

Power Finance & Risk

The weekly issue from **Power Intelligence**

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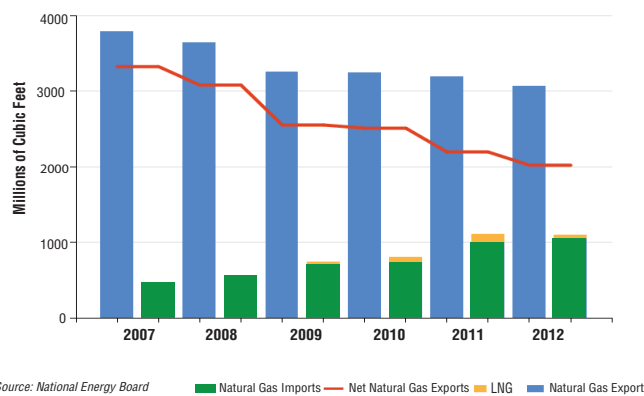
Canadian Power Finance: Lenders, Sponsors Scout Mega LNG In B.C.

Sponsors and lenders are zeroing in on the burgeoning liquefied natural gas space in British Columbia, according to participants at the *5th Annual Canadian Power Finance Conference* in Toronto on Jan. 29.

ExxonMobil, Chevron, BG Group, Shell Canada Limited, PetroChina, Korea Gas Corp. and Mitsubishi Corp. are among sponsors developing almost a dozen LNG export facilities, according to the provincial government's [website](#). The **National Energy Board** has approved seven of 11 LNG export licenses for projects. The B.C. government aims to have three LNG facilities in operation by 2020 as part of a plan to create jobs. Final investment decisions are expected to happen in 2014 pending environmental reviews.

(continued on page 9)

Canada NatGas and LNG Export & Import Volumes



THE BUZZ

Optimism Surfaces

There was an overall sense of optimism in a chilly Toronto this week for **Euromoney's 5th Annual Canadian Power Finance Conference** (see coverage, pages 9 & 10). A winding down of provincial tariffs and incentives means that deal flow is not as robust as in previous years and fewer built facilities are being traded in the mergers and acquisitions market. Despite this, there are more institutional investors looking to the power M&A market.

Ironing out issues with projects involving a community element has also been providing developers with headaches, as they try to work with financiers on the best structures to finance such projects. On the plus side, a growing mining sector is set to provide opportunities for

(continued on page 2)

M&A Symposium: Utilities, IPPs Not Immune To Shareholder Activism

Utilities and independent power producers are not immune from the wave of activist shareholders campaigns that have emerged as a driving force of U.S. M&A deals, bankers cautioned at the *27th Annual Exnet Power and Gas M&A Symposium* conference in New York.

Activist funds had raised roughly \$90 billion in capital in 2013 by the end of the third quarter, compared to \$32.3 billion in 2008. An underlying question the shareholders are putting to companies who amassed cash during the recession as insulation from the credit crunch is why not return that value to shareholders. "Really no sector is immune, that's new. No company that's immune, that's new. The size of the company doesn't matter, and that's new," **Matt Gibson**, global head of power at **Goldman Sachs**, told the audience.

(continued on page 6)

SNL Exnet: Transmission Attracts HoldCos For Growth

Utility holding companies are targeting transmission projects to grow regulated subsidiaries, according to panelists at the SNL Exnet conference Jan. 29.

See story, page 7.

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

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

See calendar, page 3

IN THIS ISSUE

PEOPLE & FIRMS

- 5 | Boutique Taps WestLB Alum

MERGERS & ACQUISITIONS

- 5 | GDF, Hydro-Quebec Offload
Cogen Stake

STRATEGIES

- 5 | Brookfield Floats \$500M Bond

CONFERENCE COVERAGE

- 7 | Rockland Nets Fund In Six Months
7 | Utilities Pursue Rooftop Solar
8 | Transmission Attracts Holdcos

- 9 | Markets Wide Open For PF
10 | Private Offtake, Hedges
Pegged For Growth
10 | Developers Urge Dialogue On
Community Roles
10 | Asset Sales Slow
Despite Investor Appetite

DEPARTMENTS

- 3 | Generation Auction
& Sale Calendar
4 | Project Finance Deal Book
12 | Power Tweets

THE BUZZ

(continued from page 1)

more “behind the fence” deals with private offtakers, while some speakers also saw an increase in the use of hedges as more merchant projects come to market. The real bright spot, however, was the huge opportunities in the liquefied natural gas space in British Columbia. The build out of facilities as well as the projects needed to power them is already piquing financier interest.

Another **WestLB** alumnus has landed following that bank's winding down of operations. **Jimmy Anderson** has headed to new infrastructure and energy debt advisory boutique **CamberLink** (see story, page 5).

The mood on corporate M&A is guarded, according to investment bankers at the *27th Annual Exnet Power and Gas M&A Symposium* conference in New York. Activity was consistent in 2013 although the dollar value was down from the previous couple of years. And, this year is tipped to look like last year too, say bankers. Buyers could be utility holding companies or infrastructure shops, who are in a great environment to come in as a well-capitalized parent given low interest rates. Competitive transmission projects are tagged to be key growth areas for utility holdcos looking to grow regulated subsidiaries. Ontario, MISO, Alberta and the Southwest Power Pool are launching, or evaluating, request for proposals for lines (see coverage, pages 7&8).



TELL US WHAT YOU THINK!

