

# Power Finance & Risk

The weekly issue from **Power Intelligence**

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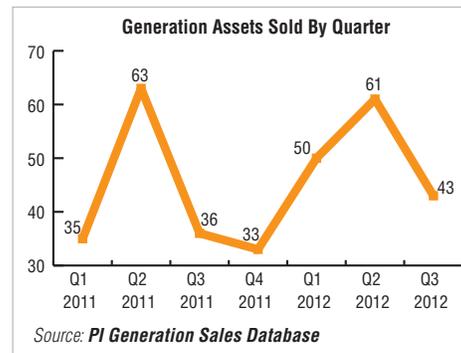
## M&A Outlook

### Assets To Trade On Fund, Corporate Exits

Generation asset merger and acquisition activity this year is expected to be driven by companies looking to exit non-core business areas and private equity funds nearing the end of various funds' life cycles, says **Todd Guenther**, managing director at **Citigroup**.

Advisers at banks and law firms said the first half of the year could be active given that activity dwindled in the last half of 2012. Already **Invenergy** has scored a \$500 million equity investment from **Caisse de dépôt et placement du Québec** in a bilateral deal (see story, page 8) and **MidAmerican Energy Holdings Co.** bought two solar projects from **SunPower** for up to \$2.5 billion (PI, 1/2).

Sellers could be utility holding companies that house a few assets under their umbrellas as well as companies with European-based parents that are looking to trim balance sheets. Right now prospective buyers are looking at assets being sold by **Dominion**, **PPL Corp.** and **Sempra U.S. Gas & Power**—auctions resulting from repositioning.



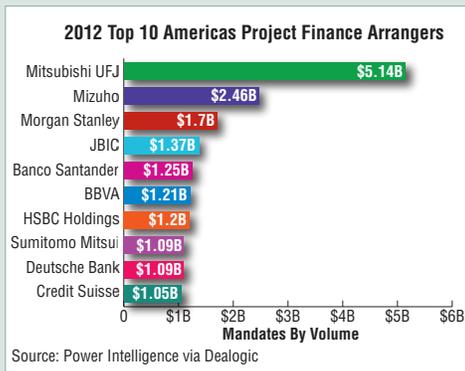
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## THE BUZZ

**M**itsubishi UFJ Financial Group took the top spot for mandates

in power and energy project finance in the Americas, snaring roughly \$5.1 billion in deals (see story, page 5). Japanese lenders made a strong showing in the top 10 slots, accounting for more than 25% of the total \$38 billion in mandates in 2012.

For PI's take on the rest of the market, see page 2.



### Sempra Unit Stalks LNG Funds

**Cameron LNG**, an affiliate of **Sempra LNG**, is lining up lenders to finance its liquefaction natural-gas export facility along the Calcasieu Channel in Hackberry, La. The company is looking to secure between 60-70% of the approximately \$6 billion project cost in debt.

Cameron is working with equity partners **Mitsubishi Corporation**, **Mitsui & Co.** and a subsidiary of **GDF SUEZ S.A.** to secure the debt. Cameron has tapped **Royal Bank of Scotland** as a financial advisor and is looking at a wide variety of financing options. The company expects to wrap the financing and receive all necessary regulatory approvals by late 2013, at which point construction would begin.

It has not ruled out using a term loan A, term loan B or issuing bonds, according to a spokeswoman. It has also not yet appointed a lead arranger for the financing. Officials at RBS,

(continued on page 12)

### Editor's Pick Podcast: Top Stories in December

Tune in for PI's take on mezz funding, M&A volatility in North America and loads of solar project financing.



Visit [www.powerintelligence.com](http://www.powerintelligence.com)

### 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

**M**&A is off to sprightly start this year with more than \$3 billion lined up in prospective deals. **Caisse de dépôt et placement du Québec** continued the streak of Canada-based funds taking equity stakes in portfolios with its \$500 million equity stake in 13 **Invenery** wind farms (see story, page 8). Bankers were surprised by the under-the-radar the deal, saying that little, if anything, had seeped out that talks were in motion. The companies struck the agreement bilaterally—meaning no financial advisors were used.

The Brooklyn Navy Yard gas-fired cogeneration plant in New York City is trading hands from **Olympus Power** and **Metalmark Capital** to **Energy Investors Funds**, a usual suspect that prowls contracted purchases. The auction slowed in the fourth quarter, deal watchers say, because the plant was damaged during the superstorm that hit the East coast in late October. The facility is supposed to be back online at any time in January following about \$20 million of repairs (see story, page 8).

There was a flurry of activity this week in tax equity, with **Google** making a \$200 million investment in **EDF Renewable Energy's** 161 MW Spinning Spur wind project in Oldham County, Texas (see story, page 5). The push to get more corporate entities like Google to invest tax equity has not yielded a lot of activity, despite the best efforts of the White House. There are currently around 20 active tax equity investors, according to **John Eber**, managing director, head of energy investments at **JPMorgan Capital Corp.**, who spoke about tax equity in a webinar this week (see story, page 6). In 2013, solar investments should remain strong, but it is harder to tell for wind, he added. **BP Wind Energy** and **Sempra U.S. Gas & Power** closed financing of their 470 MW Flat Ridge 2 wind project in Kansas (see story, page 6). They opted for \$355 million in debt for the approximately \$800 million project and had enough tax appetite on their books to take the tax equity themselves.

