

# Power Finance & Risk

The weekly issue from **Power Intelligence**

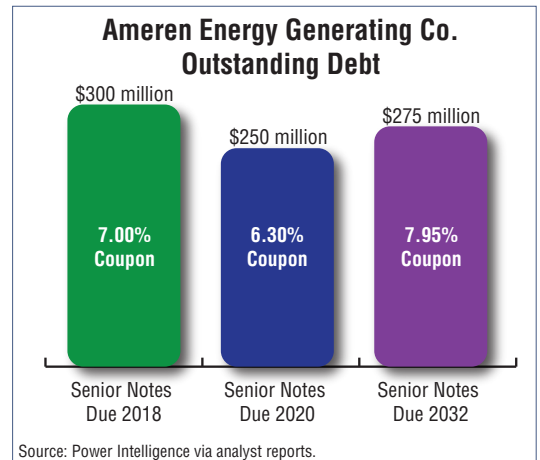
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## Ameren GenCo Tipped For Restructuring As Bonds Slide

**Ameren Energy Generating Co.** is being tipped for a restructuring process as parent **Ameren** looks to exit the merchant business. Since Ameren announced it wanted to leave merchant generation in late December, the \$825 million in senior unsecured notes at GenCo have slid nearly 40% from par to the low 60s, observers say.

In the announcement last month, Ameren did not specify how it would exit and there was speculation there would be a sale of some or all of its generation assets similar to the auctions of facilities under **PPL Montana** and **Dominion** (*PI*, 1/11).

Given where the debt is trading, a restructuring that trades the generation to bondholders or another buyer is the likeliest path, observers say. Bondholders could be moved to act sooner if the bonds continue to slide, says a restructuring banker, noting that Ameren doesn't face a maturity until 2018. Observers also note that Ameren tried



(continued on page 12)

### THE BUZZ

**PI** covered the annual project finance rendezvous in New Orleans—**Infocast's** Projects & Money conference—and the sentiment was clear: banks and institutions have money to lend, they just need more deals to put the capital to work. Banks only deployed about half the lending funds available to them in 2012 for power and energy projects (see story, page 9). The reason is that energy efficiency and lack of GDP growth have slowed the need for new generation builds.

Project development will be closely tied to the shuttering of coal-fired plants moving forward, with biomass and nuclear tipped to potentially benefit from the need for alternative base-load power sources other than natural gas (see story, page 8). A paucity of power purchase *For PFR's take on these conferences and the rest of the market, see page 2.*

### Projects & Money Conference

## Merchant Tipped For Cheaper Funding

The cost of financing merchant generation could be set for a fall because lenders are more comfortable with the risk after recent loans. "My sense is that you have around 200 basis points of tightening in that market," **Don Kyle**, senior managing director at **GE Energy Financial Services**, told attendees at **Infocast's** 5th annual Projects & Money conference in New Orleans. The last merchant financing came in at 750 basis points over Libor.

The sector was effectively re-opened by **Panda Power Funds'** Temple I and Sherman deals (*PI*, 7/23 & 9/20). Banks have shied away from merchant generation for a number of years as the risk associated with uncontracted power plants were viewed as too great. "The first deal in a new asset class is always the hardest to get done," said **Michael Masters**, director

(continued on page 8)

### Canadian Power Finance

Check out what's on tap for project finance and M&A according to major players at the event in Toronto.

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

agreements means sponsors with them are able to shore up attractive pricing, according to many panelists.

In the M&A world, a standout development on the staffing front was the news that **Tim Kingston**, co-head of the global power investment banking at **Goldman Sachs** in New York, is heading at some point to Chile to help the firm establish a business there (see story, page 11).

On the asset trail, overseas interest in entering the U.S. remains strong. **TAQA Energy Solutions**, a subsidiary of **Abu Dhabi National Energy Co.**, is buying **EDF Renewables'** stake in the Lakefield wind farm in Minnesota (see story, page 5). TAQA will be a 50% lessee of the plant alongside **Marubeni**. Operational wind farms continue to be a draw for investors looking for cash flow from renewables assets and the wind market has attracted several foreign investors in the last six months. The interest in spinning wind is evident in the question of whether **Edison Mission Energy** will sell its roughly 2 GW wind portfolio as part of its bankruptcy process ([PI, 12/18](#)).

