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SocGen, BBVA Score LatAm Mandate

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KGEN, ENTEGRA REPORTEDLY TALK ABOUT MERGER

KGen Power Corp. and **Entegra Power Group** are reportedly in talks to merge, with **Credit Suisse** advising KGen. Such a link-up would bring together two of the largest merchant power players in the southern U.S., potentially generating additional ownership liquidity via an initial public offering.

KGen filed an S-1 registration in November with the **Securities and Exchange Commission** as a precursor to listing on the **NASDAQ**. That prospectus does not

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NOBLE PLOTS EMPIRE STATE FINANCING

Noble Environmental Power is seeking more than $445 million in financing to support a 352.5 MW wind portfolio under development in upstate New York. The Essex, Conn., developer is weighing proposals from potential lenders and plans to make its selection by the end of this quarter, aiming to have the farms online by year-end. **Chuck Hinckley**, ceo of Noble, directed calls to CFO **Chris Lowe**, who did not return calls.

The exact amount being sought is yet to be determined due to fluctuations in turbine costs, but market watchers say the deal will likely be larger than Noble's last portfolio

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TEXAS STORAGE OPERATOR PREPS $430M FINANCING

NGS Energy Fund, a Westport, Conn., independent gas storage operator backed by hedge fund **Centaurus Energy**, has mandated **BNP Paribas** and **ING Capital** to provide roughly $430 million in loans that will help finance the development of a high-performance storage facility with 36.4 billion cubic feet of working gas capacity in Matagorda County, Texas, by its project subsidiary **Tres Palacios Gas Storage**.

As first reported by *PFR* last Tuesday, a bank meeting is being targeted for Jan. 24, with

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NEWBIE SOLAR PLAYER TAPS INVENERGY ALUM

Kevin Smith

SolarReserve, a Los Angeles-based solar thermal specialist backed by private equity firm **US Renewables Group** and **Hamilton Sundstrand**, a unit of **United Technologies**, has hired former Invenergy official **Kevin Smith** as coo and head of development. "[SolarReserve's technology] really provides renewable energy with the ability to compete, similar to natural gas and other kinds of conventional power that are fully dispatchable," Smith told *PFR*. He will move from Chicago to assume

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At Press Time

Conoco Seen Weighing U.K. Cogen Sale

ConocoPhillips is reportedly considering selling its 730 MW Immingham Combined Heat and Power plant in northern Lincolnshire, England, and has tapped **Citigroup** to advise. The timetable the U.S. oil and gas major is working to could not be learned.

Immingham, which came online in October 2004, provides steam and electricity to the Humber refinery, steam heat to **Total**'s adjacent Lindsey oil refinery, and merchant power to the U.K. grid. A £210 million ($411 million), 450 MW expansion was approved by the board of directors in October 2006 and is slated to be complete in the summer of next year.

An official at Citi in London declined to confirm the mandate and a Conoco spokesman had no comment.

SocGen, BBVA Score Peru LNG Mandates

Peru LNG has selected **Société Générale** and **BBVA Bancomer** to co-lead financing supporting the construction of its liquefaction terminal, south of Lima. SocGen is advising on the debt, a portion of which will likely begin syndicating within the next four weeks after the mandate is finalized by the end of this week.

Peru LNG is majority owned by **Hunt Oil Company**, with Korea's **SK Energy**, Spain's **Repsol**, and Japan's **Marubeni** holding the balance. Construction began last January on the 625 million cubic feet per day terminal in Pampa Melchorita and is expected to cost $3.8 billion (PFR, 3/16). Officials at the sponsor declined to comment and banks either did not return calls or declined to comment.

Being syndicated is a $250 million B loan from the **Inter-American Development Bank**. The leads will separately buy and hold three other B loans guaranteed by export credit agencies, consisting of a $400 million slug from the **US Export-Import Bank**, $250 million from Italy's **SACE** and $150 million from the **Export-Import Bank of Korea** (KEXIM) (PFR, 12/7). Rounding out the deal are A loans of $300 million and $400 million from the **International Finance Corp.** and IDB, respectively, and a $150 million direct loan from KEXIM. Additionally, a group of Peruvian banks will be selected to underwrite a local $350 million bond offering to complete the $2.25 billion financing. The tenor across all tranches ranges from 18-20 years.

The syndication strategy is yet to be determined, but the leads will likely target other banks that bid into the RFP, due to their familiarity with the deal and prior credit approval. More than a dozen project finance banks were sent that RFP Nov. 19, and SocGen set a Dec. 17 deadline for bids.

Tell Us What You Think!

Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? The staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact **Katy Burne**, managing editor, at 212-224-3165 or kburne@iinews.com.

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Aussie Developer Taps Trio On Chilean Financing

Australian power and infrastructure developer **Transfield Services** has mandated **WestLB**, **Calyon** and **HSBC** to arrange financing for its coal-fired Central Kelar plant, set to provide power at **BHP Billiton**'s Escondida and Spence copper mines in northern Chile. The size of the financing is yet to be determined but, as first reported in *PFR Daily* last Tuesday, is likely to launch in April targeting international project finance banks.

Transfield was awarded a contract last month to build, own and operate the 340 MW inside-the-fence project for BHP Billiton, supported by these banks, but the eventual size of the plant may be larger. **AES** subsidiary **Norgener** won a PPA for a separate 310 MW facility at the mines, but it is unclear whether it will seek financing for its construction. Calls to AES in Arlington, Va., and Transfield were not returned, and officials at the banks either declined to comment or did not return calls.

The plants, to be built in the Antofagasta region, are set to come online in 2011. They will connect to Northern Chile's Él Sistema Interconectado del Norte Grande, or SING, grid.

Duke Hires Project Development Head

Duke Energy has hired **Richard Haviland** as senior v.p. of construction and major projects to oversee its planned generation build-out. As first reported by *PFR* last Tuesday, he started Jan. 8 in a new position, reporting to **James Turner**, president and coo of U.S. franchised electric and gas operations in Charlotte, N.C. He will also be responsible for advancing plans to add new natural gas-fired power, according to **Mark Craft**, spokesman in Cincinnati.

