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FINANCING WIND POWER PROJECTS

December 3-5, 2003 • Metropolitan Hotel • New York, NY

Featuring Experts from:

AEP Energy Services, Inc.
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Fortis Capital Corp.
FPL Energy, LLC
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Garrad Hassan America, Inc.
Global Energy Concepts, LLC
Marsh USA, Inc.
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McCloy LLP
Probyn & Company, Inc.
Rabobank International
R.W. Beck, Inc.
SSESSCO Inc.
Standard & Poor's

- Structuring Wind Power Developments—
Assessing and Allocating On-Shore and
Off-Shore Project Risks
- Assessing Technical and Wind Risk
- Institutional Investors, Ratings Agencies
& Non-Traditional Equity
- How Federal and State Incentives Affect
Wind Project Feasibility
- Case Studies and Lessons Learned in
Wind Power Developments

Plus, don't miss our pre-conference workshop!

**“DEALING WITH CONTRACTUAL
ISSUES FOR WIND PROJECTS”**

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Dear Colleagues:

The wind energy industry has enjoyed a year of reasonable growth in 2003 as new projects have been built in anticipation of the production tax credit expiration date on January 1, 2004. Wind energy projects are now in development throughout the country and on track to being a dominant form of renewable energy. The significant challenge for wind energy projects—indeed all renewable energy projects—is the availability of development financing, construction and long term debt and long term equity capital. Projections of a 30,000 MW wind energy portfolio in the United States (which would be less than five percent of installed capacity, but well ahead of today's 6,000 MW of installed wind energy capacity) are entirely dependent upon the money necessary to develop and build those projects.

***Financing Wind Power Projects** has been designed to provide large and small developers and financiers with the insights gained by many of the leading wind power project developers, financiers, and technical experts from around the world. They will discuss in depth, including through several case studies, the market and terms for development financing, debt and equity. They will also explore the technical, insurance, tax and other issues that are affecting the availability of capability in this resurgent industry. We have designed this conference to be the definitive program in the current market for financing of wind energy projects.*

*Join us at **Financing Wind Power Projects** in New York on December 3-5, 2003.
Register today!*

We look forward to seeing you in New York on December 3-5, 2003.

Sincerely,

Ed Feo

*Partner,
Milbank, Tweed, Hadley & McCloy LLP*

**P.S. Attend the pre-conference workshop on
“DEALING WITH CONTRACTUAL
ISSUES FOR WIND PROJECTS”
to learn how to set up contracts to create an
advantageous structure for your project!**

Pre-Conference Workshop

Wednesday, December 3, 2003 • 1:00-5:00 pm

Dealing with Contractual Issues for Wind Projects

Presented by:

Robert N. Freedman, *Senior Associate*,
MILBANK, TWEED, HADLEY & MCCLOY LLP

Andrew Garrad, *Director*,
GARRAD HASSAN AMERICA, INC.

Wayne Song, *Associate*,
MILBANK, TWEED, HADLEY & MCCLOY LLP

Like any power project development, wind farms stand on a structure of financial and project contracts and other documents. This workshop will review the various types of contracts, and show how they should be set up to create an advantageous structure for your project.

- ◆ Financing Documents versus Project Documents
 - Interrelationships
 - Negotiating Lender-Friendly Terms
- ◆ Typical Project Documents
 - Power Purchase Agreement
 - Construction Contract
 - Warranty Agreement
 - O&M Agreement
 - Interconnection Agreement
 - Real Property Entitlements
- ◆ Project Documents and Risk Allocation

Kudos from our last Financing Wind Power Projects event:

“Well put together schedule of speakers. Dynamic and interesting presentations.”

Rob Nicholson,
MACQUARIE, HALL & CO.

“Excellent organization.”

Ajay Gupta,
UNIVERSITY OF MICHIGAN-BUSINESS SCHOOL

“Was a good networking and educational event/opportunity for bringing new people into a growing industry. High quality speakers.”

Michael Kujawa,
ENERGY JOURNAL

“I thought it was an excellent conference overall and was very informative, as well as well run.”

