‘Show us the money,’ PSC says

BY ANNE ADAMS • STAFF WRITER

CHARLESTON, W.Va. — Liberty Gap Wind Force doesn’t want to submit financial details about its project to the West Virginia Public Service Authority.

In documents provided by the PSC, the wind utility company outlined its reluctance to reveal any proprietary information that might be detrimental to the company’s negotiating position.

Since early in March, the Pennsylvania-based developer, a subsidiary of U.S. Wind Force, has resisted PSC’s requests for financial statements and projections, including balance sheets. PSC staff has argued the commission needs that information to adequately evaluate the financial viability of the 125-megawatt utility.

The commission’s legal team has not yet issued a decision on whether those numbers will need to be turned over to the agency, but PSC staff recently filed a motion to compel Liberty Gap to do so. Liberty Gap says it will not do that unless it’s required, and then it will insist on agreements to keep that information from being made public.

One of the requests for information was a question about any public funding Liberty Gap has received. The developer told PSC officials it had no agreements with public entities and no funding from public sources.

There is, however, a loan agreement between parent company U.S. Wind Force, and the West Virginia Housing Development Fund.

Liberty Gap says whether or not that fund is public “is of no consequence” since the company has fully disclosed the terms and conditions of the agreement. Furthermore, it asserts, it was not a party to the loan agreement, only U.S. Wind Force is.

U.S. Wind Force LLC, headquartered in Delaware, got a revolving line of credit loan not to exceed $2.5 million from the housing development fund in June 2003. The money is for pre-development or pre-construction costs associated with potential wind projects in West Virginia, including some preconstruction costs associated with the Liberty Gap project, the company says.

But under the terms of the loan, company officials state, none of the money can be used for construction. U.S. Wind Force has an outstanding balance of about $531,000 and the loan must be repaid in full either by June 17, 2007, or the date on which any of its utilities begin operating or get sold.

In addition, it was U.S. Wind Force, not subsidiary Liberty Gap, that is a party of a memorandum of understanding with the West Virginia Governor’s Office from December 2002, the company says. U.S. Wind Force got an economic development grant for $600,000 toward development costs associated with wind utilities. Any proceeds Liberty Gap got from that grant, it says, were indirectly through its parent company.

“The amounts advanced to Liberty Gap by its parent company from the line of credit and grant are not material when compared to the $190 million construction estimate for the Liberty Gap project,” said Tom Matthews, USWF president. “In fact, if the two advances taken by Liberty Gap were totaled, it would represent less than 0.2 percent of the construction funding needed ... the materiality of both fund sources should be considered irrelevant.”

Who buys the power?

PSC representatives asked Liberty Gap to provide copies of contracts for selling any power it generates.

Liberty Gap objected to the request “in that it seeks confidential and/or proprietary information and documents,” Matthews wrote. “Liberty Gap acknowledges it has entered into a power purchase agreement with FirstEnergy Solutions Corp. ... for all of the energy, capacity, and renewable attributes generated by the Liberty Gap project.” But the terms are subject to a confidentiality agreement and cannot be disclosed, he explained.

The agreement of Feb. 24 with the Akron, Ohio-based FirstEnergy Solutions was announced recently in a press release from the companies.

According to the release, FirstEnergy entered into a 20-year agreement to buy the combined 250-megawatt output of two USWF projects in West Virginia — Mt. Storm, a 150 MW project planned for Grant County; and Liberty Gap, both of which the developer hopes will be operational by December of next year.

This is FirstEnergy’s second such agreement in the PJM grid region. In April 2003, it agreed to buy power from FPL Energy LLC generated by its Somerset County, Pa., utility of 30 MW.

The Ohio-based energy company has seven electric utilities, making it the nation’s fifth largest investor-owned electric system (4.5 million customers in Ohio, Pennsylvania and New Jersey).

Pressing for details

PSC staff asked for balance sheets, fund and income statements for each year of the start-up phase and the first five years of operation, and all assumptions used in preparing and supporting those documents.

But Liberty Gap officials said no, insisting it will not be making any retail sales of electricity — it will remain exclusively a wholesale generator and not provide any of the public services enumerated in West Virginia law. Therefore, Liberty Gap requested a waiver of the requirement to provide financial statements. “Until the commission rules on its request, Liberty Gap will not tender the requested information,” Matthews wrote.

If the commission determines the information must be provided, he stated, Liberty Gap will ask for the information to be subject to a confidentiality agreement with PSC staff, and a protective order from the commission.

PSC staff, in a March 22 motion to compel Liberty Gap to provide the information, said the “mere fact” Liberty Gap had a power purchase agreement in place wasn’t enough. “Staff believes it should be able to examine the contract in order to evaluate the financial viability of the project,” the motion stated, explaining staff members were willing to sign a confidentiality agreement. “Staff wishes to note that Liberty Gap bears the burden of showing that it should be granted a siting certificate ... Thus, it is not up to staff to ensure that the commission has the information it needs .. it is up to Liberty Gap.”

Who takes them down?

One of PSC’s questions was, how much will be in bonds or escrow accounts for removing, disposing, and/or restoring the affected areas at the project site?

Liberty Gap says it will have in place, as the project gets up and running, either a bond for $300,000 or an escalating escrow account that will result in $300,000 after 20 years to cover those tasks. That amounts to $6,000 per turbine if 50 of them are built.

The company explained that number was determined based on specs provided by turbine manufacturers, on a useful life of 25 years. “Due to a robust market for used turbines and significant technological advances in design, it is reasonable to expect that turbines installed now will be re-powered within the next 20 years to take advantage of efficiency improvements," Matthews stated.

If a turbine is not reused, he said, the expected salvage value of 5 percent equates to more than $50,000 per turbine, which exceeds the $21,000 cost of removal estimated by a leading turbine erection contractor.

Tourism, property values

Agency staffers asked about surveys the company cited on tourism and property values provided by Liberty Gap.

The property values study referred to was conducted by the Renewable Energy Policy Project in 2003, based on three major case studies. That same report has been dismissed by those opposed to its shortage of data, and its authors also mentioned the need to expand the statistics it used in order to keep it useful.

As for the survey on tourism, Liberty Gap told the agency that report acknowledges there "are no definitive studies on the effects of wind power facilities on local tourism." The developer says the research included conversations with U.S. Wind Force representatives, landowners near such utilities, and tourists from those regions plus a review of web sites.