## 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.

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## GENERATION AUCTION & 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. Capital Group	Fieldstone Private	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).
▶ Cogentrix Energy	Northampton (112 MW Waste Coal)	Pennsylvania	Houlihan Lokey	Energy Investors Funds will take over Cogentrix's stake as part of the plant's Ch. 11 reorg (see story, page 9).
Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) Elwood (1,424 MW Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citigroup, Morgan Stanley	Bidders are in second round for 50% stake (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)	Queens, N.Y.	Barclays	Teasers are out (PI, 12/10).
Energy Investors Funds	Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Cottage Grove (245 MW Gas) Whitewater (249 MW Gas)	Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis.	Scotiabank	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 Farm)	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 Axium 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).
▶ Invenergy	Stakes (1.5 GW Wind)	Various	None	Caisse de depot has taken a \$500M equity stake in 13 farms (see story, page 8).
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 (PI, 1/7).
▶ Olympus Power, Metalmark Capital	Brooklyn Navy Yard (286 MW Gas)	Brooklyn, N.Y.	Credit Suisse	EIF has agreed to buy the plant, which was damaged by Hurricane Sandy (see story, page 8).
PPL Corp.	Various (604 MW Hydro) Corette (153 MW Coal)	Various, Montana Colstrip (529 MW Coal) Billings, Mont.	UBS Colstrip, Mont	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 (PI, 1/7).
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 [hfletcher@iintelligence.com](mailto:hfletcher@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	Loan	\$245M	10-yr	Bank/bond deal wraps (see story, page 6)
			Prudential Financial	Bonds	\$110M	22.5-yr	
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.
▶ Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	-\$4B	TBA	Sponsor has tapped RBS as financial advisor as it looks to line up lenders (See story, page 1).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	\$3B	TBA	The sponsor is looking to close the deal in the first half of 2013 (PI, 1/7).
Competitive Power Ventures	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	\$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
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).
▶ EDF Renewable Energy	Catalina (143 MW Solar)	Mojave Desert, Calif.	GE EFS, MetLife, Union Bank, Citi	Equity	TBA	TBA	The four leads will buy the project outright, before leasing to an undisclosed entity (See story, page 7).
	Shiloh IV (102.5 MW Wind)	Solano County, Calif.	Union Bank	Sale/Leaseback	TBA	TBA	Union Bank will purchase the project and lease it back to EDF (See story, page 7).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, 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 (300MW 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 (42MW & 40MW 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).
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).

## ▶ New or updated listing

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## PROJECT FINANCE

## Google Invests In Texas Wind

Google has made a \$200 million tax equity investment in **EDF Renewable Energy's** 161 MW Spinning Spur wind project in Oldham County, Texas. It's the largest direct investment in an operating facility by the search giant and the second largest in renewable energy behind the \$280 million stake in residential solar developer **SolarCity**.

"We look for projects like Spinning Spur because...they offer attractive returns relative to the risks," **Kojo Ako-Asare**, senior manager of corporate finance at Google, wrote in a blog post on the Mountain View, Calif.-based company's Web site. Google prefers the partnership flip structure for its tax equity investments, says a deal watcher. The structure of the transaction could not be learned. An official at the company did not respond to inquiries by press time.

Spinning Spur came online in the final weeks of 2012, using 70

2.3 MW **Siemens** turbines and selling power via a 15-year power purchase agreement to **Southwestern Public Service**, an **Xcel Energy** subsidiary.

The White House has been encouraging corporations to become more involved in tax equity investments ([PI, 9/12](#)). "Insurance, utilities and majors like **Chevron** are the most common tax equity investors at this stage," says the deal watcher. "We haven't seen many other corporations like Google come on board."

The company's 10 investments in alternative energy now total over \$1 billion and it is the first investor in an EDF project that isn't a financial institution. Google has also made tax equity investments in the 845 MW Shepherds Flat wind farm in Oregon and the 392 MW Ivanpah solar thermal project in California.

## Japanese Firms Dominate Americas PF For 2012

Japanese banks took the lion's share of lead arranger mandates in power and energy project finance deals in the Americas in 2012. The lenders accounted for four of the top 10 slots, for a combined \$10.1 billion in deals, according to **Dealogic**, a *PI* sister operation. The numbers underscore the sea change in the project world as European banks have been sidelined ([PI, 10/5](#)),

**Mitsubishi UFJ Financial Group, Bank of Tokyo-Mitsubishi's** parent company, topped the chart in 2012, lending more than \$5.1 billion. That represents over 13% of the overall spend on power and energy financings in the Americas in the year, more than twice the share of the second place bank.

