

Public Service Commission of West Virginia,
201 Brooks Street
Charleston, WV 25301

Reference Case # : 04-1685-E-PC

July, 20th 2005.

Dear Sirs,

Following my recent communication to you earlier this month, I received a strange and rambling letter from Hieronymous (Jerome) Niessen of NedPower Inc, which only served to increase my concerns about the particular project at Mt. Storm that NedPower is hoping to implement.

Apparently you forwarded my previous letter to the PSC on to him for his comment.

Based on the letter I received from NedPower I now have critical concerns about NedPower and the project PSC is sanctioning. In fact I see these concerns as requiring immediate action from the PSC and failing that they become even more reasons to deny NedPower the authority to actually implement any such project at Mount Storm.

I will overlook the fact that NedPowers' communication contained many misrepresentations, relaying of events that seem strange and inconsequential, use of misleading and inaccurate statements that overall could lead one to question their grasp and understanding of West Virginia and the community of Mount Storm and its needs. Instead I will focus in these critical concerns here.

Critical concern #1 – The proposed development at Mount Storm is acknowledged to be the single largest deployment of wind turbines on the East Coast of the United States. What are NedPower's qualifications and expertise to be able to manage, deploy and operate such an undertaking?

One would expect NedPower to have an employee pool of staff experienced in deploying turbine systems, including experience supporting such systems in the sub-Artic conditions that occur during winter on Mount Storm. This includes planning and infrastructure to support a remote location that is significantly distant from the actual builder and supplier of the turbines and their spare parts. Instead the largest project they have apparently implemented is 80 turbines in 1999 in tropical India, and for that they were merely the financial and planning facilitators, not the actual engineering and support team. That project in India is described as "Project Configuration: A single line configuration ensures a maximum energy production taking full advantage of the energetic southwest monsoon", and yet the accompanying photograph shows turbines that are offset and the actual blades are clearly hunting winds in several directions. The other projects listed by NedPower in their portfolio each are small scale ones involving 18 or less turbines in Europe lowland locations.

When one references the NedPower internet website it resolves to a holding address and not a live site. By using the internet one can discover a website that appears to be connected to NedPower here: <http://www.asianclassics.com/nedpower/> (sometimes this is non-functional as well).

Being unable to manage a proper internet site for the company and one that gives full and open disclosure about the company itself does not inspire confidence in their ability to run a large scale enterprise and project.

From this older website one discovers a listing of the directors of the company (that list is provided as an addendum to this letter). Again one sees people, who are apparently mostly experienced financial marketers and speculators, not hardhat onsite engineers used to building and then running a major industrial initiative.

Critical concern #2 – Ability to raise financing given the cost metrics, current market conditions and period of return on investment and project cost breakeven. Long term viability of the wind project and exit strategy for NedPower itself.

From the website the Mount Storm project is described as “The project will consist of 150 turbines with rated capacity of 1-1.5 MW each. **Finance** Estimated at US\$ 150 Million”.

From this estimate one can deduce that NedPower is estimating the turbines will cost approximately \$1M each to purchase and install. Given a 1.5MWh capacity operating at 25% yield (typical for wind power systems) that translates to 0.35MWh of actual capacity delivered. The price of electricity averages 5 cents per kWh so each day such a turbine will earn $(1000/100) \times 5 \times 24 \times 0.35 = \440 . So in one year this is \$161,000 per turbine. To offset this is the government guaranteed subsidized price of 0.9 cents per kWh, raising the total revenue to about \$300,000 per turbine. So it will take almost 4 years of operation to re-pay the installation cost alone for each turbine, excluding interest charges, profit, capital replacement costs, maintenance and support costs that typically total a minimum of 30% in excess of the base equipment cost. That would move the breakeven date out to nearly 7 years. A rating of only 1MWh capacity for the turbines would move this out closer to ten years.

Here is the huge concern here. What if with a federal administration change within two years, the government subsidy is removed? The project could simply become unable to repay its debit burden above its ongoing maintenance and capital replacement budget costs. If that occurs the landowners and the State of Virginia will be left with a fine collection of 150 steel and concrete edifices located on a mountain top.

Added to this is the exit strategy for NedPower itself. Clearly once the initial project facilitation has occurred the executives and financiers will want to take their percentage profit by selling the project to some other industry stakeholder as fast as they are able to facilitate. This would remove the long term liability and risk from NedPower and its backers. However such a buyer themselves, unless they are looking for a tax write-off, is going to be extremely reluctant to take on this project given the simple cost accounting that shows the high risk, long period to breakeven and low return ratios here.

