

# Coastal Wind Energy Project: Creative Financing to Serve Low-income Communities

## A Community Wind Case Study

### Empowering Communities with Wind

The four wind turbines that stand above the treetops near the coastal town of Grayland, Washington, harness wind energy to power local community social service projects. For nearly ten years, Coastal Community Action Program (CCAP) worked to develop a wind energy project that could generate income to increase community service options and decrease dependence on outside funding.

In June, 2010 this dream became a reality when CCAP put its Coastal Energy Project online, representing the first wind farm west of the Cascades in the State of Washington. The four turbines have since produced an estimated 13.5 million kWh of clean energy each year, which is sold to Grays Harbor PUD. The revenue generated is directly infused into the community in the form of CCAP's many programs geared toward serving low-income families in the region.



CCAP's Coastal Energy Project produces an estimated 13.5 million kWh per year to help serve low-income communities.

Photo source: Craig Dublanko

*“Most people would call this an alternative energy project. We see it as a social service project.”*

*– Craig Dublanko, CEO  
Coastal Community Action Program*

### Project Information

Installed Capacity	6 MW
Turbine Model	GE 1.5
Annual Generation	13.5 million kWh
Utility	Grays Harbor PUD
PPA price (includes green attributes)	\$0.075/kWh with escalator over 20 years

### The Challenge of Securing Capital

After collecting wind data measurements and completing technical and economic feasibility studies, CCAP was ready to move forward with the project. Craig Dublanko, CCAP's chief financial officer at the time and the project's primary proponent, approached numerous banks to pitch the idea. However, in 2009, even lenders with experience financing wind energy projects were not able to provide the required upfront capital at interest rates that would work with the project's pro forma. According to Dublanko, "We were really going against the grain, trying to finance this project in a very difficult financial environment." Dublanko knew that a creative solution was required.

## Pioneering Financial Solutions

The Coastal Energy Project was ultimately financed with a novel combination of both New Markets Tax Credits (NMTC) and Renewable Energy Investment Tax Credits, one of the first locations in the country to successfully use the two tax credit programs in tandem for a wind energy project. NMTCs are intended to facilitate beneficial investments in low-income communities by providing a seven year credit equal to 39% of the investment. Combining the tax credits and navigating the legal requirements of each program can be very complex, but the rewards can be substantial. In the end CCAP funded almost 92% of the project with debt-free financing thanks to their newly pioneered tax credit bundle. "Although the finance structure was complex it allowed us to put the project together with minimal debt and maximum return to the community in which we serve," says Dublanko.

## Structuring Ownership for the Future

The two banks who provided the NMTC equity investment, Wells Fargo and US Bank, each own 49% of the project for the first 6.5 years of operation, while CCAP retains 2% ownership. After that time, CCAP will have the option to purchase full ownership of the project at the current fair market value (estimated at 1% of the initial installed cost) and receive 100% of the revenue generated. Revenue from the wind project is particularly valuable because it is unrestricted, allowing CCAP to make decisions on directing the funds where it is most needed at a given time.

## Setting Examples for other Communities

Now CCAP and its four wind turbines stand as an example for other communities to follow. At the beginning of project development, Dublanko and CCAP had no energy development expertise, but with persistence and creativity, they found a way to turn a local renewable resource into a community benefit. These benefits will be realized in the increased service delivery CCAP will be able to provide as well as a boost in the economy for the local area.

## For more information:

<http://coastalcap.org/coastal-energy-project>



Revenue from the project allows CCAP to be less dependent on the government for the needs of the community.

Photo source: Craig Dublanko

## Funding Sources

Washington State Grant	\$5 million
Federal Investment Tax Credit	\$4.5 million
New Market Tax Credits	\$4.7 million
Long-term debt	\$1.3 million
Total Installed Cost	\$15.5 million
Annual Revenue	\$400,000

**The Northwest Wind Resource & Action Center** provides timely, accurate information on wind energy issues in the Pacific Northwest. It is supported in part with funding from the U.S. Department of Energy and managed by Renewable Northwest, Oregon Department of Energy, and Northwest SEED. [www.nwwindcenter.org](http://www.nwwindcenter.org).



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