

Hudson Ranch geothermal gets financing

David Steffen, Imperial Valley Press, 5-16-10

The proposed 49-megawatt Hudson Ranch 1 geothermal plant cleared its final hurdle after the \$399 million project secured financing from eight banks on Thursday.

“It’s just a complete relief,” said Larry Grogan, senior vice president of development for EnergySource. “It’s such a difficult market to go into for project financing.”

EnergySource was formerly known as CHAR. Dutch bank ING, French bank Societe Generale and MetLife are among the eight banks that are financing the project.

Imperial Irrigation District Director Jim Hanks said he was pleased to see the Hudson Ranch 1 project well on its way to completion.

The IID voted unanimously on Jan. 20 to allow Hudson Ranch 1 developers to purchase 800 acre-feet of water annually for the geothermal plant.

“I was glad to see them get the financing all completed,” Hanks said. “It’s one of the first independently owned geothermals to come through, and it took quite a bit of paperwork and permitting.”

PLANT TO OPERATE BY LATE 2011

Construction on the 49-megawatt plant will begin in about three months, Grogan said. It will be located on 65 acres of land near the Salton Sea and Niland.

Grogan said construction would take 21 months. Electricity from the plant would flow to Phoenix and it could supply the electricity needs of 35,000 individuals, he said. Utility supplier Salt River will purchase and transmit the electricity.

Preliminary exploration for the Hudson Ranch 1 plant began in 2004, and developers drilled the first exploratory well in 2008.

PLANT CLEARED TWO HURDLES

EnergySource reached its first critical milestone in January when the IID board granted it 800 acre-feet of water annually. Grogan said EnergySource will pay about \$440 per acre-foot of water.

It will come from IID’s interim water supply policy, which allots 25,000 acre-feet of water annually to nonagricultural projects.

In winter, the Treasury Department suspected Hudson Ranch 1 was ineligible for \$100 million in American

Recovery and Reinvestment Act funds.

Eligible projects could not begin construction before Jan. 1, 2009. Hudson Ranch 1 developers had conducted experimental well drilling in 2008, and Treasury officials suspected it counted as construction.

“There is no guarantee the well will be a commercial success,” Grogan said.

However, Gov. Arnold Schwarzenegger, U.S. Rep. Bob Filner, D-Chula Vista, U.S. Sen. Barbara Boxer, D-Calif., and other politicians contacted Treasury Secretary Timothy Geithner. They ultimately convinced the Treasury in March that Hudson Ranch 1 was still eligible.

OFFICIALS: PLANT WILL BOOST ECONOMY

District 5 county Supervisor Wally Leimgruber said the Hudson Ranch 1 project will offer employment opportunities in the county.

“Many months went into a concerted effort to bring this new geothermal plant on line,” Leimgruber said. “It’s going to be another renewable energy geothermal plant that will put people to work.”

Grogan said the 21-month construction phase will employ 200 full-time construction workers. The completed plant will employ 35 full-time employees.

“Many of the benefits of people working at the plants will remain local,” Grogan said. “There will be good jobs, and they’ll be capable of buying homes and keeping them.”

Grogan said EnergySource will pay about \$3.5 million in property taxes annually. Hanks said Valley residents will benefit from the project.

“It’s going to be so valuable to the Valley with the jobs and tax base it brings to the county and schools,” he said.

HUDSON RANCH SEQUELS

Grogan said there might be two to four additional Hudson Ranch geothermal projects. The second might be ready in about three years, he said.

“This is really our crowning achievement, and this whole project is probably the last one we’ll be involved with from exploration to permitting through to plant design,” Grogan said.