

Central Washington Resource Energy Collaborative

Business Plan

Note: The CWREC's plan was submitted as part of the IPZ's 2009 application. An updated plan will be posted by December 2011.

Central Washington Resource Energy Collaborative Business Plan

Executive Summary

Background

Kittitas County, located in the center of Washington State, is an ideal location for renewable energy producers. With considerable and reliable wind and solar resources necessary for the production of 'green' energy, along with the presence of a high voltage transmission corridor, the County is uniquely suited to support a viable renewable industry. Kittitas County sits at the intersection of and has ready access to both Interstate 90 and Interstate 82; further, Ellensburg, the location of the Central Washington University's (CWU) residential campus, is equidistant between two urban centers, Spokane and Seattle.

The cities and rural areas of the County are poised for economic growth, but job creation outside of agriculture, the construction industry, or government-related services is lagging. Kittitas County is interested in diversifying its local economic base. Consequently, the citizens and public officials of the County are seeking ways to attract well-paying employment opportunities that are compatible with the rural quality of life enjoyed in the region.

Central Washington University (CWU), a public comprehensive institution, is experiencing a downturn in state support, partially in response to the global economic crisis, and this has accelerated interest and desire to develop alternate sources of funding to support academic excellence. Potential funding streams may result from commercialization of intellectual property, consultative work, and applied research projects.

Renewable energy businesses see the great potential in the County, and three wind and/or wind/solar facilities have been constructed or are in development. Early to the field of renewable energy producers is Puget Sound Energy, with their over 9,000 acres of wind and solar production on the east side of Kittitas County. enXco Development Corporation is in the development and permitting phase for a wind farm west of Ellensburg called Desert Claim Wind. In total, four wind farms and 3 solar facilities are in various stages of production, construction, or project review and more are being discussed.

This IPZ application to receive designation for the Central Washington Resource Energy Collaborative (CWREC) brings together the above interests, leaders from the community including elected officials, university administration, economic development agencies, and private industry. Together, these entities are focused on promoting affirmative and sustainable use of natural resources.

General Description

The Economic Development Group of Kittitas County, Kittitas County, Central Washington University (CWU), and their local and globally competitive partners propose to lead the northwest in resource-based energy research, development, and deployment through a public/private partnership venture. This partnership, The Central Washington Resource Energy Collaborative (CWREC), establishes a place where relevant research opportunities are explored and technology-transfer of resource-based energy production is commercialized and marketed to the local, regional, national and global economy. Existing human resources provide the necessary intellectual prowess and political will to establish the zone. Future workforce development through education and industry-related internships create opportunities for professional-caliber jobs contributing to the local, regional, and global economy.

Kittitas County's location in central Washington State is a desirable place for renewable energy producers. With considerable and reliable wind and solar resources necessary for the production of 'green' energy, along with the presence of a high voltage transmission corridor, the County is uniquely situated for accelerating renewable energy generation, and supporting related businesses. Wind and solar production facilities currently exist within Kittitas County, and several more are planned. Wanapum Dam produces hydroelectric power on the County's southeast border, and interest in biomass is increasing because of an over-abundance of damaged but harvestable timber that has no other market value within the industry.

Located equidistant from two urban centers, Spokane and Seattle, along Interstate 90, Kittitas County serves as the gateway between western and eastern Washington. With recent shifts in economy, the cities and rural areas of the County are poised for economic growth and are eager to create jobs outside of the construction industry or government-related services, which currently are lagging. There is a keen interest in Kittitas County to diversify its local economic base. Consequently, the citizens and public officials of the County are seeking ways to attract well-paying employment opportunities that are compatible with the rural quality of life. Central Washington University (CWU) is under strong economic pressure to develop alternate sources of funding to replace diminishing state support for higher education. Commercialization of intellectual property, consulting work, and applied research projects are potential sources of additional income.

While student enrollment at CWU continues to grow, the rate of growth has slowed; owing in part to the lagging economy, potential students are choosing to enter the workforce before securing a degree. Attracting students is an integral component to maintaining state support levels, growing the University, and attracting qualified and energetic faculty and administrative support. New degree programs that address pressing problems of the state and region are instrumental to this outcome. In fall 2010, CWU welcomes its first cohort of students in the new Renewable Energy and Sustainable Technology degree program. This degree program will attract students interested in the administrative and/or managerial side of

renewable energy and sustainable technologies. Industry is and will continue to be a key component to the success of the degree program, serving as internship sites for students, advising on workforce needs, and guiding programmatic features.