Therefore what guarantees has NedPower given the State of West Virginia and what guarantors have provided statements of intent to invest in the development of the project? Also what detailed budget plans have been submitted – including financing plans, construction costs, revenue estimates, cost offsetting, and projected time to breakeven? It would be good if these were made publicly available.

Critical concern #3 – Worst case analysis is good prudent management. What if it does indeed prove uneconomic to run the proposed wind turbine facilities on top of Mount Storm, who will be responsible for removal, clean-up and reclamation of the effected sites? In this regard it would be prudent to know the details of the general terms of the legal agreements offered to landowners involved in the project.

Critical concern #4 – No detailed maps have been made available publicly that show the actual extent of access roads, siting plans for turbines, power cable and sub-station installation and facilities management buildings. Therefore citizens have no idea to the actual extent and location of possible impacts of these devices and facilities to adjacent property and land. Also since the location on Mount Storm is more than 7 miles from the fire house at Mount Storm proper, what plans have been submitted to have emergency services support available so as to be able to meet the required insurance terms and conditions?

Critical concern #5 – Comparison analysis - given all these critical factors no attempt appears to have been made by the PSC to look at alternatives to this project. For example wood fueled sustainable energy systems can generate substantial amounts of consistent electrical power. West Virginia has over 3.5M tons of waste wood, saw dust and slash available annually state-wide. One such facility is in Tucker County. Wood waste from that one facility alone could power an 8MWh generator facility, replacing 23 wind turbines and thus freeing up to \$35M of potential investment. If resources were to be diverted to enabling these systems instead, what would be the risk, returns and long term job prospects by comparison? In this regard it should be noted that Scotland in the UK has recently decided to focus on such wood fuel projects as its leading effort to deliver 20% of its energy needs from sustainable environmentally beneficial sources. Scotland has a very similar topography, economic base and climate to West Virginia.

I hope the PSC can review its decision in the light of these critical concerns that do not appear to be addressed by the original ruling that you made in this case order.

Clearly the PSC has a responsibility to the citizens of West Virginia to act in their best interest in fostering projects that provide long term sustained economic benefits, minimal risks and liabilities, while ensuring sensible and prudent use of the environmental resources so as not to harm existing benefits and facilities that those citizens enjoy today.

Sincerely,

David RR Webber,
25404 Clearwater Drive,
Damascus, MD 20872

Cc: Jeff Herholdt, West Virginia, Development Office.

Enclosure: 1 page

NedPower Management Team

Franz Barillaro (London)

Franz Barillaro is an engineer and MBA with twenty years exposure to the power sector. During this time he has been involved in over eighty projects worldwide and held senior positions in a variety of companies, including GEC Alstom, Powergen and the CDC. With the CDC, Franz structured and negotiated large non-recourse project finance transactions for a variety of projects. At present, Franz has Director's responsibility for **NEDPOWER**'s European projects under development.

Athina Dessypri (Athens)

Athina Dessypri is another successful INSEAD graduate with a strong track record in business development and corporate finance. In Greece, she established the two leading stock broking firms and consequently has unrivalled access to the Greek private and public sector. She has now joined **NEDPOWER** where she is responsible for the company's activities in the Mediterranean.

Inga Brereton (London)

Inga is the London office manager with responsibility for administration, treasury and accounts. Prior to her joining **NEDPOWER** she acted as PA to the Managing Director of a mining finance company and to the Managing Director of the IOD in London.

Jerome Niessen (US)

Jerome Niessen co-founded **NEDPOWER** and brought to it extensive project finance experience. Jerome has 15 years of project finance experience, of which over 10 years in the IFC-World bank group where he assumed responsibility for Power and Infrastructure on the Indian subcontinent. For the IFC-World Bank, he has closed deals in India, Pakistan, Peru, Venezuela and Argentina. Jerome has a law degree as well as an MBA. Jerome is Managing Director in charge of **NEDPOWER**'s activities in the US.

Rembrandt Niessen (London)

Rembrandt Niessen originally founded **NEDPOWER** in 1995 and now has a recognised track record in the wind sector. He combines a civil engineering degree with a MBA from INSEAD. His engineering experience includes work on large infrastructure projects in Bahrain and Nigeria. Prior to founding **NEDPOWER** he worked for the commodity trading division of the investment bank Salomon Brothers. Rembrandt is Managing Director in charge of **NEDPOWER**'s activities in Europe.