

# Power Finance & Risk

The weekly issue from **Power Intelligence**

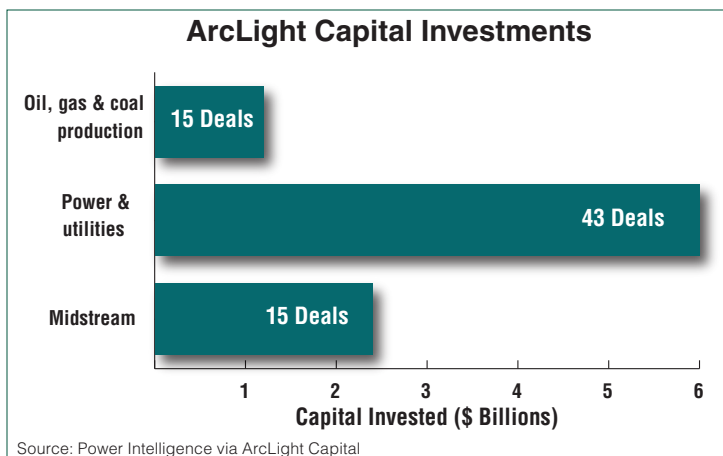
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## ArcLight Preps Ga. Gas Portfolio Sale

**ArcLight Capital Partners** is gearing up to sell its stake in **Southeast PowerGen**, a portfolio company that owns 2.8 GW of gas-fired generation in Georgia. The other owners are **GE Energy Financial Services** and **Government of Singapore Investment Corp.**

The private equity shop recently entertained sellside pitches and has mandated **Citigroup** and **Barclays**. Teasers are not expected to hit the market for several weeks. After making the initial investment in 2007, ArcLight is likely selling now simply to generate returns.

ArcLight is the majority owner with 50.1%. Whether GE EFS and GIC—each with 24.95%—will sell or increase their stakes is not clear. One banker says GIC appears keen to hold, but is unlikely



(continued on page 12)

## Pepe To Start New Biz For Wellford



Mike Pepe

**Mike Pepe**, senior v.p. and head of energy at **HSH Nordbank**, is starting a new operation for Washington, D.C.-based **Wellford Energy Group**, an advisory boutique headed by energy veteran **Harrison Wellford**. Pepe, along with three of his HSH staffers, will focus on power portfolio management, including

advising HSH on its legacy energy debt book, financial advisory assignments and fund management from a new New York office.

"We found an advisory group we know is reputable where we can bring skills and relationships which are slightly different," Pepe tells *PI*. "They have a lot of government expertise and we enhance them with our nuts and bolts financial expertise." The

(continued on page 12)

## MidAmerican Hunts Calif. Solar Funds

**MidAmerican Solar** is putting out feelers for financing backing the 579 MW Antelope Valley solar facilities in Kern and Los Angeles counties in California.

The Phoenix-based subsidiary of **MidAmerican Renewables** has reportedly tapped **Goldman Sachs** as left-lead. The project has a development price tag of \$2.3-2.6 billion.

MidAmerican bought the two projects from **SunPower**, with SunPower remaining the EPC (*PI*, 1/2). Goldman did not respond to inquiries before press time, while a spokeswoman for MidAmerican in Des Moines, Iowa, declined comment on the financing. The amount of debt and equity the developer will seek could not be learned.

Solar has been characterized this year by large financings,

(continued on page 12)

## At Press Time: Shop Circles Sustainable REIT

**Hannon Armstrong** is zeroing in on an initial public offering for a REIT following a private letter ruling.

See story, page 5

## New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

## Generation Sale ■ DATABASE

Get the rundown on the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database. See calendar, page 3

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## THE BUZZ

**Goldman Sachs** has lined up the replacement for outgoing global co-head of power and utilities investment banking **Tim Kingston**. **Matt Gibson**, a partner and co-head of the Chicago office, will take the slot (see story, page 7) when Kingston, as first reported by *PI*, heads to Santiago, Chile, to help the firm establish an office there ([PI, 1/17](#)).

**FirstEnergy** is planning to auction off unregulated hydro assets owned by its two competitive power units **FirstEnergy Solutions** and **AE Supply** to pay down a portion of \$1.5 billion debt (see story, page 6). The 1.1 GW portfolio in PJM is set to be the largest of three portfolios that went on the block in the last year. **Brookfield Renewable Energy Partners** scored 351 MW in Tennessee and North Carolina from **Alcoa** as well as another 351 MW from **NextEra Energy Resources** in Maine ([PI, 7/2 & 1/3](#)).

