




**C-BED in Great River Energy's
2005 Renewable
Request For Proposals**

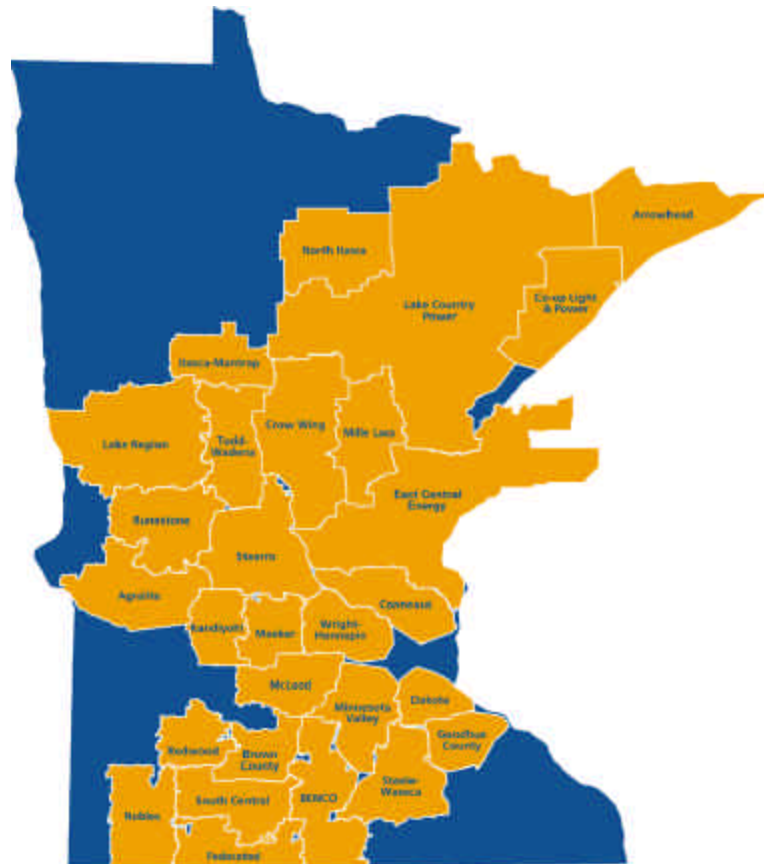
West Central CERTs
February 15, 2006



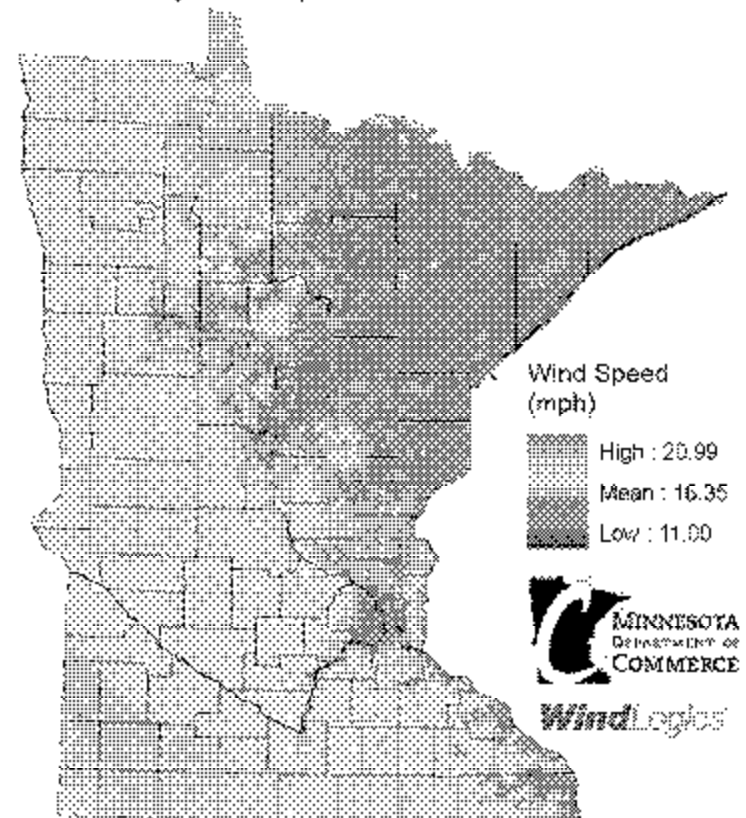
Great River Energy

- Generation and Transmission (G&T) Cooperative (wholesale)
 - Owned by those we serve
 - 28 Member Distribution Cooperatives (Retail)
 - Serving 600,000 cooperative members
- Second largest electric utility in MN
 - 4th largest G&T in U.S.
 - 2,500 MW generating capacity
 - 4,525 miles transmission line
- First to offer green pricing program, commit to MN REO and issue renewable RFP with C-BED component

Great River Energy



Minnesota's Wind Resource
by Wind Speed at 80 meters



Community-Based Energy Development (C-BED)

- Review C-BED Legislation
- Elements GRE is looking for in a C-BED proposal
- What we found and how do we do it better next time?

