

WIND TURBINE ALTERNATIVES – REPORT #3

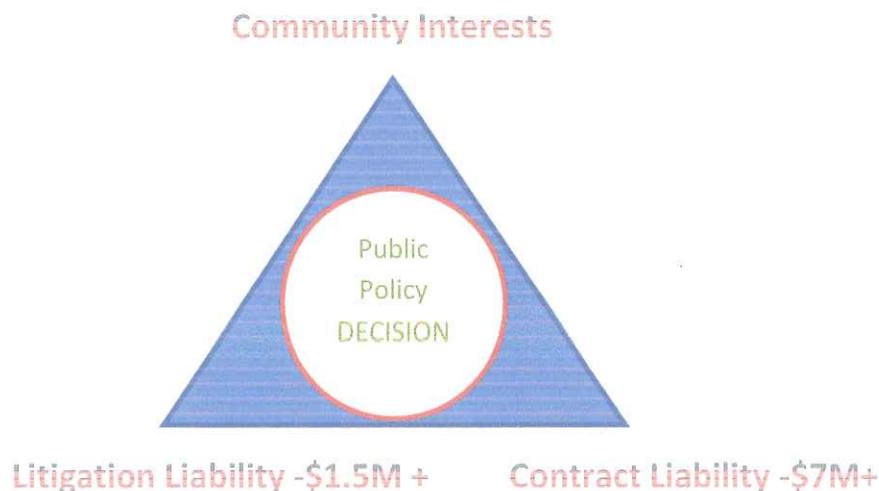
Discussion Briefing – September 13, 2013

The Board of Selectmen has an important Public Policy decision ahead. Whatever decision is made about the Town's two wind turbines, the Board will have to take the lead, with assistance as required, to advance the decision with the community and the neighbors. This is clearly in the community's best interest and the time to act has arrived.

You have requested and received two Staff Reports, along with guidance from special counsel and Town Counsel. This information along with over two years of deliberative fact-finding and public processes provides the board with facts sufficient for an informed Policy decision.

This decision will have to factor broad ranging community interests, the potential liability of claims and litigation and the liability of existing contracts. Given these challenges and the Town's desire to explore potential resolutions with concerned neighbors, Town Counsel has advised that any responsible resolution should include a component to reasonably respond to those concerns, in part, through the Town's acquiring certain sound easements and working toward a resolution of pending litigation.

The figure below sets all community interests at the apex of this policy decision grounded by measures to limit both litigation and contractual risk.



Community Interests – Include tax payers and voters, neighbors, some are claimants, some that are not, renewable energy advocates, Board of Health and other policy leaders and varied constituencies.

Litigation Liability – \$1.5 Million potential claims exposure. Recent court decisions have resulted in a reduction in the monetized risk of ongoing litigation. However, risk remains. The Town has three lawsuits pending with others possibly on the horizon. There is an expanding risk that a court order will potentially take control of the matter and the Town will be left with no reasonable and effective options.

Contract Liability – \$7 Million potential exposure. The Town also has contract liability described in detail in the first Staff Wind Turbine Alternatives Report (dated 8/12/13). We have received favorable response from the MassCEC on the potential forgiveness of REC's for the four alternatives reviewed in Staff Wind Turbine Report #2 (dated 9/9/13). We do not have any further guidance on the Wind 2 obligations beyond the initial letter we received from the State.

The ultimate decision of the board could differ from the four alternatives you have requested. To demonstrate the range of options and inherent fiscal risks, the assumptions for the Estimated Financials* were re-examined. The chart attached, prepared by SEA Consulting, illustrates the potential likelihood that those alternatives generating less than 80% of potential production may have to include repayment of debt for Wind 2 and repayment of REC's according to contract terms as well as falling short of generating sufficient revenue to consider a Fund for possible acoustic easements. While we remain hopeful that State agencies will continue to support the Board's decision-making process, this information provides the Board with the potential spectrum of operating and contract risk.

