

WHAT IS THE FARMER'S CUT OF THE BOOTY?

BusinessWeek

"Wind developers receive about \$51 per megawatt hour for the electricity they sell to utilities. They get another \$20 in federal tax breaks, and the equivalent of up to \$20 more in accelerated depreciation of their capital equipment. Even many wind-power developers that stand to profit from RECs concede that producers making \$91 a megawatt hour aren't going to expand production for another \$2." - John Calaway, VP of Engineering, Babcock&Brown Wind Energy USA.

Source: Business Week Magazine October 29th, 2007

http://www.businessweek.com/magazine/content/07_44/b4056001.htm?chan=search

(end Business Week reference)

- In Ohio, the output of a wind turbine will be about 20% of rated capacity.
- All things considered, the cost of buying, erecting and connecting a 2MW wind turbine is about \$4M.
- There are 8,760 hours per year.

GROSS REVENUE (/ YEAR) = 2MW X 20% X 8,760 hours X \$91 = \$318,864.00

Lease Payment to Land Owner	\$10,000.00 (?)
Taxes or PILOT (payment in lieu of taxes)	\$30,000.00
Maintenance Labor (est.)	\$10,000.00
Maintenance Parts (est.)	\$35,000.00
Management / Overhead (est.)	\$20,000.00
Total Estimated Annual Expense:	\$ 105,000.00

Farmers, are you getting \$10,000 per turbine? That is **3.1% of the pie**. . . *today*.

If revenues from wind energy rise in the future, will your royalty payment rise, too?

Have you considered inflation and what that \$10,000 will be worth 20 years from now?

SOUND ADVICE:

KEEP YOUR CONTRACT TERMS IN "PERCENT OF THE WHOLE," OVER THE LENGTH OF THE LEASE - NOT FIXED DOLLARS!

* **IT'S YOUR LAND.**

* **YOU ARE GIVING UP SOME FUTURE POTENTIAL USES.**

* **MAXIMIZE YOUR RETURN!**

