

Risks & Rewards: From Leasing your Land to Owning a Project

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Outline

- About Windustry
- What makes a good wind project
- Landowner Options
 - Lease Your Land
 - Community wind: What is it?
- Risk vs Reward for landowners
- Successful Case Studies



Windustry

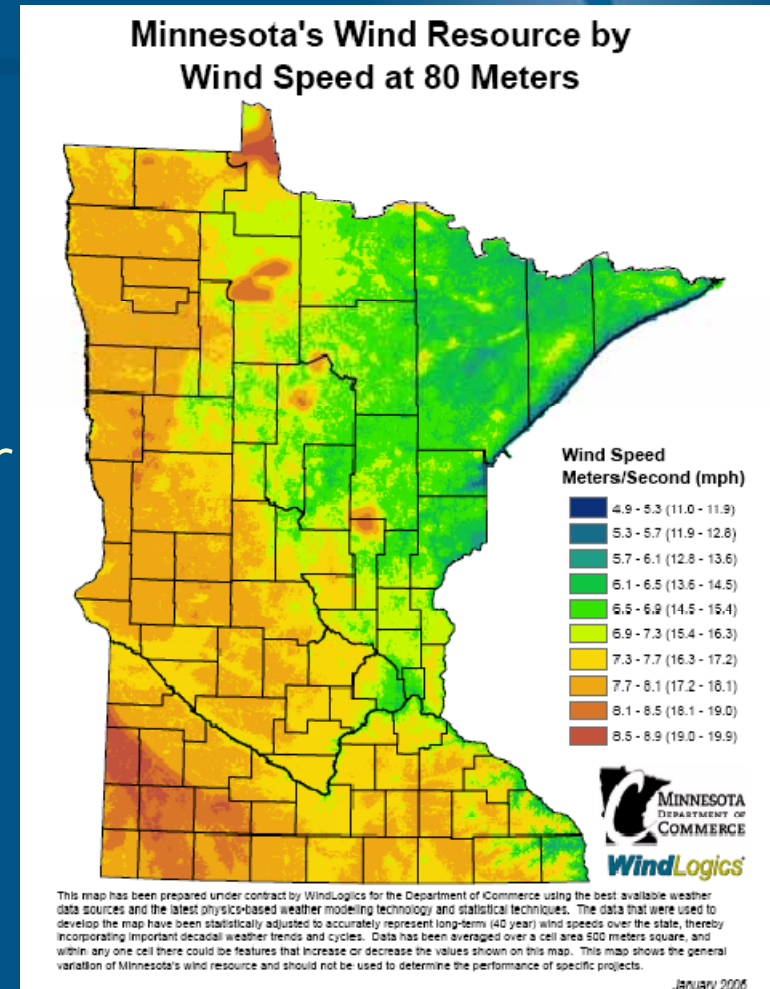
- Non-profit organization based in Minneapolis, MN - work locally, regionally and nationally
- www.windustry.org
- Focus on community wind, landowner options, and rural economic development
- Provide landowner education, outreach and technical assistance



Mission Statement: *“Windustry promotes progressive renewable energy solutions and empowers communities to develop wind energy as an environmentally sustainable, community-owned asset. Through member supported outreach, education and advocacy we work to remove the barriers to broad community ownership of wind energy.”*

What makes a good wind project?

- Quality Wind Resource
 - Verifiable data, at least one year
- Proximity/access to the power grid
- Cost of Capital
- State and Federal Incentives
 - www.dsireusa.org
- Market for the Power



Federal Incentives



- Federal Production Tax Credit
 - 2.1 cents/kwh tax credit for electricity generated by qualified energy resources applied to passive income. Best for corporation with large tax appetite
- Business Energy Investment Tax Credit (ITC)
 - Temporary ability to claim ITC 30% investment tax credit (ITC) instead of production tax credit (PTC). This is an option, not a requirement
- Treasury grant program
 - Allows taxpayers that are eligible for ITC (including investment tax credits claimed in lieu of production tax credits) to receive an equivalent financial grant from the Department of Treasury instead
- Federal Small Wind Investment Tax Credit
 - Owners of small wind systems with 100 kilowatts (kW) of capacity and less can receive a credit for 30% of the total installed cost of the system.
- USDA Rural Energy for America Program (REAP)
 - 25 % of total project cost, qualified rural land



Landowner Options for Wind Development

Landowner Options

- **Lease your land to a wind project**
 - Local project
 - External developer
- **Be a partner in a community wind project**
- Put up a residential or farm size wind turbine for your own power

