



Tribal Renewable Energy Research Workshop

A Strategic Overview of Wind
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Kumeyaay Wind I

- 50 MW lease with royalty
 - 1/6 of potential resource
 - Preference in hiring
 - Low risk
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Market Drivers

- RPS- Renewable Portfolio Standard
 - CA 20% & scheduled to grow to 33% by 2030
 - Federal Incentives
 - Production tax credit (PTC)
 - Investment tax credit (ITC)
 - Accelerated Depreciation (AD)
 - California Greenhouse Gas (GHG) standard
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Where to from here?

- Political Drivers
 - Carbon Tax/Carbon trading program
 - Budget impacts
 - Technology Changes
 - Improved generation
 - Competitive renewables
 - Market Price Referent (MPR)- \$110/MW-hr
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Financial Players in Renewable Energy

- Manufacturer
- Landholder
- Developer
- Investor
- Federal government
- State government
- County government

Indian Nations

- Profiting as investors
 - Loss of PTC & AD
 - Gain of Government revenues
 - Use of tribal grants/programs
 - Profiting as governments
 - Reclaim tax base
 - Value added mechanism
 - Build and lease back of infrastructure
 - Legislation (State and/or Federal)
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State Income & Sales Tax

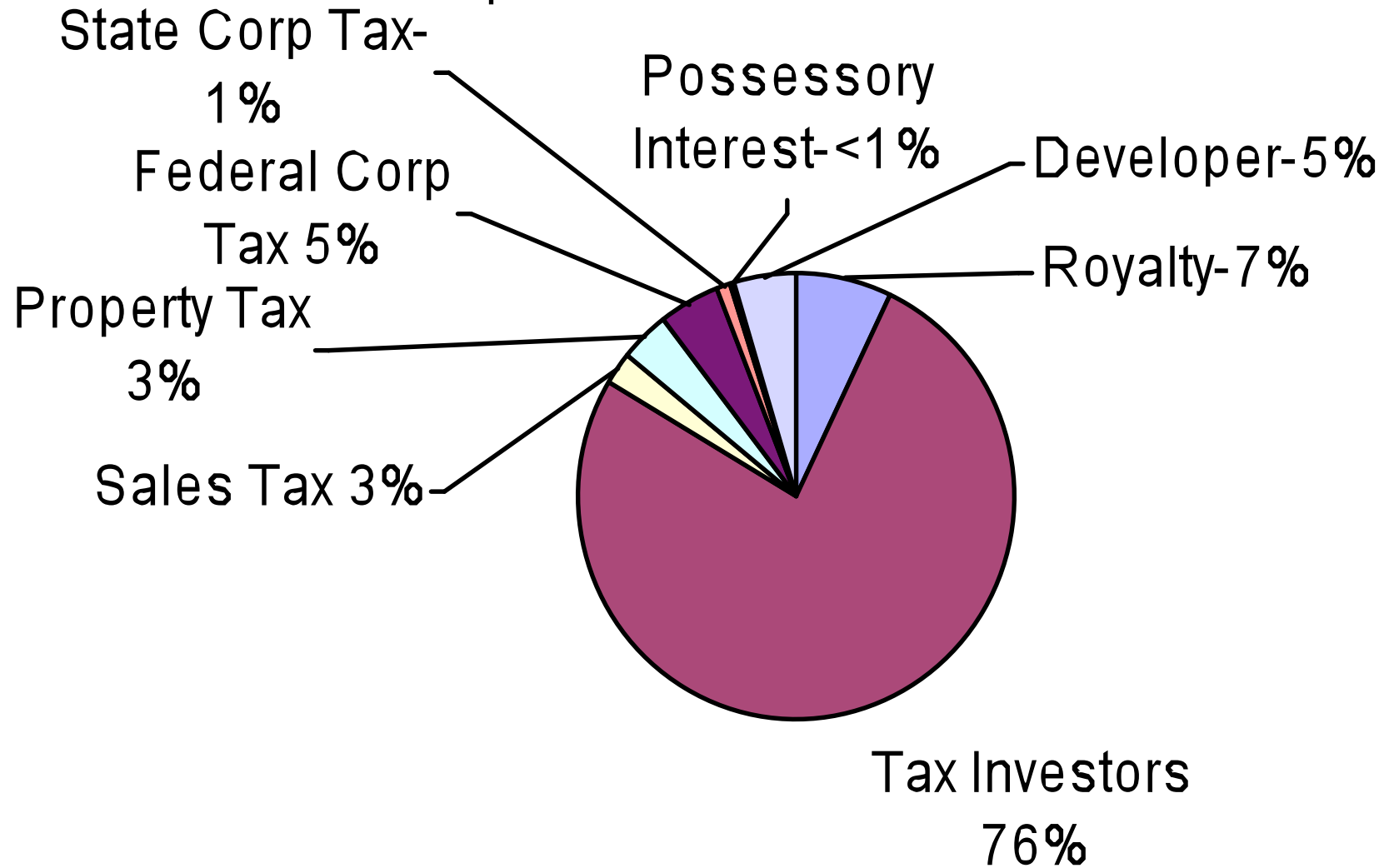
	Corporate Income Tax	State Sales Tax
AZ	0.06968	0.056
CA	0.0884	0.0825
MN	0.098	0.06875
MT	0.0675	0
NV	0	0.0685
NM	0.076	0.05375
ND	0.065	0.05
OK	0.06	0.045
SD	0	0.04
UT	0.05	0.0595

