

San Diego utility wants to invest \$600 million in Montana wind farm

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07/20/10 1:15 PM PDT GREAT FALLS, MONT. — A California utility that had an agreement to buy electricity from a wind farm proposed for northern Montana is now offering to invest in the project.

NaturEner USA proposed building the \$800 million Rim Rock wind farm in Glacier and Toole counties, and San Diego Gas & Electric had an agreement to purchase all 309 megawatts of power from the project.

Last week, SDG&E asked the California Public Utilities Commission to instead allow it to invest \$600 million in the project.

"We think this might be a very unique investment opportunity," said SDG&E spokeswoman Jennifer Ramp.

NaturEner's chief financial officer, Alfredo Cahuas, said the investment calls for SDG&E to have majority ownership of the wind farm for the first 10 years while recovering its investment and an expected return. For the next 10 years, NaturEner would have majority ownership.

The proposal from the investor-owned utility cites a drop-off in investment by commercial banks as a reason to help finance the project.

"I think we expect that we will see more of these types of transactions," Cahuas said Tuesday. "This will be a precedent-setting arrangement."

Jim Bellessa, research analyst and senior vice president of D.A. Davidson and Co., an investment firm based in Great Falls, called the utility's plans to finance Rim Rock an "aggressive tactic" driven in part by California's stringent renewable energy requirements.

SDG&E has 1.4 million customers in San Diego County and southern Orange County. The utility's application to the California PUC says it expects its investment in the wind farm to be repaid in 10 years, primarily through tax credits now available to investor-owned utilities.

The application seeks a decision from the PUC by March 2011 in order for construction and financing deadlines to be met. The project must be operating no later than Dec. 31, 2012, for the utility to be eligible for production tax credits.

SDG&E is also seeking to amend its purchase agreement so that the 206-turbine wind farm can be built in phases.

The utility is also buying power from the 210-megawatt Glacier Wind Farm, a 71-turbine NaturEner project just south of the proposed Rim Rock wind farm.

NaturEner has said it will begin work on the Rim Rock wind farm once the Montana Alberta Tie Line transmission line is built. Cahuas said he expects work on Rim Rock could begin next June.