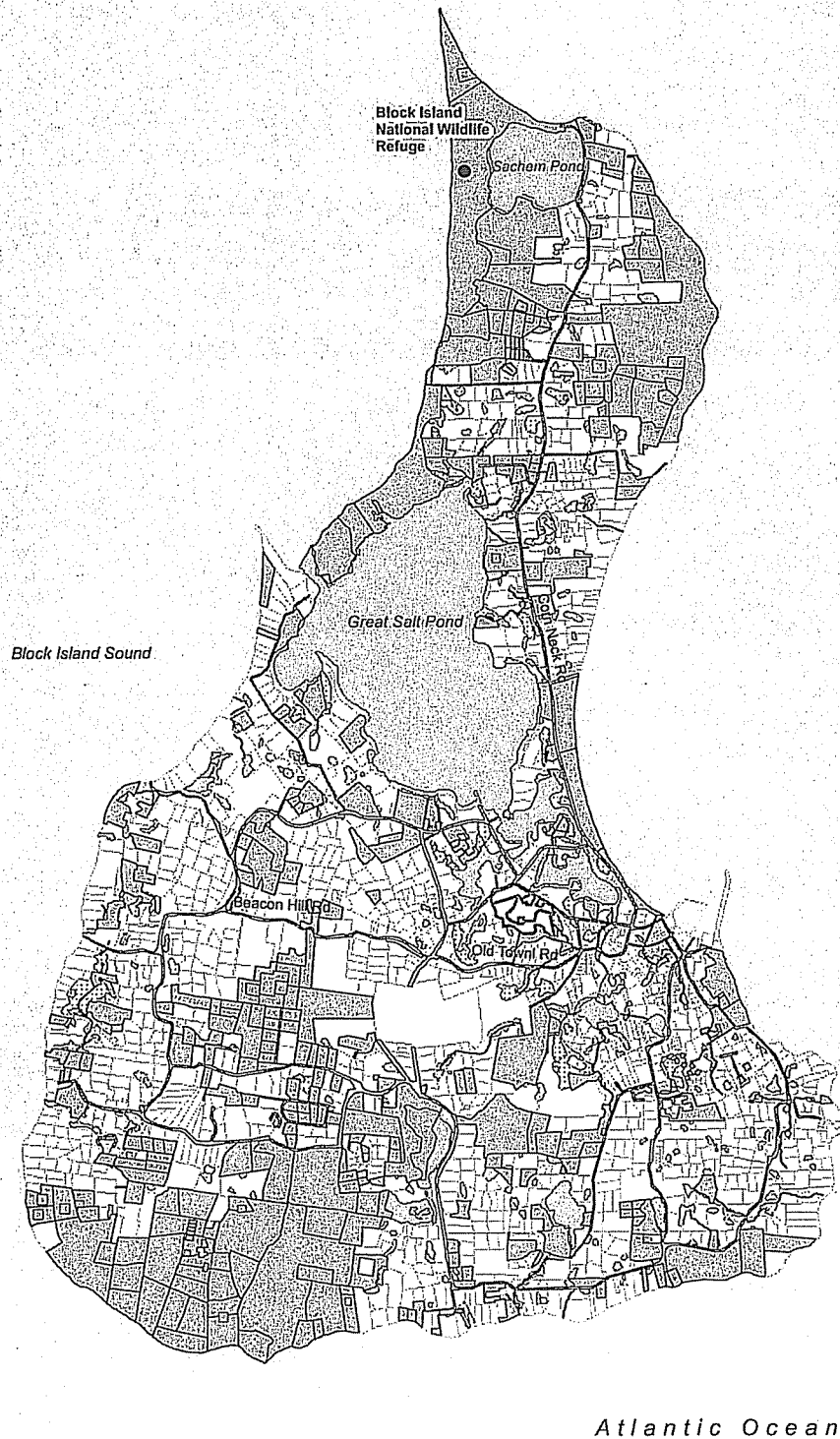
This plan is conceptual only and is not represented as an engineered plan.

Regional Town Locus






Deep Water Wind
Block Island,
Rhode Island

Scale: 1" = 27,000'
0 13,500 27,000 54,000 Feet
LandVest
Ten Post Office Square, Boston, MA 02109





Legend

	Subject Property		Open Space
	Wetlands		Restricted Space
	Open Water		

Project Number: 12004

Date: November 14, 2012

This plan is conceptual only and is not represented as an engineered plan.

Town Locus

Deep Water Wind
Block Island,
Rhode Island



I. DEFINITIONS & APPRAISAL SCOPE

A. DEFINITIONS

1. Market Value

The opinion of value estimate set forth herein is *Market Value*, defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit to this definition is the consummation of the sale as of a specified date and passing of title from seller to buyer under conditions whereby:

- 1. Buyer and Seller are typically motivated;*
- 2. Both parties are well informed or well advised and acting in what they consider their best interests;*
- 3. Reasonable time is allowed for exposure to the open market;*
- 4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and,*
- 5. The price represents the normal consideration for the property sold unaffected by specially created financing or sales concessions granted by anyone associated with the sale.¹*

2. Fee Simple Estate

The ownership interest appraised is that of Fee Simple Estate.

Fee Simple Estate is defined as:

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation.²

3. Permanent Easement in Gross

An easement that benefits a legal person or entity (individual, corporation, partnership, LLC, government entity, etc.) and not a particular tract of land; an easement having a servient estate but no dominant.³

¹ The Dictionary of Real Estate. American Institute of Real Estate Appraisers, 2010, Page 122-123.

² The Dictionary of Real Estate. American Institute of Real Estate Appraisers, 2010, Page 78.

³ The Dictionary of Real Estate. American Institute of Real Estate Appraisers, 2010, Page 63.

4. **Highest and Best Use**

The subject property is valued in accordance with the appraiser's conclusion of Highest and Best Use under current regulatory and market conditions. The *Highest and Best Use* of real estate is defined as:

*The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value.*⁴

In consideration of this definition, a potential use for a site must pass the following tests:

1. *The use must be physically and legally permissible;*
2. *The legal use must be probable, not speculative;*
3. *The use must be in demand;*
4. *The use must be profitable;*
5. *The use must return to the land the highest return possible; and*
6. *The use must provide the highest return for the longest period of time.*

The Highest and Best Use analysis involves consideration of existing land use regulations, any *reasonably probable* modifications to those regulations, the subject property's physical adaptability, and economic demand for the physically and legally permissible uses of the subject property type. This analysis also accounts for prevailing market trends, established neighborhood development patterns, and physical/aesthetic issues influencing market demand.

B. **INTENDED PURPOSE AND USE OF REPORT**

The intended use of this appraisal is to provide an opinion of the *market values* of a *permanent easement in gross* and a *temporary construction easement* on the subject property. The intended use of the appraisal is for acquisition purposes. Deepwater Wind and its representatives are the intended users.

C. **EFFECTIVE DATE OF VALUATION**

The valuation date is October 25, 2012, the date of inspection.

D. **SCOPE OF APPRAISAL**

LandVest's Real Estate Consulting Group was engaged to provide opinions of market value for two easements on the subject property. The purpose of the current appraisal is to establish the market values of these property interests for acquisition purposes. The appraiser has no personal interest in the property and the value conclusions in this

⁴ The Dictionary of Real Estate. American Institute of Real Estate Appraisers, 2010, Page 93.

appraisal are not contingent upon the appraiser's fee or compensation.

The market value opinions contained in this appraisal report are based on a personal inspection of the subject land as well as a review of public records; engineered plans; Federal Insurance Rate Maps; USGS topographic maps; and, Town of New Shoreham Assessor's maps, and Planning Department records. Mapping and graphics within the report were provided by LandVest's GIS Department.

The legal and regulatory analysis of the subject property included a review of the easement terms, site plans, and of local zoning regulations in effect in the Town of New Shoreham, Rhode Island as of the effective valuation date.

This valuation analysis, using appraisal methodologies including the sales comparison approach, forms the basis for our opinions regarding the market value of the two proposed easements.

E. EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

This report is subject to the following extraordinary assumptions and hypothetical conditions and to such other specific and limiting conditions as are set forth by the appraisers in this report:

- i. We have assumed that the subject property is free of hazardous conditions that would affect the use of the easement areas contemplated in the Option Agreement.
- ii. It is a hypothetical condition of this report that the proposed *Deepwater Wind Block Island Power Substation*, as shown on a Site Plan prepared by DiPrete Engineering dated January 13, 2012, is a feasible and legally permissible use of the subject property.
- iii. The appraiser did not review the subject deed and assumes that there are no conditions in the deed that would prevent the contemplated easements from being recorded.

F. REPORTING FORMAT

This report is presented in a *Summary Appraisal Report* format. In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) Rule 2-2(b), the report includes only summary analyses and reasoning in support of the market value opinions rendered. Additional supporting documentation concerning the data, reasoning and analysis is retained in the appraiser's files. The appraiser is not responsible for unauthorized use of this report.

II. TITLE HISTORY, TAX ASSESSMENT, USE, AND DESCRIPTION**Title History**

The subject property is portions of Lot 35, 36, 37 and 40 of Plat 17 of the Tax Assessor's Plat Maps of the Town of New Shoreham, RI.

The *permanent easement in gross* for installation of the substation appears to occupy Lot 37 (8 Ocean Ave.) with ingress and egress across Lots 35, 36 and 40. The subject property is owned by the Block Island Power Co. (BIPCO). 8 Ocean Ave. (Lot 37) has a recording reference of Book 38 Page 263 dated November 1, 1972. *The appraiser did not review the subject deed and assumes that there are no conditions in the deed that would prevent the contemplated easements from being recorded.*

8 Ocean Ave. has a land assessment of \$873,600 for the 6.76± acre parcel, or \$2.97 per square foot.

The *temporary construction easement* is estimated to cover approximately 5± acres of Lots 35, 36, 37 and 40 for an estimated term of two years.

The overall subject property consists of approximately 25.1± acres and is assessed as follows:

Fiscal Year 2012 Tax Assessment

Address	Plat/Lot	Land	Building	Total	Taxes
100 Ocean Ave.	17/35	\$392,300	\$316,000	\$708,300	\$3,357.34
127 Ocean Ave.	17/36	\$376,200	\$199,400	\$575,600	\$2,728.34
8 Ocean Ave.	17/37	\$873,600	\$563,100	\$1,436,700	\$6,809.96
Off Ocean Ave.	17/40	\$90,800	\$ 0	\$90,800	\$430.39
Total		\$1,732,900	\$1,078,500	\$2,811,400	\$13,326.03

The 2011 tax rate for the Town of New Shoreham is \$4.74/\$1,000. The assessments are based on a revaluation that was conducted in 2009 for the 2012 fiscal year.

Property Description

The larger subject property consists of 25.1± acres per the January 13, 2012 DiPrete Engineering plan. The larger parcel is located on the westerly side of Ocean Avenue and the southeasterly side of Beach Avenue. The irregular shaped parcel has about 840± feet of non-contiguous road frontage on Ocean Avenue and 660± feet of road frontage on Beach Avenue. Access to the property is primarily from the Ocean Avenue frontage. There is secondary access from the Beach Avenue frontage which is where the contemplated new onshore utility lines are proposed to access the subject property. The topography on the larger parcel is varied; however, the proposed permanent easement area is level upland. There are wetlands and ponds along the eastern, southern, and western perimeters of the subject property. On-site utilities include electricity, town water, and telephone service.

The larger property is improved with six primary commercial buildings which were constructed between 1950 and 1975 and contain gross building area of approximately 12,500± square feet. These buildings along with several accessory structures are utilized for generation and distribution of electricity to the island. Most of the improvements are in fair to average condition.

Option Agreement

The appraiser has reviewed the executed Option Agreement dated August 29, 2012 and recorded in the Town of New Shoreham Land Evidence Records in Book 452, Page 19 on August 31, 2012. The relevant details of the Agreement are as follow:

Optionor:	Block Island Power or BIPCO
Optionee:	Deepwater Wind Block Island, LLC and Deepwater Wind Transmission, LLC
Purpose:	Acquire permanent and temporary easements over land of BIPCO for the purpose of establishing, constructing and maintaining a utility substation on the property including connection to BIPCO's existing facility and infrastructure.
Easement Area:	Easement in gross is ±20,000 SF; TCE is 5.0± Acres
Option date:	August 29, 2012, initial Option period through December 31, 2012
Extensions:	Three six month extensions, through June 30, 2014
Option Payment:	\$7,000 initial payment, and \$6,000 for each extension
Price:	To be determined, by appraisal
Easement:	Permanent easement in gross to construct and maintain an electric utility substation on the area identified as "Alternative A" on the Diprete Site Plan. Includes easement rights for ingress and egress to the public right-of-way and to other property of BIPCO. Also a Temporary Construction Easement of up to five acres; the area of which is to be mutually agreed upon by the parties. The term of the TCE will be up to two years.
Comments:	Maintenance and expenses of real estate taxes is assumed to be the responsibility of the Optionor (BIPCO).