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

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Institutional Investor
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GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
Apex Clean Energy	Balko (300 MW Wind)	Oklahoma	Macquarie Capital	Apex is running independent sales of assets in Oklahoma (PI, 12/16).
	Various (600 MW Wind)	Oklahoma	Morgan Stanley	
ArcLight Capital Partners	Juniper Generation (Cogen Portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
BP Wind Energy	Various (3.7 GW Wind Portfolio)	Various	TBA	NextEra is looking at the development assets (PI, 1/20).
	Fowler Ridge IV (150 MW Wind)	Indiana		Pattern is buying the project (PI, 1/27).
BlackRock, Quintana, Starwood	Richland-Stryker (460 MW Oil, Gas)	Ohio		ECP has launched a C loan add-on for the financing (PI, 12/16).
Canadian Solar	Shasta (4.4 MW Solar)	Shasta County, Calif.		PSEG Corp. subsidiary is buying the project (PI, 1/13).
Direct Energy	Portfolio (1.3 GW Gas)	Texas	Barclays	Blackstone is buying the assets (PI, 1/13).
EDF Renewable Energy	Shiloh IV (102.5 MW Wind)	Solano County, Calif.		Marubeni affiliate is buying it (PI, 1/20).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	NRG is issuing bonds to partially fund the acquisition (PI, 1/20).
Energy Capital Partners	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Koch Energy Services is buying the plant (PI, 10/21).
Entegra Power Group	Various	Arizona and Arkansas	Houlihan Lokey	Retained Houlihan to advise on restructuring (PI, 1/13).
Essar Group	Algoma (85 MW CCGT)	Algoma, Ontario	Barclays	Teasers are on the market (PI, 1/13).
► GDF Suez Canada, Hydro-Quebec	Stakes (174 MW Bucksport Cogen)	Bucksport, Maine		Co-owner majority owned by Apollo is buying out the stakes (see story, page 5).
GE Energy Financial Services	Linden (Stake, 942 MW Cogen)	Linden, N.J.	TBA	GE EFS, Highstar reverse flexed a B loan (PI, 11/25).
Gamesa	Stake (400 MW Wind)	Various		Algonquin is buying out the remainder of Gamesa's stake (PI, 12/9).
Greenwood Energy, Soltage	Portfolio (12 MW Solar)	Various	Ambata Securities	John Hancock is financing construction with a equity stake (PI, 1/27).
Hess Corp.	Stake (512 MW Gas)	Bayonne, N.J.	Goldman Sachs	Sale is said to be launching (PI, 9/9).
	Stake (655 MW Gas)	Newark, N.J.		
Horn Wind	Shannon (200 MW Wind)	Clay County, Texas	TBA	Alterra Power has agreed to buy it (PI, 11/25).
Infinity Wind Power	Roosevelt (300 MW Wind)	Roosevelt County, N.M.		EDF Renewable Energy is buying it (PI, 1/20).
K Road Power	Various (Solar Development Pipeline)	Various	TBA	Looking to wind down the solar development (PI, 10/21).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Process has slowed and LS is tipped to be mulling a B loan (PI, 11/4).
	Cherokee (98 MW CCGT)	Gaffney, S.C.	Suntrust Humphrey Robinson	Teasers are on the street (PI, 11/18).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	Rockland is seeking to terminate its deal to buy the assets (PI, 12/9).
	Forked River (86 MW Gas)	Ocean River, N.J.		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	CIMs expected in the next two weeks (PI, 11/25).
PPL Corp.	Various (633 MW Hydro)	Various, Montana	UBS	NorthWestern is buying the assets for \$900M (PI, 10/7).
Pattern Energy Group LP	80% (182 MW Panhandle 2 Wind)	Carson County, Texas		Public affiliate Pattern is buying the stakes (PI, 1/13).
	45% (149 MW Grand Renewables Wind)	Haldimand County, Ontario		
Project Resources Corp.	Rock Aetna (21 MW Wind)	Minnesota	Alyra Renewable Energy Finance	Looking for a buyer with access to turbines to qualify for PTC (PI, 1/13).
RES Americas	Keechi (110 MW Wind)	Jack County, Texas		Enbridge has bought it (PI, 1/13).
Southwest Generation	Valencia (145 MW Gas)	Belen, N.M.	Bank of America	Auction in second round, PNM mulls stake purchase (PI, 12/9).
Terra-Gen Power	Alta (947 MW Wind)	California	Citigroup, Morgan Stanley	Teasers were released in Jan. (PI, 1/20).

► 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.

