

Bluewater rewrites plan for wind farm

New proposal lowers price

By AARON NATHANS, The News Journal

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DOVER -- In hopes of keeping a proposed offshore wind farm alive, Bluewater Wind submitted plans on Tuesday to rein in costs, but claims Delmarva Power unfairly drove up the price of wind power in negotiations.

On Tuesday, Bluewater dropped plans to raise the price of its power as the price of steel and other commodities increases. In making the concession, Bluewater hoped to win over state regulators who have said the company's proposed power purchase agreement with Delmarva would be too risky and expensive.

Bluewater is negotiating a 25-year contract with Delmarva for power from a 150-turbine wind farm 11.7 miles off the coast of Rehoboth Beach.

In a filing with the Public Service Commission, Bluewater attorney Thomas McGonigle said Delmarva made it clear from the outset it had no intention of reaching a deal for offshore wind power.

He cited Delmarva's lawsuit to try to stop state-ordered negotiations and Delmarva President Gary Stockbridge's comment in May that Delmarva would refuse to negotiate, even if forced by the state.

McGonigle said the state should step in and negotiate a 25-year deal for wind power on Delmarva's behalf.

"From the early stages of negotiations, it was clear Delmarva's strategy was designed to force Bluewater into a contract structure where the price would rise dramatically -- only to be faced with a subsequent argument by Delmarva that the price was too high," McGonigle wrote.

Delmarva tried to reduce the size of the power contract from the wind farm, impose surcharges on the wind power and levy heavy penalties for failure to provide wind power, McGonigle wrote.

Stockbridge called Bluewater's accusation "a little disingenuous," and said his company negotiated in good faith.

McGonigle said his company could get the price of wind power to between \$6.76 and \$8.92 a month more for the average Delmarva customer, down from a premium of \$11.71 to \$55 per month under the contract Bluewater and Delmarva submitted in September.

State legislation gives four state agencies, including the Public Service Commission, the right to force Delmarva to sign a long-term power purchase contract, and to negotiate the terms of that contract if the utility fails to do so properly.

That legislation was passed last year, in the wake of 59 percent increases in the cost of electricity to Delmarva's residential customers.

But a PSC staff report recommends against that approach, citing higher-than-expected prices for wind power, and mathematical formulas that allow prices to escalate as commodity prices and foreign exchange rates increase.

Those commodities, such as steel, are important ingredients in building the wind turbines.

On Tuesday, Bluewater removed the formulas, stating that its cost of electricity would stand independent of commodity prices. Even if there were a delay in construction, Bluewater would stand behind its price, McGonigle wrote.

Bluewater included the formulas in the first place to "protect against the unexpected," McGonigle wrote. The company does not anticipate commodity prices increasing dramatically, and is comfortable taking the formulas out, he wrote.

Delmarva spokesman Bill Yingling said Delmarva maintains the wind farm is a "bad deal" for its customers. Buying out-of-state renewable resources and credits would be significantly less expensive, he said.

Yingling said Delmarva officials were disappointed Bluewater didn't decrease its proposed base price of wind power.

PSC officials criticized the wind power company for failing to sign more contracts with other utilities that would drive down the cost of its power.

McGonigle said it would be a mistake to give up on the process that offers the best chance to stabilize Delmarva's rates and provide clean energy for years to come.

Delmarva undermined the negotiations by placing asterisks on many negotiated points in the concluding hours, showing that Delmarva disputed the terms, McGonigle said.

"Thus, Delmarva's decision to challenge previously negotiated and agreed terms on an ongoing basis represents a critical turning point in this process and triggers the need for the PSC staff to step in, along with its consultants, and complete the negotiations on behalf of the ratepayers," McGonigle wrote.