



GLOBAL ENERGY
INVESTORS

Clean Energy States Alliance
webinar – June 1, 2010

*Considerations in Financing
Community Wind Projects*

John Harper
Managing Director for
Project Investments

- ❖ Community-scale wind projects undertaken by diverse project sponsors
 - Municipalities
 - Universities/colleges
 - Ad-hoc community investment groups, e.g., farmers
 - For-profit project developers
 - Corporations (for-profit entities)
 - Cooperatives and other community groups
- ❖ Different sponsors have diverse motivations for undertaking the projects
 - Savings on and stabilization of energy costs
 - Use of local resource
 - Sustainability commitments
 - Community economic development/empowerment
- ❖ These differences breed different financial plans and support needed.
 - Need for internal sponsor agreement before approaching financiers

Ownership, control, and financing linkages



GLOBAL ENERGY
INVESTORS

Municipality has discussed its interests and abilities and is...					Conclusion:
	Committed to wind power	Interested in ownership	Seeking role in development, construction & operation	Prepared to finance the project	Based on these criteria, the best fit ownership option is:
#1	Yes	No	No	No	Lease land/buy power from Private Party
#2	Yes	Yes	No	No	Public-Private Partnership (PPP)
#3	Yes	Yes	Yes	No	Public-Private Partnership (PPP)
#4	Yes	Yes	Yes	Yes	Government Entity Ownership

Municipal project financing options



	Ownership Structure	Financing Options
#1	Third Party ownership	<ul style="list-style-type: none"> ❖ Private owner selects mix of cash, grants, 3rd party equity, & debt ❖ Town receives lease income from land; buys power under long-term contract
#2	Public-Private Partnership (PPP)	<ul style="list-style-type: none"> ❖ Majority of initial financing via 3rd-Party options above ❖ Town invests for a minority share, using either cash-on-hand or debt ❖ Cash flow allocation “flips” once 3rd-Party has required returns. ❖ Town has option to buy remaining interest in the project
#3	Public-Private Partnership (PPP)	<ul style="list-style-type: none"> ❖ Town either obtains grants and hires consultants, or uses its own monies and staff to support its role developing the project ❖ Permanent financing options same as above
#4	Government Entity Ownership	<ul style="list-style-type: none"> ❖ Use free cash on hand. ❖ Tax-free bonds (municipal, Qualified Energy Conservation Bonds (QECCBs), new CREBs, etc. ❖ Federal REAP grants & loans; RUS loans ❖ Federal Energy Efficiency & Conservation Block Grants

Community wind project financing issues



GLOBAL ENERGY
INVESTORS

- ❖ Siting on land controlled by the sponsor, not best available wind resource
 - Reflects desire to use local/on-site renewable resource
 - Capacity factor lower than commercial
- ❖ Availability
 - Single turbines magnify financial impact of downtime
 - Lessened for projects using the ITC or Cash grant
- ❖ Selection of turbines
 - Manufacturers focused on large orders
 - Offers from new market entrants may present technology risks
- ❖ Selection of EPC and O&M contractors
 - National-scale contractors focused on large orders
 - Local contractors may have little sector experience and weak credit

Community wind project financing issues #2



GLOBAL ENERGY
INVESTORS

- ❖ Conflicting goals on ownership & control
- ❖ Using financing tools developed for large projects can be hazardous
 - Main project finance lenders seeks fees, not interest margins
 - Tax-equity flip structures were designed to entice institutional investors motivated purely by economic return
 - Ill-fit for projects driven by sustainability, local resource usage
 - Tax-equity investors not staffed up to consider small deals
- ❖ A simple plan:
 - Tap federal grants & incentives, but only if time-tested and simple
 - Skip monetizing depreciation (no tax equity)
 - Consider equipment leasing, e.g., sale lease-back financing
- ❖ Clean energy fund support
 - Multi-project support to mitigate financing risks
 - Construction financing for cash grants
 - Support streamlined off-taker contract paths (FITs, net metering)

Global Energy Investors (GEI)



- An investment management firm that invests in renewable energy power generation projects.
- Merger of two successful investment management and renewable energy project finance teams
- Focus on mid-sized distributed solar and wind power projects featuring experienced developers/sponsors, commercially proven technology, and stable off-take sales arrangements
- Focus on projects in the Northeast and Mid-Atlantic regions

Important Disclosure Information



This presentation and its content do not constitute an offering and are meant only to provide a broad overview for discussion purposes. All information provided herein is subject to change. You must obtain and carefully read the applicable Offering Memorandum, which will contain the information needed to evaluate the potential investment and provide important disclosures regarding risks, fees and expenses. All information provided herein is qualified in its entirety by the applicable Offering Memorandum and the related subscription agreement. Nothing in this presentation constitutes or forms a part of any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, any securities, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever. Global Energy Investors, LLC ("GEI") and its affiliates do not offer investment advisory services to the public.

As further described in the offering documents, an investment in alternative investments such as project equity is speculative and may not be suitable for all investors. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risks associated with such an investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging or other speculative practices; lack of liquidity in that there may be no secondary market for the fund and none is expected to develop; volatility of returns; restrictions on transferring interests in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and advisor risk.

GEI, its affiliates, and its employees are not in the business of providing tax or legal advice to any taxpayer outside of GEI and its affiliates. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. While some information used in this presentation may have been obtained from various published and unpublished sources considered to be reliable, neither GEI nor any of its affiliates guarantee its accuracy or completeness, nor accept any liability for any direct or consequential losses arising from its use.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS • MAY LOSE VALUE