

# Community Wind Incentives

by

Thomas A. Wind, PE  
Wind Utility Consulting, PC  
Jamaica, Iowa

Wind Power 2010  
Nebraska Wind Working Group  
Younes Conference Center  
Kearney, Nebraska

November 9-10, 2010

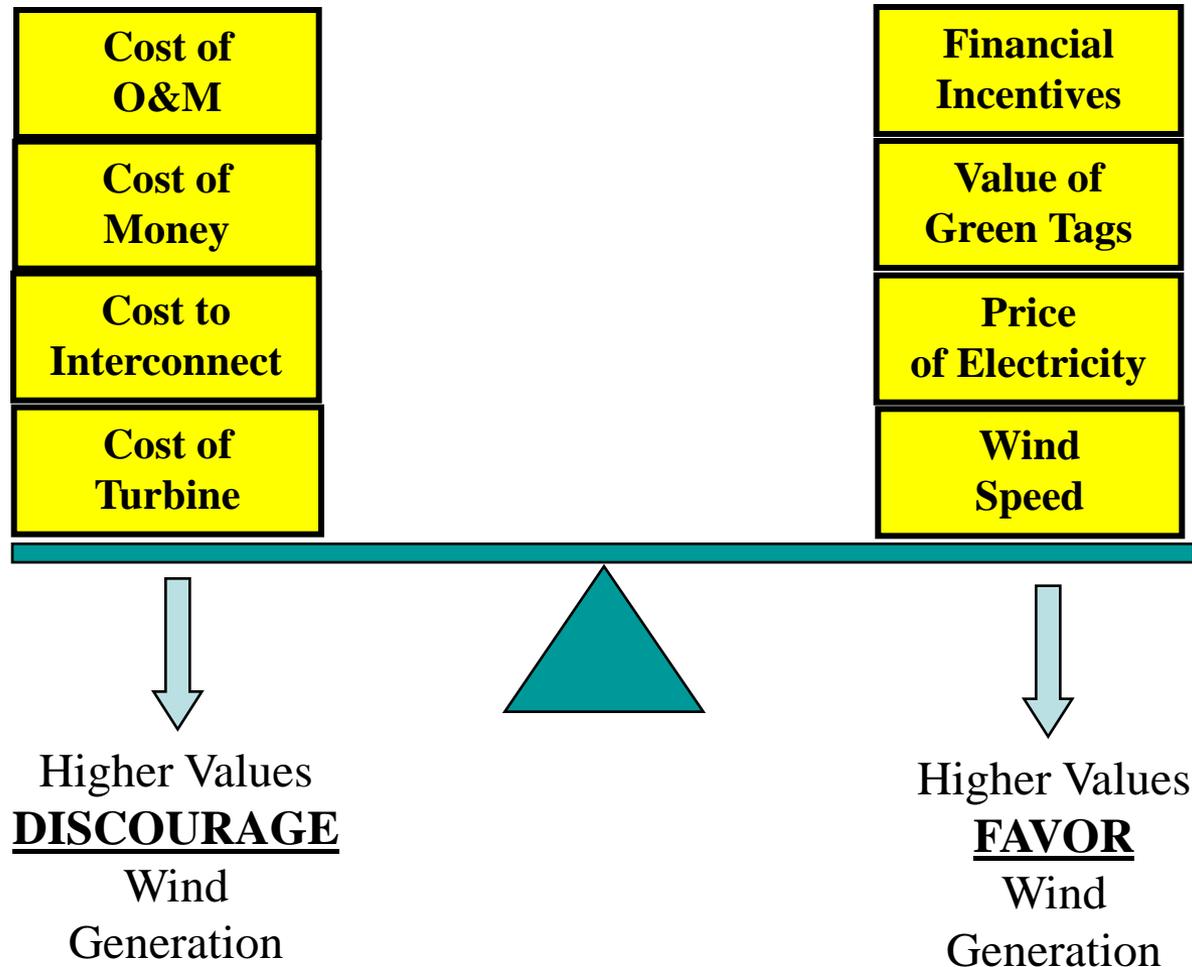
Buffalo Ridge Minnesota from 10,000 feet  
The Birth Place of Large Scale Community Owned Wind Power

# Topics I Will Cover

- The Need for Incentives
- Types of Incentives
- Justification for Incentives



# The Overall Economics of Wind Generation is Determined by a Balance of Factors



# The Need for Incentives

- Community Wind projects are often smaller than larger wind farms. This smaller size does not attain the economies of scale for either construction costs or operating costs.
- The cost of debt and equity can often be higher due to this smaller size and smaller amounts of financing.
- The cost of debt and equity can also be higher due to the limited financial assets of the local owners.
- Smaller projects can also have higher risk since problems with one turbine are more significant if there aren't many turbines in the project.
- Usually some type of financial incentives or benefit is needed to have smaller projects have competitive costs of energy..

# Types of Incentives

- Grants
  - Federal US Treasury Grant
  - USDA REAP Grants
  - State Grants
- Investment Tax Credits
  - Federal
  - State
- Production Incentives
  - Federal Production Tax Credit
  - State Production Tax Credit
- Sales tax exemptions
- Abatement of property taxes

## Types of Incentives (continued)

- Loan Guarantees
  - USDA REAP Loan Guarantee
  - Rural Development Business & Industry
- Renewable Energy Credits
- Incentives for Behind the Meter Installations
  - Net Metering or Enhanced buy back rates
  - Low cost long-term financing
  - Enhanced value of Green tags or RECs
  - Administrative and technical support from the state

# Justification for Incentives

- The federal government justifies the federal production tax credit and investment tax credit because most forms of energy receive subsidies so incentives for renewable energy help level the playing field
- The federal government also justifies incentives in the USDA REAP program as a means to increase economic activity and investment in rural areas.
- State governments can justify incentives based on the following:
  - 1) increased income taxes due to more economic activity and income
  - 2) increased personal income in the state from ownership income
  - 3) at least twice as much money stays in the local communities
  - 4) local ownership spreads out the benefits of renewable energy to more people

# Summary

- 1) Some type of additional incentive is required for community wind to be viable or competitive with corporate or larger wind farms.
- 2) Justification for this incentive must stem from the additional economic benefits that the state and local areas will receive.
- 3) Many states have justified such incentives, however, it requires some study and analysis by policy makers.





*Photo by Bill Sutton*