

# Power Finance & Risk

The weekly issue from **Power Intelligence**

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## Duke Unit To Hunt Wind Funds

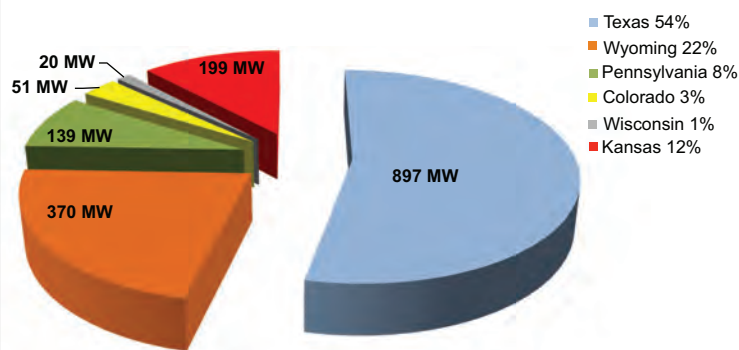
A **Duke Energy** affiliate is planning to seek several hundred million dollars in financing to support 402 MW at its Los Vientos wind projects in Willacy County, Texas. **Duke Energy Renewables** anticipates financial close before year-end, said **Anthony Dorazio**, senior v.p. of wind, on the sidelines of **Euromoney Seminars'** 7th Annual US Power and Renewable Finance Conference in New York.

Wind costs roughly \$1.5-2 million per megawatt to develop, bringing the development price tag of the project to \$600-800 million.

Duke is aiming to land a financing of up to \$200 million from the **North American Development Bank** toward the construction of

*(continued on page 12)*

### Duke Wind Projects By State



Source: Power Intelligence via Duke Energy Resources

## UBS Tees Up Sale Of Alliant's Renewable EPC

**UBS** is expected to release teasers in the next two to three weeks for **Alliant Energy's** sale of its renewable engineering, procurement and construction unit, **RMT**, deal watchers say. Alliant Chairman and CEO **Bill Harvey** told investors in a Feb. 10 conference call that Alliant began assessing whether to sell the unit in late 2011, ultimately deciding to let go of the non-core

*(continued on page 12)*

## LS Scouts Next PV Deal

**LS Power** is talking to lenders about financing up to 175 MW at its Centinela solar photovoltaic project in Imperial Valley, Calif. The New York-based sponsor is targeting financial close next quarter.

Financiers anticipate LS will target more than \$500 million in debt for the project. The sponsor is exploring various structures, including a bank loan, bond, or a combination of those components, says a deal watcher. LS last month wrapped a more than \$400 million financing backing 127 MW at its Arlington Valley photovoltaic project in Maricopa County, Ariz., that featured bank and bond tranches (PI, 2/10). **Banco Santander** led a roughly \$260 million bank tranche, while **Prudential Financial** managed a bond tranche that totaled just under \$200 million, says a person familiar with the transaction.

Bonds are expected to be a staple of large financings in

*(continued on page 12)*

### THE BUZZ

**T**here is still project funding to be had, bankers told *PI* this week, despite a dim outlook on the extension of certain federal subsidies and a shrinking pool of lenders.

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

### 7th Annual U.S. Power & Renewable Finance Conference

Check out what executives, developers and financiers in New York this week.

See coverage, page 5



### Industry Current

This week's authors examine the trade practices of U.S. and Chinese manufacturers in the wind and solar industries.

See story, page 10

### 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

The euro-zone crisis may have sidelined one-third of project banks, but money is still available, said financiers and developers at last week's 7th Annual U.S. Power and Renewables Finance Conference in New York. Strong sponsors of plain vanilla, contracted, projects looking for deals under \$200 million should be able to score bank debt though pricing has jumped about 50 basis points over last year. Tenors have also tightened to roughly 10 years from 18 years. The mild optimism in the face of strong headwinds may seem exuberant, but probably explains the raft of financings, each looking for more than \$400 million, in the market.

Mezz debt has been resurfacing in the form of funds under the **Carlyle Group** and **Energy Capital Partners**, but these funds will likely only be required for merchant projects with less experienced sponsors or biomass projects, which are often perceived as riskier because of fuel contracts and politics. Only three biomass projects wrapped in 2011.

The term loan B market also has strong appetite, bankers told *PI* this week. **Deutsche Bank** launched a term loan B to finance **First Reserve's** acquisition of four natural gas-fired plants from **ArcLight Capital Partners**. The \$210 million facility is one of just three sought by independent power producers since July.

In other M&A news, **Arkansas Electric Cooperative Corp.** has agreed to buy a combined cycle facility from **GDF Suez** bringing a nine-month auction closer to an end. **Quantum Utility Generation** bought the other plant, Choctaw, in the auction late last year. On the renewable front, **Alliant Energy** is working with **UBS** to sell its renewable engineering, procurement and construction unit **RMT** after it fought a year of reduced wind project margins. Teasers are expected to go out in two to three weeks.

