

# Power Finance & Risk

The weekly issue from **Power Intelligence**

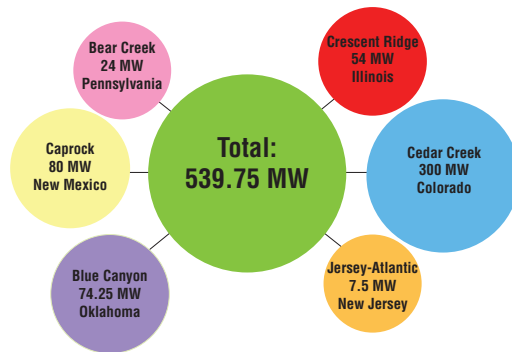
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## Sant-Backed Shop To Buy JPM Wind Stakes

**JPMorgan Capital Corp.** is selling a portion of its tax equity stakes in an **Infigen Energy**-dominated wind portfolio to **Threshold Power**, a new investment shop backed by **AES**-founder **Roger Sant**.

Threshold is buying into a 540 MW portfolio of operational wind farms in New Mexico, Colorado, Illinois, Oklahoma, New Jersey, Pennsylvania and Texas, according to documents filed in late December with the U.S. **Federal Energy Regulatory Commission**. The shop is

### Threshold Power's Tax Equity Portfolio



Source: Power Intelligence via U.S. Federal Energy Regulatory Commission

also purchasing a 25% equity stake in the 74.25 MW Blue Canyon wind farm in Oklahoma from **EDP Renewables North America** in a second transaction on one of the farms. The portfolio has a roster of other tax equity investors that will retain their holdings.

Threshold is headquartered in Chicago and headed up by **Susan Nickey**, ceo and formerly with **Acciona Energy North America**. It is backed by venture capital shop **NGEN Partners** and private equity

*(continued on page 11)*

## Q&A: Andrew Redinger, KeyBanc Capital Markets

The drive to procure cheaper capital will define much of the deal activity in 2013, **Andrew Redinger**, managing director and group head of utility, power and renewable energy at **KeyBanc Capital Markets**, told *PI* in an exclusive interview. "The industry needs to find an alternative cheaper source of capital for its long-term sustainability. There's been a real drive recently to find a way to access that capital," Redinger said, pointing to the industry's recent focus on real estate investment trusts, master limited partnerships and yield companies.

Educating potential investors will be key to accessing this capital.

*For the full interview, please see page 10.*



Andrew Redinger

## Cheniere Trawls For \$3B+ Financing

**Cheniere Energy** is talking with lenders to secure upwards of \$3 billion for the second phase of its Sabine Pass natural gas liquefaction export project.

"Looking at the pipeline of deals for next year, this will be one of the biggest and most attractive deals," says one deal watcher, pointing to the popularity among lenders of the \$3.4 billion deal backing the first phase of the project.

A Cheniere spokesman in Houston says the financing will be "comparable" in size to the first round of financing, declining to go into detail on the structure. The developer is hoping to close by the end of the second quarter. **Bank of Tokyo-Mitsubishi UFJ**, **Crédit Agricole**, **Credit Suisse**, **HSBC**, **JPMorgan**, **Morgan Stanley**, **Royal Bank of Canada** and **Société Générale** led the first deal. Pricing on the seven-year loan was

*(continued on page 12)*

### Stay Connected With PI

Follow *PI* on **Twitter** @Power\_intel and join our **LinkedIn** group, Power Intelligence, to stay up to date with the latest news and commentary on power project finance and M&A in the Americas.

### New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

*See Deal Book, page 4*

### Generation Sale DATABASE

Get the rundown on the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database.

*See calendar, page 3*

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## THE BUZZ

It's been the subject of much lobbying and handwringing, but the renewable industry finally landed a renewal of the production tax credit last week as part of the fiscal cliff deal. There is a twist though: the qualification criteria for the one-year extension is that projects need to be under construction to qualify for the credit, rather than generating power as previously required. That's leading some to suggest 2013 will be a lot busier for wind financing than it otherwise would have been (see story, page 6).

Staying in wind, but flipping to M&A, the year is kicking off with word of a novel move in the world of tax equity. **AES**-founder **Roger Sant**'s new investment shop **Threshold Power** is buying a portion of tax equity stakes from **JPMorgan Capital Corp.** The sale of **Infigen Energy**-dominated portfolio is part of a move by JPM to establish a secondary market for tax equity investments as a swathe of farms edge closer to emerging from their original tax equity agreements.

In other notable transactions, **Brookfield Renewable Energy Partners** has agreed to buy a 351 MW portfolio of hydro assets in Maine from **NextEra Energy Resources** for about \$2.2 million per MW—a deal that continues hydro's strong run in M&A over the last year (see story, page 7). Several observers anticipate more assets could hit the market near the end of the first quarter and more could follow from the Northeast, given the high price the highly levered NextEra assets fetched.

**Warren Buffett's MidAmerican Energy Holdings Co.** splashed its name around the solar sector when it bought a set of projects totaling 579 MW from **SunPower** for \$2-2.5 billion, including EPC contracts. SunPower's stock spiked 9.1% as a result of the deal. The acquisition almost doubles the solar portfolio of MidAmerican Solar, which includes the 550 MW Topaz project in San Luis Obispo County, Calif., and a 49% stake in **NRG Energy's** 290 MW Agua Caliente project in Arizona.

