Out Front

Wind Power: Can It Make a Profit?

Jonathan Fahey , 06.22.09, 12:00 AM ET

Brian Driscoll, 57, is constantly thinking about saving the planet. He wears a bracelet that reminds him to do one thing every day to save energy or reduce waste. He has long wanted to install a wind turbine near the $6 million (revenues) commercial printing operation in New Haven, Conn. he has run with his brother Kevin, 65, for 28 years.

A windmill doesn't make economic sense, even though this poor entrepreneur is gouged 19 cents per kilowatt-hour from his utility. A 121-foot, 100-kilowatt turbine from Northern Power runs $500,000, installed. The air at Driscoll's site on Long Island Sound is so still that the average output would come to only 18% of peak output, meaning that the juice would be worth $30,000 a year. It's hard to cover the interest on a $500,000 loan with a $30,000 annual payback. "If I had to borrow that kind of money for my business, it would be for printing equipment," says Driscoll.

So taxpayers are going to buy the turbine for him. Or 83% of it, anyway. Driscoll's firm, Phoenix Press, is getting a $263,000 grant from the Connecticut Clean Energy Fund, plus another $150,000 from President Obama's renewable energy honeypot. That brings Driscoll's outlay down to $87,000. He'll sell excess electricity produced by the wind turbine back to his utility, United Illuminating, on nights and weekends, when Phoenix Press is closed, and he's entitled to the same larcenous rate that United charges him during the day. He expects to recoup his outlay in less than three years.

Driscoll is getting an unusually great deal, but others come close. Combined federal, state and municipal subsidies can pick up 60% or more of the cost of an on-site renewable power project, says Justin Barnes, a policy analyst at the North Carolina Solar Center, which keeps a database of state incentive programs across the country. This is reducing payback time to six years or less. If a wind turbine or solar panel lasts 25 years, that's 19 years of free power.

"People are starting to realize that the stars are aligning," says Nils Behn, director of the wind division of Alteris Renewables, a wind and solar installer in Wilton, Conn. that will erect Phoenix Press' turbine. Alteris started to see a sharp increase in business this spring that hasn't abated and is hiring staff to keep up with demand.

Congress passed a law this year that will soon allow big, utility-scale wind and solar projects to opt for a grant of 30% of the installation cost of a project from the federal government. (Or they can opt for the older incentive, a tax credit sometimes keyed to production.) That same law lifted a $4,000 cap on rebates for smaller projects, like the 100-kilowatt wind turbine Phoenix Press is installing. These smaller projects qualify for state incentives, too, while the large farms generally don't.

Suddenly it's not so much how sunny or windy a site is, but rather how much money is available. States generally have guidelines to prevent people from installing a solar panel in a forest: Solar projects require a specific exposure to the south, and wind needs a certain expected average speed. But weather conditions vary wildly, and states often don't require businesses to perform tests to verify estimates. The danger: Government money will be poured into renewable projects that won't produce much energy.

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