

## Programmatic Strategies for Distributed Generation Project Finance

by

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Market demand for distributed generation alternatives continues to grow to address such matters as renewable energy requirements (both legislatively mandated and environmentally desired), transmission constraint and/or reliability issues. An overall concern in distributed generation initiatives to date has been the upfront capital and transaction costs to the end user of the acquisition and approved installation of the distributed generation “project.” One means of easing the pain for end users in this regard is to provide financing or capitalized lease solutions which amortize the capital and transaction costs over the life of the acquired distributed generation assets. Such amortization may also serve to promote the development of distributed generation by allowing a more direct “month-by-month” comparison of the user’s “all-in” distributed generation energy cost in relation to its energy cost from the “traditional” electric distribution system.

As a matter of project finance, the issues presented by distributed generation projects are (generally?!) not as complex as those encountered in larger scale electric generation projects; however, a variety of such issues are nonetheless presented which must be addressed and resolved in a satisfactory manner. Particularly challenging, in light of the smaller distributed

generation transaction size, is to accomplish this objective while keeping project finance transaction costs in reasonable proportion.

This section of the presentation materials will provide a suggested programmatic approach to distributed generation project finance by which components of individual distributed generation project finance transactions (e.g. documentation, compliance, due diligence) are standardized both to achieve individual transaction cost savings and to facilitate the ability to include individual distributed generation project financings in larger securitized formats. Detailed materials will be available at the time of the presentation.