Hiram Powell,
Vice President,
WESTWIND

“Very good speakers, nice pacing. This conference was exceptional.”

Patrick Barry,
Associate Utility Financial Analyst,
NY STATE PUBLIC SERVICE COMMISSION

Attend the Networking Event of the Year!

Companies at our previous Financing Wind Power Projects Conference include...

3 Phases Energy Advanced Renewables LLC Ahmad Houshmand & Associates Air Products and Chemicals, Inc. Altera Power Systems Inc. ANZ Investment Bank Arnold & Porter Baker Botts BC Hydro BNP Paribas Capstar Partners Caithness Cielo Wind Power Clipper Windpower, Inc. ComEd Credit Agricole Indosuez	Dexia DMI Industries EIF Group Energy & Environmental Engineering Energy & Environmental Research Center Energy Northwest ENERTAD/Tad Metals Inc. Enxco Foresight Energy Fortis Capital FPC Services, Inc. FPL Energy, LLC GE Wind Energy Generation Resources Holding Co. Global Corporation, LLC Global Finance Corporation	Global Renewable Energy Partners, Inc. Hogan & Hartson LLP ITOCHU Corporation Jawbone Energy Kaye Scholer LLP King & Spalding LLP LG&E Power Inc LM Glas Fiber Logan Capital Corporation Manitoba Hydro McCarthy Tetrault Meridian Energy Corporation Meridian Investments, Inc. Milbank Tweed Hadley & McCloy LLP National Renewable Energy Laboratory	Naval Facilities Engineering Service Center New Mexico Energy Nordea Bank Nyemaster Law Firm Oklahoma Municipal Power Authority O'Melveny & Myers LLP Oxbow Power Corporation PacifiCorp Power Marketing, Inc. Platts Research & Consulting Prepa-Government Prometheus Energy PSEG Power RBC Capital Markets Reunion Power	Ridgeline Energy Rosendin Electric Inc. Sempra Energy Resources Shell Wind Energy, Inc. Société Generale Sterling Energy Terranova Energy Corp. The CIT Group TVI Group USDA-Rural Utilities Service Valmont Wind Energy Vestas-American Wind Technology Whitney & Co., LLC Wintec Energy Ltd. Zilkha Renewable Energy
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Thursday, December 4, 2003

ADMINISTRATIVE ANNOUNCEMENTS AND OPENING REMARKS BY THE CONFERENCE CHAIRMAN

Ed Feo, Partner,
MILBANK, TWEED, HADLEY & MCCLOY LLP

STRUCTURING WIND POWER PROJECT DEVELOPMENTS AND FINANCE

OVERVIEW OF FINANCING WIND POWER PROJECTS: DEVELOPMENTS IN 2003

Ed Feo, Partner,
MILBANK, TWEED, HADLEY & MCCLOY LLP

Shane Bush, Director & Head, Renewable Energy,
ANZ INVESTMENT BANK

The expiration of the federal production tax credit at the end of 2003, and a growing number of state programs providing incentives and contracts for wind energy projects, led to an active financing market in 2003. European financial institutions again dominated the bank market, while Canadian insurers reentered the market. This year also brought the first investment grade rated bond transaction for a wind energy portfolio. This presentation will review the state of the financing market, the hot issues of this year's deals.



EXAMINING A \$380 MILLION BOND FINANCING

David L. Giordano, Project Director, Development,
FPL ENERGY, LLC

In 2003, FPL Energy, LLC sponsored the first investment grade rated bond transaction for wind energy assets. The transaction is a milestone in the development of the capital markets for the wind energy industry. This presentation will review the background of the transaction, the negotiation process with the rating agencies and the challenges of closing the deal.

Morning Refreshment & Networking Break

A RATINGS AGENCY VIEW OF CREDIT RISKS IN WIND PROJECTS

Terry Pratt, Director, U.S. Utilities, Energy & Project Finance, STANDARD & POOR'S

As credit issues rise to the fore of project development, players are increasingly looking to rating agencies for their perspective. Mr. Pratt will explore specific rating issues surrounding the development of wind projects, including:

- A project finance analysis road map
- Technology and construction
- Wind resource assessments — are two years enough?
- Financial performance — at what confidence level?
- Portfolio effects on credit

THE MARKET FOR FINANCING FROM CANADIAN INSURANCE COMPANIES

Stephen Probyn, President and CEO,
PROBYN & COMPANY, INC.

