

# Geothermal Project Financing

**Geothermal Energy Utilization Conference  
Southern Methodist University**

**November 3-4, 2009**



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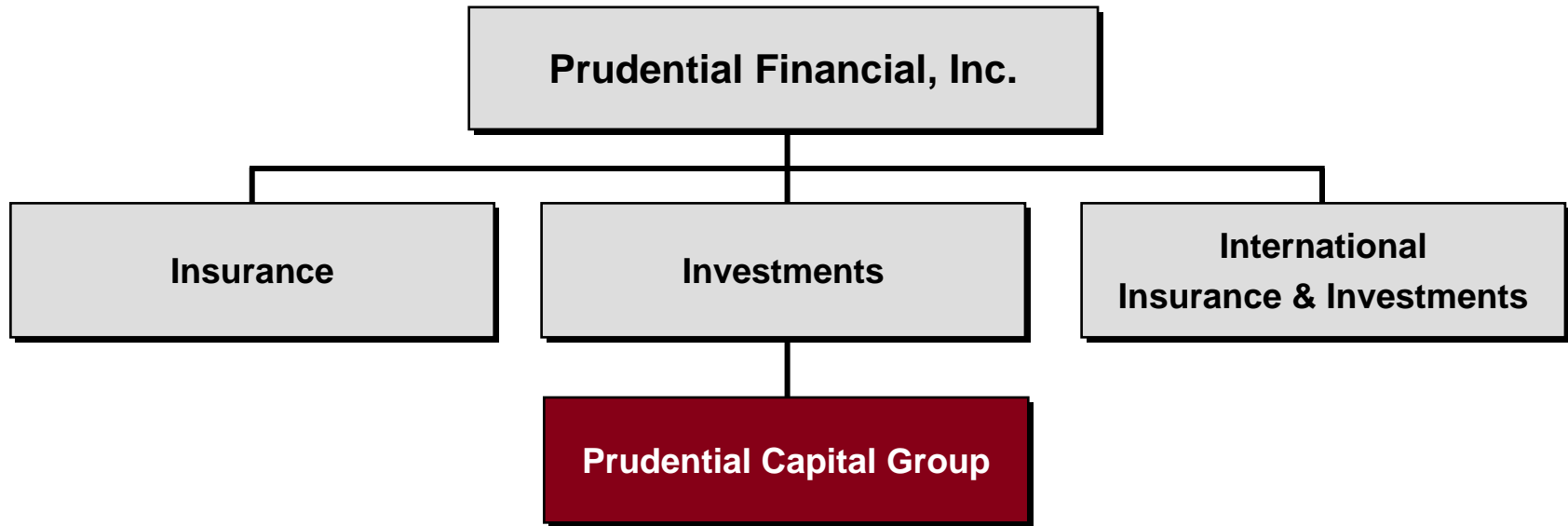
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# One of the World's Largest Investors



## Prudential Financial

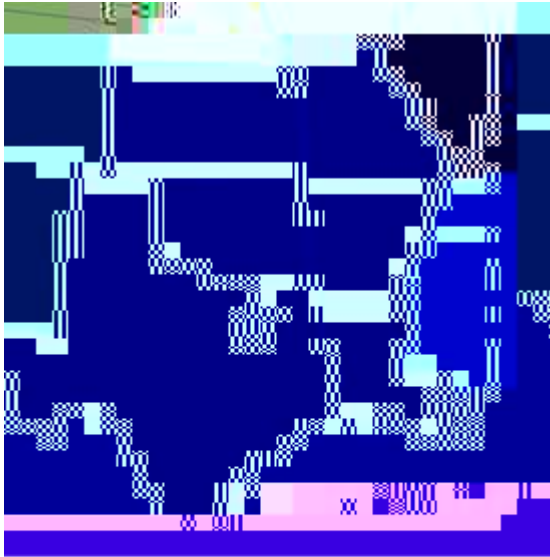
- › Prudential's assets under management —\$580 billion as of 6/30/09
- › Prudential Financial is one of the first U.S. insurance companies to structure innovative private transactions and invest in common stocks and leveraged buyouts

## Prudential Capital Group

- › Largest Direct Private Investor <sup>(1)</sup> 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





# 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 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



- › Resource

£

