

# power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

JANUARY 14, 2008

VOL. XI, NO. 2

## Bear Gets Creative

**Bear Energy** is looking to monetize certain power contracts it acquired when it bought **Williams Power**.

*See story, page 2*

## At Press Time

Ravenswood Bids Due Jan. 24 2

## In The News

Olympus Mandates Duo On Refi 3  
Calpine Exit Financing Launches 3  
Chevron Takes Storage Offers 3  
Invenergy Anoints Wind Head 4  
RBS Launches Gulf LNG Debt 4  
Calyon Preps EIF Deal For Retail 4  
Quartet Lands Acciona Mandates 6  
HVB, Mizuho Ready FPL Financing 6  
Bayern Syndicates Cable Deal 7  
New TXU CEO Gets Industry Nod 7

## Corporate Strategies

Knight To Repay MBO Debt  
With Sale Proceeds 7  
Duke Sub Re-Opens Bond Mart  
With Upsized Offer 8  
Spectra MLP Trades Equity  
For Assets 8

## Departments

Generation Auction & Sale Calendar 9

**COPYRIGHT NOTICE:** No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2008 Institutional Investor, Inc. All rights reserved.

For information regarding subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

## More To Follow?

### HANCOCK SCORES TAX EQUITY IN SECONDARY

Life insurance titan **John Hancock Financial Services** has acquired a \$35 million interest in **AES'** 170 MW Buffalo Gap 3 wind farm—its first tax equity deal. The deal is also a relatively rare instance of secondary trade, but market watchers are expecting more of them as primary players look to manage exposure and new entrants look to muscle their way in.

Under the Energy Policy Act of 2005, tax credits are awarded to investors in qualifying renewable projects. Developers can then auction off the credits to institutional firms, who

*(continued on page 12)*

### MISS. STORAGE CO. ON THE BLOCK

**Tenaska Power Fund** has put its interests in **Caledonia Energy Partners**, a privately held gas storage company, on the block. The fund acquired a 50% stake in the Caledonia, Miss., multi-cycle facility in 2006, from a pair of unidentified energy veterans that were its original sponsors, who are also selling. The deal is valued at about \$250-300 million, according to one industry source.

The owners have hired **Credit Suisse** to run the auction and first-round bids are due Thursday.

*(continued on page 12)*

### FORTRESS, WELLS BUY INTO SACRAMENTO STORAGE PROJECT

**Fortress Investment Group**, **Wells Fargo** and an unidentified high-net-worth individual have bought a partial stake in **Sacramento Natural Gas Storage**, a company proposing to build and operate a \$60 million, 7.5 billion cubic feet natural gas storage facility in the City of Sacramento, Calif., from three gas industry veterans.

The sellers are: **Jim Fossum**, who developed the nearby **Lodi Gas Storage** facility, recently

*(continued on page 11)*



### CIT TAPS ABN FOR NEW ENERGY HEAD

**CIT Group** has tapped **Peter Gaw**, global head of power and utilities at **ABN Amro**, as its new president of **CIT Energy**. He fills an opening first created when **Brooks Klimley** was ousted last summer (PFR, 7/11). **John Sullivan** headed the group temporarily, before leaving to lead U.S. syndications in the capital markets group at **Fortis Capital** (PFR, 9/7). "Peter is a good guy, and a good fit for CIT. He has great experience and will re-establish CIT in the energy and project finance market after a disastrous foray with [Klimley]," says one observer.

As first reported by *PFR* last Wednesday, Gaw starts today reporting to **Walter Owens**,

*(continued on page 12)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.

## At Press Time

## Bear Energy To Cash Out Williams Contracts

**Bear Energy**, the energy arm of **Bear Stearns & Co.**, is looking to cash out some of the power contracts it acquired through its purchase of **Williams Power** last year, according to industry sources. The \$496 million transaction with Williams provided Bear with roughly 1.8 GW of power contracts, the longest of which runs through 2015, and about 7.5 GW of gas tolling agreements, going as far out as 2027 (PFR, 11/9). Bear Energy officials in Houston confirmed the firm is reviewing options on the portfolio, but declined to talk specifics.

In 2003 Bear formed the **Houston Energy Group** to acquire and optimize power generation across North America. Since then its energy investment arm **Arroyo Energy Investors** has purchased interests in four plants from **American Electric Power** for \$156 million; interests in structured wholesale power sales agreements, such as **Utility Contract Funding**, which it bought from **El Paso** for \$21 million plus the assumption of \$815 million in non-recourse debt; and a 1,217 MW portfolio from privately held **Delta Power Company**.

## Merrill Pushes Back Ravenswood Timeline

**Merrill Lynch** has delayed the first-round bid deadline for the 2.4 GW Ravenswood Generating Stations in Queens, N.Y., which it is auctioning on behalf of **National Grid**. Bids were due Jan. 14, but prospective buyers have been given until Jan. 24 to submit proposals because of the holidays, according to one deal watcher. Teasers were sent (PFR, 12/7) to around 100 bidders, and three financial players believed to be lining up offers are **AllCapital**, **Energy Capital Partners** and **LS Power**.

The merchant plant consists of 1,750 MW of gas-fired steam capacity, which is also able to run on number six fuel oil; a 250 MW combined-cycle facility that runs on gas and kerosene; and a 470 MW simple-cycle unit. Its value is \$2.3-3 billion, due to its location in the prized Zone J area and dual fuel capabilities (PFR, 10/05). Calls to National Grid and Merrill Lynch were not returned.

## Solar Co. Bundles Projects For Financing

**SunPower** has bundled five solar projects totaling 8 MW to garner more than \$50 million in tax-equity investments on the portfolio from **GE Energy Financial Services**. This technique allows the developer to "spread the effort and the cost across several projects, to get an economy of scale," explains **Mac Irvin**, managing director of structured finance for the solar developer at SunPower in Richmond, Calif.

Irvin declined to reveal specifics of the deal, but says this investment will cover the development costs. SunPower will transfer ownership of the completed projects to **Galaxy**, a holding company in which GE will own a 99% stake to realize the portfolio's tax benefits, while the developer will maintain 1% until GE realizes its negotiated rate of return.

The portfolio consists of a 2.4 MW ground-mounted system for a Lake County, Calif., correctional facility and two water treatment plants; a 2.3 MW rooftop system at **Toyota Motor Sales USA's** Ontario Parts Center in Ontario, Calif.—the largest single-roof solar project in the U.S.—and three 1 MW systems.

SunPower is a subsidiary of **Cypress Semiconductor**, and a year ago acquired solar developer **Powerlight**. A GE spokesman declined to make officials available.

