Ormand Hilderbrand
History

Century Farm
Wasco, Oregon (North Sherman County)

George Hilderbrand on 1910 Hart Parr Tractor
Wind History

- 2001 – Leased Wind Rights
- Klondike I – Installed
- PPM Energy / Iberdrola Purchased
- Installed Klondike I, II, III
- Iberdrola decision not to develop small portion
Our Objectives

- Objective to develop for long term family asset
  - 2005 formed LLC to develop wind rights

- Local Investors Return More to the Community
  - OSU Study for Umatilla County
  - And others
Primary Tools

- Federal Production Tax Credits

- Oregon PUC PURPA (*The Two Edged Sword*)
  - 10 MW (Nameplate) or less
  - 20 Year firm, Power Purchase Agreements
  - Avoided Cost Pricing

- Oregon BETC
  - Tax Credits of up to $10 MM
  - Pass Through Option - Critical

- Energy Trust of Oregon
Primary Tools

- Minnesota Flip
  - Minority position in initial years
  - “Flip” to majority position when financial hurdles achieved
Challenge 1 - Site

- Transmission Access
  - Transmission Constrained Area
  - Obtained 35 year Firm, Point to Point Contract with BPA
    - Funded System Impact Studies, Interconnection Studies and SCADA Upgrades

- FAA
Challenge 2 – Funding Void Between Utility Scale and Residential Small Scale

- All Incentives - Available Only After Project is Completed and Operational
  - Federal
    - Grants in Lieu of ITC and PTC,
    - USDA Section 9006 - REAP
  - State
    - BETC
    - Oregon SELP
    - Energy Trust of Oregon
Challenge 2 - Funding

- BETC – Subject to Oregon Politics and Intra Governmental Decrees
  - Department of Revenue Ruling 2007 stopped all BETC for approx. 1 Year
    - Year of the Oregon Kicker
  - BETC Utility is Questionable to Most Financial Sources
    - They do not understand program “How can there be a need for the BETC with the Oregon economy is in the tank?”
  - Difficult to secure quality “Pass Through” Partner prior to COD
    - Banks want firm dates before loans confirmed
Challenge 2 - Funding

- PTC and ITC – Subject to Congressional Renewal
  - Must be Monetized
  - ITC is much improved over PTC

- Limited to No Construction Finance
  - Local Banks and the Mega Banks – Real Estate, Commercial
  - Few Banks have invested – understand wind resources, evaluation, and development
  - These few have entry levels of $150 - $200 MM
Challenge 3 – BPA, Suppliers and Others

- BPA Wind Integration Fee
  - New Fee has Potential to Take 30-35% of Gross Revenue

- Turbine Supplier
  - Only Tier 1 Turbines can be Financed

- Crane Contractor

- Transformer / switch gear lead times

- Consultants
  - Very few have any success with small projects
Lessons Learned

- Personal Involvement
- Steep Development Curve
- Get to know Bonneville Power and local Co-op
- Understand Equity / Finance Partners POV
  - Cash = Control
    - Must have sufficient equity capital (Min $1.5 MM preferably $5.0 MM)
- High Capital Development Requirement / High Risk
Lessons Learned

- Decide Short Term or Long Term Return
- Level of Risk Tolerance – this is high risk
- Develop Close Ties with Project Neighbors
- Anticipate Problems and Have Backups