Wind on the rocks

by Mark Anderson - 6.26.07

Montana's Judith Gap Wind Energy Center

An ambitious scheme by a fledgling Montana company to bring 40 Montana farmers into the renewable energy business is on hold, due to legislative and financial woes.

Things looked promising for the project, dubbed "40 windmills on 40 farms," or "40 by 40," as recently as November 2006, when the federal government awarded 34 Montana wind projects a total of $72 million interest-free Clean Renewable Energy Bonds (CREBs) [see "Federal funds sweep into Montana," *nwcurrent*, Jan. 2007].

Billings, Mont.-based Green Electricity Buying Cooperative (GEBCo) came away the big winner, receiving $31.7 million to move forward with two 10-megawatt (MW) wind developments in Montana's Yellowstone and McCone counties. The 40 by 40 project, which aimed to install one 100-kilowatt turbine on the land of 40 different Montana farmers, then sell the power through the creation of a "green" cooperative based on voluntary membership, was based on future CREBs financing.

But for GEBCo to put its plans into action, it needed Montana's legislature to pass a law allowing co-ops to own generating facilities.

"We were pretty much assured that if we could get a piece of legislation passed that said we could own property, we would also get the money to do the 40 by 40," says Pat Dopler, GEBCo board president. "The lobbying effort we put on was Herculean."

The co-op's plans began to fall apart when Montana's legislature killed GEBCo's bill in committee this spring, according to Dopler. GEBCo then turned its attention to House Bill 25 (HB 25), known as "the re-regulation bill." The proposed bill was a major piece of Montana energy legislation intended to undo parts of the state's 1997 utility deregulation bill, a law that had forced the state's largest utility, Montana Power, to sell its power plants, and freed customers to shop for electricity among competing suppliers.

HB 25, supported by NorthWestern Energy, a Sioux Falls, S.D.-based utility that had bought Montana Power in 2002, was signed into law in May 2006 with none of the provisions sought by GEBCo.

When the new law goes into effect in October 2007, NorthWestern will again be able to own generation facilities. But GEBCo and other Montana co-ops will not. While Montana law allows co-ops to purchase and sell power, they're prohibited from doing business in generation, transmission and distribution. Further, Montana electricity purchasers will no longer be able to choose their suppliers — essentially locking some 300,000 customers into NorthWestern.

"GEBCo was trying to siphon off customers of NorthWestern, and that is simply a continuation of the deregulation of the industry," says Jim Jensen, executive director of the Montana Environmental Information Center. "We've learned from bitter experience that model doesn't work, and we're trying to reverse it, not continue it."

But failed legislation wasn't GEBCo's only problem. While it earmarked CREB money for the 10-MW projects, the co-op was short on start-up financing, as well as access to transmission lines, wind turbines and members. The co-op also lacked plans for firming resources, an essential element for stabilizing the grid when using an intermittent generator such as wind power — especially in Montana, a state characterized by strong gusts.

GEBCo had seemingly put the cart before the horse, according to some experts, including Greg Jergeson, chairman of the Montana Public Service Commission (PSC). "From the perspective of the PSC, there were questions about how far along they were and what commitment they were asking to be made by the legislature for what was an uncertain business plan."

GEBCo was formed in March 2006 specifically to pursue renewable energy and sell it to Montanans. Members were to pay more for wind power at the outset and less over time as projects were paid for. But deregulation's critics argue that expected competition never materialized and most Montana customers have been forced to buy power at higher rates.

"The whole notion of CREBs was to bring alternative energy operated by nonprofits or public agencies into the market the same way that the tax credit brings alternative energy into the market for investor-owned entities," Jergeson says, referring to the federal production tax credit that provides lucrative incentives for large companies that have a significant tax burden. Jergeson says he had questions about GEBCo since its inception, mainly because it planned to sell power for more than market rates.

John Fitzpatrick, NorthWestern's governmental affairs director, says the whole point of eliminating or limiting customer choice is to allow for a stable planning base for investment in utility generation assets.

"A utility can't go out and basically sign a contract for a power plant and spend a billion dollars on it, anticipating that it's got a 500-MW load, and then have 200 MW go to choice — either to municipal utilities or green electric buying co-ops or anybody else — only to have the balance of the ratepayers standing there holding the bag for a financial commitment that was based on certain expectations," Fitzpatrick says.

Meanwhile, GEBCo is faced with returning the CREBs money and has until October to build on its 60 members.

"Maybe we could be accused of being a little bit starry-eyed," Dopler says. "But how many states in the last two years have returned $31.7 million to the federal government for renewable energy and said, 'Gosh, guys, we can't do it'? Any other state would have had parades and welcomed us as heroes."

Not everyone agrees with the assessment.

"The whole situation is pretty complicated," says Jensen. "But GEBCo had a puzzle with a few pieces missing."

Related Links
Wind firms face growing pains Read More >
nwcurrent highlights top stories Read More >
Current Power Broker: Jens Soby Read More >

> **Maybe we could be accused of being a little bit starry-eyed.**
>
> *Pat Dopler, GEBCo*

U.S. Sen. Max Baucus (D-Mont) toured Montana wind farms in November 2006.