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
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~\$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	\$4.4B	TBA	Sponsor ups the original bank loan to \$4.4 billion and taps Korean entities for a further \$1.5 billion (PI, 6/3).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	\$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~\$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	\$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	Golman Sachs	TBA	TBA	TBA	The sponsor is close to lining up equity and will tap Goldman Sachs to launch a B loan (PI, 1/27).
First Wind	Oakfield (147 MW Wind)	Aroostook County, Maine	TBA	TBA	\$300M	TBA	The sponsor is looking to line up the debt, with tax equity (PI, 10/21).
	Route 66 (200 MW Wind)	Amarillo, Texas	TBA	TBA	TBA	TBA	The sponsor will likely follow its traditional route of securing debt and tax equity (PI, 10/28).
Freeport LNG	Freeport (LNG Export Terminal)	Freeport, Texas	Credit Suisse	TBA	~\$4B	TBA	The deal is slated to launch in mid-November (PI, 10/21).
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	\$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
KSPC, Samsung	Kelar (517 MW Gas)	Chile	Natixis	TBA	TBA	TBA	The JV appoints Natixis as lead on the deal (PI, 1/13).
Lake Charles Exports	Lake Charles (LNG Export Facility)	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially \$11B project (PI, 8/26).
Magnolia LNG	Magnolia LNG (LNG Export Facility)	Lake Charles, La.	BNP, Macquarie	TBA	\$1.54B	TBA	Sponsor expected to mandate leads by year end (PI, 12/9).
Pattern Energy	Panhandle II (TBA Wind)	Carson County, Texas	Credit Ag, NordLB, BayernLB	Construction	~\$500M	C	The deal will likely be a copy, paste of the Panhandle I deal, say observers (PI, 11/18).
	K2 (270 MW Wind)	Huron County, Ontario	TBA	Mini-perm	\$750M	TBA	The sponsor is aiming for pricing of L+175 (PI, 1/13).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	\$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~\$400M	TBA	The sponsor has tapped BTMU and SMBC as leads on the deal (PI, 10/21).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	\$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
Tenaska	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (PI, 9/23).

PEOPLE & FIRMS

WestLB Alum Lands At Advisory Boutique

Jimmy Anderson, formerly a director at WestLB, has joined New York-based infrastructure and energy debt advisory shop **CamberLink** as a director.

Founded in 2013, CamberLink aims to connect sponsors with capital, structure deals and provide post-close transaction

management. The company operates from origination to financial maturity.

Anderson started at CamberLink in the fourth quarter of last year. Prior to WestLB, Anderson has held posts at **Calyon** and **Credit Suisse**. He declined to comment on the move and referred inquiries to **Mike Corbally**, who did not respond by press time. The nature of Corbally's affiliation with CamberLink could not be learned by press time.

MERGERS & ACQUISITIONS

GDF, Hydro Quebec Sell Maine Cogen Stake

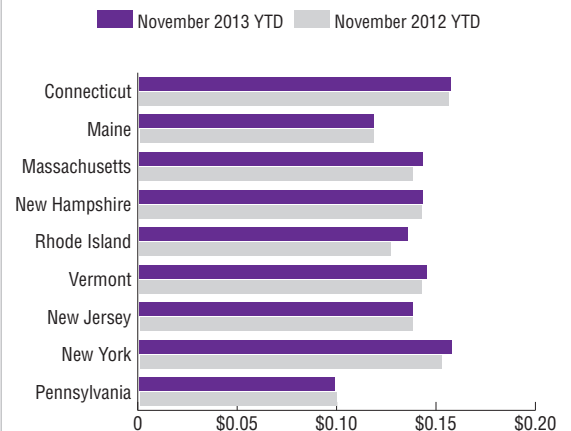
Affiliates of **GDF Suez** and **Hydro-Québec** are selling their stakes in a cogeneration facility in Maine to the third co-owner, **Verso Bucksport Power**.

The 174 MW Bucksport facility is in Bucksport, Maine, has a portion of the generation and all of the steam contracted to Verso. Hydro-Québec subsidiary **HQ Energy Marketing** buys excess power not consumed by a papermill under an offtake agreement, which will be cancelled as part of the sale, a Hydro-Québec spokesman in Montreal, told *PFR*. He says that the utility "wishes to end its participation" with Bucksport. A portion of power is sold in the New England power market.

Verso Bucksport Power is an affiliate of **Verso Paper Corp.**, a paper company based in Memphis, Tenn. The company is traded on the New York Stock Exchange and is 68% owned by funds managed by **Apollo Management**. Another paper company affiliate owns three other generation facilities in Maine totaling 118.4 MW, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

Spokespeople for Verso and GDF Suez Canada could not immediately comment.

Northeast Average Retail Price of Electricity to Cents per KWh



Source: U.S. Energy Information Administration, Form EIA-826, Monthly Electric Sales and Revenue Report with State Distributions Report.

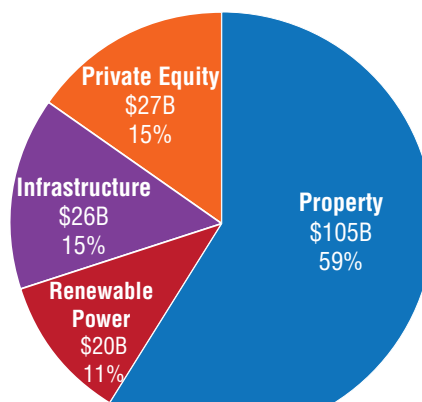
STRATEGIES

Brookfield Issues \$500M Notes

Brookfield Asset Management is issuing C\$500 million (\$452 million) in senior unsecured notes backed by its generation and commercial real estate assets.

The 12-year notes carry a 4.82% coupon and an original issue discount of C\$99.955 (\$90.38). **CIBC World Markets**, **Credit Suisse Securities (Canada)**, **HSBC Securities (Canada)** and **RBC Dominion Securities** are the bookrunners. **Scotia Capital**, **TD Securities**, **BMO Nesbitt Burns** and **National Bank Financial** were co-managers.

Brookfield Assets Under Management



Source: Brookfield Asset Management

The notes are rated Baa2 by **Moody's Investors Service**, A- by **Standard & Poor's**, BBB by **Fitch Ratings** and A (low) by Toronto-based rating agency **DBRS**. The issuance is expected to settle shortly.

