

Higher rates blowing in

Cape Wind contracts could generate \$6B tab over 15 years

By Jay Fitzgerald | Tuesday, May 11, 2010 | <http://www.bostonherald.com> | [Business & Markets](#)

The controversial Cape Wind project could end up costing ratepayers as much as \$6 billion over 15 years - and provide utilities with multimillion-dollar bonus incentives if they buy electricity from the planned off-shore wind farm.

National Grid officially filed yesterday its proposed long-term power contract with Cape Wind - and the numbers are eye-popping.

National Grid will pay Cape Wind \$157.4 million in 2013, about \$66.6 million more than if National Grid purchased electricity from a traditional power plant or a land-based wind farm, according to the filing with the Department of Public Utilities.

But National Grid's payment will keep going up each year over the course of the 15-year contract, peaking at \$254.7 million in the last year of the pact, due to a 3.5 percent annual inflation adjustment, according to an analysis by the Herald and confirmed by industry experts.

That means National Grid ratepayers alone will pay about \$3 billion over the course of the contract. Construction, debt service, return on equity, maintenance and other long-term costs are included.

Since National Grid is buying only half of Cape Wind's electricity, the final cost to state ratepayers could hit \$6 billion if Cape Wind signs similar agreements with other utilities. The estimates are based on compounding prices over the years, a method experts say is the industry norm.

But even if the increases are not compounded, ratepayers would get stuck with total accumulated costs of about \$4.8 billion, according to estimates based on the National Grid filing.

Industry experts were stunned by the filing's numbers, which they say are double the rate of land-based wind energy and much higher than electricity currently generated by fossil fuels.

"By any standard, this is a very high price for energy," said Robert McCullough, president of McCullough Research, an Oregon energy consulting firm.

McCullough said the revenue numbers are so large, he thinks the final construction price alone for Cape Wind is probably much higher than some \$2 billion estimates, or else the profits at Cape Wind will be exorbitant.

Spokesmen for Cape Wind, which wants to construct 130 wind turbines off the coast of Cape Cod, could not be reached for comment yesterday.

National Grid stands to make upward of \$122 million in "remuneration" fees paid by Cape Wind over the 15 years, as compensation for signing a risky long-term contract.

A National Grid spokesman noted that the 4 percent remuneration fee - which will net the utility \$6.2 million in 2013 alone - is called for in the state's new Green Communities Act passed by lawmakers and pushed by Gov. [Deval Patrick](#).

Robert Keough, a Patrick spokesman, said utilities were given the fee as a way to cover their risks and financial exposure when signing mandated long-term renewable energy contracts.

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