

Project Finance: The Tutorial

February 4-6, 2009
New York, NY

Wednesday, February 4, 2009

8:00-Noon

Pre-conference Workshop:

***Project Finance:
Definitions, Principals and the Integrated Structure
A 1/2 day Primer***

PRESENTER: **Richard Grant**, *Managing Director*, SEXTANT CAPITAL STRATEGIES LLC

Noon-1:00 pm Conference registration

1:00 - 1:15

Welcome & Introduction from the Chairman

Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

Risk Identification and Project Structure

1:15- 2:00

The Fundamentals of Project Finance

PRESENTER: Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

Mr. Barajas's presentation will explain the critical advantages of project finance that have made this technique so widely used by the sponsors of capital-intensive projects. He will show how contractually stable guaranteed cash can be used in place of collateral for project loans. He will identify the main types of project risk—market price risk, market access risk, technical risk, construction risk, completion risk, performance risk, operations risk, feedstock price risk, and feedstock availability risk, among others—and how these risks can be contractually allocated to the various parties associated with a project financing. These can include investors, developers, offtake purchasers, EPC contractors, consulting engineers, lenders, multilateral institutions, export credit agencies and others. This will provide an intellectual framework for the next section, where you will hear from a series of project participants on their roles and how they either assume or mitigate a variety of risks.

2:00-2:45 **The Contractor's Perspective on Construction, Completion and Performance Risk**

PRESENTER: **David Williams**, *Director, Sales, Power Business Line*,
FLUOR CORPORATION

This presentation will outline the role of the Engineering, Procurement, and Construction (EPC) Contractor in a project financing. Current market conditions and dynamics will be analyzed, and the effects these changes are having on project development and financing. There will be discussion on risk identification, quantification, and allocation to the responsible party, and how to deal with uncertainties facing contractors, developers, and financiers in today's market. The presentation will also discuss the contractor's perspective on using the EPC contractor as a source of equity, and the process for selecting the EPC Contractor and reaching contract closure.

2:45 - 3:15 Coffee Break

3:15 - 4:00 **The Due Diligence Process: The Role of the Independent Engineer in Project Financings**

PRESENTER: **Hope Hartley Chase**, *Executive Consultant*, STONE & WEBSTER
MANAGEMENT CONSULTANTS, INC.

This presentation will explain how independent engineers are used in project financings to evaluate and mitigate technical and other risks in project financings. Mrs. Chase will explain the key technical questions that participants (and especially lenders) must understand and discuss the role of independent engineers in two special circumstances: after the close of project financing and when transactions involve the acquisition of existing facilities.

4:00 - 4:45 **Environmental Review Process**

PRESENTER: **Philip Karmel**, *Partner*, BRIAN CAVE LLP

This presentation will discuss key environmental issues encountered during financing of new power projects and during acquisition of existing facilities. This will include permits and approvals, compliant environmental design, site issues, compliance issues for operating power plants, and other future issues. The presentation will primarily discuss domestic power plants with some comment on foreign projects, and will explore technical detail during the question period.

4:45 - 5:30 **Role of Credit Ratings in Project Financed Transactions**

PRESENTER: **Terry Pratt**, *Director*, *Standard & Poor's U.S. Utilities, Energy & Project Finance*, STANDARD & POOR'S

This presentation will provide an understanding of the key rating factors used by debt rating agencies. She will discuss how emerging market and country risks are incorporated into project rating, how credit-enhancing structures can mitigate risk, the impact of credit rating on project funding, and how to balance risk and rewards while satisfying investor needs and wants. The prospective impacts of carbon limits and regulation on credit ratings and valuations of power companies will also be touched on.

Thursday, February 5, 2009:

8:30 – 8:45 Welcome & Introduction to Day Two
Dino Barajas, *Partner*, MORGAN LEWIS & BOCKIUS LLP

Matching Financial Products to Project Parameters

8:45- 9:30 **Role of Private Equity**

PRESENTER: **Jerome Rosenshine**, *Transaction Counsel, North America Infrastructure Group*, BABCOCK & BROWN

This presentation will discuss the role of private equity, including why equity funds are interested in financing renewable projects, which equity funds are currently involved in what projects, which funds are projected to become involved, and which sectors are of most interest to equity funds. Also discussed will be the growing role of environmental commodity markets and carbon trading.

9:30-10:15 **Role of Insurance Products & Institutional Investors in Project Financings**

PRESENTER: **Bob Percopo**, *Senior Vice President, Investments*, AIG GLOBAL ENERGY

This presentation will discuss the role of insurers in mitigating project risks including political risk, market risk, and operational risk. It will also discuss insurers' role in technical risk analysis and as fund providers.

10:15-10:45 Refreshment break

10:45-11:30 **Loan Requirements & Today's Lending Environment**

PRESENTERS: **Ashok Gupta**, *Senior Vice President*, MIZUHU CORPORATE BANK LTD.

This presentation will explain how lenders (both commercial banks and other institutional investors) evaluate project financings that are seeking credit, and will detail what levels of risk relative to project cash flows are currently financeable in today's market. It will also discuss some credit enhancement mechanisms that have proven particularly effective at making up any shortfalls in a project's creditworthiness.

11:30-12:30 Panel Discussion:
Perspectives on Today's Capital and Loan Markets for Project Financings

PANELISTS:

CheeMee Hu, *Senior Vice President, Project and Infrastructure Finance Ratings Group*, MOODY'S INVESTOR SERVICE, MUNICIPAL RATINGS.

