



Raising Capital for Power Projects

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RBC Capital Markets®

Project Attributes That Affect Financing Options

- Investors are looking to maximize return while minimizing risk
- Different investors have substantially different appetites for risk with some risks being unacceptable no matter what the return expectation

Low Risk Attributes	Higher Risk Attributes
Contractual offtake	Merchant environment
Full turnkey construction contract	Managed construction program
Change of law protection	Future legal risk
Early stage development	All approvals and permits obtained
Proven track record	First time developer
Carbon credit generator	Potential need for carbon offsets
Standard / typical project size	Exceeding standard size parameters

Know how your project stacks up on the risk profile

Development Stage Capital Options

Friends & Family



- ❖ Typically limited pool of capital between \$1 - \$5 million
- ❖ Putting personal capital on the line
- ❖ Evaluate the potential to disappoint
- ❖ Often patient, undemanding
- ❖ Generally represents no control or board issues

Venture Capital



- ❖ Early stage investors willing to take greater risk with an expected higher return
- ❖ Understand business development timeline
- ❖ Will require board representation
- ❖ Often return expectations do not fit with utility like returns of the generation sector

Construction Capital Options

Private Equity

- ❖ Return expectations in the 20 - 30% range
- ❖ Prefer funding existing enterprises looking for expansion capital, but numerous examples of participation in the IPP sector
- ❖ Ownership control issues
- ❖ Investment structure
- ❖ Typical investment hold period of 5 - 7 years

Strategic Investors

- ❖ Industry knowledge and expertise
- ❖ Can contribute more than simply capital
- ❖ Often patient, less return focused capital
- ❖ Significant balance sheets and ability to provide additional capital
- ❖ May require board representation
- ❖ No particular investment horizon

Public Markets

- ❖ Not available all the time for higher risk enterprises
- ❖ Live by the public market valuation
- ❖ All the complexities, governance and reporting requirements of a public company
- ❖ At times, attractive valuations
- ❖ Can provide an ongoing source of capital
- ❖ Track record of both successes and failures

Operating Stage Capital Options

Infrastructure Investors

- ❖ Pension funds or specific Infrastructure Funds
- ❖ Long-term investors
- ❖ Lower return expectation in exchange for lower risk
- ❖ Limited interest in greenfield development
- ❖ Looking for stable cash flows
- ❖ Low regulatory risk
- ❖ Significant capital investment size requirements
- ❖ Ability to make ongoing investments

Public Markets

- ❖ Income investors attracted by cash returns
- ❖ Very loyal if company performs well
- ❖ Almost unlimited pool of capital
- ❖ Public market governance and reporting requirements
- ❖ Provides liquidity for earlier stage investors

Non-Recourse Debt Financing

- Project finance refers to a wide range of financing structures that involve
 - Primary reliance on project assets and cash flow without recourse to the sponsors
 - Specialist technical and economic evaluations of the borrower's business, the project and thorough on-going monitoring by the lenders
- Project financing is not primarily dependent on
 - The credit support of the sponsors
 - The value of the physical assets
- Risk must be allocated appropriately amongst the various interested parties
 - Project sponsors
 - Equipment suppliers, contractors, operators, raw material suppliers, product purchasers, insurers, government agencies
 - Lenders

Project finance involves highly structured lending to facilitate a reduction in risk to the project sponsor

Who Uses Project Finance and Why?

Private Equity Sponsors

- Maximize leverage
- Minimize recourse
- These entities are often precluded from any material recourse debt by their investor group

Governments and Private Partner Initiatives

- Government budget considerations
- Involvement of private parties in infrastructure financing
- Transfer of risk to third parties

Corporates

- Manage balance sheet flexibility
- Maximize individual project returns
- Accommodate less creditworthy partners

Different types of sponsors have various reasons for using project finance debt

Recent Trends in the Project Finance Market

- The project finance market has recovered with the increased liquidity in the credit markets
 - Several billion+ deals in the bank market have either closed or are close to closing with PNG LNG and the Ruby Pipeline
 - The TLB market has re-opened with the financing of Ba1 / BB+ US\$220 Great Point Power deal in Feb 2010
 - The activity in the project bond market has increased in 2010 after a slow 2009 (\$8.2Bn vs 11.9Bn in 2008) in relation to the corporate bond market
- Much of the 2009 bond volume was either infrastructure related or transacted with the support of governments or multi-national organizations
- Deals in the bank market are continuing to be structured on a club basis rather than the underwriting structure that was prominent in the pre-crisis era
 - Assuming the liquidity and stability in the credit markets keep at current levels, RBC expects that we will see an underwritten project finance loan of material size in 2010
- Financial institutions currently have excess lending capacity resulting from the capital raised in 2009 to decrease their capital ratios and the significant amount of corporate bond issuances in 2009 and 2010

The project finance market has recovered along with the increased liquidity in the overall credit markets

Recent Renewables Financings

Deal	Project	Facility Type	Financing Size	Sponsor	Market Timing
Goshen II	Wind power in Idaho w/ 20-year PPA	Term Loan	~US\$300mm	BP Alternative Energy and Ridgeline Energy	In Market
Fowler Ridge II	Wind power project in Indiana	Term Loan	US\$350 million	BP Wind Energy and Dominion	In Market
Thames River Wind	Second phase of 90MW wind farm	Lifeco debt	C\$195 million	Boralex	March 2010
Vantage Wind	Wind power project in Washington State	Term Loan	US\$208 million	Invenergy	February 2010
Keenan II	Wind farm	Term Load	US\$212 million	CPV	February 2010
Raleigh Wind	Wind power project in Ontario	Lifeco debt	C\$179 million	Invenergy	January 2010
Dokie	Acquisition of asset from Earthfirst	Lifeco debt	C\$175 million	GE Energy Financial Services and Plutonic Power	December 2009
Hoosier Wind Farm	Wind power project in Benton County, IN	Term Loan	US\$147 million	enXco Inc	November 2009
Lost Creek Wind	Wind power project in DeKalb County, MO	Term Loan Letter of Credit	US\$232 million US\$8 million	Wind Capital Group	October 2009
Hatchet Ridge Wind	Wind power project in US	Term Loan	US\$240 million	Pattern Energy Group	October 2009
Fowler Ridge	301MW wind farm located in Indiana	Term Loan	US\$261 million	BP Alternative Energy and Dominion Resources	September 2009
AES Armenia Mountain	Wind power project in US		US\$221 million	AES Corp	July 2009
Alta Wind I	Wind power project in US	Bridge Loan	US\$140 million	Terra-Gen Power	July 2009
Viento Funding II	Three wind power projects in US	Term Loan Letter of Credit WC Facility	US\$189 million US\$13 million US\$5 million	Edison Mission Energy	June 2009
Grand Ridge II & III	Wind power project near Chicago, IL	Term Loan & Equity Bridge	US\$186 million	Invenergy Wind	June 2009
Heartland Wind	Two wind power projects in US	Term Loan	US\$343 million	Florida Power & Light Co	May 2009
Milford I Wind	Wind power project in Milford, UT	Term Loan	US\$376 million	First Wind Holdings	April 2009

Pricing typically $\text{Libor} + 275$ to 325 bps with tenor of 5 to 7 years