

New England Ratepayers Assn. asks DOE to halt Cape Wind

DOE asked to reject \$300m loan guarantee request

06/06/2013

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By **CARL DOMBEK**



The New England Ratepayers Association (NERA) has asked the U.S. Department of Energy (DOE) to reject Cape Wind's request for a \$300m loan guarantee, which NERA believes would effectively halt development of the Cape Wind project.

"This project will cost the ratepayers of Massachusetts nearly \$2bn over the term of its power purchase agreements with **National Grid** and **NSTAR**, who purchased power [from Cape Wind] at two to five times the average wholesale power rate," Marc Brown, president of NERA,

told *TransmissionHub* June 6.

New England already has the highest regional costs for electricity in the country, Brown said in the letter, sent to two DOE officials the week of May 31, that asked DOE to reject the application. The power purchase agreement Cape Wind has negotiated will drive those prices higher still, he said.

Despite the favorable terms it has negotiated, the project has been unable to attract private financing, which Brown suggests DOE ought to note.

"They have a very favorable power purchase agreement ... and they still can't get private financing for this project," Brown said. "If you had a natural gas company with a comparable power purchase agreement in its hands, people would be lining up to give that generator money."

Raising capital for the pre-development stage of a transmission project is historically difficult. Risk-averse investors are less willing to front capital for a project that has the potential to be canceled, as a cancellation could mean total loss of that investment. Typically, investors are attracted to the late stages of developing and constructing a transmission project.

Support for project diminishes when costs appear high

Popular support for Cape Wind begins to fade when ratepayers are apprised of the project's costs, Brown said.

According to a survey conducted by the University of New Hampshire Survey Center and sponsored by NERA, 46% of the 500 people queried said they opposed the project once they learned more about the project's total costs, including the production tax credits and loan guarantees, while 41% supported it.

Those results appear at odds with surveys touted by the Cape Wind developers, which show area residents are generally supportive of the project. However, the differences seem to weaken when the surveys are examined more closely.

Cape Wind's website cites a poll conducted in September 2010 by the Boston Globe newspaper in conjunction with the Massachusetts governor's race as finding that 69% of the state's residents supported the Cape Wind project. In fact, the poll results said 49% of those responding "strongly supported" the project and 20% "somewhat supported" it, while 20% were "somewhat opposed" or "strongly opposed" to

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the project.

Responses to the survey's follow-up question more closely align with the results of NERA's survey.

When asked how much more consumers would be willing to pay for electricity from Cape Wind, 50% of respondents to the Globe's survey said they would not be willing to pay any more for electricity. Approximately one out of five respondents, or 18%, said they would be willing to pay higher rates if they were less than 5% higher; 20% said they would be willing to pay between 5% and 10% more for renewable power; and 4% said they'd be willing to pay more than a 10% increase in power rates.

"Everybody likes the idea of renewable power; it sounds wonderful," Brown said. "Then, when people start seeing the costs, the subsidies, and realizing it's not quite as green as we'd like to think because we have other resources running as back-up," opinions begin to change.

In the NERA survey, 59% of respondents expressed a desire, when given a choice, to obtain their electricity from alternatives that were less expensive than wind, including natural gas and hydropower. A fourth of those polled, or 25%, want to get their power from more expensive sources like solar power and wind.

"When they were given real information about the project, a majority thought the project should be halted," Brown said. "NERA wants to ensure regulators and elected officials understand how little support exists when the public learns the true costs of projects like Cape Wind."

The benefits that Cape Wind has cited in connection with the offshore wind project are additional clean energy generated close to load centers, thus contributing more to system reliability than a resource that is located farther away. Developers say the wind park will have minimal impacts on commercial and recreational fishing, and may actually increase fish stock. Locating the park offshore will preserve the natural beauty of the Cape Cod area, thus preserving the area's tourism industry. Finally, they say the project will create year-round, high paying jobs.



ABOUT THE AUTHOR

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Carl Dombek, senior editor for TransmissionHub, is an award-winning journalist with nearly two decades of experience as a broadcast journalist on radio and TV, and as a writer for newspapers, magazines, and the Web.

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