

*Zia Sun Symbol*

# Funding: Attracting the Necessary Capital

## The lifecycle of a renewable energy project

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# Typical\* Renewable Energy Project Development Process

- Pre-feasibility
  - High Level Survey/Fatal Flaw Analysis
- Feasibility
  - General Resource Assessment
  - High Level Transmission Survey
  - General Wildlife & Environmental Surveys
  - Market Identification
  - Preliminary Technology Identification & Matching to Resource



\* Although admittedly Tribal Projects do not all follow the same path.

# Typical Renewable Energy Project Development Process - continued

- Pre-Development (1-3 years)
  - Micrositing/Resource Characterization & Analysis
  - Preliminary Engineering for Site
  - Address Transmission
  - Avian/Wildlife/Environmental Studies Initiated
  - Secure Equipment
  - Site Control
- Development
  - Continue Data Collection
  - Final Engineering
  - Transmission Work
  - Engineering for Transmission Interconnection
  - Power Purchase Agreement Negotiations
  - Categorical Exclusion Finding, Final Environmental Assessment or Environmental Impact Study



Keep in Mind: For every line in the project pro forma, there is a likely documentation tied to each line that needs to justify it technically, legally or economically. *That is often your final project financing package.*

# Typical Renewable Energy Project Development Process - continued

- Often, Developers will approach and fund the entirety of pre-development and development (having already conducted concentrated pre-feasibility analysis in-house)

- Many Tribes have weighed risk/reward of putting in upfront development in new (large) projects and tax implications ~ opted for initial low risk, incentivized royalty and other compensation (and options) in phased project partnerships
- There are numerous opportunities to negotiate options around in these projects



- Tribes are also:

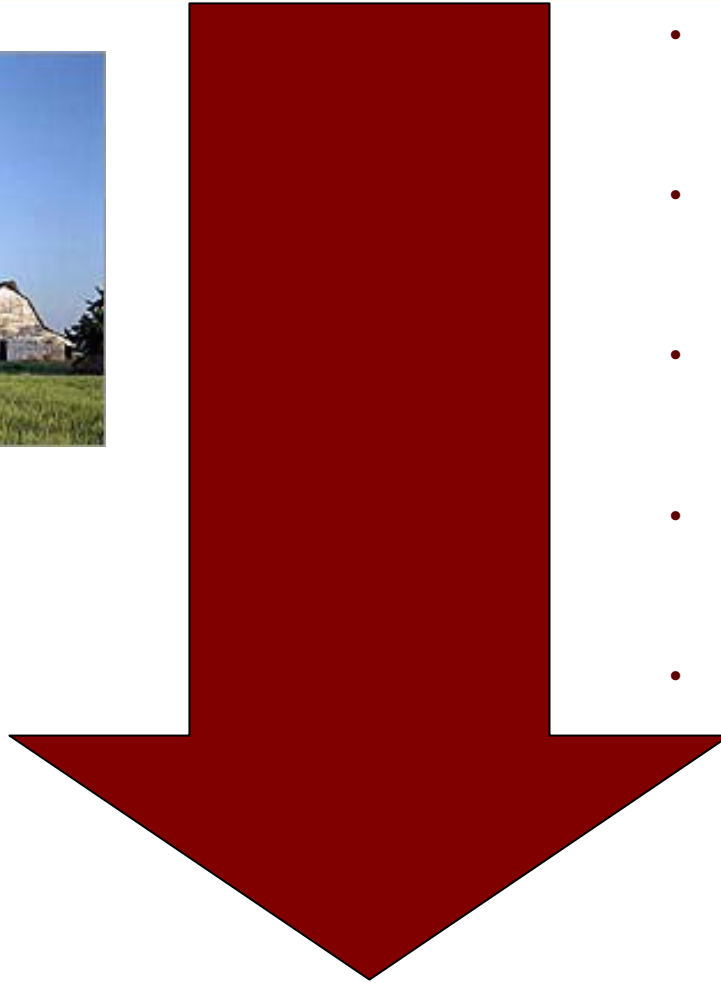
- Self-funding significant development in larger projects
- Self-funding, seeking out governmental funding for development, seeking New Markets Tax Credits, and debt funding for smaller community projects
- Seeking new legislative language to allocate credits with taxable partnership



*\* Federal guaranteed loans have not yet used yet to enhance credit of a Tribal energy project; loan regulations just issued in late 2007.*