Mr. Probyn will discuss the market for debt financing from Canadian life insurance companies. He will develop a case study of a transaction expected to close in the Fall of 2003, and will provide insights into the key deal issues for these important funding sources. Probyn & Company has been active as a financial advisor to Canadian insurance companies in the financing of wind energy assets in the United States and Canada since the late 1980's.

Group Luncheon



2003 BANK FINANCING TRANSACTIONS

Moderator:

Ed Feo, Partner,
MILBANK, TWEED, HADLEY & MCCLOY LLP

Panelists:

Shane Bush, Director & Head, Renewable Energy,
ANZ INVESTMENT BANK

Jay Godfrey, Director of Business Development,
AEP ENERGY SERVICES, INC.

Mark L. LaPonte, Vice President,
RABOBANK INTERNATIONAL

Hendrik J. Vroege, Managing Director,
FORTIS CAPITAL CORP.

Additional Panelists TBA

This year we have seen a resurgence of the bank debt market in the wind sector, with multiple projects being financed in the second and third quarters. We shall have case studies on 2003 transactions and a panel discussion among representatives from ANZ Investment Bank, Fortis Bank, Rabobank International and other lenders, and sponsors such as AEP Energy Services, Inc., discussing their deals from the third quarter, including key terms and the trends of the market.

LOOKING AT ON-SHORE VS. OFF-SHORE PROJECT RISKS

Charles C. Moore, Senior Vice President,
MARSH USA, INC.

Renewable energy, once aggressively solicited by insurers, fell into disfavor in the late nineties following years of poor loss records and small premiums. Over the past two years, the few remaining underwriters that participated in insuring wind units were able to restrict problematic coverage terms and get higher premiums. Premiums also rose commensurate with increased turbine prices, especially on the 3 MW and higher models and the off-shore wind units.

Even with underwriting concerns about new technology, the insurance market shows signs of softening for the proven on-shore units that are not located in high risk catastrophic zones. The off-shore market is expanding the number of players (underwriters) and is developing at a cautious pace. Capacity is restricted and premiums are anywhere from a factor of three to five times on-shore rates.

Afternoon Refreshment & Networking Break

Power Developments & Case Studies

DEALING WITH ENGINEERING AND SITING ISSUES IN WIND POWER PROJECT DEVELOPMENT

GRID INTERCONNECTION: ASSURING ACCESS TO MARKETS AND UTILITY COMPLIANCE

Francis Gaffney, Senior Director,
R.W. BECK, INC.

A key component of any successful wind power project is its accessibility to the grid. For wind power projects, access to the grid can be more problematic than for most other types of power projects. Siting a wind project for optimum wind conditions may mean a location that's relatively inaccessible to the grid. Multiple considerations need to be taken into account: technical, regulatory, and safety. This presentation will address the key transmission access issues that need to be factored into any successful wind power project, and lessons learned from actual wind power projects in various locations throughout the U.S.

Highlights will include:

- Technical considerations for interconnecting to the transmission system (e.g., voltage, stability, thermal limits)
- Market access, congestion and transmission rights
- Lessons learned from recent projects

REGULATORY ISSUES IN ARRANGING GRID ACCESS AND INTERCONNECTION AGREEMENTS

James Caldwell, Policy Director,
AMERICAN WIND ENERGY ASSOCIATION

One of the most important considerations in successfully developing any power project is arranging grid access and interconnection agreements. This is doubly important for an intermittent asset, such as a wind farm; and FERC is currently working not only on major revisions of pro forma tariffs, but also interconnection agreements. This presentation will compare and contrast how interconnection and transmission tariff issues are currently handled with how they are expected to be regulated after the release of the FERC Standard Market Design rulemaking.