Please refer to the Site Plans and photographs on the following pages for an illustration of the property. The Assessor field card for Lot 37 is included in the Appendix.



and signed by a Data Engineering

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OF 2014 HAS BEEN REVIEWED BY THE ENGINEERING ASSESSMENT BOARD

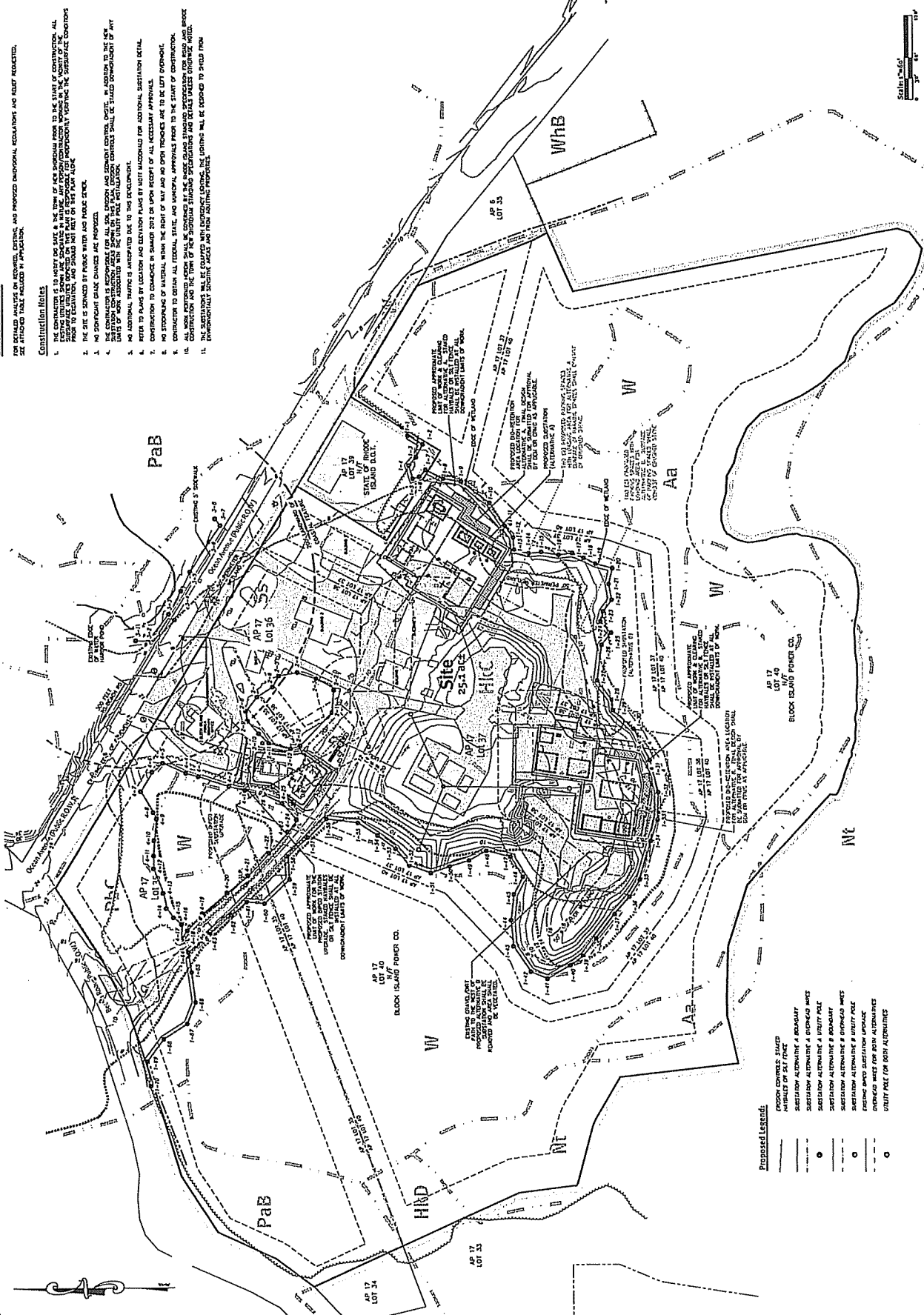
Site Plan

Dimensional Notes:

FOR DETAILED ANALYSIS ON REQUIRED, EXISTING, AND PROPOSED ENVIRONMENTAL REGULATIONS AND RISKY REQUESTED, BY ATTACHED TABLE INCLUDED IN APPLICATION.

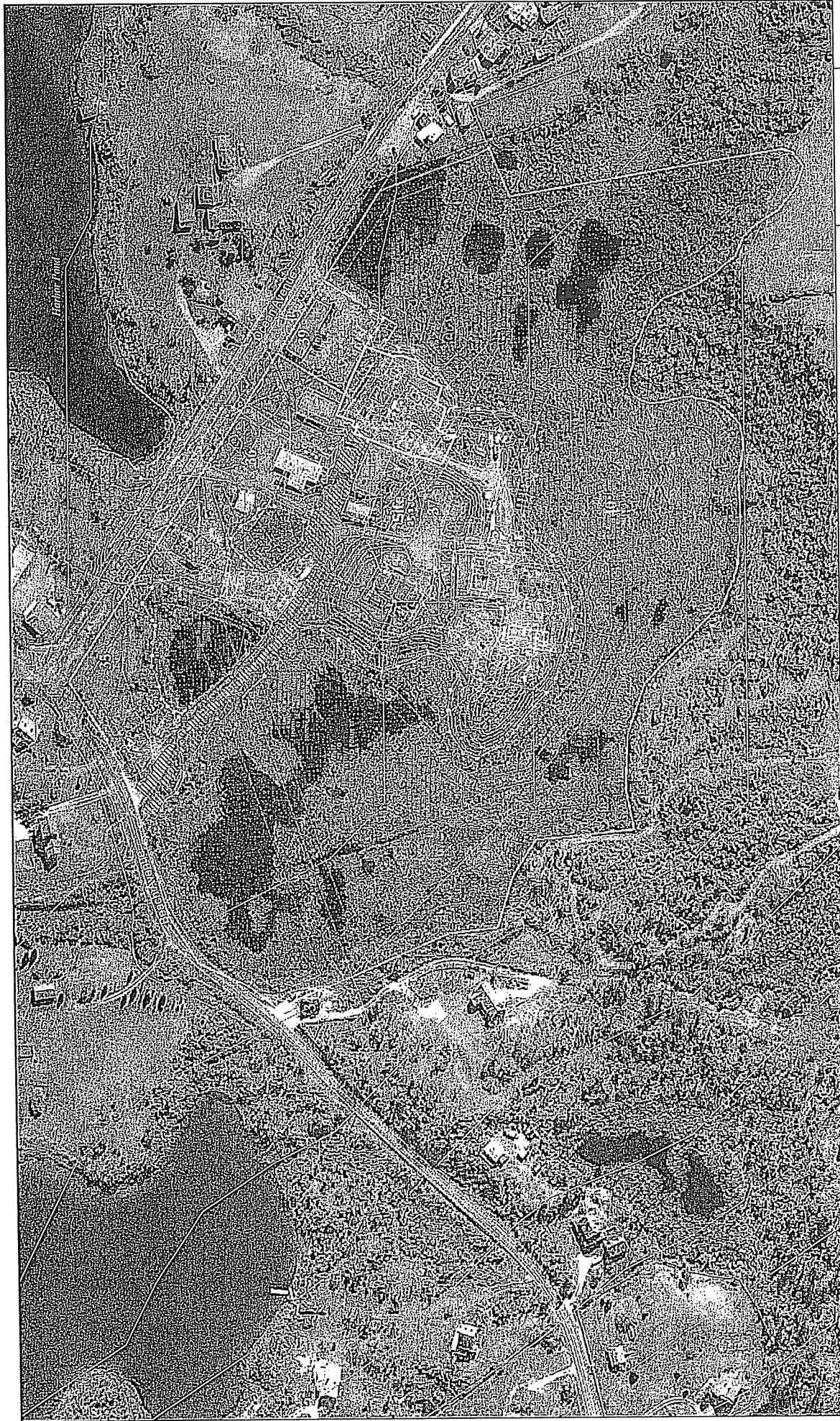
Construction Notes

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Proposed Legend:

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- Apprentice Boarder Per Exhibit A-1 6/29/12 Ocean Agreement 5/20/2012 St. FL
- Permit Area
- Assess Cook Power Purchase - 2/1/2014

Notes:

Imagery captured 2011
courtesy of RI GIS

Deep Water Wind
Block Island,
Rhode Island

Project Number: 12004
Date: October 24, 2012
This plan is conceptual only and is not
represented as an engineered plan.

Scale: 1" = 150'
0 75 150 300 Feet

LandVest
Ten Four Office Square, Irvine, MD 21042

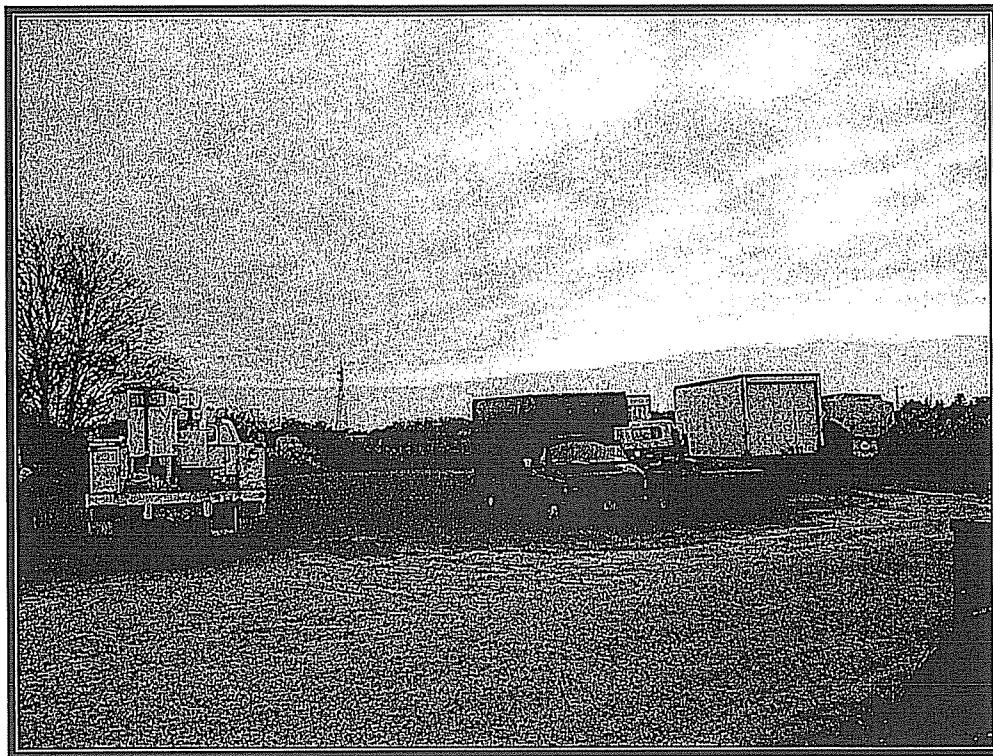
Base Plan
Orthophotograph



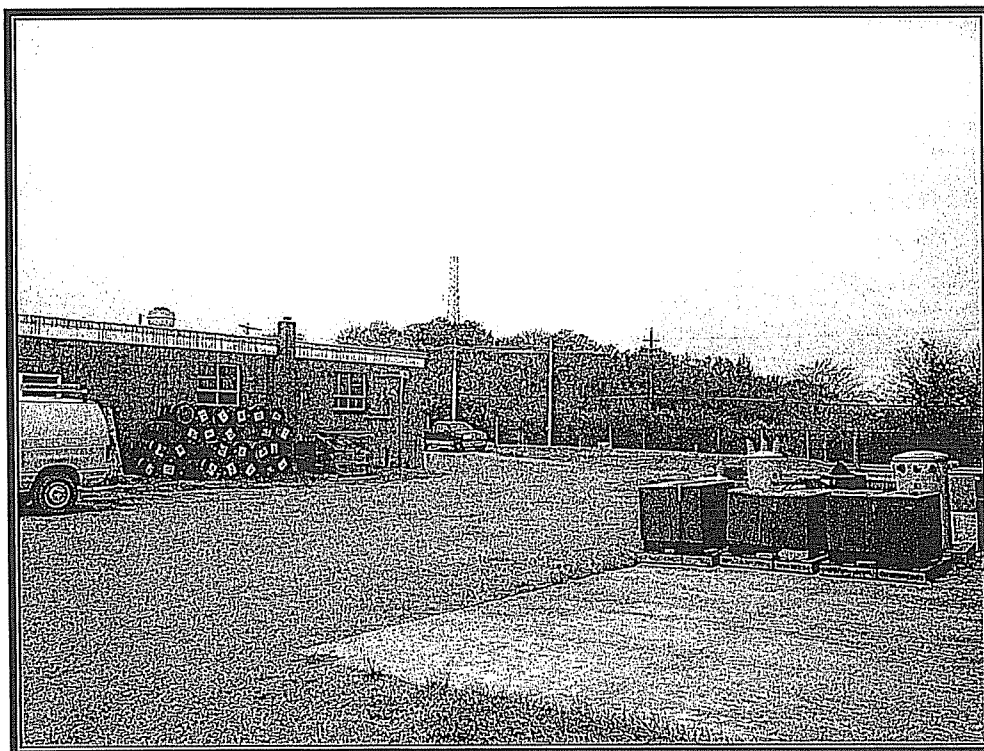
Beach Avenue Frontage and Access



Permanent Easement Area Looking Southeast



Permanent Easement Area Looking Southwest



Ingress and Egress from Permanent Easement Area to Ocean Avenue Looking Northeast

Neighborhood

Neighborhood is a term usually applied to areas developed with residential or mixed residential and area-serving commercial uses. Neighborhoods are distinguished from "districts," which are areas of homogeneous land use. As defined by The Appraisal Institute, a neighborhood is "a group of complementary land uses."

Block Island - The Town of New Shoreham

The subject property is located north of the central harbor-front village of Block Island known as the Old Harbor District. Block Island constitutes the entire geographic area of the Town of New Shoreham, Rhode Island. Historically, Block Island has been a seasonal summer vacation destination for New England families. The island has two harbors used by commercial and recreational boats. The island is accessed by passenger and car ferry from Point Judith or by plane from Westerly Airport.

Conclusion - Subject Neighborhood

The subject neighborhood is characterized by a mix of commercial and residential uses. The subject property is in a transitional area between more commercial and more residential densities. Since the subject property is surrounded on three sides by wetlands, the surrounding land uses are buffered from the intensive commercial-industrial use of the site as a power generation facility. Based on the appropriate zoning, physical site characteristics, and the existing power generation use, the subject property is consistent with the pattern of land uses and development in the subject neighborhood and thus is well-suited to supporting the proposed use of the subject property and is zoned for similar uses.

III. REGULATORY FACTORS

Zoning

The subject properties are located in the Service Commercial (SC) Zoning District. The SC Zone comprises land connecting the two harbors. It is intended that the SC Zone be developed primarily to serve the utility and service needs of the Island. Dimensional requirements in the SC Zone are as follows:

<u>SC Zone Dimensional Requirements</u>	
Minimum Lot Area	20,000 square feet
Minimum Lot Frontage	100 feet
Minimum Setbacks	
Front	25 feet
Side	25 feet
Rear	50 feet
Minimum Setbacks Accessory Structures and Uses	
Front	25 feet
Side	25 feet
Rear	50 feet
Maximum Lot Building Coverage	25%
Maximum Lot Coverage	35%
Maximum Height	
Main Structure	30 feet
Accessory Structure	30 feet

Permitted Uses in the SC Zone include:

- Accessory Apartment
- Accessory Residential Structures
- Accessory Use/Home Occupation
- Commercial/Residential Mixed Use
- Community Residences
- Family Day Care Homes
- Farming
- Professional and Business Services
- Rental Rooms
- Restaurants
- Retail Trade
- Single Family Dwelling Unit

The subject property as a permanent easement area is not considered a conforming lot as it lacks adequate road frontage if considered a separate lot. However, the *larger parcel* (Lot 37) has sufficient lot area and road frontage to be considered a conforming lot and the proposed easement use is consistent with the existing use of the larger parcel and is allowed by special permit in the SC Zone.

In accordance with Section 417 - Utility Facilities – of the zoning by-law: siting of any utility facility shall minimize adverse visual impact and the facility shall be screened by planting to the extent feasible. The development plan for any utility facility shall include evidence of compliance with all state and federal regulations for such facility. The appraiser is not qualified to determine the compliance of the proposed use with state or federal regulations but has assumed the use is legally permissible.