## TELL US WHAT YOU THINK!

Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of **PFR** is committed as ever to evolving with the markets and we welcome your feedback.

Feel free to contact **Sara Rosner**, managing editor, at (212) 224-3165 or [srosner@iintelligence.com](mailto:srosner@iintelligence.com).

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Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

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Institutional Investor, LLC

Issn# 1529-6652

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## GENERATION AUCTION &amp; SALE CALENDAR

These are the current live generation asset sales and auctions, according to *Power Intelligence's* database. A full listing of completed sales for the last 10 years is available at [www.powerintelligence.com/AuctionSalesData.html](http://www.powerintelligence.com/AuctionSalesData.html)

Seller	Assets	Location	Advisor	Status/Comments
Algonquin Power & Utilities	Various (46.8 MW Hydro)	Various	TBA	It's quietly shopping the portfolio (PI, 11/26).
ArcLight, Olympus Power, John Hancock, Atlantic Power Corp.	Delta Person (140 MW Peaker)	Albuquerque, N.M.	Fieldstone Private Capital Group	PNM Resources will terminate its PPA and buy the facility.
Atlantic Power Corp.	Path 15 (84-mile Transmission)	California	Rothschild	The company is quietly shopping it; initial bids due soon (PI, 11/12).
Calpine	Broad River (847 MW Gas)	Gaffney, S.C.	TBA	ECP has tapped CoBank, Union Bank to finance its acquisition (PI, 12/24).
Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citigroup, Morgan Stanley	Bidders are in second round (PI, 12/10).
EDF Renewable Energy	Spearville 3 (100.8 MW Wind)	Ford County, Kan.		BlackRock NTR fund is buying a majority stake (PI, 12/3).
Edison Mission Energy	Homer City (1,884 MW Coal)	Indiana, Pa.	Barclays	Court set to approve debt re-organization (PI, 12/10).
Energy Investors Funds	Stake (550 MW Astoria Energy II) Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater Gas)	Queens, N.Y. Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis.	Barclays Scotiabank	Teasers are out (PI, 12/10). Initial bids due by Sept. 12 (PI, 9/10).
Enova Power Group	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	UBS	Prospective buyers went to an on-site presentation in late Dec (PI, 12/24).
Goldwind USA	Shady Oaks (109 MW Wind)	Compton, Ill.	TBA	Algonquin closed the purchase in late December; negotiations started earlier in 4Q (PI, 12/3).
IPR-GDF Suez Energy North America	Various (287 MW Wind)	Various, Canada	CIBC	Mitsui and Fiera Axiom are each taking a 30% stake (PI, 12/24).
Iberdrola Renewables	Various (Wind, Solar)	Various	JPMorgan, Blackstone	The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16).
Iberdrola Renewables	Klamath (636 MW Cogen)	Klamath Falls, Ore.	Royal Bank of Canada	First round bids are in (PI, 6/4).
Inland Energy, City of Palmdale, Calif.	Hybrid (570 MW Gas, Solar)	Palmdale, Calif.	None	Bids are due Dec. 3 (PI, 10/29).
LS Power	Blythe (507 MW CCGT)	Blythe, Calif.	Bank of America	Teasers went out recently and the shop is refinancing another plant for greater flexibility to sell (PI, 12/10).
Maxim Power Corp.	CDECCA (62 MW Gas) Forked River (86 MW Gas) Pawtucket (64.6 MW Gas) Pittsfield (170 MW Gas) Basin Creek (53 MW Gas)	Hartford, Conn. Ocean River, N.J. Pawtucket, R.I. Pittsfield, Mass. Butte, Mont.	Credit Suisse	Looking to sell to refocus on Alberta; teasers not out yet (PI, 12/17).
NewPage Corp.	Various (461 MW Cogeneration) Various (31 MW Hydro)	Various Wisconsin	Lazard	Fund affiliates of Goldman Sachs, JPMorgan and Oaktree Capital are taking over the assets in bankruptcy (PI, 12/10).
NextEra Energy Resources	Various (351 MW Hydro)	Maine	TBA	Brookfield has agreed to buy the assets, which faced a missed Q1 interest payment (see story, page 7).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont. Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	First round bids due around Dec. 14 (PI, 12/17).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas) Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar) Mesquite 1 (150 MW Solar)	Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.	TBA	Sold half of Mesquite to Salt River Project (PI, 11/12). The Sempra Energy unit is talking with prospective advisors (PI, 10/22).
SunPower	AVSP 1 (325 MW Solar PV) AVSP 2 (276 MW Solar PV)	Rosamond, Calif.	Morgan Stanley	MidAmerican Solar is buying the projects for \$2-2.5B (see story, page 7).
Western Wind Energy Corp.	Windstar (120 MW Wind) Windridge (4.5 MW Wind) Mesa (30 MW Wind) Kingman (10.5 MW Wind, Solar PV) Yabucoa (30 MW Solar PV)	California California Arizona Puerto Rico	Rothschild, PI Financial	Brookfield has made a per share offer for the assets outside of the auction (PI, 12/3).

## New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail [hffletcher@iintelligence.com](mailto:hffletcher@iintelligence.com).

## PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at <http://www.powerintelligence.com/projectfinancedeal.html>

## Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Cochrane (532 MW Coal)	Chile	TBA	TBA	\$1B+	TBA	Sponsor rounds up banks, ECAs (PI, 11/26).
Alterra	Dokie II (156 MW Wind)	Fort St. John, B.C.	TBA	Expansion	\$300M	TBA	The sponsor is hoping to close the financing in the next few months (PI, 9/24).
	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	Expansion	\$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
BP, Sempra	Flat Ridge 2 (419 MW Wind)	Wichita, Kan.	Banco Santander, Bank of Tokyo-Mitsubishi, Prudential Financial	TBA	\$800M	TBA	The deal will hit the market next month. Structure will include bonds (PI, 8/10)
BrightSource	Rio Mesa (500 MW Solar)	Riverside County, Calif.	TBA	TBA	TBA	TBA	Sponsor is tapping banks in New York and hopes to close by end of Q2 next year (PI, 9/3).
	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	Sponsor has an offtake agreement with Southern California Edison for both projects.
Cheniere Energy	Sabine Pass Trains 3 & 4 (LNG)	Sabine Pass, La.	TBA	TBA	\$3B	TBA	The sponsor is looking to close the deal in the first half of 2013 (See story, page 1).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	\$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
Duke Energy Renewables	Los Vientos (402 MW Wind)	Willacy County, Texas	Mizuho	TBA	\$800M	7-yr	Sponsor aims for \$800 million in debt (PI, 11/5).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill County, Pa.	CCA Capital	TBA	\$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Energy Investors Funds	Pio Pico (300 MW Gas)	San Diego County, Calif.	SocGen	TBA	\$300M	TBA	The sponsor has tapped Société Générale to lead the financing (PI, 10/1).
Geronimo Wind Energy	Black Oak and Getty (42 MW & 40 MW Wind)	Stearns County, Minn.	TBA	TBA	~\$150M	TBA	The sponsor is waiting to secure an offtake agreement (PI, 12/17).
Greengate	Blackspring Ridge I (300 MW Wind)	Lethbridge, Alberta.	Citigroup	TBA	~\$600M	TBA	Sponsor may be looking for financing or to sell (PI, 9/10).
Invernergy	Des Moulins (135.7 MW Wind)	Quebec, Canada	Prudential, Sovereign Bank	Construction, Bridge, Term	TBA	TBA	Sponsor wraps deal (See story, page 6).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	\$1B+	TBA	Sponsor is tracking market precedents and looking at a bank/bond deal (PI, 12/10).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	\$800M	TBA	The plant may be financed merchant by the team, made up largely of AES Corp alum (PI, 10/22).
NextEra Energy Resources	Various (Wind)	U.S.	TBA	Refi	TBA	TBA	The sponsor has been talking with lenders to refinance a portfolio of about 10 wind projects (PI, 10/1).
	Limon I & II (400 MW Wind)	Colorado	N/A	N/A	N/A	N/A	State Street, JPMorgan, Bank of America and Wells Fargo make tax equity investments in the projects (PI, 11/5).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~\$500M	TBA	Sponsor is likely to decide on an Asian bank to lead the financing (PI, 9/17).
Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	\$700M	TBA	The developer is looking to close the deal in the first half of 2013 (PI, 12/24).
Pattern Energy	South Kent (270 MW Wind)	Haldimand County, Ontario	BTMU, Union Bank, Mizuho	TBA	\$800M	TBA	The sponsor has mandated three banks to lead the financing (PI, 12/17).
	Grand (150 MW Wind)	Haldimand County, Ontario					
Quantum Utility Generation	Various (Unknown)	U.S.	TBA	TBA	TBA	TBA	The sponsor is talking to lenders after the successful close of a roughly \$120 million refinancing last month (PI, 10/8).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	TBA	TBA	\$600M	TBA	Sponsor is looking to secure a bank loan (PI, 12/17).
Wind Capital Group	Osage (150 MW Wind)	Osage County, Okla.	TBA	TBA	\$160M	TBA	BayernLB, NordLB and Rabobank were potential lenders to the project before the financing was halted earlier this year (PI, 12/10).

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## PROJECT FINANCE

## Invenergy Scores Quebec Wind Financing

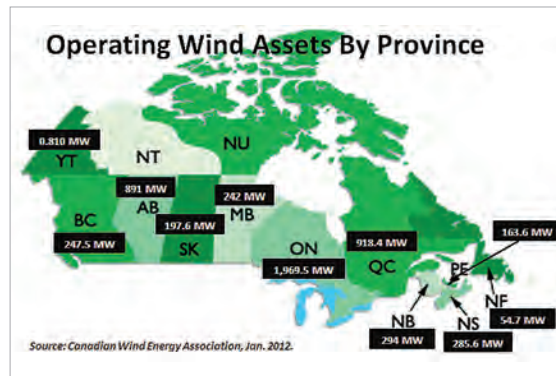
Invenergy has closed the project financing of phase 1 of its 135.7 MW Des Moulins wind project Northeast of Montreal. The deal included construction, bridge and term loans, and a tranche of fixed-rate notes. It closed late last month.

**Prudential Capital Group** acted as the structuring and documentation advisor, while **Sovereign Bank** acted as the left lead coordinating bank, joint lead arranger, joint bookrunner, and co-syndication agent for the transaction. **Rabobank** and **Union Bank** also acted as joint lead arrangers and joint bookrunners. **Sunlife Assurance**

**Company of Canada** purchased some of the fixed-rate notes.

Officials at the lenders either did not immediately respond to inquiries or declined to comment on the deal. An Invenergy spokeswoman in Chicago declined to specify the final amount and tenors.

