

Selectmen's Meeting – October 24, 2005

Mr. Silvia, Mr. Eckenreiter and Mr. Manzone were present.

Also in attendance was Jeffrey Osuch.

Mr. Silvia called the meeting to order at 6:30 p.m.

Mr. Manzone motioned to approve the minutes of October 17, 2005. Mr. Silvia seconded. It was so voted. Mr. Eckenreiter abstained.

Mr. Manzone motioned to approve the minutes of the October 17, 2005 executive session. Mr. Silvia seconded. It was so voted. Mr. Eckenreiter abstained.

PLANNING BOARD

Members of the Planning Board, Town Planner and Dennis Vello were in attendance to fill the vacancy on the Planning Board. Mr. Silvia read Mr. Vello's letter of application. (See attached.) He was the only applicant. Ray Fleurent, Al Borges, Gary Stafford, Jim Holmes, Marinus VanderPol, Jeffrey Lucas, Winfred Eckenreiter, Ronald Manzone and Michael Silvia unanimously voted for Mr. Vello. His term will expire April 3, 2006.

EXECUTIVE SESSION

At 7:00 p.m., Mr. Eckenreiter motioned to go into executive session to discuss pending litigation (Scott E. Snow v Conservation Commission), Town leases and to reconvene in open session. Mr. Manzone seconded. Vote was unanimous. Roll call vote 3-0. Open meeting reconvened at 7:30 p.m.

TAX CLASSIFICATION HEARING

In accordance with the provisions of Chapter 369 of the Acts of 1982, the Board of Selectmen scheduled a public hearing on the issue of allocating the local property tax levy among the five property classes. Notice of the hearing, scheduled for 7:30 p.m., was published in the Standard Times on October 19, 2005. The Director of Finance/Treasurer and the Board of Assessors were present. Mr. Silvia opened the hearing. The Treasurer recommended a Commercial Rate of \$16.15 and a Residential rate of \$8.15. Discussion followed. Mr. Eckenreiter motioned to adopt a Residential Rate of \$8.15 per thousand and Commercial Rate of \$16.15, per thousand. Mr. Manzone seconded. Vote was unanimous.

PRELIMINARY WIND TURBINE FINANCIAL ANALYSIS

Nils Bolgen from Massachusetts Technology Collaborative and representatives from ESS Group, Inc. and LaCapra Associates, Inc. reviewed and discussed the Preliminary Wind

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Turbine Financial Analysis for the BPW/Wastewater Treatment Facility Site. (See attached.)

EXECUTIVE SECRETARY'S REPORT

Briefing session for the Community Development Block Grant is scheduled for October 25th at 10:00 a.m. at the Town Hall.

Meeting with HMFH and Agostini Construction to discuss the East Fairhaven School Project is scheduled for October 26th at 10:00 a.m. at Town Hall.

Buzzards Bay Action Committee will meet at the Wareham Town Hall on October 26th at 12:00 noon.

Homeland Security meeting is scheduled for 3:00 p.m. on October 26th at the Town Hall.

Jeffrey Osuch will be in Boston for 10:00 a.m. on October 28th for a deposition on the Fernandes case.

East Fairhaven School Building Committee will meet at 6:00 p.m. on November 2nd at the Town Hall.

The Board of Selectmen will attend the Finance Committee meeting on November 3rd at 7:00 p.m. at the Board of Public Works.

Conflict of Interest Seminar will be held on Wednesday, November 9th at 6:30 p.m. at the Town Hall.

United Way Campaign meeting with Town departments is scheduled for November 4th.

If Town Counsel approves the contract with Agostini Construction Company for the new East Fairhaven School Project within the next few days, the Selectmen will schedule a noon time meeting to sign the contract.

Mr. Manzone motioned to sign the "Fiscal Year 2006 APR-Muni Application" for the Viveiros Dairy Farm. Mr. Eckenreiter seconded. Vote was unanimous. (Agricultural Preservation Restriction Municipal Grant Program Application)

CABLE ADVISORY COMMITTEE

Mr. Manzone motioned to appoint James Holmes to the Cable Advisory Committee. Mr. Eckenreiter seconded. Vote was unanimous. Term to expire May 31, 2006.