According to documentation recorded in the Town's Land Evidence Records the Deepwater Wind (the beneficiary of the easement in gross) received approval from the town for the proposed substation in 2012 as recorded on Page 87, of Book 446. The approval sought was for the special permit for the substation use but also for relief from the height restriction of 30 feet so to accommodate new utility poles for carrying electricity to and from the easement area.

Flood Zones

Portions of larger site (25.1± acres) in the area of the wetlands on the site are located within the Zones A6 (100-year) flood zones designated on the Flood Insurance Rate Map, Community Panel 440036-0004D, dated September 30, 1995. Zone A6 is a low-lying area on the subject property with a base flood elevation of 9 feet above sea level. This is an area that is subject to 100-year flooding. The subject permanent easement area appears to be located at 10 to 12 feet above sea level in Zone B or C. Flood risk does not appear to be a limiting factor for use of the subject property. Flood insurance should be available to a developer of the subject property.

Wetland Regulations

As noted, there are wetland areas surrounding the subject property on the larger site. These wetlands are likely classified as inland wetlands which are regulated by the state (RI-DEM). The jurisdictional buffer maintained by DEM around inland wetlands is 50 feet. The DiPrete Engineering Site Plan dated January 13, 2012 shows a surveyed wetland boundary on the larger parcel. The proposed site development (Alternative A) is located within the 50-foot buffer area but outside of the wetlands. A portion of the larger parcel fronting on Ocean Avenue falls within the jurisdiction of the Coastal Resource Management Council (CRMC) because it is within 200 feet of the Harbor Pond which is considered a coastal feature. However, the subject permanent easement area is outside of this CRMC jurisdictional zone. The appraiser has assumed that all relevant local and state permitting will be secured for the proposed use.

Hazardous Conditions

The appraiser is not trained or experienced in recognizing, detecting, or measuring the existence of hazardous materials on the site. No hazardous conditions were observed on the site visit. This valuation does not consider the impact of unknown adverse environmental conditions of the subject property.

Regulatory Summary

The permanent easement area on the larger site is limited in use and intensity of use by the underlying zoning. As noted above, the proposed use as a new substation received special permit approval in 2012 under the requirements of the SC Zoning district. In addition to zoning, there are environmental constraints related to the wetlands adjacent to the proposed permanent easement area as shown on the DiPrete Site Plan. However, the proposed use is assumed to have no adverse impact on the adjacent wetland area and necessary approvals from RI-DEM are assumed to be securable. Therefore, there are no significant regulatory constraints that would limit the use of the permanent easement area for the proposed substation. Equally, the proposed temporary construction easement is assumed to be compliant with all relevant zoning, building, and environmental regulations.

IV. HIGHEST AND BEST USE ANALYSIS

The Highest and Best Use of real property is defined as follows:

“The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value.”⁵

After considering the definition, it is apparent that a potential use for a site must pass the following tests:

1. The use must be physically and legally permissible.
2. That legal use must be probable, not speculative.
3. There must be a demand for such use.
4. That use must be profitable.
5. The use must return to the land the highest return possible.
6. The use must provide the highest return for the longest period of time.

The analysis of Highest and Best Use involves consideration of existing land use regulations, any reasonably probable modifications to those regulations, the subject property’s physical adaptability, and economic demand for the physically and legally permissible uses of the subject property type. This analysis also accounts for prevailing market trends, established neighborhood development patterns and aesthetic issues impacting market demand.

After considering the above highest and best use tests, it is concluded that the proposed substation use is consistent with the highest and best use of the permanent easement area as a special permit use intended for the Special Commercial Zoning District and consistent with existing uses on the larger site.

The Dictionary of Real Estate. American Institute of Real Estate Appraisers, 2010, Page 93

V. MARKET OVERVIEW

Market Conditions

The commercial and industrial land real estate market on Block Island is very limited. There have been only a handful of sales in recent years of improved commercial properties and no vacant commercial land sales. The sales that have occurred have been mostly in the Old Harbor Commercial zone. The Block Island market is dominated by the seasonal second home market which includes single-family residences and some condominiums.

From 2004 through 2009, median sale prices in New Shoreham fluctuated between \$1,000,000 and \$1,500,000 across all segments of the market according to data provided by the Warren Group (publishers of Banker & Tradesman). The variations in median value were more the result of limited sales volume of high priced water-oriented properties than any discernible trend in price appreciation or depreciation. Similar to other coastal markets, prices tended to peak in 2005 to 2007. In the fall of 2008, the overall residential market experienced a significant decline along with the overall US economy.

Discussions with local brokers have indicated that the commercial market on Block Island is still seeing limited activity. As a largely seasonal community, commercial properties and businesses that lease have a three to four month peak season from June through September.

In the following valuation section we will detail some past sales and current listings of commercial properties on Block Island that we have used as a basis for valuing the subject property. All of these sales include existing commercial improvements. We are aware of one available commercial land offering that is being offered through a Receivership under a bid process.

VI. VALUATION METHODOLOGY

A. Valuation Methodology

There are three accepted approaches to appraising real estate. These include the Sales Comparison Approach, the Income Capitalization Approach and the Cost Approach.

The Sales Comparison Approach is a method of appraisal which establishes a subject value estimate on the basis of comparison with recent sales of similar properties. A principle of substitution is at work in the Sales Comparison Approach to the extent that value is set by the availability of substitute properties in relation to the level of demand for that property type.

The Income Approach is based on the principle of anticipation which states that value is the present worth of the anticipated future benefits, or income to the property. The reliability of this approach is limited when it is applied to properties that are not usually bought and sold for their rental potential. We have not relied on this approach in our analysis of the subject property.

The Cost Approach is also based on the principle of substitution, recognizing that a typical buyer will pay no more for an existing improved property than the cost of buying land and building a substitute property with a utility level comparable to the subject. It is assumed that the buyer will consider the alternative of constructing a new substitute competing property, as opposed to buying the subject property. The dollar cost of a substitute structure, less the depreciation of the subject (and after adjustments for varying levels of utility), is then taken as a measure of value for any improvements.

Because there are no improvements and no subdivision potential of the permanent easement area, we have relied solely on the Sales Comparison Approach in developing our market value opinion of the permanent easement area. In valuing the temporary construction easement on an estimated five acres, we have utilized a direct capitalization analysis and present value discount to determine the market value of the temporary construction easement. Both the temporary easement area (5 acres) and term (two years) are estimates provided to the appraiser by Deepwater Wind and consistent with the BIPCO appraisal assumptions. Deepwater Wind has indicated that the temporary area needed for construction and the time needed for use of this area are both likely lower and closer to two acres and six months. Therefore, the five acre and two year assumptions are considered more than adequate assumptions.

B. Permanent Easement Valuation – Land Residual & Sales Comparison

In this valuation section, we have evaluated the current market value of the 20,000 square foot permanent easement area as described previously in this report. We have first determined the underlying land values of four sales and three active listings of commercial properties located between Old and New Harbors. The residual land value is determined by deducting the depreciated value of the subject buildings and site

improvements from the sale or list price. We have estimated the new replacement cost for typical improvements on the island to be \$200 per square foot. This construction cost estimate is higher than mainland costs due to the added costs of material shipping, labor, and higher construction standards. This construction cost assumption is consistent with other island markets.

Exhibit A on the following page summarizes our selected comparable sales and listings. We have included the current assessment for the building and land as a reasonableness check of our assumptions. We note that we have relied on one sale from 2000 because it consists of a 20,000± square foot parcel directly across Ocean Avenue from the subject property and thus is a good comparable sales in an otherwise limited commercial real estate market on Block Island. We have adjusted this sale price upward 70% to account for the appreciation from 2000 to 2012 based on annual median sales data for New Shoreham from the Warren Group. With the exception of this time adjustment, the unadjusted value range of the four sales is \$14.72 to \$33.19 per square foot of land area. The three listings have a range of \$39.49 to \$74.11 per square foot of land area.

Exhibit B, following Exhibit A, includes details on the relevant adjustments made to the comparable properties. Adjustments included seller financing in two cases (-10% for Sales 1 & 2), condition of sale (-25% for the three active listings), lot size (-10% to +20%), view (-10% to -20% in three cases for harbor/ocean views), and location (-10% to -20% depending on proximity to downtown and the waterfront). These adjustments resulted in a cumulative range of -5% to -50% for the seven comparable properties. The overall adjusted range for the seven properties is \$12.49 to \$33.21 per square foot of land area with a median value of \$20.73/SF and an average value of \$21.68/SF. From these seven properties we have relied on Sales 1-3 and Listing 6 which have a median value of \$19.86/SF and an average value of \$18.28/SF. **Based on this analysis, we conclude that the market value of the 20,000 square foot permanent easement area based on a land value of \$19/SF amounts to \$380,000 as of October 25, 2012 and summarized below.**

INDICATED LAND VALUE	
\$/SF	\$19.00
SF Usable Land	20,000
Total	\$380,000
Rounded	\$380,000
Source: LandVest, Inc.	

Comparable Sales & Listings Photos and Map are included in the Appendix.

EXHIBIT A: SUMMARY OF LAND RESIDENTIAL ANALYSIS

	Subject	Sale 1	Sale 2	Sale 3*	Sale 4	Listing 5	Listing 6	Listing 7
Street Location	8 Ocean Ave. (Portion)	1186 Dodge St.	231 Water St.	101 Ocean Ave.	598 Corn Neck Rd.	215 Chapel St.	239 Ocean Ave.	62 Dodge St.
City	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI	New Shoreham, RI
Zoning	Special Commercial	OH Commercial	OH Commercial	Special Commercial	Mixed	Special Commercial	Special Commercial	OH Commercial
Date	Current	6/1/2012	1/5/2012	3/31/2000	12/17/2009	Active	Active	Active
Price	N/A	\$420,000	\$1,000,000	\$850,000	\$1,684,000	\$945,000	\$639,000	\$1,300,000
Land SF	20,000	11,774	10,669	20,038	39,151	8,712	12,197	12,000
Year Built	N/A	1940	1900	1982	1970	1984	1983	1900
Gross Building SF	N/A	240	6,538	4,396	7,554	2,830	1,524	4,057
Replacement Cost (\$/SF)	N/A	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Total Replacement Cost	N/A	\$48,000	\$1,307,600	\$879,200	\$1,510,800	\$566,000	\$304,800	\$811,400
Depreciation	N/A	60.00%	50.00%	50.00%	40.00%	20.00%	50.00%	50.00%
Depreciated Building Value	N/A	\$19,200	\$653,800	\$439,600	\$906,480	\$452,800	\$152,400	\$405,700
Value Site Improvements	N/A	\$10,000	\$50,000	\$10,000	\$50,000	\$10,000	\$5,000	\$5,000
Total Value of Improvements		\$29,200	\$703,800	\$449,600	\$956,480	\$462,800	\$157,400	\$410,700
Building Assessment:	\$0	\$7,800	\$670,100	\$503,500	\$983,400	\$418,200	\$182,900	\$377,400
Residual Land Value	N/A	\$390,800	\$296,200	\$400,400	\$727,520	\$482,200	\$481,600	\$889,300
Land Assessment:	N/A	\$474,300	\$1,424,700	\$483,800	\$1,866,800	\$339,300	\$390,000	\$507,200
\$/SF	N/A	\$33.19	\$27.76	\$19.98	\$18.58	\$55.35	\$39.49	\$74.11

* 3/31/00 Sale 3 Price of \$500,000 appreciated 70% for time adjustment to 10/25/12

Source: LandVest, Inc.

EXHIBIT B: LAND SALES & LISTINGS ANALYSIS						
SUMMARY OF ADJUSTMENTS						
Property Address	Sale 1	Sale 2	Sale 3	Sale 4	Listing 5	Listing 6
1186 Dodge St.	231 Water St.	101 Ocean Ave.	598 Corn Neck Rd.	215 Chapel St.	239 Ocean Ave.	62 Dodge St.
Unadjusted Price/SF	\$33.19	\$27.76	\$19.98	\$18.58	\$55.35	\$39.49
Property Rights	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Financing Terms	\$33.19	\$27.76	\$19.98	\$18.58	\$55.35	\$39.49
	-10.00%	-10.00%	0.00%	0.00%	0.00%	0.00%
Subtotal	\$29.87	\$24.99	\$19.98	\$18.58	\$55.35	\$39.49
Conditions of Sale	0.00%	0.00%	0.00%	0.00%	-25.00%	-25.00%
Subtotal	\$29.87	\$24.99	\$19.98	\$18.58	\$41.51	\$29.61
Market Conditions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal	\$29.87	\$24.99	\$19.98	\$18.58	\$41.51	\$29.61
Other Adjustments						
Physical Characteristics:						
- Size	11,774	10,669	20,038	8,712	12,197	12,000
	-10.00%	-10.00%	0.00%	20.00%	-10.00%	-10.00%
- View	Similar	Superior	Similar	Superior	Superior	Superior
	0.00%	-20.00%	0.00%	-20.00%	0.00%	-10.00%
- Location	Superior	Superior	Superior	Superior	Superior	Superior
	-20.00%	-20.00%	-5.00%	-20.00%	-10.00%	-20.00%
Total Adjustments	-30.00%	-50.00%	-5.00%	-20.00%	-20.00%	-45.00%
Adjusted Price/SF	\$20.91	\$12.49	\$18.98	\$14.87	\$33.21	\$20.73
Value Conclusion \$/SF	\$19.00					\$30.57
The adjustment grid summarizes the direction and magnitude of adjustments judged appropriate to the comparable sales. In some cases, adjustments may be derived directly from quantifiable data. However, in many instances the adjustments involve judgement of the appraiser.						
Source: LandVest, Inc.						

All Properties:	Selected Properties:
median:	median:
average:	average:
\$20.73	\$19.86
\$21.68	\$18.28

C. Market Value of Temporary Construction Easement

Per the executed Option Agreement, a Temporary Construction Easement (TCE) is contemplated. However, the Grant of Temporary Easement (Exhibit C) has not been executed and does not specify the extent of the temporary easement area or the term. Based on guidance from the client and consistent with the BIPCO appraisal report, we have assumed that the temporary easement area is up to five acres and the term is up to two years.

To value the TCE, we first determine the market value of the five acre temporary easement area and then derive an annual rent using an appropriate capitalization rate based on the income to the landowner from the land lease. Based on our preceding analysis, we concluded that the 20,000 square foot *permanent easement area* had a market value based on a unit value of \$19.00 per square foot of land area. This permanent easement area is 1/10th the size of the proposed TCE. An adjustment to the unit value of measure is appropriate to account for the significant size difference between the permanent easement and the TCE areas. To reasonably determine what the appropriate adjustment is and what the likely “per square foot” unit value is for the TCE, we have considered the following data points:

1. The subject property (8 Ocean Ave.) is 6.76 acres with a land assessment of \$873,600, or \$2.97/SF.
2. We have identified five vacant interior residential lot sales since September 2011 on the island that ranged in size from 1.01± to 3.41± acres with a sale price range on a “per square foot basis” of \$2.86/SF to \$9.36/SF with a median value of \$7.51/SF.
3. We note the current bid offering of a 2.51± acre property at 10 Ocean Avenue that consists of two parcels in two zoning districts (1.5± acres in the same SC zone as the subject property). This property has reportedly been offered for \$760,000, has existing entitlements, and remains on the market. The current asking price of this 2.51± acre property is \$6.95/SF.
4. Finally, we note that industrial and commercial land in the mainland market in the South County area typically sells in the \$2.00/SF range as raw land.