## 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
Abengoa Solar	45% Stake (250 MW Solana Solar CSP)	Gila Bend, Ariz.	TBA	Banco Santander is taking a 45% stake to fund construction and will look to sell slices (PI, 11/28).
AES	Cayuga (306 MW Coal) Greenidge (105 MW Coal) Somerset (675 MW Coal) Westover (83 MW Coal)	Lansing, N.Y. Dresden, N.Y. Barker, N.Y. Binghamton, N.Y.	Barclays Capital	Creditors are the \$300M stalking horse bid for Cayuga and Somerset in a bankruptcy process that will leave the other two plants shuttered (PI, 1/9).
AE Investor II	Astoria Energy II (4%, or 23.3 MW)	Queens, N.Y.	Whitehall & Co.	First round bids were scheduled for Sept. 16 (PI, 9/19).
Air Products & Chemicals	Stockton (50 MW Coal/Biomass Cogen)	Stockton, Calif.	New Harbor	Teasers for the facility went out Feb. 2 (PI, 2/13).
► ArcLight Capital Partners	Waterside (72 MW Peaker) Crockett (162 MW Cogen) Hobbs (604 MW CCGT) Hamakua (60 MW CCGT) Borger (230 MW Cogen) Neptune (65-mile Transmission)	Stamford, Conn. Crockett, Calif. Hobbs, N.M. Honokaa, Hawaii Borger, Texas Sayreville, N.J., to Long Island, N.Y.	Citigroup, Barclays Capital	First Reserve has launched a \$243M package to finance the gas-fired plants minus Hamakua (see story, page 11).
Beacon Power	Stephentown (20 MW Storage)	Stephentown, N.Y.	CRG Partners	Rockland Capital is buying the assets for \$30.5 million (PI, 2/13).
CIT Group, Carlson Capital	Stakes (Gas-fired peakers)	Various, Calif.		Calpine is buying out the investor stakes (PI, 1/23).
Constellation Energy Group	Rio Bravo Fresno (24 MW Biomass) Rio Bravo Rocklin (24 MW Biomass) Chinese Station (22 MW Biomass)	Fresno, Calif. Lincoln, Calif. Jamestown, Calif.	No advisor	The company has reached out to prospective buyers as it considers selling its stakes (PI, 1/9).
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Covanta Energy	Burney Mountain (11.4 MW Biomass) Mt. Lassen (11.4 MW Biomass)	Shasta County, Calif. Westwood, Calif.	None None	Looking to sell the facilities (PI, 12/19).
Edison Mission Group	Stakes Mountain Wind I (60 MW Wind) Mountain Wind II (79.8 MW Wind)	Uinta County, Wyo.	TBA	Teachers Insurance & Annuity Association of America and Cook Inlet Region, Inc., are taking preferred equity stakes (PI, 12/19).
First Wind	Stakes (Various Wind)	Various, Northeast	Credit Suisse, Macquarie	Algonquin is dropping out of a JV with Emera to take minority stakes. Emera is taking over the investment (PI, 2/6).
Gamesa Energy USA	Pocahontas (80 MW Wind) Sandy Ridge (50 MW Wind) N/A (Wind) N/A (Wind)	Pocahontas County, Iowa Blair County, Pa.	JPMorgan	Selling four merchant wind projects that have tax equity investments (PI, 2/6).
► GDF Suez Energy North America	Hot Spring (746 MW CCGT) Choctaw (746 MW CCGT)	Malvern, Ark. Ackerman, Miss.	UBS	Arkansas Electric Co-Op Corp. has agreed to buy Hot Spring; set to file with regulators (see story, page 9). Quantum Utility Generation bought Choctaw.
Perennial Power	Mid-Georgia (300 MW CoGen)	Kathleen, Ga.	Fieldstone	Shortlist will submit bids in February (PI, 1/16).
RPM Access	Elk (41.25 MW Wind) Vienna (150 MW Wind)	Edgewood, Iowa Iowa	No advisor No advisor	MidAmerican Energy bought the Vienna project last month and RPMA is holding onto Elk (PI, 1/9).
Rockland Capital	Boardwalk (4 MW Solar PV)	Atlantic City, N.J.	Energy Asset Advisors	GTG Energy has bought the merchant project (see story, page 8).
Signal Hill Power, CarVal Investors	Wichita Falls (77 MW CCGT) Rensselaer (79 MW Peaker)	Wichita Falls, Texas Rensselaer, N.Y.	Scotia Capital	Louis Dreyfus Highbridge Energy is buying the Rensselaer plant. (PI, 12/26)
Silverado Power, Martifer Solar	Various (130 MW Solar)	Various, Calif.	Marathon Capital	The partners are looking to raise capital around the contracted portfolio (PI, 2/13).
Sunoco Power	Eagle Point (200 MW Cogen)	Westville, N.J.	TBA	Rockland Capital is buying the facility (PI, 2/13).
Tenaska	High Desert (800 MW CCGT) Rio Nogales (800 MW CCGT)	Victorville, Calif. Seguin, Texas	Barclays, Citi	Final bids came in 1/31; CPS Energy is frontrunner (PI, 1/30).
Third Planet Wind Power	Petersburg (40.5 MW Wind)	Petersburg, Neb.	Morgan Stanley	Gestamp is buying the project after EME deal unraveled (PI, 12/26).
► Tuusso Energy, Akula Energy Ventures	Antelope (20 MW Solar PV)	Lancaster, Calif.	Marathon Capital	Recurrent Energy has bought the project (see story, page 9).
Tyr Energy	Stake (100 MW Biomass)	Gainesville, Fla.	Fieldstone	Starwood is buying 40% of the project (PI, 1/23).
U.S. Power Generating Co.	Gowanus Barges 1 (160 MW Oil) Gowanus Barges 4 (160 MW Oil)	Brooklyn, N.Y.	Tier One Capital Management	First round bids for the two barges are expected in February (PI, 1/9)

## ► New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes, contact Senior Reporter **Holly Fletcher** at (212) 224 3293 or e-mail [hffletcher@powerintelligence.com](mailto:hffletcher@powerintelligence.com).

## PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that *Power Intelligence* is tracking in the energy sector.

## Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Solar	Imperial Valley (709 MW Solar PV)	Plaster City, Calif.	TBA	TBA	\$1.3B	TBA	Sponsor scouts bank debt and bonds for phase one (PI, 1/16).
BP, Sempra	Mehoopany (141 MW Wind)	Wyoming County, Penn.	TBA	TBA	TBA	TBA	Sponsors plan to choose lenders this month (PI, 2/13).
Cardinal Gas Storage	Cadeville (16.5 bcf Gas Storage)	Monroe, La.	TBA	TBA	\$100M	TBA	Sponsor is talking with CIT, RBC and SunTrust about financing (PI, 1/30).
Duke Energy	Cimarron II (131 MW Wind)	Gray County, Kan.	TBA	TBA	\$260M	TBA	Sponsor seeks one financing for Cimarron II and Ironwood projects (PI, 1/30).
	Ironwood (168 MW Wind)	Ford County, Kan.	TBA	TBA	\$260M	TBA	Sponsor seeks one financing for Cimarron II and Ironwood projects (PI, 1/30).
	Laurel Hill (69 MW Wind)	Lycoming County, Penn.	TBA	TBA	\$77M	TBA	Sponsor hunting funds for wind project (PI, 1/30).
E.ON	Various (Wind)	TBA	UniCredit	TBA	TBA	TBA	UniCredit readies a bond deal (PI, 2/6).
Edison Mission Energy	Unidentified (Wind Portfolio)	Midwest U.S.	BBVA, Key Bank, WestLB	TBA	\$113.5M	TBA	Sponsors taps banks to lead financing (PI, 1/16).
enXco	Shiloh 3 (102.5 MW Wind)	Solano County, Calif.	TBA	TBA	TBA	TBA	NordLB, Rabo and Santander circle financing (PI, 2/13).
GCL Solar	Various (77 MW PV)	Puerto Rico	Union Bank, WestLB	TBA	\$200M	TBA	Financing expected to total at least \$200M (PI, 1/23).
Inkia Energy	Unidentified (400 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC	TBA	\$525M	12-yr	Sponsor talks to three additional lenders, including Santander (PI, 12/5).
▶ LS Power	Centinela (175 MW Solar PV)	Imperial Valley, Calif.	TBA	TBA	TBA	TBA	Sponsor scouts financing, which may cobble bank debt and bonds (see story, page 1).
Macquarie Mexican Infrastructure Fund, Macquarie Capital, Fomento Económico Mexicano	Oaxaca (396 MW Wind)	Oaxaca, Mexico	Banorte, BBVA, Crédit Agricole, HSBC, IDB	TBA	\$700M	16-yr	IDB plans to lend \$72M to project (PI, 12/5).
MidAmerican Energy Holdings	Topaz (586 MW PV)	San Luis Obispo, Calif.	Barclays, Citi, RBS	144A	\$700M	25-yr	Sponsor, lenders initiate road show (PI, 2/13).
NRG	Alpine (66 MW PV)	Lancaster, Calif.	TBA	Term	\$300M	18-yr	Sponsor reignites financing (PI, 1/30).
Odebrecht	Chaglla (406 MW Hydro)	Peru	BNP	TBA	\$650M	TBA	Financial close targeted for February (PI, 11/21).
Pattern Energy	El Arrayan (115 MW Wind)	Santiago, Chile	TBA	Term	\$220M	TBA	Sponsor nears mandates for BoTM and SMBC (PI, 1/9).
Recurrent Energy	Various (Solar PV)	Northern California	TBA	TBA	\$100M+	TBA	Sponsor discusses deal with BoTM, Lloyds, Mizuho and UniCredit (PI, 1/9).
▶ Summit Power Group	Texas Clean Energy Center (400 MW IGCC)	Odessa, Texas	RBS	Loan, private placement	TBA	TBA	Sponsor targets summer financial close (see story, page 7).
Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial Valley, Calif.	TBA	TBA	\$600M	TBA	Sponsor settles on bank-only deal (PI, 2/6).
Terra-Gen Power	Alta (300 MW Wind)	Tehachapi, Calif.	TBA	TBA	\$600M	TBA	Sponsor reaches out to lenders (PI, 2/13).
Wind Capital Group	Unidentified (150 MW Wind)	Osage County, Okla.	BayernLB, Rabo	TBA	\$160M	TBA	Sponsor reignites financing (PI, 2/13).

## ▶ New or updated listing

To report updates or provide additional information on the status of financings, please call Senior Reporter **Brian Eckhouse** at (212) 224-3624 or e-mail [beckhouse@powerintelligence.com](mailto:beckhouse@powerintelligence.com). A full listing of deals for the last several years is available at <http://www.powerintelligence.com/ProjectFinanceDeal.html>.

## CONFERENCE COVERAGE

7<sup>th</sup> Annual Power And Renewable Finance Conference

Dozens of bankers, developers, investors and lawyers convened for **Euromoney Seminars'** 7<sup>th</sup> Annual Power and Renewable Finance Conference at the Westin at Times Square in New York Feb. 14-15. Clean coal, tax equity and mezzanine debt created the buzz. Senior Reporter **Brian Eckhouse** filed the following stories.

## Mezz Debt Only Needed For Risky Deals

The need for mezzanine debt to support project financings should be limited to the riskiest deals despite a third of traditional lenders getting sidelined by the euro-zone crisis, said investors at the conference.

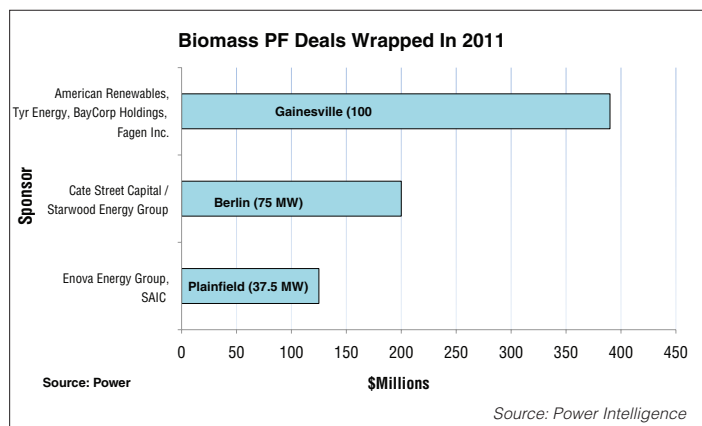
Sponsors of modest-sized, vanilla project financings should be able to score bank debt, said **Terry Darby, Energy Investors Funds** managing partner. Some challenging deals may be able to score bank financing. Darby pointed to the financing of **LS Power's** merchant 738 MW combined-cycle project in West Deptford, N.J., a \$345 million deal that wrapped in late fall without mezz funds (PI, 12/7).

But not all merchant deals will be able to land bank financing.

LS Power, an active sponsor, benefited from a large pool of relationship lenders and a strong project in spite of the merchant element in West Deptford, bankers have said. Rookie sponsors

and developers of biomass projects also may need another source of funds, panelists said.

Mezz funds can fill these gaps. **The Carlyle Group** and **Energy Capital Partners** launched funds last year (PI, 10/26). Carlyle closed a \$125 million financing in December, supporting **Enova Energy Group's** contracted 37.5 MW biomass project in Plainfield, Conn. (PI, 1/9).



