

**HF No. 357**

**Derick O. Dahlen comments on February 18, 2009**

**Minnesota Municipal Power Agency**

My name is Derick Dahlen. I am the chief executive officer of the Minnesota Municipal Power Agency (MMPA). MMPA is comprised of 11 member communities including: Anoka, Arlington, Brownton, Buffalo, Chaska, East Grand Forks, Le Sueur, North St. Paul, Olivia, Shakopee and Winthrop. MMPA has an aggressive wind energy program. I have attached to my comments an MMPA newsletter which provides the latest information on our wind projects.

We are installing 12 wind turbines: one in each of our member communities and one at our Faribault Energy Park facility. We call this our Hometown WindPower program. We will receive the turbines this spring and have the project constructed this year. These units are 165 kW each and show our communities' commitment to wind. MMPA has received an allocation of Clean Renewable Energy Bonds (CREB's) to finance our Hometown WindPower program.

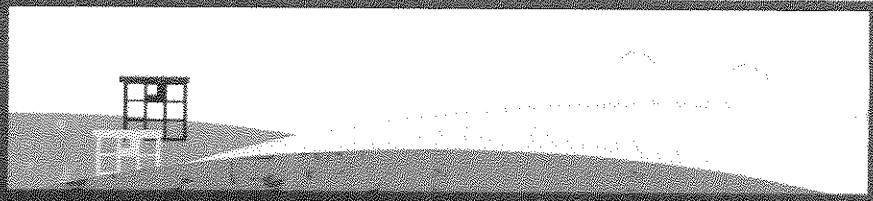
We also have three wind farms of 288 MW total under development compared to MMPA's total capacity obligation of 400 MW. We began these activities in 2005 and 2006 with applications to the Midwest Independent System Operator (MISO) for transmission service. Our Oak Glen project near Blooming Prairie is 44 MW with a projected capital cost of approximately \$120 million and an earliest in-service date of 3<sup>rd</sup> quarter 2010. Our Shell Rock project near Albert Lea is also 44 MW with a projected capital cost also of approximately \$120 million and an earliest in-service date of 3<sup>rd</sup> quarter 2011. Our third wind farm is as yet unnamed but would be in southern Minnesota with an earliest in service date of 4<sup>th</sup> quarter 2012 and a projected capital cost of \$540 million. This is a total investment of \$780 million if all projects are built.

The proposed legislation causes two problems for us. First, we have made a financial commitment to our Hometown WindPower project of \$4 million. On our other three projects, we have expended \$1.7 million in development costs mostly to obtain transmission from MISO. These expenditures would be at risk if the bill is passed because we would have an obligation to purchase from C-BED projects before constructing our own projects.

The second problem is related. If we delay our projects and are unsuccessful in obtaining C-BED resources, we would likely fail to meet the renewable energy standards.

We would ask that you modify the bill to allow MMPA to complete the development of the wind projects I have described to you. No Agency or utility in Minnesota is more committed to wind energy than MMPA as shown on our web site MMPA.org. And, as an agency, owned by its member communities, we provide the benefits of community ownership of all of our resources, including wind, to everyone in our communities.

Thank you for the opportunity to talk with you today.



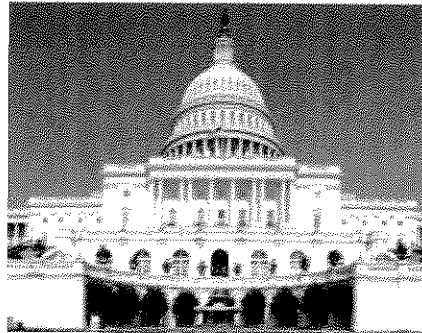
## Approaching 2009 with Confidence

A proverb may explain the outlook for the U.S. economy in the 2009: "It's always darkest before the dawn."

Economic experts agree we'll see continuing volatility well into 2009. It's widely reported that the financial crisis began and will end in the credit markets. As a result, every sector of the economy – including energy – will be subject to erratic credit availability.

Formerly, bankers made loans to people who could not repay them. Now, they fear making any loans at all. How long this situation lasts will, in large part, determine the immediate course of the nation's economic life.

Credit makes the world go 'round in our world of capital-intensive energy projects. But there are indications that renewable energy projects will be among the areas that will receive lots of attention by the Obama Administ-



*"The Energy Policy Act of 2005 created the Clean Renewable Energy Bond (CREB) program, effectively offering interest-free debt to eligible renewable projects."*

ration to loosen credit and get much-needed renewable energy projects funded and built.

An important avenue to credit that MMPA will be employing for its Hometown WindPower project will be CREBs, as explained in the following article.

## Wind Farms are New Ventures for MMPA

MMPA has announced two new wind farm projects in southern Minnesota. On MMPA's behalf, Avant Energy has begun working with landowners in Freeborn and Steele Counties with the goal of installing 20 to 30 wind energy turbines for wind farms in each county.