Invenergy acquired the project in the municipalities of Kinnear's Mills, St. Jean de Brebeuf and Thetford Mines, from developer **3Ci** ([PI, 5/23/2011](#)). Des Moulins has a 20-year power purchase agreement with **Hydro-Quebec** and comprises 59 **Enercon** turbines. It is slated for operation next year.



## PTC Extended In Fiscal Cliff Deals

The U.S. Congress included an extension to the production tax credit as part of the package passed by lawmakers to avoid the fiscal cliff. President **Barack Obama** signed the bill on Wednesday.

"This is a very important and helpful decision," says **Greg Wetstone**, v.p. of government relations at **Terra-Gen Power** in New York, which was the number one developer of wind projects in 2011 in terms of installed capacity in the U.S., according to the **American Wind Energy Association**. "We can now expect 2013 to be a lot busier than it otherwise would have been." Projects that have been on hold will likely now be brought to market, says one deal watcher. The election and holiday period had been a particularly slow period for deals, he says, adding that uncertainty over this type of legislation and the fiscal cliff was keeping the market sluggish.

The deal allows wind, geothermal, biomass, landfill gas, incremental hydro and ocean energy projects that commence construction by the end of 2013 to qualify for 10 years of PTCs. Owners of such projects also have the option to forego PTCs and claim a 30% investment tax credit on the project cost.

The "under construction" clause is perhaps the most critical change to the extension and differs from the previous iteration of the PTC, which required projects to be complete by the expiration of the PTC. The U.S. **Internal Revenue Service** will make the decisions about what it means to be under construction to qualify for the PTC. Lobbyists in Washington have been pushing for a

definition similar to the one used for U.S. **Department Of Treasury** cash grants, which specifies that developers must have initiated real ground work, such as the digging of foundations, or spent more than 5% of the overall project's costs. A spokeswoman for the IRS did not respond to inquiries by press time.

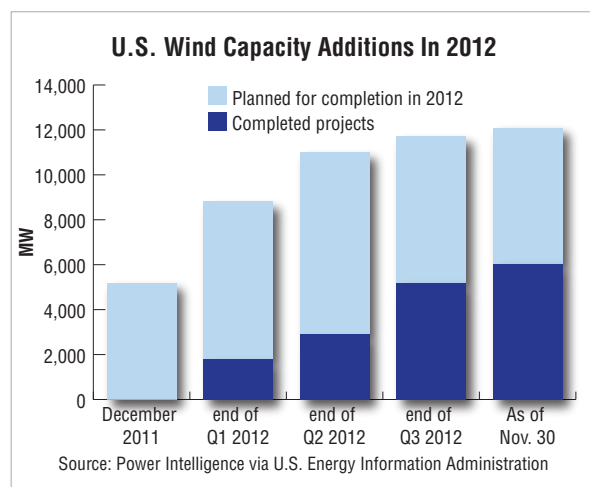
**TradeWind Energy** and **NextEra Energy** were preparing projects with the expectation of a PTC extension ([PI, 11/9](#)). The extension removes the uncertainty in 2013, says a spokesman

for NextEra in Juno Beach, Fla., adding that it is too early to discuss specific projects affected by the PTC extension. TradeWind officials did not return calls by press time.

"The new rules will allow people time to put their papers in order, which should again stimulate private sector activity in wind energy," says **John Marciano**, a partner at **Chadbourne & Parke**. The new bill also delays sequestration by two months, which Marciano says is also highly important. It means that Treasury cash grants on renewable

energy projects will not be subject to a 7.6% haircut before March 1 at the earliest.

Wind was the most installed generation resource in 2012, accounting for 44% of all U.S. installed capacity, according to the U.S. **Energy Information Administration**, as companies looked to take advantage of the potentially expiring PTC. Project financings for wind projects boomed as a result, with the second quarter seeing 10 of its 16 closed deals backing wind projects ([PI, 9/7](#)).



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**MERGERS & ACQUISITIONS**

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## MidAmerican Lands SunPower Projects

**MidAmerican Solar** has bought two solar projects totaling 579 MW in Rosamond, Calif., from SunPower. The subsidiary of **MidAmerican Renewables** is paying \$2-\$2.5 billion for the 309 MW Antelope Valley Solar 1 and 270 MW Antelope Valley Solar 2 projects, including the EPC contracts with SunPower, according to a SunPower filing with the U.S. **Securities and Exchange Commission**.

SunPower has the right to purchase a third 49 MW phase of Antelope Valley associated with AVSP 2. **MidAmerican Renewables** is a subsidiary of **MidAmerican Energy Holdings**

**Co.** The deal closed Dec. 28.

**Morgan Stanley** released teasers for the projects in late summer ([PI, 9/11](#)). Each project has a 20-year power purchase agreement with **Southern California Edison** and is slated to be online by the end of 2015. SunPower had wanted to sell the assets as a pair since they are located on the same site.

Details regarding financing and whether MidAmerican used a financial advisor could not be learned. A Morgan Stanley spokeswoman could not comment and a MidAmerican spokeswoman did not respond to an inquiry by press time.

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## Laclede To Grow Unregulated Biz

The **Laclede Group**, parent of **Laclede Gas Co.**, is looking to grow its unregulated business after agreeing to buy two gas distribution utilities, **Suzanne Sitherwood**, ceo and president told *PI*.

The acquisition from **Energy Transfer Equity** raises its regulated business to 91% of its operations, giving the company “headroom” to expand its unregulated business operations and get regulated to 75%, Sitherwood says.

