

Community Benefits – Whitehouse Burn Turbine

The original offer

- Original offer of 3% of gross revenue - c £13,000 per year and c £325,000 over the lifetime of the project
- This is in the planning application
- Offer still stands and is not conditional
- Already far in excess of the Renewable UK standard community benefit minimum of £1000 per MW capacity pa
- This offer is equivalent to £16,250 per MW per year, more than 20 times the minimum required level

Improved community offer – December 2011

After further consideration and meetings last summer, the original offer to the community has been expanded into a local partnership under which, if the project is consented and goes ahead, Genesis Energy will grant a significant portion of the ownership of the project to local interests in a 2 step process based on our experience of constructing a small windfarm at Myreton, Keith

Step 1 – Post-Consent but Pre-Funding

The project company at this point will already have a valuable asset (these type of consents are valued anywhere from £0.5m to £1m) but will need to raise the capital to build the turbine.

Genesis will gift 20%-30% of the shares in the project company to each of two groups (if they wish to participate):

- The local community through the Tarbert and Skipness Community Trust
- The nearest homeowners

TSCT will also appoint a director to the board of the project company to ensure that the work is done to high standards and in a way that is supportive of the local economy.

Step 2 Funding

- Build a financial model and get a company valuation – either from Genesis or an outside expert
- Try to source a loan for the project – probably from Co-op or Triodos Bank or from a syndicate of individuals (local or otherwise) for 75% of the capital costs or more
- Leaves the shareholders of the project company to raise approx £400,000 in proportion to their holdings – through a rights issue of new shares
- For an illustrative example only, if the company value is £800,000, then the company will have to issue 50% more new shares compared to the number of existing shares.
- If any shareholder does not wish to take up their shares, Genesis will be willing to buy them instead
- As an additional option we could make such shares as were not taken up available to other local savers/investors who might wish to have stake
- In this example if TSCT has initially a 30% share of the project company and does not wish or is unable to subscribe for its new shares (£100,000) – its total share of the project would fall to approximately 20%

Step 3 Construction and Operation

- Using the loan and company funds, the company will procure and build the turbine
- Over the lifetime, and as the wind blows, the funds generated by the operations will be paid out to the shareholders as dividends on a semi-annual basis

Revenue Sources from Wind Farms

- Value of the electricity sold to the utility under a Power Purchase Agreement – has varied between £40-£60 per MWH over last few years
- Value of (Climate Change) Levy Exemption Certificate – approx £4.50 per MWH (indexed to RPI)
- Specific renewable energy support payments either
- Renewable Obligation Certificates which have varied in value between £45-£52 per MWH – from next year this is being reduced by 10%
- Or for smaller generators (less than 5 MW) – the Feed-in-Tariff payment as per table below – these payments are indexed to RPI

Proposed Feed in Tariffs for wind -stated in 2012 money terms

Wind	Oct-12	Apr-13	Apr-14	Apr-15	Apr-16	Apr-17	Apr-18	Apr-19	Apr-20
>100-500 kw	17.5	17.5	16.6	15.8	15	14.2	13.5	12.8	12.2
>500-1500 kW	9.5	9.5	9	8.6	8.1	8.1	8.1	8.1	8.1
1500-5000kW	4.5	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1

Values in the table are in pence per kWh.

1 MWH = 1000 kWh

Whitehouse Burn Turbine

800kW

2013 Build

Capital Expenditure	£1,600,000
Turbine	£830,000
Foundation	£20,000
Substation	£150,000
Grid Connections	£130,000
Access road	£80,000
Planning application	£100,000
Wind resource study	£25,000
Project manager	£35,000
Our legal fees	£25,000
<u>Bank fees</u>	
Commitment fee	£15,000
Due diligence	£25,000
Legal	£40,000
Accounting and tax	£15,000
Working capital needs	£80,000
Interest during development	£30,000
Note:	
Annual capital allowance (8%)	£128,000