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Mauricio Gutierrez, Celfin Capital



## Developer Plots N.Y. Transmission Timeline

**Anbaric Transmission**, an affiliate of the sponsors behind the Neptune and Hudson transmission lines, anticipates a four-year development period preceding financing for its proposed 80-100 mile transmission line from upstate New York to near West Point, N.Y.

West Point Transmission would bring renewables generation from upstate New York to the load center in and around New York City. The fate of the West Point project may rest on the future of **Entergy's** Indian Point nuclear plant, roughly 25 miles from New York City (PI, 9/22). **Andrew Cuomo**, New York's governor, is reportedly angling to close the plant, which likely would require new generation to replace it. "It's incredibly helpful to have political buy-ins," said **Edward Krapels**, Anbaric ceo in Wakefield, Mass., on the sidelines of the conference.

The backers of West Point Transmission include **Energy Investors Funds**, **PowerBridge** and **Starwood Energy**. The project would use high voltage direct current lines. Krapels anticipates a competitive process to determine generation replacement for Indian Point, if Cuomo is successful in his campaign to deactivate the plant, which stands near earthquake fault lines. The four-year process for the West Point line includes an environmental review.

The Hudson team wrapped a roughly \$700 million private

placement supporting the line, between Ridgefield, N.J., and midtown Manhattan last May (PI, 5/26).



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## Expired DOE Program Continues To Buttress Solar

Sponsors of mammoth solar projects in the U.S. seeking financing are indirectly benefiting from the U.S. **Department of Energy's** expired loan guarantee program, said panelists at the conference said.

The DOE program propelled more than a dozen large solar deals to financial close, establishing financing precedents for some young photovoltaic and concentrating solar thermal technologies. It also focused on financings mixing bank deals and private placements and infused liquidity—either through direct federal loans or by identifying new investors—in the aftermath of the 2008 financial collapse.

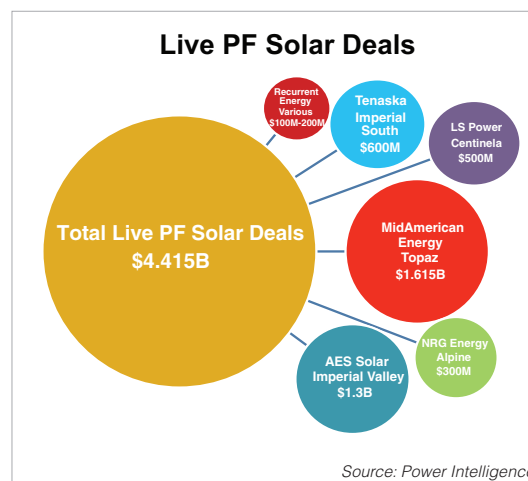
"Topaz is a good outcome of that work," said **Carl Weatherley-White**, cfo of **K Road Power Holdings** in New York, referring to a more than \$1 billion financing supporting the first phase of **MidAmerican Energy Holdings'** 586 MW solar photovoltaic project in San Luis Obispo County, Calif. The deal is expected to mix a roughly \$700 million 144A private placement with \$350 million of letters of credit provided by project banks (PI, 2/7).

The DOE program is having a catalytic affect on new solar deals, said **Michael Whalen**, **SolarReserve** cfo in Santa Monica, Calif. SolarReserve scored a \$737 million federal loan under the

DOE program for its 110 MW Crescent Dunes CSP project near Tonopah, Nev., last fall (PI, 10/4). Overall, the DOE program provided \$16.13 billion in loan guarantees to renewables projects from 2009 through last September. The initiative on Capitol Hill ultimately became controversial following the collapse of California solar manufacturer **Solyndra**.

Prior to the wave of DOE-backed project financings, the largest syndicated solar deal in the U.S. was a \$209 million financing supporting a 45 MW portfolio of Southern California photovoltaic projects backed by **Eurus Energy** and

**NRG Energy** (PI, 9/27/10). In addition to the MidAmerican deal, several large solar deals are in the market. These include a \$600 million financing backing **Tenaska's** 130 MW Imperial Solar South photovoltaic project (PI, 1/30) and a \$1.3 billion deal supporting **AES Solar's** 709 MW Imperial Valley project (PI, 1/13).



## Summit Shoots For Q3 Close On Clean Coal

**Summit Power** is looking to close a roughly \$1.3 billion debt financing backing its \$2.4 billion, 400 MW integrated gasification combined-cycle project this summer. The Seattle-based sponsor is also continuing to look for equity investors in the project in Odessa, Texas.

**Royal Bank of Scotland** is the financial advisor on the financing, which would be the first to back a project with carbon capture and sequestration technology (PI, 5/27). The project would also produce urea and sulfuric acid, substances used in fertilizer. Summit has been looking for equity investors in the project for three years (PI, 4/24/2009). Texas limited partnership **CW NextGen**, affiliate of oil and gas production and exploration company **Clayton Williams Energy**, holds the remaining stake.

Funds from an equity investment will be used for construction and to dilute Summit's 75% ownership stake in the project to a roughly 10%, said **Jeffrey Brown**, Summit v.p. of project finance, on the sidelines of the conference. A couple of potential buyers of project stakes "are way down the road in terms of due diligence," said Brown, who declined to identify them. Ideal buyers have an understanding of multiple energy disciplines, he says. The Odessa project merges three technologies: IGCC, carbon capture and

sequestration technology. Details on the urea production at the plant could not be learned.

The financing is expected to be a chiefly bank deal, with a sizeable chunk likely wrapped by **Euler Hermes**, the German export credit agency. The Texas Clean Energy Center project will use sufficient German-made products to qualify for the Hermes wrap. A bond tranche is also possible, given the size of the financing and the compressed bank marketplace. The project has also scored a \$450 million award from the U.S. **Department of Energy** under the agency's clean-coal initiative in 2010.

**CPS Energy** has an offtake agreement for 200 MW at the Odessa project. Roughly 100 MW will be designated to process fertilizer and carbon dioxide compression across the project. The plant will produce 2.5 million tons of compressed carbon dioxide annually.

