



Sustainable Development Fund

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Pennsylvania Community Wind Development Program Application Instructions

*Applications in response to this notice are due in hand
at the Sustainable Development Fund offices
by 12:00 noon on Wednesday, August 16, 2006.*

Introduction

The TRF Sustainable Development Fund ("SDF") is soliciting applications from Pennsylvania parties who are interested in financial support for constructing a community wind project. SDF announces the availability of approximately \$400,000 in wind energy production incentive grants to support new community wind projects in Pennsylvania that will begin commercial operation by December 31, 2007. The purpose of these Instructions is to assist interested parties in completing the 2007 Application.

SDF's Community Wind Development Program is supported by funding SDF received in the negotiated settlement of the PECO/Unicom merger proceeding before the Pennsylvania Public Utility Commission. The TRF Sustainable Development Fund (SDF) has conducted four earlier solicitations for wind projects that have resulted in \$11.6 million of wind energy production incentives being allocated to seven Pennsylvania wind energy projects.

Definition of Community Wind

There are two elements to the SDF definition of a community wind project.

The first element is local ownership. One or more members of the local community must have a significant direct financial stake in the community wind project, other than through land lease payments, tax revenue or other payments in lieu of taxes. "Members" of the local community can include government entities (federal, state or local), municipal electric utilities or rural electric co-operatives, nonprofit organizations or for-profit corporations, partnerships or joint ventures. The

essence of this part of the definition is that the financial benefits of community wind projects are primarily local.

The second element of SDF's definition of community wind is the size of the wind turbines and of the total project. A community wind project uses utility-scale turbines with a nameplate generating capacity of at least 500 kW. The maximum size of a community wind project is 10 MW. Wind energy projects that are smaller than 500 kW or larger than 10 MW are not eligible for the SDF Community Wind Program. Different turbines are considered part of the same project if they are erected at the same time and feed electricity into the same substation.

Community wind projects can be interconnected with the electric grid on either the customer or the utility side of the customer's electric meter. The electricity generated by a community wind project can either be net-metered or sold under a power purchase agreement, or a combination of the two.

Wind Energy Production Incentives

SDF's preferred form of financial support for community wind projects is wind energy production incentives paid as the project generates electricity. The total amount of the production incentive grant will be negotiated by SDF and the successful Applicants. The production incentive, paid out in quarterly payments at a rate of 1.5 cents per kilowatt-hour generated, will be paid until the entire amount of the grant has been earned by the wind project. The incentive will be paid quarterly upon invoice and evidence of wind energy production.

In the alternative, an Applicant may suggest an alternative form of the financial support. In the past, SDF has been willing to pre-pay the financial assistance provided the Applicant has provided an irrevocable letter of credit to ensure that SDF can get its money back if the project is not built or fails to earn the full production incentive. Applicants who require an alternative form of financial assistance should so indicate in their answer to Question 19.2 of the Application.

Eligibility Criteria

This application is for new Pennsylvania community wind energy projects that will begin commercial operation on or before December 31, 2007.

For a project to be eligible for the 2007 production incentives, the Applicant must demonstrate:

1. the ability to finance the project (including the ability to secure a net metering agreement and/or a power purchase agreement);
2. the technical ability to construct and manage the energy project;
3. the ability to obtain site control;
4. the ability to obtain wind turbines for delivery in time to complete the project in 2007;
5. the ability to complete the interconnection of the proposed project with the electric grid;
6. the adequacy of the wind resource at the site;
7. the ability of the project to meet environmental and community standards; and,
8. the ability to secure all required permits.

The Application Form is designed to address these issues. Applicants who do not show in their Application that they and their project meet these criteria will not be successful.

Project Milestones

The wind energy production incentive agreements that the SDF negotiates with the successful Applicants will have several key project milestones, including:

1. site control under agreement;
2. all needed permits obtained;
3. net metering agreement and/or power purchase agreement executed;
4. project financing committed;
5. interconnection agreement executed;
6. equipment purchase contracts executed;
7. on-site construction contracts executed;
8. on-site construction starts;
9. first turbines and towers delivered to site;
10. construction completed; and,
11. commercial operation beginning on or before December 31, 2007.

Applicants who receive a wind energy production incentive agreement may have their award rescinded and their performance security payment forfeited if their project does not meet the agreed-to milestone dates. The milestones, their completion dates, the quarterly project status reporting requirement and other milestone details will be specified in each funding agreement.

As with the eligibility criteria, the underlying purpose of these milestones is to select community wind projects that will be built and on line by December 31, 2007. SDF will not commit funds to projects that are unable to meet this deadline.