## power finance & risk

The exclusive source for power financing and trading news

### EDITORIAL

TOM LAMONT  
Editor

STEVE MURRAY  
Deputy Editor

PETER THOMPSON  
Executive Editor [Chicago]  
(773) 439-1090

KATY BURNE  
Managing Editor  
(212) 224-3165

THOMAS RAINS  
Reporter  
(212) 224-3226

KATIE HALE  
Associate Reporter  
(212) 224-3293

STANLEY WILSON  
Washington Bureau Chief  
(202) 393-0728

KIERON BLACK  
Sketch Artist

### PRODUCTION

DANY PEÑA  
Director

LYNETTE STOCK, DEBORAH ZAKEN  
Managers

MICHELLE TOM, MELISSA  
ENSMINGER, BRIAN STONE,  
JAMES BAMBARA, JENNIFER BOYD  
Associates

JENNY LO  
Web Production & Design Director

MARIA JODICE  
Advertising Production Manager  
(212) 224-3267

### ADVERTISING AND BUSINESS PUBLISHING

JONATHAN WRIGHT  
Publisher  
(212) 224 3566

ERIK KOLB  
Editor, Business Publishing  
(212) 224-3785

PAT BERTUCCI, MAGGIE DIAZ,  
LANCE KISLING, ADI HALLER,  
Associate Publishers

LESLIE NG  
Advertising Coordinator  
(212) 224-3212

### PUBLISHING

ELAYNE GLICK  
Publisher  
(212) 224-3069

MIKE FERGUS  
Marketing Director  
(212) 224-3266

AMANDA CATERINA  
Associate Marketing Manager  
(212) 224-3096

VINCENT YENENOSKY  
Senior Operations Manager  
(212) 224-3057

DAVID SILVA  
Senior Fulfillment Manager  
(212) 224-3573

### SUBSCRIPTIONS/ ELECTRONIC LICENSES

One year - \$2,725 (in Canada add \$30 postage, others outside U.S. add \$75).

DAN LALOR  
Director of Sales (212) 224-3045

THEODORE HEALEY  
Account Executive [London]  
(44-20) 7779-8704

KEN LERNER  
Account Executive  
(212) 224-3043

GEORGE WITTMAN  
Client Development Manager  
(212) 224-3019

### REPRINTS

DEWEY PALMIERI  
Reprint & Permission Manager  
(212) 224-3675  
dpalmieri@institutionalinvestor.com

### CORPORATE

GARY MUELLER  
Chairman & CEO

CHRISTOPHER BROWN  
President

STEVE KURTZ  
Chief Operating Officer

ROBERT TONCHUK  
Director/Central Operations & Fulfillment

**Customer Service:** PO Box 5016,  
Brentwood, TN 37024-5016.  
Tel: 1-800-715-9195. Fax: 1-615-377-0525  
UK: 44 20 7779 8704  
Hong Kong: 852 2842 6910  
E-mail: customerservice@iinvestor.com

**Editorial Offices:** 225 Park Avenue  
South, New York, NY 10003.  
Tel: (773) 439-1090  
Email: pthompson@iinvestor.com

**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.

**Power Finance & Risk** ©2008  
Institutional Investor, Inc.

Copying prohibited without the permission of the Publisher.

**Institutional  
Investor NEWS**  
INTELLIGENCE FIRST

## Olympus Taps Two On Biomass Refi



*Cadillac Renewable Energy*

Privately held IPP **Olympus Power** is planning to refinance debt tied to its Cadillac Renewable Energy biomass plant in Cadillac, Mich., and has mandated **DZ Bank** and **Union Bank of California** on

the deal. The size of the financing is still being mapped out, but **John Twomey**, director of finance in Morristown, N.J., confirmed the company had mandated the two banks. The loan will fund this month but will not need to be syndicated because of its relatively small size. Officials at the leads declined to comment.

The 39.6 MW wood-burner facility has been in Olympus' portfolio since the outfit was formed early last year after the sale of **Delta Power** to **Arroyo Energy Investors**, a unit of **Bear Stearns** (PFR, 2/2). Delta and **ArcLight Capital Partners** acquired the plant the year before from a joint venture between **Decker Energy** and **NRG Energy** (PFR, 2/3/06). Cadillac came online in 1993 at a cost of \$60 million, with financing provided by **General Electric**. When it was purchased by Delta and ArcLight it had a 35-year PPA with **Consumers Energy**.

## Calpine Exit Financing Kicks Off

Joint lead arrangers **Goldman Sachs**, **Credit Suisse**, **Deutsche Bank** and **Morgan Stanley** held a standing-room only bank meeting at the W Hotel in midtown Manhattan last Tuesday, seeking approval from at least 51% of Calpine's \$5 billion debtor in possession and exit financing holders to amend covenant levels and permit the incurrence of \$2.6 billion in new debt.

Holders had agreed to roll the DIP into the final exit package last March, but in July the bankrupt IPP sought an upsized DIP/exit to repay \$3.964 billion owed to its second-lien claimants in cash. The amendment launched last summer did not succeed because the credit markets were in freefall, so the arrangers decided to retry once the plan of reorganization was confirmed and Calpine was closer to emergence.

The new debt consists of a \$2.456 billion, first-lien term loan B maturing in March 29, 2014, with a call protection of 102 in year one and 101 the following year, and a one-year, \$300 million bridge with no call premium to be retired with proceeds from impending asset sales: **Hillabee Energy Center** (PFR, 1/4), **Fremont Energy Center** (PFR, 11/21), **Texas City** and **Pasadena** (PFR, 11/26). Pricing on the debt, based off its corporate family rating of B2 by **Moody's Investors Service** and B by **Standard & Poor's**, is 287.5 over LIBOR. The deal also has

four separate maintenance covenants, offering more comfort to the buy-side than the single covenants offered on other leveraged merchant power paper in the market. In addition, an upfront amendment fee will be offered to consenting lenders, 50 basis points for approvals by Monday, stepping down to 25 bps thereafter.

As approved Dec. 19 by the U.S. Bankruptcy Court for the Southern District of New York, it will amend and restate the company's outstanding \$5 billion DIP, comprising a \$3.844 billion term loan B already funded but amortized by \$156 million, and a \$1 billion undrawn revolver (PFR, 12/24). Calls to the San Jose IPP and the leads were not returned.

The lenders have until Feb. 7 to close the exit financing, giving Calpine more time to meet its consolidated leverage ratio, consolidated interest coverage ratio and consolidated senior leverage ratio, according to court documents. The IPP plans to emerge as a standalone business with an approximate enterprise value of \$18.95 billion, after re-listing on the **New York Stock Exchange** and issuing up to 500 million shares of common stock. Unsecured creditors will own new equity in reorganized Capline equal to 82-100% of their claims, while former equity holders will receive warrants to buy up to 10% of new shares, priced off a reorganized equity value of \$11.9 billion. Secured creditors were paid off or had their debt rolled over.

## Chevron Takes Bids On B.C. Storage

**Chevron Corp.** took non-binding expressions of interest Jan. 4 on its Aitken Creek Gas Storage facility, located about 120 km northwest of Fort St. John in British Columbia. **CIBC World Markets** dispatched teasers mid-Nov. on the unregulated asset, which has a working capacity of 71 billion cubic feet and can be expanded to 118 bcf.

Among those expected to submit offers are:

- **Carlyle/Riverstone**, whose Global Energy and Power Fund bought storage assets from **EnCana Corp.** for \$1.5 billion last year;
- **TransCanada**, which owns interests in three facilities in Western Canada; and
- U.S. financial sponsors, such as **ArcLight Capital Partners**, which is selling a storage facility in Lodi, Calif., to **Buckeye Partners** for \$440 million.

Industry sources say Aitken Creek could fetch more than \$1 billion due to the attractiveness of its expansion potential, low risk profile and optionality surrounding its contracted cash flows. Calls to spokespeople at Chevron and the bidders were not returned and a CIBC official declined to comment.

The oil and gas leviathan acquired Aitken Creek through its merger with **Unocal Corp.** two years ago. It is selling because it deems it non-core, having sold off its exploration and



production assets in Western Canada in 2004. Aitken Creek is connected to two pipelines: **Spectra Energy's** BC Pipeline, formerly known as the Westcoast System, and Alliance Pipeline, providing access to British Columbia, the Pacific Northwest, Alberta and Chicago.

