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Abengoa Solar moving ahead with power plant

Phoenix Business Journal - by [Patrick O'Grady](#)

After a rough year trying to pry open the tight financial markets, **Abengoa Solar** is moving forward on its vaunted Solana Generating Station with potential funding and a new project director.

Meanwhile, Lockheed Martin and Starwood Energy Group terminated a deal this week for a solar plant in western Maricopa County.

Abengoa made a splash 18 months ago by announcing it would build a 280-megawatt solar power plant outside Gila Bend, and now it has brought Luis Henrique Martinez on board as project director. He will oversee construction of the \$1.5 billion facility, which could be operational by early 2013.

It hasn't been a smooth ride for Arizona's first utility-scale solar project, which is contracted to sell power to **Arizona Public Service Co.** Just as Abengoa was wrapping up its approvals with the **Arizona Corporation Commission** last year, the bottom dropped out of the credit markets and large projects were sidelined searching for financing.

"We've had to deal not only with the commercial markets, but the commodity markets that increased the cost of all materials," said Kate Maracas, vice president of operations for Abengoa in Arizona.

The financial picture is clearing as markets loosen. Maracas said the company should have its financing in place within a few months, allowing construction to begin.

"Now we're tied to the close of financing, which should be in early 2010," she said.

That's an important start date if officials want the project to qualify for federal grants or loan guarantees. The American Recovery and Reinvestment Act specifies that work equal to 5 percent of the capital costs must be started by the end of next year on renewable energy projects that hope to be eligible for the investment tax credit grant, which could supply up to 30 percent of the project's up-front costs.

The other side of potential stimulus funding, federal loan guarantees, must have all their permits completed, contracts signed and orders placed by Sept. 30, 2011.

Martinez, who started with Abengoa about two weeks ago, has a history in the energy construction industry. He worked with Alliant Energy as director of infrastructure before becoming president of Laguna del Mar in Mexico, an infrastructure project in a master-planned community.

Martinez, who also spent time working for Dynegy Inc., has a master's degree and a doctorate in civil engineering. Solana will be his first renewable energy project.

"It's a beautiful project — the size of it, the complexity," he said. "My passion is sustainability, and this is an excellent example of it."

Martinez will be responsible for coordinating work between Abengoa and its construction company, **Abener Energia**, another offshoot of the Spanish firm. Abener Energia will have its U.S. headquarters in Phoenix, Maracas said. Abengoa also is trying to lure its mirror manufacturing partner, Rio Glass, to the Southwest.

APS officials have been keeping a close watch on the project, and they still believe it will be the first



Luis Martinez

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utility-scale solar power plant to become operational in Arizona, said Pat Dinkel, director of resource acquisition and renewables for APS.

“It’s been a very, very challenging time to bring on a project of this size,” he said.

APS announced in February 2008 that it would buy the project’s entire power output, but then watched as the commodity and financial markets threw most of the renewable industry into disarray. Dinkel said the company has kept an eye on Abengoa’s plan.

The project is about a year behind when APS officials thought they would start being able to use its power to help meet the Arizona Corporation Commission’s renewable energy mandate.

The Starwood deal’s collapse means APS might have to find other ways to meet the state’s renewable energy standards. Company officials said they expect to have a couple of smaller deals finalized by the end of the year.

Economic conditions also have led to a lower amount of power production needed to meet the state standards, and pushing back the operational date will not have an impact on APS, Dinkel said.

APS may look at financing and building its own plants in the future. The technology has matured to the point that it is less of a risk for utilities to own a solar or other renewable power plant, Dinkel said.

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