### FUN FACT

➤ **Clayton Wheat "Claytie" Williams**, president and ceo of **Clayton Williams Energy**, unsuccessfully ran for governor of Texas in 1990. He is the subject of **Mike Cochran's** book *Claytie: The Roller-Coaster Life of a Texas Wildcatter*.

## Banks Skeptical Of Corp. Tax Equity Plays

Representatives of two major renewables investors, **JPMorgan** and **U.S. Bank**, doubt large taxpaying U.S. corporations will become regular players in tax equity.

Banks that try to raise tax equity find a tough sell when trying to convince corporate treasurers and cfo's to participate in tax equity, said **Yale Henderson**, JPMorgan managing director in Chicago, at the conference in New York.

Corporate investors often lack a full understanding of the asset class, which is especially problematic in tax equity, as investors

essentially take ownership stakes in projects, bankers noted. **Apple** and **Microsoft** are among the U.S. corporate giants that have examined the tax equity market (PI, 12/16). Yields must be in the double digits—which isn't a given in tax equity.

Even **Google**, purported to be an emerging player, has made scant tax equity investments and has taken stronger equity positions across renewables in the U.S. It took a \$38.8 million tax equity stake in two **NextEra Energy Resources** farms in North Dakota alongside JPMorgan and **Bank of America** (PI, 1/26).

## Pricing Floor Rises For PF

Pricing of financings supporting strong, contracted projects is ranging between 250-275 basis points over LIBOR, up from 200-225 bps last summer, said financiers at the conference.

The upward tick reflects pricier capital for euro-zone lenders and higher dollar-liquidity costs. Several European lenders' self-funding costs soared over LIBOR, (PI, 9/23), whereas those costs traditionally have been equal to the benchmark. Deal pricing must be in the high 200s or above to clear those costs. The concept of LIBOR has become misleading, said **Jeffrey Brown**, **Summit Power** v.p. of project finance in Seattle, noting that some lenders are making just a fraction

of the margins on deals.

The euro-zone crisis has also prompted a tightening of tenors, from 18-20 years for sturdy renewables financings to 10 years, for most deals. But small renewables deals that require just a few lenders—roughly \$150 million financings—can score 15-year tenors, noted **Brett Challenger**, senior v.p. of **CoBank's** energy and water services banking division.

The new dynamics of project financings—specifically in terms of pricing and tenor—are recalibrating the market. Canadian lenders that favor mini-perms or deals up to 10 years, including **CIBC**, are more active. And new smaller U.S. regional lenders are considering entering project finance, attracted to the slightly higher pricing.



## MERGERS &amp; ACQUISITIONS

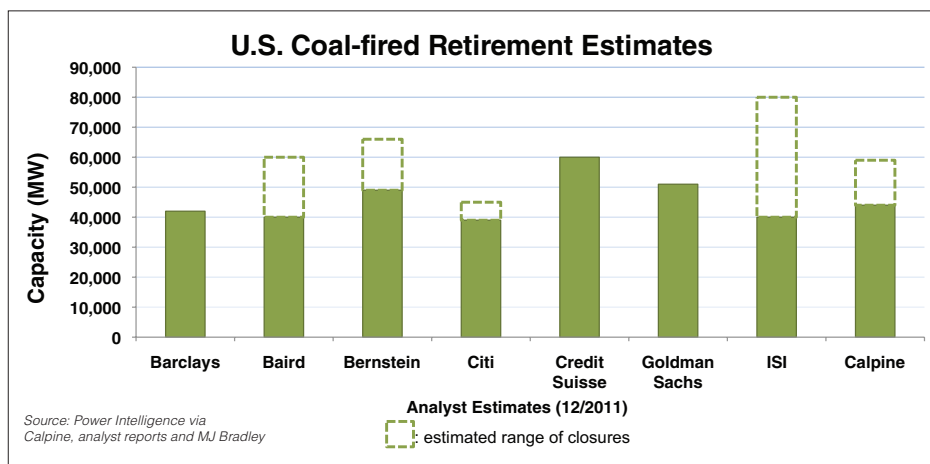
## Calpine To Develop Greenfield Pair In Delaware

Calpine is planning to focus on two greenfield combined cycle projects in Delaware this year as it anticipates increasing demand and a generation gap left by the closure of coal-fired plants in the PJM region. The Houston-based shop will also be on the lookout for attractive M&A opportunities, **Zamir Rauf**, executive v.p. and cfo, said in an earnings call on Feb. 10. He noted that the company can “respond quickly if the right opportunity comes our way.”

The company could look to finance some development of the combined-cycle projects this year, **Jack Fusco**, president and ceo, said in the call. Calpine is developing the 618 MW Garrison CCGT in Dover, which is in permitting, and the 300 MW CCGT at the existing 725 MW Edge Moor peaker in Wilmington.

In addition to financing development on the two projects in Delaware the company may try

to pay down some debt to simplify its debt structure but there are no maturities coming due, Fusco said. He pointed to the buyout of two investors in a set of peakers last year as a recent example of simplification (PI, 1/19).



## Rockland Trades N.J. Solar To Miami Shop

**Rockland Capital** has sold a 4 MW solar project in New Jersey to **GTG Energy**, a Miami-based solar development shop. The project marks GTG's debut solar acquisition. The transaction closed earlier this month.

**Energy Asset Advisors**, a boutique advisory shop out of Kansas City, Mo., had been advising Rockland on the sale since late in the second quarter of 2011, says **Charles Brettell**, principal of EAA.

The 4 MW Boardwalk project near Atlantic City is merchant although GTG is in negotiations with a local municipality about a power purchase agreement, says **Jorge Elortegui**, director of project development and finance for GTG. The shop is also trying to lineup a buyer for its solar renewable energy credits. Construction is planned to begin this summer with online date by year-end. Elortegui declined to comment on the purchase price or development costs. How the GTG will finance the purchase could not be learned.

The privately owned GTG Energy has two subsidiaries, **GTG Energy Finance** and **GTG Solar Holdings**, and is focused on solar development opportunities and energy efficiency solutions for municipals. The shop, which was created in the last 18 months by Elortegui and other partners, is in negotiations for more solar acquisitions. Elortegui declined to comment on prospective purchases. GTG has no outside investors.