Proposed LNG projects may necessitate a power and transmission build-out in Canada and that's creating some generation opportunities. **Richard Ashby**, formerly the cfo of **RES Americas**, has partnered with **Jean Sawaya**, principal at **Kronos Management Group** in Toronto, to buy a long idle wind project in British Columbia that would benefit from proposed LNG export facilities (see story, page 4).

## TELL US WHAT YOU THINK!

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

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

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## GENERATION AUCTION &amp; SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
Algonquin Power & Utilities	Various (46.8 MW Hydro)	Various	TBA	It's quietly shopping the portfolio (PI, 11/26).
ArcLight, Olympus Power, John Hancock, Atlantic Power Corp.	Delta Person (140 MW Peaker)	Albuquerque, N.M.	Fieldstone Private Capital Group	PNM Resources will terminate its PPA and buy the facility.
Atlantic Power Corp.	Path 15 (84-mile Transmission)	California	Rothschild	The company is quietly shopping it; initial bids due soon (PI, 11/12).
Calpine	Broad River (847 MW Gas)	Gaffney, S.C.	TBA	ECP has tapped CoBank, Union Bank to finance its acquisition (PI, 12/24).
Cogentrix Energy	Stake (112 MW Northampton Waste Coal)	Pennsylvania	Houlihan Lokey	Energy Investors Funds will take over Cogentrix's stake as part of the plant's Ch. 11 reorg (PI, 1/14).
▶ Deutsche Bank, Katabatic Power Corp.	Banks Island (1 GW Wind)	British Columbia	None	Newly founded shop is buying the shelved project in anticipation of load growth (see story, page 4).
▶ Diamond Generating	Stake (1,178 MW Kiowa CCGT)	Oklahoma	Citigroup	Co-owner Tenaska bought out the stake (see story, page 5).
Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citigroup, Morgan Stanley	Bidders are in second round (PI, 12/10).
▶ EDF Renewable Energy	50% Stake (201 MW Lakefield Wind)	Minnesota	TBA	TAQA is buying EDF's position as a lessee (see story, page 4).
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) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater 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).
Invenery	Stakes (1.5 GW Wind)	Various	None	Caisse de depot has taken a \$500M equity stake in 13 farms (PI, 1/14).
▶ JPMorgan Capital Corp.	Tax Equity Stakes (524 MW Wind)	Texas	JPMorgan	It's selling its tax equity stakes in a trio of wind farms owned by AES (see story, page 5).
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).
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 (Stake, 286 MW Gas)	Brooklyn, N.Y.	Credit Suisse	EIF has agreed to buy the plant, which was damaged by Hurricane Sandy (PI, 1/14).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont. Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	First round bids due around Dec. 14 (PI, 12/17).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas)	Arlington, Ariz. Mexicali, Baja California, Mexico	TBA	Sold half of Mesquite to Salt River Project (PI, 11/12). The Sempra Energy unit is talking with prospective advisors (PI, 10/22).
	Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar) Mesquite 1 (150 MW Solar)	Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.		Infrastructure funds make up the bulk of first round bids for the solar assets (PI, 1/14)
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 [hffletcher@iintelligence.com](mailto:hffletcher@iintelligence.com).

## PROJECT FINANCE DEAL BOOK

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

## Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Cochrane (532 MW Coal)	Chile	TBA	TBA	\$1B+	TBA	Sponsor rounds up banks, ECAs (PI, 11/26).
	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	~\$1B	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
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).
BluEarth Renewables	Bow Lake (60MW Wind)	Algoma, Ontario.	TBA	TBA	\$80M	TBA	Sponsor will be bringing a few deals to market this year (See story, page 5).
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 (PI, 1/14).
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).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill County, Pa.	CCA Capital	TBA	\$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Energy Investors Funds	Pio Pico (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).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	TBA	TBA	\$600M	TBA	Sponsor is looking to secure a bank loan (PI, 12/17).

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## PROJECT FINANCE

## Canadian Co. Hunts Wind Funds

**BluEarth Renewables**, a Calgary-based independent renewable power producer, is talking to lenders in the U.S. and Canada for financing backing its 60 MW Bow Lake wind farm in Algoma district, Ontario. **Kent Brown**, ceo and president, says the company is looking to secure 75% debt, around \$80 million.