Haviland joined from the North American unit of French industrial concern **Air Liquide**, where he was president and ceo of project execution. Previously, he spent a year as a consultant to independent transmission company **Trans-Elect** and before that served as head of international business development for **Calpine**, responsible for its U.K.-based 1.2 GW combined-cycle cogeneration plant known as Saltend, now owned by **International Power**. At one point, he also ran **Bechtel Power**'s fossil fired portfolio.

At Duke, he will be responsible for several proposed projects across the Carolinas and Midwest, including the 800 MW Cliffside Steam Station supercritical pulverized coal plant in western North Carolina, the 620 MW Edwardsport integrated gasification combined-cycle plant in southwestern Indiana and the 2.2 GW William S. Lee nuclear plant in Cherokee County, South Carolina. He assumes some of the duties formerly held by **William McCollum**, onetime group executive and chief regulated generation officer for all fossil- and hydro-powered units, who resigned last March to join the **Tennessee Valley Authority** as coo. Since that time, Turner had taken on the additional responsibility. "Rick's deep history in major power projects and construction management will be a great asset to Duke Energy as we begin construction on several major projects," notes Craft.

The company is planning more than $23 billion in capital expenditures over the next five years.

SkyFuel Lands Solar Technology Expert

David Kearney

SkyFuel, a concentrating solar power specialist, has hired **David Kearney**, an independent consultant, in the new position of senior technical advisor. **Arnold Leitner**, president and ceo in Albuquerque, N.M., to whom Kearney reports, says he will work on research and development projects, advising investors, and helping the company determine which technologies are the most cost-effective when capturing and storing solar energy. "The markets have become increasingly active within the last 12 to18 months and Dave wanted to align himself with the company who would be most successful in this space."

Kearney formerly served as v.p. of advanced technology at solar pioneer **Luz International**, where he worked on such projects as the Solar Energy Generating Systems in California's Mojave Desert and the 64 MW Nevada Solar One unit in Boulder City, Nev. He was a consultant for SkyFuel for one year before the company hired him as an exclusive consultant Jan. 7, though he will continue to consult for non-profit and government agencies. He will be based at his home in Vashon Island, Wash., working closely with **Randy Gee**, chief technology officer in Arvada, Colo. Gee and Kearney met almost 30 years ago when Kearney worked as Gee's manager at the **Solar Energy Research Institute**, now the **National Renewable Energy Laboratory**. "He's kept track of the industry very closely," says Gee.

SkyFuel, which formed Oct. 2005, is negotiating with a major U.S. power industry company for a 150 MW project at an undetermined site in the Southwest, planned to go online by 2011. The project will most likely be financed with an equity flip structure and later refinanced in the debt markets, according to Leitner. The start-up received a $435,000 grant from the U.S. **Department of Energy** Solar Energy Technologies Program in November and expects to double its team size in the next 12 months.

Four Get The Nod On Offshore Hybrid Financing

Eclipse Energy, developer of a 150 MW offshore wind/93 MW open-cycle gas plant off Barrow-in-Furness in the Irish Sea (PFR, 11/2), has selected a club of four lenders to finance its proposed hybrid project. As first reported in *PFR Daily* last Tuesday, **Kathleen Morris**, cfo in Grantham, Lincolnshire, confirmed that the line-up will consist of **Dexia Crédit Local**, **Bank of Scotland**, **Société Générale** and **UniCredit HVB,** but notes they are not yet formally mandated. "Instead of going out and seeking competitive bids, we went and sought banks familiar with offshore wind and with 5 MW technology," she says.

The developer is also soliciting new equity proposals for the so-called Ormonde project. U.K. boutique **Lexicon Partners** is advising exclusively on the £350 million ($616 million) wind farm and, along with upstream specialist **Stellar Energy Advisors**, on the £100 million gas plant. Between 50% and 100% of each component is up for grabs. Because the equipment procurement for offshore wind can take up to 24 months, Morris says a shortlist of contenders has already been drawn up on the wind, whereas the equity placement on the gas plant is trailing by four to six months. "We've separated the wind farm from the gas assets, because they have very different investor bases," she says. "We're offering it into the market, but we would like to hold a portion of it."

Approvals were granted last February. The financing will likely come to market next quarter with a view to beginning construction at the start of next year (PFR, 4/13).

Commerz Taps Mizuho For Renewables Banker

Commerzbank has hired **Jim Boyle**, a wind-focused energy banker, from **Mizuho Corporate Bank**, in a new role as v.p. responsible for the firm's renewable energy project finance activity in North America. He started Dec. 17, reporting to **Andrew Campbell**, head of energy, utilities and project finance, who heads a team of eight in New York.

Commerzbank began participating in renewable project finance transactions about a year ago but was looking to expand its presence with a new account manager who could hunt down more arranger mandates, says Campbell. In addition, his hire plugs the gap created when **Andrew Kjoller**, a v.p. covering IPPs, utilities and some wind clients, left to join **BayernLB** last summer (PFR, 8/17).

"We've very strong in renewables in Germany and more broadly in Europe and were looking to leverage that institutional knowledge here," explains Campbell. "With the times changing, we also thought it would be a good time to get going in the U.S, and Jim has the knowledge, experience and contacts to help us do that." Wind will be Commerzbank's bread and butter, but it will also pay special attention to solar, geothermal and landfill gas-to-energy.

The bank participated in five renewable deals last year, taking tickets ranging from $20 million to $50 million, but plans to commit $50 million to $100 million on construction deals, $25 million to $50 million in long-term project financings and roughly $50 million in turbine deals going forward. But it will remain flexible. "We are pursuing this fairly aggressively, so we're expecting to grow [our commitments] with the size of each transaction," adds Campbell.

Second-Round Details Of Teesside Auction Emerge

Goldman Sachs and **CarVal Investments**, an investment subsidiary of **Cargill**, have garnered bids in the range of £350-550 million ($687.6 million to $1.08 billion) for their co-owned 1,875 MW Teesside power station in Northern England, some of which are attractive enough for it to sell.

