

Nebraska Wind Power 2010

WIND FINANCING: “The Dance Continues . . .”

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Overview

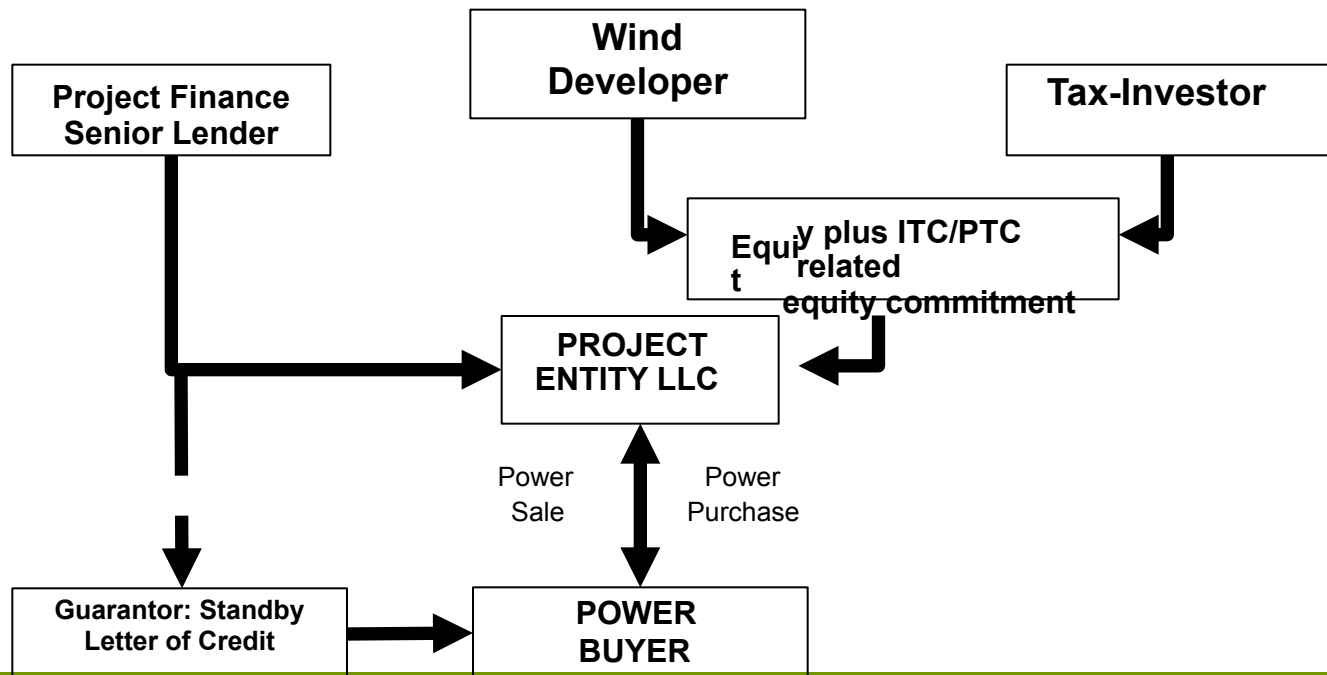
Why Financing Wind Projects is Difficult

- Complex Structures
- Traditional sources vs. tax investors
- Development Steps/Time to Reach Project Certainty
- Project Finance vs Traditional