Based on these four data points, we consider a reasonable range of value for the 5.0± acre TCE to be between \$3.00/SF to \$7.00/SF. Using the midpoint of this range indicates a value of \$5.00/SF for the TCE. Therefore, the market value of the 5.0± acre TCE is estimated at \$1,089,000 under a hypothetical condition as a fee simple parcel.

Based on national surveys of capitalization rates, commercial cap rates range from 8% to 12%. We have selected the midpoint of this rate range or 10% for the subject TCE income analysis. Therefore, based on a 10% capitalization rate and a market value of \$1,089,000 the indicated annual gross rental income to the subject property is estimated

at \$108,900.

Finally, we have utilized a 10% discount rate to determine the present value of the two-year income stream from the TCE to the landowner. **Based on the following analysis, the TCE has a market value of \$190,000 as of October 25, 2012.** The TCE discounted valuation is summarized below.

Temporary Construction Easement (TCE) Valuation Summary

Year	Rental income	Discount Factor	Present Value
1	\$108,900	0.909	\$99,000
2	\$108,900	0.826	\$90,000
		Total:	\$189,000
		Rounded:	\$190,000
Discount Rate:	10%		

We note that this TCE market value conclusion should be considered an upper end value based on the assumptions of maximized TCE land area (5± acres) and use term (two years). If, for example, the land area were 3± acres and the use term 18 months, the value of the TCE would be reduced to \$90,000.

APPENDIX

Public Record Information

Comparable Sales & Listings Map & Photos

Certification of Value

Qualifications of Appraiser

LandVest[®]

Public Record Information

[illegible]

Synp 1180-4201

Bldg #: 1 of 4 Sec #: 1 of 2

Print Date: 10/25/2012 12:36

CURRENT OWNER		TOPO. UNIFORMS		SURVEY		EVALUATION		CURRENT ASSESSMENT		Assessed Value	
Description		Code		Appraised Value		Assessed Value		Yr. Code		Assessed Value	
Other ID: 17037-		GIS ID: 1991		ASSOC PID#		Total		1,436,700		1,436,700	
RECORD OF OWNERSHIP		PREVIOUS ASSESSMENTS (HISTORY)		Yr. Code		Assessed Value		Yr. Code		Assessed Value	
EXEMPTIONS		OTHER ASSESSMENTS		Number		Amount		Comm. Int.		Total:	
Year		Type		Description		Code		Amount		Total:	
NBHD/SUB		NBHD NAME		STREET INDEX NAME		TRACING		BATCH		Total:	
0001/A										136,900	
Total:										152,000	
NBHD/SUB		NBHD NAME		STREET INDEX NAME		TRACING		BATCH		873,600	
0001/A										0	
Total:										1,436,700	
C										0	
Adjustment:										0	
Net Total Appraised Parcel Value										1,436,700	
Permit ID		Issue Date		Type		Description		Amount		Insp. Date	
Zone D		Frontage		Depth		Units		Unit Price		I. Factor	
S.A. I.S.O. I.C. Factor		ST. Idx		Adj.		Notes- Adj		Special Pricing		Unit Price	
Land Value											
Total Land Value:										0	

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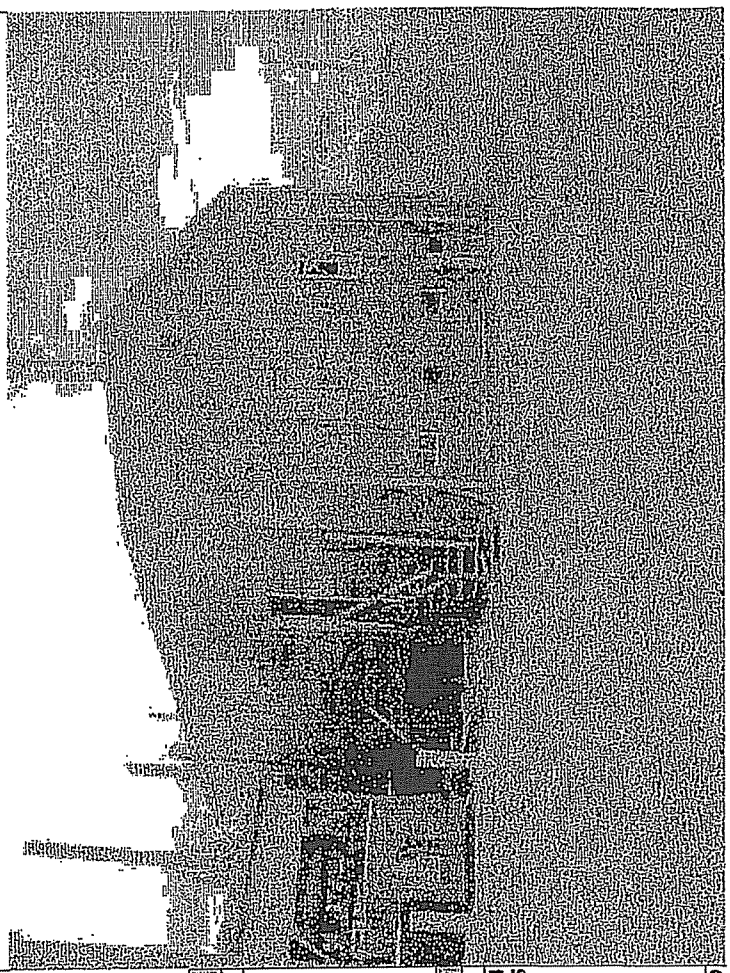
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No Photo On Record

CURRENT OWNER BI POWER COMPANY INC PO BOX 518 BLOCK ISLAND, RI 02807 Additional Owners:		TOPO 1 Level 2 Public Water 3 Public Sewer		STREET 1 Paved 4 Bus. District		LOCATION 4 Bus. District		CURRENT ASSESSMENT Description INDUSTRL IND LAND INDUSTRL		Code 1000 1000 1000		Appraised Value 411,100 873,600 152,000		Assessed Value 411,100 873,600 152,000		5505 BLOCK ISLAND, RI	
Other ID: 17037- SEWERCD: A DEED REST: Note1 Note2 Note3 Note4 Note5 Note6 Note7 Note8		ASSOC PID#		11/01/1972 U I		38 / 263		IN		Yr. Code 2011 1000 2011 1000 2011 1000		Assessed Value 411,100 873,600 152,000		Yr. Code 1000 1000 1000		Assessed Value 411,100 873,600 152,000	
RECORD OF OWNERSHIP BI POWER COMPANY INC		BK TO LPA 38 / 263		11/01/1972 U I		38 / 263		IN		Yr. Code 2011 1000 2011 1000 2011 1000		Assessed Value 411,100 873,600 152,000		Yr. Code 1000 1000 1000		Assessed Value 411,100 873,600 152,000	
EXEMPTIONS Year Type Description		Amount		Code Description		Number		Comm. Int.		Total: 1,436,700		Total: 1,436,700		Total: 1,436,700		Total: 1,436,700	
NBHD / SUB 0001 / A		NBHD NAME		STREET INDEX NAME		TRACING		BATCH		Total: 127,900		Total: 0		Total: 0		Total: 0	
BUILDING #4 [1] 10X10 SHED-NV[LEFT OF ENTRANCE]		Amount		Code Description		Number		Comm. Int.		Total: 1,436,700		Total: 1,436,700		Total: 1,436,700		Total: 1,436,700	
PERMIT RECORD Permit ID Issue Date Type Description		Amount		Insp. Date		% Comp.		Date Comp.		Comments		Date		Type		IS ID Cd. Purpose/Result	
4201 UTILITY		0 SF		0.00		1.00		1.00		1.00		11/24/2009 12/11/2006 1/8/2005 5/28/2003		GM KC BOA GM		50 50 S1 00 Field Reviewed Field Reviewed BUILDING PERMI Measur+Listed	
Zone ID Frontage Depth		Units		Unit Price		I. Factor		S.A. S.O. C. Factor		ST. Idx		Notes- Adj		Special Pricing		Adj. Unit Price Land Value	
2 4201		0		0.00		1.00		1.00		1.00		0.00		0.00		0.00	
Total Card Land Units:		0.00 AC		Parcel Total Land Area:		6.76 AC		Total Land Value:		0		Total Land Value:		0		0	

CONSTRUCTION DETAIL									
Element	Cd.	Ch.	Description	Element	Cd.	Ch.	Description	Element	Cd.
Style	53		Pre-Bug Warehs						
Model	96		Commercial						
Grade	06		Good						
Stories	1		1 Story						
Occupancy	1								
Ext Wall 1	27		Pre-finish Metl						
Exterior Wall 2									
Roof Structure	03		Gable/Hip						
Roof Cover	01		Metal/Tin						
Interior Wall 1	01		Minim/Masonry						
Interior Wall 2									
Interior Floor 1	03		Concr-Finished						
Interior Floor 2									
Heating Fuel	02		Oil						
Heating Type	03		Hot Air-no Duc						
AC Type	01		None						
Bldg Use	4201		UTILITY						
Total Rooms									
Total Bedrms									
Total Baths									
Heat/AC	00		NONE						
Frame Type	05		STEEL						
Baths/Plumbing	00		NONE						
Ceiling/Wall	00		NONE						
Rooms/Ptms	01		LIGHT						
Wall Height	14								
% Conn Wall									
BUILDING SUMMARY									
Code	Description	Living Area	Gross Area	Eff. Area	Unit Cost	Undrepca. Value			
BAS	First Floor	1,200	1,200	1,200	97.10	116,524			
JBM	Basement, Unfinished	0	1,200	240	19.42	23,305			
Ttl Gross Liv/Lease Area:		1,200	2,400	1,440		139,829			

BAS	UBM	40	30
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Property Location: 8 OCEAN AVE

Vision ID: 1991

Account #026800

MAP ID: 171/0371/

Bldg Name:

Bldg #: 4 of 4 Sec #: 1 of 1 Card 5 of 5

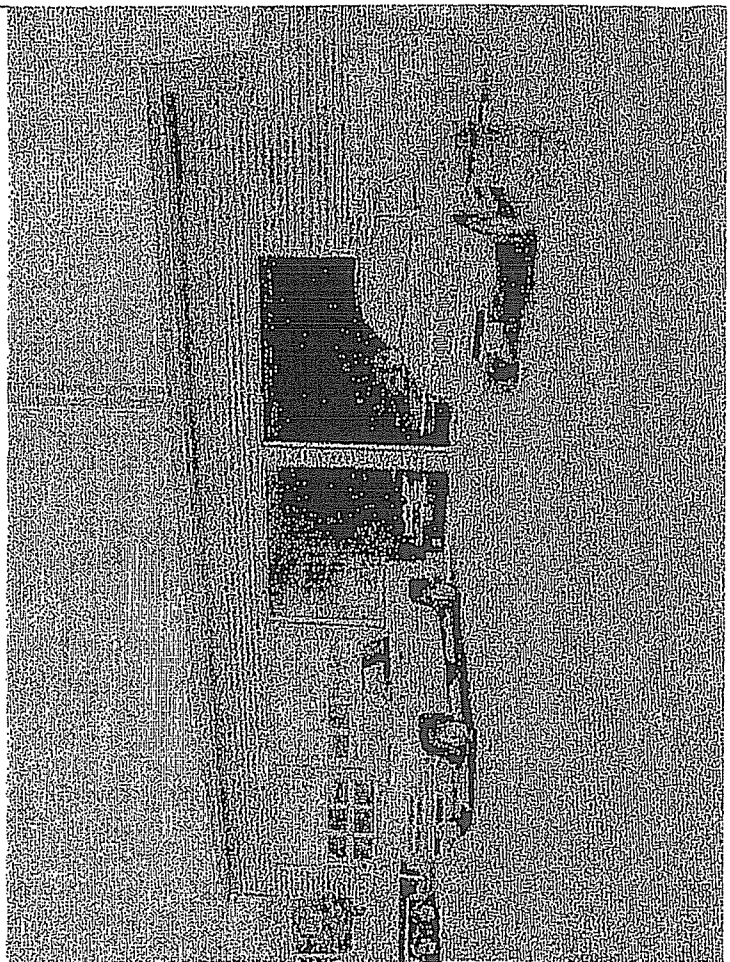
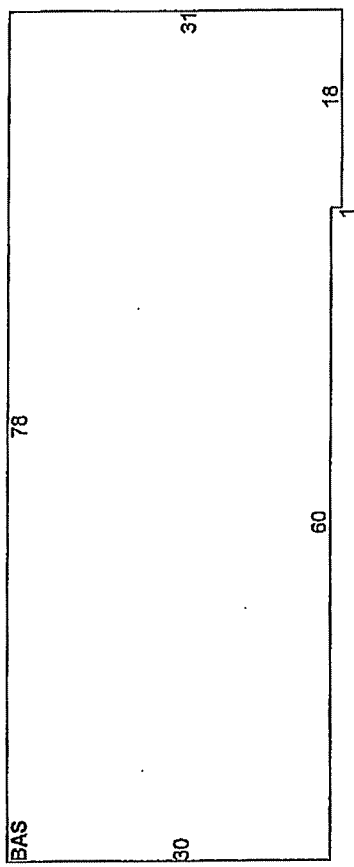
State Use: 4201

Print Date: 10/25/2012 12:36

PROPERTY OWNER		ADDRESS		CITY/TOWN		STATE		ZIP	
BI POWER COMPANY INC		PO BOX 518		BLOCK ISLAND, RI		02807		5505	
Additional Owners:									
RECORD OF OWNERSHIP		ASSOC PID#		PREVIOUS ASSESSMENTS (HISTORIC)		Total		1,436,700	
11/01/1972		38/263		IN		Yr. Code		Yr. Code	
2011 1000		2011 1000		2011 1000		411,100		411,100	
2011 1000		2011 1000		2011 1000		873,600		873,600	
2011 1000		2011 1000		2011 1000		152,000		152,000	
Total:		1,436,700		Total:		1,436,700		1,436,700	
This signature acknowledges a visit by a Data Collector or Assessor									
EXEMPTIONS		Amount		Code Description		Number		Comm. Int.	
Year		Type		Description					
NBHD/SUB		NBHD NAME		STREET INDEX NAME		TRACING		BATCH	
0001/A									
GARAGE FOR CTM HOME SERVICES									
Total:		101,600							
Appraised Bldg. Value (Card)									
Appraised XF (B) Value (Bldg)									
Appraised OB (L) Value (Bldg)									
Appraised Land Value (Bldg)									
Special Land Value									
Total Appraised Parcel Value								1,436,700	
Valuation Method:								C	
Adjustment:								0	
Net Total Appraised Parcel Value								1,436,700	
BUILDING PERMIT RECORD		Permit ID		Issue Date		Type		Description	
4		4201		UTILITY					
Zone		D		Frontage		Depth		Units	
SC								0 SF	
Unit Price		I. Factor		S.A. S.O. C. Factor		ST. Idx		Adj.	
0.00		1.00		1.00		1.00		0.00	
Notes-Adj									
Special Pricing		Adj. Unit Price						Land Value	
0.00								0	
Total Card Land Units:		0.00 AC		Parcel Total Land Area: 6.76 AC				Total Land Value:	
								0	

