

Wanted: Buyer for controversial Cape Wind energy

By JAY LINDSAY

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BOSTON — Cape Wind has outlasted a decade of government review, a slew of court brawls and fierce opposition from mariners, fishermen, Indian tribes and Kennedys just to win the right to sell its wind-fueled electricity.

Now, all it needs are customers.

Last month, the nation's first offshore wind farm nailed down its first buyer when the Massachusetts Department of Public Utility approved a deal that sees Cape Wind selling half its power to National Grid, the state's largest electric utility.

But the other half of the Cape Wind project's electricity remains available with no obvious takers, raising the possibility of a smaller project with pricier power.

The top prospect for Cape Wind is the state's second-largest electric utility, NStar. But NStar is uninterested and says it can find cheaper renewable power elsewhere.

"It's not that we're for or against Cape Wind at all," said NStar spokeswoman Caroline Allen. "We just want to make sure that we are promoting renewables in the region ... but also being mindful of costs for our customers."

Price is always an issue with offshore wind, which costs more partly because it's expensive to build and maintain massive turbines at sea. The 468-megawatt Cape Wind, which is expected to produce enough power for 200,000 homes in average winds, is estimated to

cost at least \$2 billion to construct.

In its 15-year deal, National Grid agreed to pay 18.7 cents per kilowatt hour for Cape Wind power beginning in 2013, with a 3.5 percent annual increase. The starting price is twice what National Grid pays today for power from fossil fuels, and regulators say the contract will add about 1.7 percent to its residential customers' bills.

Though its price is higher, Cape Wind has big selling points, including a large generating capacity that's far greater, for instance, than Maine's 132-megawatt Kibby Mountain wind farm, the largest wind farm in New England. Also, Cape Wind's projected start date in late 2012 has it producing the green electricity needed to fill state renewable power mandates years before any other U.S. offshore project.

Without other takers, Cape Wind would almost certainly have to build fewer than its proposed 130 turbines, said wind energy analyst Mark Kaplan, an associate director at IHS Emerging Energy Research. Developers won't be able to finance a project with more turbines than are needed to produce the power Cape Wind is contracted to sell, he said.

If Cape Wind sheds turbines, the price goes up per lost turbine, to a maximum 19.3 cents per kilowatt hour.

Kaplan also questioned whether Cape Wind's search for a second customer has broad implications for offshore wind expansion. Just this month, developer Deepwater Wind announced plans for a 200-turbine, 1,000 megawatt project (1 gigawatt) off Rhode Island.

"If Cape Wind is having difficulties identifying a second buyer, who's going to buy a gigawatt of offshore wind?" Kaplan asked.

Deepwater's chief executive has said he expects his project's large size will produce far cheaper power.

Sue Reid of the Conservation Law Foundation, a Cape Wind advocate, estimates Cape Wind has six months to a year to find new buyers or face the disappointing prospect of building a smaller

project. But she's certain that buyers, including perhaps NStar, will want to be part of a new and badly needed clean energy industry. "Really, are they going to choose to be on the wrong side of history here?" she said.

Cape Wind spokesman Mark Rodgers declined to discuss the search for another buyer, saying only that the company was "pursuing all options."

Cape Wind has been assailed since it was proposed in 2001 as a threat to marine life and historic ocean views. The late Sen. Edward Kennedy called it a giveaway to a private developer, and two Wampanoag tribes said its Nantucket Sound location would ruin its ancient religious rituals.

This year, opponents promptly sued the Obama administration after it approved the project, saying it had cleared exhaustive review and was crucial to the nation's clean energy future.

In their Nov. 22 decision, state utility regulators wrote that Cape Wind's power price is "expensive" but cited numerous benefits that make Cape Wind "cost effective," including about 160 permanent jobs and a stable price that acts as a hedge against volatile fossil fuel prices.

Regulators also said regional utilities simply won't be able to meet requirements to increase renewable energy sources without Cape Wind and the offshore industry it will kick off. Massachusetts, for instance, requires companies to get 15 percent of their power from renewable sources by 2020.

NStar considered Cape Wind but decided to seek a better price by soliciting bids from renewable energy sources. It got 113 bids totaling 9 million kilowatt hours — 28 times more than it needs to meet state goals next year.

A price comparison can be found in a separate and ongoing contract between NStar and Kibby Mountain wind farm owner TransCanada, which is selling NStar power under a 10-year contract for a flat 10.5 cents per kilowatt hour.

Without NStar, Cape Wind could conceivably cobble together buyers from around the Northeast, including utilities, power suppliers, even the government. But NStar is the best prospective customer. Its 1.15 million customers make it the only state utility besides National Grid big enough to buy a good chunk of Cape Wind power — and its Massachusetts location subjects it to the state's Green Communities Act.

Under the act, any company that provides power to Massachusetts customers is required to enter long-term deals with renewable power projects and is eligible for a 4 percent annual state reimbursement of the costs of that contract.

Without a mandate to make long-term deals, companies are less likely to pay more now for Cape Wind power.

"I can't envision a scenario where a utility would voluntarily purchase additional Cape Wind power knowing there's cheaper power available," said Robert Rio of the Associated Industries of Massachusetts, a Cape Wind opponent.

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