Income	
Wind speed estimated	8 m/s
Annual production	2500 MWhr
<u>Revenue</u>	
Feed in Tariff	£90 (800kW)
Electricity value	£48
LEC	<u>£4.50</u>
Total	£142.50
Income	£356,250

Financing	
Equity	25% £400,000
Debt	75% £1,200,000
Debt rate	7%
Debt period	15 years
Annual loan charge	£131,754

Operating costs	Average	First 5 years	Next 15 years
Service costs	£21,875	£12,500	£25,000
Rates	£7,500	£-	£10,000
Rent	£10,000	£10,000	£10,000
Community benefit	£10,688	£10,688	£10,688
Accounts and admin	£5,000	£5,000	£5,000
Insurance	£5,000	£5,000	£5,000
	£-		
Total	£60,063	£43,188	£65,688
Operating profit	£296,188	£313,063	£290,563
	£-		
After loan cost	£164,434	£181,309	£158,809
	£-		
Tax (20%)	£7,287	£10,662	£6,162
	£-		
After tax profit	£157,147	£170,647	£152,647

These are all estimates and are stated in 2012 money terms

Whitehouse Burn Turbine

500kW

2013 Build

Capital Expenditure	£1,600,000
Turbine	£830,000
Foundation	£20,000
Substation	£150,000
Grid Connections	£130,000
Access road	£80,000
Planning application	£100,000
Wind resource study	£25,000
Project manager	£35,000
Our legal fees	£25,000
Bank fees	
Commitment fee	£15,000
Due diligence	£25,000
Legal	£40,000
Accounting and tax	£15,000
Working capital needs	£80,000
Interest during development	£30,000
Note:	
Annual capital allowance (8%)	£128,000

Income	
Wind speed estimated	8 m/s
Annual production	2200 MWhr
Revenue	
Feed in Tariff	£175 (500kW)
Electricity value	£48
LEC	<u>£4.50</u>
Total	£227.50
Income	£500,500

Financing	
Equity	25% £400,000
Debt	75% £1,200,000
Debt rate	7%
Debt period	15 years
Annual loan charge	£131,754

These are all estimates and are stated in 2012 money terms

Operating costs	Average	First 5 years	Next 15 years
Service costs	£19,250	£11,000	£22,000
Rates	£7,500	£-	£10,000
Rent	£10,000	£10,000	£10,000
Community benefit	£15,015	£15,015	£15,015
Accounts and admin	£5,000	£5,000	£5,000
Insurance	£5,000	£5,000	£5,000
	£-		
Total	£61,765	£46,015	£67,015
Operating profit	£438,735	£454,485	£433,485
	£-		
After loan cost	£306,981	£322,731	£301,731
	£-		
Tax (20%)	£35,796	£38,946	£34,746
	£-		
After tax profit	£271,185	£283,785	£266,985

Future Projects

- Genesis is reviewing another site in the Skipness area and, if a decision is made that this site is technically viable and has strong community backing we will progress it along very similar lines with significant community financial involvement
- If other landowners approach us with an interest in developing turbines on their land we will use the same approach of 50/50 Genesis/community involvement
- There is great potential for wind power energy in Argyll and Bute, currently it is only utilising less than 1% of the wind power capacity
- Another potential community partner for Genesis is the Kintyre Way, with whom we have opened negotiations

How you can help

- Write or contact your local councillors expressing your support for our project and the benefits it could bring to the community
- Write to your local MSP expressing your support for Scotland's world leading renewable energy policies and for this project in particular
- Write to the board of TSCT
- Write to Arlene Knox, the responsible planning officer at Argyll & Bute council
- Only letters of objection have so far been sent – so what are the planning authority expected to think?
- If you love renewable energy and think we are going about this in an appropriate and community-supportive way – then stand up and be counted!!
- Get involved at the debate on the Kintyre Forum <http://www.kintyreforum.com/>
- Contact details on the website www.genesis-energy.co.uk