The company aims to have the financing wrapped by the second or third quarter. Brown says it is also beginning the search for funds for the 115 MW Bull Creek wind project in Provost, Alberta, but that process is a little bit behind Bow Lake.

This is the first major look for financing by the developer, which is comprised largely of alum from **Canadian Hydro**, a hydro and wind developer that was acquired by **TransAlta** for C\$1.6 billion

(\$1.65 billion) in 2009. **John Keating**, chairman of the board and executive advisor and director, and **Ross Keating**, executive advisor and director, were both founding shareholders and directors at Canadian Hydro, before setting up BluEarth.

All options for financing are on the table, but it will probably be a construction loan combined with a loan for the length of the power purchase agreement, Brown adds.

The power will be sold to the **Ontario Power Authority** under a 20-year PPA. The Bow Lake project team has worked closely with the Batchewana First Nation and is in the final stages of completing an agreement that will make the BFN a partner in the Bow Lake wind farm.

## MERGERS &amp; ACQUISITIONS

## Abu Dhabi Shop Makes N.A. Wind Debut

**TAQA Energy Solutions**, a subsidiary of **Abu Dhabi National Energy Co.** formed in early 2012, is buying **EDF Renewables'** stake in the Lakefield wind farm in Minnesota. TAQA will be a 50% lessee of the plant alongside **Marubeni**.

TAQA has oil and gas operations in the U.S. and Canada. It is interested in investing in wind and solar via its Energy Solutions business, in areas where it already has a presence, a spokesman in Abu Dhabi said in an e-mail to *PI*. It will be looking for opportunities in North America, Northern Europe and Morocco.

In 2011, TAQA produced the equivalent of 88,100 barrels of oil a day from its properties in British Columbia, Alberta, Saskatchewan,

Montana, North Dakota and Wyoming. TAQA is listed on the **Abu Dhabi Securities Exchange**.

The 201 MW Lakefield asset was attractive for its 20-year power purchase agreement with **Indianapolis Power & Light** and its expected P50 capacity, says the spokesman. Affiliate **TAQA Gen X** has a tolling agreement for 85% of the power from the 764 MW Red Oak combined cycle plant in Sayreville, N.J. (*PI*, 2/23).

Union Bank and **MetLife** are the lessors of Lakefield, which went online in 2011 (*PI*, 8/12).

The spokesman declined to comment on the purchase price or whether a financial advisor was used. An EDF Renewables spokeswoman did not immediately reply to an inquiry.

## New Shop Circles B.C. Wind



Richard Ashby

**First Columbia Energy Holdings**, a new development shop founded by **Richard Ashby**, formerly of **RES Americas** and based in Toronto, is near an agreement to buy a 1 GW wind project in British Columbia from **Deutsche Bank** and **Katabatic Power Corp.**

Ashby and his partner **Jean Sawaya**, who is still a principal at **Kronos Project**

**Management Group**, are talking to financial players and strategics to finance the acquisition and early financing, says an observer. There is interest in developing generation projects in the region because of the potential demand for generation from proposed liquefied natural gas projects. Several companies have also been evaluating sites for gas-fired projects in northern B.C., say lawyers and bankers who work with companies involved in Canada.

Five LNG projects totaling about \$50 billion are in the works.

A power and transmission build-out will be needed even if one is developed, say officials at independent power producers focused on Canada. The area is sparsely populated so little generation exists.

The Banks Island wind project on the North Coast of B.C. was entered into the 2008 Clean Power Call by **BC Hydro** but was not awarded a contract because the call was geared toward projects closer to Vancouver, according to a memorandum about the project sent out by First Columbia. It has been sitting undeveloped in the interim because there was no demand in the region and little available transmission, says a developer who used to be involved. The project does not have a power purchase agreement.

Richmond, B.C.-based **Katabatic Power** and Deutsche Bank were working on the project at least as far back as 2006 (*PI*, 1/19/07).

Ashby, formerly the cfo of RES Americas, left the company in 2010 amid a restructuring (*PI*, 11/16/10).



## Diamond Sells CCGT Stake To Tenaska

**Diamond Generating** has sold its stake in the Kiowa combined cycle facility in Oklahoma to co-owner **Tenaska**. The sale was a low-profile auction that Diamond wanted to keep quiet, says an observer, explaining that the company did not want to be perceived as exiting the market. The sale, run by **Citigroup**, closed Dec. 31.

