

# Using CREBs to Finance Wind Projects in MT

“Excuse me you did what?”

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# Introduction/Presentation Overview

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- Matney Frantz Engineering (MFE)
  - Who we are?
  - What we've worked on?
  - What we're working on now?
- Presentation Overview
  - CREB basics
  - What we did
  - Where we're at



# CREB Overview

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- ❑ Clean Renewable Energy Bonds (CREBs) were created by the Energy Policy Act of 2005 (Baucus and Grassley)
- ❑ Provide gov't entities with the ability to obtain interest-free financing for wind projects by providing investors with a federal tax credit in lieu of interest payments
- ❑ CREBs were authorized for \$800M through FY07, with \$500M being allocated to gov't entities and \$300M for Rural Electric Co-ops
- ❑ CREBs provide an excellent funding vehicle for county/city-owned wind projects
- ❑ [www.cleanenergybonds.org](http://www.cleanenergybonds.org)

# MFE's Vision

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- Optimize placement of our applicant's submissions
  - KEY: Applications would be grouped from smallest to largest (pyramid) with smallest applications being awarded first
  
- Small, locally-owned, distributed generation wind projects
  - WHY? Because there was \$500M allocated to local governments (cities, towns, counties, tribes)



# MFE's Strategy

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- Tap the network that we had developed over the past 3 years
- WPA was critical in cementing these relationships:
  - FEDERAL:
    - NREL
    - US Senators and Representatives
    - National Association of Counties
  - STATE:
    - WWG
    - Governor's Office
    - Secretary of State's Office
    - Montana Association of Counties
    - State Senators and Representatives
  - LOCAL:
    - City and County Commissioners
    - RC&D

# The Application

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- ❑ Applications were due April 26, 2006
- ❑ Tap the county commissions first, then let cities/towns join in
- ❑ The application process was pretty straight-forward, so we tried to get as many MT applicants as possible under the wire
- ❑ \$500 application fee: gather necessary information, pick project site, engineering letter, submit by the deadline
  - Not in the business of submitting applications, we wanted the engineering contracts

# So We Began...

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- ❑ Initial goal was 3 apps in MT...
- ❑ Then grew to 5, and then 9, and 14, and 20...
- ❑ Ended up with 35 apps
  - 18 counties/17 cities, 42.5 MW, ~\$38.5M
  - Everyone we spoke to signed on—MT is ready for this type of project
- ❑ **SCHEDULE:**
  - **March 8:** Judith Gap/Martinsdale Wind Project Tours; Park County/Livingston agrees
  - **March 21:** Sen. Baucus Town hall mtg.
    - ❑ “Can you do more?”
  - **March 21:** Meagher County agrees
  - **April 3-7:** ~2,000 miles driven (800 miles in one day for 5 separate meetings)

# MFE's CREB Projects

No.	County	# Turbines	Project Size (MW)	Allocation Request
1	Big Horn	4	1	\$902,895
2	Blaine	4	1	\$902,895
3	Carbon	4	1	\$902,895
4	Cascade	16	4	\$3,560,655
5	Chouteau	4	1	\$902,895
6	Fergus	8	2	\$1,788,465
7	Golden Valley	4	1	\$902,895
8	Hill	8	2	\$1,788,465
9	Judith Basin	4	1	\$902,895
10	Liberty	4	1	\$902,895
11	Meagher	4	1	\$902,895
12	Musselshell	4	1	\$902,895
13	Park	8	2	\$1,788,465
14	Pondera	4	1	\$902,895
15	Stillwater	8	2	\$1,788,465
16	Sweet Grass	8	2	\$1,788,465
17	Wheatland	4	1	\$902,895
18	Yellowstone	18	4.5	\$4,003,703
	<b>S/T</b>	<b>118</b>	<b>29.5</b>	<b>\$26,438,528</b>

	City	# Turbines	Project Size (MW)	Allocation Request
19	Big Sandy	2	0.5	\$459,848
20	Big Timber	4	1	\$902,895
21	Chester	2	0.5	\$459,848
22	Chinook	2	0.5	\$459,848
23	Columbus	4	1	\$902,895
24	Conrad	2	0.5	\$459,848
25	Hardin	8	2	\$1,788,465
26	Harlem	2	0.5	\$459,848
27	Harlowton	4	1	\$902,895
28	Lavina	2	0.5	\$459,848
29	Lewistown	4	1	\$902,895
30	Livingston	6	1.5	\$1,346,468
31	Red Lodge	2	0.5	\$459,848
32	Roundup	2	0.5	\$459,848
33	Ryegate	2	0.5	\$459,848
34	Stanford	2	0.5	\$459,848
35	Three Forks	2	0.5	\$459,848
	<b>S/T</b>	<b>52</b>	<b>13</b>	<b>\$11,804,841</b>
	<b>GRAND TOTAL</b>	<b>170</b>	<b>42.5</b>	<b>\$38,243,369</b>



# MT's CREB Team

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- Matney-Frantz Engineering
  - Project Lead
  - Direct contact with Clients
- Senator Baucus's Office
  - Networking
- Orrick Law Firm (Washington, DC)
  - Federal legal review, bond issuance/underwriting
- Dorsey & Whitney LLP (Missoula, MT)
  - Local legal review



# MFE's CREB Approach

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- Wind energy projects are a three-legged stool:
  1. Wind Resources
  2. Transmission Access/Capacity
  3. Buyer
- MFE has extensive experience validating wind resources, as well as navigating NWE's complex transmission interconnection procedures
- We have found that of the three, item #3 (buyer) is the most challenging for MT—but we had a solution

# CREB Projects-*Who's the Buyer?*

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- ❑ MCA 69-8-104 states:  
“...public entities...may enter into a power supply contract with the default supplier [NWE] for default supply service for all or part of the public entity's load.”
- ❑ To date, the MT PSC has not issued rules on this statute, but our past discussions with members of the MT PSC and other industry professionals led us to believe that local gov'ts are authorized to use this statute to their benefit
- ❑ How?

# CREB Projects-*Who's the Buyer?* (cont.)

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- ❑ Preliminary indications suggest that aggregation of local gov't electric loads is possible under the MCA
- ❑ Furthermore, they also suggest that the law empowers local gov'ts to develop and own properly sized energy projects to serve all or a portion of their electrical loads
- ❑ Accordingly, local gov'ts will be their own buyers and NWE appears to be obligated to supply partial default supply service when necessary

# So Here We Are

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- ❑ Incredible response from MT communities
  - Many are already lining up for the 2<sup>nd</sup> round of CREB allocations
- ❑ 2006 CREB approval process is expected to take 60-90 days
  - 700 CREB applications requests were received (~\$2.0B)
- ❑ CREB approval is the 1<sup>st</sup> step of many:
  - Due diligence
  - Bridge financing
  - PPA, SGIA
  - Bond review, underwriting, issuance
  - Legislative change
- ❑ 1<sup>st</sup> project is expected to be spinning Summer '07

# Thank you for your time

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❑ QUESTIONS?