Laclede will look to the debt and equity capital markets for long-term financing while the \$1.035 billion acquisition of **Missouri Gas Energy** and **New England Gas Co.** is being finalized, says Sitherwood, who took the reins in February. **Wells Fargo** advised on the purchase and offered a bridge loan up to \$1.02 billion for the acquisition, which is expected to close in the third quarter.

St. Louis-based Laclede is paying \$975 million for MGE and \$60

million, including a roughly \$20 million debt assumption, for NEG. The purchase adds about 500,000 customers in Laclede's home state of Missouri and establishes a utility presence in Massachusetts.

The company will be looking for opportunities in what it calls the “first-mile and last mile” of gas pipeline projects—the parts of the project that moves the gas from the basin to the distribution network and the portion that connects distribution networks to customers, such as power generators and utilities, she says. Sitherwood also wants to see the company involved in emerging technologies, such as compressed natural gas vehicles and micro-power generators.

Energy Transfer Equity put the utilities up for sale this summer after completing its purchase of \$7.9 billion takeover of **Southern Union Co.**, as first reported by *PI* ([PI, 6/29](#)). **Credit Suisse** advised. **Moelis & Co.** offered an independent opinion to Laclede.

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## Brookfield Lands NextEra Hydro Portfolio

**Brookfield Renewable Energy Partners** has agreed to buy a Maine hydro portfolio totaling 351 MW from **NextEra Energy Resources** for \$760 million. The White Pine assets have \$700 million in debt outstanding across four private placements and debt assumption is included in the \$2.2 million per MW purchase price.

The purchase will be funded with cash on hand and existing credit facilities as well as direct investments from institutional co-investors through a fund managed by **Brookfield Asset Management** for up to 50% of the purchase price.

The merchant portfolio faced a potential default in the first quarter if it missed a January interest payment ([PI, 11/21](#)). White Pine has been hit by lower power prices and demand. The portfolio has 19 facilities that are operated as three bundles on the Kennebec River, Androscoggin River and Saco and Presumpscot Rivers. Brookfield already owns 103 MW of hydro assets on the river systems.

The acquisition is subject to approval by regulators and bondholders, according to Brookfield. The notes will be repurchased if approval is not received. Top bondholders at the

end of the second quarter included affiliates of **Variable Annuity Life Insurance**, **New York Life Insurance**, **TIAA-CREF**, **Loomis Sayles & Co.** and **Allstate Life Insurance**.

The debt consists of four unrated private placements arranged in 2007. It is not rated. **Credit Suisse** and **Scotiabank** were the underwriters. The tranches include:

- \$290 million private placement with 6.31% coupon due in 2017
- \$250 million private placement with a 6.96% coupon due in 2037
- \$125 million private placement with a 7.26% coupon due in 2015
- \$35 million private placement with 6.61% coupon due in 2027

NextEra worked with **Chadbourne & Parke**. Whether NextEra used a financial advisor could not be immediately learned.

Spokesmen for Brookfield and NextEra did not immediately reply to inquiries.



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## NEWS IN BRIEF



News In Brief is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but **PFR** does not guarantee its completeness or accuracy.

- **NextEra Energy** and the town of Seabrook, N.H., have reached an agreement on how to establish a market value for the aging Seabrook nuclear plant from 2010 to 2015 to resolve city tax and budget issues. The two parties agreed to a \$1.381 billion value for 2011, down



Seabrook

from \$1.434 billion because of low natural gas prices and a weak economy (*The Daily News of Newburyport*, 1/3).

- The **Valley Electric Association** of Pahrump, Nev., has joined CAISO. This is the first out-of-state utility to join CAISO and could have positive implications for **BrightSource Energy's** Hidden Hills solar project (*Rewire*, 1/3).

- Two coal-fired power plants in Joliet and Romeoville, Ill., owned by **Edison Mission Energy** subsidiary **Midwest Generation** have received approval to be rezoned that will make them eligible for tax breaks that will help fund environmental upgrades (*The Herald-News*, 1/3).

- **Duke Energy** brought two new power plants online this week at **Duke Energy Carolinas** and **Progress Energy Carolinas**: the \$2.2 billion, 825 MW coal-fired unit at the Cliffside Steam plant and the \$723 million, 920 MW H.F. Lee combined cycle facility (*Charlotte Business Journal*, 1/3).

- After its plans for a new hydro plant fell through last year, city of Aspen officials are hoping the community can provide some input on generating resources by hosting an open house on Jan. 16. The municipal electric utility aims to run on 100% renewables by 2015 (*Aspen Daily News*, 1/3).

- Gulf Power has put plans to develop a generation project in Escambia County, Fla., on hold after the **Florida Public Service Commission** rejected a proposal to raise its base rate to pay for land acquisitions. The utility could need a new plant between 2018-2022 to meet demand (*Northwest Florida Daily News*, 1/2).

- The **Arizona Public Service** company is investigating the cause of an electrical fire atop McMillan Mesa in late November that caused significant damage to a \$3 million solar storage installation. The new 1.5 MW system is the size of a shipping container and resembles a giant battery (*AZ Daily Sun*, 1/2).

- The politicization of the energy sector came to the fore during the presidential election, with experts noticing a number of trends. Most notably, the energy sector is now a technology sector as much as it is an industrial sector and policy needs to change to accommodate

an era of fossil fuel abundance (*The Huffington Post*, 1/2).