Roughly \$38.5 billion of deals closed in 2012, representing a 16% decline in dollar volume compared to the \$46.6 billion in deals closed last year. Transactions include deals backing greenfield generation, oil and gas projects as well as refinancing and acquisition financings for these assets in the U.S., Canada and Latin America.

Despite the dollar volume decline year-over-year, the number of deals remained steady between 2012, which saw about 141 deals close and 2011, which saw about 137. The U.S. **Department of Energy's** loan guarantee program, which expired in 2011, propped up dollar volume that year, as developers of large projects in the U.S. rushed to take advantage of cheap financing from the U.S. **Federal Financing Bank**, which took the top slot in 2011 with \$4.4 billion in mandates.

### 2012 Americas Project Finance Rankings

Rank	Mandated Arranger	Amount(\$m.)	No.	%share
1	Mitsubishi UFJ Financial Group Inc	5,138.1	38	13.361
2	Mizuho Financial Group Inc	2,463.1	17	6.405
3	Morgan Stanley	1,698.4	10	4.417
4	Japan Bank for International Cooperation (JBIC)	1,370.5	3	3.564
5	Banco Santander SA	1,249.6	19	3.25
6	Banco Bilbao Vizcaya Argentaria SA - BBVA	1,207.3	13	3.14
7	HSBC Holdings plc	1,201.2	9	3.124
8	Sumitomo Mitsui Financial Group Inc	1,093.6	11	2.844
9	Deutsche Bank AG	1,085.4	9	2.822
10	Credit Suisse Group	1,045.2	5	2.718
	<b>Total</b>	<b>38,455.4</b>	<b>127</b>	<b>100</b>

Source: **Dealogic**

### 2011 Americas Project Finance Rankings

Rank	Mandated Arranger	Amount(\$m.)	No.	%share
1	Federal Financing Bank	4,407.7	7	9.449
2	Mitsubishi UFJ Financial Group Inc	4,351.7	40	9.329
3	Export-Import Bank of the United States - Ex-Im Bank	2,650.0	1	5.681
4	Credit Suisse Group	1,951.4	9	4.183
5	Goldman Sachs Group Inc	1,606.5	4	3.444
6	Mizuho Financial Group Inc	1,601.4	18	3.433
7	ING Groep NV	1,594.5	17	3.418
8	Credit Agricole SA	1,503.2	17	3.223
9	Banco Santander SA	1,455.9	19	3.121
10	Japan Bank for International Cooperation (JBIC)	1,424.5	4	3.054
	<b>Total</b>	<b>46,647.0</b>	<b>131</b>	<b>100</b>

Source: **Dealogic**

## BP, Sempra Seal Flat Ridge Financing

**BP Wind Energy** and **Sempra U.S. Gas & Power** have closed a \$355 million financing backing their \$800 million, 470 MW Flat Ridge 2 wind farm near Wichita, Kan. The debt package consisted of bank and bond tranches.

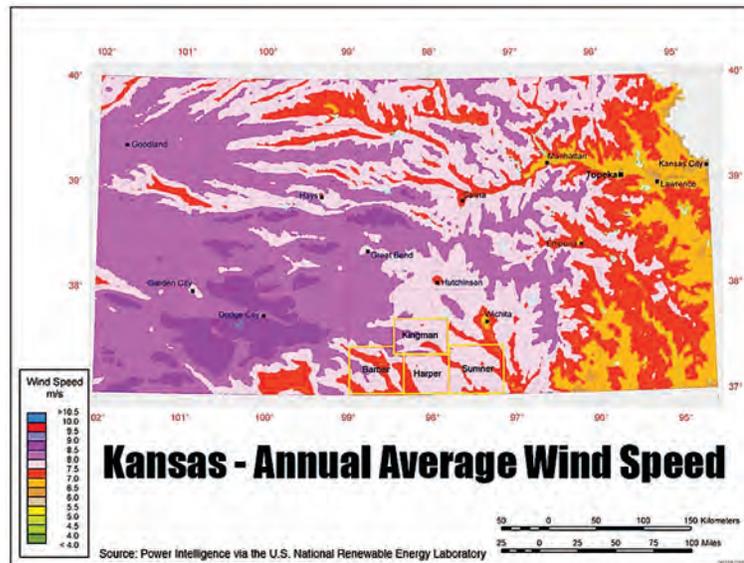
**Banco Santander** is left lead and **Bank of Tokyo-Mitsubishi UFJ** is a lead arranger on the \$245 million bank tranche, which priced at LIBOR plus 237 basis points, according to a deal watcher. That 10-year loan is fully amortizing. **Prudential Financial** leads the 22.5-year bond tranche, which is a \$110 million private placement pricing at the 5-6% mark. The repayments will be interest only for the first 10 years. The two sponsors will also be taking advantage of the tax credits from the project.