Wind Project Structures

Are Complex-

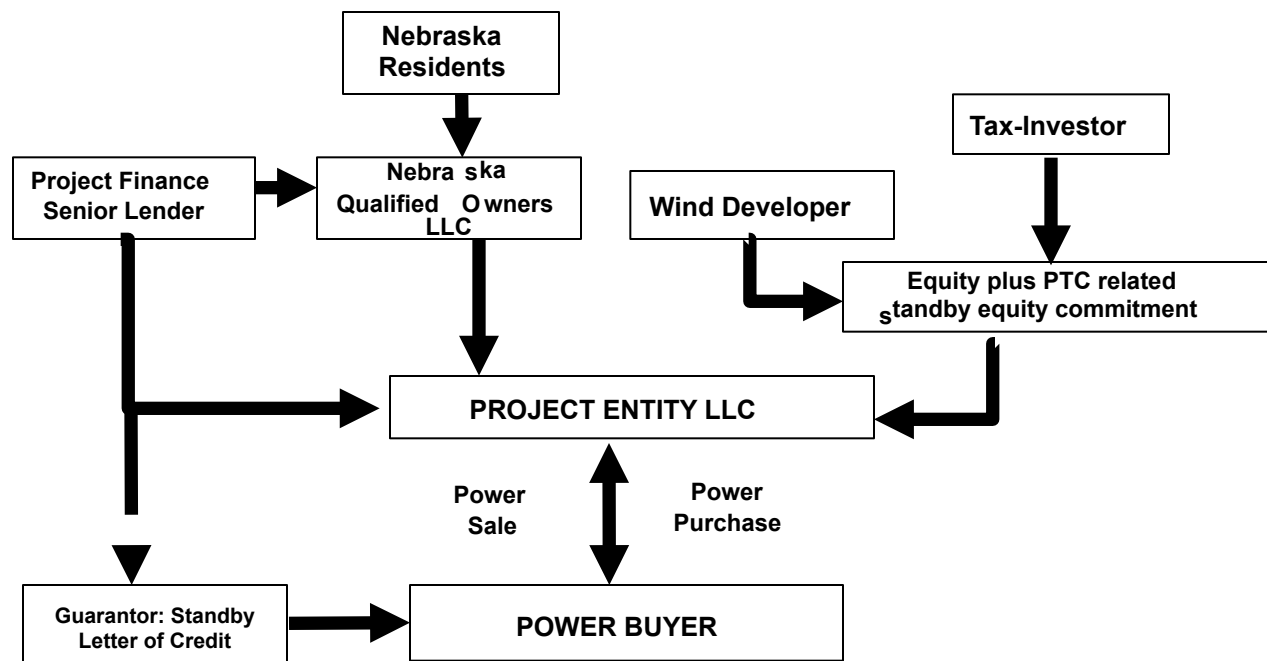
- Typical Structure Combines Debt/Equity
- Ownership Includes Developer & Tax Equity



C-BED Structures

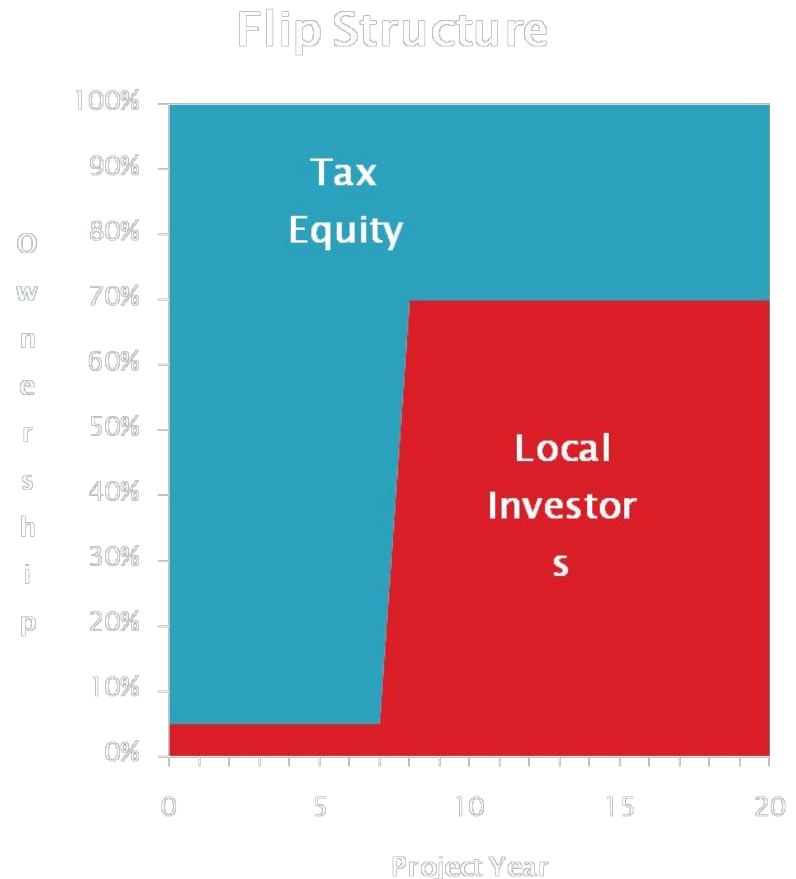
Add additional complexity-

- Requires Nebraska Residents as Qualified Owners
- Assumes Tax Equity Investor treated as debt