CONSTRUCTION DETAILS			
Element	Cd.	Ch. Description	Element
Style	25	Service Shop	
Model	96	Commercial	
Grade	03	Average	
Stories	1	1 Story	
Occupancy	1		
Ext Wall 1	14	Wood Shingle	
Exterior Wall 2	13	Pre-Fab Wood	
Roof Structure	03	Gable/Hip	
Roof Cover	01	Metal/Tin	
Interior Wall 1	03	Plastered	
Interior Wall 2			
Interior Floor 1	01	Dirt/None	
Interior Floor 2			
Heating Fuel	01	None	
Heating Type	01	None	
AC Type	01	None	
Bldg Use	0441	COMBO MDL 96	
Total Rooms			
Total Bedrms			
Total Baths			
Heat/AC	01	HEAT/AC PKGS	
Frame Type	03	MASONRY	
Baths/Plumbing	00	NONE	
Ceiling/Wall	00	NONE	
Rooms/Prtns	02	AVERAGE	
Wall Height	14		
% Conn. Wall	1		

CONSTRUCTION DETAILS (CONTINUED)			
Code	Description	Unit Price	Unit Cost
4201	UTILITY		
COST SUMMARY			
Adj. Base Rate:		69.50	
Section RCN:		163,881	
Net Other Adj:		0.00	
Replace Cost		163,881	
AYB		1975	
Dep Code			
Remodel Rating			
Year Remodeled			
Dep %		38	
Funcl Obslnc			
Econ Obslnc			
Cost Trend Factor		1	
Status			
% Complete			
Overall % Cond		62	
Apprais Val		101,600	
Dep % Ovr		0	
Dep Ovr Comment			
Misc Imp Ovr		0	
Misc Imp Ovr Comment			
Cost to Cure Ovr		0	
Cost to Cure Ovr Comment			
BUILDING SUB AREA SUMMARY SECTION			
Code	Description	Gross Area	Unit Cost
BAS	First Floor	2,358	69.50
Ttl. Gross Liv/Lease Area:		2,358	163,881



OPTION AGREEMENT

BE IT KNOWN that as of the 29 day of August, 2012, Block Island Power Company having an address at 100 Ocean Avenue, New Shoreham, Rhode Island 02807 ("BIPCO"), in consideration of \$7,000.00 (seven thousand dollars) and the other promises and premises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant to (i) Deepwater Wind Block Island, LLC, its successors and assigns, ("DWBI") and (ii) Deepwater Wind Block Island Transmission, LLC, its successors and assigns ("DWBIT", and together with DWBI, "Deepwater"), each having an address at 56 Exchange Terrace, Suite 101, Providence, RI 02903 the exclusive option to:

(1)(i) purchase the parcel generally shown on Exhibit A-1 (substations – Alternative A only) (the "DWW Parcel") or (ii) acquire certain permanent easements as described herein on the DWW Parcel;

(2) acquire certain permanent easements as described herein on the area generally shown on Exhibit A-2 (poles and lines) (the "Poling Area");

(3) acquire certain permanent easements as described herein for the purpose of ingress and egress to the DWW Parcel and the Poling Area (in the case of a purchase pursuant to paragraph 5) or the Switchyard Area and the Poling Area (in the case of a grant of permanent easements pursuant to paragraph 5); and

(4) acquire certain temporary easements as described herein.

The DWW Parcel is located on approximately ½ acre of BIPCO's site in New Shoreham, Rhode Island (the "BIPCO Site"). Any assignment of this Agreement must be directly related to and for the sole purpose of erecting and maintaining a substation and related poles, wires and Facilities. This option shall also be subject to the following terms and conditions:

1. Subdivision. The parties understand that as a condition to Deepwater's purchase of the DWW Parcel, the DWW Parcel will need to be subdivided from the BIPCO Site. Following the date hereof, Deepwater agrees that it will, at its cost, diligently pursue the subdivision of the BIPCO Site. BIPCO agrees that it will cooperate with Deepwater, at Deepwater's cost, in connection with such planned subdivision. If the Town of New Shoreham Boards of Zoning and Planning (the "Boards") approve such subdivision, and such approval is final and not subject to appeal, within six (6) months following the date of the submission of the application for subdivision, then, this Agreement shall be deemed to be an option to purchase pursuant to paragraph 4. If the Boards do not approve such subdivision within six (6) months following the date of the submission of the application for subdivision, or such approval is not final or is subject to appeal, then Deepwater may, in its discretion, deem this Agreement to be an option for a permanent easement on the Switchyard Area pursuant to paragraph 4.

2. Option. If Deepwater elects to exercise this option, it shall do so by sending a written notice to BIPCO. The written notice shall include a recordable legal description of the DWW Parcel or the Switchyard Easement Area, as the case may be, and of the each Easement Area. If Deepwater does not exercise this option, then all option payments made hereunder shall be nonrefundable. Deepwater shall have the right to exercise this option until 6:00 p.m. (EST) on December 31, 2012, unless Deepwater extends this option as set forth below.

2.1 Deepwater shall have the right to extend this option until 6:00 p.m. (EST) on June 30, 2013, by tendering to BIPCO \$6,000.00 on or before December 31, 2012.

2.2 If Deepwater has extended this option pursuant to Section 2.1, then Deepwater shall have the further right to extend this option until 6:00 p.m. (EST) on December 31, 2013, by tendering to BIPCO \$6,000.00 on or before June 30, 2013.

2.3 If Deepwater has extended this option pursuant to Section 2.2, then Deepwater shall have the further right to extend this option until 6:00 p.m. (EST) on June 30, 2014, by tendering to BIPCO \$6,000.00 on or before December 31, 2013.

3. Exercise.

3.1 If the Boards approve the subdivision as provided in paragraph 1 and if Deepwater elects to exercise this option and notifies BIPCO that Deepwater elects to proceed with the transaction, the transaction shall be concluded in accordance with paragraph 4. If the Boards do not approve the subdivision as provided in paragraph 1 and if Deepwater elects to exercise this option and notifies BIPCO that Deepwater elects to proceed with the transaction, the transaction shall be concluded in accordance with paragraph 5.

3.2 In addition to the transactions contemplated by paragraphs 4 or 5 below, BIPCO will grant separate temporary easements (each, a "Temporary Easement") to each of DWBI and DWBIT, substantially in the form attached hereto as Exhibit C, to use up to five (5) acres of land, to be mutually agreed upon in a good faith effort to facilitate the purposes set forth below, on BIPCO property, and to promptly maintain, repair and restore said land to its original condition, for purposes of (a) construction laydown, marshaling, staging storage, and fabrication of pipe, valves, meters and other equipment related to the Block Island Wind Farm and Transmission project; (b) parking of motor vehicles (except that there shall be no parking in front of the Office Building, Building 1, or in the roadways), and (c) any other lawful use necessary and directly related to the installation of the Block Island Transmission System or the Block Island Wind Farm export cable, except that it is agreed that at no time shall there be any disruption to the daily operations of BIPCO. There shall be no Temporary Easements for staging, construction, fabrication, parking, etc. allowed in front of the Office Building, Building 1, Building 2 or in the roadways. The Temporary Easements will terminate following the completion of construction and commencement of operation of the Block Island Transmission System and the Block Island Wind Farm.

4. Purchase.

4.1 The purchase of the DWW Parcel by Deepwater shall be concluded at the closing as follows:

4.1.1 BIPCO delivering to Deepwater a good and valid general warranty deed covering the DWW Parcel, with all clauses usual in deeds in this state conveying real estate and whatever other documents Deepwater reasonably requests to obtain title insurance and transfer all of BIPCO's right, title and interest in and to the DWW Parcel and all rights associated with the DWW Parcel or its use;

4.1.2 BIPCO executing and delivering to Deepwater, in form suitable for recording in the appropriate land records, separate permanent easements (the "Poling Easements") to each of DWBI and DWBIT, substantially in the form attached hereto as Exhibit B over and across the Poling Area, for the purposes of (A) transmission lines and poles to connect DWBI's facilities to BIPCO's facilities and to the planned Block Island Transmission

System as shown on Exhibit A-2, and (B) pole lines and other necessary facilities necessary to provide telephone, broad band, water and other utility services to the DWW Parcel.

- 4.1.3 BIPCO executing and delivering to Deepwater, in form suitable for recording in the appropriate land records, separate permanent easements to each of DWBI and DWBIT, substantially in the form attached hereto as Exhibit B (the "Access Easements"), for the purposes of ingress and egress to the DWW Parcel and to the Poling Area, solely via the existing internal and public roadways, and Deepwater shall promptly restore the ingress and egress areas to their original condition in the event of any damage to them, keeping the same in good condition at all times
 - 4.1.4 BIPCO executing and delivering the Temporary Easements to Deepwater in form suitable for recording in the appropriate land records;
 - 4.1.5 Deepwater tendering to BIPCO the Price (hereafter defined); and
 - 4.1.6 BIPCO delivering to Deepwater's title insurance company an affidavit with respect to (i) mechanic's or materialmen's liens with regard to the DWW Parcel and the Poling Area sufficient in form and substance to enable the title insurance company to delete its standard ALTA exception for such liens, (ii) there being no parties in possession of or entitled to possession of the DWW Parcel and the Poling Area and (iii) a non-foreign seller affidavit to establish that the BIPCO is not a non-resident alien.
- 4.2 Unless the parties agree otherwise as to the timing or location of the closing, and subject to Deepwater's other rights herein, the closing of this transaction shall take place on a date to be specified by Deepwater.
- 4.3 At the closing, title to the DWW Parcel is to be (i) free of encumbrances, liens, judgments, tenancies and other defects of title, and (ii) marketable, good of record and in fact and insurable without exceptions by a recognized title insurance company. Deepwater may investigate title issues and encumbrances, if any, concerning the DWW Parcel at any time following the execution of this Agreement. If Deepwater then determines that there are undisclosed defects in BIPCO's title to the DWW Parcel, Deepwater shall notify BIPCO. Prior to closing, BIPCO shall, at its expense, cure any defects in title and pay all costs of releasing all liens, judgments and other encumbrances. To enable BIPCO to make conveyance as herein provided, BIPCO may, at the time of delivery of the deed, use the purchase money to clear title to any and all encumbrances or interests, provided that all instruments so procured are recorded simultaneously with the delivery of the deed to the Deepwater.
- 4.4 BIPCO shall relinquish possession of the DWW Parcel in the same condition it was in on the date of this Agreement, ordinary wear and tear excepted, free of all tenants, occupants or parties in possession.
- 4.5 Risk of damage or destruction to the DWW Parcel by fire or otherwise shall remain with BIPCO until title and possession of the DWW Parcel have been conveyed and transferred to Deepwater.

5. Easement.

5.1 The grant of a permanent easement of the DWW Parcel by BIPCO to Deepwater shall be concluded at the closing as follows:

- 5.1.1 BIPCO executing and delivering to Deepwater, in form suitable for recording in the appropriate land records, separate permanent easements to each of DWBI and DWBIT, substantially in the form attached hereto as Exhibit B (the "Switchyard Easements") on the DWW Parcel, for the purposes of a switchyard, including switching, protection and control equipment, and transformers, circuit breakers and any other equipment or appurtenances reasonably required.
- 5.1.2 BIPCO executing and delivering the Poling Easements to Deepwater, in form suitable for recording in the appropriate land records,
- 5.1.3 BIPCO executing and delivering the Access Easements to Deepwater, in form suitable for recording in the appropriate land records, for the purposes of ingress and egress to the DWW Parcel and to the Poling Area, solely via the existing internal and public roadways, and Deepwater shall promptly restore the ingress and egress areas to their original condition in the event of any damage to them, keeping the same in good condition at all times
- 5.1.4 BIPCO executing and delivering the Temporary Easements to Deepwater in form suitable for recording in the appropriate land records;
- 5.1.5 Deepwater tendering to BIPCO the Price (hereafter defined); and
- 5.1.6 BIPCO delivering to Deepwater's title insurance company an affidavit with respect to (i) mechanic's or materialmen's liens with regard to the Switchyard Area and the Poling Area sufficient in form and substance to enable the title insurance company to delete its standard ALTA exception for such liens, (ii) there being no parties in possession of or entitled to possession of the Switchyard Area and the Poling Area (other than BIPCO), (iii) a non-foreign seller affidavit to establish that the BIPCO is not a non-resident alien and (iv) such other affidavits as Deepwater's title insurance company may reasonably request.

6. In consideration of (i)(a) the purchase of the DWW Parcel and the grant of the Poling Easements or (b) the grant of the Switchyard Easements and the Poling Easements; (ii) the grant of the Access Easements and (iii) the grant of the Temporary Easements, Deepwater shall pay to BIPCO an amount (the "Price") determined as follows. Promptly following the effective date of this Agreement, each of BIPCO and Deepwater will hire, at their own expense, a commercial real estate property appraisal firm, licensed to do business and licensed as an appraiser in Rhode Island. Within ninety (90) days of the date of this Agreement, each of BIPCO and Deepwater will disclose the results of the appraisal it commissioned to the other party. Based on the results of the two appraisals, BIPCO and Deepwater will negotiate, in good faith, a purchase price that has a value between the two appraised values (i.e., the two appraisals will set the upper and lower bound of the purchase price). If the parties fail to reach agreement within 30 days after the second appraisal is furnished, then either party may elect, by notice in writing to the other, to either (1) refer the matter to binding arbitration using the Expedited Rules of the American Arbitration Association, or (2) hire a third appraiser to be mutually agreed upon by the parties and their appraisers,

with the valuation of the third appraiser to be binding and the fee of the third appraiser to be split between the parties.