Wind Development: Risk vs. Reward

Lower Risk &
Responsibility:
Lower Reward



Leasing Land



Wind Company,
Utility

Intermediate Risk &
Responsibility:
Intermediate Reward



Cooperative,
Investment Pool,
Partnership

Greater Risk &
Responsibility:
Greater Reward



Individual
Ownership

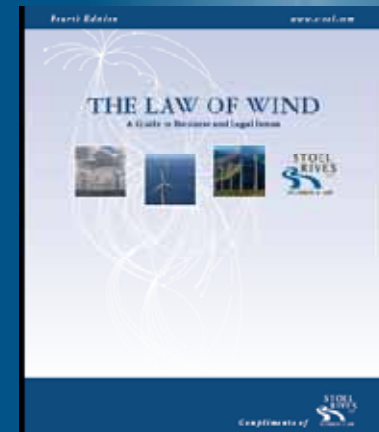
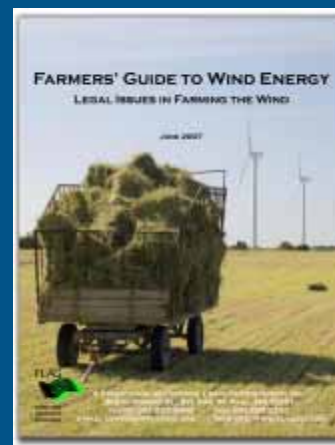
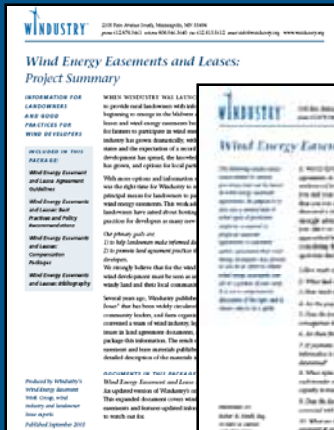
Leasing your land to a developer: Leases & Easements

- Main way for landowners to participate in wind energy development
 - No cash outlay
 - Low financial risk
- Few standards: range from good to bad to ugly.
- Compensation varies widely based on turbine size, wind resource, price of energy and many other factors.
- Long term commitments – usually last 20 to 40 years.
- Best results when landowners make informed decisions.
- Options for easements and leases are typical components of most wind energy projects, large and small.

Windustry's Package of Lease/Easement Resources

Materials include: (will be updated in early 2009)

- Easements and Lease Agreements – What might appear in these contracts and what to watch out for. An updated version of Windustry's original "Wind Energy Easements: Legal Issues."
- Compensation – Compilation of compensation packages from real wind projects.
- Policy and Best Practices – Recommendations and Proposals to facilitate sustainable wind development.
- Bibliography of additional resources.
 - Farmer's Legal Action Group report on Landowner options
 - Steel Rives LLP guide "The Law of Wind"



WINDUS

Compensation Packages – How much can you expect?

- Old: \$2,000 per turbine year.
 - Based on turbines in the 600-750 kW range.
 - “Average” figure popularized in late 1990s.
- New: bigger turbines (1.5-3.0 MW) usually mean bigger payments.
- Often, landowners will receive various payment depending on the stage of development
 - Initial Payment/Signing Bonus
 - Pre-Operation Fees
 - Operating Fees
 - Fixed Payment: About \$3,000-\$6,000/MW
 - Royalty Payment: About 2-3 % royalties based on revenue
 - Some leases do a combination of the two factors





Before you sign on the dotted line...

- How much of my land will be tied up and for how long?
- How much will I be paid and how will I receive payments?
- Are the proposed payments adequate now and will they be adequate in the future?
- How will a wind project impact my other land uses?
- Who will be responsible for decommissioning the project at the end of the lease?
- Who is responsible for associated taxes?
- Have I considered all of my other options and is this the best one for me?
- Will I be able to build structures on my property in the future?

More questions listed in the Wind Energy Easement and Lease Agreement Guidelines at www.windustry.org/leases

Evaluating a Wind Energy Development Company

- Evaluating the ability of the wind energy company to provide what they are offering
 - As the landowner you are allowed to ask questions of your potential tenant

Key information to gather

- Does the developer have a designated contact person for this project? Who?
- Has the developer successfully completed other projects? Are they near-by, within the state or even within the United States?
- Are there written materials on the specifics of the project to give landowners?
- How do I find a lawyer to review the agreement before I sign?
- What is the plan for getting the energy to the grid and where will it be sold?
- How much transmission will need to be constructed?
- What are the minimum requirements for a large wind energy project in my area? Who approves the necessary permits?
- What is the developer's plan to obtain financing?
- Has the developer registered with the Secretary of State in order to do business in the state?

