

BLUE WOLF GRABS MONTAUK

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REPRINT FROM NOVEMBER 30, 2006 ONLINE

Blue Wolf Capital Management LLC has agreed to buy landfill gas developer **Montauk Energy Capital LLC** from a subsidiary of **Duquesne Light Holdings Inc.** for \$110 million.

Pittsburgh-based **Montauk** is the largest U.S. developer of facilities that convert landfill gas into natural gas. It operates eight facilities across the country and has investments in another 13 plants.

Blue Wolf, a New York private equity firm, plans to use **Montauk** as a platform for consolidating the industry as the U.S. expands its commitment to clean and renewable energy sources, said Adam Blumenthal, a managing partner at the firm.

To help back the deal, **GoldenTree Asset Management LP** will provide

a term A and term B loan, he said, while **Blue Wolf** is investing \$57 million of equity.

Montauk intends to seek acquisition and development opportunities, either in partnership or on its own.

There are more than 400 operational landfill-gas-to-energy sites in 40 states, according to the U.S. Environment Protection Agency. They produce enough yearly electricity for 725,000 homes, heat for 1.2 million homes and prevent emissions equal to those generated by 13 million vehicles.

Most of the sites convert landfill gas to electricity, said Blumenthal, but **Montauk** mainly produces natural gas, which is “more profitable, easier to run and more efficient.”

Created in April 2005, **Blue Wolf** invests in midmarket companies that rely on government policy or subsidy, or grapple with issues such as poor labor relations and financial distress.

Gases that come out of landfills — mainly methane and carbon dioxide — are highly regulated substances, said Blumenthal, so working effectively with regulatory agencies is critical to thriving in the business.

Also, the sponsor will work closely with the company to make sure it is getting “the greatest possible advantage” from federal, state and local policies promoting renewable energy, he added.

The deal is expected to close by year’s end.

AS FEATURED IN

The Deal.com

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