2 New England utilities agree to buy wind power

BOB SALSBERG - Associated Press - Associated Press

Energy companies Northeast Utilities and NStar have agreed to buy more than a quarter of the power produced by the long-planned Cape Wind offshore wind farm as a condition of a proposed merger, state officials announced Wednesday.

The announcement is a huge boost for the 130-turbine Cape Wind project, which would be located about 5 miles off Cape Cod in Nantucket Sound and aims to be the nation's first offshore wind farm.

The Cape Wind project has sold half its power to the Massachusetts utility National Grid but has struggled to find buyers for the rest of the power, posing a major obstacle to its efforts to secure financing. As part of the deal announced Wednesday, the combined Northeast Utilities-NStar company would buy 27.5 percent of the electricity Cape Wind produces under a 15-year contract.

State Energy and Environmental Affairs Secretary Richard Sullivan said the agreement shows the administration's commitment to clean energy.

The agreement between the state and the utilities also calls for a four-year freeze on base energy distribution rates and a one-time $21 million credit for ratepayers. Attorney General Martha Coakley said the deal would save Massachusetts consumers an estimated $217 million.

Even with the agreement, Hartford, Conn.-based Northeast Utilities' $4.7 billion purchase of Boston-based NStar still needs final green lights from utility regulators and other officials in both states.

Cape Wind spokesman Mark Rodgers said the company was waiting to land another customer before pursuing project financing, and now it can, once the deal is final.

"The more power that is secured in a long-term power purchase agreement, the better," he said. "It helps attract the private capital that's needed, both in the form of debt and equity to build the project."

The price NStar and Northeast Utilities will pay for Cape Wind's power is still subject to negotiation, NStar spokeswoman Caroline Allen said.

Cape Wind was proposed in 2001 but has met tough resistance. Opponents say the power is overpriced: For instance, the starting price in the National Grid deal is 18.7 cents per kilowatts hour and increases annually, while land wind can be had for about 10 cents an hour. They also complain the project will mar a pristine area. Various lawsuits are pending against the project.

NStar initially seemed cool to Cape Wind, with chief executive Tom May saying he

was "agnostic" about the project. The utility also passed on buying from Cape Wind when it first had the chance, choosing cheaper land wind instead.

Cape Wind opponents have accused the state with using the merger approval to force NStar to buy power from a favored project, but NStar's Allen said the deal announced Wednesday wasn't a result of pressure from Massachusetts officials.

Democratic Gov. Deval Patrick, during a Statehouse news conference, downplayed the relative importance of the Cape Wind portion of the overall agreement and said it was not a "sticking point" in negotiations.

"The value of the rate freeze and the potential to have rates go down is considerably more important and larger in scale than the Cape Wind component of this," he said.

Cape Wind opponent Audra Parker, of the Alliance to Protect Nantucket Sound, didn't believe it, saying state energy customers will pay more because of the state's "arm twisting" of NStar. But she said that after a decade of trying, and despite the deal with NStar, she's convinced Cape Wind won't be built and the NStar deal won't matter.

"Twenty seven percent of nothing is still nothing," she said.

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Associated Press writer Stephen Singer in Hartford, Conn., contributed to this report.

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