



## **Funding and Financing Case Study: *FCPC Renewable Generation, LLC Biodigester and Biogas Facility***

### **Presented by:**

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*“Let us share our natural resources for the good of our People. Let us work for clean air and water and pray for the courage to stand up to those who would abuse our Mother Earth. So be it.”*

- Bemwetek (Elder James Thunder)

Excerpt from 2007 Class I Air Redesignation Public Hearing Prayer

# Community's Commitment to Environmental Protection

- Tradition and history teach a strong commitment to protecting and preserving the natural environment, both on and near the reservation and throughout the world
- Like other indigenous peoples, refer to Earth and “Our Grandmother” or “Mother Earth,” and perceive of it as a living thing
- Significant efforts to prevent environmental harm
  - Crandon Mine Opposition
  - Class I Air Redesignation

# Project Greenfire

- Established, consistent with environmental ethic, goal of energy independence using only renewable carbon-neutral or carbon-free resources
- Adopted “Environmental Mission Statement” to help implement and institutionalize goal
- Initial focus on energy efficiency, which started with a comprehensive energy audit
- RECs purchased to offset electricity use and serve as bridge to energy independence
- Realized need to produce own energy to meet environmental and energy goals
- Resource assessments for potential projects
- Obtained \$2.6M of competitive funding through the Department of Energy’s (DOE) Community Renewable Energy Deployment (CRED) program
- Started Small: Rooftop Solar Installation (35 kW) on Milwaukee Administration Building

# Milwaukee Biodigester and Biogas Facility



# Overview of Project

- 2.0 megawatt biodigester and biogas facility constructed in Menomonee Valley of Milwaukee
- Operates on liquid (pumpable) food wastes, utilizing anaerobic digestion to convert the wastes into a fuel similar to natural gas
- Pursued primarily for environmental and energy goals
- Partners / Players:
  - Greenfire Management Services (owner's representative)
  - Miron Construction Co., Inc. (design-builder)
    - Design Build team also included Symbiont and Biothane LLC
  - Natural Systems Utilities, LLC (operations and maintenance)
  - Titus Energy (pre-development work)
  - Baker Tilly (financial/tax)
  - DOE and Focus on Energy (grants)
  - We Energies (utility/tariff)
  - Various Waste Haulers/Brokers







# Overview of Project Finance

- Tax Equity (through Section 1603)
- Grants
- Self Funding
- Revenue through Electricity Sales and Tipping Fees
- Funding Sources Not Pursued: Bonds, Loan Programs

# Tax Equity Overview

- Tax equity an important part of renewable energy project finance
  - Investment Tax Credit (ITC)
  - Production Tax Credit (PTC)
    - Expired, but hopefully returning (via Expire Act?)
  - Depreciation
    - Bonus Depreciation for Indian Country expired, but hopefully returning (via Expire Act?)
- For Tribes to take advantage of tax credits, generally need to find a taxable partner, usually utilizing one of the following structures:
  - Sale/Leaseback
  - Partnership Flip
  - Inverted Lease

# Private Letter Ruling

- Private Letter Ruling 201310001
  - Requested March 14, 2011
  - Received December 5, 2012
  - Allows Tribe to transfer tax credits directly to taxable entity through a lease of the renewable energy asset
  - Removes need for separate project LLC, thereby removing federal tax applicability to upfront lease payments and simplifying deal structure
  - Lease must last six years, but tribes can receive upfront lease payment based on value of tax credit

# Tax Strategy for Digester

- Created a taxable entity, FCPC Renewable Generation, LLC, to directly take advantage of tax benefits through a Section 1603 Grant
  - Grant in lieu of ITC or PTC for taxable entity
  - Taxable entity did not need tax burden to offset, so no third party tax investors required
  - Typically equal to 30% of the project's eligible cost basis
    - Sequester impacts
  - Required LLC to incur expenses of at least 5% of project's eligible costs basis prior to December 31, 2011 in order to “Safe Harbor”
  - Expired program unavailable for future projects
- Still Seeking New Market Tax Credits
  - Available for up to two years after completion of construction

# Grants

- United States Department of Energy Community Renewable Energy Deployment (CRED) Grant of \$2.6M
  - \$1.6 million went to this project
  - Recovery Act Funding
- Focus on Energy Grant of \$250,000
  - Grant from Wisconsin utilities' statewide energy efficiency and renewable resource program

# Self Funding

- The Tribe, in reviewing the project, understood that it has a long-term payback (15 – 20 years).
- Banks currently are hesitant to provide financing beyond 5 years due to capital requirements.
- Thus self-funding becomes more important.

# Revenue Sources

- Electricity sold to We Energies, the incumbent utility, via a favorable tariff
  - Paid more for electricity than facility (and adjacent casino) pays for electricity
- Tipping Fees from Haulers
- Waste Heat
- Possible Excess Biogas?

# Lessons Learned / Recommendations

- Leverage Financing
  - Identify and seek all available grants, including those for independent technical support
    - E.g., EPA, DOE (Tribal Energy Program / Office of Indian Energy), BIA (IEED), USDA (REAP)
  - Consider taxable partner/tax equity
- Understand Feedstock Market
  - Understand existing and anticipate future competition
  - Understand all costs, including transportation costs, that impact your ability to compete with other disposal options
  - Consider partnering with companies who can guarantee required feedstock



# Lessons Learned / Recommendations

- Understand Construction and Ongoing O&M Oversight Responsibilities
  - Costs and time to negotiate and administer contracts, source feedstock, etc.
- Establish and Support Internal Project Management Team
  - Ensure Community Ownership of Project
    - Suspicion of third parties trying to sell project
  - Keep Tribal Leadership Informed and Engaged
  - Keep Costs Down

**Questions?**



FOREST COUNTY  
POTAWATOMI  
*Keeper of the Fire*

Thank you!