7. Deepwater acknowledges that BIPCO's execution of this Agreement and the consummation of the transactions contemplated herein may be subject to, and therefore is contingent upon, any necessary prior approval (including, without limitation, the valuation provisions set forth in paragraph 6 above) of the Rhode Island Division of Public Utilities and Carriers, the Rhode Island Public Utilities Commission, and BIPCO's lender pursuant to the USDA Rural Development Electric Program (the Rural Utilities Service (RUS)). BIPCO undertakes to obtain such approvals as expeditiously as possible following agreement respecting the purchase price as set forth in the preceding paragraph. Deepwater shall promptly reimburse BIPCO in full for all reasonable costs, including legal fees, incurred in obtaining all such approvals up to a maximum of \$20,000.00 and subject to Deepwater's receipt of such documentation as Deepwater may reasonably request to verify the expenditures. Deepwater reserves the right to deny reimbursement for any expenses that it deems inappropriate in its sole discretion.

8. During the term of this option, Deepwater and its affiliates, contractors and their subcontractors shall have and are hereby given the right and granted the right of ingress and egress on, over, through, across, to and from the BIPCO Site and to make, solely with respect to the DWW Parcel and the Poling Area, various explorations, core tests and surveys, environmental assessments (including Phase 1 and 2 assessments) or engaging in any other evaluation and assessment activities which Deepwater deems incidental or necessary to the consummation of the transactions contemplated herein. BIPCO understands and acknowledges that Deepwater may be required to disclose the results of such surveys or evaluations to local, state and/or federal agencies.

By entering the BIPCO Site for this or any other purpose, Deepwater: (i) accepts the risk of any damage it may cause to the BIPCO Site or to BIPCO's personal property on the BIPCO Site; (ii) agrees to promptly repair any damage caused by Deepwater to the BIPCO Site, including gates and fences, returning the same to their original condition, and to pay for damage to BIPCO's equipment, if any, caused by Deepwater's activities on the BIPCO Site during the term of this option; and (iii) agrees to indemnify BIPCO against and hold BIPCO harmless from all liability, including reasonable attorney's fees, caused by or related to (i) and (ii) and Deepwater's negligence or other misconduct in connection with Deepwater's activities on the BIPCO Site during the term of this option .

9. BIPCO represents and warrants that: (i) BIPCO owns fee simple title to the BIPCO Site; (ii) the DWW Parcel or the Switchyard Easement, as the case may be, will include all subsurface interests in and under the BIPCO Site and the same have not heretofore been sold, transferred or leased to any party and are not subject to the interest or right of any other party; (iii) BIPCO shall not enter into any other agreement for the sale or lease of the DWW Parcel and BIPCO shall not enter into any contract with respect to the DWW Parcel or the Poling Area which would survive closing or otherwise affect the use, operation or enjoyment of the DWW Parcel after closing; and (iv) on the closing date of the transactions contemplated in paragraphs 4 or 5, as the case may be, the DWW Parcel and the Poling Area shall be in the same condition it was in on the date of this Agreement, ordinary wear and tear excepted, free of all tenants, occupants or parties in possession.

10. BIPCO represents and warrants that, to the best knowledge of BIPCO's current owners, (a) the DWW Parcel and the Poling Area is in compliance with all federal, state and other environmental and other laws, rules and regulations, (b) there are no pending claims, lawsuits, administrative proceedings, enforcement actions or investigations concerning the DWW Parcel and the Poling Area, nor has BIPCO received notice of any such activities, (c) BIPCO has not received any notice of any judicial or administrative

consent orders or other provisions calling for compliance with any legal requirement or for correction of any violation concerning the DWW Parcel or the Poling Area, (d) there are not now and have never been any solid or hazardous wastes or substances, or oil or other dangerous or toxic substances, all as defined in the Comprehensive Environmental Response, Compensation & Liability Act, 42 USC Section 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act, 42 USC Section 6901 et seq. ("RCRA"), the Hazardous Material Transportation Act, 49 USC Section 1801 et seq., the Clean Water Act, 33 USC Section 1251 et seq., or the Toxic Substance Control Act, 15 USC Section 2600 et seq., the Rhode Island General Laws, or any other federal, state or applicable local law, rule or regulation, stored, placed, treated, released or disposed of anywhere on the DWW Parcel or the Poling Area and (e) neither the DWW Parcel or the Poling Area is identified on any current or proposed (i) National Priorities List under 40 CFR Part 300, (ii) CERCLA Information Systems List, or (iii) state environmental or other regulatory agency list based on a statute similar to CERCLA or RCRA.

11. If any approval of any governmental entity, including but not limited to the subdivision of the BIPCO Site, CRMC assents, environmental permits and approvals, special permits and variances, is required to consummate the transactions contemplated in paragraphs 4 or 5, as the case may be, then BIPCO agrees to promptly execute any forms and applications related thereto that Deepwater requests, but the burden of obtaining such approval shall be borne by Deepwater at its expense.

12. BIPCO shall publicly not take or support any position or publicly make any claim, assertion or statement, expressly or implicitly, in opposition to or not clearly in support of Deepwater's proposed project. At Deepwater's request, BIPCO shall appear at one or more public hearings, in the county and town in which the BIPCO Site is located and elsewhere, concerning permitting, licensing, zoning or other regulatory approvals of Deepwater's proposed project, and shall express BIPCO's support for the project. If Deepwater makes such a request, Deepwater shall promptly reimburse BIPCO in full for all reasonable expenses (including travel costs), incurred in connection with BIPCO's appearance at public hearings, subject to Deepwater's receipt of such documentation as Deepwater may reasonably request to verify the expenditures. These obligations shall continue until Deepwater exercises this option and BIPCO grants the Easements to DWBI and DWBIT.

BIPCO shall provide such information and execute and deliver such affidavits, certifications and other documentation as may be reasonably required by Deepwater, Deepwater's lender or title insurer, including but not limited to the certified copies of resolutions or other appropriate evidence of BIPCO authorizing and approving the transactions contemplated by this Agreement and the authority of the parties on behalf of the entities comprising BIPCO to execute and deliver all documents required of BIPCO hereunder, and the performance of all of the obligations of BIPCO hereunder.

13. Notwithstanding anything herein contained to the contrary, Deepwater may assign this Agreement without the consent of BIPCO; provided, however, that Deepwater gives BIPCO twenty-one (21) days prior written notice of such assignment.

14. This Agreement shall be interpreted and construed according to the law of the State of Rhode Island and Providence Plantations.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first written above.

Block Island Power Company

Albert R. Casazza

By: ALBERT R. CASAZZA

Title: PRESIDENT

State of Rhode Island
County of Washington

In Danvers on this 31 day of August, 2012, before me personally appeared Albert R. Casazza, M.D., President of the Block Island Power Company, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Block Island Power Company.

Maureen Quach
Notary Public

MAUREEN QUACH
NOTARY PUBLIC
MY COMMISSION EXPIRES 8/16/14

[Signatures continued on the following page]

Deepwater Wind Block Island, LLC

By: Jeffrey Grybowski
Title: Chief Administrative Officer

State of RI
County of Providence

In Providence on this 29th day of August, 2012, before me personally appeared Jeffrey Grybowski, CAO of Deepwater Wind Block Island, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island, LLC.

Gerald J. Petros, Notary Public
State of Rhode Island and Providence Plantations.
My Commission Expires 11/20/13

[Signature]
Notary Public

Deepwater Wind Block Island Transmission, LLC

By: Jeffrey Grybowski
Title: Chief Administrative Officer

State of RI
County of Providence

In Providence on this 29 day of August, 2012, before me personally appeared Jeffrey Grybowski, CAO of Deepwater Wind Block Island Transmission, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island Transmission, LLC.

Gerald J. Petros, Notary Public
State of Rhode Island and Providence Plantations.
My Commission Expires 11/20/13

[Signature]
Notary Public

Exhibit A

An approximately 1/2 acre portion of a tract of real estate (AP 17, Lot 37 on the attached Exhibit A-1) owned by BIPCO and located in New Shoreham, Rhode Island. The Property is identified on the attached map Exhibit A-1 with illustrative improvements planned by Deepwater labeled "Alternative A". The improvements identified on the attached map are illustrative only and not binding on Deepwater.

The exact boundaries and acreage are to be established by a new survey at Deepwater's expense, by a surveyor licensed to do business in the state and reasonably acceptable to BIPCO and Deepwater.

The poles and wire locations are shown on the attached Exhibit A-2.

[Attach Exhibits]

Exhibit A-2

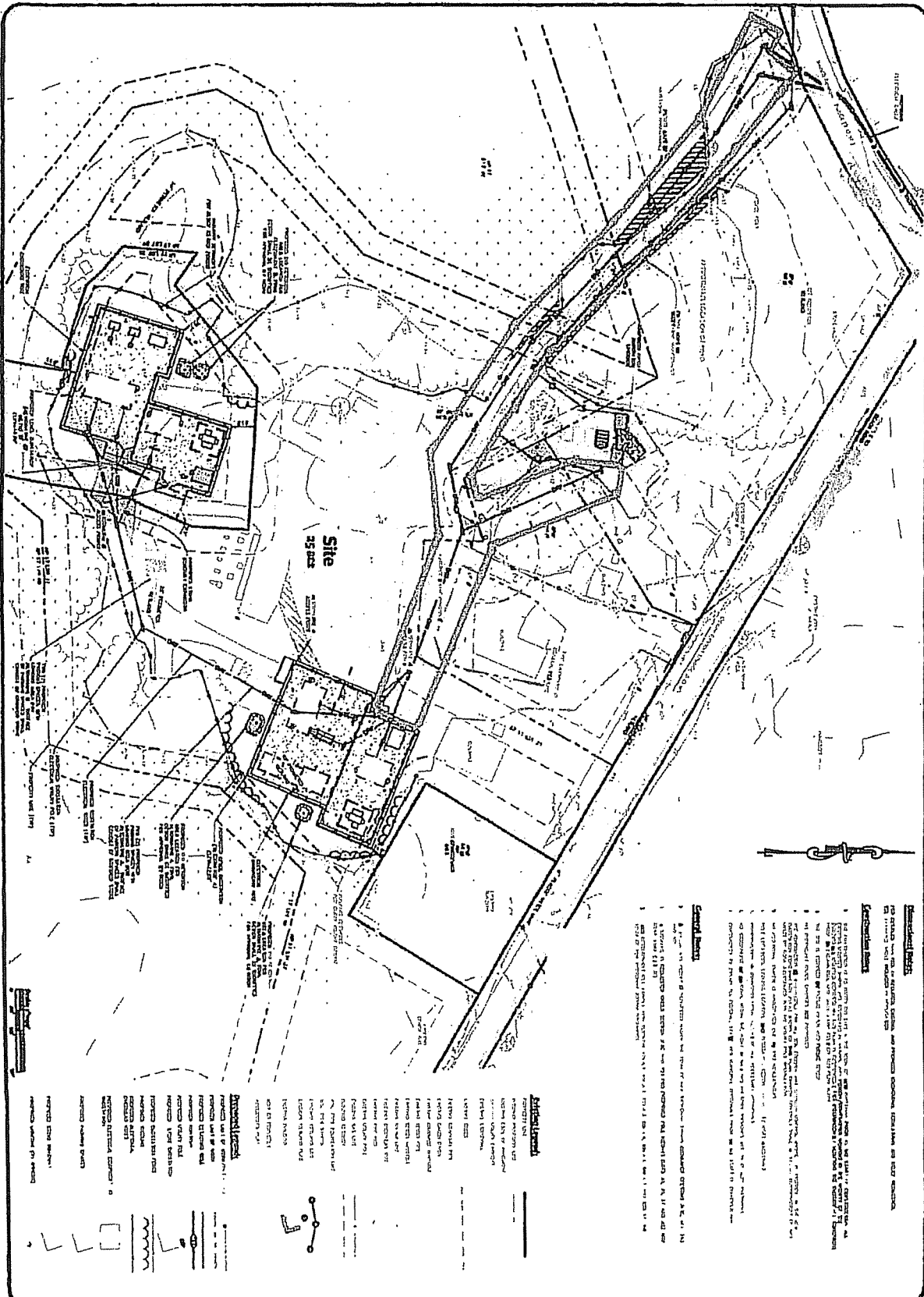


EXHIBIT B

GRANT OF PERMANENT EASEMENT

Block Island Power Company (the "Grantor" or "BIPCO"), for consideration paid, grants to **[Deepwater Wind Block Island Transmission, LLC][Deepwater Wind Block Island, LLC]**, a Delaware limited liability company and its successors and assigns (the "Grantee" or "Deepwater"), with Quitclaim Covenants, the exclusive perpetual right and easement, solely with regard to the Easement Area, to construct, reconstruct, install, repair, replace, maintain, operate, use, inspect and patrol for the transmission and distribution of high and low voltage electric energy and for the transmission of intelligence, by any means, whether now existing or hereafter devised: (i) a substation, including switching, protection and control equipment, and transformers, circuit breakers and any other equipment or appurtenances reasonably required (ii) lines of buried cables or conduits or both or any combination of the same (any of which may be erected and/or constructed at the same or different times), together with all ducts, raceways, conductors, terminals, sustaining and protective fixtures, underground expansion stabilizers, manholes, hand holes, junction boxes, foundations, fittings, and all housings, connectors, switches and any other equipment or appurtenances reasonably required; and (iii) lines of towers or poles or both or any combination of the same with wires and cables strung upon and from the same (any of which may be erected and/or constructed at the same or different times), together with all guy wires, foundations, anchors, antennae, braces, fittings, buried ground wires and any other equipment or appurtenances reasonably required (collectively (i), (ii) and (iii) are hereinafter referred to as the "Facilities"), including without limitation such footbridges, causeways, and ways of access, if any, as may be necessary for the convenient construction, reconstruction, installation, repair, replacement, maintenance, operation, use, inspection and patrolling of said Facilities over, under, through, across and upon a strip of land located on the Grantor's Land (as hereinafter defined) in Washington County, Rhode Island, approximately _____ (_____) feet in width, and shown as "_____" (the "Easement Area") on a plan (the "Plan") entitled: "_____", prepared by _____ [to be filled in by surveyor] to be recorded with the Land Evidence Records (as hereinafter defined). The Easement Area contains approximately _____ square feet and is more particularly described, according to the Plans, on Exhibits A-1 (substations and related Facilities - Alternative A only) ("DWW Parcel") and A-2 (poles and wires) ("Poling Area") attached hereto and made a part hereof.

Any assignment of this easement must be directly related to and for the sole purpose of erecting and maintaining a substation and related poles, wires and Facilities.

