

Del. could learn from N.Y.'s ill wind

Cost hikes likely to shelve wind farm on Long Island

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UNIONDALE, N.Y. -- With some of the highest electricity rates in the country, wall-to-wall sprawl and congestion on the roads and in the air, Long Island appeared the ideal candidate for an offshore wind farm.

Offering no emissions and stable prices, the 40-turbine project bid out by the Long Island Power Authority in 2003 captured the imagination of green-minded residents.

But re-estimates put construction costs at four times the original price. The power authority's new chief, Kevin Law, said the project is likely to be shelved as his organization considers more affordable renewable-energy projects.

Long Islanders say Delaware, now considering an offshore wind farm of its own, can learn from the considerable mistakes made by the power authority and wind farm developer.

The power authority wasn't forthright about the financial investment residents would need to make to support an offshore wind project, said Gordian Raacke, executive director of Renewable Energy Long Island, which works to build public support for offshore wind.

Hiding the costs gave ammunition to opponents who had a vested interest in the project's demise, Raacke said.

But to opponents like Steve Bellone, supervisor of the town of Babylon on Long Island's southern coast, the lessons are that without a national commitment to offshore wind energy, too few people will have to bear too much of the burden.

"I honestly think this project was almost powered by wishful thinking from the very beginning. Promises were made that turned out not to be true," Bellone said.

The project was announced as a clean, efficient and affordable way to cut down on the use of high-pollution fossil fuels, as well as dependence on oil imports. It represented a major step toward the power authority fulfilling state requirements to produce more renewable energy.

But neighbors railed against the aesthetics of the turbines, which would have been located 3.5 miles off the coast of the popular Jones Beach and would have been visible from Babylon's Gilgo Beach. That's closer to land and less than a third the size of Bluewater Wind's plan to put 150 turbines 11.5 miles off the coast of Rehoboth Beach.

Bellone, who is proud of his town's energy-saving programs, was initially intrigued by the idea of the wind farm, but as opposition mounted, he took a closer look at the costs.

Long Island residents had a good reason to be nervous about the cost of a major power project. They were saddled with big electric bills to construct the Shoreham nuclear plant at a cost of \$6 billion, or 85 times the original estimate, according to the newspaper *Newsday*.

After the county determined in 1983 that the island could not be evacuated in the case of an accident, Shoreham was shuttered, before it could sell a single kilowatt of electricity.

LIPA reports its customers pay 19 cents per kilowatt hour for electricity, amounting to an average monthly electricity bill of \$147.

"My bill's already as high as I can manage each month," said Manny Rosenkrantz, an insurance broker working in Uniondale.

"I can't see adding on."

When LIPA, the island's publicly appointed, not-for-profit power company, first proposed the offshore wind project in 2003, costs were estimated at \$200 million. The company said it would have little to no impact on electricity rates.

That was the last published cost estimate until fall 2006, when under a Freedom of Information Law request from Newsday, the power authority released the original, winning bid from FPL Energy of Florida: \$356 million. FPL is the largest owner and operator of wind farms in the country.

The price increases didn't stop there.

After FPL made that bid, the price of steel and other commodities, as well as supply-and-demand forces on the cost of turbines, labor and equipment, had crept up. A report commissioned by the British government noted that the price of turbines increased by 60 percent over the last four years. Steve Stengel, spokesman for the Florida utility, said turbines would make up more than half the cost of constructing the offshore wind farm.

Mostly up-front costs

Unlike fossil-fuel driven plants, which require constant spending, offshore advocates say most of the costs of a wind farm are up front. Once the turbines are spinning, the only major costs are operations and maintenance. This is why supporters point to wind power's stable price.

But without foreknowledge of commodities prices, it's unclear exactly what that apparent one-time investment would be.

And then there's the unknown future cost of the alternative: burning volatile-priced fossil fuels, which may be taxed in the future for pollution.

"It's very difficult for someone to give you an absolute number of what offshore wind is, when there haven't been any offshore wind projects put into the United States yet," said Walter Musial, senior engineer and offshore programs leader for the National Renewable Energy Laboratory in Colorado.

But Bellone and his staff tried. They ran the numbers in April using figures from European wind farms, estimating the total at as much as \$669 million.

