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May 14, 2004

Ms. Karen Adams
U.S. Army Corps of Engineers
New England District - Regulatory
696 Virginia Road
Concord, MA 01742

Dear Ms. Adams,

Enclosed please find the submission of the Beacon Hill Institute (BHI) study *An Economic Analysis of a Wind Farm in Nantucket Sound* that is a complete and systematic cost-benefit analysis of the proposal by Cape Wind Associates to site 130 wind turbines on Horseshoe Shoals in Nantucket Sound.

Background

In November 2001, Cape Wind Associates, filed an application with the U.S. Army Corps of Engineers for permission to construct the nation's first offshore wind farm in Nantucket Sound. The project would consist of 130 wind turbines, each approximately 420 feet tall, arrayed over a 24 square mile area of the Sound known as Horseshoe Shoals. The wind farm would be sited five miles off the coast, in federal Outer Continental Shelf (OCS) waters. From there, undersea cables would transmit power through state waters to an onshore distribution grid. The project, according to Cape Wind, would have an installed nameplate capacity of approximately 468 megawatts (MW) of electricity.

The BHI Study

While there have been numerous attempts to study sections of Cape Wind's proposal, to date, there has been no systematic and complete effort to assess the costs and benefits of siting a wind power facility in Nantucket Sound.

As detailed in the enclosed report, BHI applied its considerable experience in economic analysis to the development of a thorough and rigorous cost-benefit analysis of this proposed siting of a wind power facility in Nantucket Sound.

We provide a comprehensive analysis of the benefits and costs of the proposed wind farm, examined from both a national and regional perspective. In Section Two of the report, we provide a detailed analysis of the economic benefits and costs, from a societal point of view, as well as Cape Wind's financial benefits and costs.

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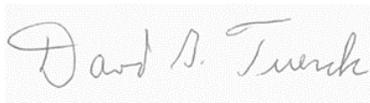
Section Three examines the project from a local perspective. This section presents and analyzes the results of a major survey conducted on Cape Cod and Martha's Vineyard in the summer of 2003. **Section Four** of the report considers the issue of private use of public resources. The objective is to estimate an appropriate economic value for the developer's use of Nantucket Sound. This value is based on contingent valuation survey data. Finally, the **Appendices** include a facsimile of each of the visual simulations used in the surveys, the survey instruments, the results of a survey of realtors and the distribution of risk variables used in the cost-benefit analysis.

This report combines the findings of two earlier reports issued by the Beacon Hill Institute: *Blowing in the Wind: Offshore Wind and the Cape Cod Economy* (October 2003), and *Free but Costly: An Economic Analysis of a Wind Farm in Nantucket Sound* (February 2004), both available at <http://www.beaconhill.org>. It updates *Free but Costly*, insofar as here we assume that the developer would pay annual royalty payments.

We feel it is critical that the citizens, voters and taxpayers of the Cape and Islands and of Massachusetts as a whole understand the implications of such a project. BHI, recognized for its ability to create economic analyses that are accessible to the public, has provided such an understanding in this study.

Thank you for your submitting this work to the public record.

Sincerely,

A handwritten signature in cursive script that reads "David G. Tuerck". The signature is written in dark ink on a light-colored background.

David G. Tuerck
Executive Director