WPA’s Request for Proposal (RFP) for a 15 MW Wind Power
Joint-Venture project in France

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Project Scope
We, the Wind Power Associates (WPC) seek a qualified joint-venture partner to form a corporation in France that will design, construct, test, and operate a 15 MW wind power farm to be located in the south of France.

Project Background

Environmental Background

France’s Energy History

Prior to World War II, France relied primarily on coal for its energy production. However, after Word War II, France’s demand for energy drastically increased. In order to keep up with the demand, it looked to other resources. Like many other countries, it sought out petroleum imported from the Middle East and other European nations.

Energy Reform

In 1973, oil prices suffered a dramatic increase; with taxes increasing the price of a gallon up to 80%. France realized it had to reform its energy policies. It enacted strict limits on consumption, and also sought out other energy sources.

Secretary of Industry, Monsieur Christian Pierrot, released The Energy Policies of IEA – France – 1996 Review. This report addresses the progress made since the oil crisis, and stated three main energy goals that France hoped to achieve: energy security, competitiveness, and environmental protection.
On September 12, 2000; Prime Minister Lionel Jospin initiated a drive to increase energy efficiency and decrease oil consumption. He hoped this would both decrease the impact of high oil prices and improve the quality of the environment. Burning petroleum products is one of the main causes of the Greenhouse Effect and Global Warming.

Energy Use Today

Despite its lack of mineral resources, France provides 50% of its energy needs. This exceeds countries like Japan and Germany. France is using a variety of energy sources today, but the primary energy supply lies with oil and nuclear power.

France’s objective of having secure energy has led to the dramatic increase of nuclear power. Over 75% of the energy produced in France comes from nuclear power. This is an energy source that France can produce and control on its native soil. It is very concerned with the privatization and decentralization of its companies. However, a rise in environmental concern is threatening nuclear power’s future. Public opinion polls show that 50% of the French population wants to end nuclear power. P.M. Jospin has included members of the Green Party, Les Verts. The Greens are putting on much pressure to phase out nuclear power.

Thus, France is looking for a secure energy source that is clean and can benefit its economy. Wind power might just be the solution.

Political Environment

During his first two years in office, President Chirac's prime minister was Alain Juppe, who served contemporaneously as leader of Chirac's neo-Gaullist Rally for the Republic (RPR) party. Chirac and Juppe benefited from a very large, if rather unruly, majority in the National Assembly (470 out of 577 seats). Mindful that the government might have to take politically costly decisions in advance of the legislative elections planned for spring 1998, in order to ensure France met the Maastricht criteria for the single European currency, Chirac decided in April 1997 to call early elections. The Left, however, led by Socialist Party First Secretary Lionel Jospin, unexpectedly won a solid National Assembly majority (319 seats, with 289 required for an absolute majority) in the two rounds of balloting, which took place May 25 and June 1, 1997. President Chirac named Jospin prime minister on June 2, and Jospin went on to form a government composed primarily of Socialist ministers, along with some ministers from allied parties of the Left, such as the Communists and the Greens. Jospin stated his support for continued European integration and his intention to keep France on the path of toward Economic and Monetary Union, albeit with greater attention to social concerns.

The tradition in periods of "cohabitation" (president of one party, prime minister of another) is for the president to exercise the primary role in foreign and security policy, with the dominant role in domestic policy falling to the prime minister and his government. Jospin stated, however, that he would not a priori leave any domain exclusively to the president.
Economic Conditions

Economic Conditions in France

With a 1995 GDP of more than $1.5 trillion, France is the fourth-largest Western industrialized economy. It has substantial agricultural resources, a diversified modern industrial system, and a highly skilled labor force. In 1995, France's economic growth rate was 2.2%.

Government policy stresses investment promotion and maintenance of fiscal and monetary discipline. It seeks to ensure the franc's stability and strength within the European Monetary System. The government continues to exert considerable control over the industrial sector both through planning and regulatory activities and through direct state ownership, although a modest privatization program has been implemented. This policy has helped keep France's inflation rate (1.8% in 1995) low compared with rates among the other Group of Seven (G-7) industrial countries.