Tenaska's emergence to buy the stake surprised some given that it had sold down a portion of its stake as part of a portfolio sale just two years ago, say officials. A Tenaska spokeswoman confirmed the acquisition, declining further comment.

Before the sale, Kiowa was roughly owned 35% by Tenaska, 35% by **Tyr Energy** and **Chubu Electric Power Co.** and 30% by Diamond. Now, Tenaska has 65%. Kiowa is a 1,178 MW CCGT in Pittsburg County, Okla. It has a long-term power purchase agreement with **Shell Energy North America (US)**.

**Hiroshi Miyasaka**, director of business development at Diamond in Los Angeles, did not immediately respond to an inquiry about why the company sold its stake.

The purchase price could not be learned. A Citi spokesman declined to comment.

## JPMCC Floats AES Wind Tax Equity Stakes

**JPMorgan Capital Corp.** is looking to exit tax equity positions in a set of wind farms owned by AES in Texas. The stakes are in the three phases of the 524 MW Buffalo Gap farm near Abilene, Texas, observers say. The sale is in early stages; the shop is running the process itself.

The farms are the 122 MW Buffalo Gap 1, 232 MW Buffalo Gap 2 and the 170 MW Buffalo Gap 3. **Direct Energy** has power purchase agreements with each farm, including a 10-year PPA with phase 2 that went online in 2007 and a seven-year agreement with phase 3, which went online 2008.

The tax equity giant is selling the stakes partly due to market pressure stemming from changes under Basel III, says a banker. The firm has also been trying to establish a secondary

market for tax equity investments as a generation of farms edges closer to flipping out of tax equity agreements ([PI, 10/12](#)).



JPMCC has approached one-off buyers, including investment managers, that might be interested in the stakes, says one banker. The sale follows a portfolio of stakes in **Infigen Energy**-owned farms that JPMCC is selling to **Threshold Power** ([PI, 1/4](#)).

Affiliates of **New York Life Insurance Co.** and **Union Bank** also have tax equity stakes in Buffalo Gap 1 and 2, according to documents filed with the

**U.S. Federal Energy Regulatory Commission** over the last six years. Those stakes are not included in the sale.

A JPMCC spokeswoman declined to comment.

## Chevron Sues EME To Buyout Cogen Stakes

A subsidiary of **Chevron** that owns half of two gas-fired cogeneration facilities in Bakersfield, Calif., via joint ventures with **Edison Mission Energy** is suing the company for the right to buy out EME's stakes at book value as a consequence of its Chapter 11 bankruptcy filing.

Chevron contends that the bankruptcy filing breaches a JV agreement and wants to buy out EME's stake for book value, or a total of \$42.5 million, according to court documents.

Chevron and EME each own half of the 300 MW Sycamore cogen and the 300 MW Kern River cogen in Bakersfield. Chevron made an offer in June to buy both EME's stakes for \$82.5 million. EME rejected the offer saying the plants were an important cash flow stream, according to court documents.

Chevron does not want unsecured bondholders to takeover EME's position as co-owner because the plants' future is uncertain. It anticipates that its oilfields will not need the steam in the next three to five years. The oil company does not plan to extend its steam contracts when they mature in 2020 as it is winding down its oilfield production in the area. It's uneconomical to run the plants

solely for power and expects they will be retired when the contracts mature, according to a Chevron filing. Sycamore and Kern River have steam power purchase agreements with **Southern California Edison** and **Pacific Gas & Electric** for the same duration.

The lawsuit is being watched closely by bondholders because **BP Alternative Energy** and **Aera Energy**, a JV between **Shell** and **ExxonMobil**, have similar clauses in JVs on cogen plants in the San Joaquin Valley, says an observer.

If Chevron is successful, then BP and Aera are expected to follow suit at book value and there could be less money or collateral to repay bondholders, explains the observer. BP owns 51% of the Watson cogen facility in Carson and Aera owns 50% of the 325 MW Midway-Sunset cogen plant in Kern County.

EME, the IPP subsidiary of **Edison International**, has \$3.7 billion in debt and filed for bankruptcy protection in the U.S. **Bankruptcy Court Northern District of Illinois** ([PI, 12/18](#)).

An attorney for Chevron at **Pillsbury Winthrop Shaw Pittman** did not immediately respond to an inquiry while an EME spokesman was not immediately available.