The project will be attached to a park that will feature a

kiosk with an automated tutorial on solar panels and power as well as a walking path and park benches. The solar project is adjacent to Rockland's 447 MW coal and oil-fired facility in Beesley's Point, N.J., and has a 25-year land lease agreement with Rockland.

Brettell referred all questions regarding the transaction to Elortegui.



Atlantic City



## GMO Touts Energy Prospects



Jeremy Grantham

**Jeremy Grantham**, co-founder of global investment management firm **GMO**, is bullish on energy and agricultural investment themes for the next 10-20 years. GMO was managing \$97 billion in client assets as of December.

In light of the world's population growth, resources will continue to dwindle, making natural resources a key investment play, Grantham told attendees at **NACUBO's** Endowment Management Forum at the Waldorf Astoria in New York last week. In particular, Grantham singled out solar, farmland and timberland as solid investments for the next 10-20 years. He also noted that copper will become one of the more scarce resources, and will largely be replaced by the more abundant metals such as aluminum and iron ore.

Grantham also regaled the audience with his take on the hedge fund industry. He noted that selecting hedge fund investments is a zero sum game because there are only a few winners who profit at the expense of the majority of funds. "[Selecting] a hedge fund is an interesting game of cannibalism," he joked.

## Arkansas Co-Op Snags GDF Plant

**Arkansas Electric Cooperative Corp.** has agreed to buy a combined cycle facility near Malvern, Ark., from GDF Suez Energy North America. The deal to buy the 746 MW Hot Spring facility

### FAST FACT

➤ GDF has been working with **UBS** since May to sell the merchant Hot Spring and a sister facility, the 746 MW Choctaw plant near Ackerman, Miss.

was reached 10 days ago, says a deal watcher, noting that AECC is expected to file soon for approval from the Arkansas **Public Service Commission**.

GDF has been working with **UBS** since May to sell the merchant Hot Spring and a sister facility, the

746 MW Choctaw plant near Ackerman, Miss. **Quantum Utility Generation** bought Choctaw, which has a power purchase agreement with **Tennessee Valley Authority** until the end of 2012 (PI, 11/28).

AECC is a generation and transmission co-op based in Little Rock that provides power to 17 power distribution co-ops. It owns about 2.9 GW.

The timeline for filing with regulators and purchase price could not be learned. Officials and spokespeople for AECC, GDF or UBS either declined to comment or could not be immediately reached.

## Recurrent Buys Calif. Solar Project

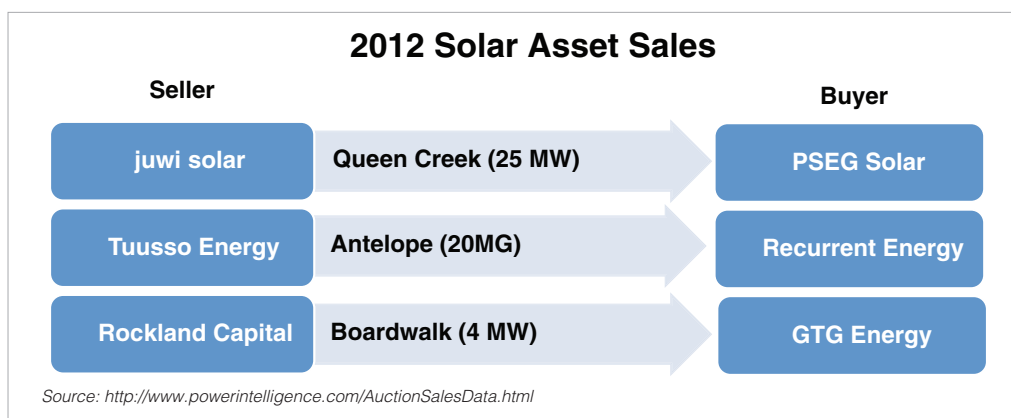
**Recurrent Energy** has bought a 20 MW solar project in California from **Tuusso Energy**, a Seattle-based developer. Recurrent picked up the Antelope photovoltaic project in Lancaster, Calif., earlier this year, according to a deal watcher.

Tuusso and **Akula Energy Ventures**, a venture capital shop that has invested in Tuusso, had been working with **Marathon Capital** on a sale (PI, 10/10). Antelope will be online in March, according to a **California Energy Commission** document from December. It has a 20-year power purchase agreement with **Southern California Edison**. Details including the price and the date the plant was sold could not be learned.

At one point in early 2011, **AES Solar** had looked at buying the project (PI, 1/24/11); why the **AES Corp.** affiliate did not purchase the project could not

be learned. Recurrent has sold pieces of its development pipeline to a **Duke Energy** unit as well as a venture between **Google** and **Kohlberg Kravis Roberts & Co.** (PI, 1/4 & 12/12).

**Owen Hurd**, president of of Tuusso declined to comment as did a Marathon official. A Recurrent spokeswoman declined to comment.



## INDUSTRY CURRENT

# U.S. Renewable Groups Hit Turbulence In Trade Action Against Chinese

THIS WEEK'S INDUSTRY CURRENT was written by **David G. Mayer**, partner in the renewable energy and finance practice groups in the Dallas office of **Patton Boggs**, and **Frank Samolis**, partner in the trade and trade policy group of Patton Boggs in Washington, D.C.



David G. Mayer

The **White House** intends to fight unfair trade practices in U.S. markets, and China is a significant target of the evolving policy. Wind and solar interests, among others, think China is injuring U.S. businesses. Taking action directly, industry coalitions have already filed petitions that allege China is illegally taking U.S. market share from certain wind towers and solar products into the U.S. market. The White House has noticed the dispute and does not like what it sees.

## Budgeting For Competition With China

In his State of the Union address on Jan. 24, 2012, the President **Barack Obama** highlighted the administration's vigilance in enforcing U.S. trade laws, particularly with respect to China. Underscoring his concern, he announced the formation of a new Trade Enforcement Unit "charged with investigating unfair trade practices in countries like China." He stated: "I will not stand by when our competitors don't play by the rules." The mere creation of such a body has heightened trade tensions with China. It has also injected greater complexity into the existing body of trade laws.