Sponsors were also stirring up the bond markets this week as a couple of power and energy deals emerged. In Canada, **Brookfield Renewable Energy Partners** issued the first public offering of bonds backing a refinancing of a wind facility. It was snapped up by investors, including some new to the space (see story, page 7). The deal reflects expanded financing options available to sponsors and follows a flurry of notable sponsors hitting that market: **NextEra** tapped bonds for a renewable project refinancing with a \$175 million issuance. Those 19-year notes priced at 4.8% and back two solar projects in Ontario ([PI, 1/17](#)). **Northland Power**, meanwhile, took the private placement market route, issuing roughly \$156 million of 18-year notes at 4.14% ([PI, 1/17](#)).

**Kinder Morgan** was a big player issuing paper south of the Canadian border, as it readied a \$1 billion offering to help pay off acquisitions it made to aid a push into the liquefied natural-gas export space (see story, page 7).

In project finance, **MidAmerican Solar** is back with a multi-billion dollar deal. The company is putting out feelers to finance a 579 MW project that it acquired earlier this year from **SunPower** (see story, page 1). With **K Road's** Moapa Solar facility, **BrightSource's** Hidden Hills and **SolarReserve's** Rice projects, there are a number of huge solar projects looking for financing. Word on the street is that most of the banks in the market will probably need to participate to get them done.

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## GENERATION AUCTION &amp; SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
Algonquin Power & Utilities	Various (46.8 MW Hydro)	Various	TBA	It's quietly shopping the portfolio (PI, 11/26).
▶ ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Recently mandated two banks to sell six gas-fired plants in Georgia (see story, page 1).
Atlantic Power Corp.	Auburndale (153 MW Cogen) Lake (121 MW Cogen) Pasco (121 MW Cogen)	Polk County, Fla. Umatilla, Fla. Dade City, Fla.	None	Quantum Utility Generation is paying \$136 million cash for the plants (PI, 2/11).
Atlantic Power Corp.	Path 15 (84-mile Transmission line)	California	Rothschild	The company is quietly shopping it; initial bids due soon (PI, 11/12).
▶ Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citigroup, Morgan Stanley	Parsing second round bids (see story, page 6).
EDF Renewable Energy	50% Stake (201 MW Lakefield Wind)	Minnesota	TBA	TAQA is buying EDF's position as a lessee (PI, 1/21).
Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	Teasers are out (PI, 12/10).
Energy Investors Funds	Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater Gas)	Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis.	Scotiabank	Initial bids due by Sept. 12 (PI, 9/10).
Enova Power Group	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	UBS	Prospective buyers went to an on-site presentation in late Dec (PI, 12/24).
▶ FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldma Sachs	Plans to sell the assets by year end (see story, page 6).
GDF SUEZ Energy North America	Stakes (1,341 MW Hydro)	Northeast	TBA	Project level stake may be up for grabs as part of a parent-led divestiture program (PI, 1/28).
Iberdrola Renewables	Various (Wind, Solar)	Various	JPMorgan, Blackstone	The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16).
Inverenergy	Stakes (1.5 GW Wind)	Various	None	Caisse de depot has taken a \$500M equity stake in 13 farms (PI, 1/14).
JPMorgan Capital Corp.	Tax Equity Stakes (524 MW Wind)	Texas	JPMorgan	It's selling its tax equity stakes in a trio of wind farms owned by AES (PI, 1/21).
LS Power	Blythe (507 MW CCGT)	Blythe, Calif.	Bank of America	First round bids came in the week of 1/14 (PI, 1/28).
KeyCorp	Stakes (Blue Canyon, Caprock Wind)	New Mexico, Oklahoma	TBA	Fellow tax equity investors JPMCC and Threshold Power are buying out the stakes (PI, 2/18).
Maxim Power Corp.	CDECCA (62 MW Gas) Forked River (86 MW Gas) Pawtucket (64.6 MW Gas) Pittsfield (170 MW Gas) Basin Creek (53 MW Gas)	Hartford, Conn. Ocean River, N.J. Pawtucket, R.I. Pittsfield, Mass. Butte, Mont.	Credit Suisse	First round bids due between 2/18-2/15 (PI, 2/11).
NRG Energy, Paragon	Saguaro (90 MW Coen)	Henderson, Nev.	None	Has been quietly trying to sell the plant (PI, 1/28).
Pattern Energy	Various (1 GW Wind)	North America	Morgan Stanley	First round bids have come in for up to 49% of the wind portfolio (PI, 2/25).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont. Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
Project Resources Corp.	Ridgewood (25 MW Wind)	Minnesota	Alyra Renewable Energy Finance	PRC is looking to sell up to 50% of its lessee position in the farm (PI, 2/18).
Ram Power	Geysers (26 MW Geothermal)	Healdsburg, Calif.	Marathon Capital	In talks with several buyers amid a reorganization (PI, 2/4)
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	First round bids due around Dec. 14 (PI, 12/17).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas) Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar) Mesquite 1 (150 MW Solar)	Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.	TBA	Sold half of Mesquite to Salt River Project (PI, 11/12). The Sempra Energy unit is talking with prospective advisors (PI, 10/22). Infrastructure funds make up the bulk of first round bids for the solar assets (PI, 1/14).
Starwood Energy	SSM I, II, III (69 MW Solar PV)	Sault Ste. Marie, Ontario	None	KKR infrastructure fund has bought the assets (PI, 2/25).
Tenaska	Brownsville (Stake, 800 MW Gas)	Brownsville, Calif.	No advisor	Brownsville Public Utilities Board is buying a 25% stake of the project that could go into construction next year (PI, 2/4).
Western Wind Energy Corp.	Windstar (120 MW Wind) Windridge (4.5 MW Wind) Mesa (30 MW Wind) Kingman (10.5 MW Wind, Solar PV) Yabucoa (30 MW Solar PV)	California California Arizona Puerto Rico	Rothschild, PI Financial	Brookfield has bought almost 3/4 of the company for C\$2.60.