- **Hudson Energy**, a supplier of electric and natural gas commodities, has expanded operations by entering into the Ohio electricity market. Electricity will be sold by Hudson Energy in the **Ohio Edison**, **Cleveland Illuminating** and **Toledo Edison** territories. The company plans to launch into other Ohio electric distribution markets in this spring (*Energy Central*, 1/2).

- **Wisconsin Power & Light Co.** has closed its \$400 million acquisition of the 600 MW Riverside combined cycle facility from **Calpine Corp** (*MarketWatch*, 1/2).

- The Republican majority whip of the North Carolina House, **Mike Hager**, a former **Duke Energy** engineer who is the chairman of the public utilities committee, wants to freeze the state's green energy mandate at its current level, 3%, and halt plans to reach 12.5% by 2021. Hager contends the policy is "picking winners and losers" (*Winston-Salem Journal*, 1/2).

- **Northeast Utilities** is nearing a proposal for a new route for a 1.2 GW transmission line that would carry power generated from the Northern Pass hydro project in Ontario to New England via New Hampshire. The company has been evaluating prospective routes for the last year (*Hampshire Union Leader*, 1/2).

- **Algonquin Power & Utilities Corp.** has closed its \$148.9 million acquisition of the 109.5 MW Shady Oaks wind farm in northern Illinois from **Goldwind International**. The project has a 20-year power purchase agreement with **Commonwealth Edison** (*MarketWatch*, 1/2).

- New York Gov. **Andrew Cuomo** has set aside a portion of a \$250 million state development fund for clean energy projects, including wind, hydro, solar and biomass, under his plan to modernize the state's energy infrastructure. The **New York State Energy Research and Development Authority** will oversee the distribution of funds (*North Country Now*, 1/2).



Andrew Cuomo

- A U.S. federal board dealt two blows to opponents of renewing the operating license of **FirstEnergy Nuclear Operating Co.'s** Davis-Besse nuclear power plant. The three-member **Atomic Safety and Licensing Board**, appointed by the U.S. **Nuclear Regulatory Commission**, dismissed two lines of argument advanced by groups seeking to block a 20-year extension for the Ottawa County plant. The plant's current license expires in 2017 (*Toledo Blade*, 12/29).

## Q&A: Andrew Redinger *(Continued from page 1)*

**Andrew Redinger** is managing director and group head of utility, power and renewable energy at **KeyBanc Capital Markets**. He sat down with **Sara Rosner**, PI's managing editor, to discuss the lender's strategy and what lies ahead for power project finance and M&A in North America.

### **PI: What is KeyBanc Capital Market's strategy in the project finance sector?**

Our focus is primarily on power and renewable energy including wind, solar and natural gas. We've looked at other technologies, but to date have only closed project deals involving those three. We will continue to consider other technologies outside of those, but may it be more difficult if it's not mainstream.

In the project finance space, we provide both construction and permanent financing as well as advisory services for accessing the capital markets, tax-equity and acquisitions and divestitures for those different technologies. We tend to use our balance sheet in situations where we can build long-term relationships. We wear a lot of hats and can provide access to a full suite of investment banking products beyond just our project finance capabilities. These include advisory services for equity, debt and tax equity, access to the capital markets and traditional lease and commercial banking services.

What's unusual about KeyBanc Capital Markets is that we don't necessarily have a standalone project finance group. I head up the utility, power and renewable energy group and our ability to execute on project finance opportunities is housed within that group. We look for project finance opportunities but also look toward the company's other needs. If it's just a one-off financing, we probably won't get involved. We try to use our balance sheet where we can build long-term relationships that utilize all our products and services. We're a relationship oriented project finance team.

### **PI: How has KeyBanc's strategy evolved over the past couple of years and how will the bank operate in power project finance in the next 12 months?**

We really started getting in to the project finance space in 2006, primarily in the wind space. We've had some fits and starts, similar to what the wind space has experienced. But we just completed our best year ever. KeyBanc likes the business and we'd like to continue to expand and grow our project finance capabilities going forward. For example, we're doing more solar. It continues to be the place where we're seeing a lot of activity. We'll continue to do more solar and gas deals--we see an uptick in people looking to develop natural gas-fired plants. We've participated in a couple of natural gas-fired deals already, but we see that as an area for growth for us.

We'll continue to look at and be opportunistic about other things that come up. For example, there's a lot of gas infrastructure that needs to be built in this country as a result of all the shale gas. I fully expect that this is something we'll consider going forward as that market continues to develop. Also, the military has issued an

RFP to put generation and renewable resources in, on or around their bases. That's mostly wind and solar but they're also looking at some other technologies as well and we'd be open to financing those. We're the type of firm that rolls their sleeves up and looks to put capital to work where there's long-term relationship potential. We'll dig in to opportunities where we see long-term value and growth. If you look historically, that's what we've done.

### **PI: Given the uncertainty that had been surrounding the production tax credits, how do you see wind project financings playing out this year in terms of volume and execution?**

Adding a one-year extension to the PTC doesn't really do much in my opinion. It will help get more projects built in 2013-14 but it's more of the same. The industry needs to find an alternative cheaper source of capital for its long-term sustainability.