The 2013 budget proposal by the Obama administration provides some more detail on the TEU. The President is asking Congress for \$26 million and at least 50 people for this new Interagency Trade Enforcement Center. Presumably, the ITEC will aggressively challenge unfair trade practices around the world in a "whole of government" approach and coordinate enforcement of international and domestic trade rules.

## International Trade Investigations

International trade is the exchange of services, goods, and capital among various countries and regions, without much hindrance. It can generate substantial revenue for countries involved in trade arrangements. In some instances, however, the U.S. has imposed restrictions on international trade to protect goods and services produced in the U.S. from pricing that can cause material injury to domestic businesses.

Consistent with the President's State of the Union address, the U.S. **International Trade Commission** and the U.S. **Department of Commerce** have been investigating allegations that silicon solar photovoltaic cell and panel manufacturers and the Chinese government have been winning U.S. market in violation of U.S.

trade laws.

The petitioners allege that the Chinese have been illegally subsidizing their products to sell them in the U.S. at a price that is below its sales price in the China. They also assert that Chinese businesses have been selling their products at a price that is lower than the cost of production (i.e., dumping). The effect of dumping is allegedly to injure U.S. business opportunity, force certain renewables business into financial peril and reduce market share of U.S. business primarily by undercutting pricing of U.S. companies.

Expanding the trade issues to wind energy industry, on Jan. 20, 2012, Commerce has begun to investigate similar claims made by the U.S.-based **Wind Tower Trade Coalition** with respect to wind towers. The coalition consists of **Trinity Industries Inc.**, **Otter Tail Corp.**'s **DMI Industries**, **Katana Summit** and **Broadwind Energy Inc.** The proceedings could lead to the imposition of steep import duties on more than \$100 million worth of wind towers from China and Vietnam.



Frank Samolis

## Unexpected Turn in ITC Investigations

In a recent decision of the **Court of Appeals for the Federal Circuit**, **GPX International Tire Corporation v. United States** (Slip Op. 10-84, **Jane A. Restani**, Chief Judge presiding (GPX)), upended the controversial proceedings against the Chinese solar industry with implications for the wind industry actions too. The CAFC ruled that Commerce does not have legal authority to apply countervailing duty law to non-market economy (NME) countries like China and Vietnam.

This decision jeopardizes the legal standing in roughly two dozen existing orders. If allowed to stand, GPX would drastically reduce the scope of U.S. trade laws. The CAFC said that "Commerce must forego the imposition of the countervailing duty law on the NME products before the court because its actions ... demonstrate its inability, at this time, to ... determine whether, and to what degree double counting occurs when NME antidumping remedies are imposed on the same good, or to otherwise comply with the unfair trade statutes in this regard."

Given the intense examination of China's various subsidy

programs, this decision greatly diminishes available remedies for domestic industries to redress allegedly unfair trading practices. In the current dispute with China, the decision could reduce the potential costs to push back China's onslaught into the U.S. market with substantial and allegedly unfair subsidies. In other words, China may not have to pay, and would not be subject to, the potentially heavy aggregate costs of a concurrent antidumping duty and countervailing duty penalties.

The requirement to constitute a "domestic industry" poses issues of standing for those energy concerns that are foreign-based with operations in the U.S. This categorization of industries could create some confusion of which companies can use the GPX case as a tool in any trade investigation. The extent of the investigations and potential costs underscores tension in the bilateral relationship and will almost certainly be a topic in the visit this week of **Xi Jinping**, the putative next leader of China.

### Legislation To Get Sanctions On Track

Many in Congress and the administration support expeditious treatment of the legislation against Chinese interests to reverse the CAFC ruling. Congress has already begun to draft legislation. However, ongoing debate over whether to include other issues such as the so-called "double counting" issue (involving the dual

application of the antidumping law and the countervailing duty law), and currency manipulation, dim prospects for immediate Congressional action.

Undeterred by the CAFC ruling, the ITC voted to continue the investigation in response to a petition to impose significant duties on Chinese and Vietnamese imports of utility scale wind towers (excluding nacelles and rotor blades). The ITC has just determined that there is a reasonable indication that imports from China and Vietnam are materially injuring or threatening material injury to, the domestic industry, the investigations will continue with further ITC determinations in the spring.

### Conclusions

Despite initial efforts to enact Congressional legislation to reverse the CAFC ruling, election year politics seem likely to derail or complicate legislative efforts to do so. The ITC investigation of wind tower dumping petitions has just begun, and like most legal proceedings, will take time and significant expense to reach a final determination. For now, the wind and solar industries can only push for a prompt resolution of their disputes so the sun does not set permanently on more companies in the fight to survive allegedly unfair pricing and competition in U.S. markets.

## AT PRESS TIME

# DB Leads First Reserve Acquisition Package

**Deutsche Bank** is lead left in a quartet of banks arranging a \$243 million financing package supporting **First Reserve's** acquisition of four contracted gas-fired plants from **ArcLight Capital Partners**. The seven-year package consists of a \$210 million term loan B and a \$33 million letter of credit. Commitments are due Feb. 27. **Barclays Capital**, **Citigroup** and **Macquarie Capital** are participating.

The loan went into syndication Tuesday with proposed pricing at 450 basis points over LIBOR, and an original issue discount of 98. It carries a LIBOR floor of 150 bps. A soft call of 101 in the first year gives First Reserve the option for an early refinancing of the package, says a deal watcher. The financing package has a preliminary rating of BB- by **Standard & Poor's**.

The commitment deadline could be moved up if the book fills up quickly, notes one deal watcher. The pricing will be attractive to investors and the relative scarcity of power term loan B's should bolster appetite in the institutional market, financiers say. There have been two term loans since August: **Invenergy** inked a \$200 million term loan B at LIBOR plus 750 bps in October that was backed by its wind assets while **Rockland Capital** closed \$302 million first lien term loan B at LIBOR plus 550 bps to refinance its **La Paloma Generating Co.** (PI, 10/31 & 9/20).

The portfolio of gas-fired plants includes:

- 162 MW Crockett cogeneration in Crockett, Calif., has a PPA until 2024 with **Connecticut Light & Power**;
- 604 MW Hobbs combined cycle in Hobbs, N.M., which is contracted to **Southwestern Public Service** until 2033;
- 230 MW Borger cogeneration in Borger, Texas, which is contracted to SPS until 2024, with an extension option through 2034;
- 72 MW Waterside peaker in Stamford, Conn., with a **Connecticut Light & Power** PPA until 2024.

