Utilities agree to buy Cape Wind power in merger

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 deal that unites the companies, the governor's administration announced Wednesday.

The announcement is a huge boost for the 130-turbine Cape Wind project, which would be located about five 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 power, and that was believed to be a major obstacle in its efforts to securing financing. As part of the deal announced Wednesday, the combined Northeast Utilities-NStar company will buy 27.5 percent of the electricity Cape Wind produces.

Democratic Gov. Deval Patrick's secretary of environmental affairs, Richard Sullivan, said the agreement also would include a four-year freeze on base distribution rates, a one-time $21 million credit for ratepayers and a promise that the deal would protect jobs for Massachusetts utility workers.

"I do think this agreement clearly shows the commitment this administration has for Cape Wind project specifically and the clean energy agenda in Massachusetts in general," Sullivan said.

The agreement doesn't guarantee approval for Hartford, Conn.-based Northeast Utilities' $4.7 billion purchase of Boston-based NStar. The deal must still win final approval from utilities regulators in Massachusetts and Connecticut.

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 opponents say the power is overpriced: 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, for instance. They also complain the project will be a blight on a pristine area. Various lawsuits are pending against the project.

Cape Wind officials say the project will create local jobs and jumpstart a new industry while reducing carbon emissions. They say the National Grid price is a good deal for its many benefits. State regulators agreed when they approved the deal, and the Massachusetts Supreme Judicial Court backed their decision.

Sullivan said if Cape Wind did not get built for some reason, there's a contingency that the combined NStar-Northeast Utilities company would have to buy a

corresponding load from other renewable sources, such as wind or solar.

Allen, the NStar spokeswoman, said the agreement "comes after close to a year of thoughtful consideration by state agencies and our companies to effectively balance a number of interests."

"We recognize Governor Patrick's Green Communities Act sets important climate action goals," she said, "and we feel having a diverse portfolio of renewable energy meets those goals in a way that is in the best interest of our customers."

NStar initially seemed cool to Cape Wind, with chief executive Tom May saying he was "agnostic" about the project. The company also bypassed Cape Wind for cheaper land wind when it was buying renewable power to fill a state mandate that utilities enter long-term contracts to buy at least 3 percent of their electricity from renewable sources.

But after the merger was announced, state regulators added a requirement that such deals must advance the state's clean energy goals, which include developing offshore wind. It also moved to stay merger proceedings, pending a review of the merger's effect on rates, though it later dropped that request.

The moves led Cape Wind opponents to charge the state with using the merger to pressure NStar to buy power from a favored project. Republican state Rep. Brad Jones called it "the great administration shakedown of NStar."

On Wednesday, NStar's Allen said its deal with Cape Wind had nothing to do with pressure from the state, calling it part of "a larger, comprehensive settlement" with the state that gives the company a more diverse renewable power portfolio.

"We know that we will need all available resources in this environment to help meet the state's climate change goals," she said. "The Cape Wind power will be blended with our existing contracts to help meet our green energy requirements."

"NSTAR has not opposed the Cape Wind project in any forum; nor has NSTAR ever indicated that it would not enter into a contract with Cape Wind," she said. "Output from the Cape Wind project would complement and be consistent with the on-shore wind resources held in the NSTAR resource portfolio."

Asked if the state had used the merger to pressure NStar to buy Cape Wind, Patrick said, "Cape Wind was not the sticking point in the negotiations."

Sullivan said, "While Cape Wind was important, it was not Cape Wind at any cost."

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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