

Energy Maintenance Service, Inc.
Steve Scott
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December 3, 2002

Pandor Hadjy
Assistant Deputy Administrator
Business Programs, RBS,
Room 5050 South Agriculture Building, Stop 3220
1400 Independence Avenue, SW.,
Washington, D.C. 20250-3220,
telephone: 202-720-9693.

RE: Section 9006 Implementation

To the Rural Business Service:

Energy Maintenance Service, Inc., is a small business located in South Dakota developing and servicing wind energy projects to provide bulk power for sale to the electric distribution grid or for a customer's own energy consumption. We sell products as small as 40 kW in capacity and service wind farms as large as the Storm Lake I wind project in Storm Lake, Iowa consisting of 100 MW in capacity, and we are active throughout North America on other major projects. We are pleased to see USDA moving forward with the process of implementing Section 9006 of the Farm Bill, and encourage the department to continue to do so as quickly as possible via either immediate rules or via a Notice of Funding Availability.

Energy Maintenance Service, Inc., is a small but rapidly growing firm. In 1999 we had 5 employees, but as of November 1, 2002 we have grown to 40. As such, we believe we have a solid grasp of fundamental market economics in the wind industry and are happy to provide comments for the implementation of the new Energy Title. We see several key opportunities for Section 9006, and we recommend the following types of projects as eligible for grants, loans and/or loan guarantees under the section.

1. "Wind Energy Cash Crop" Grants, Loans, and Loan Guarantees:

Farmers, ranchers, and rural small businesses should be able to apply for grants, loans, and loan guarantees for wind projects with a nameplate capacity between 70 kW and 10 MW. The primary purpose such a program is to support the development of wind projects where the owner seeks to market bulk renewable power through the electric distribution grid and where the wind energy production is therefore a "cash crop" similar to other farm commodities. Grants would not need to exceed 15% of the total project cost, and loans and loan guarantees may not exceed 50% of the total project cost.

We recommend support for such large “utility-scale” wind projects because we believe this program of grants, loans, and loan guarantees can demonstrate practical business models for projects of this scale, as well as significant rural economic development benefits. Locally-owned projects in the range of 1 MW to 10 MW are very likely to use local planning and construction contractors and therefore maximize local economic development benefits. Furthermore, with existing incentive programs offered by states such as Minnesota, Illinois, New York, and California, the market for such projects could be scaled up very quickly. We do not, however, recommend support for projects larger than 10 MW. Developers of projects larger than 10 MW tend to have access to capital and financial expertise that lower their need for financial support relative to smaller project developers such as FPS. Furthermore, projects much larger than 10 MW are likely to conflict with the definition of a rural small business as one with gross annual revenues of under \$1 million.

2. Distributed Generation Small-Scale Renewable Energy Projects:

Farmers, ranchers and rural small businesses should be able to apply for grants, loans and/or loan guarantees for wind, solar, and biomass gasification projects for projects up to \$100,000 in total cost. Grants shall not exceed \$25,000 under this subsection. The primary purpose of this subsection is to support the growth of renewable distributed generation projects serving the project owners’ own electric load.

The primary beneficiary of such projects is likely to be independent farmers seeking to install small wind turbines in the range of 10-70 kW. One product offered by our firm is a V-15 39 kW turbine which costs approximately \$65,000 installed and could greatly benefit from appropriate program design. Such projects represent a significant democratization of energy production in America and should be strongly encouraged. The technology today is often not cost-effective in the absence of state or federal supports, but with larger production scales certainly could be cost effective, so we recommend support for such projects.

We’d like to thank the USDA for this opportunity to comment on the implementation of Section 9006, and look forward to the successful implementation of the Energy Title.

Sincerely,

Steve Scott
Partner & Vice President of Business Development
Energy Maintenance Service, Inc
Gary, SD