## Invenergy Names Wind Chief

Invenergy has put **John Jones**, v.p. of energy marketing, in charge of its wind group, following the departure of **Kevin Smith**, senior v.p. of development (PFR, 12/20). Jones did not return a call and CEO **Michael Polsky** declined comment.

Jones joined Invenergy in 2006 after heading energy origination at Chicago hedge fund giant **Citadel Investments**. Over his 15 years' experience in energy, he has negotiated commercial contracts for the development and construction of roughly 4 GW of generation resources, according to Invenergy's Web site. He has held roles in energy trading and marketing focused on the independent power business at **Progress Energy**, **InterGen**, **Dynegy** and **Enron**.

Assuming Smith's responsibilities on the thermal side will be **Mark Leaman**, who rejoined Invenergy in November after leaving in 2006 to work on personal business unrelated to any firm. Leaman now reports to Polsky as senior v.p. of thermal energy, a new role. "We have quite a few projects that we are working on right now," he says, explaining that he will focus particularly on gas-fired projects. Leaman helped found the Chicago IPP and launched its wind business as well as being responsible for power marketing and negotiating power sales contracts. Before that he was v.p. of energy marketing at **SkyGen**, an IPP founded by Polsky, but subsequently acquired by **Calpine**, where Leaman continued in his role.

## RBS Fires Up Gulf LNG Financing

**Royal Bank of Scotland** launched syndication last Tuesday of an \$870 million term loan for **Gulf LNG Energy's** 1.3 billion cubic feet per day liquefied natural gas receiving and re-gasification terminal in Pascagoula, Miss.

The deal launched at a Four Seasons hotel bank meeting in New York and 25-30 European and Asian project finance banks were invited to take tickets of \$25 million, \$40 million or \$50 million. There is an upfront commitment fee of just over one basis point per million and commitments are due Jan. 29.

The tenor is 10 years plus construction, which began recently in the Bayou Casotte area of Pascagoula and is expected to last three and a half years. Just before year-end **Standard Chartered**, **Fortis Capital**, **West LB** and **Scotia Capital** joined the deal as agents, taking buy-and-hold positions of \$85 million each. **Natixis** will join as a senior

managing agent at a lower level still under negotiation. Pricing starts at 150 basis points over LIBOR, drops to 125 after construction, then jumps to 150 in years four through eight, and steps up again to 175 over years nine and ten.

The greenfield project, named **Gulf LNG Clean Energy**, is fully contracted for 20 years and will have direct access to the **Gulfstream**, **Destin**, **Florida Gas Transmission** and **Transco** pipelines (PFR, 11/30). **Gulf LNG** is a joint venture split between **El Paso** subsidiary **Southern Natural Gas**, which agreed in November to buy its parent's 50% interest, Houston investment firm **The Crest Group** (30%), and **Sonangol**—the state-owned national oil company of Angola (20%). Officials at the lead and other banks declined to comment or did not return calls.

## Calyon To Launch EIF Calypso Into Retail

Calyon will launch retail syndication of financing tied to **Energy Investors Funds'** purchase of interests in 14 plants from **Cogentrix Energy** with a bank meeting the week of Jan. 21. The \$850 million deal for acquiring entity **EIF Calypso** struggled in its initial wholesale round (PFR, 12/20). **TD Securities** joined before Christmas with a \$30 million buy-and-hold slug, and since then **Natixis** has signed up with an undisclosed commitment and **Mizuho Corporate Bank** is in for \$60 million—both on a buy-and-hold basis.

Retail will target more of the lenders Calyon initially listed as potential participants, according to an official at the bank, noting it culled that list to 10-12 EIF relationship banks initially. Tickets of between \$25 million and \$60 million will be offered in each of the two tranches of the \$650 million term loan, or lenders may join pro rata, playing in both. The term loan is split between a seven-year term loan A consisting of one-third of the financing priced at 225 basis points over LIBOR and a 12-year term loan B making up the other two thirds, priced at 262.5 over. Rounding out the deal is a \$200 million revolver for letters of credit.

Before retail launches, more commitments are expected on the wholesale level, where tickets on offer to relationship banks were \$150 million on the top-tier and \$100 million on the mid-tier, as well as \$60 million in the \$850 million package. About half of those banks are still interested in the deal, according to Calyon, which said four to five did not get approval. "It's probably more the credit markets than anything else," said one deal watcher about why the financing struggled to get takers. "A year ago it would have gotten done."

Servicing the holdco debt are investment-grade contracts from all but one of the plants at the project level. Officials at EIF, TD, Natixis and Mizuho either declined to comment or did not immediately return calls.



20.34 +0.32 10.32%  
72.20 -0.21 13.10%  
2,322.00 +3.12 10.04%  
3.00 -9.33 10.66%  
23.03 -3.38 15.29%  
238.27 -7.93 18.12%  
928.10 +3.03 10.89%  
38.23 +0.34 10.93%  
4.23 +0.00 11.93%  
45.02 -3.23 11.32%  
17.75 +7.10 10.32%  
74.32 -3.21 10.99%  
1,454.51 -0.51 15.32%  
3.13 +9.73 10.02%  
332.45 +2.09 11.87%  
4.00 -0.00 10.89%  
4.21 +0.34 10.93%  
132.09 +0.00 11.93%  
33.83 +2.23 13.78%  
57.92 -2.23 11.32%  
23.73 -2.21 10.73%  
832.98 +3.98 10.32%  
832.98 +1.32 12.12%  
877.22 -3.21 10.99%  
8,213.30 -0.32 15.32%  
3.00 +9.73 10.02%  
83.12 -0.09 11.87%  
1,124.72 +0.32 12.12%  
89.43 +4.10 11.32%  
928.10 +3.03 10.89%

# ATTEND THE Edison Electric Institute INTERNATIONAL UTILITY CONFERENCE

March 9-12, 2008

London Hilton  
22 Park Lane  
London,  
United Kingdom

IN COOPERATION WITH  
EURELECTRIC

The EEI International Utility Conference is the premier meeting for global utility financial issues. Utility chief executives, chief financial officers, treasurers, investor relations representatives and analysts and investors from the financial community can meet and exchange information on critical industry issues and competitive strategies.

The agenda includes both general sessions and company visits which provide an opportunity for utility representatives and the financial community to discuss strategies, market and regulatory issues, and their potential impact on financial performance and shareholder value.

For more information visit  
[www.eei.org/meetings-intl](http://www.eei.org/meetings-intl)



**EDISON ELECTRIC  
INSTITUTE**

701 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2696  
202-508-5000  
[www.eei.org](http://www.eei.org)



## Acciona Mandates Four On Dakotas Wind

Acciona Energy North America has mandated BBVA, Grupo Santander, BayernLB, and JPMorgan for a \$280 million construction loan financing.

The funding is for the Spanish renewable developer's 180 MW Tatanka wind farm straddling the state line between Dickey County, N.D., and McPherson County, S.D.

No syndication is planned, because the loan will be paid off when the farm comes online in six to nine months. "It's short-term construction financing. People don't have a problem holding \$75-100 million," says one industry official, who notes the banks have been mandated since New Year's Day. As first reported by *PFR*, Acciona put out an RFP for financing tied to this farm (*PFR*, 12/7).

