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A Green Logrolling Classic

Offshore wind for 78 cents a kilowatt-hour. On the open market: 3 cents.

By The Editorial Board
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An offshore wind turbine. PHOTO: BILLY H.C. KWOK/BLOOMBERG NEWS

For a perfect example of green daydreaming gone awry, look to the waters off Virginia Beach, which will soon feature two wind turbines with blades rising as tall as the Washington Monument. It's impressive engineering, but it makes zero economic sense, according to Virginia's utilities regulators. They've issued a scorching order that . . . approves the project. Yes, the surprise ending is that their factual analysis doesn't matter under a green fiat from the state Legislature.

Dominion Energy , Virginia's biggest utility, plans to spend $300 million to build the two turbines 27 miles off the coast. Together they will produce 12 megawatts of power, enough for 3,000 homes. This first pair of turbines is a "demonstration project" to let Dominion gather data and experience. Then, as soon as 2024, it could begin dotting the adjacent waters with hundreds more, enough to generate 2,000 megawatts and light 500,000 homes.
This summer Dominion asked Virginia's State Corporation Commission, which regulates electric utilities, to deem the plan "prudent." As reason to act swiftly, it cited pressure to cut carbon emissions. Senate Bill 966, championed by Dominion and signed in March by Gov. Ralph Northam, set a state objective of 5,000 megawatts of solar and wind power by 2028.

The commission's 20-page order, issued Nov. 2, is a takedown from front to back. "Dominion's customers will pay the costs of this Project," it says. The two turbines will generate electricity at 78 cents a kilowatt-hour—compared with 9.4 cents for new onshore wind, 5.6 cents for new solar, and around three cents for energy bought on the open market.
Other utility companies, the order adds, have pursued offshore wind by signing agreements to buy power from outside developers. Instead Dominion "proposes a construction model, which places essentially all the risk on Dominion's customers."

What about the $300 million cost? "The proposed Project is not the result of a competitive bidding process," says the commission. Dominion admits that it lacks "detailed information" on the cost of other wind projects, and if overruns occur, "it may seek additional cost recovery from customers."

Trying to justify the two turbines as proof of concept doesn't work either, given that big offshore wind farms generate electricity at 13.1 cents per kWh. Since that's still higher than alternatives, what's left to prove? "Customers will pay at least $300 million (plus financing costs) to demonstrate a large-scale project that, based on Dominion's own studies, will not be a competitive option for the next 25 years," the commission says.

Not that reality matters. "As a purely factual matter," the commission says, the proposal "would not be deemed prudent." But the Legislature has declared that offshore wind is "in the public interest." Voilà, the petition is approved. That same day the utility issued a jaunty press release: "Dominion Energy Virginia customers are one step closer today to getting power from a new, renewable form of energy. The State Corporation Commission ruled in favor of plans to build two six-megawatt wind turbines."

This could hardly be improved as an illustration of environmental logrolling—among a Republican state Legislature, a Democratic Governor, green activists and a utility company with a regulated monopoly. The State Corporation Commission deserves credit for calling attention to the fiasco. But if its hands are tied, then who's looking out for Dominion's 2.6 million customers? Nobody.