Scenario – Straight Royalty

- 100 MW
 - PPA 75 MW-hr
 - Capacity Factor .35
 - Construction 260 MM
 - Royalty 7%
 - Sales Tax 7.5%
 - Property Tax .75%
 - Federal Corp Tax 33%
 - State Corp Tax 7.5%
 - Possessory Interest Tax .75%
 - Net present value consideration
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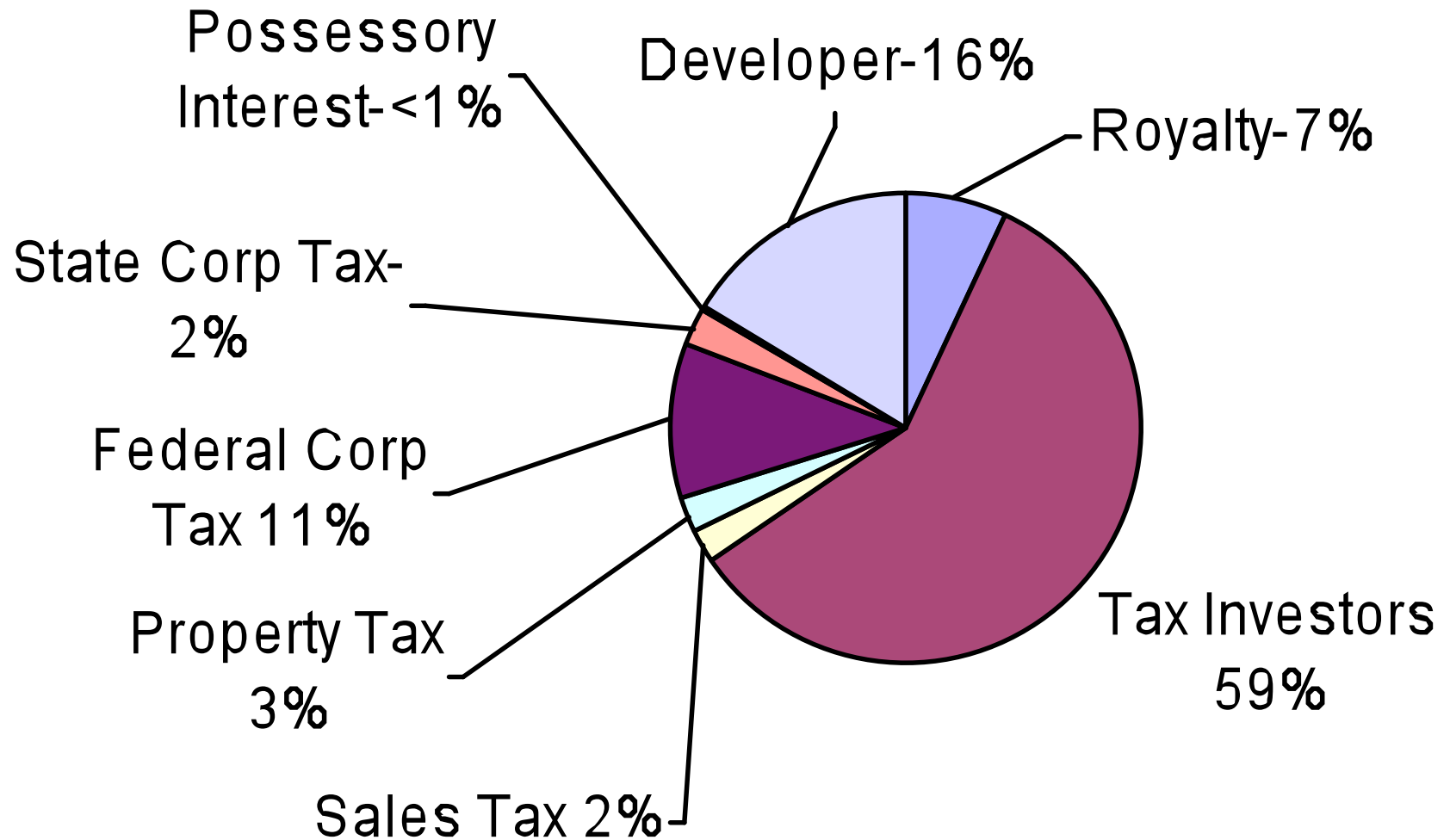
Sample Scenario