- Comparing and contracting the treatment of intermittent resources, like wind, under FERC Order 888 Pro forma Tariff, vintage 1995, with what it will be under a FERC standard
- How the new interconnection process will work for resources like wind

SUMMARY OF THE DAY BY THE CONFERENCE CHAIR

Cocktail Reception

Friday, December 5, 2003

OPENING REMARKS BY THE CONFERENCE CHAIRMAN

Ed Feo, Partner,
MILBANK, TWEED, HADLEY & MCCLOY LLP

ASSESSING WIND AND TECHNOLOGY RISK IN WIND PROJECTS—OFF-SHORE VS. ON-SHORE RISK ASSESSMENT

Robert Z. Poore, President,
GLOBAL ENERGY CONCEPTS, LLC

Andrew Garrad, Director,
GARRAD HASSAN AMERICA, INC.

To develop a successful wind power project, it is often necessary to balance the reluctance of financial institutions to finance developments using advanced turbine technologies against the higher returns that are possible if more modern technologies are used. This presentation will utilize the results of fifteen years of experience in performing technical due diligence on wind projects to examine the effects of technology risk on project financing and success.

- Development and Future of Wind Turbine Technology—Lessons Learned from Technical Due Diligence in Project Financings
- The Historical Development and Future of Wind Turbine Technology
- Turbine Reliability
- Turbine Availability

Wind farm operators and project sponsors are concerned with wind speed variability on the economic viability of their turbines. While performing a wind and site characteristic study is essential to get financing for a wind power development, how these studies are run can have a drastic impact on the validity of the results. This presentation will review site characteristic and wind studies, and how the results compare with actual wind farm performance.

- Wind Resource Assessment/Site Characterization
- Energy Projections and Losses
- Operations and Maintenance Costs
- Construction Risks
- Operating Risks

DEVELOPMENTS IN WARRANTIES FOR WIND EQUIPMENT

Edward Kayukov, Attorney,
MILBANK, TWEED, HADLEY & MCCLOY LLP

The wind turbine industry has historically offered significant warranties on the performance of their equipment. These warranties have been an essential part of the development of the industry. As larger manufacturers become active in the industry, and as technological advances result in larger turbines, what are the trends in the warranties on the equipment?

Morning Refreshment & Networking Break

OPERATIONS AND MAINTENANCE EXPERIENCES AND WHAT THEY MEAN FOR THE FUTURE

Bernie Holst, US General Manager,
GARRAD HASSAN AMERICA, INC. (tentatively confirmed)

Although general operation and maintenance of a wind farm may not appear directly related to a project's financing, the potential impact of O&M costs on the financial viability of a project cannot be understated. In the past, some deals that looked really good on the surface were deeply damaged by O&M problems down the road. Mr. Holst has been intimately involved in the construction, operation and maintenance of a large fleet of turbines for

the past twenty years. He will provide insights into the relationship between O&M and project financing and explore the following issues:

- Typical O&M agreements
- Interaction between maintenance and warranty work
- Distinction between O&M
- Distinction between routine and non-routine work
- Typical service times and costs
- The importance of careful scheduling
- The value of record and analysis of data

DEVELOPMENTS AND PROSPECTS FOR WIND FORECASTING TECHNOLOGY

Mark Ahlstrom, CEO,
SSESSCO INC.

Wind forecasting technology is critical to the proper siting, development and financing of any wind project. Forecasting is also of growing importance to the new regulatory regimes for scheduling transmission. Mr. Ahlstrom will provide a detailed overview of the new technology and methods in this sector.

Group Luncheon

TAPPING EQUITY MARKETS FOR WIND POWER PROJECTS

TAX ISSUES AND STRUCTURES

Keith Martin, Partner,
CHADBOURNE & PARKE, LLP

Federal and state tax subsidies cover as much as 75% of the capital cost of a wind project, but many developers lack the tax base to use them. There are ways for a developer to convert tax benefits into a source of financing for a project. The structures for doing this have been evolving this year as the industry tries to find ways to induce additional institutional equity to invest. The perception in the market is that there are too few institutional equity participants willing to put money into wind deals to satisfy the demand for capital. This session will cover:

- The main tax issues this year in wind deals
- Items developers overlook
- Where equity investors should probe on due diligence
- How deals are being structured
- The latest intelligence from Washington about tax law changes that are in the works and their potential effects