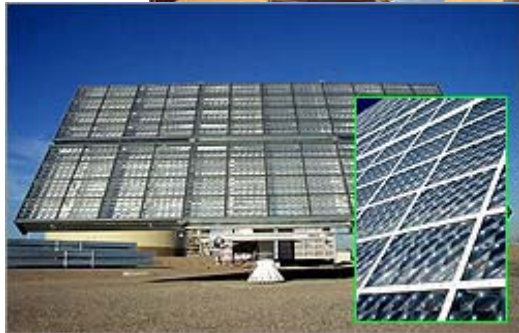


# Typical Capital Flow *Hypothetical* Case: 100MW Wind (Commercial Scale)



- Pre-Feasibility
  - Self-fund
  - Grants
- Feasibility
  - Self-fund
  - Grants/Equipment Loans
- Pre-Development (Equity)
  - Self-fund
  - Partner
- Development (Equity)
  - Self-fund
  - Partner
- Financing of Project (Debt and Tax Equity)
  - PPA Secured
  - Full Development Package Completed

# Potential Capital Flow Hypothetical Case: 2MW Solar (Concentrating Photovoltaic)

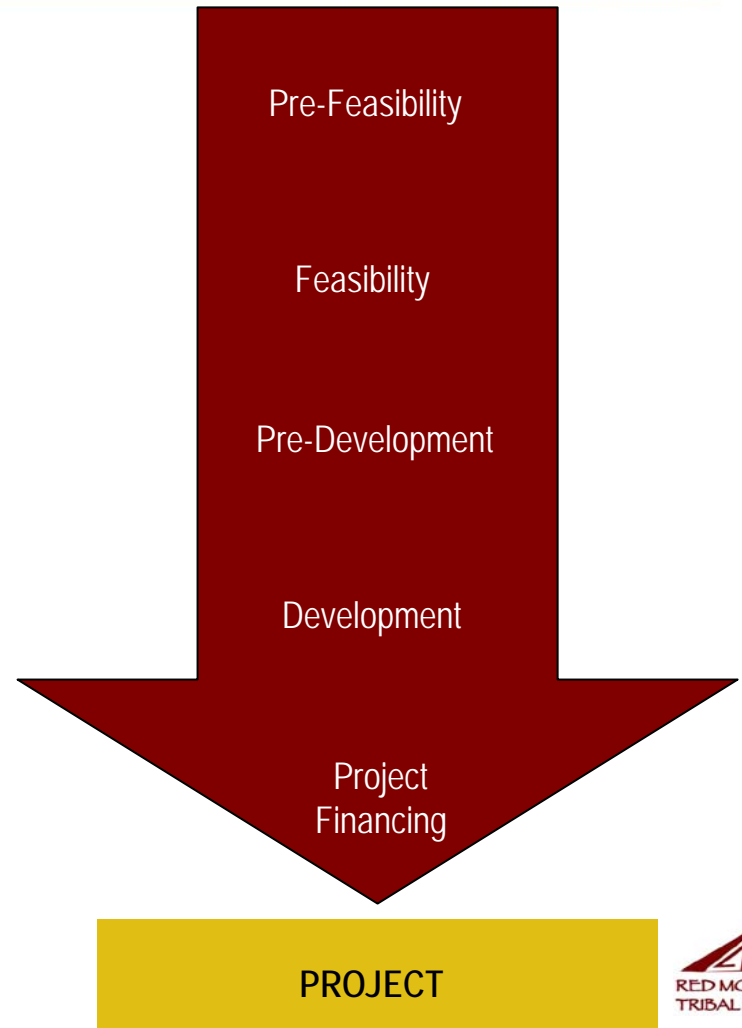


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- Feasibility
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  - Grants/Equipment Loans
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# Development Agreements – Issues & Process

- Development/Partnership Agreements
  - *Usually* somewhere between Feasibility and Pre-Development or Development
- Partner or *Partners* can bring:
  - Technology
  - Equipment
  - Tax Equity
  - Equity
  - PPA-backed financing
  - Experience/Portfolio



# Development Agreements – Issues & Process Continued

Whatever the form, your partner will likely need an understanding of or require:

- Will the Tribe be the Partner? Or...
  - a Tribal Corporation?
  - a Tribal Section 17 Corporation?
- Depending on the form of the Agreement...it may need:
  - Section 81 Approval (BIA/Interior) (if Agreement longer than 7 years)
  - Section 415 Approval (Indian Long Term Leasing Act provisions 25 years plus additional 25 years, exceptions to 99 years)
  - Tribal Approvals
- Any and probably all of these will likely require duplicative, *seemingly* unnecessary legal opinions or reviews
- Any of these, or related transmission agreements or easement, are likely to trigger some federal review and inter-agency coordination

# Tribal Attributes: Attracting Finance

## Speed to Market

Siting/Zoning

Permitting

- No State or Local Agency Approvals

-Generation

-Line siting

- Tribal Programs Are Fairly Streamlined and Coordinated

## Regulatory

Tribal Accelerated Depreciation

*Possible* Tax Savings if Tribe Purchase and/or Owns Strategic Equipment

New Markets Tax Credits

- Attraction of Additional Capital
- Can act as a credit enhancement similar to REC sales

## Other

Workforce (Green collar availability)

REC Valuation

- Federal facility purchases

Tribal Control of Water Resources

Transmission Corridors