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## CONFERENCE COVERAGE

## Projects & Money Conference

Around 170 financiers and developers gathered at **Harrah's Hotel & Casino** in New Orleans, Jan. 15-17, for the 5th annual **Infocast Projects & Money** conference. Hot topics ranged from political issues facing the industry, slow deal flow, alternative sources of financing and the robust state of the financing markets. Senior Reporter **Nicholas Stone** filed these stories:

### Merchant Tipped *(Continued from page 1)*

and head of power leveraged capital markets at **Barclays Capital**, adding more investors will be comfortable for the next deals.

The bigger issue moving forward is securing equity for merchant. "Ultimately debt will zero in on a comfortable metric," said **Brett Challenger**, senior v.p. at **CoBank**. "But it will still require equity and that will be the harder ask."

Another emerging option is tapping mezzanine funds ([PL, 12/21](#)). **Ares Management**, for instance, played a key role in the Panda deals and other mezzanine funds are willing to invest.

"If you have an asset with a good deal of merchant exposure,

you have to look for your hedges and look for more stable cash flows," said **Daniel East**, v.p. at The **Carlyle Group**. "The capital that is acceptable at a lower cost with those locked-in hedges might not necessarily be as good of a trade off as using a mezzanine fund, as we are willing to take a much more merchant view and collateral in the asset."

**Ray Wood**, head of U.S. power and renewables at **Bank of America Merrill Lynch**, said he didn't see too many merchant financings coming to market soon, but added, "We're optimistic about the direction of those markets generally speaking." —**Nicholas Stone**

## Shuttering Coal To Stoke Gas, Nuclear

More natural gas-fired, nuclear and biomass generation opportunities could result from increased coal-fired retirements in the U.S., according to panelists in New Orleans. Low natural gas prices and stringent environmental regulations are set to push around 50 GW of coal-fired capacity offline in the U.S. through the next decade.

"There are some markets where folks are going to have to make generation investments soon," said **Mike King**, head of energy, environment and network industries practice at **NERA Economic Consulting**. ERCOT is constantly in need, he said, and others regions will start to need new generation in the next few years as coal retirements increase. "Gas-fired generation is the dominant technology today for new builds," King said.

**Mark Klan**, associate director of energy at **Navigant**, noted that the U.S. **Environmental Protection Agency** rules, such as the

Mercury Air and Toxics Standard and the Cross-State Air Pollution Rule, will push coal facilities into retrofits or retirements. But, he argued this will not drive new renewable generation, which is driven more by state policy than the need for replacing baseload capacity. Klan also warned that announced retirements may not necessarily materialize, as tangible developments on the ground need to be seen before the retirement is confirmed.

"It is hard to see a case where natural gas prices will gain a lot of momentum moving up," said **Todd Filsinger**, managing director of **Filsinger Energy Partners**, adding that low natural gas prices are the biggest driver of coal retirements. "Fracking is continuing to drive prices down," he noted. The most important way to spot opportunity for future investment and build-out is to keep an eye on capacity factors in the different regions, Filsinger said.

## D.C. Holds Sway On Industry

The power and energy industry is looking to Washington for guidance more than ever, with policy negotiations and regulatory rumblings buffeting the industry, attendees were told.

The importance of lawmakers is underscored by examples such as the extension of the production tax credit ([PL, 1/3](#)). "There should be a significant amount of investment this year simply because of the extension," said **Rich Glick**, head of government affairs at **Iberdrola**. Another aspect of the PTC extension is the definition of "under construction." To qualify for the PTC, projects need to satisfy that criteria by the end of 2013, and Glick said the U.S. **Internal Revenue Service** is expected to define the clause in the next two to five months.

There may be more pushes for incentives or tax-break. "We

haven't seen last word at all for incentives for renewables," said **Kent Burton**, senior v.p., at **U.S. National Environmental Strategies**. "The banter in Washington, especially from Senator **Chris Coons** of Delaware, is on incorporating MLP structure for renewables," he says. But whether this will happen remains uncertain, particularly with any changes to taxation having to negotiate a partisan Congress.

D.C. weighs heavily in other areas. The U.S. **Environmental Protection Agency** will play a critical role in the development of the natural gas industry in the country in the coming years with decisions on fracking. "This is the biggest natural gas issue in Washington at the moment," said **Jed Bhuta**, director of legislative affairs at **America's Natural Gas Alliance**.