There's been a real drive recently to find a way to access that capital. There's a large and growing investor base that you see investing in yield cos., REITs and MLPs and other kinds of yield-oriented vehicles. The dividend yield on these vehicles is 5-6%, which is cheaper equity capital than anything available currently. The renewable sector needs to continue to work on finding a way to tap into this large attractive investor base. It will not solve all the problems because power prices are expected to continue to be low but it will provide the industry the long term visibility on the availability of attractively priced capital to allow continued investment in the sector.

### **PI: What do you see out there in terms of innovation in deal structure and tapping different types of financing resources?**

The capital markets have largely been untapped for this asset class. These investors include traditional insurance companies, pension funds and money managers. There continues to be an opportunity to educate this investor universe on the benefits of long-term contracted assets, 20 plus years, with an investment grade revenue stream of BBB- or better that is non-cyclical in nature. These investors will typically provide capital with a longer tenor and be very competitive with traditional bank financing. Yield oriented equity investors are also beginning to look at this asset class that compares favorably to REIT's and MLP's in regards to the quality and reliability of the projected dividend stream. There is a big opportunity to educate this attractive and largely untapped investor universe in regards to contracted renewable generating assets.

### **PI: The landscape of project finance lenders has really changed. How will this cast continue to evolve in 2013?**

One of the big questions we've always had to deal with internally is why aren't there more U.S. banks pursuing this sector? Quite frankly, I don't have a good answer. We're starting to see more domestic banks taking an interest and investing the time to get educated, but it's been a slow process. We expect this trend to continue with some acceleration in 2013. In regards to the

European banks still active in North America project finance, we are anticipating them being very selective with a sweet spot of 7-10 years with some pricing pressure to the upside. We also expect Asian lenders to be active in the U.S. with an emphasis on smaller, longer tenured transactions.

**PI: You mentioned REITs and MLPs. What's in store for these concepts and other financing innovations?**

The REIT and MLP ideas are really a proxy to finding a cheaper source of capital for contracted generating assets. Although I don't see a change in legislation in the near future making generation assets REIT-able or MLP-able, there is a similar structure that provides the same benefits without any change in legislation. A yield co. is a C corp. that utilizes all the tax benefits attached to, and generated by, the assets (wind, solar, natural gas etc.) that are contributed to the C corp. This entity shelters the income stream produced from these contracted power sales. There are several publicly traded C corps. that are utilizing a similar structure currently and all trade very close to REIT's and MLP's in terms of yield and EV/EBITDA. There is a growing universe of yield oriented investors that we believe will find this asset class attractive and are expecting several developers to access capital through this structure in 2013.

**PI: Is there any precedent for using this structure with generation assets?**

Yes. There are several public companies, mostly listed on **Toronto Stock Exchange**, that have a very similar structure and own contracted hydro, wind, solar and natural gas generating assets. These firms trade very similarly to REIT's and MLP's with dividend yields in the 6% area with EV/EBITDA of 12-14 times.

**PI: Why hasn't this yield co. structure already been carried out in the U.S.?**

There's a couple of reasons, but we expect to see more in the U.S. in 2013. The Canadian market has a successful track record and is more comfortable with these yield co. structures. The listing requirements including costs are also more yield co. friendly than in the U.S. There are typically less regulatory hurdles, it's cheaper and the Canadian market is more accepting of IPO's below \$200 million. There is also no empirical evidence that suggest you will trade better on the TSX versus in the U.S. The thinking has been: why take the execution risk here? Go to Canada, get your deal out and dual list later on in the U.S. That aside, I think you'll see a couple larger yield co. IPOs list here in the U.S. given the very strong demand from both institutional and retail investors for long-term, reliable contracted revenue streams that have a dividend yield in the 6-7% area.

**PI: When you talk about the midstream gas sector, what do you see out there for project financing in 2013?**

We are continuing to see a significant amount of investment in the development of shale gas in several new and existing basins in the U.S. The infrastructure required to gather and transport that gas to market needs significant investment. We anticipate originating

more midstream deals associated with this need in 2013. There is also an LNG story that's going to be played out. We'll be opportunistic as those projects get more developed.

**PI: Will merchant continue to gain traction in the market in 2013?**

It's hard for anybody, given these power prices, to enter in to a long-term PPA. We don't see any truly merchant projects being done in 2013. Projects that have hedged a portion of, or all of, its output should get done on a relationship basis but will continue to be short-term in nature.

**PI: What's on tap for M&A in North America in 2013?**

I think there will be increased activity versus 2012 across the renewable space. A lot of capital has flowed into this area over the last several years and many sponsors/developers are at their investment ceilings or have been cut off from internal funding sources. Sponsors/developers are weighing the outlook of finding alternative and cheaper sources of capital to compete and earn a fair return versus monetizing their existing investment. Given the developing yield co. story, we believe that this will provide the smaller sponsors/developers, that are too small to access the public markets on their own, an attractive exit.

## Sant-Backed *(Continued from page 1)*

shop **Persimmon Tree Capital**. Persimmon is seeded by Sant and run by his son **Lex Sant** and **Jason Hicks**.

The tax equity stakes will be divided essentially into two parts: a cash flow stream and what remains of the tax benefits. Threshold will buy into the cash flow stream and put it into a Canadian income trust, **Threshold Power Trust**, that will be taken public, bankers say. The acquisition of the stakes is expected to close in the first quarter. JPMCC will retain a stake in the farms.

**Royal Bank of Canada** and **BMO Capital Markets** are reportedly the leads of the initial public offering that is set to include **CIBC World Markets**, **Scotiabank** and **TD Securities**. Initial documents have not yet been filed with the **Canadian Securities Administrators**, the Canada equivalent of the U.S. **Securities and Exchange Commission**.