The companies had originally been looking for 70% debt,

before settling for less than 50% ([PI, 5/1](#)). Spokespeople at BP and Sempra declined to comment on the nature of the financing, while officials from the banks and institutions declined to comment citing confidentiality agreements.

BP and Sempra are 50:50 joint venture partners for the fully operational facility. The wind farm utilizes 294 **GE** wind turbines, each with a rated capacity of 1.6 MW. The entire output from the project has been sold under long-term power purchase agreements to **Associated Electric Cooperative**, **Southwestern Electric Power Company**, a

unit of **American Electric Power**, and **Arkansas Electric Cooperative Corporation**.



## Basel Move Set To Re-Ignite European PF Lenders

European lenders will likely increase participation in project finance deals due to the **Basel Committee on Banking Supervision's** decision to delay and water down Basel III requirements, according to bankers and executives.

The Basel Committee opted earlier this month to postpone the deadline requiring banks to hold a higher percentage of liquidity against lent capital to 2019 from 2015 and also broadened the range of assets that banks can use as liquidity to satisfy the requirements. Only a handful of players in the market can make commitments of over \$200 million, **Richard Randall**, managing director, head of power & project finance at **RBS Global Banking & Markets** said at a panel hosted by **Chadbourne & Parke**. He added that the more liquid rules promoted in Basel could lead to a larger universe of lenders. The cost of bank capital for most projects hung around the mark of LIBOR plus 250 basis points, with panelists expecting it to remain more or less the same in 2013.

"[Last year] was supposed to be the year of the bond as the bank market lost appetite, but it didn't really happen," said **Gerald Hanrahan**, senior managing director of the power & infrastructure team at **John Hancock Financial Services**. "Instead, the Asian and Canadian banks stepped up." **Thomas Emmons**, managing director and head of renewable energy finance in the Americas at **Rabobank**, said he also expected the high volume of Japanese lending to continue into 2013.

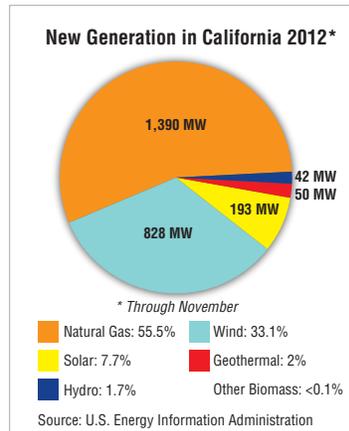
**David Albert**, managing director and co-head of the **Carlyle Energy Mezzanine Opportunities Fund**, said that while he expects some European banks to come back, that shouldn't disrupt the successful run of mezzanine funds. The "high single digits" and upward cost of the capital that mezzanine funds provide is flexible and can run the full gamut of positions in the capital stack, he noted, making it an attractive option. Mezzanine funds have enjoyed much success of late, partly due to taking up the slack left by departing European lenders ([PI, 12/21](#)). Carlyle's own fund topped its fundraising goal by over \$650 million ([PI, 11/29](#)).

**John Eber**, managing director, head of energy investments at **JPMorgan Capital Corporation**, and **Jerry Smith**, managing director of the strategic transactions group at **Credit Suisse**, discussed the state of tax equity. The volume of tax equity investments in 2012 totaled around \$5.3 billion, with \$2.5 billion going to wind projects and \$2.8 billion to solar. This was down from \$6 billion in 2011. There are approximately 20 active tax equity investors, according to Eber, who says in 2013, solar investments should remain strong, but it was harder to tell for wind. "As companies have repaired their tax positions, more will enter the tax equity market," he said. The return on tax equity investments has been relatively stable, with unlevered transactions between the 7-10% mark and around the mid-teens for levered transactions, according to Eber and Smith.

## EDF Wraps Calif. Wind Leaseback

**EDF Renewable Energy** has closed a financing backing a re-powering of its 102.5 MW Shiloh IV wind project in Solano County, Calif., through a sale-leaseback agreement with **Union Bank**. A re-powering entails replacing older wind turbines with more modern technology, in this case machines from the late 1980s were replaced with **REpower MM92** turbines.

Under a sale leaseback, the developer uses funds from a stake or project sale to develop the asset and the buyer leases the project back to the developer once the asset is operational. The developer uses revenue from the asset to pay rent



and the owner accrues investment tax credits from the project. An EDF official declined to comment on the deal. **Lance Markowitz**, senior v.p. and manager of leasing and asset finance at Union Bank worked on the deal. He did not respond to inquiries before press time. **Pacific Gas & Electric Company** has a 25-year power purchase agreement with the project.

EDF also just sold a majority stake in its 143 MW Catalina solar project in the Mojave Desert in California to a group consisting of **GE Energy Financial Services, Metropolitan Life Insurance, Citigroup** and Union Bank (see story below).

## ...And Nets Calif. Solar Financing

**EDF Renewable Energy** has completed the financing of its 143 MW Catalina solar project in the Mojave Desert in California via the sale of a majority stake in the project to **GE Energy Financial Services, Metropolitan Life Insurance, Union Bank** and **Citigroup**.

