

AG seeks Cape Wind's profit estimates

Coakley questioning consumer benefit

By Erin Ailworth, Globe Staff | July 9, 2010

Massachusetts Attorney General Martha Coakley is demanding that Cape Wind's developers disclose cost and profit estimates for the energy project and is questioning whether power from the proposed Nantucket Sound wind farm would be a good deal for consumers.

In a statement to the Globe yesterday, Coakley's office said knowing the "underlying construction and operating costs of Cape Wind and profits to the project's investors" will help officials assess the project.

Acting in her capacity as the state's advocate for ratepayers, she filed her official request Tuesday with state public utility officials, asking them to order Cape Wind Associates LLC to release the figures within three days.

Documents Coakley filed indicate concern about whether a contract negotiated between the utility National Grid and Cape Wind would leave customers paying too high a price for the wind farm's power. The agreement awaits approval from the state Department of Public Utilities.

The attorney general said she wants the cost and profit numbers made public so all can see whether the deal is cost-effective.

"Neither party had an incentive to bargain for terms that yield cost-effective terms for ratepayers," Coakley wrote.

Cape Wind's developers are fighting Coakley's demand, saying they believe their cost estimates are proprietary and should be kept confidential.

"The Attorney General's office's request would create a new hurdle for renewable energy projects," said Cape Wind spokesman Mark Rodgers, adding that traditional energy projects are not typically asked to reveal such information. "This could have a chilling effect on companies investing in clean energy projects in Massachusetts going forward."

A spokeswoman for National Grid declined to comment.

Advocates of renewable energy have championed the contract, made even before the wind farm is built, under which National Grid agreed to buy a substantial portion of the electricity in the project's first 15 years.

Supporters of the wind farm say projects like this are needed to fight climate change and to help make the nation energy-independent. The agreement is considered crucial for Cape Wind's efforts to raise money for construction.

"This is a very lucrative contract," said Angela O'Connor, president of [New England Power](#) Generators Association Inc., a trade group. "That said, it's up to the policy makers if they think this is appropriate."

Disclosing cost and profit estimates can place a power company at a competitive disadvantage, O'Connor said, adding that such information should sometimes be revealed to serve the public interest. In the case of Cape Wind, she said, cost and profit data would help state utility officials evaluate the deal with National Grid.

"You've got to justify the cost of the contract," O'Connor said. "I don't know how Cape Wind is going to get around that."

National Grid has agreed to buy electricity from Cape Wind at 20.7 cents per kilowatt hour in 2013, when the wind farm is expected to begin operations. That price is much more than the rates National Grid now charges its customers, and it would rise 3.5 percent a year for the life of the contract.

The price would not cause customer bills to increase dramatically, because power from Cape Wind will be a small portion of the electricity National Grid sells. But customers' bills are still apt to increase, reflecting the costs built into the contract.

National Grid's contract to buy Cape Wind's power was not entirely its own initiative.

State law requires the four investor-owned utilities in Massachusetts — National Grid, [NStar](#), Western [Massachusetts Electric Co.](#), and [Unitil Corp.](#) — to negotiate "cost-effective long-term contracts" to promote the use of renewable energy. The utilities can make such deals through public solicitations or, as in the case of National Grid, through negotiations with individual providers like Cape Wind.

Coakley questioned that one-on-one negotiation.

“Cape Wind did not face competing bids from other developers,” she wrote. “While National Grid asserts that it was focused on ‘negotiating the best possible price . . . with Cape Wind,’ it admits that it did not prepare its own estimate of what price Cape Wind would need to secure financing. Nor did National Grid ‘specifically consider the cost effectiveness of alternate renewable projects.’ ”

In yesterday’s statement, Coakley’s office said the project’s costs and profit estimates are “relevant to whether National Grid’s contract with Cape wind is cost effective and in the best interests of the Massachusetts ratepayer.”

If Cape Wind does not produce the information within three business days, Coakley has asked that utility officials bar the developers from challenging any independent estimates she might use to evaluate the contract. Her assessment is due by July 19, though she has asked utility officials to extend the deadline to July 27.

The Department of Public Utilities has asked that interested parties offer comments on Coakley’s request by today.

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http://www.boston.com/business/articles/2010/07/09/ag_seeks_cape_wind_s_profit_estimates?mode=PF