Final offers will be taken from preferred bidders early next month, according to one deal watcher, who notes that the owners may pick a frontrunner with the most certainty of completion and begin exclusive negotiations. Individual bidders could not be identified, but all are U.K. and continental European utilities seeking to expand their strategic footprint in the U.K.

Teesside, the world's largest privately owned combined-cycle plant, was built in 1993 for £800 million and serves 3% of the U.K.'s power needs. Goldman (30%) and CarVal (70%) put it on the block in November via **Rothschild** (PFR, 11/16) , which took first-round bids just before Christmas. The plant's 15-year PPA expires in March, at which point if it is not sold, the owners will toll it out. Officials at the owners and Rothschild declined to comment.

DONG Appoints HSBC To Sell Greek Wind

HSBC has won a mandate to advise Denmark's **DONG Energy** on the planned sale of its wind portfolio in Greece. The farms—Evia, Karistos and Tourla—total 18.6 MW in capacity and were legacy assets the company acquired when it was formed in 2006 from the merger between six Danish energy companies (PFR, 10/27/06).

DONG said in its 2006 annual results that year it planned to sell the wind farms, along with its Spanish renewables business **Energi E2 Renovables Ibéricas** (PFR, 5/25), as part of its strategic aim of becoming a leading utility in the Nordic region.

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Rothschild and **FIH** advised on the Spanish sale to **E.ON** for EUR722 million ($1.07 billion).

Andreas Krog, a spokesman for DONG, confirmed HSBC's appointment, but offered no further comment.

Teasers are due to be dispatched later this quarter, after DONG's initial public offering on the **Copenhagen Stock Exchange**. The IPO, to be underwritten by **Citigroup**, **Danske Markets**, a division of **Danske Bank**, and **Morgan Stanley**, is expected to raise as much as DKK 18 billion ($3.6 billion) from equity representing roughly 28% of the company.

DONG owns a 1 GW renewable portfolio, 671 MW of which is wind located in Denmark and Iberia and 342 MW of which is hydro located across Norway and Sweden. The company was formed from the merger between **DONG**, **Elsam**, **ENERGI E2**, **Nesa**, and the electricity arms of **Frederiksberg Forsyning** and **Copenhagen Energy**.

Mount Storm Financing Wraps

Fortis Capital and **BBVA Securities** have wrapped syndication of a $185 million senior secured facility financing the 164 MW first phase of the 264 MW NedPower Mount Storm wind farm in Grant County, W. Va. The asset is under development by a joint venture between **Shell WindEnergy** and a unit of **Dominion** (PFR, 11/16).

ING Capital and **Bank of Tokyo-Mitsubishi UFJ** joined as documentation agents, and **Australia and New Zealand Banking Group**, **Banco de Sabadell**, **La Caixa**, **Caja Madrid** and **KfW IPEX Bank** joined as managing agents in the deal, which wrapped Jan. 10. Fortis and BBVA were joint bookrunners, joint lead arrangers and joint syndication agents, but Fortis also served as administrative agent. Allocations and pricing could not be learned, but tickets ranged from $22.5 million to $19 million after being reduced due to oversubscription. The deal features a tenor of construction plus 15 years.

The sponsors had been in talks with about 10 banks with a view to arranging a club syndication but some banks balked at the razor-thin pricing offered by Fortis, reportedly 100 over LIBOR to their 115-125 (PFR, 8/17). The deal reached financial close Oct. 31, with Shell and Dominion providing $120 million in equity before any loans were drawn.

The farm will be comprised of 82 **Gamesa** 2 MW turbines in phase one, and an additional 50 Gamesa turbines in phase two. All power generated will be sold into the PJM Interconnection with a five-year hedge fixing the price, after which the farm has a 10-year merchant tail. Additionally, the project benefits for five years from the sale of renewable energy credits and the monetization of production tax credits for 10 years by the sponsors. Dominion referred calls to Shell, which did not return calls. The banks involved either declined to comment or did not return calls.

Houston IPP Seeks Lenders For 530 MW Repowering

NuCoastal, the development company founded by oil and gas veteran **Oscar Wyatt**, is seeking financing for the second of five generation facility repowerings in Texas (PFR, 11/9). Being resuscitated next is 530 MW Lon C. Hill in Corpus Christi, says **Roy Hart**, head of project development, who recently locked up funding for the first plant, 300 MW Victoria near Houston, via **Calyon** (PFR, 5/18).

"We'll talk to a number of banks before we make a decision," Hart says, noting that the amount of construction loans sought will depend on the equity check the company intends to write. "We're constantly inundated with people who are interested in becoming an owner in some way. We've not encouraged it, nor discouraged it—we're just looking at our options."

Lending momentum to NuCoastal's rollout is the **Public Utility Commission of Texas**' planned transition of the **Electric Reliability Council of Texas** from a zonal market, where transmission costs are averaged out between producers, to a nodal market, where power is more costly to produce the further it is from the load.

The other three units are 182 MW JL Bates in McAllen, 255 MW La Palma in San Benito and the 300 MW petcoke-fired ES Joslin in Port Comfort. All five sites were purchased from **Topaz Power Group**, a 50/50 joint venture between **Sempra Energy** and **Carlyle/Riverstone**.

RBS Relaunches EUR1.3B European Wind Refinancing

Royal Bank of Scotland has relaunched syndication of a EUR1.29 billion ($2.55 billion) debt package refinancing EUR1.1 billion in debt tied to a European wind portfolio that **International Power** bought from **Trinergy** last August, and back-leveraging its EUR300 million acquisition financing.

The deal features a 15-year, EUR1.125 billion term loan, a EUR85 million VAT facility and an EUR80 million facility for debt service reserve, as well as a balloon at the end of the debt's life, meaning the sponsor incurs some refinancing risk. International Power paid EUR868 million for the 648 MW portfolio, EUR568 million of which was in cash, and is seeking to wrap the deal by the end of next month. A spokeswoman for the company in London declined to comment.