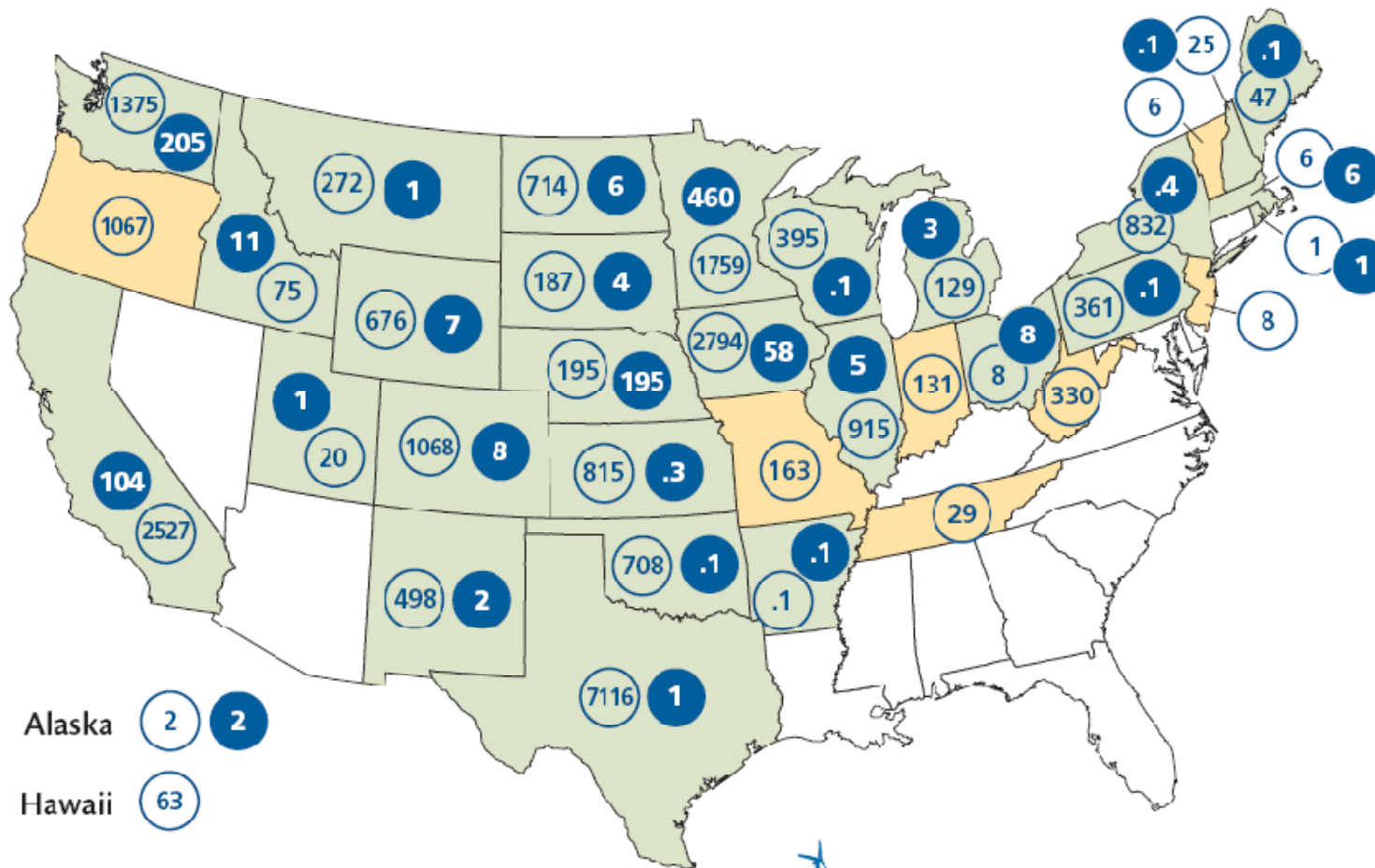
What is Community Wind?

Locally-owned, commercial-scale wind projects that optimize local benefits.

Locally-owned means that one or more members of the local community has a **significant direct financial stake** in the project **other than through land lease payments, tax revenue, or other payments in lieu of taxes**. The term "community wind" refers to the method and intention of development rather than the size of the project.