Mission Statement

The Central Washington Resource Energy Collaborative specializes in marketable solutions for harvesting and sustaining the natural capital that is abundant in our region. From the crossroads of Washington, we harness the resources of Central Washington University, local governments, and global industry partners to be leaders in job creation and technological innovation.

Goals and Objectives

The goal of the partnership is to leverage natural resources in a way that protects and preserves their function while advancing research and technology to further economic development. The objectives are

- Ø Accept and recruit all relevant partnership agreements that further the mission of the CWREC and include equal levels of organizational support.
- Ø Promote the public interest within Kittitas County by creating professional job growth and diversification in the local economy.
- Ø Increase public support and partnership base through successful collaborative efforts.
- Ø Provide access to a low cost research and development site for industry partners.
- Ø Develop marketable intellectual and physical property relevant to contemporary resource-based energy demands.
- Ø Provide students of CWU with industry-relevant learning and experience opportunities.
- Ø Provide leadership to assist public and private organizations in collaborative efforts to further capitalize and leverage the significant investment made in local energy production and other resource-based energy production industries for future development opportunity and growth.
- Ø Attain funding self-sufficiency through partnership agreements, contract acquisition, and grant funding sources.
- Ø Create and maintain a significant presence within the designated IPZ Development Zone in Kittitas County, thereby attracting related development onsite as the collaboration grows and expands to include like-minded, industry-based organizations.

Project Development

After Zone designation, partners anticipate a three phase approach to initiating activity in the zone. The phases coincide with the four year zone designation, and establish a

foundation for future and sustained economic growth. With IPZ designation in hand, the following phases shall occur:

Phase one establishes a board to guide the work within the IPZ, and an executive director to lead research, development, and technology transfer. This board is comprised of representatives from each of the five MOU signatory entities. The board will develop a position description, and identify how to best publicize the position to secure the best candidate for the job. Ultimately, the result of recruitment process is the hiring of an executive director to manage the research and development of intellectual capital in anticipation of commercialization. Responsibilities of the executive directorate to work closely with faculty and staff at CWU in developing research opportunities; identify and secure funding to support research work; comply with the strategic direction of the Board; and develop and maintain relationships with businesses primarily and secondarily involved with the renewable energy field.

During **phase two**, contractors will be identified to develop permit-ready designs and to construct a facility within the designated IPZ Development Zone. Funding for construction is identified, and concept plans for the facility are in place. Once constructed, the building will be managed by the Economic Development Group (EDG) of Kittitas County. Initial tenants may include the zone administrator, office and/or laboratory facilities for the research executive director, and business partners. The building will have flexible space to accommodate future tenants.

While they may start at different times, phases one and two may run on parallel tracks.

With the guidance capacity, research lead, and facility in place, **phase three** focuses on taking those ideas and related business partners ready for commercialization into the initial stages of market development. Working with experts found within the members of the IPZ Board organizations and others, research projects will transform from innovation and applied research into a market-ready product. During phase three, the CWREC will gain visibility and credibility as a magnet for future renewable energy and natural resource business.

Organizational Structure

Initially, the CWREC actions are guided by the partner organizations who signed the MOU. Each MOU partner has equal weight and voice in decision making. A combined organizational and functional diagram is contained later in this business plan.

The initial partners and their related responsibilities are as follows:

