Geothermal Project Financing

Geothermal Energy Utilization Conference
Southern Methodist University

November 3-4, 2009
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Prudential Capital Group
One of the World's Largest Investors

Prudential Financial
- Prudential’s assets under management —$580 billion as of 6/30/09
- Prudential Financial is one of the first U.S. insurance companies to structure innovative private transactions and invest in common stocks and leveraged buyouts

Prudential Capital Group
- Largest Direct Private Investor (1) in the US, with an investment portfolio of $ 43.2 billion as of 6/30/09
- Responsible for all Private Placement investment activity for Prudential Insurance Company and its affiliates
- Annually, Prudential Capital invests between $6-10 billion for Prudential and third party investors

Electric Finance Group

10 Investment Professionals

More than $3.4 billion invested since group established in 2004

Over $4.1 billion investment portfolio as of 6/30/09

Group emphasis on project finance, utilities and electric cooperatives

- Investment grade and below investment grade, fixed or floating-rate debt, mezzanine and partnership equity

- Construction and term lending with custom amortization up to 30 years

Active lender in geothermal sector

- 8 Projects
- Over 460 MW in total
- Over $130 million invested since 2005

Dallas:
Electric Finance
Prudential Capital Group Capabilities

One-Stop Shop For Capital Structuring Needs

- Construction Lending
  - Fixed or floating-rate construction facility
- Term Lending
  - Amortization structure against contracted cash flow
- Subordinated Debt
  - Cash coupon with PIK component and/or ownership position
  - Project must have an operating track record
Project Finance Fundamentals
Structure

Project Finance Basics

- Contract-based Financing
- Traditional EPC
- PPA Offtake
- Fuel Supply Contract
- Trust Account with Waterfall
- Full Insurance Package
- Restricted Payment Test
Geothermal Financing
Geothermal Development Stages & Financing

- **Development and Resource**: Resource exploration and discovery
  - Development equity & venture capital needed to finance exploration and drilling

- **Construction**: Resource is proven (flow and temperature) and power purchase agreement is in place
  - Fixed or floating-rate construction facility

- **Term**: Project is operational
  - Secured Project Financing – Fixed (long-term) with DSCRs of at least 1.5x
  - Floating rate: 7-year mini-perm

- **Additional Financing Options**
  - Tax equity investments – Monetize accelerated depreciation and PTCs
  - ITC Cash Grant program – In lieu of PTC
  - DOE Loan Guarantee program
Investment & Technology Challenges
Investment & Technology Challenges

- **Resource**
  - Identify and locate viable resource with required temperature and pressure

- **High capital costs**
  - Significant level of upfront equity required to prove resource in order to secure long-term financing

- **Non-linear power curve**

- **Limited technical and equipment providers**
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