Recommended Actions

Following public comments to the Board on the alternatives on Monday September 16, 2013, we recommend that the Board adopt a motion to include the following components:

- Select Operating Scenario including total hours of operation for each turbine (exact times of curtailment could wait)
- Authorize the Town Manager to engage a Facilitator
- Vote to Create a Fund for the acquisition of acoustic easements and exploration of settlement of existing claims
- Request a Special Town Meeting for November 13, 2013
- Direct the Town Manager to develop the necessary articles and procedures to implement the adopted alternative
- Authorize the Town Manager to continue negotiating relief from all contracts and to seek additional financial assistance if feasible

Estimated Financials* for Wind Turbine Operating Scenarios, Including Planned Capacity Upgrade at WWTF

Scenario Number -->	1	2	3	4	5	6	7	8
Scenario Name -->	12-Hour Operation (Temporary Measure)	WTOP Breakeven Case, with Adjusted Reserve Requirement**	Both Turbines, Optimized 16-Hour Operation	Wind 1 12-Hour Operation, Wind 2 24/7 Operation	Both Turbines, 20-Hour Operation	Wind 1 16-Hour Operation, Wind 2 24/7 Operation	Wind 1 20-Hour Operation, Wind 2 24/7 Operation	Both Turbines, 24/7 Operation
Est. Production (MWh), by Case	3,823	5,078	5,144	5,682	6,306	6,284	6,834	7,513
As % of Uncurtailed Production	51%	58%	68%	76%	84%	84%	91%	100%
Net Cash Flow:								
FY 2015	(\$687,753)	(\$538,406)	(\$508,009)	(\$390,346)	\$67,313	\$80,025	\$161,396	\$242,985
FY 2016	(\$675,522)	(\$527,241)	(\$496,942)	(\$380,361)	\$72,183	\$84,572	\$165,546	\$246,736
FY 2017	(\$671,563)	(\$526,703)	(\$497,127)	(\$382,445)	\$63,162	\$75,555	\$154,585	\$233,836
FY 2018	(\$660,957)	(\$518,041)	(\$488,883)	(\$375,411)	\$64,100	\$76,463	\$154,368	\$232,486
FY 2019	(\$566,667)	(\$424,998)	(\$396,167)	(\$283,368)	\$150,203	\$162,671	\$239,741	\$317,013
FY 2020	(\$543,485)	(\$397,659)	(\$367,969)	(\$253,374)	\$177,583	\$189,899	\$269,291	\$348,848
FY 2021	(\$520,675)	(\$370,811)	(\$340,284)	(\$223,932)	\$204,345	\$216,515	\$298,170	\$379,956
FY 2022	(\$493,846)	(\$337,076)	(\$305,117)	(\$185,633)	\$241,598	\$253,560	\$339,082	\$424,683
FY 2023	(\$478,385)	(\$319,036)	(\$286,564)	(\$175,260)	\$257,636	\$263,310	\$353,353	\$443,419
FY 2024	(\$511,060)	(\$345,347)	(\$311,552)	(\$197,328)	\$234,181	\$239,683	\$333,285	\$426,863
FY 2025	(\$486,760)	(\$315,808)	(\$280,927)	(\$164,336)	\$265,142	\$270,495	\$367,019	\$463,479
Funds Available for Operation and Mitigation	(\$6,296,673)	(\$4,621,127)	(\$4,279,541)	(\$3,011,795)	\$1,797,445	\$1,912,748	\$2,835,836	\$3,760,304

* Prepared by Sustainable Energy Advantage LLC, with assumptions as directed by the Town of Falmouth.

** Reserve contribution increased (from previous analysis) by approximately \$70K per year.

Assumptions for All Cases:

Revenue and expenses assume a 50% increase in electricity demand at the WWTF beginning in FY 2019, per town's expansion plan.

The Operating Reserve Fund is replenished @ \$200,000 per year for 5 years (FY14 - FY18).

Assumptions for Scenarios 1 through 4:

The ARRA loan associated with Wind 2 is not converted to a grant and is assumed repaid in full.

The obligation to deliver Wind 1 RECs to Mass CEC during years 6 - 20 has not been forgiven.

Assumptions for Scenarios 5 through 8:

The ARRA loan associated with Wind 2 is assumed converted to a grant and forgiven.

The obligation to deliver Wind 1 RECs to Mass CEC during years 6 - 20 has been forgiven.

Note:

Electricity markets are inherently volatile. This affects the market value of net metering credits, excess electricity sold at wholesale, and RECs over time. This analysis relies on the most recently available data to estimate future net metering credits and REC values. Deviations from individual forecasts should be expected as market conditions change, and it is therefore appropriate to consider a range of potential outcomes to make an informed decision.



Sustainable Energy Advantage, LLC

10 Spruce Street, 3rd Floor, Framingham, MA 01701 • Tel: 508.665.5650 • Fax: 508.665.5658 • bgrace@sustainableenergy.com • www.seadventure.com