## CONFERENCE COVERAGE

### Transmission Overhaul To Open Power Sales

The U.S. **Federal Energy Regulatory Commission's** Order 1000 from October will be a game changer by opening up the ability of generation facilities to sell power into new markets, potentially increasing their value, according to a presentation.

One of the major changes is that all transmission owners must talk with neighboring operating systems to develop a more optimized system. "This could impact the way you value a plant in the MISO region, for instance, which could now connect to PJM," said **Kiran Kumaraswamy**, manager of the wholesale power group at consultancy **ICF International**. This connection to different regions opens up the need for further investment and reassessment of pricings, but will also allow plants in Illinois to sell into the capacity auctions of PJM, he added.

The financial desire to be involved in transmission build-out is

there, Kumaraswamy told *PI* after his presentation. "It is never a question of financial appetite," he said, "but of regulatory approval," adding that this new ruling could be a turning point. **Goldman Sachs Infrastructure Partners** is working in New Mexico and made a \$400 million investment recently filed with FERC, says Kumaraswamy. While **National Grid** made a \$40 million equity investment in **Clean Line Energy Partners**, which have spurred interest in a potentially robust merchant transmission buildout (*PI*, 11/30).

Kumaraswamy said most regions are planning transmission build outs in order to help improve the current state of the network, which will open up opportunities to be involved with the approximate \$150 billion of planned investment nationwide. Development will be skewed to the high voltage side, as this is better for connecting to renewable generation.

### Scarce Deals Crimp Banks Lending

Banks deployed around half of the financing capacity they had available last year because of a lack of U.S. deal flow, speakers said Wednesday.

Banks lent \$17.6 billion to power and energy projects in North America in 2012, according to **Christopher O'Neill**, managing director and group head, syndicated loan capital markets at **Bank of Tokyo Mitsubishi-UFJ**. The market could handle deal flow of around \$35 billion, he added. "We just need to get the supply into the market," he said. "The markets took a steep decline in 2012 because the projects weren't there."

The year saw a brief flurry of wind deals closing to take advantage of the then potentially expiring PTC, as well as the sizeable **Cheniere Energy** Sabine Pass deal, which took \$3.6 billion of the year's total (*PI*, 7/19). But overall, the supply was slim.

**Don Kyle**, senior managing director at **GE Energy Financial**

**Services**, said that the investor side of the market "could not be healthier." Three years ago, the markets were characterized by illiquidity and gloom, but now banks are ready to lend again. GE EFS has \$3 billion to deploy this year in debt and equity. "Tenors and structures have all tightened," said Kyle. "B loans are strong. The insurance company market is also extremely strong. The issue now is deal flow."

**Ralph Cho**, formerly a debt capital markets banker with **WestLB**, noted, "The bank market remains competitive."

U.S. banks picked up the slack from restricted European lenders, in particular regional banks entered, he noted, citing **Zions First National Bank** and **OneWest**.



### Biomass Tipped For Growth

Biomass facilities are set for a growth spurt as technology improves and the fuel type becomes a baseload hedge against natural gas-fired facilities, according to officials on the sidelines.

"I see about five \$200-\$300 million biofuel projects coming to market this year," one lawyer, who works on alternative fuel deals, told *PI*. "The technology is getting much better and with the natural gas-fired build-out, people are looking for baseload hedges against that." He declined to identify the projects.

A subsidiary of Japanese company **Mitsui & Co.** will reportedly approach the market in the spring looking for debt backing an approximately \$500 million biomass facility. Further details could not be immediately ascertained.

The shuttering of coal-fired facilities is another factor driving more biomass builds (*PI*, 1/15).

#### Seen 'N Heard

- **Buz Barclay**, managing director at **Marathon Capital**, who was the conference chairman, praised New Orleans as a venue. "It is charming and slightly decadent, not unlike myself," he quipped.

- Some attendees decided to put their money to work in a different sphere, by investing some time and money at the casino. Craps seemed to be the most popular game. Apparently, they are not just rolling the dice with merchant plants.

- Talk of football was also quite prominent with the playoffs taking place. Needless to say, attendees from San Francisco seemed to be quite chipper, while those from Denver were rather morose for the first few days.



