



Problems for the Pickens' Plan

Posted by [Heading Out](#) on July 10, 2009 - 10:24am

Topic: [Alternative energy](#)

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It is a relatively cool, overcast day here in Cambridge, MA, a little damp, with only the occasional tree moving in almost 24 hours. But yesterday I was chased up the New York Thruway by a storm carrying hail and cutting visibility to yards. These weather conditions suggest that today is not a good day for the prime candidates promoted as the sustainable fuels of tomorrow, here in the Northeast: wind and solar.

The larger blow to the sustainable energy story today, however, is not the chill of an autumn day in July in Massachusetts, but rather the colder stillness of the [lack of movement by Boone Pickens](#) on his wind farm in Texas. The reasons for the turn around depend on who you read.

The Wall Street Journal [notes](#):

Mr. Pickens, who has spent the last year pushing his "Pickens Plan" to reduce the nation's dependence on foreign oil, said the wind farm project was scuttled in part because of the lack of adequate transmission lines to carry the electricity from remote locations to cities. He had hoped to build new transmission lines but ultimately was unable to secure financing.

Natural gas-fired power plants are direct competitors to wind farms and other forms of clean energy. Natural gas prices have fallen about 70% from last year's high, making wind less attractive as a source of power.

while [Daily Finance noted](#) the problems of raising money:

Pickens, 81, was undaunted declaring at press conference on Capitol Hill, "I didn't cancel it ...Financing is tough right now and so it's going to be delayed a year or two."

"Cancel" may not be the right word. How about review? Pickens, who gained fame as a corporate raider in the 1980s, was planning to build the world's largest wind facility, at a site in the windy, flatlands near Pampa, Texas, which would generate enough electricity to power about 1.2 million homes.

The initial problem that Mr Pickens faces is that he has ordered the turbines and "like I said, my garage won't hold them," the legendary Texas oilman said. "They've got to go someplace."

There are 687 turbines involved, each to produce [1.5 MW of power](#) and the question of where to put them, given that there are problems with the initial siting due to the need for connection to the grid, is likely to be a challenge. The problems have been visible for some time. Back in November there were signs that the credit crunch [was hurting the program](#), and the drop in natural gas prices (which were the other half of the coin) has meant that there is no rationale for changing from natural gas to wind at the present time.

On the other hand, [back this time last year](#) the Texas legislature approved putting in the connections to bring the wind power into the grid.

Texas regulators have approved a \$4.93 billion wind-power transmission project, providing a major lift to the development of wind energy in the state.

The planned web of transmission lines will carry electricity from remote western parts of the state to major population centers like Dallas, Houston, Austin and San Antonio. The lines can handle 18,500 megawatts of power, enough for 3.7 million homes on a hot day when air-conditioners are running.

The project will ease a bottleneck that has become a major obstacle to development of the wind-rich Texas Panhandle and other areas suitable for wind generation.

The transmission lines are needed since, at present, there is more capacity than can be delivered through the existing grid.

"When the amount of generation exceeds the export capacity, you have to start turning off wind generators" to keep things in balance, said Hunter Armistead, head of the renewable energy division in North America at Babcock & Brown, a large wind developer and transmission provider. "We've reached that point in West Texas."

Unfortunately that plan, shortly thereafter, ran into [the Justice Department](#). The initial idea had been to integrate a water pipeline into the right-of-way so that Mr Pickens could also pipe water to Dallas and the water-short folk in East Texas from his holdings in West Texas.

At the time, Mesa General Counsel Bobby Stillwell said the company "got too clever."

Said Stillwell: "We had thought that doing them jointly would be a convenience and maybe even a cost savings to us and the landowners. There were two things that we misjudged. To do that we would have to acquire a 250-foot right of way instead of just a 150-foot one for electricity. That was enough difference to the landowners," he said.

"Secondly, they were criticizing the whole project, both water and electricity, when they were really concerned about water. We didn't want both to be subject to the same criticism."

And so, last September, the water pipeline idea was scrapped, then the plan to use the wind power to displace natural gas was also put aside, and now the idea of the large wind farm itself has had to be laid aside.

But

Pickens continues to buy up water rights and says he expects to build smaller wind farms in Texas, as well as in Oklahoma, Kansas, and Wisconsin. He's still hopeful about his hedge funds, too.

This is occurring just as the President is [sending out a team](#) to encourage rural America to become involved in sustainable energy. It is not the best juxtaposition of events to see the sales pitch for wind included in their statements.

Wind energy offers rural landowners a new cash crop. Although leasing arrangements vary widely, royalties are typically around \$2,000 per year for a 750-kilowatt wind turbine or 2% to 3% of the project's gross revenues. Given typical wind turbine spacing requirements, a 250-acre farm could increase annual farm income by \$14,000 per year, or more than \$55 per acre. In a good year, that same plot of land might yield \$90 worth of corn, \$40 worth of wheat, and \$5 worth of beef." ([Original Blogger's note](#): This report and its numbers are 5 years old. I've heard of lease payments of \$5,000 per turbine.)

So just as I thought that wind was taking the commanding lead in the alternate energy stakes, we have days like today. Such events are bound to slow the growth of alternative fuels to the fossil fuels we now use, which makes the ongoing concern about the long-term viability of supply of those fuels (worrisomely [summarized by Sam Foucher](#) a few days ago) that much grimmer news.



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