

# MARCH 2016 - WIND TURBINE FUNDING REPORT

## A. ACCOUNTS

- 1. Energy Stabilization Fund (account #830-3280-8140):** The energy stabilization fund was created to accept funds from the Massachusetts Clean Energy Center paid to the town for Renewable Energy Certificates created over the life of the Wind 1 project. These funds have been used as planned to support the debt service of this project in the early years of operation of Wind 1. In Fiscal Year's 2011-2014 the Town's annual debt service obligation was appropriated by Town Meeting from the Energy Stabilization fund. As anticipated, this account is now depleted with a total fund balance of \$6,127.

## ENERGY STABILIZATION FUND

<u>Fiscal year</u>	<u>Investment Income</u>	<u>Appropriation</u>	<u>Fund Balance</u>
			953,623
2010	40,905	-	994,528
2011	30,602	(430,000)	595,130
2012	(40,620)	-	554,510
2013	26,324	(426,363)	154,471
2014	1,524	(150,000)	<u>5,995</u>
2015	132	-	<b>\$6,127</b>

- 2. Receipts Reserved for Appropriation (account#230-3300-3440):** In accordance with the Town's Special Act, all other funds except as note herein are deposited into the Receipts Reserved for Appropriation Account. Once deposited these funds may only be expended by a Town Meeting vote of appropriation. Debt service for Wind 1 is now appropriated from the Receipts Reserved from Appropriation Account each year in the omnibus Operational Budget article. **Total Fund Balance as of February 29, 2016 is \$1,307,320**

## RECEIPTS RESERVED FOR APPROPRIATION FUND

<u>Fiscal year</u>	<u>Revenue</u>	<u>Fund Appropriation</u>	<u>Fund Balance</u>
2011	456,555	(35,000)	421,555
2012	226,141	(400,071)	247,625
2013	422,338	(48,000)	621,963
2014	913,698	(271,847)	1,263,814
2015	577,823	(417,169)	<u>1,424,468</u>
2016 (to date)	290,559	(407,707)	<b>\$1,307,320</b>

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3. **Mass CEC Grant Account (account #210-3520-2125):** In 2014 the Town received \$500,000 from the Massachusetts Clean Energy Center which may be used to support Wind Turbine expenses in the event of a catastrophic failure.
4. **Other One time revenues** deposited in the Receipts Reserved for Appropriation Account.
  - a. Special Purpose/Additional Revenues. \$300,000 was appropriated into the Receipts Reserved for Appropriation Account at the April, 2014 Town Meeting to match the \$500,000 grant from Mass CEC described above.
  - b. Town Meeting Appropriation. \$200,000 was appropriated into the fund at the November, 2015 Town Meeting to fund future deficits.

### **B. REVENUE**

Revenue received from the operation of wind turbines are from the following sources:

1. Eversource **Net Metering Payments** (quarterly billing credits paid directly to the Town)
2. Payment for the sale of **Renewable Energy Certificates** (RECs).
3. **Appropriations** from Town Meeting from other sources (tax revenue)
4. **Avoided Expense** In addition to revenue, approximately \$120,000 each year is offset from our electric bill (behind the meter) for consumption of energy from the Wastewater Treatment Facility offset by wind energy.

Operations have been variable since inception. So have revenues fluctuated from year to year. The inconsistency in overall revenue is the result of multiple curtailment/operating scenarios, and while anticipated and less of a factor, wind energy is naturally variable and related economic attributes will fluctuate with annual production and markets. This variability is expected to continue.

### **C. EXPENSES**

The Town of Falmouth is obligated to pay the debt service for Wind 1. The annual debt service is approximately \$400,000 each year, the actual debt service schedule is attached.

Other expenses are appropriated in the Town's operating budget line items and are funded through general operations. These include the following:

**Renewable Energy Budget (account #01-460-5319)** required to fund an annual maintenance contract budget for \$199,121 each year.

**Insurance (account #01-193-5740).** The annual insurance premium for wind turbines is approximately \$50,000 per year and is included with the Overall Town Insurance budget.

## GENERAL FUND OPERATING EXPENSES

<u>Fiscal year</u>	<u>Operating Expenses</u>	<u>Legal Expenses</u>	<u>Total Expenses</u>
2011	9,500		9,500
2012	9,500		9,500
2013	44,650		44,650
2014	115,721	61,485	177,206
2015	186,359	115,878	302,237
2016 (to date)	237,931	99,617	<u>337,548</u>
		<b>Total Expenses</b>	<b>\$880,641</b>

### D. OTHER FINANCIAL FACTORS

The Town's second wind turbine, commonly referred to as Wind 2, was funded by a grant providing a 0% interest principal forgiveness loan. In order to comply with grant conditions, the Town is required to operate the turbines in an energy efficient manner approved by the Mass Water Pollution Abatement Trust (MWPAT). According to the terms of the agreement, if Wind 2 ceases operation or possibly is curtailed further, the Town is required to pay back the \$5,000,000 grant with interest.

#### 1. Impacts of Partial or Full Curtailment

If both turbines cease operations due to a court order, the Town is required to pay back the debt service on Wind 1 (\$400,000 per year), \$5,000,000 principal forgiveness grant with interest on Wind 2 and will have to increase the Town's Operating Budget by \$120,000 per year to fund electricity for the Wastewater Treatment Facility. This does not include any additional potential cost to dismantle, remove or decommission one or both of the wind turbines.

If both turbines cease operations and it is not due to a court order, the Town is required to pay the debt service on Wind 1 (\$400,000 per year), grant for Wind 2 (\$5,000,000 plus interest), \$120,000 per year in electricity for the wastewater treatment facility and must also repay Mass Clean Energy Center \$998,000 for the REC's pre-paid by the MassCEC and payable in full upon default plus annual interest back to the year 2009 for a total estimated cost of \$1,400,000.

If Wind 1 shuts down but Wind 2 continues to operate, the Town is required to pay debt service on Wind 1 (\$400,000 per year). If the shutdown is not the result of a court order the contract requires payment for non-production of renewable energy certificates of approximately \$1,400,000.

#### 2. Litigation Expenses (as shown in the expense chart above)

FY 14	61,485
FY 15	115,878
FY 16 to date	<u>99,617</u>
Total to date	\$276,980