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Wind firm backed by Golisano shuts after prices fall

By ANDREA DECKERT - 7/23/2010

Empire State Wind Energy LLC, the company backed by billionaire and Paychex Inc. founder Thomas Golisano, has ceased operations because its leaders believe the venture will not be profitable.

David Still, a partner and investor in Empire State Wind Energy, said this week the company is "mothballing," or postponing, the project indefinitely. The main reason is the significant drop in wholesale electricity prices.

"The company is not proceeding with anything at this point," Still said, adding the chances of resuming down the road do not look good either. "If we do see a resurgence in wholesale prices, we could proceed with the project, but economically, it just doesn't work for us now."

The Oneida-based firm has been looking to develop wind farms in the area since it began in 2006. The company has said it would build only projects acceptable to host communities and return most of its profits through taxes, payments in lieu of taxes and fixed-cost energy sales.

The New York Independent System Operator this year reported the state's average wholesale electric energy price for 2009 was the lowest in 10 years.

NYISO operates New York's bulk electricity grid and administers the state's wholesale electricity markets.

The average annual price of wholesale electric energy in the state was \$48.63 a megawatt-hour in 2009. The average was below the previous low of \$49.90 a MWH set in 2002 and 49 percent below the 2008 average of \$95.31, NYISO reported.

The declining wholesale electricity energy prices in 2009 were largely attributable to reduced power consumption and reductions in the cost of natural gas, NYISO said.

Still said Empire State Wind Energy does not expect the price to rebound.

In addition to Golisano and Still, the other partners in the firm are local businessman Charles Graham and CEO Keith Pittman, who worked most closely with town leaders.

Empire State Wind Energy had several community host agreements in place, mostly with Wayne County towns, Still said. The company also has pumped a lot of cash into the project on site test towers and legal fees, but he declined to say how much of an investment the company has made.

In addition to the drop in wholesale electricity prices, other factors led to the company's decision, Still said.

They include a NYISO report on wind generation released in June that showed challenges for upstate wind projects, including upgrades that would be needed to transmission systems to keep a portion of the wind captured from being unusable. Currently nearly 9 percent of wind energy captured is undeliverable, he said.

In addition, new federal policies that allow electric companies outside the region to build transmission lines here are likely to create more pricing pressures.

The news about Empire State Wind Energy came out of left field to some Wayne County leaders. Many said they were contacted only recently by Pittman about the company's decision to cease operations.

Sodus Supervisor Steven LeRoy said he was disappointed but not surprised. Sodus was one of several Wayne County towns that had community host agreements in place with the firm. The others included Butler, Galen, Rose and Wolcott.

As of midweek, LeRoy had not reached Pittman but had received an initial message from him while the supervisor was on vacation. Just recently, Pittman was still talking about placing wind turbines in the town, LeRoy said, adding, "I don't know what happened."

He did see some warning signs, noting the company's interest had declined substantially in the last year, while the town was gearing up for the new power source and additional economic benefits.

"We were higher than kites waiting for the day to come," LeRoy said.

While the town did not invest much money-and legal fees they accrued were covered by Empire State Wind Energy-LeRoy said a great deal of legwork was involved on the town's end, from holding public meetings to creating town ordinances related to wind power.

He feels the Wayne County towns working with Empire State Wind Energy may have been "hoodwinked" by the firm.

"It's like that saying, 'If it sounds too good to be true, it probably is,'" he said.

Despite the setback, LeRoy said Sodus would continue to pursue wind power options with the right developer.

"Sodus is ready for the right project to come along," LeRoy said.

Huron Supervisor Laurie Crane said her town would not be anxious to resume business with Empire State Wind Energy.

"They left a very sour taste in the mouths of the town board (members) here," Crane said.