The investment group intends to acquire the remaining stake upon completion of the project and then lease it back to a single, unidentified entity. The transaction is either a sale leaseback or a leveraged lease, says a deal watcher. Under the leveraged lease, the developer uses funds from a stake or project sale to develop the asset. The buyer leases the project back to the developer once the asset is operational, and the developer uses revenue from the asset to pay rent. The leveraged lease is similar, but also involves an element of debt financing between the owner/lessor and the developer/lessee. Both structures allow the owners to accrue tax

benefits from the project, the deal watcher adds.

EDF, then known as **enXco**, engaged in a leveraged lease with Union Bank and MetLife to fund its 201 MW Lakefield wind project ([PI, 8/12/2010](#)). Whether EDF used a leveraged lease or a sale leaseback for Catalina and whether it will be the lessor for the project could not be learned.

A spokeswoman at EDF declined to comment on the nature of the deal, on the specifics of the structure or the size of the buyers' stakes. **Jim Peters**, v.p. of project finance at EDF in Burlington, Vt., did not return calls before press time. Officials at the buyers did not return calls before press time or declined to comment.

Construction of the project began in May and it began ramping up operation last month. It will reach full capacity in the second quarter of this year. The project has a 25-year power purchase agreement with **San Diego Gas & Electric**.

## MERGERS & ACQUISITIONS

### N.Y. Shop To Buy GDF Lignite Plant

**PurEnergy** has agreed to buy out **GDF Suez Energy North America's** position as lessee of a 440 MW lignite-fired plant in Ackerman, Miss. The acquisition could close in the first quarter, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

**SE Choctaw LLC**, a unit of **Southern Co.**, is the lessor. The plant had about \$282 million outstanding in December 2011 on \$321 million pass-through trust certificates from its sale leaseback ([PI, 5/9](#)).

The plant had a rent payment due in December to Southern although whether the payment would be made was unclear at the end of the third quarter, according to Southern's quarterly report.

There is a 30-year power purchase agreement with the **Tennessee Valley Authority** that originated in 2002. The plant

was offline for a period in 2011 due to technical problems, including boiler leaks. It had liquidity problems as a result and needed a cash infusion. A **Standard & Poor's** report from late 2011 estimated that the facility would have about \$626 per kW, or \$276 million in debt outstanding in 2013. A current amount could not be learned.

**Barclays** had been working with GDF and **Perella Weinberg** with Southern.

PurEnergy is based in Syracuse, N.Y., and has equity interests in plants in California. A call to **Donald Scholl**, principal and president, was not immediately returned.

The purchase price and whether the debt was restructured or paid down could not be immediately learned. A Southern spokesman and GDF Suez spokeswoman in Houston were not immediately available to comment.

## EIF Snags Brooklyn Navy Yard

**Energy Investors Funds** has agreed to buy the 315 MW Brooklyn Navy Yard cogeneration facility from **Tyche Power Partners**. A purchase and sale agreement was inked in late December, according to documents filed Friday with the U.S. **Federal Energy Regulatory Commission**.

Tyche is a joint venture between **Olympus Power** and **Metalmark Capital**, a private equity firm spun out of **Morgan Stanley Capital Partners**. **Credit Suisse** is running the sale ([PI, 7/26](#)).

### FAST FACT

➤ The plant has been undergoing repairs totaling \$20 million since hurricane Sandy hit the New York area in late October.

The plant has been undergoing repairs totaling \$20 million since hurricane Sandy hit the New York area in late October. Its turbines were not damaged but equipment required replacement or refurbishment.

Olympus aimed to have the repairs complete by the end of 2012 but that work continued into the new year, says a deal watcher, noting that the plant could be back online any day. The gas-fired facility sits between the Manhattan and Williamsburg Bridges in New York.

The facility has long-term contracts with **Consolidated Edison**

**Co. of New York and Brooklyn Navy Yard Development Corp.**, which buy 97% and 3% of the power, respectively. The power and steam contract with **ConEd** matures in 2036 while the contract with the Navy Yard extends into 2039.

The plant has about \$474 million in debt outstanding. A \$29.6 million letter of credit and \$18 million working capital facility matured in November that were not replaced, says a deal watcher.

The purchase price could not be immediately learned. An EIF spokesman could not immediately comment and an Olympus official did not immediately reply to an inquiry about the plant's operating status.



Brooklyn Navy Yard

## Sempra Solar Draws Initial Bids

First round bids have come in for **Sempra U.S. Gas & Power's** operational and under construction solar assets. Infrastructure and pension funds have shown the most interest, says an observer, noting that the company's late-stage development assets are not included in the sale. **Morgan Stanley** is advising.

The company has 202 MW online with another 150 MW under construction and 250 MW slated for construction this month. Sempra is selling the operational 52 MW Copper Mountain 1 and the 150 MW Copper Mountain 2 project that is under construction in Nevada. The 150 MW Mesquite project in Arizona, which went online this year, is also for sale. All three are contracted to **Pacific Gas & Electric**.