Proceeds are being used for general corporate purposes and may be used to repay short-term credit facilities, according to the prospectus.

Brookfield Asset Management owns about 5.8 GW worldwide, including roughly 3,348 MW in the U.S.

CONFERENCE COVERAGE

27th Annual Exnet Power and Gas M&A Symposium

SNL hosted roughly 175 executives, bankers and lawyers at the **Ritz Carlton Battery Park** for its *27th Annual Exnet Power and Gas M&A Symposium* conference in New York on Jan. 28-29. The emergence of activist shareholders as drivers behind U.S. M&A deals took center stage as a potential deal catalyst while transmission development was touted as area of growth for holding companies looking for unregulated subsidiaries. **Holly Fletcher**, senior reporter, filed the following stories.



Utilities, IPPs (Continued from page 1)

Credible activists often bring sound ideas after having researched the company and its business lines, the panelists said, adding that it's worth determining whether the proposal makes sense. **Hess Corp.**'s decision to separate out its midstream business was on a request from an activist, said **Jim Rossman**, managing director and head of corporate preparedness at **Lazard**, adding it's "extraordinary" how much power a small group can wield.

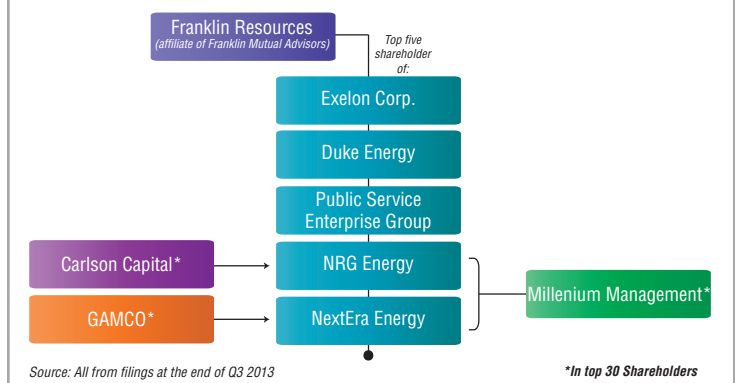
Oil and gas companies have thus far been targeted rather than IPPs or utilities. However, the power sector should not feel insulated from activist campaigns because of its high exposure to regulation or because the sector is not a traditional activist target. **Carl Icahn** got tangled up in a fight against **Seneca Capital Markets** in a bid to buyout **Dynegy**, a high profile battle that played out over the course of 18 months in 2011. To date there has not a lot of activity around regulated utilities from activists and "maybe it won't change but my thoughts are that it will," Gibson said.

There are about 100 established activist funds, including **Icahn Capital**, **Relational Investors**, **Pershing Square**, **Triam** and **Elliott Associates** among the most noted, panelists said. And with recent successes in spurring M&A deals—an activist proposal to separate coffee unit from meat at **Sara Lee**—or even blocking one to get more value, the activists are feeling successful and looking for opportunities. Other desired outcomes could be management changes, stock buybacks, spinoffs or board seats.

Panelists said that the audience, mostly power and gas company executives, should get to know their shareholders, including institutional investors who will sometimes tell activists about companies they think are undervalued, and prepare for any scenario.

It's important to brainstorm about what shareholders might say about the company and to have strategies in place so calculated responses can be rolled out swiftly because

Activist Shareholders In The Power Midst



activists sometimes go public with their stance without alerting management at the company. It's best to try "not to run around like your hair is on fire, just face it," **George Bilicic**, vice chairman of investment banking and global head of power, energy and infrastructure at **Lazard**, said.

Regulated utilities are somewhat insulated because if the shareholder has done their homework it's likely they have found that what they are asking would require a lengthy regulatory

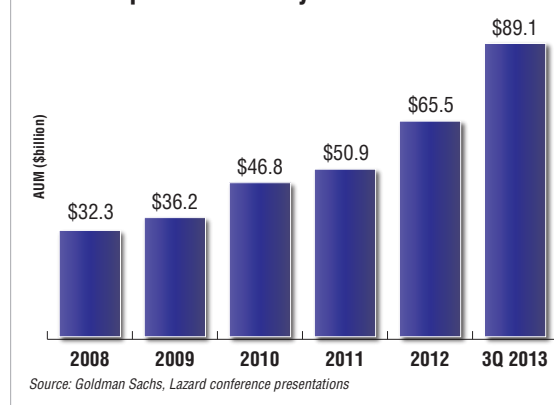
approval process or that the company can't do what they are asking. However, if the utility has an unregulated affiliate then it could be ripe for a sale or spin-off request. Hybrid companies, such as **Exelon**, **NRG Energy** and **Dominion Resources** that have a multitude business lines including merchant units or gas infrastructure are more probable targets, panelists said.

The power sector could see activists suggesting alternatives such as a sale or spinoff or a quicker dropdown of gas infrastructure assets into a master limited partnership. The possibility exists for small to midcap companies

to be petitioned to sell itself given that the market reception to mergers is high with the acquirer's stock shooting up in most cases. However, the lengthy approval process of utility deals is likely a deterrent.

—Holly Fletcher

Capital Raised by Activist Funds



CONFERENCE COVERAGE

Rockland Seals Fund In Six Months

Rockland Capital raised \$425 million in its second fund, the shop's hard cap and target, in a six month fundraise.