Application Fee

All Applications must be accompanied by a check payable to “TRF Sustainable Development Fund” in the amount of the application fee of \$100.

The Performance Security Payment

All successful Applicants must, at the time of execution of their wind energy support agreement, provide SDF with a performance security payment that is equal to \$1,500 per megawatt of project capacity.

Upon the delivery of the first turbines and towers to the site, one-half of the performance security payment will be refunded. Upon the start of commercial operation, the balance of the performance security payment will be refunded.

As noted above, SDF may retain the performance security payment if the Applicant does not meet the project milestones.

Completing the Application

The first step for completing an Application is to receive an electronic copy of the Application form. It is a Microsoft Word® file that is to be completed by every Applicant. The answers are to be added in the spaces indicated throughout by the three asterisks, in the tables¹ and in the footer, and saved under a new file name that contains the name of the wind project.

A number of questions in the Application (see 6.2, 7.5, 12.4, 15.5, 16.6, 16.10, 17.4 and 18.2) begin with the phrase “explain why you are confident that you will be able to obtain...” These questions go to the central issue of whether the proposed project will be operational by December 31, 2007. SDF urges Applicants to carefully answer these questions about each issue being completed in time. The answers would include a review of what has been completed to date, what remains to be completed, the timeline for those remaining steps and the reasons the Applicant believes the timeline is realistic.

A completed Application consists of a three-ring notebook containing a printed copy of the completed Application form and the 18 attachments, each separated by tabs that are identified in the Application form. Each Applicant must submit **four** complete Application Notebooks. The Applicant must also submit **one** CD disk with the Microsoft Word® file of the completed Application form. Faxed Applications will **not** be accepted. E-mailed Applications will **not** be accepted.

Signature

All Applications must be signed by an authorized agent of the Applicant with the authority to submit the Application on behalf of the Applicant. There are a number of other important representations that should be carefully reviewed and fully understood before the Application is signed.

Submission of the Application

The four Application Notebooks, the CD and the check for the application fee are due **in hand** at the TRF Sustainable Development Fund offices on or before **12:00 noon on Wednesday, August 16, 2006**. The Application Notebooks are to be sent to:

Roger E. Clark
TRF Sustainable Development Fund
718 Arch Street - Suite 300 North
Philadelphia, PA 19106-1591

¹ Where a table is provided, the Applicant should complete the table. Additional rows or columns may be added or deleted if appropriate and the existing table entries should be changed if they are not accurate. For example, your project team titles and responsibilities may differ from the functions listed in the table for Question 2.9. The table entries should be changed to the list of functions for your project team.

Application Review

The approval or rejection of Applications is within the sole discretion of the TRF Sustainable Development Fund.

SDF staff will review the completed Application Notebooks, assisted in part by outside technical and financial experts. **All information contained in the completed Application Notebooks will be kept confidential by SDF and its outside reviewers.**

SDF is committed to doing all that it can to complete the due diligence review of the Applications and to reach a funding decision by September 19, 2006. If difficulties are encountered in the review process, it is possible that the announcement may slip to the next week, but it will not slip later than that. Applicants will be informed when their Applications are received and will be kept posted about the review timetable.

Selection Criteria

The goal of SDF is to select those projects that will be operational by the end of 2007. All other things being equal, SDF will seek those projects that generate the maximum amount of wind energy per dollar of subsidy from SDF. SDF reserves the right to negotiate the amount of the financial assistance to maximize the effectiveness of the 2007 assistance.

The Wind Energy Production Incentive Agreement

SDF will negotiate with each of the successful Applicants a wind energy production incentive agreement that will specify the terms of their funding. These agreements are the only legally binding commitment from SDF to provide funding to a specific project. No Applicant should have any expectation of funding until and unless it has executed a wind energy production incentive agreement with SDF. As noted above, SDF will not execute an incentive agreement until it has the performance security fee in hand.

Pre-Application Conference Call and Questions

SDF will host a Pre-Application Conference Call for persons interested in submitting a 2007 Community Wind Application on **Friday, July 28, 2006 at 11:00 a.m. Eastern Time**. Participation is recommended but not mandatory.

Please email Roger Clark at roger.clark@trfund.com by **Wednesday, July 26, 2006** to indicate that you would like to participate in the conference call. He will then send you a return email with the conference call information.

Questions about the Application should be sent by **e-mail** to Roger Clark at roger.clark@trfund.com. Questions received and answers given will be shared with all persons known to SDF to be interested in this program.