

Could be a Cape Wind-fall

Turbine developers sell Texas project after getting OKs

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Cape Wind developers could make big bucks if they sold off the rights to the proposed offshore wind farm, as they did last year when they unloaded a new wood-burning power plant in Texas before construction even began.

Estimates of Cape Wind's pre-construction value range from a low of \$80 million to as high as \$1.2 billion, according financial and energy experts surveyed by the Herald.

A spokesman for the controversial Cape Wind project off the coast of Cape Cod says the developers have every intention of seeing the project through to the end if they get final approvals - from constructing the 130-turbine wind farm to operating the facility over 15 years.

But experts say its common practice for energy companies to line up the necessary permits and financing for new power plants and then turn around and sell ready-to-go projects to other investors.

That's precisely what American Renewables LLC did late last year when it sold its approved bio-mass project in Sacul, Texas, to Southern Power, after American Renewables secured a 20-year, \$2.3 billion deal to sell its electricity to Austin Energy, the municipally owned electric company in the capital city of Texas.

American Renewables is an arm of Boston's Energy Management Inc., the backer of the Cape Wind project, headed by chief executive Jim Gordon. Financial details of the pre-construction sale of the Texas project have not been disclosed.

Despite Cape Wind's denial it intends a similar sell-off of its planned wind farm, experts say an eventual sale can't be ruled out.

"Rapid turnover is the name of the game in the energy business," said Robert McCullough, an energy expert at McCullough Research in Oregon. "It's often the smart play. There's nothing unethical about it. It's how entrepreneurs work."

Financial estimates of a possible Cape Wind sale vary widely, largely because there are still so many political and financial risks involved with the controversial wind-farm proposal. State regulators are now reviewing a proposed \$3 billion rate deal between Cape Wind and National Grid, while Cape Wind looks for a potential buyer of the second half of its wind energy.

Bill Aulet, a senior lecturer at MIT's Sloan School of Management, is not convinced Cape Wind could fetch much on the open market today. He estimates its pre-construction value at about \$80 million netting Cape Wind, which has spent an estimated \$25 million getting permits for its wind project over the past decade, a small profit.

The political, financial and technological risks facing Cape Wind remain substantial, lowering its value in the eyes of potential investors, he said in an e-mail exchange with the Herald.

But James Cataldo, assistant professor of accounting at Suffolk University, said his back of the envelope calculation of Cape Wind's value ranges from \$600 million to \$1.2 billion, assuming it gets final regulatory approvals and basing estimates on its potential \$6 billion in revenue over 15 years.

Like Aulet, Cataldo cautioned that there are still many unknowns that could easily alter projections, which he said ultimately rely on a "great deal of conjecture."

McCullough, the Oregon energy analysts, agreed that the "devil is in the details." But based on recent state rate filings, he estimated Cape Wind's value at about \$1 billion.

Mark Rodgers, a spokesman for Cape Wind, said that talk of selling off the proposed multibillion-dollar wind farm in Nantucket Sound is "highly speculative" and that Gordon's Energy Management Inc. has a long record of both keeping and selling power plants.

The Texas bio-mass project - now the subject of intense debate in Austin due to its costs and questions about whether wood-burning energy is a valid way to reduce carbon pollution was sold last October because of the financial climate caused by the recent Wall Street meltdown, said Rodgers.

"Energy Management Inc. has been in the energy business in New England for 35 years and has very successfully owned, developed and operated electric generating projects," Rodgers said. "At various times we have sold these projects. . . . (But) our plan is to own and oversee the building and operation of America's first offshore wind farm."

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