

# Community Wind Incentives

## An AWEA Perspective

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# Background – 1

- 2002-2007 – Emphasis on Production Tax Credit (PTC) extension and support for state Renewable Portfolio Standards (RPS)
- 2008 – DOE “20% Wind by 2030” study provided framework for a broader legislative agenda
  - Long term PTC extension
  - Federal Renewable Electricity Standard (RES)
  - Transmission legislation
- Primary market focus was large (utility scale) projects

# Background -2

- “Small Wind” (under 100 kW) demanded and received attention in the form of support for the Small Wind Tax Credit
- “Community Wind” was the proverbial middle child
  - Was no consensus definition of CW
  - Clearly the PTC was not an effective incentive due to the cost of “monetizing” the tax credits
  - But unclear what alternative policies to pursue

# Background -3

- 2008-2009: recognizing growing importance and unique needs of Community Wind,
  - AWEA board established Community Wind Working Group (CWWG)
  - Sponsored first AWEA Workshop on Small and Community Wind, which was highly successful
- A “fortuitous” breakthrough for CW – 1603 Grant Program
  - Finally, an incentive that worked for projects that could not afford the transaction costs of PTC structures

# Recent Developments

- 2010: AWEA Adopted a Community Wind Policy Position
  - Largely based on proposals from the Community Wind Working Group, modified as reviewed and approved by AWEA Legislative Committee and Board of Directors
- Included:
  - A definition of a “Community Wind Project”
  - Support for specific policies for Community Wind



## **Community Wind Policy Position**

Local stakeholders want to play an ever bigger role in the use and development of wind energy. Individual landowners have a personal stake in the success of wind development and are looking for ways to maximize the value of wind for their communities. Local communities, including agricultural and rural economic development interests want the opportunity to invest in wind in their backyards. A fundamental attribute of a community wind project is that the community has a tangible financial or other interest in the project.

## Definition of a “Community Wind Project” (Part 1)

- Any wind project of **20 megawatts (MW) or smaller** if it meets condition (1) and one or more of the following conditions from (2):
  1. Projects > 20 MW cannot be separated into smaller projects to meet this 20 MW project size limit. (Cannot built within 5 miles of another CW project within a 12 month period and using the same interconnect.)
  2.
    - A local governing body (e.g., town, county) passes a resolution supporting the project;
    - Members of the community are offered the opportunity to participate in an ownership interest in the project and are involved in the decision making process in its development; or
- The project’s local benefit is demonstrated in terms of retail power costs, benefits to the local grid, is incorporated into a micro-grid or helps to resolve remote power issues.

## Definition of a “Community Wind Project” (Part 2)

- Any project **up to 100MW** is a community wind project if local owners own at least 33.3% of the project.
  1. Local owner includes any:
    - Individual who resides in the same state as the project, or within 250 miles of the project (and within the U.S.).
    - State department or agency, tribal council, school, town and other political subdivision located in the same state as the project;
    - Municipal, cooperative and similar publicly-owned utility that serves no more than 4 million MWh of load and that is located in the same state as the project;
    - Corporation or other similar business entity or of which at least 51% is owned by one or more individuals who reside in the same state as the project or within 250 miles of the project (and within the U.S.);
    - Not-for-profit corporations and similar non-profit entities.
  2. 33.3% ownership is measured at the “commercial operation date,” a recognized term in the wind industry typically meaning the date at which the project is capable of and actually produces electricity. Local owners must own the project for some period of time thereafter.



## Policy Support for Community Wind

- The difficulties for community wind (CW) projects lie in: 1) higher installed costs due to generally smaller project sizes, 2) arranging capital for the size and type of partners associated with CW, and 3) compensating CW projects for the value of the commodity, greenness and positive societal impact they generate. In short, CW's project economics need to be on par with larger generators for CW to reach its true potential.
- Efforts to expand the total amount of renewable generation in the US will help community wind, including:
  - Extension of the 30% cash grant in lieu of tax credits program for all eligible CW projects
  - Expansion of the currently-proposed Renewable Energy Standard target to no less than 25%
- Even with these two policies, however, several market barriers will continue to slow CW development, including: 1) higher capital costs, 2) insufficient early stage and permanent financing, and 3) lack of any particular motivation by many power purchasers to purchase energy from CW projects.

# AWEA Policy Recommendations for Community Wind

## **1. Modification of the Depreciation Rules for Community Wind Projects**

CW investors would have an option to use the Modified Accelerated Cost Recovery System (MACRS), like other commercial wind projects, or to accept a onetime lump sum payment of 13.5% (estimated to be half the present value of the MACRS credit) and additionally be allowed to utilize a 20-year straight line depreciation schedule for the remaining tax value under MACRS.

## **2. Expansion of USDA and DOE programs including an expansion of eligible applicants**

Expand USDA and DOE funding programs to increase the amount of technical support and capital available, include higher percentage of total costs and a greater focus on early stage development funds including feasibility studies, wind resource assessments and wildlife and other environmental studies. Expand eligibility to include private business, municipalities, and not for profits (such as schools, towns, counties, etc) in rural areas.

## **3. Funding of a Community Wind Road Map**

Many believe that CW could represent 20% of total wind capacity in the US under a strong national RES. A roadmap to pave the way for this success of CW could be a critical document in defining the characteristics of market growth that may be necessary for this success. A similar roadmap was created in the DOE's 20% Wind Energy by 2030 study, which has been highly effective.

# Future Objectives

- Federal legislation including both the definition and policy proposals for Community Wind