

OSEA COMMUNITY POWER FINANCING GUIDEBOOK

A guide to early-stage financing considerations for community power organisations and projects



OSEA COMMUNITY POWER FINANCING GUIDEBOOK

A guide to early-stage financing considerations for community power organisations and projects

Authors:

York Sustainable Enterprise Consultants (YSEC)

www.ysec.ca

Reviewers:

Dale Dolan, Deborah Doncaster, Ed Hale, Brian Iler and David Robertson

Thank you to:

Ian Bender, Liz Cussans, Jake Debruyne, Ed Hale, Dave Heron, Jason Hoffman, Paul Klaesi, Christopher LaForest, Simon Gill, Marie LeGrow, Mauro Mazon, Stephen Monet, Gerry Murphy, Jay Pausner, Shawn Persaud, David Stinson, and David Timm.

© Ontario Sustainable Energy Association (OSEA) 2007

All rights reserved

The following guide may not be reproduced in whole or in part without the prior written consent of the OSEA.

Ontario Sustainable Energy Association

401 Richmond Street West, Suite 401

Toronto, Ontario, Canada M5V 3A8

www.ontario-sea.org

Funding for this project was provided by

Co-operative Development Initiative and the Ontario Trillium Foundation



Co-operatives Secretariat
Secrétariat aux coopératives

THE ONTARIO
TRILLIUM
FOUNDATION



LA FONDATION
TRILLIUM
DE L'ONTARIO

Canada

Final Notes / Disclaimer

This guidebook is for information purposes only. A variety of information sources were consulted in the writing of this guidebook however permits and approvals processes are under constant review and revision in this sector.

OSEA makes no guarantee as to the accuracy contained in this guidebook.

The authors can not be held liable for any errors found in this guidebook.

Wind and biogas projects are complex undertakings and project proponents are required to consult all relevant agencies and to ensure that the information they have about regulations, policies and procedures is accurate and up-to-date.

TABLE OF CONTENTS

1. Acknowledgements	5
1.1 About the Authors	5
2. Foreword	5
3. Overview	6
3.1 Fast Fact Guidelines for a Wind Power Project	6
STOP – READ THESE FIRST:	6
4. Pre-Development Examined	7
4.1 Organizational Structure	7
4.1.1 Mission, Vision and Values	7
4.1.1.1 Mission	8
4.1.1.2 Vision	8
4.1.1.3 Values	8
4.1.1.4 Defining Community Participants	8
4.1.1.4.1 Demographic Analysis	10
4.1.1.5 Investment Expectations	10
4.1.2 Organizational Structure Options	11
4.1.2.1 Co-operative	11
4.1.2.2 Sole Proprietorship	13
4.1.2.3 Partnership	13
4.1.2.4 Business Corporations	14
4.1.2.5 Limited Liability Partnership	15
4.1.2.6 Joint Venture	16
4.2 Ontario’s Renewable Energy Standard Offer Program	17
4.2.1 Qualifications	17
4.2.2 Requirements	18
4.2.2.1 Stage 1: Pre-Feasibility	18
4.2.2.2 Stage 2: Consulting and Project Planning	19
4.2.2.3 Stage 3: Project Management and Commercial Operation	20
4.2.3 Key Resources	21
4.2.4 Timeline	21
4.3 Feasibility Assessment	22
4.3.1 Renewable Energy Technology Screen Software	22
4.3.2 Land Lease Option Agreement	24
4.3.2.1 Lease Option Considerations	25
4.3.2.1.1 Terms of Lease Option	25
4.3.2.1.2 Ownership of Wind Data	25
4.3.2.1.3 Terms of Land Use	25
4.3.2.1.4 Terms of Payment	25
4.3.3 Connecting to the Distribution Grid	26
4.3.3.1 Proximity to the Distribution Grid	28
4.3.3.2 OSEA’s Policy Objectives	28
4.3.4 Wind Resource	28
4.3.4.1 Siting a Meteorological Tower, Data Analysis and Verification:	28
4.3.4.2 Meteorological Tower Permitting	29
4.3.4.3 Other Concerns: Impacts of Other Infrastructure	29
4.3.4.4 Constraint Zone	29
4.3.5 Community Engagement	29
4.3.6 Environmental Assessment	30
4.3.7 Financial Assessment	31
4.3.7.1 Canadian Renewable and Conservation Expenses Provision	31
4.3.7.1.1 Which Projects Qualify?	31
4.3.7.1.2 What Expenditures are Eligible?	31
4.3.7.1.3 Flow-Through Share Considerations	32
4.3.7.1.4 Accelerated Capital Cost Allowance	32

4.3.7.1.5 ecoEnergy Renewable Power Initiative	33
4.3.7.2 Cash Flow Modeling, Income Projection and Viability Assessment	34
4.3.7.2.1 Analysis of Capital and Ongoing Costs	34
4.4 Business Plan	35
4.4.1 Importance of a plan	36
4.4.1.1 Funders' Expectations	37
4.4.2 Considering the Plan's Audience	38
4.4.3 Components of a Business Plan	38
4.4.4 Resources for Writing Your Business Plan	39
4.5 Early Funding	40
4.5.1 Raising Funds Without an Offering Statement	40
4.5.2 Local Businesses	41
4.5.3 "Angel" Investors	41
4.5.4 Municipalities	41
4.5.5 Guaranteed Future Share Purchase Agreements	41
4.5.6 Community Futures Development Corporations	41
4.5.7 Grant Funding	42
4.5.7.1 Letters of Reference and Public Perception	42
4.5.7.2 Funder Saturation	42
4.5.7.3 Large Versus Small Grants	42
4.5.7.4 Community Power Fund	43
4.5.7.5 Co-operative Development Initiative	43
4.5.7.6 Green Municipal Fund	44
4.5.7.7 Toronto Atmospheric Fund	44
4.5.7.8 The Ontario Trillium Foundation	45
4.5.7.9 Ontario Greenbelt Foundation	45
4.5.7.10 The Co-operators' Co-op Development Grant Program	46
4.6 Offering Statement	46
4.6.1 Purpose & Content	46
4.6.1.1 Equity/Shares	47
4.6.1.2 Debt/Loan	47
4.6.1.3 Escrow Agent	47
4.6.2 Risks in an Offering Statement	48
4.6.3 Submitting an Offering Statement	48
5. Final Notes	49
6. Appendices	50
6.1 Phase-by-Phase Financing Checklist	50
6.3 Project Timeline Considerations	51
6.4 Comparison of For-Profit Co-operative, Business Corporations and Non-Profit Co-operative	52
6.5 CRCE Eligible Costs for a Wind Power Project	53
6.6 RETScreen Sample Spread Sheets	54
6.6.1 RETScreen Wind Energy Project Model Introductory Spreadsheet	54
6.6.2 RETScreen Energy Model Spreadsheet	55
6.6.5 Financial Summary Spreadsheet	58
6.7 Example of Eligible Wind Energy Conversion System Assets Under Asset Class 43.1	60
6.8 Other Funding Resources	62
6.9 OSEA's Policy Objectives	63
6.10 Discouraging Gaming and Speculation	64
6.10.1 Rationale	65
6.11 Interconnection: Costs of Network Upgrades	65
6.11.1 Rationale	65
6.12 CanWEA Position Paper on the Orange Zone	66
6.12.1 Proposal	66
7. Glossary	66
End Notes	70

To purchase the full
hardcopy or PDF
document, please visit
OSEA's Publications
page at:

<http://www.ontario-sea.org/Page.asp?PageID=924&ContentID=899>