

## Tim Carroll

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**From:** Richard Andre [richard@vineyardpower.com]  
**Sent:** Friday, April 22, 2011 11:51 AM  
**To:** execsec@chilmarkma.gov  
**Cc:** Erik Peckar  
**Subject:** Vineyard Power's Proposed Business and Finance Structure for a 100 KW PV System Located at the Chilmark Capped Landfill

Dear Tim,

Vineyard Power, through its affiliate Vineyard Power Solar LLC, will design, construct, own and operate a 100 KW PV solar array hosted by the Town of Chilmark. The array will require approximately 20,000 square feet of southern exposure at the capped Chilmark landfill. This system will produce enough renewable energy to eventually supply about 70% of the Town of Chilmark's total electric load and offset 100,000 lbs of CO2 emissions per year, the equivalent emissions from 8 cars per year.

The basic business and finance structure of this proposed project is:

- 1) Vineyard Power Solar will construct a 100 KW solar array that would produce about 120,000 kWh of renewable electricity in the Town of Chilmark.
- 2) We estimate the 100 KW project will cost Vineyard Power Solar \$635k, including financing. Of which, \$340k will be equity provided by local investor(s); the remaining amount of \$295k will be borrowed from a local bank or from the USDA Rural Utility Service at favorable rates. Vineyard Power Co-operative is eligible for the latter due to its status as a rural power company.
- 3) We will begin construction as soon as we secure financing. We predict that will be in the fall of 2011 with production beginning early in 2012.
- 4) The Town of Chilmark will enter into a 10 year Power Purchase Agreement (PPA) with Vineyard Power Solar at a purchase price equivalent to their displaced electricity rate. Displaced electricity cost will be specifically defined in the PPA. The underlying principle of the PPA is that the Town of Chilmark will be kept cost neutral.
- 5) The Town of Chilmark will enter into a 10 year renewable lease agreement with Vineyard Power Solar for the land upon which the PV system is erected and easements needed for the interconnection cabling and access.
- 6) Vineyard Power Solar will retain ownership of the project for a minimum of 10 years. At that time, the Town has the option of *purchasing the system* from Vineyard Power Solar at a fair market value or continue, as the host, to receive rental payments for the lease of the land.
- 7) Vineyard Power Solar will agree to an annual rental charge for leasing the land on which the proposed PV system would be located. We propose to defer these rent payments until the end of the initial 10 year operating period. At that time, the sum of the 10 year negotiated annual rents, plus all accrued interest charges at prevailing rates, could be used by the Town to offset the purchase price of the system or, if the purchase option is declined, the deferred rent will be paid back to the Town.

If, after the initial 10 year operating period, the Town of Chilmark purchases the system, the benefits accruing to the Town would include:

- a) A fully functional PV system with a remaining economic life of 15 years.
- b) 120,000 kWh of renewable energy worth an estimated \$27,000 per year to the

Town.

- c) Renewable Energy Credits valued at \$7,500 per year.
- d) Assistance as needed from Vineyard Power in transitioning credits.

e) After setting aside \$7,500 per year in a reserve account for maintenance, repair and dismantling the annual revenue of the PV array is expected to be \$27,000. The Net Present Value of the cash flow generated for the Town of Chilmark over the estimated remaining 15 year life span, at a discount rate of 4%, would be just over \$300,000.

If the Town of Chilmark does not exercise the right to purchase the system, the benefits accruing to the Town would include:

- a) Reimbursement of the 10 years of land lease payments, plus accrued interest at prevailing rate.
- b) Annual land lease payments, or the equivalent amount in reduced electricity prices, thereafter for as long as the system is in operation (15 more years of service expected).
- c) Displacement of 70% of the Town's electricity load from renewable energy at avoided cost.
- d) Removal and restoration of the site at the end of the PV system's useful life.

We look forward to setting up a meeting with the representatives from the Town after the Town's Annual Meeting to begin to develop and negotiate the open items in this proposal. In addition, we would also like to arrange a site visit with our developer South Mountain Company. We will be in contact shortly.

A copy of this proposal has been sent to you in the mail.

Best regards,

Richard Andre

President  
Vineyard Power

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