

# Nebraska Wind Power 2010

## WIND FINANCING: “The Dance Continues . . .”

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# Overview

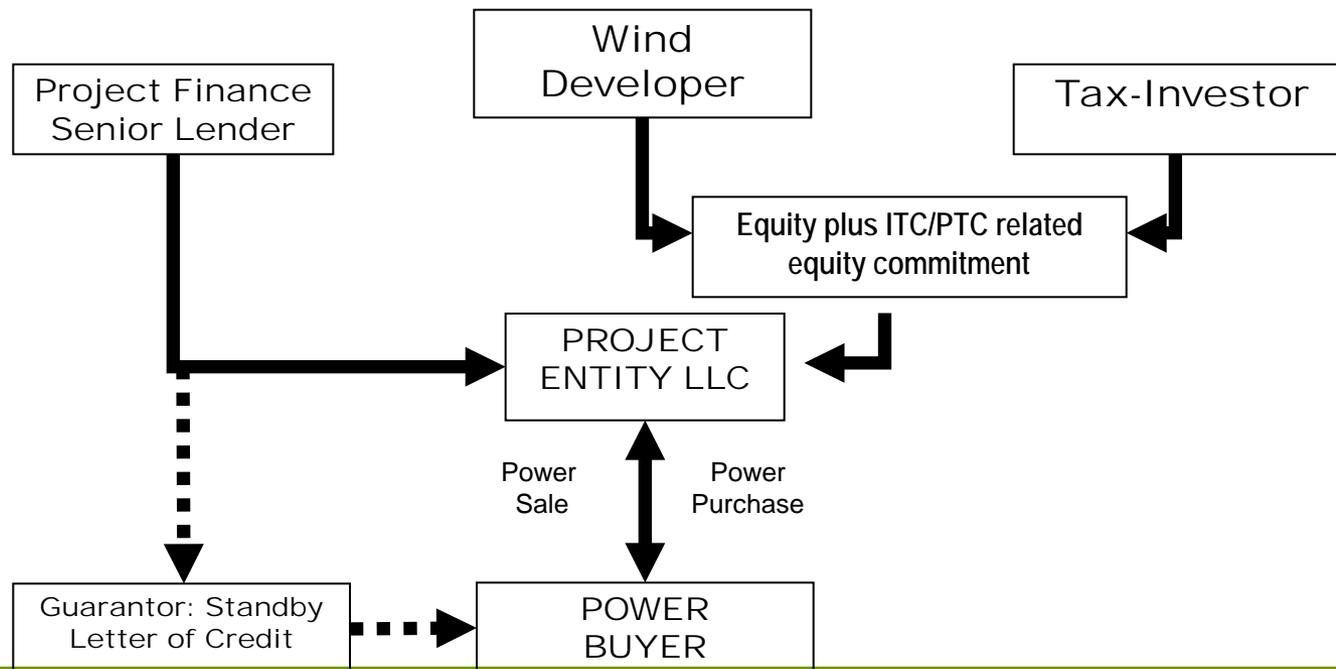
## Why Financing Wind Projects is Difficult

- Complex Structures
- Traditional sources vs. tax investors
- Development Steps/Time to Reach Project Certainty
- Project Finance vs Traditional

