



Long-Term Revenue Support to Help Developers Secure Project Financing

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New England Market Landscape for Renewables

- Solid renewable supply potential
 - Good wind and biomass resources
 - Several self-identified developers in planning stage
- Mandatory and voluntary renewable demand
 - Renewable Portfolio Standard (RPS): MA, CT, ME
 - Proposed RPS: VT
 - Voluntary markets: MA, RI, CT, etc.
- Attribute trading through Generation Information System (www.nepoolgis.com)
 - Tracks renewable energy certificates (“RECs”)





The Problem

Renewable Project Financing is Difficult to Secure in New England

- Most load is in Restructured utility territories where utilities no longer own generation.
- Few creditworthy entities have emerged in the REC market.
- Few entities willing to make even 5 year commitments for energy or RECs.
- Financiers unwilling to take revenue risk on merchant plants.
- Most projects in New England are small (<40 MW) and of limited interest to financial markets.

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The Opportunity

MA Renewable Energy Trust

- Trust funded by system benefits charge as part of 1998 electricity restructuring
- The Trust's mission:
 - Increase the supply of and demand for energy from clean sources
 - Promote the development of a vibrant Massachusetts renewable energy industry
 - Maximize benefit to Massachusetts ratepayer
- Collect approx. \$25 million annually for renewable initiatives and projects.

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One Solution MA Green Power Partnership (MGPP)

- Goal: Provide REC revenue certainty to developers through long-term contracts.
- Trust manages and sheds market risks regarding future REC value and demand.
- Proposals solicited from:
 - Renewable generators / Project developers
 - Power marketers or other purchasers of energy and/or RECs (with a renewable generator as co-proposer)
- Projects evaluated against economic and technical criteria to minimize exposure and maximize value.

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MGPP Features

- Trust contracts for RECs:
 - Contracts with developers for (a) REC Purchase Agreements or (b) Put/Collar Option Contracts.
 - Contract length can be up to 10 years.
 - Obligation can extend through 2021, not beyond.
- Eligible Projects:
 - New construction or incremental generation
 - MA RPS-eligible, plus new hydro
 - Commercial operation by 12/31/2005
 - RECs must be sold to MA customers

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How MGPP Works

- Proposer bids Product, Price and Term
(Term does not need to start in year 1 of operation)
- Trust / Seller enter into contract
- Trust escrows funds to cover its obligation
- Facility gets financed and built and Trust purchases RECs per Contract
- Trust resells RECs for RPS or Green Choice
- Trust might sell REC contracts to third party
- If project not built or option not exercised, escrowed funds are released

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MGPP Results: Round 1 Award Group

- 11 proposals received; 6 funded
 - Biomass, hydro, landfill gas, wind & PV awardees
 - REC purchases, put options, collars
- \$32.5 million awarded (in Nominal \$\$)
 - \$20.8 million to be escrowed
- 99 MW total renewable capacity
- Annual Incremental MWh (or RECs)
 - To New England/MA market: 487,000
 - Of those, committed to MA: 186,000

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MGPP Results: Round 1 Award Group

Project and Applicant	Tech.	Location	Form	MW	Present Value Exposure
Berkshire Wind, LLC (sub of DISGEN, Inc)	Wind	Hancock, MA	Purchase	13.5	5,176,765
Hoosac Wind, LLC (sub of enXco, Inc.)	Wind	Florida, MA Monroe, MA	Option	30.0	10,042,331
Brockton Brightfields (City of Brockton)	PV	Brockton, MA	Option	0.5	644,485
Greater New Bedford LFG (CommonWealth New Bedford Energy, LLC)	LFG	Dartmouth, MA	Option	3.3	1,990,795
Pepperell Hydro, LLC (sub of Swift River Co.)	Hydro	Pepperell, MA	Purchase	1.3	607,959
Northern Wood Power - Schiller (Public Service Company of NH)	Biomass	Portsmouth, NH	Option	50.0	2,378,930
Totals				98.6	20,841,265



MGPP Lessons Learned

- Confirmed that developers are interested in long-term contracts that offer price security
- Later year price support is of greater concern for most applicants (i.e. years 5-15)
- Put options (as guarantees) seem more attractive to developers than committing to REC sales
- Trust funds insufficient to support large projects, much less total MA renewable demand
- Large creditworthy entities (i.e. LSEs) must step in and make long-term commitments to finance projects



Looking Ahead

- 3 contracts closed 2/12/2004 (other three in process) and funds in escrow within 48 hours of contract close
- MGPP Round 2 is scheduled for summer/fall 2004
- Monitor progress of award group toward 12/31/2005 operation deadline
- Begin process to offload REC contracts in order to release committed funds
- Actively pursue mechanisms beyond MGPP to create long-term revenue security
 - Load serving entities covered by RPS
 - Large end users or aggregations

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Further questions?

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