## ▶ New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail [hffletcher@iintelligence.com](mailto:hffletcher@iintelligence.com).

## PROJECT FINANCE DEAL BOOK

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

## Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Cochrane (532 MW Coal)	Chile	TBA	TBA	\$1B+	TBA	Sponsor rounds up banks, ECAs (PI, 11/26).
BluEarth Renewables	Bow Lake (60MW Wind)	Algoma, Ontario.	TBA	TBA	\$80M	TBA	Sponsor will be bringing a few deals to market this year (PI, 1/21).
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	Sponsor has an offtake agreement with Southern California Edison for the Hidden Hills project.
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~\$4B	TBA	Sponsor has tapped RBS as financial advisor as it looks to line up lenders (PI, 1/14).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	Developer taps BTMU to lead the financing (PI, 2/18).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	\$3B	TBA	The sponsor is looking to close the deal in the first half of 2013 (PI, 1/7).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	\$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill County, Pa.	CCA Capital	TBA	\$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Energy Investors Funds	Pio Pico (300MW Gas)	San Diego County, Calif.	SocGen	TBA	\$300M	TBA	The sponsor has tapped Société Générale to lead the financing (PI, 10/1).
Geronimo Wind Energy	Black Oak and Getty (42MW & 40MW Wind)	Stearns County, Minn.	TBA	TBA	~\$150M	TBA	The sponsor is waiting to secure an offtake agreement (PI, 12/17).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	\$1B+	TBA	Sponsor has tapped Citibank as financial advisor for the deal (2/11).
MidAmerican Solar	Antelope Valley (579 MW Solar PV)	Kern & L.A. Counties, Calif.	Goldman Sachs	TBA	TBA	TBA	The full project price tag is around the \$2.3 billion mark (see story, page 1).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	\$800M	TBA	The plant may be financed merchant by the team, made up largely of AES Corp alum (PI, 10/22).
NextEra Energy Resources	Various (Wind)	U.S.	TBA	Refi	TBA	TBA	The sponsor has been talking with lenders to refinance a portfolio of about 10 wind projects (PI, 10/1).
	Limon I & II (400 MW Wind)	Colorado	N/A	N/A	N/A	N/A	State Street, JPMorgan, Bank of America and Wells Fargo make tax equity investments in the projects (PI, 11/5).
Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	\$700M	TBA	The developer was in New York talking to banks this week (PI, 2/18).
Pattern Energy	South Kent (270 MW Wind)	Haldimand County, Ontario	BTMU, Union Bank, Mizuho	TBA	\$800M	TBA	The sponsor has mandated three banks to lead the financing (PI, 12/17).
	Grand (150 MW Wind)	Haldimand County, Ontario					
	Panhandle (322 MW Wind)	Carson County, Texas.	BayernLB, Crédit Agricole, NordLB	Bridge to Tax Equity	\$500M	2-year	The sponsor has mandated three leads for the bridge loan, before it brings in the tax equity investor (see story, page 5).
Quantum Utility Generation	Various (Unknown)	U.S.	TBA	TBA	TBA	TBA	The sponsor is talking to lenders after the successful close of a roughly \$120 million refinancing last month (PI, 10/8).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	TBA	TBA	\$600M	TBA	Sponsor is looking to secure a bank loan (PI, 12/17).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	\$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~\$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).
Wind Capital Group	Osage (150 MW Wind)	Osage County, Okla.	TBA	TBA	\$160M	TBA	BayernLB, NordLB and Rabobank were potential lenders to the project before the financing was halted earlier this year (PI, 12/10).

