

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  
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](http://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 facts, are forward-looking statements.

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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 differ materially include, but are not limited to: uncertainties involving development-stage companies; uncertainties regarding project performance; 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 price of 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 technologies; risks relating to managing and integrating acquired businesses; unpredictable developments; including plant outages and maintenance 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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3  
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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

6

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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7  
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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

8

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

14  
14

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  
Environmental Power Corporation  
Targeted Project Economics

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Environmental Power Corporation  
Debt Convertible into Common Equity  
15  
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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underwriter

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arrange

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prospectus

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