

Appendix E. WIND RESOURCES, ECONOMICS and FINANCING

E. Third party developer proposal

8-17-07

To: Gary Gump – Economic Development Committee – Town of Portsmouth, RI

From: Jim Sweeney

Reference: Sample Wind Pro Forma

Dear Gary:

Attached is a sample pro forma which shows the potential benefits to the Town of Portsmouth. As you know we are proceeding with the Fairhaven project under a public/private arrangement and would be pleased to pursue a similar arrangement with Portsmouth. After years of education and much back and forth with Fairhaven, Fairhaven eventually went out for competitive bids which we won. After approval at a special town meeting, we now have a signed agreement with the town to erect two turbines which we expect to own and operate for 30 years, sharing the project's benefits with the town. Our land lease calls for us to install these turbines on town owned land. Fairhaven's principal benefits, aside from the environmental plusses, are property taxes on the turbines and the opportunity to save on the town's electrical costs as a result of our direct connection with Fairhaven's waste water treatment plant. We would propose similar arrangements for the Town of Portsmouth.

More specifically, we would propose installing two 1.5-2.0 MW wind turbines at locations such as your High School and Middle School or at another location with an equivalent electrical load. The power sold on site would be behind the meter at a discounted rate with the balance of any power not used by Portsmouth sold to the grid at some wholesale rate. The property tax payment to the Town would be based either on your tax rate or a royalty payment depending on the project's profitability if we were to negotiate a payment in lieu of taxes agreement. This approach we feel is a true public/private partnership arrangement shifting most of the project and financial risk to the developer while providing the Town with the financial benefits of lower energy costs and an increased property tax base, as well as having clean sustainable/renewable energy in your community.

As shown on the sample pro forma, we would try to work with your CREB award of \$3.2 million for financing this project. This would affect our ability to claim Production Tax Credits, however the 0% loan would also lower the cost of money needed for this project and therefore could make this project's financials work to the benefit of both parties. Even with the anticipated CREB financing, you will note that this is a very thin project for all concerned. However, as we have modeled it, which includes certain assumptions about energy usage at these two sites, this project could provide over \$100,000 per year

in cash and savings to the Town of Portsmouth while at the same time providing educational benefits for students and the community as a whole.

Thanks again for this opportunity to work with your committee.

Sincerely,

Jim Sweeney

James P. Sweeney, President

James P. Sweeney

President

CCI Energy, LLC & Sustainable New Energy

8 Bay View Avenue

Plymouth, MA 02360 (Main Office)

&

Quest Center, 3rd Floor

1213 Purchase Street

New Bedford, Ma. 02740

Office/Cell - 508-830-0900 Fax - 781-823-7979

Email: Jim@ccienergy.com Jim@snenergy.com Web sites: www.cci-energy.com
www.snenergy.com

E. Third party developer pro forma

Sustainable New Energy
Pro Forma offer based on 2 1.5 MW Wind generators

PORTSMOUTH WIND PROJECT
Financial Summary*

Projected Capital Cost: \$7,600,000

Projected Equity: \$2,000,000

Projected CREB Debt: \$3,200,000

Projected Other Debt: \$2,400,000

BASE CASE -- 7 CTS/KWHR ESCALATING AT 3% PER YEAR

	<u>Years 1-10</u>	<u>Years 10-20*</u>	<u>Years 20-30</u>	<u>30-Year Total</u>
Projected Portsmouth Benefits:				
Projected Energy Savings:	\$ 258,845	\$ 347,866	\$ 467,503	\$ 1,074,215
Royalty & Property Tax:	\$ 869,837	\$ 619,734	\$ 441,543	\$ 1,931,113
TOTAL to PORTSMOUTH	\$ 1,128,682	\$ 967,600	\$ 909,046	\$ 3,005,328
Projected CREB Senior Debt Coverage:	226%	156%	NA	
Projected Average After-Tax Equity Return:	12.2%	3.7%	25.1%	13.7%

* Projections of Performance, not a guaranty of payments. Note that the CLC contract for sale of power not sold to Portsmouth only runs through the first 10 years. Hence, cash flow to equity is likely to be higher or lower based on what energy prices are at that time. Town shares in upside of higher priced 3rd-Party sales.