One main area of concern, however, continues to be an unemployment rate that is well over 12%. France's well-developed and diversified industrial enterprises generate over one-half of the GDP and employ about one-fifth of the workforce. This distribution is similar to that of other highly industrialized nations. The most important areas of industrial production include steel and related products, aluminum, chemicals, and mechanical and electrical goods.

France also has been very successful in developing dynamic telecommunications, aerospace, and weapons sectors. With virtually no domestic oil production, France has relied heavily on the development of nuclear power, which now produces about 80% of the country's electrical energy. Nuclear waste is stored on site at reprocessing facilities. Membership in France's labor unions accounts for about 10% of the workforce. Included in the composition of the several competing union confederations are the largest, oldest, and most powerful unions: the Communist-dominated General Labor Confederation, the Workers' Force, and the French Democratic Confederation of Labor.

Trade in France

France is the second-largest trading nation in Western Europe (after Germany). In 1996, France achieved a record trade surplus of over $20 billion. The surplus was partly attributable to the surge in exports due to greater competitiveness of French products, which, in turn, was partly due to low domestic inflation and wage costs. For 1996, the country's trade surplus rose even higher. Its total trade for 1995 amounted to more than $550 billion. Trade with European Union (EU) countries accounts for 60% of French trade.

In 1995, U.S.-France trade totaled about $40 billion. U.S. exports accounted for 7.8% (or about $21 billion) of France's total imports. U.S. industrial chemicals, aircraft
and engines, electronic components, telecommunications, computer software, computers and peripherals, analytical and scientific instrumentation, medical instruments and supplies, broadcasting equipment, and programming and franchising are particularly attractive to French importers.

Principal French exports to the United States are aircraft and engines, beverages, electrical equipment, chemicals, cosmetics, and luxury products.

Accommodation for Industrial Operations

The French Government and the local authorities, along with a few industrial groups, have set up a wide set of financial and tax incentives intended to encourage industrial operations and research and development activities.

Industrial Projects

**DATAR grants and subsidies**

The Delegation for the Accommodation of the Territory and Regional Activities (DATAR) provides subsidies which can cover 17% to 25% of investments (land, buildings and equipment acquired during the first three years of operation) depending on the location. The criteria for eligibility for this type of subsidy are:

- location (notably for investments made in West, South-West, Central or North-East France),
- foreign companies will be eligible for a FF 70,000 grant (maximum) per new job created. Conditions: a minimum of 20 jobs created and a minimum capital investment of $ 4 millions over a three-year period.
- the profile of the foreign investor (companies must provide evidence that their turnover is at least 300 million Francs or that they undertake to invest more than 20 million Francs).

The amount allocated to proposed investment operations is decided by an interministerial committee. A third of the subsidy is handed over at the beginning of the program and the balance in two installments while the project is being carried out.

**Subsidies from industrial groups**

Some large industrial firms that find themselves faced with restructuring problems have set up funds to help new investors take over their activities and/or their staff. These funds grant long-term loans, usually at discounted rates, for repayment on a deferred basis. The loans can also be changed into subsidies. Direct subsidies per job created or per former worker employed.

**Real Estate- Local subsidies**

In small villages, town councils and local Chambers of Commerce administer business centers or industrial zones. As a rule, they sell or rent land and buildings on
attractive terms and can finance transformation or building operations. For example, local authorities can subsidize up to 25% of the real estate investment in order to attract new companies to the site. The special branch of a financial institution can finance the construction or the acquisition of a building and rents it to the company for a 15 to 20 year period. The tenant company has the option to buy the building from the financial institution at a residual value agreed upon. A lease-back option is available for the tenant-turned-owner at any moment during the contract, making it possible for him to sell his building to a SICOMI, which leases it back to him immediately. The acquisition of the whole estate by the leasing company is virtually exempt from registration fees.

Employment- Subsidies and tax credits for vocational training

Government and local authority subsidies and tax credits can make up to 70% of the cost of vocational training. Wages and course fees, as well as indirect costs, can be reimbursed. Any spending by companies on training (such as expenditure on staff training, apprentices and trainees) in excess of their legal obligations earns the right to a tax credit. This tax credit, which is used to pay corporation tax, is 25% of any expenses above the obligatory amount (plus a single amount per apprentice and per trainee), up to one million Francs per year. The subsidy amounts to $10 per hour within a ceiling of 600 hours per person. The salary basis taken into account amounts to FF. 6,000 per month. In addition, a 6-year waiver on the local business license tax may also be granted.

