

Buffett's utility company to buy First Solar plant

(Reuters) - Warren Buffett's MidAmerican Energy Holdings said on Wednesday it would make its first move into solar energy with the purchase of First Solar's Topaz Solar Farm power plant in California, one of the two largest under construction in the world.

MidAmerican Energy, the utility arm of Berkshire Hathaway, already operates wind power facilities, and its move into solar comes amid growing worries about the solar industry's ability to [finance](#) large utility-scale projects. Financial details of the transaction were not available. Shares of First Solar rose as much as 12.5 percent on the [Nasdaq](#) on Wednesday.

The deal for the plant, which at 550 megawatts would equal the capacity of another First Solar California project called Desert Sunlight, comes after the company failed to win a U.S. loan guarantee to help finance its construction.

"The fact that Topaz was financed without a DOE loan guarantee is a major milestone in the industry's maturity and evolution," Frank DeRosa, First Solar's senior vice president of project and business development for the Americas, said in an interview. The Topaz plant, being built in San Luis Obispo County, will have the capacity to generate enough energy to power about 160,000 average California homes, MidAmerican Energy said in a statement.

The deal "demonstrates that solar energy is a commercially viable technology without the support of governmental loan guarantees," Greg Abel, chairman, president and CEO of MidAmerican, said in a statement.

Earlier in the day, Reuters had reported about the deal quoting a source familiar with the transaction.

Analysts speculated that the plant's sale price was likely inside the range that First Solar had sold previous projects on a per-watt basis, putting it between \$1.65 billion to \$1.95 billion. "If nothing else, what this does is it tells you that First Solar will be able to sell what it makes, and that certainly is better than any other solar company can say at this point," said Jeff Bencik, analyst at Kaufman Bros.

The acquisition dovetails with Berkshire's increasing interest in solar technologies in recent years, the most notable example being its investment in China's BYD Co Ltd. Though BYD is best known for its electric cars, it is also one of the world's largest battery makers and has a nascent solar panel business as well.

Even though financial details were not disclosed, First Solar's struggles financing the plant suggest that Berkshire likely got a good deal, which fits in with Buffett's value investing strategy. He famously said earlier this year he had a loaded elephant gun with which he was searching for big deals, and he has made a number of them, including the \$9 billion takeover of chemical maker Lubrizol and an \$11 billion investment in IBM Corp.

SOLAR SUPPORTER

Ever since Buffett took a stake of nearly 10 percent in BYD during the depths of the financial crisis in late 2008 -- via MidAmerican rather than Berkshire proper -- Buffett-watchers have speculated the company had an interest in using BYD's battery technology at renewable energy plants. Buffett's long-time business partner Charlie Munger has also been a cheerleader for the potential of solar.

"All kinds of things are going to be possible once we really gear up to harness the sun," Munger once said in a CNNMoney interview. "That has always required cheaper solar and better batteries and they're both coming."

The Topaz plant may qualify for a cash grant totaling 30 percent of its construction costs under a program that expires at the end of 2011. That cash grant program will turn into a tax incentive at the beginning of next year. Pacific Gas and Electric Co will buy the electricity from Topaz under a 25-year agreement, Des Moines, Iowa-based MidAmerican Energy said.

First Solar had hoped to secure a loan guarantee from the U.S. government to help finance construction of the plant as it had for three other large solar projects this year.

Political pressure on the Department of Energy following the collapse of start-up solar manufacturer Solyndra prompted fresh scrutiny of the loan guarantee application process, and First Solar's Topaz project was not able to meet the September program deadline.

Solyndra, which had received more than \$500 million of government funding, collapsed into bankruptcy at the beginning of September.

First Solar's three DOE loan guarantee projects were sold to NextEra Energy Inc, NRG Energy Inc and Exelon Corp, respectively. MidAmerican's addition to that list shows that investors are becoming more comfortable with solar, DeRosa said. "As each deal gets done and the number of investors increases, people see that these projects are working well, they get constructed on time, they are on budget and they operate well," he said.

First Solar is the largest U.S. photovoltaic solar company and the world's lowest-cost solar manufacturer. But along with others in the sector, it has been hard hit by a glut of solar panels on the market that has driven prices down by 40 percent so far this year, narrowing its cost advantage over its rivals in [China](#) and Europe.

Shares of First Solar, which had fallen nearly 65 percent through Monday's close, were up 4.6 percent at \$48.25 on Wednesday afternoon, off an earlier high of \$51.89.

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