The fundraising process for **Rockland Power Partners II** sped along because the fund is comprised primarily of repeat investors although a few new ones came on board, managing partner **Scott Harlan**, told *PI* at the *27th Annual Exnet Power and Gas M&A Symposium* conference in New York.

The Houston-based private equity shop hit its first close, \$240.1 million, halfway through the six-month fundraising period that kicked off in July (*PI*, 10/9).

The **University of Washington Endowment** signed on as a

repeat investor with a \$15 million commitment. RPP II has a total of 38 investors, according to a filing with the U.S. **Securities and Exchange Commission**. Harlan said that endowments, funds of funds and pension funds make the bulk of the limited partners, he said.

Rockland had committed capital from its second fund for its acquisition of a 433 MW of gas-fired plants from **Maxim Power Corp.** but terminated the deal the day of the drop-dead date for calling it off (*PI*, 12/5).

Berchwood Partners, based in New York, and Nashville, Tenn.-based **Harpeth Securities** are placement agents.

Utilities Press Ahead On Rooftop Solar Despite Uncertainty

Utilities are looking at rooftop solar programs and initiatives largely because of customer demand. That's despite questions about how distributed generation will shape their business models and territories in the long run, executives said at the conference in New York Jan. 28.

Executives from the both the utility holding company parent of **Kansas City Power & Light** and **Cleco Power** told attendees they took harder looks at rooftop solar when customers began calling in with desires for home installations. At first KCP&L was hesitant but ultimately decided it was "silly" to send customers to third parties rather than help with the installations itself. "We decided any business plan that involves saying 'no' to your customers isn't good" even if that brings you into an area that isn't traditional to the utility model, said **Terry Bassham**, ceo of **Great Plains Energy**, which owns KCP&L.

Badar Khan, president and ceo of **Direct Energy**, said the company pursued a partnership with **SolarCity** on solar leasing on strong customer demand, explaining that "we decided we wanted to help them."

The demand for rooftop solar is often from wealthier customers who can afford the upfront costs to take advantage of rebates. A drawback to a rebate program is that costs are passed through to all ratepayers, including those who are struggling to pay power costs--a dynamic that utility executives have been mindful of when rolling out these initiatives, said **Darren Olagues**, president of Cleco Power. In Louisiana, state legislators ended an incentive program after its users were almost all wealthy customers.

The executives say that they are reluctant to appear in opposition to rooftop solar because distributed generation is popular in the current public opinion but note the new movement raises problems for the homeowner and utility alike.

While customers may be gung ho about solar panels on their roofs, they are often less informed about what signing a contract with a solar leasing company means for them in the long-term. Olagues likens the scenario to the mortgage boom that offered home loans to almost anyone who wanted them, whether or not they understood the long-term implications or met financial criteria.

Problems are beginning to arise for some homeowners in more mature markets such as Arizona where, for example, panels on rooftops complicate a home sale when the credit quality of the new buyer comes into question.

For utilities, the problem lies in that so called off-the-grid homeowners are fickle about when they want to be back on the grid, especially in situations where the panels may not be generating electricity--such as a thick snowfall--and want to quickly return to the utility fold. "People don't really want to go off the grid. They do until their generation goes out and then they want to come back on. Right then," says Bassham of Great Plains.

Bassham says the on-the-grid versus off-the-grid phenomenon is reminiscent of the period in which some hospitals decided to run their own generation rather than use it for back-up power. Most changed their minds about being connected to the utility grid when the hospitals discovered the complexities of running their own generation around the clock. Distributed generation poses multifaceted problems that utilities are having to confront even without fully understanding the larger impact the movement will have on their grids. With the residential solar movement utilities are still expected to be readily accessible to solar-powered homeowners when they suddenly want to rejoin the grid.

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CONFERENCE COVERAGE

HoldCos Gravitate To Transmission For Growth

Competitive transmission projects are a key area of growth for utility holding companies looking to augment the regulated subsidiaries. Companies began turning to transmission for growth opportunities around the time that many started to back away from the hybrid utility and wholesale power business model after power prices and power demand took a nosedive on low natural gas prices and the recession.

Now, with the hybrid power company model largely a relic of the past—or a “dying” asset class according to **John Lange**, global head of power and utilities at **Barclays**—transmission subsidiaries are in vogue.

Around the same time the gas prices and demand were falling, grid operators in both the U.S. and Canada began to court with reducing transmission costs by opening up territory to third party developers. Now, regions and provinces—including Alberta, Ontario, MISO and the Southwest Power Pool—once off limits to independent investments are rolling out requests for proposals. In fact, four of the five joint ventures shortlisted for a C\$1.649 billion (\$1.5 billion) project in Alberta, have a U.S.-based partner ([PI, 1/22](#))

Transmission development has been bolstered by the recent ruling from the U.S. **Federal Energy Regulatory Commission**, known as FERC Order 1000, which encourages intraregional investment. Private equity shops are among those flocking to PJM to blueprint routes and submit proposals. Requests for proposals are expected to be launched in early 2015 in both MISO and SPP.

The longstanding investor argument for developing owning transmission is the return that contracted, or even merchant, assets fetch. Now, however, the panelists agree that the argument for transmission build-out runs deeper than the search for yield. Transmission is central to the on-going reliability of the grid and access to lower cost generation as the U.S. power fleet undergoes a transition with the retirement of coal-fired generation.