Syndication originally launched in October (PFR, 10/26), but

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was restructured after a Dec. 21 ruling by the Italian legislature altered the way green credits are awarded to independent power producers and brought in a new budget law. The relaunch sees RBS target existing banks in the Trinergy facility, including **ING Bank**, **UniCredit HVB**, **BayernLB**, **Sumitomo Mitsui Banking Corp.**, **Mizuho Corporate Bank**, and go out to new relationship banks that may want to participate, including **DZ Bank**, **HSBC** and **Bank of Tokyo Mitsubishi**. Tickets on offer are EUR100 million and EUR50 million, but commitment fees could not be learned. RBS officials declined to comment.

The newly named Maestrale portfolio consists of 495 MW in operation and 67 MW under construction in Italy, as well as 86 MW in operation in Germany.

BNP, RBS, Dexia Shine In PF Rankings

Guy Cirincione

BNP Paribas, **Royal Bank of Scotland** and **Dexia Crédit Local** bagged the top three spots in Thomson Financial's *Global Project Finance Review for 2007* rankings of lead arrangers on loans, with the power sector remaining the most active area.

Dexia's placement was especially notable, since the firm moved to third place from thirteenth the year before, generating $9.2 billion in proceeds across 61 issues, nearly doubling its market share to 4.2% from 2.2% the previous year. "We're very active in renewable energy and did a fair number of deals in coal as well," says **Guy Cirincione**, deputy general manger and head of marketing at Dexia in New York.

BNP moved up five places to take the top spot from last year's lead, RBS, and doubled its market share to 6.6% with a total of $14.6 billion in proceeds across 94 issues, including a $5.1 billion project financing supporting the acquisition of Australia's **Alinta Energy** by a consortium comprising **Singapore Power** and **Babcock & Brown**. RBS had $11.8 billion in proceeds via 68 issues, its market share falling to 5.4% from 7.2% last year. Officials at BNP and RBS were unavailable for comment. Also gaining was **Bank of Scotland**, which jumped to sixth place from thirtieth the year earlier, with $6.55 billion in proceeds via 31 deals.

Global project finance deal volume increased nearly 20% to about $220 billion via 616 issues last year, from $183.3 billion across 548 issues in 2006. Power has led the charge two years running, rising to $76.5 billion via 234 issues in 2007 from $57.6 billion via 201 issues the year before. "Renewable energy will continue to be busy [in 2008]," notes Cirincione. "We're starting to hear real discussions about new coal technology, such as integrated gasification combined-cycle plants, and we're on the brink of talking about financing some new nuclear facilities in the U.S."

Bosque Purchase Wraps

Financing tied to **Arcapita** and **Fulcrum Power Services**' purchase of 507 MW Bosque plant in Laguna Park, Texas, from **LS Power** funded last Wednesday, finalizing the acquisition. Approximately ten investors consisting primarily of hedge funds took slugs of varying sizes in the deal, led by **Credit Suisse** (PFR, 11/29).

Allocations were finalized before Christmas (PFR, 12/21) on both a $412.5 million seven-year senior financing package and a separate $100 million unsecured mezzanine holding company loan. The senior package consists of a $203 million construction loan, a $119.5 million term loan and a $63 million letter of credit, supported by a five-year $25 million revolver all priced at LIBOR plus 450. The mezzanine piece is priced at 850 over and was added to reduce the amount of equity the sponsor would need to use.

As first reported by *PFR*, Arcapita will own a 97% interest in the plant with Fulcrum holding the balance (PFR, 11/12). Two of the Bosque units will be converted to combined-cycle mode, taking overall capacity from 325 MW to 557 MW by March 2009. The 245 MW third unit is already combined-cycle and has a three-year hedge structured by **Lehman Brothers**. After the conversion is complete, Bosque—valued at around $700 million—will be 802 MW.

WestLB Wraps Turkish Geothermal Financing

In the wake of a new renewable energy law in Turkey, WestLB has closed documentation of $88.5 million in financing for Turkish developer **Guris Construction and Engineering**'s 47.7 MW geothermal Gurmat Elektrik Uretim project near Izmir (PFR, 10/5). "They have the possibility to establish state-of-the-art geothermal," says **Susana Vivares**, executive director of WestLB's global energy group in London, about the sponsor's ambitions.

The deal was oversubscribed with Turkish banks **Vakif**, **Isbank**, **Akbank**, **Tekfen** and **TSKB** committing a combined $132.5 million, before taking tickets of undisclosed sizes, with pricing of LIBOR plus 260 basis points on average. The tenor on the term loan is 10 years, plus a year for construction. Rounding out the financing was equity from Guris for 30% of the $125 million project cost.

The developer has a second geothermal project in its pipeline that will be 50-75 MW and be driven by steam from the same Germencik geothermal reservoir. "2008 is going to be a significant year in Turkey, and we are going to see a lot of new renewable projects materialize in the market," adds Vivares. These projects and future ones benefit from the recently adopted Turkish Renewable Energy Law, approved in May 2005, which guarantees

a minimum purchase of 5-5.5 cents per kWh for the first 10 years of operation (PFR, 10/5) as well as priority dispatch.

SMBC Preps Vegas Syndication

Sumitomo Mitsui Banking Corp. plans to launch syndication before the end of this month of a $265 million financing for the LVE Energy Center, which will deliver 16 MW of back-up power and hot and chilled water to **Boyd Gaming Corp.**'s Echelon Place, a hotel, casino and convention center in Las Vegas set to open in Nov. 2010.

The deal consists of a $145 million term loan, a $20 million letter of credit and an additional $100 million LC backing tax-exempt bonds of the same amount being underwritten by **UBS Securities**, advisor to sponsor **LVE Energy Partners**. The loans, which were funded to LVE Dec. 21, have a tenor of three years beyond the three-year construction period. Further details of the syndication strategy could not be learned. Calls to SMBC and the sponsor were not returned.

