



Cowlitz PUD OKs wind farm deal

By Don Jenkins
Dec 28, 2006

Cowlitz PUD commissioners Wednesday OK'd a multiparty deal ensuring that a \$361 million central Washington wind farm, large enough to supply 38,000 homes with electricity, will be financed with private money.

Three years in the making and involving lawyers from coast-to-coast, the groundbreaking transaction will mean an investment group formed by Prudential Insurance and Lehman Brothers will own a wind farm conceived by the PUD and three other utilities.

The investors aren't interested in wind turbines, but they are interested in federal tax deductions available to private investors in environmentally friendly wind farms, said Alan Dashen, a financial consultant hired by the PUD to arrange the deal.

The four utilities will buy the energy at lower rates than what the electricity would cost if the wind farm was financed with bonds and publicly owned. PUD officials estimate the savings to Cowlitz County ratepayers at approximately \$5 million a year.

"We're saving a whole load of money," Dashen said. "This is a very attractive project."

Cowlitz PUD joined with Klickitat PUD, Lakeview Light & Power and Tanner Electric Cooperative to plan the 204-megawatt White Creek wind farm, which is under construction in Klickitat County and scheduled to begin operating by the end of 2007.

Cowlitz PUD's share of the project recently increased to 63 percent, up from 46 percent, because Lakeview reduced its share. PUD officials say White Creek will position the utility to meet the county's energy needs in the next decade and fulfill a requirement Washington voters imposed last month by passing Initiative 937. The initiative mandates larger utilities increase their investment in wind power and other forms of renewable energy...

In a deal expected to close this week, investors will pay \$173.5 million for the wind farm. The utilities will advance \$187.7 million for 10 years' worth of power.

The PUD anticipates the energy will cost about \$45 per megawatt-hour. That's roughly the same as Energy Northwest estimates electricity would cost generated at a coal gasification plant it proposes to build at the Port of Kalama.

In 10 years, the utilities will have the option of buying the wind farm at "fair market value."

Two law firms --- one in Washington, D.C. and one in Seattle --- made sure the deal complied with federal and state laws. "This kind of thing has never been done," PUD general counsel Gerry Miller said.

PUD officials said the public-private partnership might be a model for other public utilities under the gun to develop wind power.

"We've paved the way for others in public power," Commissioner Buz Ketcham said.