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NSTAR GAS

Mr. Eckenreiter motioned to approve the petition for maintenance of gas lines at 35 and 39 Fort Street. Mr. Manzone seconded. Vote was unanimous. (Approved by the Board of Public Works.)

Mr. Eckenreiter motioned to approve the petition for maintenance of gas lines at 8 Cottage Street. Mr. Manzone seconded. Vote was unanimous. (Approved by the Board of Public Works.)

POLICE DEPARTMENT

Mr. Manzone motioned to appoint Marie Bretz and Jay Cunha full time Dispatchers with the Fairhaven Police Department. Mr. Eckenreiter seconded. Vote was unanimous.

Mr. Manzone motioned that for purposes of seniority, Marie Bretz was hired first and Jay Cunha second. Mr. Eckenreiter seconded. Vote was unanimous.

OTHER MATTERS.

The Board of Selectmen will contact the Veterans' Agent to request Veterans' Day be observed in Fairhaven with a memorial service, honor guard and raising the large flag at the High School.

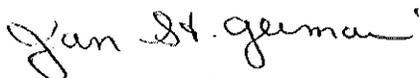
A meeting will be scheduled with the Town Clerk to discuss voting locations.

North Fairhaven Improvement Association will hold the annual Halloween Horribles Parade on Sunday, October 30th beginning at 6:00 p.m. at the Oxford School. Mr. Silvia thanked Peter DeTerra and Dr. Brian Bowcock for their donations of candy and prizes.

Livesey Club will hold a spaghetti supper on October 26th at St. Mary's Church.

Lions Club will hold a spaghetti supper on October 27th.

At 9:00 p.m., Mr. Eckenreiter motioned to adjourn. Mr. Manzone seconded. Vote was unanimous.


Jan St. Germain
Secretary

September 30, 2005

To The Board of Selectmen:

My name is Dennis Vello and I am interested in filling the vacant position on the Planning Board. I ran for this position in the last election, and I would like to be considered as a candidate for this vacancy.

Thank You in Advance



Dennis Vello

997-1729

6:55 p.m. 10/24/05

122 Bridje St.

exp. 4/2006

BOARD OF SELECTMEN
FAIRHAVEN MASS.
2005 OCT - 3 A 11:13

RECEIVED

c: Planning Board 10/3/05

Town of Fairhaven DPW / Wastewater Treatment Center Site

Preliminary Wind Turbine Financial Analysis

DRAFT

October 20, 2005

PREPARED BY:

Massachusetts Technology Collaborative



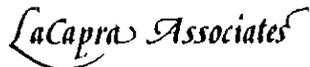
MASSACHUSETTS
TECHNOLOGY
COLLABORATIVE

WITH SUPPORT FROM:

ESS Group, Inc.



LaCapra Associates, Inc.



Funded by the Community Wind Collaborative of the Renewable Energy Trust

1 OVERVIEW

Preliminary financial analysis indicates that a two-turbine wind project at the DPW site would likely require outside financial support in order to be cost-effective for the Town of Fairhaven and/or a private wind developer. The project would have to earn revenues (levelized over 20 years) in the range of \$125 to \$150 per megawatt-hour¹ ("MWh"). Project revenue streams would be from three primary sources: (1) sale of power to the Town of Fairhaven for use on-site, (2) sale of surplus power into wholesale power markets, and (3) sale of renewable energy certificates ("RECs"). Current long-term wholesale power market prices are on the order of \$50 - \$70/MWh, short-term REC prices are in the \$40 - \$50/MWh range, and long-term REC prices are in the \$25 - \$35/MWh range.

Project investors are likely to require long-term contracts with creditworthy parties for sale of power and RECs. This is especially true for RECs because the REC market is relatively new and depends upon government mandates such as the Massachusetts Renewable Portfolio Standard ("RPS"). Unfortunately, there are few, if any, creditworthy parties entering into long-term REC contracts.