Opening up transmission build to developers outside of the

incumbent utility is creating some friction inside holding company headquarters as utility executives try to hang onto a traditional area of business while other executives are positioning teams to bid competitive projects, attendees and panelists said. **Jeff Yuknis**, coo of **Exelon Transmission**, said it's tough to balance utility incumbency in opening markets with competitive projects that would add value for shareholders. Yuknis called some of the maneuvering “a lot of inside baseball” that is complicated by the requisite Chinese wall between the two sides.

Exelon Corp. has a \$3 billion transmission capex at its utility subsidiaries between 2013-2016 while the competitive venture is pursuing projects totaling about \$8 billion across the country and Canada. Exelon Transmission will consider projects that are contracted or merchant as well as “capital at risk” projects, Yuknis told the crowd.

It's likely that two companies will partner on a project in an area outside their natural footprint because of the support that a joint venture brings to the initiative, panelists said. While projects under the CREZ program in Texas proved that non-incumbents can work alone on projects, **Michael Skelly**, founder and president of transmission developer **Cleanline Energy**, said that without strong regulatory or governmental support for the projects a partnership provides needed support. As such, **Great Plains Energy** has pegged transmission as a growth area and is working alongside **American Electric Power** under **Transource Energy** on two 345 kV transmission lines totaling \$395 million in Missouri and Nebraska.

Similarly, **American Transmission Co.**, a transmission developer and owner based in Pewaukee, Wis., partnered with **Duke Energy** on **Duke-American Transmission Co.**, to expand outside its Midwest footprint. DATC is working on projects in California although “there's a lot more I can't really tell you,” **John Flynn**, executive v.p. of strategic planning and business development told panelists, saying that ATC is on the ground in all RTOs.

Reporter's Notebook

- “And I don't have a **Facebook** account. That's something I need to get on,” **Badar Khan**, president and ceo of **Direct Energy**, on the company's acquisition of **Bounce Energy** being the first Texas power retailer to offer via Facebook.
- “Nuclear fleets are not like wine. They don't get better with age,” **Jeffrey Holzschuh**, chairman of institutional securities group at **Morgan Stanley**, mused to the audience.
- One of the biggest pollutants of the Chesapeake Bay is chicken litter, **Ronald DeGregorio**, senior v.p. of **Exelon Power**, told the crowd. So the company committed to building a 25 MW power plant fueled “by chicken—shit, that's a technical term,” he said to a laughing audience.
- After surmising that there were people in the audience who work for shops with coal-fired appetite, **Jeremy McGuire**, v.p. of corporate development at **PPL**, said “I'm glad to hear there are coal buyers. I'd like to talk to you after the presentation. We'll run a little auction right here,” referring to the company's 529 MW stake in the 2,094 MW Colstrip coal-fired plant in Montana.
- Pucker Up! The **Ritz Carlton Battery Park** must have gotten a deal on lemons because the afternoon networking reception was a shrine to the fruit. The soiree offered a smorgasbord of deliciousness—that is as long as one loves the zing of yellow citrus—of lemon bars, lemon tarts with raspberries, lemon tarts with meringue, small pastries with what is thought to be lemon custard and lemon sorbet.

CONFERENCE COVERAGE

5th Annual Canadian Power Finance

Around 200 sponsors, financiers and lawyers gathered at the DoubleTree by Hilton hotel in a Toronto for the 5th Annual Canadian Power Finance Conference on Jan. 28-29. Panelists explored a variety of areas, such as pegging popular financing structures, the markets for acquisitions and evaluating where the opportunities are for new builds in Canada. Senior Reporter **Nicholas Stone** packed his thermal underwear and filed these stories.

Canadian Power *(Continued from page 1)*

Paul Kariya

The provincial government is struggling with tax directives surrounding the LNG space, said **Paul Kariya**, the executive director of **Clean Energy BC**, with clarification expected to be handed down in a couple of months.

The build out of LNG infrastructure as well as the power needed to fuel the sector will require significant investment, Kariya

said. "We need to secure this, this is the game changer for the province," said Kariya. "All of the government policy options are in the LNG basket, if LNG doesn't happen, the government is in trouble."

Panelists expect gas-fired facilities to feature prominently in the LNG build-out and there is also room for renewable projects. "There are considerable power requirements, which will be up to the companies to secure," said Kariya. "Renewables couldn't power all of the requirements."

—**Nicholas Stone**

Bank, Bond Markets, Wide Open For PF

Bank, bond and institutional markets are open for power project financings, according to panelists at the event in Toronto Jan. 28.

"There is too little supply and so much demand. It is a great time to be a borrower," said **Mark Smith**, senior v.p. at **MUFG Syndications and Placements**. "Since 2011 and the European debt crisis, all of the European lenders are back and they are even potentially lending on a long-term basis," he said. MUFG is working on a project financing for a first-time sponsor and Smith said that they will probably get the \$200 million deal done, without going into further detail. The deal is indicative of the huge appetite of banks to lend to all types of projects, Smith adds.

"All markets are wide open," said **Himanshu Saxena**, managing director at **Starwood Energy Group**. "We are also seeing people do what they didn't do before, such as institutional investors taking construction risk. We are even seeing up to 18-year bank debt being possible." MUFG's Smith said that his bank could do construction plus 18-year deal for a contracted gas-fired asset.

Other panelists suggested that very few lenders could provide such long-dated money, with sponsors favoring mini-perm deals that get taken out by bonds following the finishing of construction. "If Canadian banks could team up with institutional investors, then I think there is a great demand for that type of paper," said Saxena.