Also the perpetual right and easement from time to time, solely with regard to the Easement Area, without further payment therefor, to clear and keep cleared by physical, chemical or other means (if such means are in accordance with all applicable federal, state, and local regulations), the Easement Area of trees, underbrush and above and below ground buildings, structures or objects (the first clearing may be for less than the full width and may be widened from time to time to the full width), together with the perpetual rights to trim and/or remove other trees and vegetation immediately adjacent to the Easement Area that, in the opinion of the Grantee, may interfere with the construction, operation, and maintenance of the Facilities or which, in the reasonable opinion of Grantee, may be likely to fall upon said Facilities or to interfere with the satisfactory operation thereof; the perpetual exclusive right and easement to renew, replace, remove, add to, modify and otherwise change the Facilities and each and every part thereof and all appurtenances thereto and the locations thereof within the Easement Area; the perpetual right and easement to pass and repass on foot and with vehicles and equipment along the Easement Area to and from the immediately adjoining lands and to pass and repass over the Grantor's Land (as hereinafter defined) to and from the Easement Area as reasonably required and as shown on Exhibits A-1 and A-2; and the right and easement to pave, excavate, remove soils from, fill, and/or change the grade of the

DWW Parcel as is reasonable, necessary and proper in connection with the exercise of the foregoing rights and easements.

The Grantor for itself, its successors and assigns, hereby covenants and agrees with the Grantee, its successors and assigns, that (i) no acts will be permitted within the Easement Area which are inconsistent with the rights and easements hereby granted; and (ii) Grantor shall not excavate or fill or otherwise change or alter the present grade or ground level of the Easement Area.

The Grantor shall have no right to relocate any portion of the Easement Area or otherwise amend, supplement, change or modify this Easement Agreement without (i) the prior written consent of the Grantee and (ii) a new easement deed or amendment to this Easement Agreement signed by the Grantor and the Grantee and a new easement plan, all of which must be acceptable to the Grantee in its sole discretion, is recorded with the Registry (with no liens, easements, or other encumbrances of record that would interfere with the Grantee's use of any new easement area in connection with the exercise of the rights and easements herein granted) prior to effecting any relocation of any portion of the Easement Area or amendment of this Easement Agreement.

Grantee shall construct all Facilities, including but not limited to, the substations, poles, wires, etc., in strict compliance with all applicable local, state and federal laws, ordinances, and regulations, as well as the National Electrical Safety Code.

Grantee shall indemnify, defend and hold Grantor and its employees harmless from and against any and all actions, claims, liabilities, costs, (including reasonable attorneys fees) expenses or damages involving personal injury, property damage or death caused by: the negligent acts or omissions or willful misconduct of Grantee in Grantee's use hereunder; or the use of Easement Area by Grantee or by the alteration, construction work, maintenance or repair by Grantee.

Grantee shall be responsible for the maintenance and appearance of the Facilities in the Easement Area and shall make every reasonable effort to assure that the Easement Area is kept clear of debris and shall promptly repair to its original condition, normal wear and tear excepted, any damage caused while performing its work.

During the term of this Easement Agreement, Grantee shall indemnify, defend and hold Grantor harmless from and against any and all actions, claims, liabilities, costs, (including reasonable attorneys fees) expenses or damages involving personal injury, property damage or death caused by: the negligent acts or omissions or willful misconduct of Grantee in Grantee's use hereunder; or the use of Easement Area by Grantee or by the alteration, construction work, maintenance or repair by Grantee.

It is agreed that Grantee (1) shall upon demand pay or reimburse BIPCO for any and all taxes and assessments of any kind on the Easement Area and all related Facilities (substations, poles, wires, etc.), and (2) shall at its sole expense keep the Easement Area and the related Facilities fully insured (replacement cost) in commercially reasonable amounts and coverages (including pollution and environmental coverage, if available at reasonable prices) with commercially reasonable companies, with BIPCO as a named insured and loss payee, and that Grantee shall annually deliver certificates of such insurance to BIPOPC before each policy expires; provided, that in lieu thereof, if Grantee has an investment grade rating from a national rating company, then Grantee shall have the right, following notice to BIPCO, to self-insure.

It is agreed that the Facilities shall remain the property of the Grantee, its successors and assigns and that the Grantee, its successors and assigns shall pay all taxes assessed thereon.

It is the intention of the Grantor to grant to the Grantee, its successors and assigns, all the rights and easements aforesaid and any and all additional and/or incidental rights needed to construct, reconstruct, install, repair, maintain, operate, use, inspect, patrol, renew, replace, add to, and otherwise change, for the transmission and distribution of high and low voltage electric energy and the transmission of intelligence, the Facilities over, under, through, across, within, and upon the Easement Area, and the Grantor hereby agrees to execute, acknowledge, and deliver to the Grantee, its successors and assigns, such further deeds or instruments as may be necessary to secure to them the rights and easements intended to be herein granted.

Notwithstanding anything herein contained to the contrary, Grantee may assign this easement without the consent of Grantor; provided, however, that Grantee gives Grantor twenty-one (21) days prior written notice of such assignment.

Subject to the assignment requirements set forth above, this easement is a commercial easement in gross for the benefit of Grantee, its successors and assigns, and the parties agree that these provisions shall run with the Grantor's Land and shall inure to the benefit of and bind the respective heirs, legal representatives, successors and assigns of the parties hereto. It is the intention of the parties that the rights and easements granted herein shall be fully apportionable and fully assignable or transferable, all or in part, and in all respects, by the Grantee, its successors and assigns subject to the assignment requirements set forth above.

The "Grantor's Land" is described in that certain deed from _____ to dated _____, and recorded with the _____ Land Evidence Records (the "Land Evidence Records") in Book _____ Page _____. [To be filled in by surveyor]

The term of this Easement Agreement shall commence on the date listed above and shall terminate upon (60) sixty days written notice to Grantor. Grantee may choose to terminate this Easement Agreement at any time, at its sole discretion. Prior to the effective of such termination, Grantee shall, at its expense, remove all Facilities and shall restore the Easement Area to substantially the condition it was in at the commencement of this Easement, normal wear and tear excepted.

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed by their duly authorized representative(s) as of the _____ day of _____, 201__.

Block Island Power Company

By: _____

Title: _____

State of _____
County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared Albert R. Casazza, M.D., President of the Block Island Power Company, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Block Island Power Company.

Notary Public

[Signatures continued on the following page]

Deepwater Wind Block Island, LLC

By: _____

Title: _____

State of _____

County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared _____, _____ of Deepwater Wind Block Island, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island, LLC.

Notary Public

Deepwater Wind Block Island Transmission, LLC

By: _____

Title: _____

State of _____

County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared _____, _____ of Deepwater Wind Block Island Transmission, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island Transmission, LLC.

Notary Public

EXHIBIT A

EXHIBIT C

GRANT OF TEMPORARY EASEMENT

Block Island Power Company (the "Grantor" or "BIPCO"), for consideration paid, grants to **[Deepwater Wind Block Island Transmission, LLC][Deepwater Wind Block Island, LLC]**, a Delaware limited liability company and its successors and assigns (the "Grantee" or "Deepwater"), with Quitclaim Covenants, the exclusive temporary right and easement, solely with regard to the Easement Area, for purposes of (a) construction laydown, marshaling, staging storage, and fabrication of pipe, valves, meters and other equipment related to the Block Island Wind Farm and Transmission project; (b) parking of motor vehicles (except that there shall be no parking in front of the Office Building, Building 1, or in the roadways), and (c) any other lawful use necessary and directly related to the installation of the Block Island Transmission System or the Block Island Wind Farm export cable, except that it is agreed that at no time shall there be any disruption to the daily operations of BIPCO over, under, through, across and upon a strip of land located on the Grantor's Land (as hereinafter defined) in Washington County, Rhode Island, approximately _____ (_____) feet in width, and shown as "_____" (the "Easement Area") on a plan (the "Plan") entitled: "_____", prepared by _____ [to be filled in by surveyor] to be recorded with the Land Evidence Records (as hereinafter defined). The Easement Area contains approximately square feet and is more particularly described, according to the Plans, on Exhibit A attached hereto and made a part hereof.

The Grantor for itself, its successors and assigns, hereby covenants and agrees with the Grantee, its successors and assigns, that (i) no acts will be permitted within the Easement Area which are inconsistent with the rights and easements hereby granted; and (ii) Grantor shall not excavate or fill or otherwise change or alter the present grade or ground level of the Easement Area.

The Grantor shall have no right to relocate any portion of the Easement Area or otherwise amend, supplement, change or modify this Easement Agreement without (i) the prior written consent of the Grantee and (ii) a new easement deed or amendment to this Easement Agreement signed by the Grantor and the Grantee and a new easement plan, all of which must be acceptable to the Grantee in its sole discretion, is recorded with the Registry (with no liens, easements, or other encumbrances of record that would interfere with the Grantee's use of any new easement area in connection with the exercise of the rights and easements herein granted) prior to effecting any relocation of any portion of the Easement Area or amendment of this Easement Agreement.

Grantee shall indemnify, defend and hold Grantor and its employees harmless from and against any and all actions, claims, liabilities, costs, (including reasonable attorneys fees) expenses or damages involving personal injury, property damage or death caused by: the negligent acts or omissions or willful misconduct of Grantee in Grantee's use hereunder; or the use of Easement Area by Grantee or by the alteration, construction work, maintenance or repair by Grantee.

Grantee shall make every reasonable effort to assure that the Easement Area is kept clear of debris and shall promptly repair to its original condition, normal wear and tear excepted, any damage caused while performing its work.

During the term of this Easement Agreement, Grantee shall indemnify, defend and hold Grantor harmless from and against any and all actions, claims, liabilities, costs, (including reasonable attorneys fees) expenses or damages involving personal injury, property damage or death caused by: the negligent acts or

omissions or willful misconduct of Grantee in Grantee's use hereunder; or the use of Easement Area by Grantee or by the alteration, construction work, maintenance or repair by Grantee.

Notwithstanding anything herein contained to the contrary, Grantee may assign this easement without the consent of Grantor; provided, however, that Grantee gives Grantor twenty-one (21) days prior written notice of such assignment.

This easement is a commercial easement in gross for the benefit of Grantee, its successors and assigns, and the parties agree that these provisions shall run with the Grantor's Land and shall inure to the benefit of and bind the respective heirs, legal representatives, successors and assigns of the parties hereto. It is the intention of the parties that the rights and easements granted herein shall be fully apportionable and fully assignable or transferable, all or in part, and in all respects, by the Grantee, its successors and assigns subject to the assignment requirements set forth above.

The "Grantor's Land" is described in that certain deed from _____ to dated _____, and recorded with the _____ Land Evidence Records (the "Land Evidence Records") in Book _____ Page _____. [To be filled in by surveyor]

The term of this Easement Agreement shall commence on the date listed above and shall terminate upon (60) sixty days written notice to Grantor. Grantee may choose to terminate this Easement Agreement at any time, at its sole discretion.

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed by their duly authorized representative(s) as of the _____ day of _____, 201__.

Block Island Power Company

By: _____

Title: _____

State of _____
County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared Albert R. Casazza, M.D., President of the Block Island Power Company, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Block Island Power Company.

Notary Public

[Signatures continued on the following page]

Deepwater Wind Block Island, LLC

By: _____

Title: _____

State of _____

County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared _____, _____ of Deepwater Wind Block Island, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island, LLC.

Notary Public

Deepwater Wind Block Island Transmission, LLC

By: _____

Title: _____

State of _____

County of _____

In _____ on this ____ day of _____, 201__, before me personally appeared _____, _____ of Deepwater Wind Block Island Transmission, LLC, to me known and known by me to be the person executing the foregoing document, and he acknowledged his execution of the foregoing document to be duly authorized, his free act and deed, and the free act and deed of the Deepwater Wind Block Island Transmission, LLC.

Notary Public

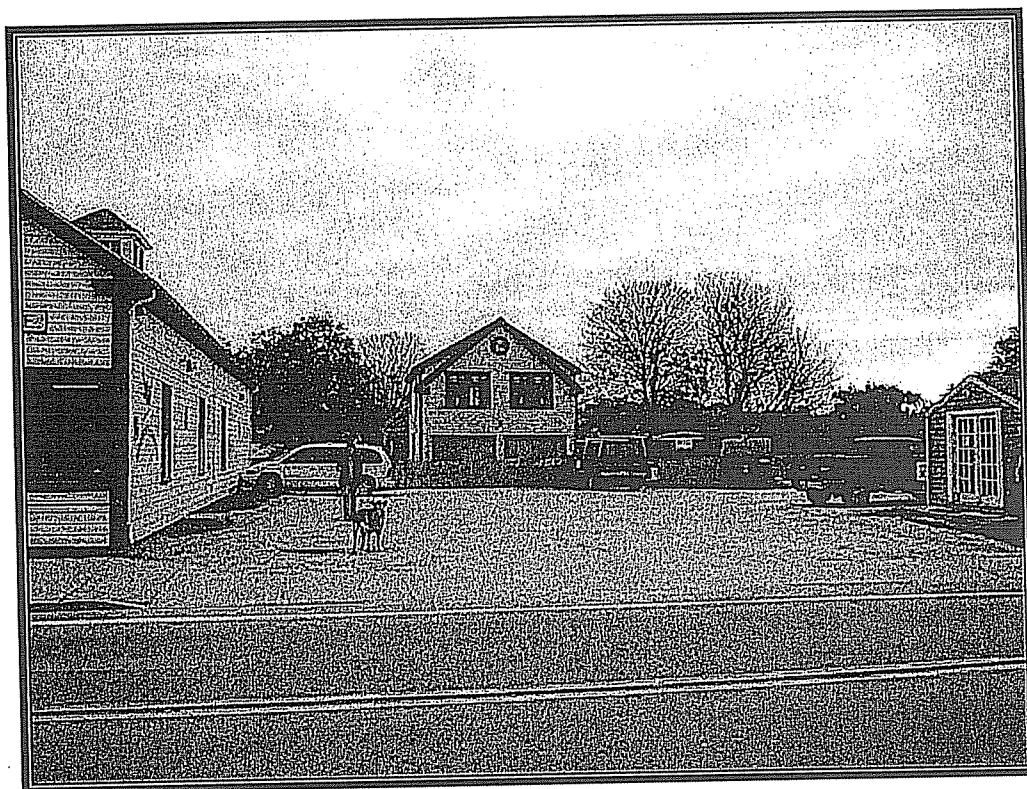
EXHIBIT A

RECEIVED FOR RECORD IN
NEW SHOREHAM, R.I.
DATE: 8-31-12 TIME: 12:35
BY: FIONA FITZPATRICK TOWN CLERK

Exhibit C-5

LandVest[®]

Comparable Sales & Listings Map & Photos



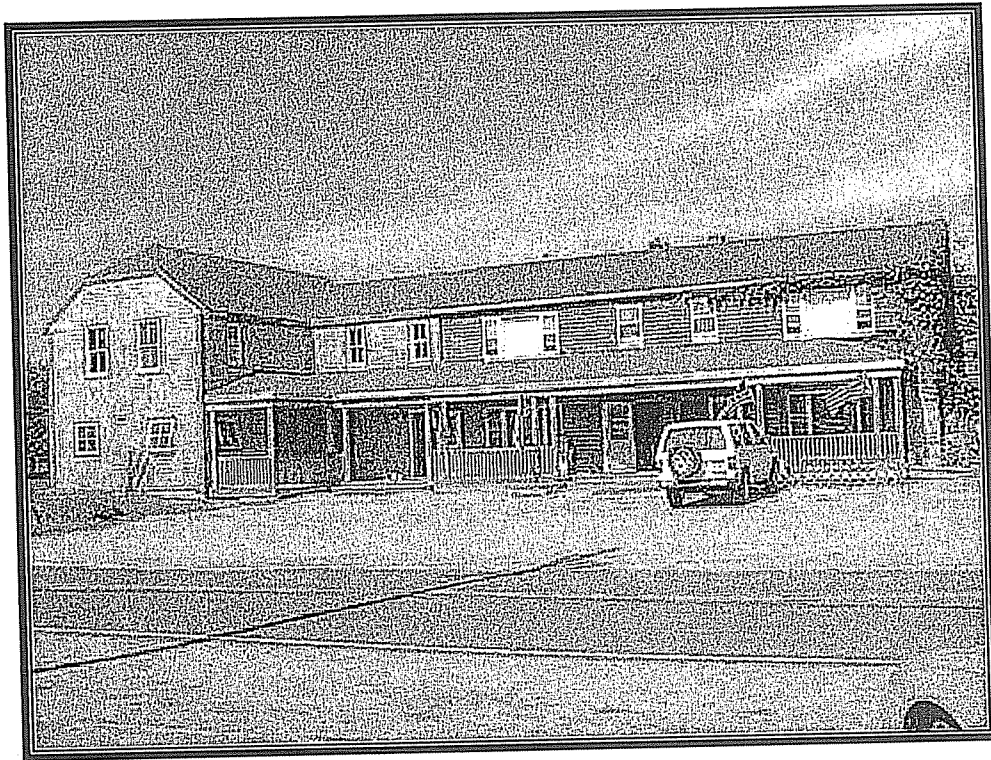
Sale 1 - 1186 Dodge St.