## 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 [U.S. Environmental Protection Agency](#) is proposing new limits for pollution from the 2.25 GW coal-fired Navajo station in Page, Ariz. The new standards would reduce nitrogen oxide emissions by 84%, but could come with a price tag of more than \$1 billion, according to the plant's owners (*SF Gate*, 1/18).



Navajo Station

- Increased competition abroad and uncertain policies at home put the ability of the U.S. to compete in the global renewables marketplace at risk, according to a report from the **Pew Charitable Trusts**. Private investment, manufacturing and deployment of renewables have been held back because of the lack of a long-term, consistent energy policy in the U.S. (*UPI*, 1/17).
- Transmission developer **Atlantic Wind Connection** has selected construction and design firm **Bechtel** as its EPC contractor, and international power equipment supplier **Alstom** as its HVDC technical advisor for the first phase of the Atlantic Wind Connection project (*Clean Technica*, 1/17).



Steven Chu

- Energy Secretary [Steven Chu](#) will leave his post in President **Barack Obama's** second term, according to two people familiar with the matter. Chu often drew criticism from the Republican Party during his time at the helm of the U.S.

Department of Energy (*Bloomberg*, 1/17).

- **Atlantic Wind Connection**, the consortium that includes **Google** and **Marubeni** behind a \$6.31 billion offshore transmission project, will develop the first phase of the line between New York City and Virginia (*Clean Technica*, 1/17).
- A consortium of Canadian companies, **Solexica Energy Corp.**, **JCM Capital** and **Radical Energy**, have received a power purchase agreement for a 50 MW solar project in Ecuador from **Conelec**. The government of Ecuador supports renewable energy and the utility Conelec started a feed-in tariff program in 2011 (*PV Tech*, 1/16).

- **Noble Energy Systems** of Ontario, Canada, is proposing 35 utility-grade wind turbines for Pea Patch Ridge off Fairview Road in Garrett County, Md. This will be the first wind project in the world that will not be visible except from adjacent ridge lines, according to the company's website (*Cumberland Times-News*, 1/16).

- Wind developer **Synergics** has asked the **Maryland Public Service Commission** to fast-track the construction of an interconnection line so that it can have its Fourmile Ridge wind project in Garrett County, Md., online by year-end (*Cumberland Times-News*, 1/15).

- Private equity and venture capital shops such as **Draper Fisher Jurveston** and **Braemar Energy Ventures** invested \$5.8 billion in renewables companies in 2012, down 34% from 2011. A slate of bankruptcies and difficulty in taking companies public as an exit has discouraged investors (*Bloomberg*, 1/15).

- The **North American Development Bank** has provided \$51 million alongside Mexican commercial bank **Grupo Financiero Banorte** to back a \$51 million, 54 MW wind project in Reynosa, Tamaulipas, Mexico. The project is being developed by **GEMEX**, **Grupo ECOS**, a Swiss investor, and **Organizacion Soriana** (*Equities*, 1/16).

- **ERCOT** anticipates that transmission developers will bring \$8.9 billion of projects online by the end of 2017, most of which will be in West Texas where wind projects are constrained by a paucity of transmission (*North American Wind Power*, 1/15).

- **Austin Energy** has finalized two 25-year power purchase agreements for the 201 MW Los Vientos and Whitetail wind farms in Texas (*Austin Business Journal*, 1/14).

## PEOPLE & FIRMS

### Goldman's Kingston Readies Chile Move

**Tim Kingston**, co-head of the global power investment banking and partner at **Goldman Sachs** in New York, will be relocating to Chile to help the firm establish a business there, say bankers.

Kingston will be based in Santiago when he moves. The timeline for him to exit the power group and move to Chile is unclear, says an observer. The departure has reportedly been announced internally.

A replacement has not yet been named. Kingston is global co-head alongside **Gonzalo Garcia**.

Kingston was not available to comment, according to an assistant, while a Goldman spokesman declined to comment.

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## Ameren GenCo *(Continued from page 1)*

unsuccessfully to sell the plants in an auction via **JPMorgan** about two and a half years ago ([PI, 8/27/10](#)). It is not expected to retire the coal-fired plants.

Restructuring teams are beginning to look at GenCo., says a distressed debt player. Ameren's annual earnings call on Feb. 20 is expected to shed light on what both investors and Ameren are thinking, say observers, with one predicting that executives will be barraged with questions about the GenCo. No advisor has been retained, bankers and distressed debt players say. An Ameren spokesman did not respond to an inquiry about GenCo.