Sponsors are also looking to pool assets into portfolios, so that they can refinance at an attractive scale. "There are

opportunities with portfolios," said **Paul Cutler**, treasurer at **NextEra Energy**. "It is really a matter of size and lowering the infrastructure costs. We look at what the market is looking for in size, what composition. Then, as we work through construction, we then package projects together," he said, referencing the recent refinancing of the Trillium wind portfolio via the bond market, which priced at 2.95% ([PI, 1/22](#)).

"For a project with a 20-year PPA, the market is very open," added **John Pak**, a director at **National Bank Financial**. "You could get a five or seven-year deal and refinance that in the bond market. The market in Canada has a lot of appetite for tenor," he added, citing the number of life insurance companies that play in the space. Panelists also noted that the pool of potential investors is much greater in the bond market, with around 30 different buyers for **Northland Power's** North Battleford refinancing last year ([PI, 9/19](#)).

Refinancing risk in the Canadian market was quite low, panelists said, which is why mini-perms taken out by bonds have featured prominently. "The refinancing risk isn't that great if you have a seven-year deal; that is a long time to find the right window to refinance," said **Geraint Breeze**, executive director of project finance at **CIBC**.

The availability of capital is also helping to push pricing down, with LIBOR plus 175 basis points not out of the question, panelists said. Pricing talk on **Pattern Energy's** K2 wind project in Ontario is coming in at that price, according to deal watchers ([PI, 1/9](#)).

CONFERENCE COVERAGE

Hedges, Private Offtake Tipped For Growth

Merchant project financings with financial hedges and private deals with corporate offtakers are tipped for growth in the Canadian power market due to the lack of power purchase agreements, noted panelists at the conference in Toronto Jan. 28.

With PPAs drying up, developers are increasingly leaning towards financing merchant projects and setting up financial hedges to provide some long-term protection. "We are seeing a lot of people moving towards hedging solutions, mainly around gas, but they are now looking at wind too," said **Himanshu Saxena**, managing director at **Starwood Energy Group**. "We just closed a 13-year financial hedge in Texas and there is no reason why Alberta can't use the same, as it has a particular visible, liquid market," he added, referencing the deal backing the 211 MW Stephens Ranch wind project ([PI, 1/8](#)).

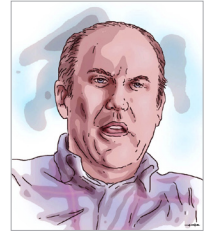
Panelists said that hedges are most easily achieved with biomass and gas projects in Canada, due to their more predictable nature, but they could even selectively be done with wind.

The complex nature of hedges are a hurdle for deal structures,

panelists said. "It is easy to think of hedge-based financings as equivalent to PPAs, but they are not, they are very different, they take time," said **Daniel Elkort**, director of legal services at **Pattern Energy**. "They are definitely worth the effort, and the solutions are out there, but they are not easy."

Another type of deal slated for growth would see sponsors developing projects for private offtakers, such as mining companies or schools. "You are not seeing those traditional PPAs, but more behind the fence projects," said **John Carson**, ceo at **Alterra Power Corp**. "There are many large mining companies and it becomes a challenge of economics, if you can provide the power at cheaper than what they can get off the grid." Carson noted that the most opportunities are with the mining sector in British Columbia.

BluEarth Renewable recently secured a 25-year power purchase agreement with a consortium of schools in Alberta, according to **Kathy Bolton**, v.p. of finance.



Daniel Elkort

Developers Call For Dialogue On Community Involvement

Dialogue is needed between developers and financiers on renewable projects that involve communities and First Nation groups, according to speakers at the conference in Toronto Jan. 29.

Many requests for proposals issued by the provincial governments ask developers to work with either local communities or First Nation groups ([PI, 5/15](#)) and some banks are struggling to understand those parties' involvement and request unconventional assurances from developers.

Al Kurzenhauer, coo at **EDF EN Canada**, said that his company chose to finance the smaller \$70 million La Mitis wind project in Quebec on balance sheet, after financiers requested that the company backstop the 30% community stake in the project. "That was not worth the trouble, so we financed the project," said Kurzenhauer. "That is going to be an issue going forward."



Peter Clibbon

"That financier dialogue needs to happen now so we can see what you feel comfortable with and what you will need to lend to projects," said **Peter Clibbon**, v.p. at **RES Canada**, addressing financiers. "One area in particular that financiers have found troublesome is when those elected officials have more of a say in projects than their equity may suggest."

Quebec and Ontario favor developments with community involvement and have stipulated that local communities have a prominent say in running projects, though the size of their equity stake may not be commensurate with that degree of control. "How do you account for an elected official, how do you contain that so that equity and debt providers are comfortable?" said Clibbon.

Asset Sales Dip, Despite Investor Increase

The number of assets coming up for sale in Canada is not as high as it was a couple of years ago, despite an uptick in the number of institutional investors looking to play in the space, according to panelists at the event Jan. 28.

The universe of buyers for projects is on the rise, as new groups of pension funds and lifecos look to play in the space, noted panelists, saying that more of those funds are committing capital to the infrastructure sector. Those groups are helping to drive pricing down in the process. "We are seeing mid-sized pension plans and smaller plans make commitments to investing in infrastructure,"

said **Matt O'Brien**, president at **Connor, Clark & Lunn Infrastructure**. "Ownership is going from developers with high risk tolerance and returns that reflect that, to guys that want to own assets for the long term and have reduced price in the process. I think we will continue to see that in the next few years."