LVE is a joint venture between **Marina Energy**, a subsidiary of **South Jersey Industries**, and **DCO Energy**. They already provide hot and chilled water for the Borgata hotel, casino and spa complex in Atlantic City, N.J., built by Boyd and **MGM Mirage**. Construction on the thermal facility began last June, which will generate 21,000 tons of chilled water and 210 million BTUs per hour of hot water for the complex.

Houston Private Equity Firm Launches Second Renewable Fund

Yellowstone Capital Partners, a Houston private equity firm and merchant bank, has launched a follow-on renewable energy fund, ***Yellowstone Energy Ventures II***, with capital from its first fund, which closed with $10 million in 2004. **Rick Owen**, cfo, says the latest $50 million fund will partly invest in **HelioVolt Corp.**, a company that produces thin-solar film.

The fund plans to score $50 million in commitments by the year-end, says **Omar Sawaf**, chairman and ceo, noting, "I saw a lot of serious capital coming from [renewable energy]." In addition to HelioVolt, it will target an array of other start-ups in solar, nuclear, wind, clean technology, water, energy storage, clean coal and alternative fuel, adds Sawaf, declining to elaborate. It will also look to be more active in carbon capture.

Yellowstone Energy Ventures II will be managed by Sawaf, Owen and **William Brewer**, managing director, who will keep fund one open for a decade. The firm expects to attract some of the same investors, but is also looking at institutional investors and colleges for its latest fundraising. The first portfolio consisted of six companies, including **Protonex Technology Corp**. and **Cellex Power**, two fuel cell companies.

Corporate Strategies

Idaho Power Weighs Options For SO_2 Allowance Revenue

Idaho Power is considering investing in a wind farm or renewable energy certificates—so-called green tags—with about half of the $20 million it generated from selling unused sulfur dioxide emission allowances last year. "We've agreed that 10% should be stockholder money, but what do we do with the other 90%?" says **Jim Miller**, senior v.p. of power supply in Boise.

The U.S. **Environmental Protection Agency** provides utilities with annual allowances for emitting a fixed amount of pollutants. If utilities do not wish to use these, they can be traded on the secondary market. Since most of Idaho Power's energy is generated from hydroelectric units, it began selling the extra allowances a couple of years ago when it determined it would not need them for any future projects.

"Maybe now would be a good time to buy green tags, before there is a national [Renewable Portfolio Standard]," adds Miller, speculating on what could be an uptick in demand for the RECs from utilities, who may soon be subject to a federal mandate requiring a percentage of their power to be generated from green energy. "The other option is to go out and acquire an Idaho Power wind project," he continues, noting that in this instance the utility would issue an RFP for developments. The utility has already contracted 10% of its power from renewable projects set up to come online by year-end

Idaho Power recently began a series of workshops led by the **Idaho Public Utility Commission**'s at its offices in Boise to determine how best to use the funds and will have to decide before its annual customer rate adjustment in June. The utility used 90% of the $81 million in revenue generated from selling SO_2 allowances from 2005 and 2006 to reduce customers' rates in Idaho and Oregon, which it is also considering as an option this year.

ComEd Sells $450M For Refinancing

Commonwealth Edison, a unit of **Exelon**, plans to use the bulk of the proceeds generated from its sale of $450 million in 6.45%, 30-year bonds last week to refinance $295 million of outstanding 3.7% first mortgage bonds, maturing Feb. 1. **Tom Miller**, v.p. of finance in Chicago, said he chose the launch when the markets were up early and while rates were low. "Treasuries had rallied and we liked where rates were," he says, noting, "The market was strong for a 30-year bond and 6.45% is an attractive coupon for 30-year debt." Some $150 million of the remaining proceeds will refinance trust preferred securities, with the rest funding general corporate

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purposes, including underwriter fees, he adds.

Deutsche Bank Securities, **Merrill Lynch** and **UBS Securities** were joint book-runners on the sale, which closed last Tuesday. **BNP Paribas Securities**, **Scotia Capital**, **SunTrust Robinson Humphrey** and **Wedbush Morgan Securities** were senior co-managers, with **Jackson Securities** and **Muriel Siebert & Co.** as co-managers. "It's important to senior management to be inclusive as possible," Miller says, referring to the selection of Jackson Securities, an African American-owned firm and Muriel Siebert, a female-owned firm. "When you include the smaller firms, the clients are different than larger banks, add to the books and strengthen the offer."

Interest on the bonds is payable semi-annually on Jan. 15 and July 15 each year.

ComEd's debt was 44% of its overall book as of Sept. 30 and it plans to tap the debt markets again soon to fund $1 billion of projected capital expenditures for the year. "We have a large capital program and are targeting an equity ratio that will allow us to [raise rates] with the **Illinois Commerce Commission**," says Miller.

Xcel Taps Retail Mart To Fund Sub Distributions

George Tyson

Xcel Energy will use up to $150 million in proceeds from its sale of $400 million in 7.6%, 60-year bonds to fund equity contributions to its subsidiaries, including **Northern States Power Co**. The utility chose to tap the retail market as opposed to institutional buyers due to the lower all-in cost associated with the sale, according to **George Tyson**, treasurer in Minneapolis. "The conditions in the market were stable and treasuries were unchanged," he says. The offer launched Jan. 10 and closed the following day.

JPMorgan and **Morgan Stanley** were co-structuring advisors and **Citigroup** and Morgan Stanley were joint bookrunners, supported by **Merrill Lynch** and **UBS** as co-managers. There were more than 40 firms acting as junior underwriters, Tyson adds, because the regional underwriters were selling to individual investors with smaller average orders. The bonds are payable quarterly commencing April 1 and provide a call option for the company to repurchase the bonds at par any time after five years.

Xcel's equity contributions to its subsidiaries are part of the company's normal course of business and are used to repay short-term debt, according to Tyson, noting that the remainder of the proceeds will be used to trim commercial paper at Xcel. The company has major resource plans under review and a number of large generation projects under construction, he says, as well as multiple transmission projects in Minnesota.

Xcel's equity to total capitalization is about 44%.