The deal and move toward an IPO stems from efforts by JPMCC to establish a secondary market for tax equity investments as a generation of farms edges closer to flipping out of tax equity agreements ([PI, 10/12](#)). The tax equity stakes in the farms in play were originally put on the market and saw two different deals fall through when the prospective buyers could not raise capital, says a deal watcher.

Putting the tax equity cash flow portfolio on the **Toronto Stock Exchange** is a play that addresses a portion of the questions surrounding what happens to these farms when the tax equity agreements mature, observers say. There is a possibility that Threshold could look to buy the equity, or a portion of it, from the owners after the agreement matures and use offtake revenue as a



future stream for the dividend.

Retail investors are searching for yield and the income trust structure is common in Canada, note bankers and lawyers. An IPO could be in the neighborhood of C\$200 million (\$202 million) given master limited partnerships that have gone public in Canada, says an observer. Threshold has lined up warehouse lines of credit—money lent in the period before an IPO so a transaction can close, says one banker. Details on the loans such as amount and tenor could not be immediately learned.

Calls to Nickey and a Threshold spokesman were not immediately returned. A JPMCC spokeswoman could not immediately comment while Lex Sant and Hicks at Persimmon Tree did not respond to inquiries. RBC and BMO bankers did not return calls.

—Holly Fletcher

## Cheniere Trawl *(Continued from page 1)*

350 basis points over LIBOR during the first four years and will jump to 375 bps over LIBOR for the remainder. Commitment sizes ranged from \$30-150 million with upfront fees of 22.5-27.5 bps.

There is a possibility, adds the deal watcher, of using a B loan. Good pricing for the sponsor in the bank market and aversion to construction risk among B loan investors led to a B loan being nixed in the first round of financing ([PI, 7/19](#)). Institutional investors are becoming more comfortable with the construction risk and place of LNG projects in the market, according to the deal watcher.

**Roberto Simon**, head of project and energy finance in the Americas at Société Générale, has been meeting with Cheniere and will reportedly again lead that bank's efforts on the deal. Credit Suisse is also thought to be close to confirming its involvement. HSBC is also looking at the deal. Other banks either did not return calls by press time or declined to comment at all. The ability of Cheniere to secure enough lenders is not an issue despite its size, say financiers of LNG projects. "We love natural gas projects," says one, citing the pipeline of deals and the importance of building early relationships in the sector. "This deal makes a lot of sense to be on."

The Cheniere spokesman says the signing of another sale and purchase agreement for more of its LNG reserves with **Total Gas & Power North America** should now help to drive the financing. Under that contract, Cheniere will sell 91,250,000 MMBtu of LNG annually plus 13,500,000 MMBtu of seasonal LNG volumes to Total upon the commencement of train five operations. **BC Gulf Coast LNG**, **Gas Natural Fenosa**, **KOGAS** and **GAIL** also have long-term purchase agreements with the project.

**Blackstone** contributed roughly \$2 billion in equity to the \$4.5-5 billion first phase of the Sabine Pass project. The project includes five liquefaction trains adjacent to the Sabine Pass LNG terminal. The first two trains are under construction, while construction on the third and fourth trains is expected to begin in 2013. The facility and its five trains are expected to be fully operational in 2018.

—Nicholas Stone

## ALTERNATING CURRENT

### The Sparkly Stuff: Scientists Go For Solar Glitter

Glitter, the sparkly substance usually associated with kindergarten arts and crafts and drag queen cosmetics, is making a debut in power in the form of ultra-miniscule solar cells. Scientists at **Sandia National Laboratories** in Albuquerque, N.M., are working to create a commercially viable version of these tiny hexagonal cells, which are about 14-20 micrometers thick.



Thinkstock/Stock photo

A human hair is about 70 micrometers.

Traditional solar cells are made from silicon wafers four to six inches squared and 200 micrometers thick. The cells are then lined up in between

panels of glass to make solar panels. The solar glitter is cut up from the silicon wafers into many smaller cells and thinned down using techniques borrowed from the microelectric and microelectromechanical systems.

The glitter can then be mounted into light, flexible materials, such as clothing or other fabric, meaning that it can be wrapped around unusual shapes, like bodies as opposed to roofs. Another benefit: solar glitter uses 100 times less silicon than traditional solar cells to generate the same amount of power. An official and a spokesman at Sandia did not respond to calls by press time and when the glitter would become available for decorating or eye shadow could not be learned.

## CONFERENCE CALENDAR

- **Infocast** will host the 5th annual Projects & Money Conference Jan. 15-17 at Harrah's in New Orleans, La.
- **Euromoney Seminars** will host the 4th Annual Canadian Power Finance Conference Jan. 16-17 at the Fairmont Royal York in Toronto.
- **Euromoney Seminars** will host the 8th Annual U.S. Power & Renewable Finance Conference Feb. 13-14 at the Westin New York at Times Square.

## QUOTE OF THE WEEK

"There continues to be an opportunity to educate this investor universe on the benefits of long-term contracted assets, 20 plus years, with an investment grade revenue stream of BBB- or better that is non-cyclical in nature."—**Andrew Redinger**, managing director and group head of utility, power and renewables at **KeyBanc Capital Markets** in Cleveland, on tapping the debt capital markets for power project finance deals (see Q&A, page 10).