Roshan Kansagara, *Associate*, BARCLAY'S CAPITAL

Franklyn Austin, *Senior Environmental Consultant*, THE SHAW GROUP

This panel will examine the current status of financial markets, and how it will likely affect project structuring and finance in 2008.

12:30 - 2:00 Group Luncheon

Case Studies

Three Case Studies will conclude the Tutorial, providing detailed insight into the real-world challenges faced by developers.

2:00 - 2:45 PM **Project Financing Case Study: Financing Considerations for Wind Projects**

PRESENTER: **Vihang Dholakia**, *Senior Vice President*, GE ENERGY FINANCIAL SERVICES

2:45 - 3:15 PM Coffee break

3:15 – 4:00 PM **International Project Financing Case Study**

PRESENTER: **Craig O'Connor**, *Director Office of Renewable Energy and Environmental Exports*, EXPORT-IMPORT BANK OF THE UNITED STATES

4:00 – 4:45 PM **Project Financing Case Study: Infrastructure Project Financing**

PRESENTER: **Raymond Henger**, *Managing Director*, CREDIT SUISSE ENERGY GROUP

Friday, February 6, 2009:

Post-conference Tutorial
Renewable Power Project Finance

8:30-9:30 **Renewable Project Business Models: Deal Structures and Economics and Overview of Renewable Energy Project Financing**

PRESENTERS: **Mohammed Alam**, *President*, ALYRA RENEWABLE ENERGY
and **Stephen Krebs**, *Partner*, BAKER BOTTS LLP

As renewable energy developments see exponential growth, project financing races to keep pace. This presentation will explore a range of issues that can impact upon the viability of a project's financing, including: general costs and economics, debt vs. equity financing, capitalizing upon governmental incentives and creating a sound legal structure of contracts for your financing.

The presentation will also introduce attendees on to how renewable projects work as businesses and produce cash. It will provide sample project pro formas for wind and solar projects, with the goal of illustrating the key revenues and costs of each type of project. It will also spell out the chief renewable project risk factors and how they can be mitigated.

9:30-10:15 **Panel Presentation: Assessing Technical, Construction and Operational Risk Factors for Renewable Energy Projects**

Independent engineers for wind, solar and biomass projects will identify the corresponding risk factors for each type of project, and address strategies and guidelines for minimizing these risks.

Wind: **David Patton**, *Principal and Vice President*, R.W. BECK
Solar: **Jeffrey Perlman**, *President*, BRIGHT POWER
Biomass: **Thomas Suffield**, *Principal*, CEDARS CAPITAL

10:15-10:45 Coffee Break

Enhancing Revenue Streams for Renewable Energy Projects

10:45-11:30 **Monetizing “Environmental Attributes”—Using “Green Tags,” RECs and RPS to Improve Project Viability**

PRESENTER: **David South**, *President*, TECHNOLOGY & MARKETING SOLUTIONS

This presentation will discuss what environmental attributes are, how they differ state-by-state, and their important role in renewable project finance. It will also

discuss the strategies that are available to monetize them as part of a project's income stream.

11:30-12:15 Structuring Projects to Efficiently Use Tax Credits in Financing Projects

PRESENTER: Joel Spenadel, *Executive Director, Energy Investments, JP MORGAN CAPITAL CORP.*

Guidelines for properly measuring the economic benefits of renewables will be presented. Two structures to monetize wind power project tax benefits will be compared, as well as two structures to monetize biomass power project tax benefits. The presentation will also evaluate other factors besides economics that affect decisions in the real world to finance renewable projects.

12:15-1:45 Group Luncheon

Risk Identification and Allocation in Renewable Energy

1:45 – 2:30 Special Issues in Renewable Project Non-Financial Contracts

PRESENTER: William Holmes, *Member, STOEL RIVES LLP*

This presentation will explore these similarities and difference from a conventional project financing, illustrating the special concerns with structuring a renewable energy project.

- Construction and warranty issues—getting the project built, operating and guaranteed
- Technology advancements—issues in scale up and technology advances
- Operation—where have the problems been?
- Transmission interconnection issues for renewable projects

2:30-3:00 Refreshment break

3:00 – 3:45 Dealing with Equipment Supply Constraints

PRESENTER: Derek Stillwell, *Business Development Manager, VESTAS-AMERICAN WIND TECHNOLOGY*

This presentation discuss ways to mitigate equipment supply and logistics risks, including:

- Four T's: Towers, Transport, Technical and Transfer
- Grid interconnect requirements
- Four P's Performance, Price, Parts and Planning
- Erection, Completion and Commissioning
- Four S's: Site, Scheduling, Shipping, Service

- Sourcing and Delivery
- Four C's: Contracting, Construction Calibration and Controls
- Insurance, Warranties and Risk Management

3:45-4:30 **Synthetic PPAs and Other Hedging Strategies in Renewable Project Finance**

PRESENTER: **Adam Umanoff**, *Partner*, CHADBOURNE & PARKE LLP

Synthetic PPAs are increasingly being used in many markets in lieu of traditional power purchase agreements. This presentation will examine the use of both these and other hedging strategies in financing projects:

- Risk reduction strategies for renewable and traditional energy projects
- Costs and time span of hedges
- Lender and intercreditor issues in arranging project hedges
- Impacts on project financeability and economics
- Using hedging strategies to control fuel and other risks