Southern Sub Targets Index-Sized Issue To Attract Investors

Alabama Power, a unit of **Southern Co.**, has reopened its $200 million issue of 4.85% senior notes from last month (PFR, 12/20), offering an additional $300 million to tap into a larger investor base. "A larger bond issue is more liquid for investors," says **David Brooks**, managing director of capital markets for Southern in Atlanta, adding, "Any bond series over $250 million is eligible for the **Lehman** [**Brothers** U.S. Universal] Index." The index covers taxable U.S. Dollar-denominated bonds that are either investment grade or sub-investment grade, he explains, and buy-siders prefer to play in series listed on it.

Barclays Capital and **JPMorgan** led the reopening that closed last week, and were selected as joint bookrunning managers after approaching Southern with the strategy. "They came to us with the idea of reopening that other series rather than issuing a whole new series, and we liked the idea so we selected them," says Brooks. **Morgan Keegan**, **BNY Capital Markets**, **Ramirez & Co.** and **RBS Greenwich Capital** were co-managers. The notes are rated A+ by **Fitch Ratings** and mature Dec. 15, 2012.

Proceeds will be used to pay for upgrades to Alabama Power's coal plants, which generate roughly two thirds of its total power. Additionally, it will use the funds to revamp its transmission and distribution infrastructure. "We knew we would need the money in December. We just didn't want to carry that much cash over year-end," Brooks says about why the issuer did not tap the market for the full $500 million last month. "We would have been showing additional debt on our balance sheet that we didn't want to do."

As of Sept. 30, Alabama Power had $4.25 billion in long-term debt, and its parent had $13.1 billion.

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Project Finance Deal Book

Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. 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 ***Katy Burne****, Managing Editor, at (212) 224-3165 or e-mail kburne@iinews.com.*

Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES	Termoeléctrico de Penoles (230 MW Petcoke)	Tamuin, Mexico	Calyon	Refinancing	$227M		Four of six commitments in.
Airtricity	2008 Turbine Supply	Central New York	HVB, Mizuho	Turbine Supply Loan	$325M	TBA	Commitments were due 12/14.
Acciona Energy North America	Tatanka (180 MW Wind)	Dickey County, N.D., McPherson County, S.D.	BBVA, Santander, BayernLB, JPMorgan	Construction Loan	$280M	6-9m	No syndication planned.
Babcock & Brown Power Pittsburg Power	Trans Bay Cable (400 MW, two 200 kV cables)	San Francisco, Calif.	BayernLB	Construction Loan Construction Loan	$299M $188M	33-yr 7-yr	Syndication of subordinate tranche launched.
Biomass Group	South Point (200 MW Biomass)	South Point, Ohio	TBA	Construction Loan	$265-300M	TBA	Selecting lenders.
Borealis Infrastructure	Bruce Power (4.6 GW)	Tiverton, Ontario	Scotia, Dexia	TBA HoldCo Loan	C$750M ($710M) $100M	TBA TBA	Leads considering relaunch in U.S.
Carlyle/Riverstone	Portfolio (1.5 GW Gas)	Various, Texas	TBA	TBA	$900M	TBA	RFP sent out 7/23.
EarthFirst Canada	Dokie I (144 MW Wind)	Peace River, British Columbia	TBA	Construction Loan Subordinate Tranche	C$167M ($166M) C$30M ($30M)	17-yr 4-yr	Proposals were due 12/19.
Econergy International-led consortium	La Gloria (50 MW Wind)	Guanacaste Province, Costa Rica	NordLB	Term Loan, Letter of Credit	$125M TBA	TBA	Syndication expected this month.
Empresas ICA	La Yesca (750 MW Hydro)	Nayarit, Mexico	WestLB, Citibank/Banamex, HSBC, BBVA Bancomer, Santander, NordLB	Construction Loan Revolver	$910M $80M	4-yr, 9m	Syndication to wrap early next month.
Energy Investors Fund	Panoche (400 MW Gas) Hot Springs (48 MW Geothermal)	Fresno, Calif. Elko, Nev.	BNP Paribas DZ Bank, Fortis Capital	TBA TBA	TBA $120M	TBA TBA	Deal to launch early 2008. 32 MW phase to come online 2009.
ENMAX Energy	Calgary (1.2 GW Gas)	Calgary, Alberta	TBA	TBA	TBA		Timeline unclear.
EverPower Renewables	2009 Turbine Supply	Various	KeyBanc Capital Markets	Turbine supply	$130M		Syndication launched 11/28.
Excelsior Energy	Mesaba Energy (603 MW IGCC)	Minn.	TBA	TBA	TBA	TBA	Barclays advising.
FPL Energy	Northern Frontier Portfolio (600 MW Wind)		Various	UniCredit, Mizuho	TBA	TBA	Syndication to launch this month.
Granite Ridge	Granite Ridge (720 MW Gas)	Londonderry, N.H.	TBA	TBA	$500-$600M	TBA	Choosing lead banks for recap.
Invenergy	St. Clair Power Station (570 MW Gas)	Sarnia, Ontario, Canada	RBC	Construction Loan LC facility	$383M $96M	5-yr	Syndication re-launched 7/2.
	Forward Energy (99 MW Wind)	Dodge and Fond du Lac counties, Wis.	Dexia Credit Local, NordLB	Construction Loan Equity Bridge Loan Letter of Credit	TBA TBA TBA	17-yr	Farm and facilities being upsized. Launch expected later this month.
	2009 Turbine Supply (800 MW)	Various	HSH, UniCredit	TBA	TBA	TBA	Timeline unclear.
J-Power USA	Pala (86.5 MW Gas) Orange Grove (95 MN Gas)	San Diego Co., Calif. Orange Grove, Calif.	TBA Royal Bank of Scotland	TBA Construction Loan LC Facility Equity Bridge Loan	 $70M $25M $30M	 25-yr	Looking for lead bank. Syndication launched 9/25.
Nacogdoches Power	Nacogdoches (100 MW Biomass, 300 MW Gas)	Sacul, Texas	TBA	TBA	TBA	TBA	Looking for debt/equity for $600M project.
Noble Environmental Power	Turbine Supply Loan	Various	HSH, KeyBanc	Turbine Supply Loan	$460M	3-yr	Syndication launched mid-Nov.
NuCoastal	Victoria (300 MW Gas)	Houston, Texas	Calyon	Term Loan Letter of Credit	$87M $10M	7.5-yr 7.5-yr	Deal wrapped this month.
	Lon C. Hill (530 MW Gas)	Corpus Christi, Texas	TBA	TBA	TBA	TBA	Seeking lenders.
Olympus Power	Cadillac (39.6 MW Biomass)	Cadillac, Mich.	DZ Bank, UBoC	TBA	TBA	TBA	No syndication planned.
Padoma Wind Power	Various (418 MW Wind)	Texas, Southern Calif.	TBA	TBA	TBA	TBA	Timeline unclear.
Perennial Power	Hermiston (474 MW Gas) and Bliss (339 MW Wind)	Hermiston, Ore. Clinton and Bliss, N.Y.	TBA	TBA	$130M	10-yr	Status unclear.
Shell, Dominion	Mt.Storm (264 MW, Wind)	Grant Co., W.Va.	Fortis, BBVA	Construction Loan	$185M	15-yr	Deal wrapped 1/10.
SUEZ Energy International	Central Termoeléctrica	Northern Chile	TBA	TBA	TBA	TBA	Looking for banks for $500M.
Terrawinds Resources	Riviere-Du-loop (201 MW Wind)	Riviere-Du-loop, Quebec	HSH Nordbank	Construction Loan	C$300M ($300M)		Deal wrapped late 2007.
Third Planet Windpower	Name unknown (325 MW Wind)	Loraine, Texas	TBA	TBA	TBA	TBA	Selecting lenders.
Transfield Services	Central Kelar (+340 MW Coal)	Antofagasta Region, Chile	WestLB, Calyon, HSBC	TBA	TBA	TBA	Syndication expected in April.
Unigas	Okfuskee Gas Storage (30 Bcf)	Okfuskee County, Oklahoma	TBA	TBA	$150M	TBA	Barclays advising.

