





Financing Fuel Cell Projects

Creating a Bankable Transaction

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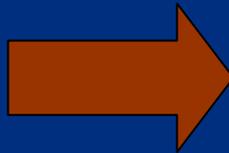
GovEnergy
www.govenergy.gov



Why Fuel Cells

Market Applications

Stationary /
Distributed
Power



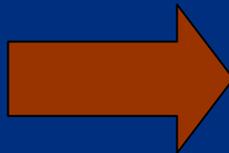
Backup Power
Remote Power
Premium Power
Residential / Commercial
& Industrial Power



Why Fuel Cells

Market Drivers

Stationary /
Distributed
Power

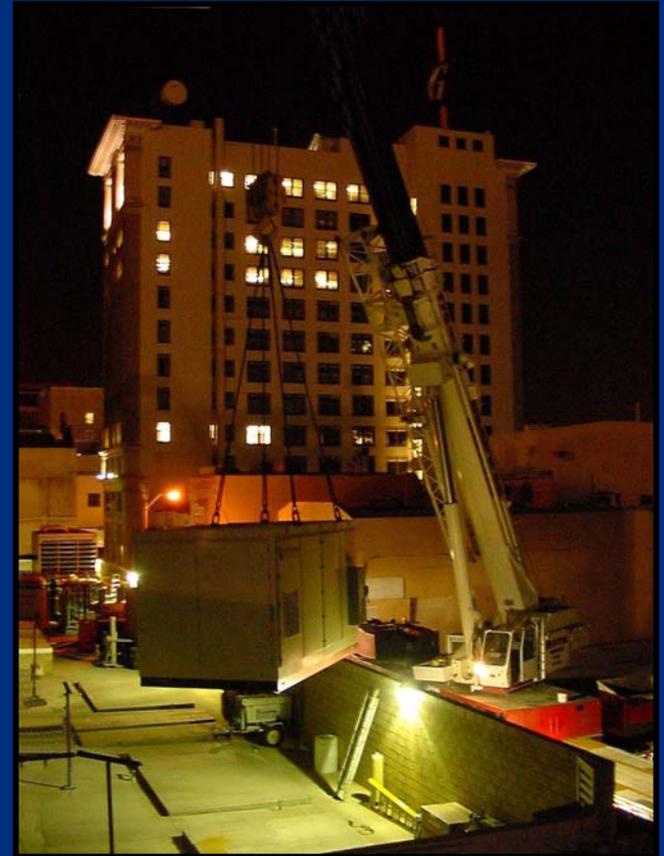


Ultra-Clean Energy and Security
Increasing Need for Reliability
Modular Need / Flexibility of Design
Shift to Distributed Alternatives
Increasing Need for Power Quality
Industry Deregulation
GHG Abatement



Project Scenario

- Energy Services Company ("ESCO") reaches agreement with Fed Gov to install fuel cell project (the "Project"), which will be funded through energy savings and with other Clean Tech incentives.





The Project Goals

- Provide advanced clean technology energy services to the Project;
- Structure the Project so that it is “Bankable” with third party lenders;
- Avoid the need for ESCO capital infusion into the Project;
- Avoid ESCO long-term debt guaranty that negatively impacts ESCO balance sheet.



What is "Bankable"

- A "*Bankable*" transaction is one in which a third party with objectively determinable financial creditworthiness, not the ESCO, fully stands behind the financial obligations associated with the long-term financing of the Project.



Why is "Bankability" Important

- Doesn't tie up the capital or borrowing power of the ESCO;
- Doesn't increase the liabilities found on ESCO balance sheet;
- Generally, certain ESCO's do not have the financial capacity to otherwise be independently bankable;
- Converts a venture capital project wherein higher returns on invested/guaranteed capital are required, into a *Bankable* project justifying lower routine interest rates on commercial debt.



Examples of non-Bankable Provisions

- ESCO will invoice customer for energy savings realized as a result of the installation of the equipment."
- Finance Agreement bundled with Installation and Services Agreement.
- Provides for a right to invoice, but not an obligation to pay.
- "The Customer shall pay for the Services in accordance with the manner set forth in Article 2 in accordance with the payment schedule contained in Schedule C as modified by the Baseline Conditions defined in Schedule D and as modified by any utility rate changes defined in Schedule A."



A Bankable Agreement

- Free-standing commercial agreement with "hell or high water" payment clause...unconditional guaranty of payment;
- Definitive provision stating that payment obligations are free from defense to payment, counterclaim or offset right;
- Separate Energy Services Contract wherein ESCO provides assurance as to operational and maintenance issues.