Installed Community Wind and Wind Capacity in the U.S.



- Community Wind States
- Wind Farm Only States
- 275 Community Wind (MW)
- 895 Total Wind Capacity (MW)



25,317 MW of Wind Installed in the U.S.
 1089 MW is Community-Owned

April 2009



Wind Project Ownership Levels of Local Investment

Varying Degrees of local Investment/Value-added

- Some local organizing, debt & equity investment
- May or may not stay locally owned
- Example: Trimont Wind



Lower Levels of local Investment

- Conventional Developer Owned Wind Projects
- Local involvement limited to taxes, land leases, and indirect economic benefits

High Local Investment

- Public Projects
- Community or Farmer Owned Projects
- Examples: Minwind Energy, Schools, Municipal Utility or REC

Local/Community Ownership Options

- Municipalities & Municipal Utilities
 - Palmdale, CA; Algona, IA; Moorhead, MN
- Rural Electric Cooperatives
- Farmer/Local Investors
 - LLCs, Investors Pools, Cooperatives; Kas Brothers
 - Minwind Energy
- Schools
 - Spirit Lake, Iowa • Carleton College, Northfield, MN
- Tribal Communities
 - Example: Rosebud, SD

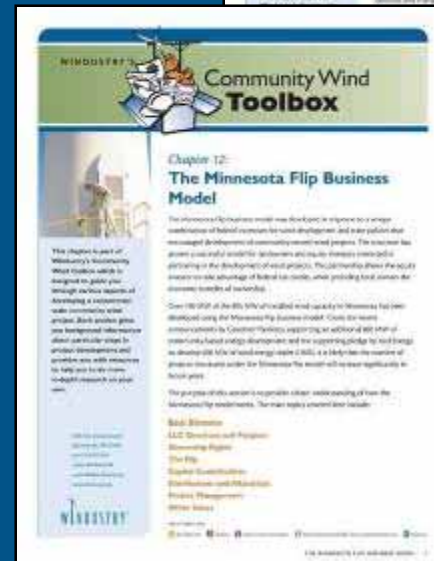
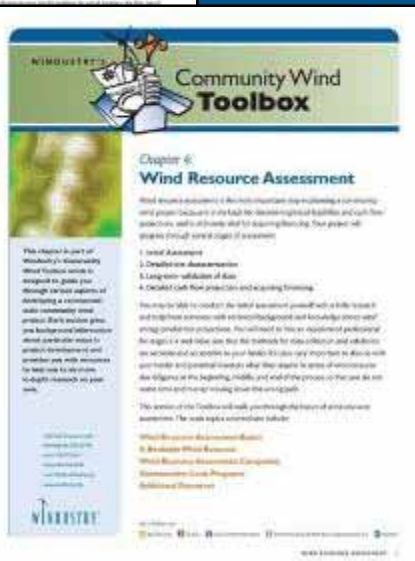
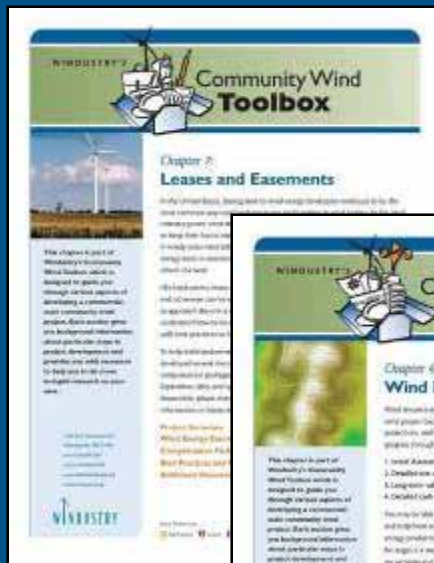


Spirit Lake, Iowa

Windustry Resources: Community Wind Toolbox




Community Wind Toolbox





In Summary:

- Know your rights as a landowner, whether you are signing a lease or developing your own project
- Stay current; the market and the legislative landscape is changing. Be flexible and creative
- Work to get the policy incentives right
 - Now is the time to talk to your elected officials and candidates. Vote for those candidates that support the energy policy you support
- Work together for a stronger voice.
 - Developing a community owned wind project is difficult and time consuming. You need to work together to achieve results. Think creatively and act collaboratively.



“Community wind helps get people connected to their energy use. Local energy production helps to build a better society, a better culture, and a better planet.”

--David Benson, Nobles County Commissioner & Farmer

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