

Geothermal Project Financing

**Geothermal Energy Utilization Conference
Southern Methodist University**

November 3-4, 2009



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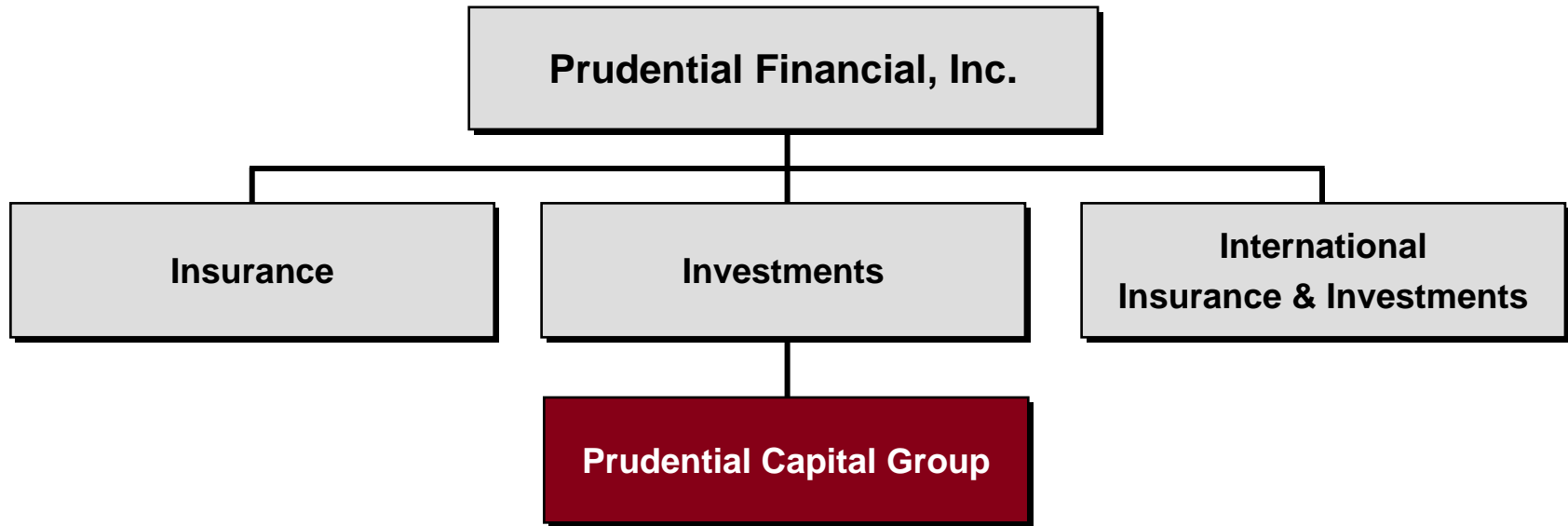
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One of the World's Largest Investors



Prudential Financial

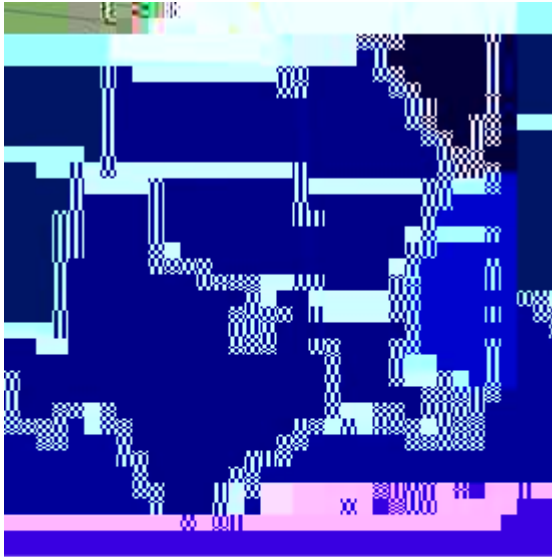
- › Prudential's assets under management —\$580 billion as of 6/30/09
- › Prudential Financial is one of the first U.S. insurance companies to structure innovative private transactions and invest in common stocks and leveraged buyouts

Prudential Capital Group

- › Largest Direct Private Investor ⁽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





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

£

