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

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 you 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 s
Certain statements contained in this presentation, such as statements concerning planned manure-to-energy systems, our sales p
backlog, our projected sales and financial performance, statements containing the words "may," "assumes," "forecasts," "positi
"strategy," "will," "expects," "estimates," "anticipates," "believes," "projects," "intends," "plans," "budgets," "potential," "conti
"proposed," and variations thereof, and other statements contained in this presentation regarding matters that are not historical
forward-looking
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 projec 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 flo requirements and uncertainties; inexperience with the development of multi-digester projects; risks relating to fluctuations in th commodity fuels like natural gas, and our inexperience with managing such risks; difficulties involved in developing and execu plan; difficulties and uncertainties regarding acquisitions; technological uncertainties; including those relating to competing pr technologies; risks relating to managing and integrating acquired businesses; unpredictable developments; including plant outa requirements; the difficulty of estimating construction, development, repair and maintenance costs and timeframes; the uncerta involved in estimating insurance and implied warranty recoveries, if any; the inability to predict the course or outcome of any with parties involved with our projects; uncertainties relating to general economic and industry conditions, and the amount and growth in expenses; uncertainties relating to government and regulatory policies and the legal environment; uncertainties relati 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. Rea cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, fu 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
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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

EPG 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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Environmental Power Corporation
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
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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