The farm, already under development, will have 90 MW on each side of the state line and will use Acciona's own 1.5 MW turbines. North and South Dakota have been referred to as 'the Saudi Arabia of wind,' but have only 222.53 MW of wind installed, including 12 MW Velva Wind farm in McHenry County, N.D., developed by Acciona and Global Renewable Energy. Calls to Susan Nickey, cfo of Acciona's North American affiliate in Chicago were not returned. Officials at the banks either declined to comment or did not return calls.

## Leads Ready FPL Portfolio Syndication

UniCredit HVB and Mizuho Corporate Bank are preparing to launch syndication this month of a recently funded back-leveraged loan financing FPL Energy's 600 MW Northern Frontier wind portfolio, according to industry officials.

The size of the loan could not be learned, nor could its terms. But the structure works like a cash sweep, allocating all distributable cash for the first five to seven years to the sponsor, which then uses all of it to repay project debt. After that cash reversion date, the funds are allocated to the tax equity investor for the remaining years until it achieves a pre-determined yield, along with the tax credits. When that return is reached, there is a partnership flip whereby the bulk of the cash flows and tax items flow back to the sponsor for the remaining years of the deal.

Morgan Stanley and JPMorgan Capital are the investors providing 60-75% of the funds for Northern Frontier in a roughly \$700 million deal (*PFR*, 10/12).

Northern Frontier consists of 199.5 MW Peetz table, the first phase of a 400 MW project under construction in Peetz, Colo., 201 MW Logan in Logan County, Colo., 50.6 MW Oliver I and 48 MW Oliver II near Center, N.D., and 98.9 MW Mower

in Mower County, Minn. Officials at the sponsor, leads and investors either declined to comment or did not return calls.

## Bruce Leads Consider Follow-Up Syndication In U.S.

Scotia Capital and Dexia Crédit Local are considering a second phase of retail syndication targeting non-Canadian banks as they sell down C\$200-250 million (\$199-248.8 million) in financing for Borealis Infrastructure's refurbishment of the Bruce nuclear facility in Tiverton, Ontario. It comes after a change in the Canadian tax law took effect Jan. 1, eliminating the withholding tax on interest paid to non-Canadian investors. Formerly, if a Canadian borrower paid interest to a U.S. lender, it was taxed on a certain percentage of that sum.

Mainly Canadian banks were targeted when the leads launched syndication in early November at a Toronto bank meeting (*PFR*, 12/14), and officials noted at the time there could be a second launch to U.S. firms if less than C\$200 million was sold down. The leads privately syndicated the majority of the \$750 million financing last fall when they brought in four undisclosed banks. Among those that committed were a couple of U.S. relationship banks to Borealis, the infrastructure arm of the Ontario Municipal Employees Retirement Savings pension fund. Pricing was pitched around 100 basis points over BA for tickets of C\$25-50 million.

OMERS/Borealis holds a 36% state in operating entity Bruce Power and plans to restart two idle nuclear reactors and repower two more at the Bruce A Nuclear Generating Station, raising capacity to 6.2 GW from 4.6 GW. Bruce Power is the sole asset of BPC Generation Infrastructure Trust, and has long-term PPAs with the Ontario government. Officials at the sponsor and leads declined to comment or did not return calls.

## Kelson Named Southaven Power Stalking Horse

Kelson Energy was declared the new stalking horse bidder for Cogentrix Energy subsidiary Southaven Power at a hearing last Wednesday at the federal court house in Charlotte, N.C. Southaven is an 810 MW gas-fired, combined-cycle merchant plant 15 miles outside Memphis, Tenn.

Neal Cody, president, says Kelson scored the lead with a \$305 million bid—\$28 million more than it offered last month to topple the Tennessee Valley Authority, originally named stalking horse with a \$260 million offer, plus \$5 million in cash (*PFR*, 11/12). The IPP scrapped its offer of a \$2.5 million break-up fee, but maintained its cash deposit for 10% of the purchase price, a guarantee on the balance from its private

equity backer **Harbinger Capital Partners**, and its promise to pay \$86,000 for each day the deal isn't closed after the fourth day following satisfaction of the debtor's sale conditions. TVA initially agreed to match Kelson but did not go any higher, says Cody, who notes that Southaven is ideal for Kelson because it is located near its 922 MW Magnolia facility in Benton County.

Restructuring advisor **Houlihan Lokey Howard & Zukin Capital** is handling the sale and is planning to solicit competing offers as early as Monday. Calls to the firm were not returned. A spokesman for TVA said the company will evaluate its options for future generation assets to meet its power supply needs, and if it remains interested in Southaven, will consider bidding in March.

Southaven is located in the Southeastern Electric Reliability Council with dual interconnections into the Central and Delta sub-regions, formerly known as the TVA and Entergy sub-regions, respectively. It came online in May 2003 but fell into bankruptcy in May 2005.

## BayernLB Launches Cable Syndication

Sole lead BayernLB has launched syndication of a \$205 million subordinate construction and term loan partially funding **Trans Bay Cable's** 53-mile underwater cable under San Francisco Bay.

Tickets of \$30 million are being offered to a group consisting primarily of **Babcock & Brown** relationship banks, with an eye toward bringing in half a dozen lenders when commitments are due at the end of the month, according to **Rolf Siebert**, first v.p. of structured finance for the Americas at Bayern in New York. Trans Bay Cable is a subsidiary of **Babcock & Brown Power Operating Partners** and **Pittsburg Power Co.** of Pittsburg, Calif.

The roughly \$555 million loan package being funded to the sponsor as needed has a tenor of four years post-construction. It also includes a senior secured tranche of around \$300 million guaranteed by **Ambac Assurance** that Bayern will not syndicate, Siebert says. The senior secured tranche consists of \$247.5 million in bank loans, a \$19 million letter of credit available for the three-year construction period with a 30-year tenor, a \$20 million working capital facility and a \$13 million debt service reserve facility (PFR, 10/12). Concurrent with the closing of the deal in September, Bayern syndicated a \$49 million equity bridge loan to Australia's **Westpac Banking Corp.**

Construction began in the late summer and completion is slated for March 2010 (PFR, 10/12). At that time, the cable will stretch from a Pittsburg substation in Contra Costa County and deliver 400 MW via two 200 kV cables into a San Francisco converter station.

## TXU Hire Of Exelon CFO Gets Thumbs Up



John Young

**Energy Future Holdings'** decision to appoint **John Young**, cfo of **Exelon Corp.**, as its ceo beginning Jan. 29 underscores its intention to capitalize on the profitable unregulated generation side of the company, says **Daniele Sietz**, analyst at boutique investment bank **Dahlman Rose & Co.** in New York. She says Young's stewardship at generation-focused Exelon makes him a perfect fit for the job because EFH's strategy is to deploy significant funds expanding its generation portfolio, including three new coal plants.

"John has great knowledge of everything in the industry, especially the generation sector. They are very much focused on fuel procurement and he has the experience necessary to manage this kind of company," says Sietz. He replaces colorful CEO **John Wilder**, who resigned when the buyout by **Kohlberg Kravis Roberts & Co.** and **TPG Capital** was complete Oct. 10, and will report to the board in Dallas. Young will receive a salary of \$1 million a year, plus a bonus up to twice this sum if he hits certain performance targets. As part of his five-year employment contract, he receives 7.5 million options to acquire common stock and will buy \$3 million shares.

Adds **Lisa Singleton**, spokeswoman for EFH, formerly TXU, "During his tenure at Exelon, [he] demonstrated the breadth and depth of his leadership experience, especially on the operational side of the business."