The Massachusetts Technology Collaborative ("MTC") is evaluating program approaches to support community wind projects. The most likely approach is for MTC to make an up-front purchase of RECs from such projects. This approach has the benefits of (a) reducing project requirements for capital from other sources, (b) preserving federal tax benefits, and (c) eliminating uncertainty relating to the value of RECs in the future. The level of MTC financing commitment for any particular project requires approval of the MTC Board of Directors.

2 BACKGROUND

2.1 Project Costs and Revenue Streams

In order to be a successful investment, the project must have annual revenues sufficient to support project financing and operating costs. Financing costs may include principal and interest payments to debt providers, and distributions to equity investors. Operating costs may include monthly or annual payments for:

- land lease;
- vendors for project management and oversight services;
- vendors for operations and maintenance services; and
- the funding of overhaul or decommissioning costs.

The project must have sufficient revenues (or offsets) from the following sources to meet cash-flow requirements and otherwise provide the required financial return on investments:

- sale of power to the site-owner for use on-site;
- sale of power to third parties;
- sale of renewable energy certificates² ("RECs"); and
- federal wind energy production tax credits.

2.2 Performance Risk and the Need for Revenue Certainty

The technical and financial performance of power generation projects can be predicted but not guaranteed. Project financiers are generally unwilling to invest in a project without certainty that the project's output can be sold at a price sufficient to repay debt and provide investor returns. The project financial structure will allocate power and REC sales cash-flow risk to specific parties:

1. Power sale price – power plant owners typically minimize their exposure to falling power sales prices by entering into long-term power sales contracts with a creditworthy party (e.g. a utility).
2. Renewable Energy Certificate sale price – there are few, if any, creditworthy parties entering into long-term contracts to purchase RECs. As a short-term solution, MTC has entered into long-term REC purchase commitments with certain renewable project developers under its Massachusetts Green Power Partnership and has placed funds into escrow accounts to back up its purchase

¹ One MWh equals 1,000 kilowatt-hours (kWh). A price of \$45/MWh is equivalent to 4.5 cents/kWh.

² Footnote explaining RECs . . .

commitments. In this manner, MTC assumed the risk that REC prices will have a minimum value in the future. MTC anticipates that a similar model could be used to provide REC price certainty for Community Wind projects; however, the level and timing of any financial commitments are subject to approval by the MTC Board of Directors.

2.3 Power and REC Market Prices

Short discussion of current and projected power (wholesale and offset retail) and REC prices. This will be included in the version delivered on October 24.

3 OWNERSHIP OPTIONS

Preliminary financial results are presented for the following potential project ownership and financing options. Please note the special considerations listed in Section 6.

	(1) Town	(2) Private	(3) Public/ Private Partnership ("Flip")
Features	<ul style="list-style-type: none"> Municipality owns and manages the project Funded by municipality 	<ul style="list-style-type: none"> Private entity develops, owns project 	<ul style="list-style-type: none"> Private entity develops and owns for 10 years Municipality becomes majority owner in year 11
Pro	<ul style="list-style-type: none"> Lower cost of capital Community pride 	<ul style="list-style-type: none"> Captures federal tax credit Minimizes community management obligations 	<ul style="list-style-type: none"> Captures federal tax credit Potentially higher overall return to community
Con	<ul style="list-style-type: none"> No federal tax credit Legal issues Requires community management role 	<ul style="list-style-type: none"> Higher cost of capital Less community support? 	<ul style="list-style-type: none"> Higher cost of capital Legal issues Deal complexity

4 FINANCIAL ANALYSIS METHODOLOGY AND RESULTS

4.1 Methodology

This will be included in the version delivered on October 24.

4.2 Assumptions

We have used the following conservative assumptions in the financial analysis:

Project Technical and Cost Aspects

- | | |
|--|-------------------------|
| 1. Average wind speed at 80m above ground level | 6.4 meters per second |
| 2. Project capacity factor | 22% |
| 3. Percent of power used on-site (wastewater plant and DPW garage) | 18 to 22% |
| 4. Total project cost range | \$1,800 to 2,100 per kW |

Value of Power and RECs

- | | |
|---|----------------------------|
| 5. Value of power used on-site (i.e. retail rate paid by Fairhaven) | \$108 per MWh ³ |
| 6. Price of power sold for on-site use (private developer model) | \$108 per MWh ⁴ |
| 7. Value of power sold off-site to third party | \$50 per MWh |

Financing – private

³ Increases at an assumed 2.5% inflation rate.