The loan is positioned at a First Reserve subsidiary **FREIF North American Power I**, which will own the assets. The term loan B and letter of credit will be subordinate to the project level debt that already exists, according to an S&P report. The plants have an aggregate \$533 million in debt (PI, 7/22).

Barclays and Citi ran the sale of the portfolio, which included a stake in the Neptune transmission line, for ArcLight. Boston-based ArcLight is netting roughly \$500 million for the assets; the amount includes **CalPERS** payment for the Neptune stake (PI, 12/14).

Spokespeople for the banks either declined to, or could not immediately comment. A First Reserve spokeswoman was not immediately reached.

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

Los Vientos. NADB is a government-created agency intended to enhance conditions along the U.S.-Mexico border. Los Vientos will be built roughly 120 miles south of Corpus Christi, Texas.

The rest of the financing will likely come from relationship banks. Duke has a coterie of relationship lenders, including **Banco Santander**, **Bank of Tokyo-Mitsubishi UFJ**, **CoBank**, **Crédit Agricole**, **Lloyds Bank Corporate Markets** and **Mizuho Corporate Bank**. Financiers anticipate the bank portion will be a club deal, says a syndicator in New York.

The financing may include construction risk, unlike most Duke project financings. Duke often finances projects via balance sheet, then borrows upon operation, avoiding construction risk. But Duke is pursuing a traditional project financing now to ensure that it can secure funds. Roughly one-third of project lenders have been sidelined by the European debt crisis (PI, 1/20) and more may be affected if it worsens.

Duke is also looking for a financing supporting two wind projects in Kansas, the 131 MW Cimarron II and the 168 MW Ironwood, as well as a deal backing the 69 MW Laurel Hill project in Pennsylvania (PI, 1/27). The size of the overall financing for the Texas projects and desired terms, including pricing and tenor, couldn't be learned. Dorazio declined to comment. Bank officials declined to comment or didn't return calls. An NADB spokesman in San Antonio, Texas, didn't return a call.

**CPS Energy** has a 25-year power purchase agreement for 200 MW at Los Vientos I. **Austin Energy** has a 25-year offtake agreement for 202 MW at Los Vientos II. The wind projects are expected to be operational by year-end.

—**Brian Eckhouse**

## UBS Tees *(Continued from page 1)*

unit. The board of directors approved the sale on Feb. 9.

RMT, based in Madison, Wis., has constructed 5 GW of biomass, geothermal, solar and wind projects. It has worked with companies including **First Wind**, **Noble Environmental Power** and **Wind Capital Group** on wind projects such as Milford II, Osage, Granite Reliable and Sheffield, according to its website. RMT began branching out into solar construction within the last year, says an Alliant spokesman in Madison, Wis. So far, it has completed the 8.5 MW Hartz project in Hamilton, N.J., for **Hartz Mountain Industries**.

Targeted prospective buyers will include companies that have an existing EPC business or construction shops, either domestic or international, that want to get a foot in the U.S. renewable EPC sector, deal watchers say. Private equity shops looking for a growth company could see an opportunity also, says a banker. The company has not yet had serious discussions with prospective buyers. A sale is expected by year-end.

RMT had been important to Alliant for the link it provided to the renewable sector, but the lack of a federal policy on clean energy and reduced wind project margins have affected the company's bottom line, Harvey said on the call.

The company could be valued at two-to-six times its EBITDA, which

## ALTERNATING CURRENT

### Spider-Man Fans Beware: Radioactive Webs Found In S.C.



While it is generally understood that living bodies and radioactive fuel rods don't exactly mix, workers at the **Savannah River National Laboratory** in southern South Carolina have found a substance similar to a spider's cobwebs in a pool of spent radioactive fuel rods.

"It doesn't seem to be doing harm," a lab spokesman told **ABC News** about the white substance, adding that it appears to be biologic in nature. The staff at the U.S. **Department of Energy** affiliate, which manages hazardous materials, has taken a sample of the stuff and will have a full report next month.

In the classic **Marvel** comic, Spider-Man gains his super sticky powers after he is bitten by a radioactive spider. News of the SRNL discovery prompted a raft of exuberance from British tabloids. From *The Sun*: "'Mutant' spider fears at nuclear waste lab." And *The Daily Mail*: "Could Spider-Man become a reality?"

In addition to participating in a bizarre example of life imitating art, staff at SRNL also work on detection of weapons of mass destruction, contaminated groundwater and soil cleanup and the development of hydrogen as an energy source. Whether SRNL employees have any interest in participating in a Broadway play based on their experiences could not be learned. An SRNL spokesman did not return a call.

has been around \$6-8 million in the past few years, putting a potential value around \$12-48 million, according to data from the company's 2011 earnings conference call. The purchase price could be higher depending on a buyer's value on incoming revenue. RMT has about \$235 million in project revenue booked for the year, Harvey said.

Power and gas-utility parent Alliant owns about 4 GW of generation in the upper Midwest, primarily under its **Interstate Power and Light Co.** and **Wisconsin Power and Light Co.** units.

A potential purchase price could not be determined. Officials and a spokeswoman at UBS either declined to comment. An Alliant spokesman declined to comment further on the sale.

—**Holly Fletcher**

## LS Scouts *(Continued from page 1)*

2012, with roughly one-third of project lenders sidelined by the euro-zone crisis (PI, 1/20). Almost all deals larger than \$600 million will require bonds, financiers say.

LS relationship lenders also include **BNP Paribas**, **CIT Group**, **Citigroup**, **Crédit Agricole**, **Lloyds Bank Corporate Markets**, **Siemens Financial Services** and **Union Bank**. The size of the Centinela financing and desired terms, including pricing and tenor, couldn't be learned. An LS official in New York declined to comment, while lender officials declined to comment or didn't return calls.

**San Diego Gas & Electric** has two 20-year offtake agreements totaling 175 MW of generation from Centinela. The project is expected to be operational in 2014.

—**Brian Eckhouse**