## Corporate Strategies

### Knight To Trim MBO Debt With Pipe Sale Funds

**Knight**, formerly known as **Kinder Morgan**, will use \$5.3 billion in after-tax proceeds from selling an 80% stake in its subsidiary **MidCon** and \$3 billion from a planned bond sale to retire debt from its management buyout in mid 2007. "The de-leveraging is able to occur on an accelerated basis, thanks largely to asset sales—principally **Terasen Gas**," says **William Ferara**, a director of integrated gas ratings within the utilities and infrastructure group at **Standard & Poor's** in New York. "We expect the debt to be reduced and for risks to decline."

The sale of MidCon, whose principal asset is **Natural Gas Pipeline Company of America** (NGPL), was first reported by *PFR* (PFR, 6/29). The buyer is investment consortium **Myria Acquisition**, led by **Babcock & Brown Infrastructure** (71%) and including Canada's **Public Sector Pension Investment Board**

(20%) and the **Netherlands Dutch Pension Fund** (9%).

**Deutsche Bank** and **Bank of America** have fully committed to provide financing for the acquisition.

The new bonds will be held in escrow and used to repay debt owned to Knight at closing. They will be supported by the remaining 20% in NGPL, which consists of two interstate pipelines converging in the Chicago market, to be assumed by MidCon, with which NGPL will merge. But the servicing of those notes is pressured by re-contracting risk on the storage capacity and a new dividend policy of slightly more than 100% of forecasted net income, according to an S&P report. Maturity profiles on the bonds, rated BBB- by S&P, will range from five years for \$1.25 billion of senior unsecured notes, to 10 years for another \$1.25 billion and 30 years for another \$500 million tranche. Underpinning this is \$200-300 million of unsecured revolving credit facilities at NGPL.

Knight has a \$1 billion senior secured revolver and a \$1 billion A loan, both priced at LIBOR plus 137.5 basis points, and a \$3.3 billion B loan priced at LIBOR plus 150. After MidCon's sale, the debt will become investment grade, after hovering in speculative grade ever since the buyout. Financial close on the acquisition is expected to be reached next month. **Larry Pierce**, a spokesman for Knight in Houston, declined to make officials available for comment.

## Duke Sub Upsizes Sale To Repay CP



**Duke Energy Carolinas**, a unit of **Duke Energy**, plans to use the \$900 million raised from its first-mortgage bond sale last Monday—upsized from a targeted \$600 million—to fund ongoing construction efforts and repay maturing commercial paper. The deal was the first corporate bond sale of the year, according to **Stephen De May**, v.p. and treasurer in Charlotte, N.C., who says the company wanted to tap the market last quarter, but had to wait because the market was too volatile. “We reopened the bond market,” he says. “We felt like the Treasury markets had rallied and investors were ready to put their money to work and we were right.”

The two-part sale was split between a \$400 million, 10-year series with a 5.25% coupon and a \$500 million, 30-year series priced at 6%—but will not necessarily be executed on a concurrent basis. **JPMorgan** and **Wachovia Securities** were the leads, supported by **Credit Suisse**, **Deutsche Bank Securities**, **Lehman Brothers** and **RBS Greenwich Capital**. Interest on the bonds is payable semi-annually on Jan. 15 and July 15 each year and they are redeemable at any time in whole or in part. **Moody's Investors Service** rated the bonds A2 and **Standard and Poor's** rated them A.

**Duke Energy Carolinas** serves roughly six million customers in central and western North Carolina and western South Carolina. Its

outstanding commercial paper matures no later than 45 days after its date of issue and bears interest at per annum rates of 5.55% or less. As of Sept. 30, its debt to total capitalization was 45.4%.

Planned capital expenditures include **Cliffside Steam Station**, a 760 MW five-unit coal plant in Cleveland and Rutherford Counties, customer connections, maintenance and environmental upgrades.

## Spectra MLP To Buy Sister Co. Assets With Equity

Houston master limited partnership **Spectra Energy Partners** will buy from subsidiaries of its parent **Spectra Energy Corp.** equity interests in **Saltville Gas and Storage** and the adjacent P-25 Pipeline, for equity and cash worth a combined \$107 million. “The partnership issues back to the parent in exchange for the assets. After closing, the partnership gets the benefit of the cash flow from the assets,” says **Sean Blakley**, director of investor and public relations for the MLP.

Saltville consists of roughly 5.5 billion cubic feet of working capacity across three separate units in southwestern Virginia, while the 72 miles of pipeline originates at the facility and runs east to Radford, Va., with a capacity of 40 million cubic feet per day.

The parent will receive newly issued partnership units and roughly \$5 million in cash for its consideration, with the volume of those units determined three days prior to closing based off their average trading price. “From a credit standpoint, that’s a positive that new equity is coming into the Spectra organization,” says **Mihoko Manabe**, v.p. and senior credit officer at **Moody's Investors Service** in New York. Moody's assigns a Baa1 rating to **Spectra Energy Capital**, which handles the bulk of the partnership's financing, but does not rate Spectra Energy or the partnership. “It’s a common strategy that we’re seeing in the sector. It allows a large energy company to realize the value of some of its assets,” Manabe adds. The MLP's initial public offering on the **New York Stock Exchange** closed July 2, raising \$206 million in proceeds. That offering was managed by **Citigroup** and **Lehman Brothers** (PFR, 4/20).

The partnership already owns the 1,400-mile East Tennessee Natural Gas pipeline system, and 24.5% of the Gulfstream Natural Gas System connecting Mobile Bay in Alabama to the central Florida peninsula via the Gulf of Mexico. It has a roughly 30-70% debt to equity ratio, but Blakley notes that this will drop to roughly 60% equity as it issues debt in the future. From June 30, 2007, just before the company went public, to the same time in 2008, the partnership expects \$82 million in capital expenditures. That number will stay roughly the same over the next three years. As of Sept. 30, the partnership had \$459 million in long-term debt partially collateralized by \$184 million in short-term investments, while the parent had \$9.5 billion in total outstanding debt.





## Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Katy Burne, Managing Editor, at (212) 224-3165 or e-mail [kburne@iinews.com](mailto:kburne@iinews.com).*