Shell Rock Wind Farm in Freeborn County near Albert Lea and Oak Glen Wind Farm in Steele County between Owatonna and Blooming Prairie are under development. More than 8,000 acres are being considered in the planning stage for each wind farm, and each will ultimately be built in an area of about 2,500 acres

at a density of roughly one tower per 80 -acre tract.

A third wind farm project aimed for Faribault County is in the early planning stages.

In announcing the Shell Rock and Oak Glen projects to the news media, MMPA Chairman Walter Wysopal said, "We are believers in alternative energy sources, including the endlessly renewable supply of wind. We believe wind power is the most environmentally advantageous energy option available to Minnesota."

*(Continued on Page 2)*

## Utilizing Bond Sales for Renewable Energy Projects

CREB stands for Clean Renewable Energy Bonds. This term refers to a federal government program that makes it possible for MMPA to obtain funding for renewable, or "clean" electrical energy generation projects.

A CREB is a special type of bond, known as a "tax credit bond," that offers MMPA the equivalent of an interest-free loan for financing qualified energy projects for a limited term. The zero percent financing is an excellent benefit for MMPA to finance renewable energy projects in order meet Minnesota's clean energy mandates.

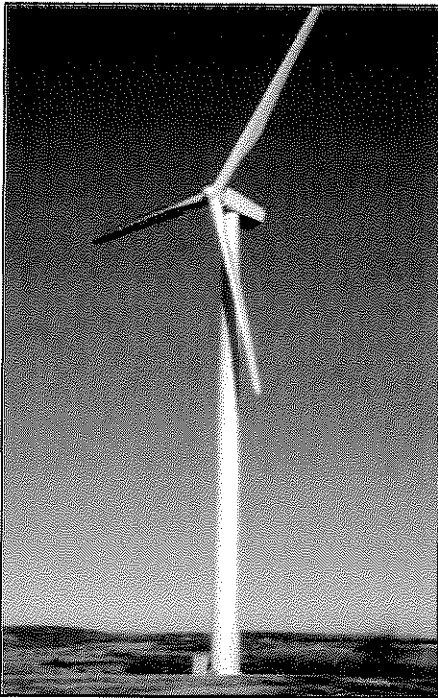
Applications for CREB financing are submitted to the Internal Revenue Service. The guidance in the 2008 legislation extending previous CREB financing dictates that "small is beautiful," and small-scale generating projects will receive preference under the program.

MMPA and Avant Energy are in the process of exploring various ways of issuing CREB bonds for the proposed Hometown WindPower turbines in each MMPA city, and selling them to investors. With a CREB bond, the IRS provides a tax credit to the bondholder, rather than an issuing municipality paying interest on the bonds. The amount of the tax credit is set by the U.S. Treasury.

We'll keep you informed about how MMPA will be using CREB financing for the Hometown WindPower project.

## New Wind Farm Ventures

*Continued from Page 1*



Currently, Avant experts are studying the feasibility of the projects. If the projects move forward, landowners will have the opportunity to discuss an option agreement that details the easement payments, access arrangements and related issues.

Avant vice president Leo Raudys said,

“There will be several steps before turbines are installed, including final feasibility planning, agreements with landowners, financing arrangements, a permit from the Minnesota Public Utilities Commission, electric distribution agreements and equipment purchase.” Raudys said the projected capacity is 44 megawatts for each project, which is enough electricity to power roughly 14,000 Minnesota homes per year. He said each tower will occupy about one half acre and will be approximately 260 feet tall.”

“We hosted meetings for landowners in Blooming Prairie and Albert Lea,” Raudys said. “Landowners have been very receptive to our plans.”

Raudys said that media coverage in Owatonna, Blooming Prairie and Albert Lea was very favorable toward the wind farms. He said that for the Oak Glen project, which was introduced to the community in September, cooperation agreements have been signed by landowners for several thousand acres, signaling excellent local acceptance. Progress is also being made on the Albert Lea

project, which was announced in November.

Attendees of the meetings learned that MMPA and Avant believe in being good neighbors to the communities in which they operate, including providing education about wind power to school groups. Raudys noted the educational aspects of the Faribault Energy Park as examples of providing educational benefits to the host community.

Raudys added, “The turbines produce clean, quiet energy. Also since turbines are minimally disruptive to farming, we’ve found farmers appreciate the extra income.”

While most of the electricity produced at the proposed wind farms will serve the Minnesota customers of MMPA member utilities, some will be made available to other area utilities through a regional power distribution network. Questions about the wind farms can be directed to [Leo.Raudys@AvantEnergy.com](mailto:Leo.Raudys@AvantEnergy.com).

*MMPA Wind Projects were featured in the Star Tribune on January 15, 2009. A copy of the article is printed on the following page.*

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## Update on Hometown WindPower

The Hometown WindPower program -- bringing a wind turbine to each of the 11 MMPA cities -- was introduced in last quarter’s newsletter. Under the program, renewable energy is produced where it is used.

