

BLACKFEET (DUCK LAKE) WIND PROJECT

Background

In September 2000, the Blackfeet Indian Tribe selected SeaWest Wind Power Inc. (SeaWest), as a wind power development partner. They proposed that the Bonneville Power Administration consider purchasing energy generated by a windplant to be located on tribal land in the Blackfeet Indian Reservation in north central Montana. Two sites were considered: Houseman Hill and Duck Lake Ridge. The Blackfeet and SeaWest initiated on-site wind resource assessments in September 2000 at both sites and proposed a range of power prices. The final energy price and the most economic site were to be determined on completion of the wind resource assessment. At that time, both parties expected that the wind resource at the Duck Lake Ridge site would yield a very competitive capacity factor using the MHI 600kW wind turbine generator.

The wind resource for Houseman Hill was determined to be not economically viable. Unfortunately, the wind resource data collected to date at the Duck Lake Ridge site also does not support the capacity factor assumption in the proposal.

Because the wind resource is less than originally estimated and other project costs are higher than expected, the prices quoted by SeaWest to BPA cannot be met. Therefore, BPA has concluded that it cannot continue development of the environmental impact statement (EIS) for the Duck Lake Ridge project. BPA, SeaWest and the Blackfeet Tribe have each invested significant funds and resources in permitting the site and assessing its viability and are disappointed that the project EIS is not moving forward.

Messages

- BPA will not complete the EIS for the Duck Lake Ridge Wind Project because the price for power from the Project does not meet BPA's cost competitiveness criteria. However, BPA is leaving open the possibility of a future tribal-sponsored wind project if BPA's criteria can be met.
- BPA and SeaWest investigated the feasibility of a wind project from 22.8 MW up to 66 MW but were unable to configure an economically competitive project within this range.
- No predevelopment agreement was ever signed between BPA and SeaWest because the tribe and SeaWest never executed their amended partnership agreement, a requirement for the BPA predevelopment agreement.
- Most of the contractual and technical issues of this project had cost components that affected its economic viability, which, in turn, affected BPA's decision.
- To reduce the net costs of the project, BPA asked the Department of Energy if it would have any interest in purchasing 'green tags' at 15-20 mills/kWh from the Duck Lake Ridge Wind Project. It appears unlikely that DOE could make a long-term commitment in a short time.

What is the Duck Lake Ridge Wind Project?

The Duck Lake Ridge Wind Project is a 36- to 66-megawatt wind energy generation facility proposed by SeaWest Wind Power Inc. and the Blackfeet Indian Tribe that was to be located in the Blackfeet Indian Reservation in Glacier County, Mont. Proposed for completion in 2003, it would have been the first utility-scale wind power project ever located on tribal trust land.

Was BPA formally committed to the Duck Lake project?

No. Although there was tremendous private, tribal and political support for the project, no formal agreement was ever signed with SeaWest or the Blackfeet Indian Tribe.

What work was completed before BPA made a decision?

SeaWest and the Blackfeet originally proposed the 22.8 to 50 MW project, on two locations, in October 2000. The cost of energy from the project was expected to fall into the 32-38 mill/kWh range, depending on final project size and wind resource. BPA, with support from the Blackfeet, and SeaWest began a four-season avian use survey after receiving recommendations from the U.S. Fish and Wildlife Service. To take advantage of economies of scale, the proposed project size was expanded to up to 66 megawatts. SeaWest erected meteorological towers on the sites, and after eight months of wind analysis subsequently ruled Houseman Hill out because it did not have enough wind to support a cost-competitive wind project. SeaWest funded an interconnection study by Glacier Electric Coop. BPA held EIS scoping meetings, initiated avian surveys, performed cultural reviews and mapped vegetation at the site. BPA worked with GEC and Montana Power Company on transmission and integration issues, including the possibility of having BPA provide control area services after it became clear that MPC was not interested in doing so. BPA invested over \$250,000 on EIS permitting costs.

What factored into BPA's decision?

It all came down to economic feasibility. The Duck Lake Wind Project site is a good resource, but coupled with other costs and thorough analysis, it simply is not economically competitive. Several factors contributed to increasing energy prices on the project. First, the capacity factor did not materialize at the level expected. Second, property taxes were initially thought not applicable to the project. Third, wheeling, transmission and integration charges were higher than anticipated. Next, transmission constraints between Montana Power Company and BPA added technical, financial and physical challenges. Finally, the current forecast of the long-range marginal cost of power for the federal system has drastically declined. Wholesale power market prices are currently at 20-30 mills/kWh and long-range prices are expected to be 35-45 mills/kWh. All together, this would have resulted in prices of delivered energy in the 50-55 mill/kWh range, with an additional 17 mill/kWh due to Production Tax Credit expiration. (Although this credit is expected to be renewed for at least one year, BPA is not willing to accept a cost risk which, if required, would make this a 62-72 mill/kWh project.)

While the project would provide significant generation of nonpolluting renewable energy and would also contribute to the long-term economic development of the Blackfeet tribe and the tribal community at large, the premium currently required for the project output over conventional sources is simply too high for this project to be cost competitive.

What happens now?

Since the project does not meet BPA's cost criteria, the file will be closed. However, the ongoing one-year avian study will be completed in order to protect BPA's significant investment to date and to provide the tribe with solid environmental data that might allow development of this site at a later date. Preparation of the EIS and other study activities will not be concluded. BPA will hold open the possibility of a future tribal-sponsored wind project if the economics work out for the agency. For more information, contact Tom Osborn at (509) 527-6211.