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Airtricity Holdings	Various	North America	6,500	Wind	Credit Suisse	E.ON agreed to buy for \$1.4 billion (PFR, 10/8).
	Various	Europe	259 operational	Wind	Credit Suisse	To be acquired by Scottish & Southern Energy for EUR1.08 billion (\$1.59 billion).
American Electric Power	Fort Phantom	Abilene, Texas	362	Gas	N/A	Took final bids Nov. 14. Reportedly negotiating with a single party.
	Abilene Power Station	Abilene, Texas	18			
	Lake Pauline	Quanah, Texas	35			
	Rio Pecos	Girvin, Texas	136			
	Oak Creek	Bronte, Texas	75			
	Paint Creek	Stamford, Texas	218			
	San Angelo	San Angelo, Texas	110			
Astoria Energy	Astoria plant	Queens, N.Y.	500	Gas	N/A	Owners fielding offers. Suez Energy acquiring a 30% stake (PFR 9/29).
			1,000 permitted			
Barry Bates and Michael Underwood	Thompson River Cogen	Montana	16	Coal, Waste Wood	Energy Advisory	Teasers went out late June. Plant has a 20-year PPA with Avista Utilities.
Bicent Power	Mountain View	Palm Springs, Calif.	67	Wind	Goldman Sachs	AES to acquire (PFR, 1/7).
Black Hills Corp.	Arapahoe	Denver, Colo.	130	Gas	Credit Suisse	Seller looking for an all-cash transaction. Preliminary bids taken Nov. 20. Bids said to be close to \$800 million (PFR, 12/10).
	Valmont	Valmont, Colo.	80	Gas		
	Fountain Valley	Colorado Springs, Colo.	240	Gas		
	Las Vegas I	Las Vegas, Nev.	53	Gas		
	Las Vegas II	Las Vegas, Nev.	224	Gas		
	Harbor	Long Beach, Calif.	98	Gas		
	Valencia	Albuquerque, N.M.	149	Gas		
Bluff Power Partners E/S Solutions	McCommas Bluff	Dallas, Texas		Landfill Gas	CRG Partners	Cambrian Energy Development named stalking horse, replacing Montauk Energy Capital (PFR, 10/12).
Calpine	Acadia Energy Center	Eunice, La.	1,016 (50%)	Gas	Miller Buckfire	Sold to Cajun Gas Energy for \$189 million (PFR, 8/6). American Municipal Power-Ohio named as stalking horse. Overbids due Jan. 21. Auction set for Jan. 28. CER Generation, a unit of Constellation Energy, named stalking horse. Overbids due Jan. 31 (PFR, 1/7). Teasers went out w/c 11.26 (PFR, 11/26). First-round bids due 1/14.
	Fremont Energy Center	Sandusky County, Ohio	512	Gas		
	Hillabee Energy Center	Alexander City, Ala.	774	Gas		
	Texas City	Texas City, Texas	425	Gas		
	Clear Lake	Clear Lake, Texas	375	Gas		
Catamount Energy	Sweetwater	Nolan County, Texas	505 (50%)	Wind	Goldman Sachs	Unsolicited approaches have been made to backer Diamond Castle Holdings (PFR, 8/31).
	Ryegate Power	Vermont	20	Wood waste		
	Rumford	Rumford, Me.	85	Cogen		
CIT Group	RockGen Energy Center	Cambridge, Wis.	460	Gas	Bear Stearns	Lessee Calpine to acquire for undisclosed sum.
Central Vermont Public Service	Various	Vermont	70 in summer, 86 in winter	Hydro	Morgan Stanley	Believed to be in advanced stages.
City of Vernon	Malburg Generating Station	Southern Calif.	134	Gas	Lehman Brothers	Beowulf Energy and Natural Gas Partners agreed to buy for \$342 million. Lehman Brothers to lead debt financing (PFR, 10/22).
	Palo Verde Power	Southern Calif.	11	Nuclear		
	Hoover Upgrading	Southern Calif.	22	Hydro		
Conduit Capital	Various	Latin America Caribbean	939 net ownership	Diverse	BNP Paribas	Basic Energy acquired plant in 124 MW Jamaica plant for \$92.5 million and a 90 MW one in Colombia acquired by group investors for \$17.5 million (PFR, 12/17).
Con Ed Development	CEEMI	Springfield, Mass.	185	Gas, Oil, Hydro	Morgan Stanley	AllCapital and Industry Funds Management in final stage negotiations to acquire for north of \$1.2 billion (PFR, 12/3). Barclays Capital to handle the financing.
	Newington Energy	Newington, N.H.	525 (99.5%)	Gas		
	Ada Cogeneration	Ada, Mich.	29 (48%)	Gas		
	Lakewood	Lakewood, N.J.	246 (80%)	Gas		
	Ocean Peaking Power	Lakewood, N.J.	339	Gas		
	Rock Springs	Rising Sun, Md.	670 (50%)	Gas		
	Genor	Puerto Barrios, Guatemala	42 (49.5%)	Oil		
Connectiv Energy (Pepco Holdings)	EverPower Wind	NEPOOL, NY, PJM	500 planned	Wind	Credit Suisse	Status unclear. 50% stake sold in Oct. (PFR, 12/9).
	Various	PJM Interconnection	3,700	Various (merchant)		Company reviewing strategic alternatives, including whole or partial sale and merger (PFR, 12/10).
Complete Energy Holdings	La Paloma	McKittrick, Calif.	1,022	Gas	JPMorgan	Teasers dispatched. Seller considering offers on one plant or both (PFR, 10/30).
	Batesville	Batesville, Miss.	837	Gas		
Corona Power	Sunbury Generating	Shamokin Dam, PA	432	Coal, oil, diesel	Merrill Lynch	Soliciting fresh equity investment to complete \$250M of upgrades (PFR, 12/24)
Desert Power	Desert Power plant	Rowley, Utah	65 installed	Gas	Miller Buckfire	Lender of record, Morgan Stanley, to acquire.
Dominion Resources	Dresden Energy	Muskingum County, Ohio	580	Gas	N/A	American Electric Power agreed to buy for \$85 million.
DTE Energy	East China	East China, Mich.	320	Gas	N/A	Seller exploring options, including outright sale. On books at scrap value, decommissioned.
	River Rouge	Detroit, Mich.	240	Gas	N/A	
Dynegy	Plum Point	Osceola, Ark.	665 MW	Coal	N/A	John Hancock to buy a 57% stake for \$82 million.
EISSL (Esalectimientos Industriales y Servicios)	Various	Catalonia, Spain	630	Wind, Hydro	JPMorgan	Company weighing sale (PFR, 12/24)

# Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Entergy Corp.	50% stake in Top Deer Wind Ventures	Worth County, Iowa	40	Wind	New Harbor	Seller wants about \$520 million for the assets. Bidders shortlisted to four players: two financial; two infrastructure (PFR, 6/18).
	RS Cogen	Carsen County, Texas	40			
	Lake Charles, La.	212	Gas			
	Roy S. Nelson	Westlake, La.	60	Gas/Oil		
	Warren Power	Vicksburg, Miss.	225	Gas		
	Harrison	Marshall, Texas	335	Gas		
	Independence	Newark, Ark.	121	Coal		
	Robert Ritchie	Helena, Ark.	544	Gas/Oil		
Exergy Development Group	Various	Upper Midwest, Northwest U.S	3600 (176 ready to construct)	Wind	Marathon Capital	Weighing strategic partnership, joint venture, recap or sale (PFR, 12/17).
Fluor	Greater Gabbard	Thames Estuary, U.K.	500	Wind	RBC Capital Markets	Specs went out in late Aug. for Fluor's 40% stake.
Foresight Wind Energy	Various	Arizona, New Mexico	2 GW pipeline	Wind	CP Energy	Transaction delayed (PFR, 10/8).
FPL Energy	Posdef	Stockton, Calif.	44	Coal/Petcoke	New Harbor	Teasers sent (PFR, 12/17).
	Tesla	Tracy, Calif.	1,120	Gas/Steam	Credit Suisse	Development site. Status unclear.
General Electric	Baglan Bay	Port Talbot, Wales	510	Gas	Lexicon Partners	GE deferred sale. Carron Energy interested.
Goldman Sachs, Cargill	Teeside Power	Teeside, U.K.	1,875 MW	Gas	Rothschild	Teasers dispatched Nov. 14 (PFR, 11/19). In second round.
Goldman Sachs (Cogentrix Energy)	Southaven Power	Southaven, Miss.	810	Gas	Houlihan Lokey	Kelson Energy named stalking horse with \$305 million.
InterGen (AIG, Ontario Teachers)	Various	U.S., Europe, Asia	5,235	Various	Lehman Brothers	AIG looking to sell its 50% stake (PFR, 12/24).
Kelson Holdings	Dogwood	Pleasant Hill, Mo.	620	Gas	Goldman Sachs	Weighing strategic options, including sale or merger (PFR, 10/9). Status unclear.
	Redbud	Luther, Okla.	1,230	Gas		
	Cottonwood	Deweyville, Texas	1,230	Gas		
	Magnolia	Benton County, Miss.	922	Gas		
KW Gaspé & Co.	Le Nordait	Quebec, Canada	99	Wind	Toronto-Dominion Bank, Bank of Nova Scotia	Canadian Hydro Developers to acquire for \$110 million. Expected to close in March (PFR, 12/3).
	Matane					
La Compagnie du Vent	Various	France	98 MW installed	Wind	Calyon	Suez to acquire a 50% stake for EUR321 million (PFR, 8/20).
Landfill Energy Systems	Various	U.S.	80	Landfill Gas	Ewing Bemiss	Energy Investors Funds and Enpower to acquire for north of \$300 million.
LS Power	Bosque	Laguna Park, Texas	805 (570)	Gas	N/A	Arcapita and Fulcrum Power Services to acquire (PFR, 11/16).
	Zeeland	Zeeland, Mich.	946	Gas	N/A	CMS Energy to acquire for \$517 million.
	Sugar Creek	Sugar Creek, Ind.	561	Gas	N/A	Northern Indiana Public Service to acquire (PFR, 11/2).
MACH Gen	Millennium	Carlton, Mass.	360	Gas/Oil	Credit Suisse	Considering sale or a merger (PFR, 12/17)
	Athens	Athens, N.Y.	1,080	Gas/Oil		
	Covert	South Haven, Miss.	1,100	Gas		
	Harquahala	Tonopah, Ariz.	1,092	Gas		
Mirant Corp.	Diverse U.S. assets	PJM, NEPOOL, Calif.	10,650	Various	JPMorgan	Mirant nixed sale in favor of \$4.6 billion share buyback.
National Grid	Ravenswood Station	Queens, N.Y.	2,450	Gas	Merrill Lynch	First-round bids due Jan. 24.
Noble Environmental Power	Various	N.Y., Mich.	385	Wind	Goldman Sachs	Indicative bids reportedly taken Aug. 13 (PFR, 8/21).
NRG Energy	Indian River	Millsboro, Del.	784	Coal	N/A	Seller soliciting offers on plant (PFR, 11/8).
PSEG Global	Electroandes	Andean region, Peru	180	Hydro	JPMorgan	Statkraft Power Invest to buy for circa \$390 million.
	Chilquinta Energia (50%)	Chile			Citigroup	AEI to buy for \$685 million.
	Luz del Sur (38%)	Peru				
Reliant Energy	Channelview	Lyondell, Texas	830	Gas	Houlihan Lokey	In second round. Status unclear.
RES Americas	Various	U.S.	1,000 under construction; 10,000 in pipeline	Wind	Credit Suisse	Company looking to sell up to 30% to a financial investor to finance growth (PFR, 1/7).
Ridgeline Energy	Various	Idaho, Oregon, Washington	3,700 in development	Wind	Marathon Capital	Back in play after talks were nixed with a southern U.S. utility (PFR, 10/8).
Rockland Capital Energy Investments	B.L. England	Cape May County, N.J.	447	Coal, Oil	JPMorgan	Owner seeking strategic equity partner with which to finance \$400-600M repowering (PFR, 12/10).
Sempra Generation	Catoctin	Frederick Co, Md.	development	Gas	N/A	Development project reportedly for sale.
Sumas	Sumas Cogeneration	Sumas, Wash.	125	Gas	N/A	Puget Sound Energy agreed to buy for undisclosed sum.
Temasek Holdings	PowerSeraya	Singapore	3,100	Gas	Credit Suisse, Morgan Stanley	Teasers dispatched 10/15. Tuas to be sold first (PFR, 10/22).
	Senoko Power		3,300	Oil		
	Tuas Power		2,670	Steam		
Tenaska Power Fund	Commonwealth Chesapeake	New Church, Va.	315	Oil	JP Morgan	Tyr won the auction and Fieldstone Private Capital Group is advising on the purchase and debt financing.
TransAlta	Western Canada, Ontario	Diverse U.S.	404	Gas, Coal	BMO Capital Markets	Cheung Kong Infrastructure Holdings to acquire. TD Securities and CIBC World Markets to handle financing. Company weighing sale. Rothschild likely to run auction.
	Campeche	Mexico	252	Gas/Diesel	N/A	
	Chihuahua	Mexico	259	Gas		
Trinergy	Various	Italy, Germany, Ireland, U.K. Spain	648	Wind	RBC Capital Markets	International Power agreed to buy portfolio for EUR1.8 billion (\$2.5 billion). RBS-led aquisiton financing being tweaked.
Tyche Power Partners	Brooklyn Navy Yard	Brooklyn, N.Y.	286	Gas Cogen	Credit Suisse	Temporarily iced due to credit crunch.
UPC Wind	Various	North America	36W in development	Wind	JPMorgan	Market test did not lead to a sale, so company is reportedly weighing an IPO (PFR, 6/8).
U.S. Renewables Group, Carlyle/Riverstone	Bottle Rock power project	Geysers area, Lake County, Calif.	55	Geothermal	Goldman Sachs	Preliminary bids due Dec. 17 (PFR, 12/3).
Waterbury Generation	Waterbury Generation	Waterbury, Conn.	96	Gas	N/A	Energy Capital Partners in negotiations to buy development rights (PFR, 8/29).
Wheelabrator Technologies	Shasta	Anderson, Calif.	49	Biomass	ABN Amro	Seller evaluating strategic options, including a sale. In second round (PFR, 7/23).

## 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.*

### North America

- **International Power** and the **South Texas Electric Cooperative** announced a \$1.2 billion expansion of 632 MW coal-fired Coletto Creek in Goliad County, Texas (*The Victoria Advocate*, 1/5).
- **Boralex Inc.**, which owns 10 power stations in the U.S. and Canada, could sell **Boralex Income Power Fund** this year due to potential distribution cuts (*The Associated Press*, 1/3).
- **Hank Greenberg's** investment vehicle **CV Starr** and energy private equity firm **First Reserve Corp.** have jointly launched an energy reinsurer with capacity of £30 million (\$58.7 million) (*Financial Times*, 1/9).
- Midstream gas services provider **OGE Enogex Partners** has lowered the expected price range of its initial public offering of 7.5 million common units to \$18-\$20 per unit, down from the

previous guidance of \$19-\$21 (*Associated Press*, 1/9).

- **Citigroup** is requesting the U.S. Bankruptcy Court toss a \$21 billion lawsuit brought by **Enron**, arguing it is not at fault for the corporation's demise. A court date is set for March 27 (*Wall Street Journal* 1/9).
- **GE Energy Financial Services** is investing tax equity in the \$350 million, 166 MW Hackberry wind project under development by **Renewable Energy Systems Americas** (*Reuters*, 1/9).
- **Paul Thompson**, senior v.p. of energy services for **E.ON** in the U.S., has been elected president of the **FutureGen Alliance**, a global consortium of utilities, coal companies and the U.S. Department of Energy developing **FutureGen**, the world's first near-zero emissions coal-fired plant (*Business First of Louisville*, 1/9).

