

Geothermal Project Financing

PRUDENTIAL
CAPITAL
GROUP

RELATIONSHIPS
CAPITAL
CONSISTENCY

Geothermal Energy Utilization Conference
Southern Methodist University

November 3-4, 2009

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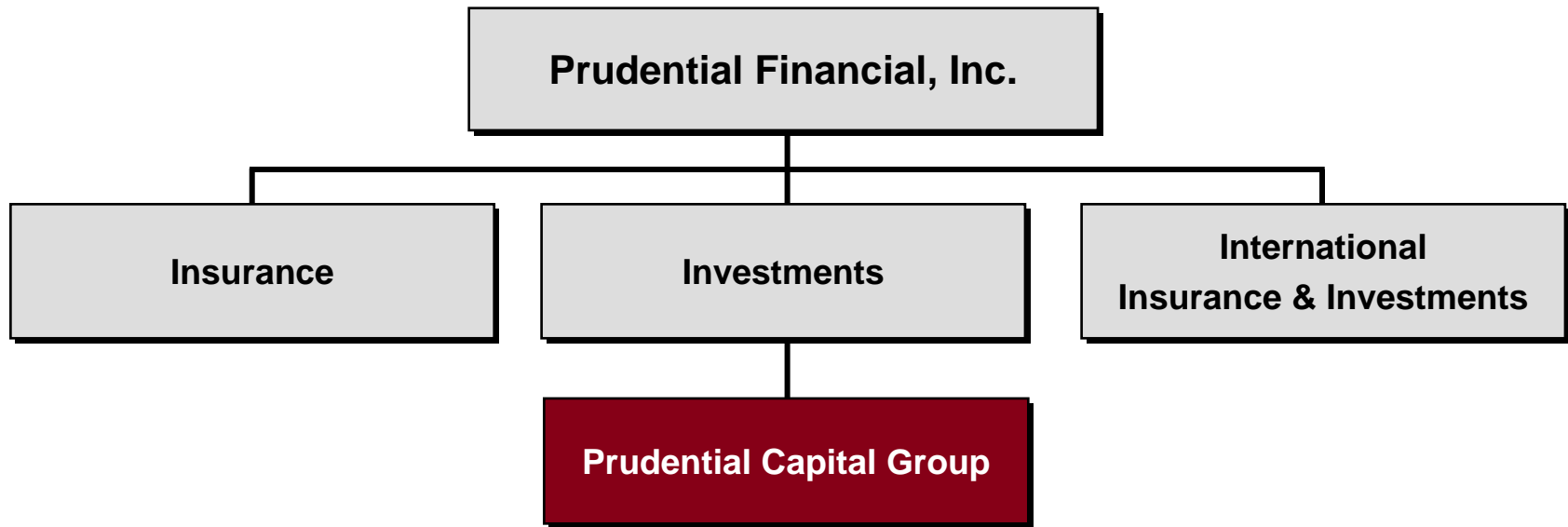


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Prudential Capital Group

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

(1) Source: SourceMedia – *Private Placement Letter* – November 10, 2008

Electric Finance Group



Dallas:
Electric Finance

- 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

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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