Taxation

Tax status of subsidies

Equipment subsidies granted by the State or the local authorities are in principle not taxable when they are paid, but are integrated into the company's taxable earnings concurrently with the depreciation applied to the assets acquired with the subsidies. Capital items acquired up to 31 December 1994 by means of certain capital incentives (e.g. town and country planning incentives, regional installation and development incentives) can be depreciated on the basis of their cost price plus 50% of the incentive amount. This upgrading means that half the incentive payment is taken out of tax (because of the extra depreciation only 50% of the amount is taxed).

Exemption from corporation tax

When they fulfill certain conditions, notably when a totally new business is carried out by a company that is not more than 50% owned, directly or indirectly, by another company, new industrial or indirectly, by another company, new industrial or commercial firms may pay a lower rate of corporation tax during the first 5 years of operation.

The new business criterion is assessed strictly, in other word it cannot be the transfer or extension of an activity that existed in France or abroad before the company was set up.
The reduction goes from 100% for profits made up to the 23rd month after the creation of the company, then to 75%, 50% and 25% for profits in each of the next 12 month periods.

Companies created in order to take over firms in trouble can also receive an exemption from corporation tax for the first 24 months of business.

**Reduced corporation tax on proceed from industrial property**

The proceeds received by a company from the transfer or licensing of certain industrial property rights (for instance, French, European or foreign patents if they concern inventions patented or patentable in France) are subject to the long-term capital gains scheme and are thus taxed at only 18% (for 1993). France is one of the only industrialized countries to offer preferential treatment.

**Exemption from business license tax**

When a company or undertaking is created in France, an automatic exemption from business license tax is granted for the first calendar year of operation and significant reductions in the calculation of the taxable basis are applied for the next two years. In addition, the local authorities have the power to grant total or partial exemptions from business license tax, for a maximum of 5 years, for the creation of industrial firms or certain service providers.

To be exempt, the operations have to result in the creation of a minimum number of jobs and in investments above certain thresholds, which vary according to the sites. Exemptions may also be granted when activities are expanded or companies in trouble are taken over.

**Depreciation on declining values and special depreciation**

Some assets are subject to accelerated depreciation (declining values). This measure affects new assets which are to be used for at least three years and are listed in a document published by the tax authorities. The depreciation rate is applied each year to the asset's residual book value. Capital allowances on declining values are deductible for tax purposes. Other assets are subject to special depreciation:

- software and energy saving materials can be depreciated over 12 months,
- certain materials which contribute to environmental protection are subject to special depreciation.
About Wind Power Associates (WPA)

Wind Power Associates is a subsidiary of a world-wide energy development company. We specialize in the production, maintenance, and operation of wind power facilities around the world. For several years, we have promoted awareness to many areas throughout the world concerning the benefits of wind power and have established partnerships with companies in many areas to make wind power a reality. Aside from effectively reducing pollution, we proudly acknowledge that ours is the least expensive form of renewable, environmental-friendly power generation. Our goal is to bring wind power to as many regions as possible in order that we may lessen the levels of pollutants significantly and provide superior service to our customers.

We have a management team consisting of five members who continuously work interdependently to bring wind power to fruition.

Dominic F. Coluccio – Corporate Structure/Finance
John de la Parra – Cultural/Legal Specialist
Stacy Hutchens – Corporate Strategist
Allen Irwin – Wind Power Operations/Technician
Timothy Yeung - Wind Power Operations/Technician

Joint Venture Terms

Wind Power Associates seeks to enter a new market in France by entering into a joint venture. We would like to call this partnership the Wind Power France Company (WPFC). Our joint venture objectives include:

• To establish a large customer base in southern France through marketing –in so doing we would hope to find ways to cut costs to customers as much as possible
• To design, construct, and maintain the wind mill farm(s) and provide reliable support to customers
• To offer strong training programs to all of our employees
• To encourage French citizens, in particular the lawmakers, to take steps toward reducing pollution and help reverse the trend of global warming

Above all, our number one objective is to eventually become the largest supplier of renewable energy to France; this may sound like a difficult feat but we have full confidence in our people and our resources to make this a reality.