The company is looking for financing for the third \$600 million, 250 MW phase of Copper Mountain, which is expected to go online this month and be online in 2015 ([PI, 12/14](#)). It is reportedly included in the sale.

Construction of the 300 MW Rosamond development project in California is set to start next year. It has no offtaker and is not included in the sale.

**Sempra Energy**, the parent of Sempra U.S. Gas & Power, is looking to move away from merchant generation to focus on natural gas pipeline development ([PI, 10/19](#)), as first reported by *PI*. The company is also whittling down its gas-fired portfolio, recently lining up **Salt River Project** to buy 625 MW of the 1.25 GW Mesquite plant in Arlington, Ariz., for \$375 million ([PI, 11/7](#)).

The number of bidders in the first round and the identity of those selected to move to the second could not be determined. A Morgan Stanley spokeswoman did not immediately respond to an inquiry while a Sempra U.S. Gas & Power spokesman was not available for comment.

## Caisse Buys \$500M Invenergy Wind Stake

**Caisse de dépôt et placement du Québec** has agreed to make a \$500 million equity investment in a baker's dozen of Invenergy wind farms totaling 1.5 GW in the U.S. and Canada. The investment will be in 11 U.S. farms and two in Canada, including the 138.6 MW Le Plateau farm in Gaspesi.

The investment sits at Invenergy subsidiary **Invenergy Wind**. Invenergy has about two dozen wind farms in the U.S. and will remain the majority shareholder. The full list of assets in the transaction could not be immediately learned.

Invenergy lined up a \$200 million term loan B at another subsidiary, **Invenergy Wind Power**, as a way to capitalize the unit and push forward a portion of its development pipeline ([PI, 10/14/11](#)). Individual farms also have project finance debt.

Caisse is a fund manager that had \$159.0 billion in net assets at the end of 2011.

Neither shop used an advisor on the transaction, says an observer. An Invenergy spokeswoman declined to comment as did a Caisse spokesman in Montreal.

## Cogentrix To Exit Waste Coal Asset Under Plant Ch. 11

**Cogentrix Energy** will exit its stake in the 112 MW Northampton waste coal-fired plant that it owns along with **Energy Investors Funds** as part of the plant's Chapter 11 bankruptcy restructuring plan.

Cogentrix owns 22.5% of the plant while EIF owns the rest. Under the restructuring plan, EIF will own the entire facility. A court hearing is expected to be held next month in the U.S. **Bankruptcy Court for the Western District of North Carolina** to approve the plan. Cogentrix and EIF took the facility into bankruptcy protection in December 2011 ([PI, 12/9/11](#)).

Northampton has \$95.2 million in outstanding debt and interest payments on four sets of bonds that were secured by the assets of the plant and sit at the operating company and are non-recourse to the parents. The plant will issue about \$50 million in amended bonds, according to a filing with the

### FAST FACT

➤ Cogentrix owns 22.5% of the plant while EIF owns the rest.

### U.S. Federal Energy Regulatory Commission.

The Northampton, Pa., facility was hit by rising costs of fuel and the pricing in its power purchase agreement with **Metropolitan Edison Co.**, a utility subsidiary of **FirstEnergy**. Its 25-year PPA constrained its revenue and the price for the next decade—2011 through 2020—is lower than the first 15 years. Fuel costs were up 40% since 2005 and the PPA did not have a fuel pass-through agreement.

The plant terminated its PPA during the bankruptcy proceedings because pricing through its PPA was lower than the price it would get on the merchant PJM market. Northampton has been merchant since May and now uses **PPL EnergyPlus** as a power marketer, according to bankruptcy documents.

The plant burns waste products including anthracite waste coal, tire-derived fuels and residual fiber waste. Investment bank **Houlihan Lokey** is advising the owners. EIF officials declined to comment through a spokesman.

### Corp. M&A Outlook

## External Pressures To Drive Activity

Low power prices and a sluggish broader economy will be the forces behind corporate M&A in 2013. Utilities are assessing how to operate in an environment with low natural gas prices, environmental regulations and low interest rates.

Continued low interest rates and low natural gas prices are among the primary external factors that companies are considering, says **John Cogan**, co-head of power and utilities in the Americas at **Credit Suisse**.

Utilities and power producers are grappling with the implications of record low power demand that is not expected to spike in the foreseeable future. Nationwide the country saw demand growth rise about 10% a year each year from 1950 to 2008, when the recession knocked growth to about 1%. **Jon Wellinghoff**, chairman at the U.S. **Federal Energy Regulatory Commission**, said in December that he did not expect to see demand growth go north of 3% given changes in consumer consumption habits.

The companies that are the likeliest be involved in bilateral or takeover deals are small to mid-size capitalization ranges, bankers say, pinpointing those in the \$1.5-3 billion and \$4-6 billion market cap ranges. There could be more deals akin to **Fortis** buying **CH Energy Group** for \$1.5 billion ([PI, 2/22](#)) where a larger company comes and puts up an offer for a smaller company that has growth plans.