\$75/MW-hr



Sample Scenario

\$100/MW-hr



Net Present Value Adjustment

- Sales Tax 7.5% (assessed on 2/3 of 260 Million dollar project cost = 11.5 Million
 - Using a 6% discount rate it is the equivalent of roughly 1 million per year, or 20 million over 20 years.
 - Gross earnings are roughly 20 million per year.
 - A 7.5% sales tax is 5% of the twenty year profitability of the project.
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Campo Wind II

- 12.5% tribal ownership option
 - ITC grant
 - Bonds
 - BIA loans
 - New Market Tax Credits
 - Break even at year 12
 - 12.5% revenue for 8+ years
 - 20 year option to buy 87.5%
 - Campo still holds 100 MW future capacity
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Creating competitive equity

- Transferability of PTC & AD
 - Negotiating revenue agreements with States
 - Change bond structure
 - Change federal law
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The Value of the PTC & AD

	YEAR (Cash Value in \$ Millions)										
	1	2	3	4	5	6	7	8	9	10	Total
PTC	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	55.0
Dep	24	8	8	8							48.0
Total	29.5	13.5	13.5	13.5	5.5	5.5	5.5	5.5	5.5	5.5	103.

Three Principals of Reservation Taxation

■ Taxes should be based on location

- 1. Tribes provide many governmental services to all people within their jurisdiction, especially in the area of emergency services and environmental protection. As such, they should have access to their entire tax base including that derived from non-members. The burden of proof should be on the States or Counties to prove a justification for intrusion.

■ When intrusion is justified, it must include reciprocity

- 2. There is no reciprocity in tax policy. Tribal members who work, buy or own property in the off-Reservation community do not have their taxes rebated to their Reservations, even though they may derive almost all of their governmental services from the tribe.

■ State and County intrusion on Reservations is taxation without representation

- 3. The States and Counties that tax the political jurisdiction of the tribes do so without providing representation for the Reservations as political units. Individual Indians receive representation in the States and Counties as residents of those political bodies but the Reservations, as political bodies, are subject to taxation without representation.

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