



## **Capacity Building for Energy Project Development, Management and Ownership in Rural and Tribal Communities**

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### **The Coming Boom (and Bust?) in Renewable Energy Development**

A new round of energy development is poised to take place throughout the US associated with renewable energy resources. In most instances, these resources are once again located in rural and tribal communities. Frequently these are the same communities that have experienced significant economic dislocations following the decline in the last cycle of resource extraction and use activities—logging, mining, ranching and agriculture.

Avoiding yet another round of boom-and-bust impacts for these communities will depend on several factors including appropriate scale technology, effective and timely technical assistance, and the institutional capacity at community and tribal levels to take advantage of these opportunities before they are captured or appropriated by outside interests.

The technology issues associated with effective community-based rural and tribal development are covered in a separate document. This white paper proposes a process for developing the institutional capacity and corporate and administrative infrastructure necessary to assess, design, develop, manage and own energy production assets.

### **The Capacity Challenge**

In many rural and tribal communities with potential renewable energy resources, there does not currently exist either the development experience or the institutional capacity to manage the resources necessary to develop new energy sources. Whether this is a biomass energy opportunity in rural Elk City, Idaho, a wind resource opportunity on the sparsely populated western Navajo Nation, or a concentrated solar resource in rural and tribal locations of southern Arizona, potential community development and redevelopment opportunities are relinquished to outside entities and interests because rural communities and tribes do not have the experience and institutional capacity to develop and manage these resources.

### **A New Approach to Energy Development**

A consortium of rural and tribal development advocates are now working to develop new approaches to renewable energy development that give rural and tribal communities a substantive role and stake in these opportunities. Central to this effort is the need to formulate development partnerships between rural and tribal entities and consortiums of energy development entrepreneurs that have as an explicit goal at the outset the building of local capacity for long-term energy asset management and ownership. In Tribal communities, the recent experiences associated with gaming facility development have created new models for development and management contracts in which outside firms are given time-bound exclusive management contracts in exchange for commitments to building capacity and

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completing asset transfer over a defined period. In other rural communities, groups of local entrepreneur investors are creating energy projects through pooling investment funds and expertise. This is the approach being taken across the Mid-West by farmers joining together to build ethanol production facilities.

### **The Need for Well Documented and Researched Rural and Tribal Energy Development Models**

Given the enormous wave of investments now being directed towards renewable energy development, rural and tribal communities must move quickly if they are to be influential participants in developing the renewable energy assets around them. While an increasing amount of resources are being directed towards the identification and assessment of potential renewable energy projects (USDA funding programs, BIA Energy and Minerals programs, NREL Tribal Energy Development funding programs), far less has been done in the development of the institutional and corporate structures necessary for rural communities and tribes to effectively develop and manage such projects.

This paper is a call for participation in the effort to develop such models.

### **New Models for Community-based Renewable Energy Development**

A number of institutional models already exist that may have key elements needed for rural and tribal energy development organizations/businesses. Three that have already been identified for further investigation include:

#### Energy Service Companies (ESCO)

ESCO's emerged in the 1980s as a vehicle for implementing energy efficiency measures primarily in commercial building settings. Over the past ten years, ESCO's have increasingly moved into energy production and delivery applications. A major feature of interest in the ESCO model is the capacity to offer clients the ability to have energy efficiency or delivery benefits with no upfront investment by the client. ESCOs are able to cover all up-front development costs through using long-term energy service contracts with the client as collateral for the initial capital investments. Particularly in rural or tribal settings, this feature may be an appealing or essential feature given the shortage of up-front capital in these communities.

#### Casino Management Contracts

Tribes now have extensive experience in developing gaming facilities through the use of joint venture or management contracts with outside firms. A substantial body of experience and knowledge has been accumulated in how to develop business development partnership between tribal and non-tribal entities. This knowledge and the institutional forms that have been most effective may be useful in developing a similar approach to renewable energy resource development.

#### Other Joint Venture Development Companies

A variety of Tribal communities in particular now have extensive experience in creating joint venture partnerships with outside firms in the development of both resources and new business ventures. These joint venture models may also provide valuable templates for similar efforts in renewable energy resource development.

#### Pilot Projects

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A number of Tribes and Rural communities are poised to begin developing renewable energy resources. Several of these have expressed interest in becoming pilot projects for implementation of new approaches to community-based renewable energy development.

### **Next Steps**

CES is working with both the Biomass Energy Resource Center and other public agencies to develop a new set of institutional structures that will enable both Rural Communities, Tribes and Rural Electric Associations to develop biomass and other community-based renewable energy projects. An initial set of recommendations will be issued by late summer of 2007. Several sites are actively planning to integrate these systems as part of projects now being planned

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