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NEWBIE SOLAR

(continued from page 1)

the position, reporting to CEO **Terry Murphy**.

SolarReserve was formed earlier this month and is developing utility-scale solar projects using newly commercialized technology that traps the sun's rays with mirrors known as heliostats, using the energy to heat molten salt to more than 1,000 degrees Fahrenheit. That substance is then stored and pumped through a steam generator to generate power.

"These facilities can actually run 24 hours a day, or it can be stored and run at peak periods," says Smith, who will oversee the company's development pipeline and build relationships with offtakers. One such solar unit could produce 50 MW in baseload due to the molten salt's heat-retention capabilities or as much as 500 MW in peaking mode.

Smith was senior v.p. of development at Invenergy. Prior to Invenergy, he founded and was president of Chicago-based **Insight Energy**, and also served as coo of **Rolls-Royce Power Ventures** (PFR, 12/20). *—T.R.*

NOBLE PLOTS

(continued from page 1)

financing, a $561.5 million package that finished syndicating in October (PFR, 10/19). **Dexia Crédit Local** and **HSH Nordbank** led that deal, underwriting around $500 million in loans syndicated to **Royal Bank of Scotland** and **Scotia Capital**, sub-underwriters, and 11 participant banks. Some $210 million in tax equity came from **GE Energy Financial Services** for the four projects, totaling 318 MW of capacity.

Noble issued the new RFP at the beginning of November and took indicative proposals at the end of that month. Shortlisted firms began a second round of proposals in early December, with banks working through the holidays to get final bids in by year-end. Firms in the running could not be identified, but are likely relationship banks that have worked with Noble before, according to bankers. Along with HSH and Dexia, **KeyBanc Capital Partners** was mandated to co-lead a $460 million turbine loan last fall (PFR, 11/2). In 2006 Noble hired **CIT Group** to underwrite a $133 million turbine loan but the firm is not in the mix (PFR, 12/21/06). Officials at the banks either declined to comment or did not return calls.

The new portfolio consists of 127.5 MW Weathersfield in Wyoming County, N.Y., a 97.5 MW expansion of the 102 MW Altona wind farm under construction in Clinton County, and the combined 127.5 MW Chateaugay and Bellmont farms in Franklin County, which will expand the existing 100.5 MW Clinton farm nearby. Power from the projects will be hedged like the previous farms, though the structure has not been decided.

—Thomas Rains

TEXAS STORAGE

(continued from page 1)

the aim of drawing on the loans next month, but the timetable is not yet firm. **Laura Luce**, president of NGS and its project companies, reached at the Platts *6th Annual Gas Storage Outlook* conference in Houston, confirmed that total funding for Tres Palacios would be in excess of $500 million, including $150 million in equity from NGS, but would not talk specifics, except to say the debt will be rated by **Moody's Investors Service** sometime this week. The breakdown of the debt and its tenor could not be learned, but the deal will likely feature a construction term loan and ancillary facilities for liquidity. Ticket sizes are yet to be decided. Calls to BNP on the left and to ING on the right were not returned.