SOURCES OF EQUITY CAPITAL

Hunter Armistead, Director,
BABCOCK & BROWN LP

The combination of the condition of the merchant power markets, the financial condition of its participants, and the tax incentivized structure of wind farms makes arranging equity for wind developments an interesting adventure. These challenges must be managed to support the growth that wind is experiencing today and is expected to see in the future. Presuming the industry continues to rely heavily on Production Tax Credits to support the equity needs of the industry, new participants are going to have to be introduced. Mr. Armistead's presentation will include the following:

- Historical perspective on equity
- Current conditions and players participating
- Nature of the investment
- Attracting the passive participants
- Possible structures

Afternoon Refreshment & Networking Break

MARKET FOR EQUITY IN TAX ADVANTAGED INVESTMENTS

John F. Boc, Chairman,
MERIDIAN INVESTMENTS, INC.

What tax-advantaged investments are currently available to institutional investors? What factors have contributed to the success of these investments? What hurdles do wind projects need to overcome to achieve comparable success among tax-motivated institutional investors? How large is the institutional market for Section 45 Tax Credits as compared to Section 29, Section 42 and Section 45d Tax Credits. This presentation will present an overview of the equity market, and what prospective developers of wind product should expect. Mr. Boc, a recognized institutional equity expert, will discuss the 21 years of his firms institutional tax credit experience including:

- Historical credit values & how they are calculated
- Comparative investment features
- Comparative statutory features

CROSS-BORDER EQUITY FOR WIND POWER DEVELOPMENTS

Michael Davies, Principal,
FREESTREAM CAPITAL PARTNERS LIMITED

Mr. Davies will discuss the market for raising cross-border equity for US wind energy projects. As the US wind sector has grown, the demand for equity has been pressing the limits of available capital from US institutions. This presentation will review the sources of capital outside of the US, and the structures for investment of that capital in the US.



THE FUTURE OF THE EQUITY MARKETS FOR WIND PROJECTS

Moderator:

Ed Feo, Partner,
MILBANK, TWEED, HADLEY & MCCLOY LLP

Panelists:

Hunter Armistead, Director,
BABCOCK & BROWN LP

John F. Boc, Chairman,
MERIDIAN INVESTMENTS, INC.

Michael Davies, Principal,
FREESTREAM CAPITAL PARTNERS LIMITED

Keith Martin, Partner,
CHADBOURNE & PARKE, LLP

Additional Panelists TBA

A panel of representatives from Chadbourne & Parke, LLP, Babcock & Brown LP, FreeStream Capital Partners Limited, Meridian Investments, Inc. and other equity investors will discuss the demand and prospects for equity capital in 2004 and beyond.

unities with Today's Players

CONCLUDING REMARKS BY THE CONFERENCE CHAIR

Conference Adjourns

About the Sponsor...

Milbank Milbank is a leading law firm in the representation of the wind energy community. As the global leader in project financing, we bring our wealth of experience to the wind power sector to deliver world-class, cost-effective legal services to our wind energy clients. The breadth and depth of our experience in the wind energy sector is unmatched. We have represented new developers as well as some of the largest sponsors in the industry and have been involved in some of the largest construction and project financings of wind energy projects to date. These transactions have included the development, acquisition and financing of generation assets (including large scale coal and gas-fired stations as well as numerous wind, geothermal and other renewable energy facilities). Our firm-wide team of wind energy attorneys draws on the experience of lawyers within the firm in the areas of energy regulation, tax, real estate, bankruptcy, litigation, anti-trust and licensing to provide tailored legal solutions to match the needs of our clients. Milbank has one of the largest and most experienced project finance groups of the world's major law firms. Milbank's Global Project Finance Group, which includes 18 partners and more than 100 dedicated project finance attorneys in our offices worldwide, is fully qualified to provide legal advice under both U.S. and English law. Milbank has earned and maintained its reputation as the premier international project finance law firm through its continual involvement in first-of-their-kind, precedent-setting transactions, many of which have been recognized as "Deals of the Year," in its global focus.

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