E. Third party developer news release
(**Bold** type added)

Wednesday, May 16, 2007 - 03:21 PM

Town takes first step toward wind power

By Joao Ferreira

Standard-Times staff writer

May 16, 2007 6:00 AM

FAIRHAVEN, MA – Town Meeting Tuesday night took a decisive step to allow the development of SouthCoast's first commercial wind-power project. After more than three hours of discussion, Town Meeting voted 141 to 98 to allow the Board of Selectmen to enter into a 25-year lease agreement with private developer CCI Energy.

The company plans to erect two 396-foot commercial wind turbines on town-owned land adjacent to the its waste-water treatment facility on Little Bay. The company now must undergo a special permit process with the town's Planning Board and the Conservation Commission, as well as fulfill all state and federal requirements before it can start construction on the \$7 million project. CCI and selectmen are also still negotiating the final agreement.

CCI plans to have the turbines operating by fall. The vote came after more than three hours of presentations by proponents, town consultants and others, and an aggressive effort by opponents of the project to sway voters' opinions.

"That's how change starts," said wind-power proponent Dan Freitas, about the only proponent that spoke in favor of the project on Town Meeting floor.

Members of WindWise Fairhaven, which opposed the project, did everything from forming a row of hand-drawn posters opposing the project, distributing copies of a petition with six pages of signatures asking for a "no" vote, showing a 16-minute video

on Town Meeting floor and walking up to microphones on the floor, when they were interrupted several times with shouts asking for the question to be moved.

Three hours into the meeting, members moved to vote on the question.

After the vote, Town Moderator Brian Bowcock called a win for the "yes" votes twice, but WindWise members asked for a vote count amidst several minutes of confusion.

It was unknown late Tuesday night what kind of action was taken on the subsequent 10 articles petitioned by the group asking for more studies and recommendations before the project proceeds. A set of articles that would try to change the town's wind turbine bylaw were believed to be illegal.

Under CCI's proposal, power produced by the two Vestas V82 turbines will help power the Arsene Street treatment plant, the town's largest electricity user. The turbines are expected to produce about 742 megawatts hours of electricity a year to power the facility.

CCI is selling the power to the town at wholesale prices and excess production to the power grid.

CCI said the town will save town at least \$150,000 a year between electricity costs and land lease and tax revenue.

Leading up to Tuesday night's special Town Meeting, the issue had been highly divisive in Fairhaven, with WindWise saying the proposed turbines would be too close to homes, would be noisy and would cause annoying strobe shadows at sunrise and sundown, among other things.

"This is going to affect the values of our houses, there's no doubt about it," Ken Pottel, WindWise member, said on Town Meeting floor after the group had presented information about lowering property values in Hull, where two turbines are in operation.

"I just think this is very unfair," he said.

The town and the developer released studies showing noise and flicker effects were acceptable and that there was no evidence of turbines affecting property values. Tuesday night they again fielded questions on the issues on the Town Meeting floor.

The closest homes to the Fairhaven turbines will be about 750 feet away.

WindWise fiercely tried to stop the project by claiming the current town bylaw doesn't set proper setbacks. The setback requirement under current bylaw is at a minimum equal to the turbine height (in this case 400 feet) at the property line.

WindWise has insisted on a minimum 1,200-foot setback, or three times the turbine height to the blade tip, which has been recommended as rule of thumb by the UMass Amherst Renewable Energy Research Lab.

Tuesday night, UMass representative Melissa Elkinton said rule of thumb is superseded by the results of the sound study.

"These bylaws, these setbacks were framed for this specific project," complained Town Meeting member Henry Ferreira. "Why are we doing this?"