⁴ Ibid.

8. Private financed equity percentage	100%
9. Required return for financier	8%
10. Finance term	20 years
11. Federal wind production tax credit and accelerated depreciation	Fully utilized
<u>Financing -- municipal</u>	
12. Finance term	10 years
13. Bond interest rate	5.5%
14. Sources of capital	
a. Town debt as a percentage of total capital cost	1/3
b. Town cash contribution as a percentage of total capital cost	1/3
c. MTC REC payment as a percentage of total capital cost	1/3
<u>Decommissioning</u>	
15. Reserve account established in year 11 of operation	

4.3 Preliminary Financial Results

To serve as a basis for comparison with current power rates, we have calculated the project revenue requirements levelized over 20 years assuming a privately-owned and financed project. For a two turbine project at the Fairhaven site the results are as follows:

20-Year Levelized Revenue Requirements: \$125 to \$150 per MWh

Current long-term wholesale power market prices are on the order of \$50 - \$70/MWh, short-term REC prices are in the \$40 - \$50/MWh range, and long-term REC prices are in the \$25 - \$35/MWh range. Thus, combined power and REC cash flows are in the \$75 to \$105 per MWh range and are insufficient to support the project.

With the assumption that MTC contributes to the project in the form of an up-front payment for RECs, the financial performance of the project is presented in Table 1 below. Results are presented for three ownership and financing methods (see Section 4). Technical and financial assumptions are described in Section 4.2.

5 SPECIAL CONSIDERATIONS

5.1 Wind Turbine Costs and Availability

Growth of the wind power industry over the past several years, combined with recent extension of the federal wind production tax credit, has created unprecedented demand for wind turbines. This demand is causing wind turbine prices to rise and extending the timeframe for delivery of turbines. Relatively small projects in regions without a high level of wind development activity face significant challenges in this climate. With this in mind we note that project financial results may be enhanced by incorporating timing flexibility into the process. For example, turbine prices may be higher when earlier delivery is required.

5.2 Other Cautionary Notes

- MTC Financial Role – MTC is willing to financially support the construction of community wind projects. However, the amount of support provided to each project must be approved by the MTC Board of Directors.
- Financial concerns
 - The use of tax exempt municipal bonding may not be allowed for a project that wells wholesale power.
 - The federal wind production tax credit will expire on December 31, 2007 unless extended by Congress.
- Legal concerns
 - Municipalities are likely to require special legislative authority to own wholesale power projects. This is according to a legal opinion commissioned by MTC.

Table 1. Preliminary Financial Analysis for Three Ownership Options

	<u>Private Ownership</u>	<u>Town Ownership</u>	<u>Flip</u>
# of Turbines		2	
Total Project Cost Range		(\$5.5M to \$7.0M)	
MTC Support required to realize minimum returns ¹		≈ \$2M to \$3M	
Project Economics			
Est. Annual Power Sales Revenue		\$405,000	
<u>Estimated Annual Expenses</u>		<u>(\$190,000)</u>	
Est. Annual Operating Cash Flow		\$215,000	
Town Economics			
Initial Capital Investment	\$0	Total Project Cost	≈(\$300K)
Average Annual Cash Flow ²	\$42,000	\$50K/\$225K	\$42K/\$225K
10 Year NPV -- Town ³	\$315,000	≈(\$1,000K)	\$0
20 Year NPV -- Town ³	\$490,000	\$0	\$800K
Private Investor Economics			
Private Investor IRR	≈ 8%	N/A	≈ 8%

(1) Based on current market conditions; will be refined when project costs are known.
 (2) Yrs 1-10/Yrs 11-20, except when cash flow goes to decommissioning reserve fund.
 (3) Assumes 5.5% discount rate. Includes energy cost savings at WWTF. In Town-owned model, assumes 10-Year, 5.5% debt, and Town cash contribution of \$1.5M. Low (or 0%) interest debt may be available from the Federal government; however, there is insufficient detail at this time.