There are lots of conversations between companies looking to merges but the dynamic and individualistic nature of each deal make it challenging to turn conversations into term sheets. "There are a fair number of companies that seek to transact. The number of those that get into the endgame is much, much lower," says **Joseph Sauvage**, head of power investment banking at **Citigroup**.

### FAST FACT

➤ Nationwide the country saw demand growth rise about 10% a year each year from 1950 to 2008, when the recession knocked growth to about 1%.

Broadly, companies with greater exposure to unregulated generation have felt the impacts of low gas and capacity prices more so than regulated utilities and are more likely to move toward a strategic transaction. Companies that have smaller competitive business are likely to think further about exiting those units, such as **Ameren**, **PPL Corp.** and **Dominion**.

Activity is expected in different regions of the country in the next year, whereas most deals have been in the east or PJM over the last few years. "It doesn't feel like there is a massive wave right at this point," says another head of a utilities investment banking team that has advised on recent deals. He expects the deal flow to be in the neighborhood of the typical four to six deals a year.

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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 **PI** does not guarantee its completeness or accuracy.

- The \$2.4 billion **California Solar Initiative** rebate program for businesses and homeowners who install solar panels has now funded enough systems to generate 1 GW (*SF Gate*, 1/10).
- Utah Gov. **Gary Herbert** told some 1,400 gathered at his annual **Energy Development Summit** that the state “is open for business in energy development” and they “aren’t playing favorites.” Utah is rich in fossil fuels, which prompted a group of 150 to protest outside the meeting, fearing a reliance on non-renewable generation (*The Salt Lake Tribune*, 1/10).
- **First Solar** has started construction on the 139 MW Campo Verde solar project west of El Centro, Calif. The developer expects it to be completed this year, despite two lawsuits against the project concerning permitting documents and environmental impacts (*The Imperial Valley Press*, 1/10).
- The **Public Utilities Commission of Ohio** did not approve **American Electric Power’s** power purchase agreement with the \$250 million, 49.9 MW solar project near Zanesville, Ohio, saying the company did not justify why the project was needed (*Columbus Dispatch*, 1/10).

- **Ontario Power Generation** will shut down Ontario’s last operational coal-fired plants, Nanticoke and Lambton, by year-end under a plan that moves the retirement date up by 12 months. (*The Toronto Star*, 1/10).



Nanticoke

- **Duke Energy Renewables** has brought the 10 MW Black Mountain solar project in Arizona online. It bought the project in May from **Solon Corp** (*PV Tech*, 1/10).
- The extension of the production tax credit has not alleviated all of the problems facing the wind industry. Long-term uncertainty remains and the industry’s rate of growth will slow substantially in the next few years, according to a Brussels-based **Global Wind Energy Council** report (*The New York Times*, 1/10).
- Parcels of water off the North Carolina coast could be leased for offshore wind farms as early as 2014, though construction may not begin for up to five years after that, says **Maureen Bornholdt**, renewable energy program manager for the U.S. **Bureau of Ocean Energy Management**. Three sites off the coast have been identified for potential wind development (*Star News Online*, 1/9).

- Power companies that use coal-fired plants are fearful of a crackdown by the U.S. **Environmental Protection Agency** as renewable energy advocates press to curb greenhouse gas emissions in light of climate data released this week. The data indicates record high average temperatures in the lower 48 states (*The Wall Street Journal*, 1/9).

- **Mitsui & Co.** has bought a 50% stake in **EDF EN Mexico’s** MXN5.1 billion (\$402 million), 164 MW Bii Stinu wind project in Oaxaca, Mexico. The project is expected to go online in June and has power purchase agreements for 15 years with five private corporations (*Power Engineering*, 1/9).

- **Connecticut Light & Power** has received approval from the state’s **Siting Council** to move ahead with a \$218 million project to link its transmission grid to that of **National Grid** in Rhode Island and Massachusetts. Both utilities expect to receive final state approval later this year (*The New Haven Register*, 1/8).



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- San Francisco-based **Recurrent Energy** has begun full commercial operation of 88 MW of solar photovoltaic projects in Sacramento County, Calif. **Google** and **SunTap Energy** funded the project, which sells electricity to the **Sacramento Municipal Utility District** under a 20-year power purchase agreement (*renewables biz*, 1/8).

- **First Wind** plans to increase its operating portfolio of wind projects by 50% or more after the recent extension of the federal tax credits by Congress last week, according to **Paul Gaynor**, ceo. The developer currently operates 980 MW of wind projects in six states across the U.S. (*Energy Central*, 1/8).

- The U. S. **Circuit Court of Appeals** has denied a petition filed against the **Nuclear Regulatory Agency** by three anti-nuclear groups. The court ruled that the agency was within the law in denying them a hearing to challenge **NextEra Energy’s** Seabrook nuclear power plant’s application to extend its operating license by 20 years, from 2030 to 2050 (*Newbury Port News*, 1/8).

