

ENVIRONMENTAL POWER CORP

Form FWP

October 29, 2008

Summary Presentation
ENVIRONMENTAL POWER CORPORATION
Underwriter
B.C. Ziegler and Company
Member SIPC and FINRA
NASDAQ: EPG
Issuer Free Writing Prospectus

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Pursuant to Rule 433 under the Securities Act of 1933

Registration Statement on Form S-3: No 333-152807

Environmental Power Corporation has filed a registration statement (including a prospectus) with the SEC for the offering

to
which
this
communication
relates.

Before
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invest,
you
should
read
the
prospectus
in
that
registration
statement
and
other
documents
Environmental
Power
has
filed
with
the
SEC
for
more
complete
information
about

Environmental Power and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, Environmental Power and the underwriter will arrange to send you the prospectus if you request it by calling (888) 884-8339.

Environmental Power Corporation

Safe Harbor Statement

The Private Securities Litigation Reform Act of 1995, referred to as the PSLRA, provides a "safe harbor" for forward-looking statements. Certain statements contained in this presentation, such as statements concerning planned manure-to-energy systems, our sales backlog, our projected sales and financial performance, statements containing the words "may," "assumes," "forecasts," "position," "strategy," "will," "expects," "estimates," "anticipates," "believes," "projects," "intends," "plans," "budgets," "potential," "contingent," "proposed," and variations thereof, and other statements contained in this presentation regarding matters that are not historical statements

as
such
term
is
defined
in
the
PSLRA.

Because
such
statements
involve
risks
and
uncertainties,
actual
results

may
differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to

materially include, but are not limited to: uncertainties involving development-stage companies; uncertainties regarding project

the
lack
of
binding
commitments

and/or
the
need

to
negotiate
and
execute
definitive
agreements

for
the
construction
and
financing
of

projects, the sale of project output, the supply of substrate and other requirements and for other matters; financing and cash flow requirements and uncertainties; inexperience with the development of multi-digester projects; risks relating to fluctuations in the commodity fuels like natural gas, and our inexperience with managing such risks; difficulties involved in developing and executing a business plan; difficulties and uncertainties regarding acquisitions; technological uncertainties; including those relating to competing projects and technologies; risks relating to managing and integrating acquired businesses; unpredictable developments; including plant output requirements; the difficulty of estimating construction, development, repair and maintenance costs and timeframes; the uncertainty involved in estimating insurance and implied warranty recoveries, if any; the inability to predict the course or outcome of any matters involving us with parties involved with our projects; uncertainties relating to general economic and industry conditions, and the amount and timing of growth in expenses; uncertainties relating to government and regulatory policies and the legal environment; uncertainties relating to the availability of tax credits, deductions, rebates and similar incentives; intellectual property issues; the competitive environment

Environmental
Power
Corporation
and
its
subsidiaries
operate
and
other
factors,
including
those
described
in
the
prospectus
relating
to
the

offering to which this presentation relates, well as in other filings we make with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Overview

Environmental Power Corporation (EPC) owns and operates proven commercial scale renewable energy facilities producing a versatile methane-rich biogas from waste products consisting of agricultural livestock and other organic wastes.

EPC has a proven track record and is a leader in the biogas based renewable energy market and evolving carbon credit market.

Market Drivers

First Mover Status

Unique Offering

Projects Ready to Go

Unique opportunity to provide project dedicated funds at a market coupon rate and participate in equity upside.

High and volatile energy prices, growing renewable energy demand (RPS), increasing environmental concerns (carbon emissions) and increasing regulation of agricultural waste have led to increased interest in EPC's renewable product.

Environmental Power Corporation

Agenda

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Process Overview

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Advantages of Biogas
4
Versatility
Income
Alternative
Security of
Supply

Biogas can be used to displace an array of conventional fuels.

Infrastructure already exists vs. other renewables

Provides income diversification and cost savings for farmers

Reduces dependence on fossil fuels and is a domestic supply of energy

Produces energy when needed, rather than when available unlike wind & solar which are intermittent

High
Economic
Efficiency

Does not require government subsidies

Production efficiency is significantly higher than other biofuels

Addresses farms nutrient management concerns.

Biogas process sequesters methane; 21 times the effect of carbon dioxide as a greenhouse gas

Waste products (manure and other organic wastes) are the feedstock; not dependent on food crops

Non-depleting asset utilizing waste streams

Good for
Environment
Waste to
Energy
Renewable
Output

available
24/7

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Confluence of Agriculture and Energy

Agriculture

Outsourcing of manure management issues

Alignment of Long-Term Interest

Reduced farm operating/capital costs

Lease payment for the site of facilities

Project profit sharing with local farmers

By-products can be used as bedding for animals and liquid fertilizer add value to farm; potential third party sales

Energy

Useful renewable energy product (Renewable Portfolio Standards, state mandates, Renewable Energy Credits, etc.)