Review of C-BED Legislation

- C-BED - Community-Based Energy Development
- C-Bed was created to support wind energy development and give local landowners a chance to participate in ownership of wind generation projects
 - Keep more energy dollars in MN versus flowing outside the state
- C-BED is
 - specific to wind projects
 - part of the Renewable Energy Objective (REO)

Review of C-BED Legislation

- Utilities must take reasonable steps to determine if C-BED projects are available to fulfill some or all of their wind energy need “at minimal impact to customer rates.”
 - Not a “must-buy”
- Review of REO compliance is now a part of the Certificate of Need and Integrated Resource Plan processes
- C-Bed tariff is a financing tool
 - Allows for higher payments during 1st half of contract

Review of C-BED Legislation

- C-Bed tariff is available to projects with qualifying owners, regardless of size
 - Allows for small scale wind, 1-2 turbines
 - Or large projects, 20 MW+
 - Ceiling net present value rate is \$0.027/kWh over the life of the project

Why a Request For Proposals process?

- GRE has responsibilities to Rural Utilities Service (RUS) and its Members to provide least-cost power supply
 - RUS requires competitive bid process and documentation of all evaluation criteria
 - GRE Members must approve all new resource additions

RFP Evaluation Criteria

- Price
 - All proposals evaluated at 20-year levelized price
- Transmission*
 - MISO Interconnection Request status (Queue #)
 - Network Resource Interconnection Service
- Equipment*
 - Pre-committed
 - Manufacturer

*Federal PTC expiration – 12/31/2007

RFP Evaluation Criteria

- Wind resource
 - Wind speed (7.5 m/sec minimum)
 - Quality of analysis
 - Energy production
- C-BED ownership
 - MN DOC & Counties
- GRE service territory
 - Economic benefits to members

Overview of C-BED Proposals

- Positives
 - Competition
 - Project sizes
 - Pricing
 - Geographical Diversity
- Drawbacks
 - Thoroughness
 - Wind Energy Analysis
 - Interconnection Status
 - Equipment

C-BED Proposal Positives

- A great deal of interest
 - 12 C-BED Developers
 - Nearly half of all Wind Developers characterized themselves as qualifying for C-BED
 - 18 Proposals - 740 MW (includes double counting)
 - ~28% of all projects
 - 2620 MW total wind responses (includes double counting)
- A handful of large developers included an opportunity to include partial (10%) C-BED ownership in their project

C-BED Proposal Positives

- Breadth of Project Sizes
 - Ranging in size from 5 MW -120 MW
- Choice in Pricing
 - For all proposals, highest cost project nearly 75% higher than lowest cost project
- Increased geographic diversity compared to professional developers

C-BED Proposal Drawbacks

- Wide range of proficiency related to:
 - Thoroughness
 - Wind Analysis
 - Cost
 - Perceived strength of local wind resource
 - Interconnection/Transmission
 - Cost
 - Lack of familiarity with process
 - Equipment
 - Chicken and egg related to equipment commitments
 - Availability in near term due to stop/start of Federal PTC

Lessons Learned – Future C-BED Proposals

- Leave as is; C-BED developers learn through trial and error process
- In future RFPs, utilities can better define proposal requirements
- GRE contemplating outreach to C-BED developers
 - Make GRE requirements more clear
 - Listen to developer concerns
 - Explanation of MISO Interconnection process
 - Timeline – When current RFP process is complete

What Happens Next?

- Friday, February 17th, GRE will notify parties if they are on the short list
 - Remainder of parties also notified
- Short list participants will receive a PPA template and negotiations begin
- Target June 1st to announce successful projects
- All projects available for commercial operation by December 1, 2007.
- GRE will issue future Renewable RFPs
 - Timeline dependant on REO commitment and future legislation...

More Information

- www.windustry.org
- www.awea.org
- www.commerce.state.mn.us
- www.c-bed.org