

ONE ENERGY RENEWABLES™

Financing Strategies for Community Scale
Projects

Presentation to: **NW Hydro Association**

About OneEnergy Renewables

- Renewable energy project developer, taking projects from opportunities to operations.
- In-house trading and retailing expertise in environmental credits (RECs and Offsets).

Developer's Job

- Create the business opportunity
- Identify and remove barriers
- Identify and reduce risks
- Shorten the time between commitment of construction dollars and operations

Match the Source of Funds with the Risk

- Early stage money (“Development Capital”) funds pre-construction development costs. Higher risk, higher expected return.
- Project Capital (debt, tax equity money) funds construction and start up. Lower risk, lower expected returns.

Small Scale ≠ Poor Quality


- **Small projects need to remove “hair” that would also pose hurdles for big projects**
 - **Equipment unproven or with poor warranty**
 - **Project has many moving pieces**
 - **Project not at an advanced stage of development**

Deploy Development Capital to Secure Development Assets

- Acquire land and water rights
- Obtain permits and entitlements
- Document the resource potential (long term climate change risks?)
- Complete interconnection process at least through System Impact Study
- Establish firm rights to incentives
- Design project, develop construction budget
- Negotiate PPA, sales of other products

Where To Get Development Capital

- You
- Your friends and family
- Early Stage/“Angel” Investors (\$25k to \$500k each)
- Venture Capital (\$500k+ bare minimum, usually more)

 Expect to give up 30% in first round in order to raise substantial amounts of development capital from Angel or Venture investors

Project Capital Investor (s)

- Provides money to construct the project. Will own the majority of project and/or cash flows for at least 5 years. Desires these elements:
- Lowest possible construction risks
- Lowest possible operation risks
- Shortest possible period between “yes” and operations
- Cash flow, cash flow, cash flow

- Project has significant technology risk
- Project hasn't secured rights to key incentive (BETC!)
- Interconnection appears feasible but costs aren't known
- Heavy reliance on sales of ancillary products with uncertain marketability
- Operator is inexperienced or unqualified

Trends in Project Capital

- More small and midsize merchant banks, funds & advisory houses getting into renewables. Examples:
 - Corpfinance International Ltd., Headwaters Merchant Bank, Seminole Financial, Pivotal Investments
- Equipment manufacturers: Oversupplied & under stress, looking to expand their role.
- Other “naturals” getting into project ownership – general contractors, physical plant operators.

Bowersock Mills and Power, Lawrence KS



Bowersock Case Study

- Existing 2.35 MW project
- Owners sought to expand with new 5 MW power plant on opposite side of river
- Owners self-funded preconstruction costs
- Issued bonds for construction & long term debt (~\$25M) – difficult & expensive due to small issuance size.
- Local bankers (existing relationships) were most supportive.
- Important to identify investors who understand hydro early in process.
- Now under construction!

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