Financing Structures

- Traditional Ownership
- Flip Model
 - Change in Ownership at certain thresholds
 - Time
 - Return
 - Special Allocation of Depreciation



3 Key Development Buckets to Approach “Project Certainty”

Wind Resource:

- Perform Research
- Install MET Data
- Validate Data
- Obtain Independent Analysis
- Reserve Turbines

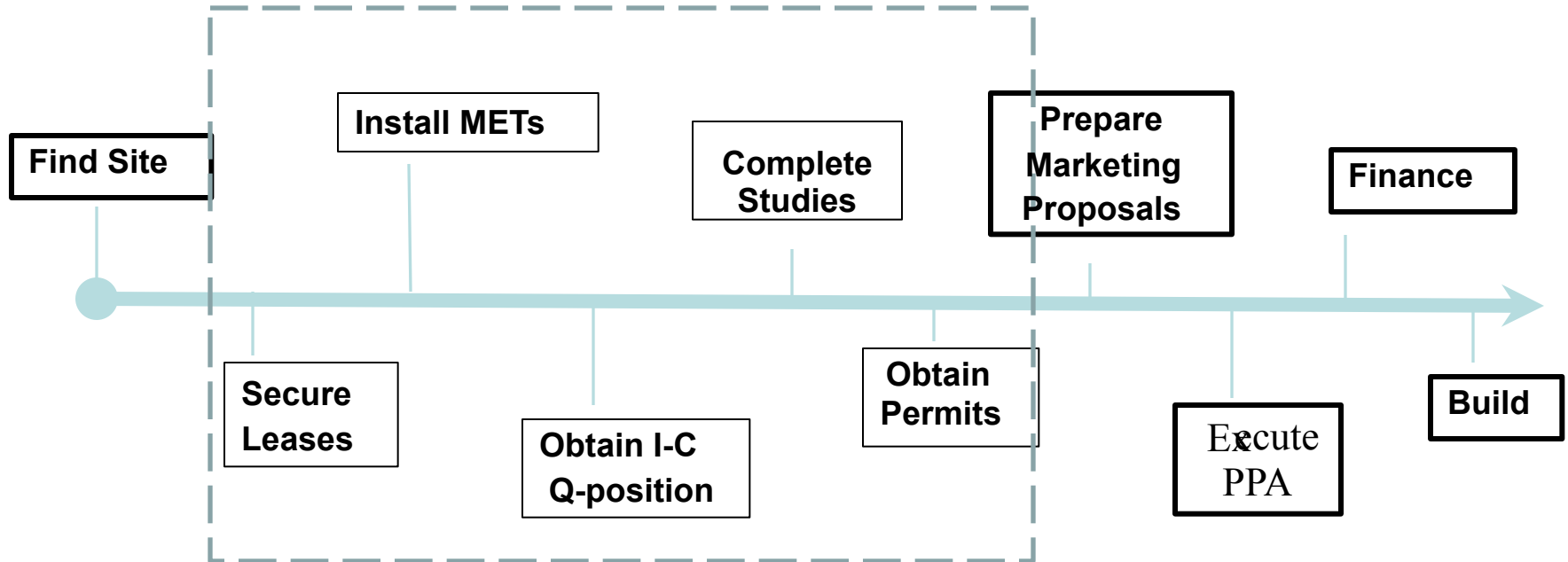
Land:

- Secure Lease Rights
- Complete Environ. Studies
- Community Outreach
- Obtain Federal, State, Local Permits

Transmission/Market:

- Transmission-line Ownership & ISO process
- Complete Interconnection Studies
- Obtain ROW to Point of Interconnection

Project Timeline Toward PPA



Project Financing vs. Balance Sheet Financing

- **Project Financing**
 - Non-recourse financing
 - Backed only by project assets and revenues
- **Corporate/Balance Sheet Financing**
 - Full recourse financing
 - Backed by balance sheet of sponsor with substantial financial resources

Elements of Project Financing

- Assets have market value well below the financed amount
- Lenders look to future cash flows as security
- Project documents are critical
- Complete and thorough diligence on all project documents and risks

So is wind like ethanol?

- Inverse risk structure of ethanol (development vs operations)
 - Construction doesn't start until
 - Power is sold under a long-term agreement
 - Transmission is arranged for life of project
 - Financing is committed
 - No commodity price risk
 - Only input is wind
 - Long-term agreement (20 Year Power Purchase Agreements)

Questions?

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