-

Most projects expected to qualify for salable carbon credits

Solutions that are clean, proven, cost-effective and operate at the confluence of the agricultural and energy markets:

Environment

Ag

Energy

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EPC produces pipeline-quality natural gas . . . with renewable attributes

EPC is essentially a renewable exploration and production natural-gas company with some key differences:

-

No exploration risk

-

No drilling risk

-

No dry holes

-

Non depleting resource

Also an active participant in the evolving
carbon credit market

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EPC as a Renewable E&P Play

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Operating Facilities
Five Star Facility
Elk Mound, WI
Commercial Operation: Q1 2005
750kw
Wild

Rose
Facility

La
Farge,
WI
Commercial Operation: Q2 2005
750kw
Norswiss
Facility

Rice
Lake,
WI
Commercial Operation: Q4 2005
850kw
Huckabay
Ridge, Texas

Largest
Renewable
Natural
Gas
(RNG
®
)
facility of its kind in North America

Commercial Operation: January 14, 2008

635,000
MMBtu/yr
RNG
®
production
target

Enough natural gas to heat approximately
7,000 Midwestern homes for the winter

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Wisconsin Dairy Power Facilities

Facilities have demonstrated sustained reliability at or above expected levels

Huckabay Ridge, Texas Renewable Natural Gas Facility

First large scale facility to produce pipeline-quality natural gas

Biogas production has exceeded target levels

Currently finishing substantial reconstruction of gas clean up system to correct design and equipment deficiencies

Improvements being implemented for extreme weather conditions and pressure controls

Above improvements to be completed November 2008

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Operating Experience

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Valuable Strategic Relationships

Cargill

Provider of food, agricultural and other products and services

Business Development Agreement to accelerate market penetration

PG&E

Distributor of

natural

gas

and

electricity

focused

on

renewable

energy

Long-term purchase and gas distribution agreements

Provides off-take and pipeline access in critical markets

Dairyland

Power

Provider of electricity generation and transmission services

Biogas offtake

on three initial facilities in Wisconsin (proven platform for biogas production and electric generation)

Liquid Environmental

Major US grease haulers and processors

Contracted substrate supplier providing large supplies of substrate

Texas Gas Service

Third largest natural gas distribution company in Texas

Established agreement

to

purchase

RNG

®

from

Texas projects

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Environmental Power Corporation
Executive Team
Finance
Accounting
Treasury
Human Resources
IT
Project Cost Control
Investor Relations
Public Relations
Corporate Sec.
Legal
Ethics
Risk Mgmt.
Insurance
E/H/S/Q
Government
Affairs
Growth Team
Bus. Dev.
Mkt. Dev.
Project Dev.
Project
Execution
Strategic
Alliances
Carbon Strategy
Operations
Plant Ops.
Substrate
Logistics
Plant
Betterment
Plant E/H/S
Rich Kessel
CEO and President

EPC and Microgy, Inc.
Micky Thomas
Senior VP &
Chief Financial Officer
Dennis Haines
VP & General Counsel
Mike Newman
VP Operations
Michael Hvisdos
Executive
Vice President
Growth Team

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Debt Financing in place

To date, \$130 million of tax exempt debt financing has been raised from institutional lenders in support of construction of these projects.

Investors in the 2006 Texas bond issue purchased additional California bonds in September

2008

Tax
exempt
debt
financing
required
analysis
by
independent
third
party
experts:

Economic Analysis
SJH, a leading Ag Consultant

Technical/Operations Analysis
RW
Beck, a leading independent engineering consulting firm

Permits in place

All necessary permits to begin construction are in place for identified Texas, California and Nebraska projects

Secured Revenue Streams

Gas offtake
agreements
in
place
for
stability
of
revenue
streams
reflecting
premium,
green
attributes of our natural gas

When these
projects
are
operational,
targeted
2010,
EPC
expected

to
have
an annualized
revenue stream of \$40 million
Environmental Power Corporation
Projects Ready to Go

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Environmental Power Corporation
Project Pipeline
Facility
Location
Type
Annual Energy
Production
Notes

