An Overview of Wind Project Equity

Jeff Wright
Midwest Wind Finance

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Midwest Wind Finance is a specialty finance firm for community-scale wind projects

Our roots are in rural-based lending

We offer comprehensive financial solutions
- Equity
- Debt
- Turbine bridge financing
Wind Project Equity

Who owns the project?
Who provides the money?
Variety of Structures Possible

The appropriate structure depends on:

- Developer financial strength
- Developer tax appetite
- Developer interest in long-term stake
- Strength of the project
Wind Projects Have Two Sources of Financial Benefit

Tax
  Production Tax Credit (PTC)
  Tax loss including accelerated depreciation

Project cash flow
Debt Leverage

Unlevered
   Creates lower IRR to Equity Player
   More control

Levered
   Creates IRR to Equity Player
   Less control – bank in first position
   Leverage amount constrained by debt coverage ratio

Note: We aim for a minimum IRR hurdle rate of 7.5% - 8.5% after tax
Our Typical Model

Bring in outside equity player(s) with a tax appetite.
Leverage with debt
Flip after 10-13 years

Note: MWF does NOT take an ownership position in the project. We make our money with a flat fee from the financial institutions for arranging all of the financing.
MWF Model

0 yr
1% ownership for Developer
99% ownership for Equity Investor

10 yrs
90-95% ownership for Developer
5-10% ownership for Equity Investor

20 yrs

Evaluating a Project for Financing

Many interrelated factors to consider:

- Capacity factor
- PPA
- REC
- Project cost
- Debt amount
- Debt term
- Debt interest rate
# Dave’s Wind Farm

20 MW

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Capacity Factor</td>
<td>39%</td>
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<tr>
<td>PPA Rate</td>
<td>$.065</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>$38,000,000</td>
</tr>
<tr>
<td>Equity Percentage</td>
<td>55%</td>
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<tr>
<td>Debt Percentage</td>
<td>45%</td>
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<tr>
<td>Debt term</td>
<td>10 years</td>
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<tr>
<td>Debt rate</td>
<td>8%</td>
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<tr>
<td>Debt Coverage Ratio</td>
<td>1.4</td>
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<tr>
<td>IRR after tax year 10</td>
<td>8.64%</td>
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</tbody>
</table>
Dave’s Wind Farm

20 MW

Capacity Factor: 37%
PPA Rate: $0.065
Total Project Cost: $38,000,000
Equity Percentage: 55%
Debt Percentage: 45%
Debt term: 10 years
Debt rate: 8%

Debt Coverage Ratio: 1.3
IRR after tax year 10: 6.47%
# Dave’s Wind Farm

20 MW

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<th>Parameter</th>
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<tr>
<td>Capacity Factor</td>
<td>37%</td>
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<tr>
<td>PPA Rate</td>
<td>$0.065</td>
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<tr>
<td>Total Project Cost</td>
<td>$40,000,000</td>
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<tr>
<td>Equity Percentage</td>
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<td>Debt Percentage</td>
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<tr>
<td>Debt Coverage Ratio</td>
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<tr>
<td>IRR after tax year 10</td>
<td>4.60%</td>
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</table>
Dave’s Wind Farm

20 MW

Capacity Factor 37%
PPA Rate $.065
Total Project Cost $40,000,000
Equity Percentage 55%
Debt Percentage 45%
Debt term 11 years
Debt rate 8%

Debt Coverage Ratio 1.3
IRR after tax year 10 6.40%
Dave’s Wind Farm

20 MW

Capacity Factor 37%
PPA Rate $.065
Total Project Cost $40,000,000
Equity Percentage 50%
Debt Percentage 50%
Debt term 11 years
Debt rate 8%

Debt Coverage Ratio 1.2
IRR after tax year 10 7.68%
Dave’s Wind Farm

20 MW

Capacity Factor 37%
PPA Rate $0.065
Total Project Cost $40,000,000
Equity Percentage 50%
Debt Percentage 50%
Debt term 11 years
Debt rate 7.5%

Debt Coverage Ratio 1.3

IRR after tax year 10 8.10%
Benefits of Engaging a Financing Firm Early in the Development Process

Financing firm can assist and advise on development issues

Helps with grant opportunities and PPA negotiations

Aids in the procurement of turbines

Facilitates lining up financial partners well ahead of construction time
Thank you

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