# Wind Project Structures

## Are Complex-

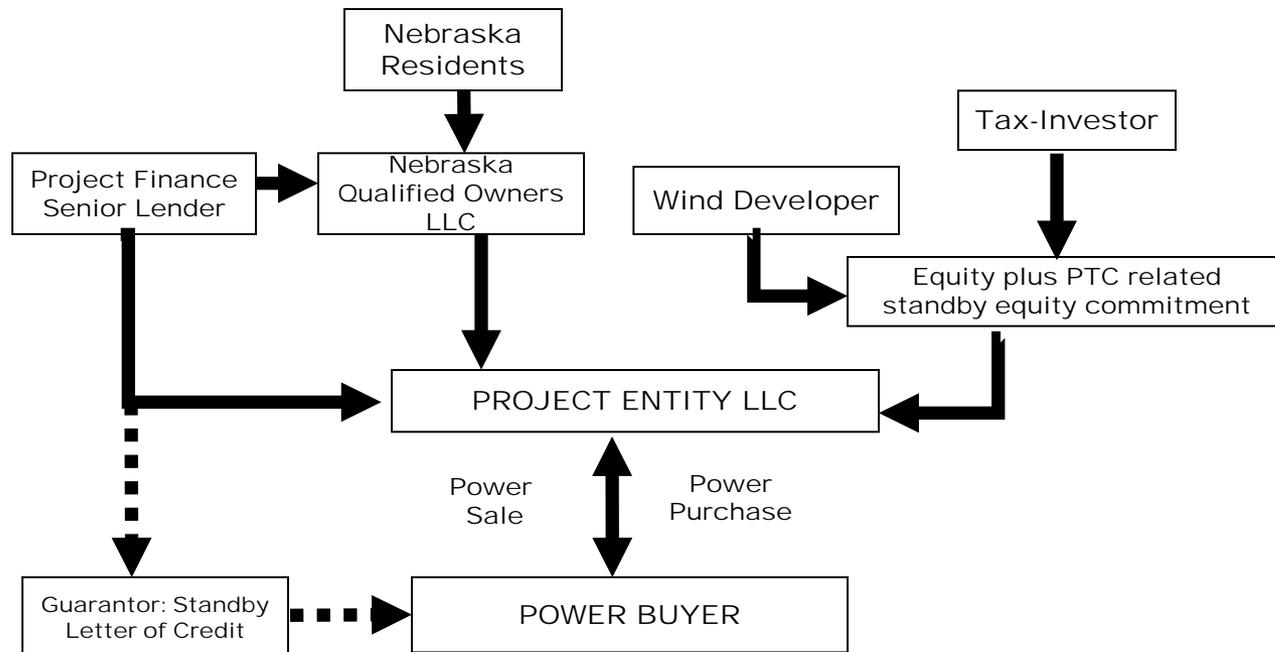
- Typical Structure Combines Debt/Equity
- Ownership Includes Developer & Tax Equity



# C-BED Structures

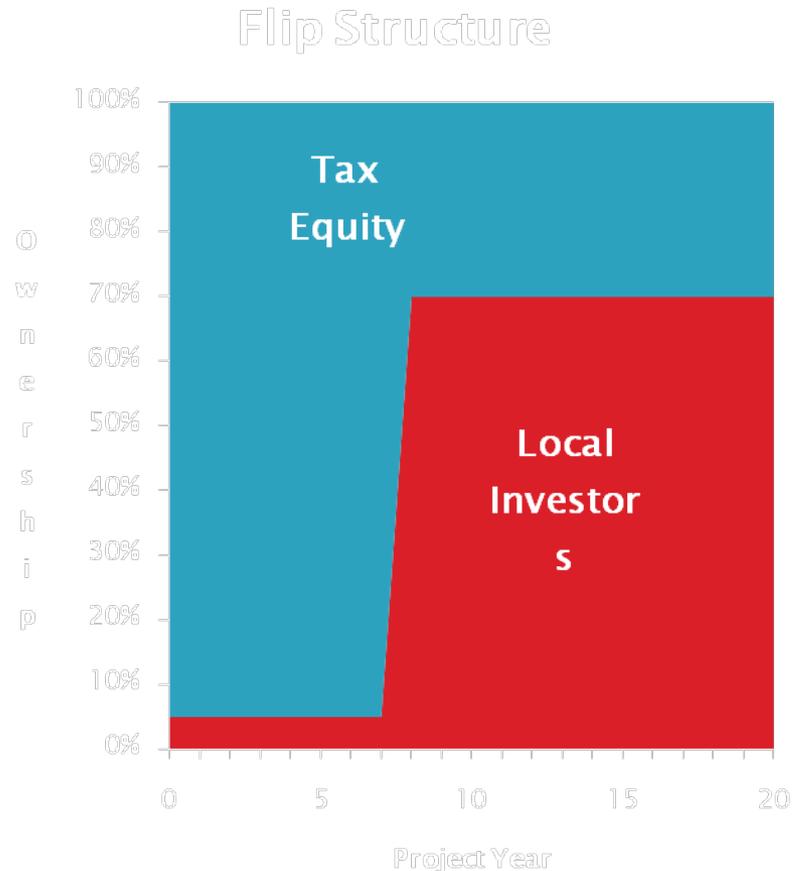
## Add additional complexity-

- Requires Nebraska Residents as Qualified Owners
- Assumes Tax Equity Investor treated as debt



