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Wind prospectors are knocking on doors looking to mine the wind; Landowners need to know the value of their energy resource

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Bonneville Power Administration

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WALLA WALLA, Wash. – Throughout eastern Oregon and Washington, wind power developers, lawyers and speculators are pressing landowners to sign leases for rights to wind generation. Landowners need to learn quickly how to evaluate and secure the value of their wind resource.

In April, an astonishing number of wind generation proposals was submitted as part of a solicitation put forth by BPA. Twenty-five proposals totaling over 2,600 megawatts were submitted. Once again, most of the proposed sites are in eastern Oregon and Washington.

As with any new resource that comes on the market, owners need to be as savvy as possible about the potential value of their resource before they sign commitments to developers, says Stephen Wood, industry economist for the Bonneville Power Administration.

"Above all, don't succumb to the pressure that may force you to sign something that is too good to be true," Wood says. "That wind power contract you sign today will affect your future. Your wind energy agreement could be a long-term financial benefit to your operation or a wasted opportunity."

Anyone contacted by a power developer will need to get informed. Farmers and ranchers should be talking to others who already have experience with wind development. They should visit the following Internet sites for related technical and financial information: www.ourwind.org or www.awea.org or www.windustry.org.

Experience with wind generation projects scattered across the Country tells landowners what to expect, Wood says. Some lessons learned are:

1. The blades turn about 30 percent of the time. This type of generated power is erratic and not as reliable as other types of power generation. However, wind projects are particularly attractive because they can come online quickly, are relatively easy to site and have low environmental impacts.
2. When the wind does blow and power is generated, the generated electricity must be moved to a load center. This means a high-voltage transmission line must be available to move the power to where consumers can use it. Also, these transmission lines must have available capacity.
3. Wind developers look for sites with an average wind speed of over 9 mph. If you have a wind tower collecting data on your land, find out what the average wind speed is.

Don't just give the recorded wind data to others. Be knowledgeable! Landowners who know what their wind resource is and who can produce good records about that wind resource on their properties are in a superior bargaining position when wind developers approach them. Realize that reliable wind data collected by the landowner will be of monetary value to any commercial developer. Keep control of the recorded wind data; don't just give it away!

Wood says the reward is linked to the level of risk and responsibility an investor is willing to assume. Typically, the lower-risk development option for a landowner is to let someone else finance and build the wind project on the landowner's property. In return the landowner receives a contracted payment for use of the land and wind resource. Recent wind projects in Eastern Washington for landowners choosing this option have leases with the landowner of between \$1500 and \$2500 per turbine per year.

Another compensation option for the landowner is to receive royalty payments based on a percentage of gross revenues from the energy sales of the turbines located on their property. For example, a royalty might amount to 2 percent of revenues over the first seven years of production, escalating to 4 percent over the next 15 years. In cases of royalty payments, there should also be provisions for a guaranteed minimum payment per year.

Wood says key elements in a successful transaction include:

1. Be informed.
2. Keep control of the recorded wind data on your property—know what type of wind resource you have.
3. Network with other landowners and don't fall for pressure tactics.
4. If the wind resource is commercially valuable, negotiate fair market value for it.

Here are some of the questions that landowners should ask themselves and/or the developer:

1. How much land will be tied up and for how long?
2. How much will be paid and how will the payments be made?
3. Are the proposed payments adequate now and will they be adequate in the future based on what a landowner may be sacrificing?
4. If a lump-sum payment is being offered for long-term rights, is it adequate?
5. Does the proposed method of payment or the easement itself present any adverse tax consequences?
6. Does the developer have firm plans to develop the land, or is the developer just trying to tie it up?
7. Is the developer willing to guarantee a minimum payment to build a specific number of wind energy turbines, by a date certain?
8. If payments are to be based on revenues generated by the wind energy turbines, how much information is the developer willing to disclose about determining the owner's share?
9. What easement rights can the developer later sell or transfer without the landowner's consent, and how might such a transfer or sale affect the landowner? Will the original developer still be liable if the new developer or owner of the easement rights defaults?
10. What are the developer's termination rights? Can the developer simply terminate the easement at any time, and, if so, how does that affect future payments?
11. What are the landowner's termination rights and are they easily exercised?
12. If the easement is terminated either voluntarily or involuntarily, what happens to the wind energy structures and related facilities? Is the developer required to remove everything, including underground cables and foundations, and, if so, how soon and at whose cost?

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