



A LIMITED LIABILITY PARTNERSHIP
1050 Thomas Jefferson Street, NW
Washington, DC 20007-3877
(202) 298-1800 Phone
(202) 338-2416

John Clements
(202) 298-1933
jhc@vnf.com

August 6, 2013

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Western Minnesota Municipal Power Agency
Red Rock Project No. 12576**

Submission of Project Financing Plan

Dear Secretary Bose:

Pursuant to Article 305 of the license for the Red Rock Project No. 12576, Western Minnesota Municipal Power Agency hereby submits for Commission approval a Project Financing Plan.

If you have any questions regarding this filing, please contact Nick Fanning at (605) 330-6984 or nfanning@mrenergy.com.

Respectfully submitted,

/s/ John Clements
John Clements

Counsel for Western Minnesota Municipal Power
Agency

Enclosure

cc: Raymond J. Wahle
Nick Fanning

Project Financing Plan

For The
Red Rock Hydroelectric Project FERC No. 12576

Dated
August 06, 2013

Introduction

The following plan describes measures taken and planned to be taken by Western Minnesota Municipal Power Agency (WMMPA) to finance the Red Rock Hydroelectric Project (Project).

FERC License Requirements

On April 18, 2011, CRD Hydroelectric, LLC (Applicant) obtained an original license (FERC No. 12576-004) from the Federal Energy Regulatory Commission (FERC) to construct, operate and maintain the Red Rock Hydroelectric Project (Project). On January 19, 2012, FERC issued an order (FERC No. 12576-008) approving transfer of the license from CRD Hydroelectric, LLC to WMMPA. On April 13, 2012, FERC issued an order (FERC No. 12576-007) amending the license to reflect changes that reduce impacts on the dam's existing structures and improve constructability and dam safety. An additional non-capacity amendment application is pending.

Article 305 of the license states:

Project Financing Plan. At least 90 days before starting construction, the licensee shall file with FERC, for approval, three copies of a project financing plan. The plan must show that the licensee has acquired the funds, or commitment for funds, necessary to construct the project in accordance with this license. The licensee shall not start any project construction or ground-disturbing activities that are inseparably associated with the project, before the project financing plan is approved.

Project Description

The Project features include (a) a 185-foot-wide, 127-foot-long powerhouse located directly downstream of the existing Corps' Red Rock Dam; (b) a 54-foot-wide, 105-foot-long intake located directly upstream of the existing Red Rock dam; (c) a 184-foot-long by 64-foot-wide substation located next to the powerhouse on the upstream side; (d) a 4.5-mile-long, 69-kilovolt (kV) transmission line, parts of which will be buried (approximately 1.24-miles) and the remainder of which (approximately 3.26-miles) will be overhead, extending from the substation to the City of Pella West Substation.

In addition to the major project features listed above, powerhouse utilities such as communications, water, wastewater, and backup power will be constructed for the Project.

Financing

As described below, WMMPA's finance plan will ensure access to the funds necessary to construct the RRHP, thereby providing FERC with assurance that construction, once commenced, will continue through project completion and commercial operation.

A. Tax-Exempt Status

WMMPA is a municipal corporation and political subdivision of the State of Minnesota and has issued in excess of \$1 billion of tax-exempt debt. The debt issued for the construction of the RRHP is expected to be issued on a tax-exempt basis. WMMPA issued approximately \$100 million of Build America Bonds (BABs) in 2010. Approximately \$14.1 million of the BABs have been used for the RRHP, including \$4.4 million for progress payments for the RRHP turbine generator.

WMMPA's tax status enables it to issue debt at favorable tax-exempt rates. This access to low-cost capital is especially important in relatively high capital cost of hydroelectric projects such as RRHP. Currently, the WMMPA's debt has ratings of Aa3 from Moody's and AA- from Fitch. WMMPA is one of a only a few wholesale providers of electricity in the entire country with ratings in the AA category.

B. Security for Repayment of Debt

The WMMPA debt is secured by a Power Supply Contract between WMMPA and Missouri River Energy Services (MRES) and Power Supply Agreements with 60 MRES member municipal electric systems. Under the Power Supply Contract, WMMPA is obligated to sell to MRES, and MRES is obligated to buy from WMMPA, on a take-and-pay basis, entitlement in the generation, transmission and general plant facilities owned by WMMPA. This includes the Red Rock Project. MRES sells the generation and transmission made available under the Power Supply Contract to the 60 members of MRES with Power Supply Agreements.

The Power Supply Agreements require the members to take and pay for all electric power and energy made available under these agreements and pay rates sufficient to pay all expenses, including all debt service costs of WMMPA. Fifty-nine of the sixty Power Supply Agreements expire in 2046 and the other one expires in 2030.

One of WMMPA's important objectives is to maintain competitive wholesale electric rates to MRES and its members. The current wholesale rates charged to the members are among the lowest in the region. The impact of including the cost of the RRHP in the rates charged to the members is expected to be minimal.

C. Future Financing

Short-term financing: In July 2013, WMMPA received proposals from five national banks for a \$60 million short-term bank facility with a maturity of October 1, 2014. The proceeds of this financing will be used to fund interim costs of the RRHP and other capital projects of WMMPA. This bank facility can be called at any time after February 1, 2014. The WMMPA Board is expected to approve the documents for this short-term bank facility at its September 12, 2013 meeting. Evidence of the Board's action will be submitted to FERC after the meeting.

Project Financing Plan

Red Rock Hydroelectric Project, FERC No. 12576

Long-term financing: After receipt of the Section 408 permit from the Corps of Engineers and the award of the contract for the General Contractor, WMMPA will issue long-term tax-exempt debt to pay off the balance of the short-term bank facility and fund the costs to complete the RRHP. This long-term financing is expected to occur during the first half of 2014. WMMPA may secure all the funds required to complete the RRHP with the debt issuance in the first half of 2014 or it may have two or more debt issuances to fund the cost to complete the RRHP. If there is more than one debt issuance, the initial issuance will be during the first half of 2014 and the other(s) during 2015 or 2016. The determination whether there will be one or more debt issuances will be made in early 2014 based on the market conditions at that time. The final maturity of the debt is expected to be approximately 30 years.

D. Interest During Construction

The WMMPA Board has approved collecting the interest costs during the construction of the RRHP (IDC) from current rates instead of issuing debt to finance these costs. By collecting IDC from current rates, the RRHP revenue requirement will be lower during commercial operation.

E. Implementation of the Plan of Finance

The plan of finance will be implemented by MRES staff and a number of nationally recognized independent legal, financial advisory and underwriting firms. At the date of this report, the firms expected to assist with the development and implementation of the plan of finance includes the following:

Orrick Herrington and Sutcliff	Bond Counsel
Dougherty and Company	Financial Advisor
Citi	Senior Underwriter
Pfleugel etc.	WMMPA General Counsel
Woods Fuller etc.	MRES General Counsel

WMMPA has good relationships with most of the nationally recognized investment banking firms and expects to include one or more investment banking firms as co-managers for the long-term financing. WMMPA also expects to have several regional investment banking firms included in a retail selling group to market the bonds to retail investors in Minnesota, Iowa and North and South Dakota.

References

FERC (Federal Energy Regulatory Commission). 2011. *Order Issuing Original Major License*. Project No. 12576-004

Document Content(s)

P-12576 Project Financing Plan 2013-08-06 (2).PDF.....1