

Fairhaven Wind Energy Project

Commercial Terms and Financial Benefits for the Town of Fairhaven

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George Aronson, Commonwealth Resource Management Corporation

Public Meeting	May 9, 2007
Finance Committee	May 10, 2007
Special Town Meeting	May 15, 2007

Overview

- ◆ Town consulting team introduction
- ◆ Proposal history
- ◆ Key commercial terms
- ◆ Financial benefits to the Town
 - Lease payments and property taxes
 - Electricity purchases
- ◆ Conclusions

Town Consulting Team Introduction

Barry J. Sheingold, New Energy Opportunities, Inc. (NEO)

George Aronson, Commonwealth Resource Management Corporation (CRMC)

- ◆ Retained by the Board of Selectmen in February 2006 to advise the Town on project viability and commercial terms
- ◆ Experienced in evaluating and negotiating commercial terms for wind turbine and other power production projects
- ◆ Represent the Town, not the developer
- ◆ Being paid by the Town of Fairhaven (CRMC) and by the MTC (NEO)

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Proposal History

February 2006	Town retains consulting team
April 2006	Team develops and issues Request for Proposals (RFP) to install wind turbines on Town site
May 2006	Proposals received from CCI Energy LLC (CCI) and ECO Industries LLC
Summer 2006	Proposals clarified and evaluated
October 2006	Award to CCI based on CCI proposal conditioned on (a) acceptance of other RFP commercial terms; (b) refined finance plan; and (c) refined development process
February 2007	CCI submits plans to comply with conditions

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Key Commercial Terms

CCI proposes to:

- ◆ Install, operate and maintain two 1.65 MW Vestas wind turbines on land leased from the Town
- ◆ Annual lease payments during operating period will be the greater of:
 - \$12.80/MWh of gross generation; and
 - \$100,000 minimum net of property taxes paid during the year
- ◆ Deliver and sell electricity directly to the Town waste treatment plant located adjacent to the turbines
- ◆ Electricity price: 7.0 cents/kWh escalating at 3% annually

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CCI Implementation Plan

CCI proposes to:

- ◆ Purchase two 1.65 MW wind turbine generators from MTC, which have been previously acquired by MTC and are now in storage
- ◆ Finance the project through:
 - A loan from MTC for the purchase of the wind turbines
 - Equity from Palmer Capital for the balance of the project
- ◆ Sell excess electricity to the Cape Light Compact via NStar system
- ◆ Sell Renewable Energy Certificates to (a) the Cape Light Compact and (b) MTC (through MTC's Community Wind Program)
- ◆ Note: MTC is strongly considering CCI's proposal to purchase the wind turbines (and the associated loan), but other candidates are also being considered

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Financial Benefits to the Town: Lease Payments and Property Taxes

- ◆ Evaluation: Town will receive \$100,000 per year from lease payments and property taxes after the start of commercial operation (2008-09)
- ◆ Projected output of wind turbines would produce less than the \$100,000 minimum payment

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Financial Benefits to the Town: Electricity Purchases

- ◆ Electricity purchases: estimated 742 MWh/year sales to waste treatment plant accounting for wind availability and plant loads
- ◆ Electricity cost savings:
 - Estimated \$50,000/year with 1% escalation beginning in 2009
 - Key variables/assumptions:
 - Waste treatment plant loads—85% of 4-year average (conservative)
 - Displace 72% of plant electricity purchases from wholesale supplier
 - Avoid electricity at current costs of 10.67 c/kWh escalating at 3%/year
 - Avoid some electricity delivery charges of ~2.4 c/kWh from NStar escalating at 2%/year

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Conclusions

Summary of financial benefits to the Town

\$ 100,000 per year from site lease payments and property taxes

\$ 50,000 per year from savings in electricity purchases

\$150,000 per year total benefits, escalating with electricity prices

Findings on project viability

- ◆ The project is financially viable if MTC provides the turbines and financing on the proposed terms
- ◆ The financial benefits to the Town are (a) as much as the project can reasonably support, (b) favorable from a market perspective and (c) greater than what could be supported without the proposed role of the MTC