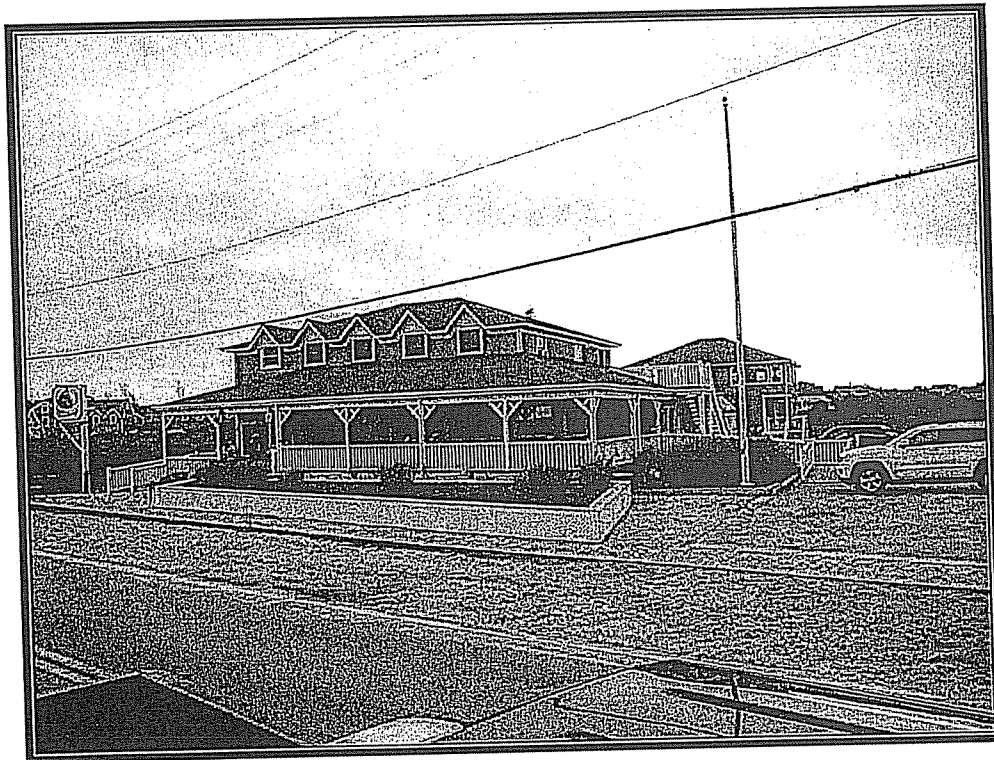
Sale 2 - 231 Water St.

Ten Post Office Sq. Boston, MA 02109 617-723-1800

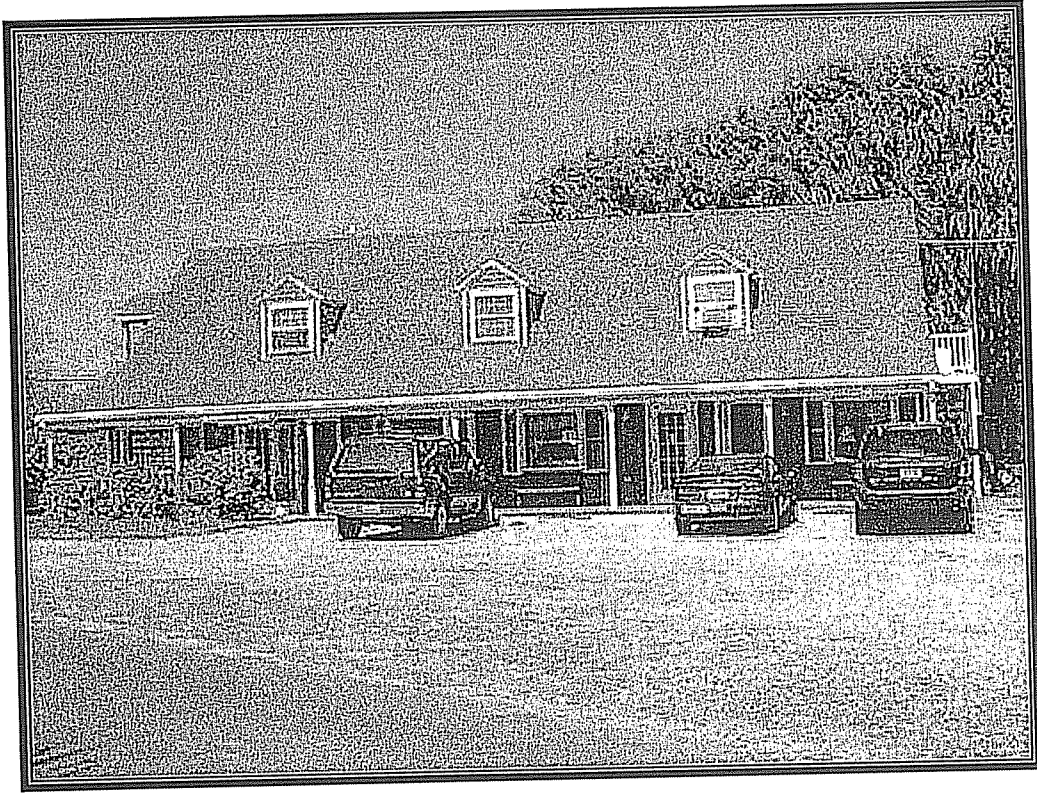
LandVest®



Sale 3 – 101 Ocean Ave. (Photo Source: Town of New Shoreham Assessor)



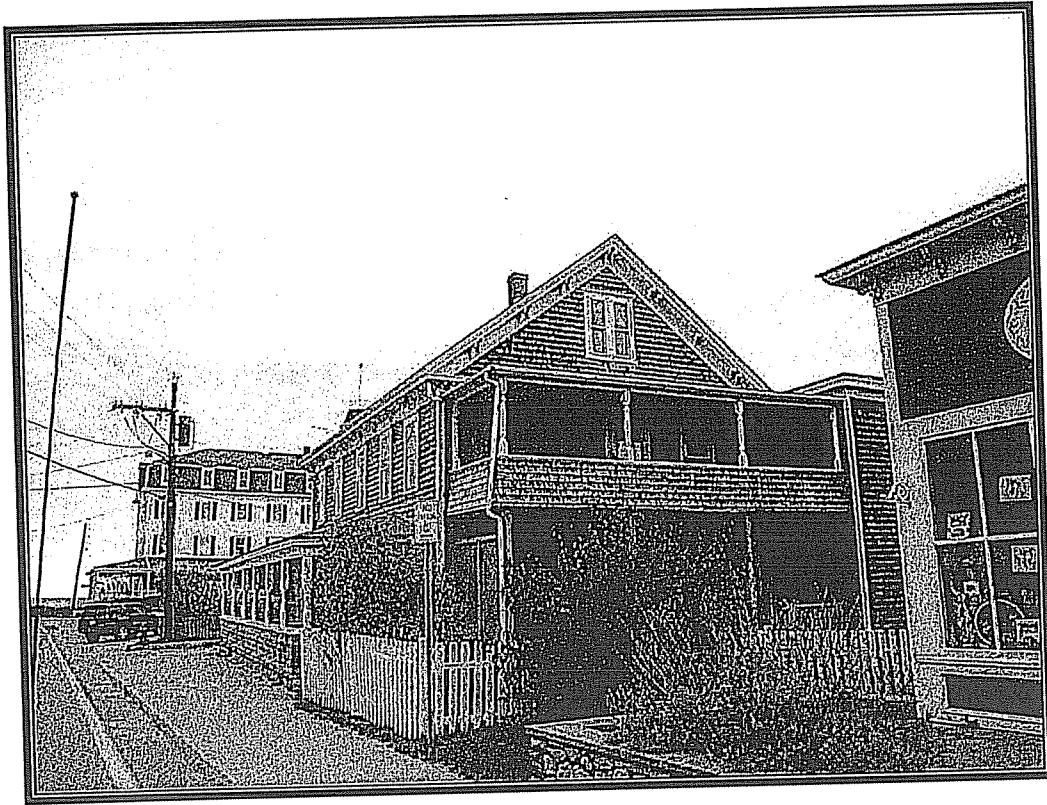
Sale 4 – 598 Corn Neck Road



Listing 5 – 215 Chapel St. (Photo Source: Town of New Shoreham Assessor)



Listing 6 – 239 Ocean Ave.



Listing 7 – 62 Dodge St.

LandVest[®]

Certification of Value



I hereby certify that:

1. Slater Anderson made an inspection of the property that is the subject of this report on October 25, 2012.
2. To the best of my knowledge and belief, the statements of fact and the opinions contained in this report are correct;
3. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analysis, opinions, and conclusions.
4. I have no present or prospective interest in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
5. LandVest's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
6. My analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute, as well as the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
7. As of the date of this report, I (Slater W. Anderson) have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
8. The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives.
9. No one provided significant professional assistance to the person signing this report.
10. I have not appraised the subject property in the prior three years.

Date: 12/12/12
LANDVEST INC., Real Estate Consulting Group

Appraiser:

Slater Anderson, Senior Appraiser
RI Certified General Lic. No. A01335G

LandVest[®]

Qualifications of Appraiser

QUALIFICATIONS OF SLATER W. ANDERSON

SLATER W. ANDERSON

Mr. Anderson is a Senior Advisor with the Real Estate Consulting Group (RECG) and Co-Director of the Energy & Environmental Asset Group (EEAG) at LandVest, Inc., a broad-based real estate company involved in all aspects of land planning, real estate brokerage, consulting, appraisal, development, and conservation planning. As Senior Advisor, he is responsible for residential and commercial appraisals, development feasibility studies, land use planning and design, and implementation of development and conservation projects. As Co-Director of EEAG, he is responsible for development and management. Mr. Anderson has been with LandVest since August 1999.

EDUCATION

Undergraduate Studies:

Connecticut College
Bachelor of Arts, Liberal Arts / 1992

Graduate Studies:

University of Massachusetts – Amherst
Master of Regional Planning / 1996

**LICENSES AND
MEMBERSHIPS**

Certified General Real Estate Appraiser -
Massachusetts (LIC # 70909)
Connecticut (LIC # 0001089)
Rhode Island (LIC # A013335G)
California (LIC # AG044670)

Appraisal Institute -

Associate Member

American Institute of Certified Planners -
Certified Planner (Inactive)

Real Estate Salesperson Licenses –
Massachusetts (#9034418)
Rhode Island (#S33130)

EXPERT WITNESS

Massachusetts Appellate Tax Board and in local jurisdictions.

QUALIFICATIONS OF SLATER W. ANDERSON

**PROFESSIONAL
HISTORY**

Prior to joining the firm, Mr. Anderson was GIS Manager and Planner with the Metropolitan Area Planning Council where his responsibilities included management of GIS mapping projects, proposal writing, and public outreach. The Metropolitan Area Planning Council serves 101 cities and towns surrounding Boston, Massachusetts. From 1992 to 1994, Mr. Anderson worked for an architectural firm in Jackson, Wyoming assisting in the design of residential homes.

REAL ESTATE EDUCATION

Real Estate Courses	Provider	Date	Hours
Basics of RE Appraisal	JMB	Oct-99	30
USPAP	JMB	Oct-00	15
Appraising Income Properties	JMB	Mar-02	30
Advanced Income Property Appraising	JMB	Aug-02	35
Appraising 1-4 Family Properties	JMB	Feb-03	30
Appraising the Single Family Residence	MBREA	Apr-03	36
Practical Residential Appraising	MBREA	Nov-03	18
Lead Hazard Awareness Class	RI	Feb-12	3
National USPAP Update	MBREA	Dec-07	7
MA Real Estate Sales CE	AREA	Oct-08	10
Appraising Income Properties	JMB	Nov-08	30
Intro to Commercial Appraisal	MBREA	Dec-08	3.5
Residential Cost Approach	MBREA	Dec-08	7
2008-2009 National USPAP Update	MBREA	Dec-09	7
National USPAP Update	MBREA	Dec-09	7
UASFLA Yellow Book Course	AI	Feb-10	7
MA Real Estate Sales CE	AREA	Oct-10	10
2010-2011 USPAP Update	MBREA	May-11	7
Intro to Commercial	MBREA	Sep-11	3
Appraising Apartments	McKissock	Sep-11	7
Income Approach	MBREA	Sep-11	7
Inro to Comm. Green Bldgs.	AI	Sep-11	7
Sales Comparison Approach	MBREA	May-11	7
Mortgage Fraud	MBREA	May-11	7
Business Practices & Ethics	AI	Oct-12	5
MA Real Estate Sales CE	AREA	Oct-12	12
CT Mandatory Appraisal Law	McKissock	Aug-12	3
		Total:	350.5

CORRESPONDENCE LandVest, Inc.
Ten Post Office Square
Boston, MA 02109

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Office: (617) 723-1800
Fax: (617) 482-7957

E-Mail: sanderson@landvest.com