# Financing Structures

- Traditional Ownership
- Flip Model
  - Change in Ownership at certain thresholds
    - Time
    - Return
  - Special Allocation of Depreciation



# 3 Key Development Buckets to Approach “Project Certainty”

## **Wind Resource:**

- Perform Research
- Install MET Data
- Validate Data
- Obtain Independent Analysis
- Reserve Turbines

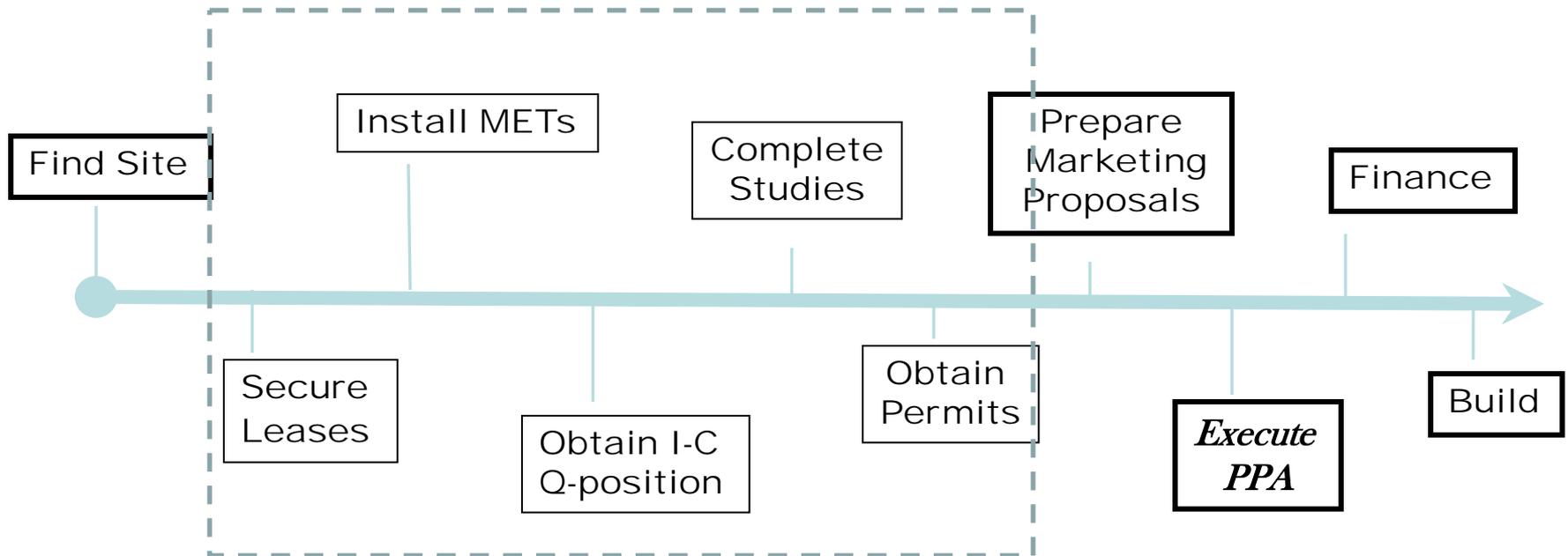
## **Land:**

- Secure Lease Rights
- Complete Environ. Studies
- Community Outreach
- Obtain Federal, State, Local Permits

## **Transmission/Market:**

- Transmission-line Ownership & ISO process
- Complete Interconnection Studies
- Obtain ROW to Point of Interconnection

# Project Timeline Toward PPA



# Project Financing vs. Balance Sheet Financing

- **Project Financing**
  - Non-recourse financing
  - Backed only by project assets and revenues
- **Corporate/Balance Sheet Financing**
  - Full recourse financing
  - Backed by balance sheet of sponsor with substantial financial resources

# Elements of Project Financing

- Assets have market value well below the financed amount
- Lenders look to future cash flows as security
- Project documents are critical
- Complete and thorough diligence on all project documents and risks

# So is wind like ethanol?

- Inverse risk structure of ethanol (development vs operations)
  - Construction doesn't start until
    - Power is sold under a long-term agreement
    - Transmission is arranged for life of project
    - Financing is committed
  - No commodity price risk
    - Only input is wind
    - Long-term agreement (20 Year Power Purchase Agreements)

# Questions?

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