Merchant generator **Edison Mission Energy** filed for bankruptcy in December after its parent **Edison International** was unable to restructure about \$3.7 billion in debt earlier in the year ([PI, 12/18](#)). Creditors are expected to take EME over.

The initial announcement about exiting the unregulated subsidiary came days after EME filed for bankruptcy, which likely prompted Ameren to announce its intentions, says one banker. "It doesn't take a very imaginative person to draw parallels," he notes. The company will need to distance itself further from the subsidiary before a process can start, says another banker, explaining that the GenCo is not as separate from the parent as Edison Mission is from EIX.

Ameren GenCo has three tranches of notes outstanding with maturities in 2018, 2020 and 2032. "It appears as if the value of the genco is less than par value of the outstanding notes," says one analyst. Ameren's merchant fleet in Illinois and Missouri totals about 5.5 GW and that includes 1.34 GW of gas-fired plants.

Many of the original bondholders, primarily life insurance companies, are still among those that have slices, says an observer. **Swiss Re**, **Mutual of America Life Insurance**, **AFLAC** and **American General Life Insurance** were among the top holders late in 2012, according to Bloomberg. Bondholders have not yet begun to organize and would probably wait until after the first quarter to see how the unit progresses.

The merchant unit has been hit by rising fuel prices, low demand and low natural gas prices. The plants are hedged for this year and into 2014 so there is not an immediate liquidity crunch, say a prospective investor and analyst. Ameren in November terminated the GenCo's \$500 million credit facility that was arranged in 2010 by **JPMorgan**, according to a filing with the U.S. **Securities and Exchange Commission**. Due to debt to capital requirements in its bond covenants, lining up a new credit facility after the first quarter won't be possible, say analysts.

—Holly Fletcher

## CONFERENCE CALENDAR

- **Euromoney Seminars** will host the 8th Annual U.S. Power & Renewable Finance Conference Feb. 13-14 at the Westin New York at Times Square.

- **Euromoney Seminars** will host the 7th Annual Latin America Energy & Infrastructure Finance Forum March 5-6 at the Biltmore Hotel at Coral Gables in Miami.

## ALTERNATING CURRENT



Oklahoma man **Paul Pantone** has really given us some, well, fuel for thought. He says he has invented an engine that will run on anything. Yes, anything.

A recent [issue](#) of **Southern Poverty Law Center's** *The Intelligence Report*, features a story on Pantone and his invention, to which he has assertively proscribed the moniker of Global Environment Energy Technology, or GEET. Pantone says the engine will run on any liquid, from Coca Cola to urine to water to shampoo.

The machine consists of an old red **Briggs & Stratton** motor fitted with a confusing tangle of piping. GEET, Pantone says, is a compact plasma-fuel refinery that uses electromagnetic and other fields to extract energy. Whatever fuel type you go for—whether pinot grigio or milk—it turns them into a form of plasma, which then forces the molecules to



Mountain Dew products

disassociate into their elemental form, where they recombine into syngas, which burn more readily and with less

waste than petrol. Or so the story goes.

At a recent demonstration, the fuel Patone decided on was chilled Mountain Dew, which coaxed the machine into life, according to the SPLC report. Somewhat of a conspiracy theorist, Pantone, says the government has repressed his idea, which has gained more interest so far across the Atlantic in Europe. He has said the technology was given to him in 1975 by a mysterious woman who, he believes, was quite possibly an angel. He also now has a compound in Comanche County, Okla., guarded by private security, where alternative energy enthusiasts go on a hopeful pilgrimage to learn the secrets of GEET.

## QUOTE OF THE WEEK

"My sense is that you have around 200 basis points of tightening in that market." —**Don Kyle**, senior managing director at **GE Energy Financial Services**, told attendees at **Infocast's** 5th annual Projects & Money conference in New Orleans about the direction of pricing in the B loan market (see story, page 1).

## ONE YEAR AGO

**LS Power** had tapped **Banco Santander** to lead a bank tranche and **Prudential** to lead a bond component in a financing backing its 127 MW Arlington Valley solar project in Maricopa County, Ariz. [The \$400 million deal wrapped with a 12-year bank tranche and a 25-year bond component ([PI, 2/10](#)).]