- Ø **Kittitas County** will serve as the eligible applicant and local jurisdiction seeking IPZ designation. The County also owns and manages the Bowers Field Airport industrial park where the IPZ Development Zone and future building is located. Kittitas County also provides funding for its designated Associate Development Organization, The Economic Development Group of Kittitas County (EDG). The County will work with the EDG to coordinate tenant leases for the building site within the designated IPZ Development Zone. Further, the County will seek to reserve land within the designated zone for further development specifically related to the IPZ. The County will also provide appropriate signage clearly identifying the IPZ Development Zone. The County will provide future funding support.
- Ø **The Economic Development Group of Kittitas County (EDG)** is Kittitas County's designated ADO. As such, and in coordination with its related organization through the City of Ellensburg and the Ellensburg Business Development Authority (EBDA), it will lease the land from Kittitas County and manage the construction of the initial building. The EDG will be responsible for managing the facility. The EDG will work actively with the CWREC to recruit additional organizations to the IPZ Development Zone that will serve to further the mission of the CWREC and fulfill the spirit of the IPZ designation.
- Ø **Central Washington University (CWU)** will serve as the coordinator for workforce development by providing education and internship opportunities in industry-related areas for students. CWU and zone businesses will work together on research projects by using CWU's existing facilities and expertise. CWU's newly organized Central Washington University Research Foundation will serve as the initial fiscal service provider for the collaboration. All funding received will process through the CWU Research Foundation, benefitting research and development in the CWREC zone. CWU will assist the CWREC in coordinating and fulfilling student education and professional development opportunity.
- Ø **Puget Sound Energy and enXco Development Corporation** operate wind and solar energy generation facilities in Kittitas County and are globally-competitive firms. They

will provide applicable technical direction to the efforts of the CWREC as well as industry knowledge and expertise. They will act as liaisons with other related energy companies.

Operational Plan

Production

At the completion of startup phase two described above, an operable facility will be built and ready for occupancy; an executive director will be hired and working with CWU faculty and others on research opportunities; and a functional organizational board will be in place. With the creation of the building, there is a desire to co-locate the executive director along with renewable energy businesses in a synergistic manner. The executive director, CWU faculty, and business professionals will have identified industry needs and various projects to work on. Project funding will provide the stimulus to move forward with research and, ultimately, project development leading to commercialization.

By spring 2011, CWU's new Hogue Technology Building Addition will be open to receive new students. The \$27.2 million Washington state-funded structure will house state-of-the-art equipment, lab facilities, and a living-learning place for students and faculty. Located in the IPZ area, this building and its features will compliment the building and research amenities found at the new building constructed in the IPZ development zone. Later this year, CWU will hear about two pending grants to support the work of the IPZ partners: an over \$10 million grant from the U.S. Department of Energy to establish a Wind Consortia between higher education and industry; and a NSF grant for just under \$2 million to update existing Hogue Technology Building equipment and add wind turbines and a solar array to the rooftop.

Location

The initial location of the IPZ is approximately 200 acres starting in downtown Ellensburg and moving through the CWU campus to the airport. The northern most area of the zone, near the airport, is predominately undeveloped and provides great opportunity for business growth. This is the site of the yet-to-be-constructed building and the existing Ellensburg Business Development Authority building. The CWU campus is in the center of the zone and is growing. The Industrial and Engineering Technology or IET Department will occupy the aforementioned Hogue Technology Building addition, a much needed addition to house the over 350 IET students currently completing classes at seven locations across campus. The opportunity for discovery and research between faculty and students along with the new executive director is great. And at the southern end of the zone is in downtown Ellensburg and the current office locations of globally competitive partners, enXco Development Corporation and Puget Sound Energy.

Funding is identified for the new building through the EBDA and a CERB loan. This building will be constructed in the southwest section of the IPZ Development Zone in an area that includes no other current structures. The building will be constructed according to design standards to be determined that will enhance the appearance of this area as the designated IPZ Development Zone. These design standards will be carried through to future construction and expansion projects within the zone.

The land will be leased from Kittitas County, and the County will seek to reserve the immediately surrounding lots for further development that is compatible with the mission of the CWREC and serves the spirit of the IPZ designation. The clear intent of locating the CWREC in this specific spot is to provide a location where technologically-based companies and organizations can locate within close proximity, collaborate easily, and attract like-minded and complementary companies and organizations for further development.

This location is in close proximity to CWU, the new Hogue Technology Center, existing EDG manufacturing sites, Bowers Field, and The Washington State Department of Natural Resources Regional Office (DNR). The DNR has discussed with Kittitas County the prospect of including a biomass project as part of their forest lands management plan in Kittitas County. With this in mind, there is potential that the DNR and the CWREC may benefit substantially in the future by locating in such close proximity.

Personnel

Currently, the zone administrator and MOU partners represent the Board to guide future decisions of the CWREC. As mentioned above, the intent is to recruit and hire an executive director to be responsible for day-to-day and long range research and development activities, and to coordinate with the MOU partners of the CWREC.