According to project manager Dave Boyles, an agreement has been signed to purchase turbines from enXco Services in California. They are small turbines compared to those used in wind farm projects. They are 115 feet tall from the ground to the tip of the extended blade – shorter than most water towers.

“Each turbine will produce about 160 kw of energy,” Boyles said. “That’s less than originally planned, but we wanted the turbines to be compact enough to fit into MMPA towns with-

out being visually overpowering.”

Boyles said the MMPA communities are proceeding with the issuance of local permits to construct the turbines. This process usually requires a review by the communities planning and zoning departments followed by an assigned conditional use permit and potentially an easement for the property. Each town can use a slightly different procedure for these reviews.

“Now that we have the turbines and towers ordered, we plan to schedule construction this spring and start producing power this summer in each MMPA city,” Boyles said.

Clean Renewable Energy Bonds – CREBs -- will be issued to finance

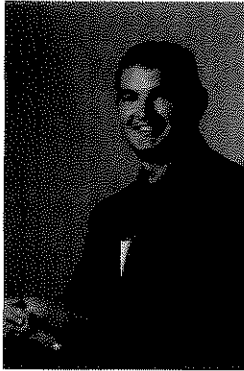
the projects (see CREBs story elsewhere in this newsletter). The timing and method for issuing the CREBs has not been finalized.

Boyles said MMPA host cities have been receptive to the program. “The cities recognize that while this is small-scale production, the wind turbines are a visible indication of each community’s commitment to renewable energy,” Boyles said. “And in the bargain, the Hometown WindPower turbines will help us meet state-mandated renewable energy standards.”

Dave can be reached at [Dave.Boyles@avantenergy.com](mailto:Dave.Boyles@avantenergy.com).

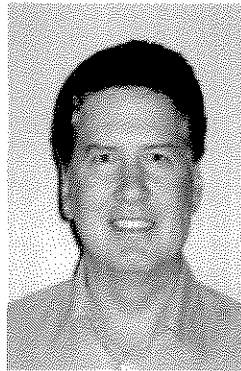
# MMPA Names and Faces

We will regularly report on people who will be serving MMPA members and projects.



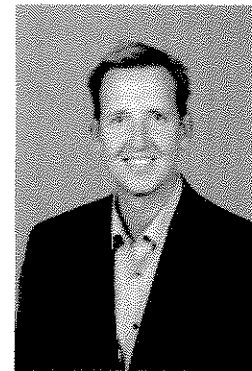
**Walter T. Wysopal**

was elected chairman of MMPA's board of directors at its recent meeting. Wally is City Manager in North St. Paul. In April 1998, Wysopal was appointed to the MMPA Board at which time he also became Secretary. He was elected Vice Chairman in March 2001 and was elected Vice Chairman and Treasurer in 2005. He succeeds Dave Pokorney of Chaska, long-time MMPA chairman.



**Dave A. Boyles**

has been named by Avant as Senior Project Manager with responsibility for implementing renewable energy projects. He is currently the team leader for the Hometown WindPower project for MMPA. Previously, Dave was involved in the development of several major utility projects at educational institutions, including the University of Minnesota, Ball State University and Iowa State University. Dave is a Registered Professional Engineer in mechanical engineering.



**Leo J. Raudys**

was named Vice President, with responsibility for wind power programs at Avant Energy. Leo was previously deputy commissioner of the Minnesota Pollution Control Agency, where he served in the post of chief operations officer. As the state's second ranking environmental protection official, Raudys managed the budget and operations of the 1,000-employee agency. Commenting on his new responsibilities, Leo said, "After many years in the public sector, I'm enjoying working on behalf of MMPA to create new renewable energy projects to serve our state."

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## More Wind is Coming

*An article from the Star Tribune*

Last update: January 15, 2009 - 5:24 PM

The Minnesota Municipal Power Agency, a group of publicly owned electric utilities, has announced that it has three wind power projects under development.

Two are wind farms -- Oak Glen Wind in Steele County and Shell Rock Wind in Freeborn County -- each with 20 to 30 turbines and a generating capacity of 44 megawatts. The third, the Hometown WindPower program, plans to put a small turbine in each of the power group's 11 member towns: Anoka, Arlington, Brown-ton, Buffalo, Chaska, East Grand

Forks, Le Sueur, North St. Paul, Olivia, Shakopee and Winthrop. Those are intended to deliver about 160 kilowatts of electricity to its communities, agency chairman Walter Wysopal said in the announcement this week.

The projects are in early stages of development, with financing arrangements, final feasibility planning and landowner agreements yet to be done, according to Avant Energy, an energy management company in Minneapolis that is a partner in the projects.

H.J. CUMMINS

## Who Are We?

Minnesota Municipal Power Agency (MMPA) is committed to providing our 11 Minnesota member communities with competitively priced, reliable and sustainable energy. The Agency is owned by our member cities and governed by a Board of Directors with representatives from each community. MMPA is an innovator, pursuing forward-thinking solutions in the areas of power generation, energy conservation and renewable energy.