The joint venture will aim to maximize the resources of both parties. The following outlines possible combinations of resources that each may provide:
**Wind Power Associates can provide:**  | **JV partner should provide:**  
--- | ---  
Wind mill production facilities | Establishment of appropriate location to build facilities  
Wind mill design and construction capabilities (engineering, development, research, project management, etc.) | Wind mill technical support; construction and maintenance capabilities, recruitment effort  
High credit rating, financial resources, pool of interested foreign investors | Financial resources, high credit rating, ability to draw appropriate funds from government and local investors  
Reputation as a leader in wind power technology development | Marketing and distribution assistance  

**JV Management:**  
The joint venture Board of Directors should consist of highly educated and experienced professionals who will successfully merge the mission of Wind Power Associates with the objectives of the partnership. We propose:  
- 2 Wind Power Associates executives (CEO and COO)  
- 2 technological experts (engineers) who specialize in the production of wind mills  
- 1 utility company investment banker  
- 1 former government official with experience in municipal politics of alternative energy issues  
- 1 academic specializing in power production from alternative sources  
- 1 academic specializing in environmental science and public health  
- 1 established marketing expert  
Such a composition of the Board of Directors, we feel, will lead to a mutually beneficial partnership and equitable distribution of decision-making.  

**JV Financial Characteristics:**  
Wind Power Associates shall have 70% ownership of equity while our partner shall have 30% ownership in the joint venture.  
Of the funds necessary for initial investment, 30% shall come from equity (to be divided between WPA and our partner), and 70% shall be raised from debt.  

**Project Specifications**  
The project constitutes the development of a wind power farm with a 15 MW capacity, in an area in South of France suggested by our partner. The rate of return over a twenty year operational life span should be approximately nine percent and the project should be capable of producing power at less than four cents per kilowatt-hour. This said, the cost of development shall not exceed $15,000,000 USD. All work should be done in accordance with the International Wind Energy Standards.
Technical Analysis

According to The European Renewable Study (DG XVII, European commission, 1994) the wind turbine potential on land was estimated at 66 TWh/year. This study is based on the following.

1) 71 000 km _ with a wind speed superior to 6 m/s
2) 100 m_ of swept area per hectare (about 4 MW/km_)
3) Use of 10% of the available place

According to the information above, the wind turbine we choose should be able to provide strong output at 6 m/s or above. The location for the project is very important in order to maximize the performance of the wind turbine. The location section provides more information on an ideal location.

Choosing the Wind Turbine

From our research, several companies in the European Union could provide turbines to the specifications we desire. Accordingly, the turbine will be made in Europe by the firm that provides the best bid.

Site Characteristics

A suitable site for the wind farm would be a primary initial goal for the venture and central to the venture as such. The site would ideally be acquired with a lease of approximately 22 years duration, with the right to buy or renew the lease, should the site be desirable for a future generation installation. Such a site should also be located in an agricultural area so that any noise created does not affect large populations and also to prevent encroachment upon the turbines. The site would also be located relatively near transmission lines capable of carrying the energy generated by the wind farm and be accessible by large construction equipment after only minimal road construction. Finally, and most importantly, the wind conditions at the site should allow for the production of at least 30% of the maximum possible energy generation of the equipment. For example, our site would have a maximum yearly production of 15 MW *24 hours *365 days= 131,400 MWH in a year so wind conditions should provide for approximately 39,420 MWH per year of actual production.

Future Developments

The creation of this venture would likely open new doors of expansion for the partners of the venture as well as for the venture itself. Such developments could be territorial expansions of existing businesses or of abilities gained by participation in the joint venture. The joint venture itself may choose to undergo any expansion its
management decides upon. This includes, put is not limited to, the placement of additional wind power farms in France for sale of electricity.

**Proposal Delivery**

The bid closing date is set for **November 24, 2000 at 5:00 P.M. E.S.T (U.S.A.).** Proposals should include answers to all points (technical, financial, managerial, personnel training, marketing, etc.) and contain any relevant figures, including financial calculations for the project from initiation until 10 years later. Any questions should be referred to our management team named above. We look forward to our scheduled teleconferences.

Thank you for your consideration.

Wind Power Associates