Mission
TX
RNG®
635,000
Project Debt Financing obtained;
Permitted
Rio Leche
TX
RNG®
635,000
Project Debt Financing obtained;
Permitted
Cnossen
TX
RNG®
635,000
Project Debt Financing obtained;
Permitted
Hanford Cluster
CA
RNG®
732,000
Project Debt Financing obtained;
Permitted
Bar 20
CA
RNG®
601,000
Permitted; In Financing
Riverdale Cluster
CA
RNG®
621,000
Project Debt Financing obtained;
Permitted
Cargill 1
ID
RNG®
550,000
Option agreements executed
Cargill 2
CO
RNG®
365,000
Option agreements executed
Swift-Grand Island
NE
Inside-the-fence
235,000
Project Debt Financing obtained;

Permitted

Total Announced Projects

5,009,000

MMBtu/year

Additional 10,700,000 MMBtu under development

Note: All amounts in MMBtu/yr sales

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Project Economics Highlights

Long/Medium Term Natural Gas Sales Agreements

We use
long/medium
term

gas
sales
agreements
with
fixed
prices
recognizing
green
value
of our gas to provide certainty of revenue streams

Carbon Credit Revenue Opportunity

In the
current
US
voluntary
market,
we
see
\$2.00
to
\$7.00/metric
ton
depending
on demand.
Utility executives planning on \$12 to \$30/metric ton under proposed mandatory markets
market will dictate price

Typical, lagoon-based
635,000
MMBtu
project
is
expected
to
produce
75,000

250,000 metric
tons of carbon offsets per year, depending upon final protocols

Waste-Based Feed Stocks Used to Create Biogas

Manure
we typically get manure for free from the farm or industry

Substrate (organic materials)
we pay transport but may get tipping fee for partial offset

Potential By-product Value

Solids

third party discussions as a peat replacement or as an eco-friendly building product

Liquids

fertilizer

without

odors,

seeds,

pathogens

and

in

more

suitable

form

to

meet permit

requirements

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Subsidies
are
not
assumed
in
project

economic
forecasts
compared
to
other
industries, such as ethanol, biodiesel, etc.

Long/medium
term
off-take
RNG
®
agreements
recognizing
premium
value
of
RNG
®

Finance with combination of equity and debt

Cross-collateralization and revenue pooling to create portfolio diversification

Tax exempt financing: target 80% debt; 20% equity

Long-term alignment of interest with project participants

Targeted project economics provide:

Attractive returns

Further
upside
potential
should
subsidies
be
established
similar
to
other
renewable
and
clean
energy sources
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Targeted Project Economics

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Environmental Power Corporation
Debt Convertible into Common Equity
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Fixed Rate
Liquid
Security
Senior to All
Equity

Dedicated
Project
Funding

Fixed rate debt fully registered
with the SEC and unrestricted from
trading

Debt has seniority in the holding
company capital structure, ahead
of the existing convertible
preferred stock and common stock

With \$130 million in project
financing already raised, money
raised in this offering will go
directly to facility
construction/operations

Contractors pre-qualified,
permits obtained and site
arrangements secured for the
next seven projects

Convertible
Equity at
2008 Price

Debt convertible into common
equity at a minimum
conversion price achieved in
summer 2008

When construction of the seven
permitted facilities is complete
(anticipated to be in 2010),
EPC annual revenues expected
to be greater than \$40 million

Likely transition to mandatory
market could significantly
increase EPC revenue opportunity

US dairy, cattle and hog farms
can take advantage of this
cost-effective environmental
waste management solution

Transition to
Operating
Company
Carbon

Credit
Revenues
Substantial
Potential
Market
Contracts &
Permits in
Place

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Unique offering; projects ready to go
that:

Have debt financing and permits in place

Have secure and stable revenue streams as gas offtake

agreements are in place which reflect
premium green attributes
of our natural gas

Have multiple revenue streams
renewable natural gas, carbon credits, other by-products

Do not rely on subsidies, although we will seek parity with other renewables

Unique company:

EPC holds market leadership position with first mover status in the renewable biogas energy sector

Strong growing market for cost effective renewable and domestic energy sources

Large untapped market with announced projects and robust development pipeline

5 million MMBtu/yr with an additional 10.7 million MMBtu/yr in development

Target project long term stable cash flow streams resulting in attractive returns

EPC can be viewed as an E&P company without exploration risks or
depletion curve

Innovative, proven and scalable technology

Valuable strategic relationships

Management team with deep industry experience to execute the plan

Unique opportunity to participate in the renewable energy sector

Environmental Power Corporation

Summary: Compelling Value Proposition

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www.sec.gov.

Alternatively,
Environmental

Power

and

the

underwriter

will

arrange

to

send

you

the

prospectus

if

you request it by calling (888) 884-8339.

