

Cape Wind's plan B? You pay

If federal tax credit falls through, electric rates will rise

By Jay Fitzgerald | Tuesday, May 18, 2010 | <http://www.bostonherald.com> | **Business & Markets**

National Grid customers could be on the hook for hundreds of millions of dollars in extra payments if Cape Wind Associates doesn't secure federal tax credits for its proposed wind farm off the coast of Cape Cod.

The added costs would be on top of the already premium prices ratepayers are slated to pay for Cape Wind's electricity starting in 2013, according to documents filed with the state.

Tucked in National Grid's 159-page rate filing is an appendix calling for Cape Wind's proposed first-year rate to rise from 20.7 cents per kilowatt hour to 22.8 cents - or by 10 percent - if the developer can't secure a lucrative, investment tax credit.

The rate would jump to 23.5 cents if both the investment and production tax credits aren't secured for any reason. The new rates would then increase by 3.5 percent a year, as currently stipulated under the proposed agreement now before the Department of Public Utilities.

The biggest of the two tax credits expires in December 2012. Most observers expect it to be extended by Congress, though there's no guarantee.

Cape Wind is heavily counting on the tax credits, perhaps to the tune of \$600 million, to offset the expected \$2 billion-plus cost of constructing the 130 giant wind turbines in Nantucket Sound.

Dennis Duffy, a vice president at Cape Wind, said it's "very unlikely" that Congress will let the tax credits expire, triggering the add-on clauses called for under the proposed contract.

But in the event that the tax credits expire, ratepayers won't pick up the full tab, he said. "We'll take a partial haircut on this, too," he said.

Still, documents show that - if the credits expire and Cape Wind plows ahead with the controversial project - National Grid's customers would have to pony up an extra \$20 million in the first year alone of the 15-year contract. National Grid has agreed to buy 50 percent of Cape Wind's total power.

Robert McCullough, an Oregon energy consultant, said the back-up rate hikes are "not outlandish" - and they're perhaps necessary if Cape Wind is ever to get built.

But he said the layers of taxpayer and ratepayer support for Cape Wind amount to "pancake subsidies - one subsidy stacked on top of the other like pancakes."

Bob Rio, vice president at Associated Industries of Massachusetts, said ratepayers are "clearly on the hook" if the tax credits don't come through.

But National Grid said expiration of the tax credits is not a major concern. "We share the risk, but it's only a small risk," countered Ron Gerwatowski, an attorney at National Grid.

In separate news, the Federal Aviation Administration yesterday gave a thumbs-up to the Cape Wind project, saying its towering turbines won't be a hazard to aviation in the region off Cape Cod.

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