Tres Palacios Gas Storage is looking to convert three underground salt caverns on the Markham Dome, bringing 12.5 Bcf into service by July, another 13.9 Bcf online by April

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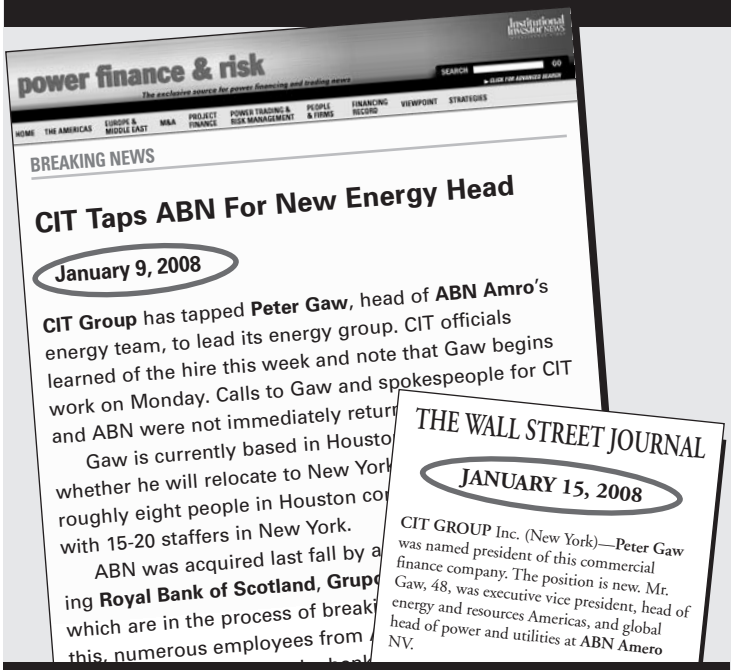

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2009 and a further 9.1 Bcf by April 2010, along with 19 Bcf of base gas across all three units. The maximum daily withdrawal rate will be 2.5 Bcf and maximum daily injections, 1 Bcf.

NGS has three separate projects under development in addition to Tres Palacios. Due to be financed by the summer is Leaf River, set to be a 32 Bcf underground storage facility in Smith County, Miss., which will connect to the proposed Kinder Morgan Midcontinent Express pipeline. Next up is Windy Hill, a proposed 18 Bcf bedded salt storage project in Morgan County, Colo., slated to be in service by the summer of 2010, followed by the Gulf Coast Connector, a 40-mile pipeline that will connect up to 13 interstate and intrastate pipelines from Perryville to Delhi in Northeast Louisiana.

Tres Palacios is the only independent storage operator in Texas to be fully regulated by the **Federal Energy Regulatory Commission**. Before founding NGS, Luce built **Energy Center Investments**, the storage investment arm of **Sempra Energy**, whose two principal assets were St. Clair, Mich.-based Bluewater Gas Storage and Pine Prairie Energy Center in Evangeline Parish, La. That company was sold in 2005 to **Plains All American Pipeline** and **Vulcan Capital** for $250 million. ***—K.B.***

KGEN, ENTEGRA

(continued from page 1)

contemplate a merger, but in it KGen underscores its acquisitive stance. "Our analysis of opportunities will take into account the benefits of acquiring a critical mass of assets in a region from energy management, operations and capital structure that can improve the facilities' overall performance to help meet our return requirements," it reads.

KGen owns 3,030 MW across the Southeastern U.S., where it anticipates the continuing recovery of power prices as overbuild is worked off in the 2010-2014 timeframe. The portfolio consists of four combined-cycle plants: 630 MW Murray I, the only one that is contracted, 620 MW Murray II in Murray County, Ga., 620 MW Hot Spring in Hot Spring County, Ark., and 520 MW Hinds in Jackson, Miss., as well as the 640 MW Sandersville in Washington County, Ga. Entegra comprises the 2.3 GW Gila Power Station near Phoenix and 3 GW Union Power Station in El Dorado, Ark. "Entegra is stranded and in totally different power pools, and it seems like the Arkansas plant would work well with KGen's Hot Spring, while the Arizona one would allow them to expand into a developing market," speculated one observer of the rationale.

Additionally, KGen and Entegra share a handful of investors. Entegra, formerly **TECO-Panda**, refinanced $1.33 billion in project debt last year (PFR, 4/5, 3/9) and reportedly has had a deal room open for some time, though no S-1 filing. KGen is also thought to be on the hunt for assets after nixing a deal to acquire a 1,859 MW portfolio from **Complete Energy Holdings** for $1.3 billion (PFR, 10/5). A year ago, **Friedman Billings Ramsey** floated the equity capital in KGen (PFR, 12/6/06) seeking new hedge fund investors—among them **King Street Capital**, **JPMorgan Chase**, **Trust Company of the West**, **Stark Master Fund** and **JANA Partners**—allowing **MatlinPatterson Global Opportunities Partners II**, which acquired the plants from **Duke Energy** for $475 million, to exit for an aggregate consideration of $777.9 million, or $14 share.

A consolidation would mirror the merger between **Astoria Generating** and **EBG Holdings**, parent company of **K-Road Power**'s Boston Generating, which created a 5 GW Northeast portfolio in **US Power Generating Co.**, also looking to IPO as soon as the markets will support it (PFR, 4/20). The tie-up is logical, according to deal watchers.

"We saw a lot of frenetic refinancing activity for 18 months leading up to summer of 2007—it was about sell, buy, leverage, takeout and liquidity," one banker says. "Now it's 'how do we reshuffle and who is going to own what?' It's going to be 18 months of roulette and everyone's looking at how they consolidate."

Daniel East, senior v.p. of strategic planning and development at KGen in Houston, and officials at Credit Suisse declined to comment. **Joff Mitchell**, ceo of Entegra and partner of restructuring firm **Kroll Zolfo Cooper** in New York, also declined to comment. ***—Katy Burne***

Quote Of The Week

"We're constantly inundated with people who are interested in becoming an owner in some way. We've not encouraged, nor discouraged it—we're just looking at our options."—**Roy Hart**, *head of project development at* ***NuCoastal****, on deciding how much equity and debt it will use to repower a mothballed plant in Texas (see story, page 6).*

One Year Ago in Power Finance & Risk

Financing for **LS Power Equity Partners**' $1.4 billion acquisition of a 3.6 GW generating portfolio from **Mirant** was set to be led by **JPMorgan** in the form of term B debt, with **Barclays Capital** expected to play a significant role, having advised LS. [JPMorgan was left lead, syndicating $1.3 billion in debt. Barclays was on the right, along with **Credit Suisse** and **Lehman Brothers** (PFR, 3/30). The deal comprised a $700 million first-lien term loan and $165 million synthetic letter of credit, both due in 2014, as well as a $150 million first-lien revolver, plus a $300 million second-lien term loan. LS provided $412 million in equity.]

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