On the whole, the number of acquisitions has dropped to about half of 2011 level, noted panelists. "The secondary market in 2013 and even today is still very slow,"



Michael Smerdon

Call For Sponsors:

Commercial Solar Financing Report

The Commercial Solar Financing Report looks at the complexities of commercial and industrial distributed generation by exploring potential developments in financings and financial products. Currently, scores of developers nationwide and regionally are creating a crowded marketplace that can muddy the financing waters. The commercial solar industry has a paucity of tax equity investors and third party financing compared to its residential cousin, in part due to portfolios comprised of larger projects that carry different sets of project and offtaker risk.

The report will examine the commercial solar industry's search for a successful business model and financial shops' hunt for quality product. Given that the access to capital is not as clear as with residential solar companies, the report will also highlight how the industry—comprising both sponsors and lenders—is working to find financing structures.

Draft Contents & Topics

- Feature looking at the financing of commercial solar examining and comparing possible future alternatives, such as yieldcos, bonds and securitizations.
- Roundtable with sponsor executives, potential investors, bankers focused on the area, analysts and consultants.
- Exploring the natural owners of commercial solar assets, given the industry's fragmented nature and how a sponsor-developer may evolve in the next two to four years.
- Discussion on whether or not commercial solar will remain fragmented and regional or accrue scale and how to define that scale.
- Evaluating the public market as a potential outlet for a primarily commercial solar developer as well as identifying the optimal portfolio and the ideal financing structure to attract additional lenders to the industry.
- Challenges in attracting tax equity investment to the space. Residential solar companies have established funds for tax equity portfolio investments and sponsors say returns are better with tax equity yet investors are largely absent from the sector but tax equity is still largely absent.
- The variety of financial products in R&D, such as leasing products and different power purchase agreements, and matching each of these options with the best scenario.
- The changing role of utility subsidiaries, evaluating the credit quality of the individual offtakers and the challenge it presents to lenders and investors. Outlining what lenders and investors want in individual projects and portfolios.
- The arrival of a diverse pool of investors looking for small equity checks and whether this leads to developers targeting portfolio sales to a large owner or using equity sales a path to raise development capital to build a larger portfolio. If the goal is to sell, who are the buyers?

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CONFERENCE COVERAGE

(Continued from page 10)

said **Michael Smerdon**, cfo and executive v.p. at **Capstone Infrastructure Corporation**. "This is a sellers market."

Developers are looking to sell earlier in the process to avoid the increasing costs of late-stage development, noted panelists, which is also putting downward pressure on prices. "As a buyer of late development stage assets we have seen a significant increase in development costs," said O'Brien, citing escalating costs of environmental studies, power purchase agreement security deposits and legal issues. "There is often a temptation to monetize in the late development stage, considering those late-stage development costs."

Monetizing tax benefits, such as tariffs, is a hurdle for buyers that is proving to be more challenging in Canada than in the U.S. "We see tax being a key driver in a lot of the marketplaces," said **Todd Mooney**, director of finance, **Algonquin Power & Utilities Corp.** "It is a lot more difficult in Canada to monetize those assets." The federal government in Canada encourages investment in renewable energy via income tax considerations relevant to Canadian renewable and conservation expenses-- initiatives that were introduced in March 1996.

The type of assets coming to market is also changing. Buyers have seen an increase in the number of rooftop and distributed solar portfolios and a shift away from utility-scale assets, noted **Michael Dilworth**, v.p. and country manager at **SunEdison Canada**.

Reporter's Notebook

- **Larry McClung**, senior engineer at **Leidos Canada**, said that it was odd that residents in northern Ontario would order rooftop solar installations in February, when there is so much snow that you struggle to find houses, let alone install and operate a rooftop module.
- The conference featured a social media lounge, where attendees could learn about how to interact at the event via various forms of social media. **Marissa Pick**, social media guru for **Euromoney**, was on hand to man the lounge. The conference hashtag was #canpower14.
- **Paul Bradley**, cfo at **Northland Power**, recalled a question he got at an investor lunch when arranging his first project bond deal for the company. Someone asked about mitigation for landslide risk, to which he replied, "Dude, it's in Saskatchewan. Where is the land going to come from and go to?"
- **NextEra Energy's** Treasurer **Paul Cutler**, who calls Florida home, commented that the Toronto weather, which dipped to a bone chilling -3 degrees, was a little different to what he was used to.

POWER TWEETS

The #Power Tweets feature tracks trends in power project finance and M&A in the Americas on **Twitter**. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

@NicStone: All markets are open for project debt; bank, bonds and institutional market. #canpower14

@jsalvatore2 The latest entrant into the Green Bond market: @ExportDevCanada w/ \$300m 3yr issue funding environmental companies <http://ow.ly/sTaOC>

@pvmagazine: US solar jobs up 20% in 2013 #solar #PV

@DukeEnergy CEO Lynn Good on how #solar fits into the future of energy. <http://ow.ly/sT4WA>

@FirstWind: Unpredictable federal policy perpetuates the existing "boom and bust" cycle that wind power is in.

@qz: China is now home to more solar panels than any other country



@hollyfletcher Evolution in MISO, NE-ISO as oversupply wanes expected to lead to #gas-fired M&A as well as new build

@UnGranola: ~25 tax equity investors in market for US #renewableenergy projects. That's enough for 2014 deal flow. @chadbourneparke #costofcapital

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