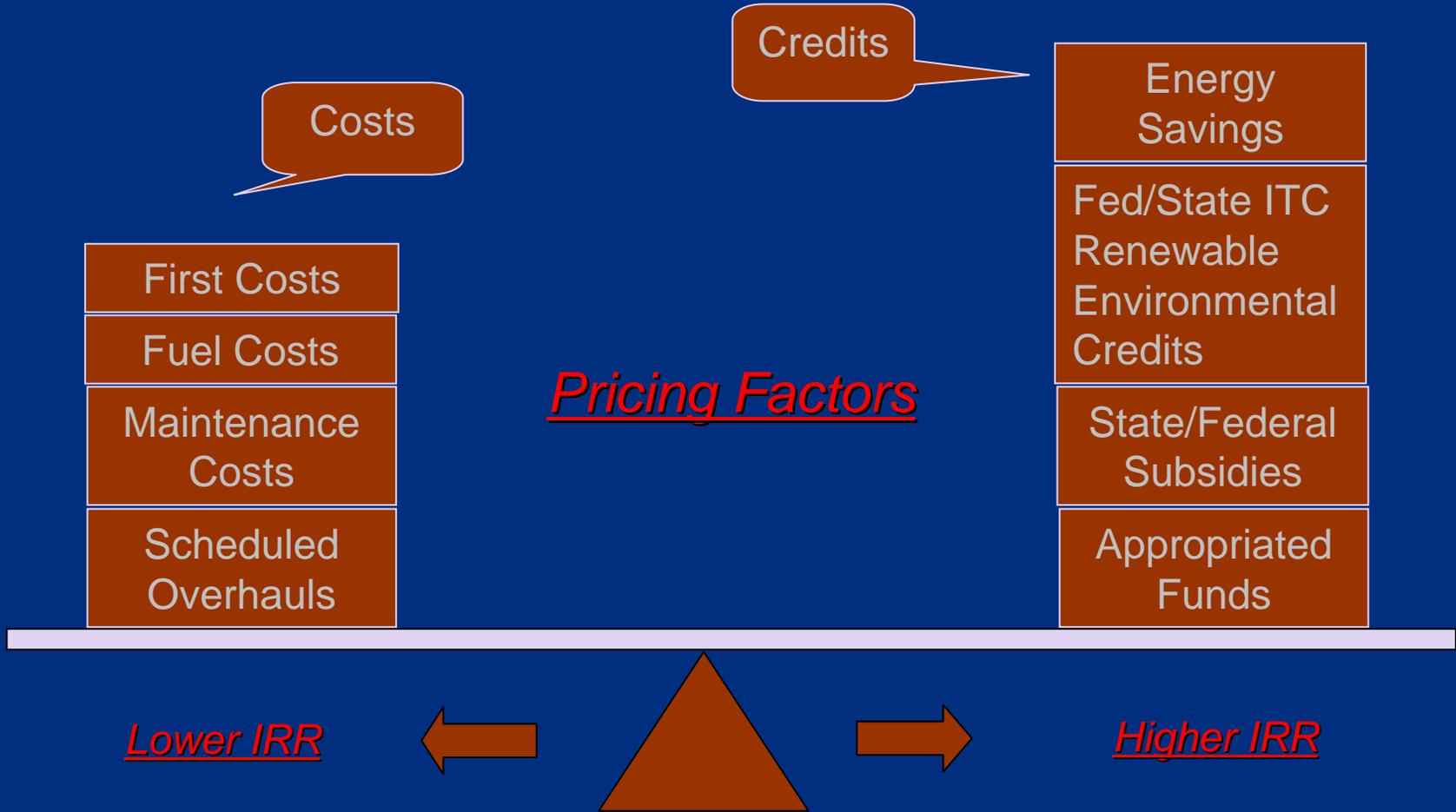


Testing Transaction for ITC Qualification

- Fuel cell asset must be a qualifying property in a qualifying transaction under IRS regulations;
- Contractor must retain ownership of fuel cell asset;
- Transaction with Fed Gov must be in form of service agreement with contractor providing CHP services...i.e. PPA, ESCO Contract;
- Minimum 5 year term from “Placed in Service” date.



Financial Underpinnings of the Deal





Presentation Summary

- FUEL CELL POWER PLANTS...COMMERCIAL PRODUCTS TODAY!
- WITH COST EFFECTIVE CLEAN ENERGY SOLUTIONS FOR MYRIAD ENERGY REQUIREMENTS.
- FED GOV IS HISTORIC FC MARKET...APPROPRIATED FUNDS.
- TO ACCELERATE WIDESPREAD FED GOV FC ADOPTION, USE BANKABLE CONTRACTS TO OUTSOURCE PROJECT CAPITAL REQUIREMENTS...OPM
- LEVERAGE ESCO FUNDING SOLUTIONS THAT MAY INCORPORATE STATE INCENTIVES...
- BUT ALSO ITC EQUITY FINANCING TO EXPAND FC MARKETS BEYOND THE FEW STATES OFFERING INCENTIVES.



Thank You



LOGANEnergy

The power of fuel cells.