That was pretty close to FPL's own revised cost estimates, obtained in June by Newsday, which put the total at \$697 million. With the cost of interconnection and cabling, as well as financing added in, the costs hit \$811 million -- more than four times the original estimate. A study commissioned by LIPA said the cost of electricity from the turbines would have been twice the cost from traditional sources.

The disclosure gave pause to even the most steadfast offshore wind supporters.

"It wasn't the price so much itself as the fact the information wasn't available -- the awareness the price kept creeping up. That always leaves a bad taste in everyone's mouth," said Raacke, the Long Island wind advocate.

Then there was the matter of government subsidies. A report by Dowling College professor Mark Greer noted that a federal subsidy to wind farm developers currently has a lifespan of just 10 years. But the Long Island wind farm was scheduled to serve LIPA customers for 20 years.

That meant that in the 11th year, the price to customers would nearly double, Greer pointed out.

In his report, Greer suggested that developer greed played a part in inflating the costs, estimating FPL could make a 19 percent pretax rate of return on its investment.

Steve Stengel, spokesman for FPL, said the exchange rate between the Euro and the weakening dollar also increased the price of the project, since many parts were coming from Europe.

Critics point to stylistic problems, too. Despite public hearings, FPL and LIPA officials were condescending and disrespectful of anyone who questioned the project, said Bellone's energy director, Dorian Dale.

Stengel defended the way the process unfolded. Prices increased, but the power authority was able to pull the plug when Law decided the price was too high, he said.

"Should we have provided a constant update to the public about the cost of the project? Keep in mind, we never had a contract with LIPA," Stengel said.

The relatively small size of the wind farm helped push up the price, Raacke said. Putting in just 40 turbines meant lower economies of scale, since a lot of the costs would have been spent whether the wind farm was large or small, he said.

Dale noted one difference with the Delaware situation. Bluewater Wind has a healthy tension with utility company Delmarva Power. A little haggling helps bring the price down, but in Long Island, the developer and power authority were partners, he noted.

Kessel left his post at the power authority earlier this month because of a change in the governor's office. In a farewell opinion piece published in Newsday, he defended the wind farm plan, saying he still believed it could be the "cheapest renewable alternative available to Long Island."

"Long Islanders shouldn't believe for one minute that any major form of renewable energy is going to be cheaper than traditional resources produced by oil or natural gas," Kessel wrote. "I think that Long Islanders are being misled by opponents who simply don't want to see the windmills and use economics as an excuse to hide their real motives."

Kessel said the project, even at its current estimated cost, would mean just \$2.50 more per month for each ratepayer.

Law said he didn't know where Kessel came up with that number, and he said he couldn't vouch for it. Kessel could not be reached for comment.

All eyes on Delaware

After the collapse of the FPL project, Bluewater Wind, which was the runner-up bidder for the project in 2004, offered to pick up where FPL left off.

But Law, the power authority chief as of Oct. 2, said he's not rushing to rebid the project. Law said European wind farms are largely successful because of government subsidies. In the absence of a national commitment to offshore wind, he said ratepayers on Long Island shouldn't have to foot the costs of construction alone.

Law said he's willing to keep offshore wind on the table and willing to consider Bluewater Wind if LIPA renews its request for proposals. But Law said it pays to wait until the next presidential election, when a new, possibly Democratic president can explore such subsidies.

Even if it takes years to get a new wind farm project moving forward, global warming "is not something that's going to come to a climax in five years. It's going to take hundreds of years to have severe impacts," Law said.

Law said his priorities are to invest in conservation and reduce emissions from existing power plants.

"Whoever goes first is going to make some mistakes. The others are going to learn from them," he said. "I want to wish you guys in Delaware good luck. I'll be closely watching it. I won't be ruling out we'll be right behind you, doing something similar."

Raacke said Bluewater Wind ought to have a chance to refresh its bid for the project right away. With global warming quickly taking its toll, there's no time to wait for changes in Washington, he said.

"What's the hidden cost of continuing business as usual?" Raacke said. "What's the hidden cost of cooking our planet? What's the hidden cost of sending our money to OPEC? What's the hidden cost of children getting asthma attacks? That's the bottom line here."