- **Kevin Howell**, coo of Dynegy, has stepped down after joining the company to guide it through its bankruptcy process. A new COO will be announced in the first quarter (*Houston Business Journal*, 1/8).

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## Assets To Trade *(Continued from page 1)*

Economic pressure in Europe has trickled across the Atlantic and several companies could look to exit some assets in North America to reposition either at home or Latin America, bankers say. Last year **Iberdrola Renewables** put up some wind assets and solar developments as a way to reduce debt for its Spain-based parent, while **GDF Suez North America** brought in **Mitsui & Co.** on a renewable portfolio in Canada to pay off outstanding project finance debt as it looks to complete its acquisition of **International Power** (PI, [7/11](#) & [12/19](#)).

Financial shops that flocked to refinance amid a period of strength in the capital markets could turn into sellers of plants with newly extended debt maturities as the year goes on, particularly if funds raised in the middle of the last decade hold the equity stakes, says one investor that is keen to see some teasers. Financial players that have owned assets for a few years in Texas could be taking plants to market as ERCOT raises its capacity pricing scheme ahead of an anticipated power shortfall later this decade, says another investment banker in New York.

Hydro assets traded hands in several regions in the U.S. and Canada last year—16 sold through the end of the third quarter, according to PI's *Generation Sale* database—and could continue to come to market, says another banker who has talked with current owners buoyed by the recent deals. **Brookfield Renewable Energy Partners** paid about \$1.7 million per MW for 351 MW of assets from **Alcoa** in the Smoky Mountains and \$2.2 million per MW for 351 MW from **NextEra Energy Resources** in Maine (PI, [7/2](#) & [1/3](#)).

—**Holly Fletcher**

## Sempra Unit *(Continued from page 1)*

Mitsubishi, Mitsui and GDF did not return calls before press time.

Cameron follows **Cheniere Energy**, which is currently looking to finance the \$3 billion second phase of its Sabine Pass project (PI, [12/31](#)). Despite the popularity of the deal backing the first phase of the Sabine Pass last year, there are some concerns about the ability of the market to handle the huge transactions. "Capacity-wise it is always tough," says a deal watcher. "With Cheniere, we saw banks take \$350 million tickets. It is hard for commercial banks to keep taking multiple, huge tickets like this. So these companies will have to look for multiple sources of capital." Cameron may try to pull off a huge A loan, like Cheniere's, says the deal watcher, and also try to get investment banks in on the deal via the B loan market. But Cameron may not want to pay the higher rates that a B loan entails, he adds.

The reputation of the sponsor, as well as its large pool of relationship lenders, should pull the deal through the market, another watcher says. "The popularity of LNG at the moment should see it get done and Sempra is a well-known developer."

The Cameron application to export LNG to countries without free trade agreements with the U.S. is still pending before the U.S.

## ALTERNATING CURRENT

### **Geaux Team**

### **Entergy Offers Super Bowl Travel Carbon Offsets**

**Entergy** is offering Geaux Green carbon offset packages for **NFL** fans headed to its home city of New Orleans for Super Bowl XLVII. Travelers can select how they are arriving in N'awlins to find out which package will offset the amount of carbon used in transit.



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Proceeds from the carbon offsets will benefit three projects that offset carbon: the 1.6 MW Denton landfill gas-to-energy project in Denton, Texas, the Green Meadows Farm landfill gas-to-energy project in Elsie, Mich., that converts methane gas from a dairy farm to biogas and a carbon sequestration and storage project for redwood forests in California at Garcia River Conservation-Based Forest Management.

The cost of offsetting one metric ton of greenhouse gases is \$11, although the packages that offset the travel routes from New York to New Orleans cost \$7.50 or less. It turns out that the most efficient way to get from the Big Apple to the Big Easy is taking an inter-city bus. A good old **Greyhound** will get you to the game for 450 pounds of carbon dioxide in 1 day and 23 hours. Trains, planes and sedans with three people will get you there, too, for 1,099 lbs NM, 1059 lbs and 563 lbs, respectively.

Entergy has agreed to match each carbon offset purchase up to 5 metric tons, meaning it's a BoGo for the environment.

**Department of Energy** but is reportedly receiving fresh review and evaluation following the release of a favorable report looking at the financial impact of LNG exports ([PI, 12/14](#)). Calls placed to **Larine Moore**, the program contact at the **Office of Fossil Energy**, were not returned by press time.

The Cameron LNG liquefaction project will be developed with the export capability of 12 million tonnes per year, or approximately 1.7 billion cubic feet per day. The project is expected to be complete in July 2018.

—**Nicholas Stone**

## QUOTE OF THE WEEK

"[Last year] was supposed to be the year of the bond as the bank market lost appetite, but it didn't really happen."—**Gerald Hanrahan**, senior managing director of the power and infrastructure team at **John Hancock Financial Services** at a webinar sponsored by **Chadbourne & Parke** (see story, page 6).