

Community Based Energy Development (CBED) on Wind

There are a lot of topics about Nebraska Wind Power that are very complicated. I wanted to write and explain the CBED model and how it applies in Nebraska.

Background:

Wind Energy Production Tax Credit (PTC) is available based on the output of electricity from a utility-scale wind turbine for the first 10 years of the project. Publicly owned utilities do not qualify to receive this tax credit. This in one reason states surrounding Nebraska have seen a much faster build-up of wind projects than Nebraska. The PTC is set to expire in December 2008, and there is speculation that it will be extended. Nebraska wanted a way to have wind developers come into Nebraska and qualify for the PTC.

CBED - Community Based Energy Development. is a model which came out of Minnesota where it was used to build many wind turbines and wind farms around the state.

The CBED model became official in Nebraska with the passage of LB 629 in 2007. A project set up with CBED guidelines could be built in Nebraska and still be considered public power.

LB 629 says a CBED Project must:

- Have more than 2 turbines
- Be owned by qualified owners (Nebraska residents)
- No one qualified owner can own more than 15% of the project
- At least 33% of the power purchase agreement payments flow to the qualified owners over the lifetime of the project
- Each project must have a letter of support from the county board (or tribal council) where the project will be located.
- The project developer must give land owners, where a turbine will be located, the opportunity to invest in the project.

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A CBED project works generally like this:

Qualified owners invest and own a small percent of the project, maybe 2%. They enter into an agreement with an Equity partner (large multinational company with lots of money looking for ways to reduce their tax load), who owns 98% of the project (equity partner does not have to be a Nebraska company). During the first 10 years of the project, the Equity partner gets all PTC credits and 98% of revenue. At 10 years the structure flips and the qualified owners get 98% ownership and revenue while the equity partner receives 2%. The expected life of the turbine is about 20 years.

Although the C stands for Community, the qualified ownership can be from any NE resident across the state.

There are currently only three ways a utility-scale wind turbine can be built in Nebraska:

- 1) Public utility ownership (Ainsworth, Lincoln, Valley)
- 2) CBED (Crofton, Bloomfield)
- 3) Tribal ownership (no projects currently)