It is anticipated that the desired qualifications for the executive director position include a background in research and development; experience in grant proposal writing, management, and procurement; and technical expertise and contacts in the resource-based energy development industry. Because of the diverse interests of the local and global economy, the ideal person for the executive director position will possess excellent communication skills, a firm knowledge of basic financial planning and financial management, and a desire to work with the student populations.

Upon acceptance of the IPZ designation, recruitment efforts will be undertaken by CWU and the Board of Directors. The board will participate on the search committee and will make a recommendation for the selection of the executive director. The compensation package, including salary, benefits, etc., will be determined when the position description is finalized.

Support staff will be added to assist the executive director and may include, but is not limited to, administrative support, fiscal support, technical assistance, marketing and communications support, and legal support. At the outset, many of these functions may be performed with the assistance of existing partners or through the development of contractor relationships and agreements.

As job growth and economic development are among the overarching priorities of the CWREC Partners, efforts will be made to create professional-level employment opportunities and professional services agreements within Kittitas County as appropriate.

Financial Plan

Revenue

The overall funding plan for the CWREC includes a pledge for an annual contribution from each partner during the first four years of operation. The contribution may be in the form of direct financial contribution or as an in-kind form acceptable to a majority of the Board of Directors. The contributions from each partner shall be equal to those of the other partners. After the first four years, a funding plan developed by the executive director and the CWREC Board will be implemented and include financial resources from grant funding, endowments, and other sources. The funding plan includes a way for partners to, at their discretion, dramatically reduce or eliminate their annual financial commitment.

Expenses

The initial expenses associated with the CWREC include recruitment cost for an executive director and subsequent salary and benefits and administrative operating costs. While the search is being conducted, additional administrative expenses may be incurred associated with organization efforts and legal costs as the operating and structural details are put in place.

Once the building has been constructed in the IPZ Development Zone, further costs will include leasehold improvements, asset acquisition, lease of the building and related expenses, and general operating costs. Additional support personnel may also be needed and will be added as appropriate and as funding is available.

As the CWREC develops and acquires appropriate projects, project associated costs will also be incurred. At this time, it is not possible to predict those associated expenses.

36 Month Revenue and Expenses

Revenue:

Partnership Commitment

Kittitas County

Economic Development Group of Kittitas County

Central Washington University

Puget Sound Energy

enXco Development Corporation

Additional Partners

\$1,200,000 (Combined)

Grant Funding

TBD

Project-generated / Contract Services

TBD

Total Revenue

\$1,200,000

Expenses:

Recruitment

\$50,000.00

Salaries/Benefits

(\$150,000 x 3)

\$450,000.00

Operating Expenses

(\$12,000 x3)

\$36,000.00

Lease (building & land)

(\$12,000 x3)

\$36,000.00

Legal Fees

\$100,000.00

Total Expenses

\$672,000

RESERVE

\$528,000

Marketing Plan

The CWREC has an integrated marketing strategy for the IPZ and IPZ Development Zone that includes coordinated outreach to existing businesses seeking to expand, to regional businesses currently outside of Kittitas County, and to renewable energy businesses throughout the West Coast. The intent of the CWREC Partners is to jointly fund the creation of a development brand and marketing strategy. This branding and marketing will create a unique yet connected “look” for the IPZ in central Washington, and will compliment other work underway, such as the anticipated EDG county-wide branding campaign.

Any marketing will include targeted advertising and development of a website to be launched in 2010; development of video promotions, and branding and signage development. The online presence can be easily structured and utilized as an informative tool for updating the public regularly, as well as for targeting and recruiting additional development and participation.

In addition to this work, it is anticipated that CWREC Partners will do direct mailing and make direct contact with businesses that fit this innovation niche. Also working with the Department of Commerce, CWU, and the EDG as the Zone Administrator, we will develop collateral marketing information about the IPZ and related benefits, targeting the resource-based energy industry. This will be integrated with EDG’s general marketing plan at a later date.

Kittitas County is working to develop contractual relationships with local real estate brokers to effectively market and position the IPZ Development Zone within the local marketplace.

Central Washington Resource Energy Collaborative (CWREC) Innovative Partnership Zone (IPZ) Organizational Plan

