

ROUNDTABLE ON DEPLOYING ADVANCED CLEAN COAL PLANTS

ADVANCED COAL GENERATION TECHNOLOGIES: OPTIONS FOR FINANCIAL INCENTIVES

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OVERVIEW

- Financing Options
- Cost and Risk Factors
- Efficacy of Financing Options
- Credit Support: Key Issues
- Back-up Performance Guarantee

FINANCING OPTIONS

- DOE Cost-share
- Interest Subsidy
- Production Payment
- Credit Support
 - Loan Guarantee
 - Direct Loan
 - Line of Credit
- Price Supports
- Back-up Performance Guarantee
- Tax Incentives
 - Investment tax credit
 - Production tax credit
 - Tax-exempt financing
 - Other
- Utility Rate Incentives
- 3P Covenant

COST AND RISK FACTORS

- Cost Factors
 - Capital Costs
 - Operating Costs
- Risk Factors
 - Cost Overrun Risks
 - Completion Risks
 - Technology Risks
 - Market Risks
 - Credit Risks
 - Regulatory Risks

EFFICACY OF FINANCING OPTIONS

Financing Options	COST AND RISK FACTORS							
	<u>Cost Factors</u>		<u>Risk Factors</u>					
	Capital	Operating	Cost Overrun	Completion	Technology	Market	Credit	Regulatory
DOE Cost-Share	X							
Interest subsidy	X							
Production Payment		X						
Credit Support								
▪ Recourse	X						X	
▪ Non-Recourse	X	X	X	X	X	X	X	
Price Supports						X		

EFFICACY OF FINANCING OPTIONS (cont'd)

Financing Options	COST AND RISK FACTORS							
	<u>Cost Factors</u>		<u>Risk Factors</u>					
	Capital	Operating	Cost Overrun	Completion	Technology	Market	Credit	Regulatory
Tax Incentives								
▪ Investment tax credit	X							
▪ Production tax credit		X						
▪ Tax-exempt financing	X							
Utility Rate Incentives	X							X
3P Covenant	X		X	X	X	X	X	X
Back-up Performance Guarantee		X			X			

CREDIT SUPPORT: KEY QUESTIONS FOR LOAN GUARANTEES, DIRECT LOANS AND LINES OF CREDIT

- Recourse v. Non-recourse
- % of Project Cost
- % of Loan, if a Guarantee
- U.S. Rights if Default
- Extent of Risks Borne by U.S.
- Relationship to Other Risk-Bearing Parties
- Scoring (credit risk)
- Guarantee Fee
- Intellectual Property Issues
- Usefulness:
 - Public Power
 - Coops
 - Public Companies

BACK-UP PERFORMANCE GUARANTEE

Concept:

U.S. assumes a portion of “technology risk” – *i.e.*, the risk that generating unit will not meet specified levels for efficiency, emissions or availability

Elements of Guarantee:

- Vendor or EPC must warrant heat rate, emission rate, and availability.
- U.S. provides supplemental financial back-up to vendor/EPC warranty that provides higher liquidated damage limits and coverage of post-acceptance performance.
- Requires limitation on financial exposure of Federal government.