## Lazard Adds North American Energy Head

Lazard Freres has hired **John Rutherford**, a managing director at **Simmons & Company International**, an independent investment bank, to head its North American energy investment banking team. He started Jan. 2 in the new position, reporting to **Bruce Bilger**, chairman and head of the global energy practice in Houston, who also began Jan. 2 (PFR, 11/16).



John Rutherford

**George Bilicic**, head of the global team out of New York, says Rutherford's hire is not directly related to what many predict will be a year of corporate-level activity in the power and utilities sectors. "We don't engage in any predictions for near-term activities. We hire talented people who have industry expertise that will strengthen our power and energy effort for clients," he told PFR. Last summer, Lazard hired **Skip Grow** from **Cowen and Co.** to head alternative energy (PFR, 6/15).

In his previous role, Rutherford advised on mergers and acquisitions, corporate restructurings and other strategic advisory assignments, including **Plains All-American Pipeline's** \$2.4 billion acquisition of **Pacific Energy Partners**. Other clients included master limited partnerships **DCP Midstream Partners**, **Enterprise Products Pipeline Partners** and **TEPPCO Pipeline Partners**. Before that, he opened the Houston office for **Wasserstein Perella & Co.**, to which he owes his 20-year relationship with Lazard Chairman and CEO **Bruce Wasserstein**.

## FORTRESS, WELLS

(continued from page 1)

sold by **ArcLight Capital Partners** to **Buckeye Partners**; **Donald Russell**, an advisor and one-time president of Sacramento-based **Vanir Construction Management**; and **Derek Jones**, whose family owns **California Energy Exchange**, a natural gas brokerage in Rancho Cordova. A call to Jones was referred to **Fossum**, who confirmed that a partial interest was sold last month to fund completion of the project. More equity could be sold for the right price, he adds, declining to elaborate. A call to **Russell** was not returned.

As first reported by PFR, **Fortress** partnered with **EnergySouth Midstream** to buy storage company **Mississippi Hub** late last year (PFR, 11/2). Calls to the private equity and hedge fund manager seeking comment on the Sacramento investment were not returned. **Wells Fargo Energy Capital**, the mezzanine finance, private equity arm of Wells Fargo's energy group, capitalized by a non-bank holding company, has done equity financings in the midstream space before, says **Mark Green**, president of the unit, but this is its first storage deal. Indirectly, he adds, the unit has invested in a number of private equity funds that have invested in storage. Preliminary debt financing discussions are under way with a handful of potential lenders, says Green, but cannot progress much further until approval is obtained from the **California Public Utilities Commission**.

According to materials from the CPUC, Sacramento Natural Gas Storage plans to construct a storage unit in the depleted **Florin Gas Field** underground reservoir, a wellhead site,



compressor and metering stations, and interconnection pipelines to **Sacramento Municipal Utilities District's** Line 700. SMUD, just one of its clients, plans to use the facility as a fuel reserve for its 500 MW Cosumnes baseload plant—the largest generating facility in the county—and four smaller units. Construction of the project is slated to start next spring with commercial operation set for the second quarter of next year. Gas supply would come from Canada, the Rocky Mountains and New Mexico. —*K.B.*

## HANCOCK SCORES

(continued from page 1)

also receive a portion of cash flows from the asset. The buyers can then use the credits to reduce their tax bill.

Hancock's interest was transferred late last month by **JPMorgan**

### Farm Debt Wraps, Too

**Dexia Crédit Local** and **UniCredit HVB** wrapped syndication of the \$282.5 million financing for Buffalo Gap 3 late last month. **Allied Irish Bank** and **Scotia Capital** joined the deal as co-documentation agents; **BayernLB**, **Helaba** and **Lloyds TSB** joined as co-arrangers and **US Bank** joined as a manager.

**Capital**, which leads a five-member syndicate also consisting of **Wells Fargo**, **Fortis Capital** and **ABN Amro** unit **Lease Plan North America**. The club's combined commitment is \$300 million, which will fund when the farm near Abilene, Texas, comes online in the middle of this year, boosting capacity onsite to 524 MW.

Secondary tax equity deals haven't been common, so far.

Lead investors in the space have gobbled up the bulk of what capacity has been sold, but are only now looking to manage their exposure to take a piece of the new supply coming to market.

**John Anderson**, head of the power and project finance group at Hancock, says the deal came about because the insurer was able to turn the documentation around in only three weeks, meeting JPMorgan's aim of getting to its preferred hold level within 2007. "People tend to win these deals on their own or in clubs and there doesn't seem like there is much availability for post-close syndication," he says. The deal was especially attractive, adds **Recep Kendircioglu**, director of project finance, because the firm did not take any execution risk. "It is an extension of an existing project so it's more known and vetted. If it were a brand new project, we would have looked at it harder." JPMorgan's final hold could not be learned, nor could that of its co-investors, but the primary bidders enjoy better economics than Hancock. A JPMorgan official declined to comment.

Others investors looking at tax equity, who may initially be forced to take chunks in the secondary market, are **Mizuho Corporate Bank**—already an advisor on tax equity deals—**State Street** and **CIT Group**. CIT will initially look to invest around \$25 million per project. Others reportedly keen on investing in the space are hotel operator **Marriott** and **Altria Group**—parent

company of tobacco giant **Philip Morris**.

The tax equity market will get a boost this year as sponsors search for more capital to fund their growth, explains **Richard Homich**, ceo of **Advantage for Analysts** in San Francisco, which develops software aiding financial analysts working on tax equity deals. "Sponsors and developers are getting to the point that they have used up all of their cash and they need to create liquidity to support their ongoing growth," he says. —*K.B. & T.R.*

## MISS. STORAGE

(continued from page 1)

**Caledonia** came online last May with 11.7 billion cubic feet of natural gas storage capacity and 5.2 Bcf of expansion capacity under development. It is interconnected with **El Paso's** Tennessee Gas Pipeline in Lowndes County, which serves the Northeast, Southeast and Ohio Valley regions of the U.S. The field has been constructed to handle four withdrawal cycles per year, each one consisting of 40 days for withdrawal and 51 days for injection. Maximum daily withdrawals are 500 million cubic feet.

**Jana Martin**, a spokeswoman for Tenaska in Omaha, Neb., declined to comment. Calls to **Jim Goetz**, president of Caledonia in Flower Mound, Texas, and officials at Credit Suisse in New York were not returned.

—*Katy Burne*

## CIT TAPS

(continued from page 1)

president of corporate finance in New York, and will be based in Houston, where he was with ABN. Before joining ABN, he was at **CIBC World Markets**, says a CIT official. "He'll be able to build on the current strategy and direction, and help us with new products and help us grow the business," says the official at CIT, pointing to the oil and gas and renewables sectors. "Oil and gas are relatively new for us. We've only been doing it about a year and a half, and as a result it has room for growth, but not at the expense of the power side," he adds.

With ABN's acquisition by **Royal Bank of Scotland**, **Grupo Santander** and **Fortis**, numerous employees from ABN have been looking to line up spots outside the bank. Calls to Gaw's cell phone and officials at ABN were not returned, but his former secretary says that he left the bank a couple of months ago.

—*Thomas Rains*

## Quote Of The Week

"John has great knowledge of everything in the industry, especially the generation sector... He has the experience necessary to manage this kind of company." —**Daniele Sietz**, analyst at boutique investment bank **Dahlman Rose & Co.** on **Energy Future Holdings'** hiring of **John Young**, cfo of **Exelon**, as the first ceo of the privately held company, formerly known as **TXU** (see story, page 7).