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## AT PRESS TIME

## Novel Sustainable REIT Prepped

A private letter ruling from the U.S. **Internal Revenue Service** is being seen as a green light to include sustainable and renewable energy assets in a novel mortgage real estate investment trust.

**Hannon Armstrong**, a financial services shop based in Annapolis, Md., has filed an S-11 registration form with the U.S. **Securities and Exchange Commission** to take its **Hannon Armstrong Sustainable Infrastructure Capital** public in an offering slated to raise a minimum of \$100 million. The company will list on the **New York Stock Exchange**.

Initially, the REIT will hold mortgages of buildings that have renewable energy systems such as solar panels or energy efficiency components but the company plans to open the investment vehicle to power facilities more broadly, according to the filing. The REIT will also be open to equity and mezzanine investments, according to the S-11 filed Feb. 15.

The company is currently in its quiet period. A road show could kick off in late March, observers say. **Bank of America**, **UBS** and **Wells Fargo** are the underwriters.

This development sheds light on ways to take distributed generation assets public beyond a master limited partnership. "This is a huge development. A lot of financial institutions have been trying to figure out how to [monetize] these types of investments," says one attorney.

The content of Hannon's private letter ruling has been closely held but observers say there are two ways the IRS could classify a building with a renewable component as an investment suitable for a mortgage REIT. The first is to classify the building as the collateral on a loan used to finance the development of the renewable asset. Secondly, the system could be a "total energy system" that provides power or heating and cooling

to just that building, which would be considered an integral component of that building.

The private letter, which Hannon Armstrong received in October, could be released by the IRS any day, says one observer, explaining that other companies that received rulings around the same time as Hannon Armstrong have had theirs released in the last few weeks. "We have been checking the IRS site every Friday," says one power attorney anxious to see the agency's language. The IRS releases rulings about three months after issuance with company information redacted.

Traditionally, Hannon Armstrong has made loans on buildings then securitized the payments using the buildings as collateral. The process will stay largely the same for this REIT, according to the S-11. People who have read the filing say it does not address all the questions that prospective investors are expected to have, including how power assets will be qualified to be in the REIT. It's possible that future filings with the SEC will touch upon this once the private letter has been made public.

Hannon Armstrong is widely associated in the power sector with its investment in the 49 MW Hudson Ranch 1 geothermal project in Salton Sea, Calif., but will not put that asset into its REIT. To date, no private letter ruling has sanctioned using utility scale power plants in a REIT.

The Sustainable Infrastructure Capital REIT differs from other deals where REITs that own buildings have rented rooftops to solar developers, such as when **Kimco Realty Corp.** partnered with **American Capital Energy** on three shopping center rooftops in New Jersey. In that scenario, the REIT is making money from the lease payment—not including the component in the REIT itself.

A Hannon Armstrong official was not available for comment and bank spokeswomen did not respond to inquiries.

## PROJECT FINANCE

## Pattern Taps Troika For Lone Star Wind

**Pattern Energy** has mandated a trio of banks to lead a \$500 million bridge loan for its 322 MW Panhandle project in Carson County, Texas. **BayernLB**, **Crédit Agricole** and **NordLB** will lead the construction financing, before an undisclosed tax equity investor takes out the loan ([PL 2/1](#)).

The loan is expected to have a two-year tenor with pricing around LIBOR plus 225 basis points, a price that one banker characterized as fair. **Deutsche Bank**, **Keybank**, **Royal Bank of Canada**, **Royal Bank of Scotland** and **Société Générale** are reportedly among those that have looked at the financing. A closing date for the financing has not been set. Pattern and bank officials declined to comment on the deal.

The project has a power hedge but no power purchase agreement. The San Francisco-based developer will still try to line up a PPA between now and when the project goes online in two years, say bankers. Details regarding the power hedge could not be determined by press time.

**MetLife** made a tax equity investment in Pattern's 283 MW Gulf Wind project in Kenedy County, Texas in 2010. An official at MetLife did not respond to a call and whether the insurer is considering investing in Panhandle could not be learned.

## FAST FACT

➤ The loan is expected to have a two-year tenor with pricing around LIBOR plus 225 basis points.



## MERGERS &amp; ACQUISITIONS

## Tucson Electric Targets Coal Lessor Buyout

**Tucson Electric Power** is trying to buy out the lessors of the Springerville 1 coal-fired plant in Arizona. TEP, which owns 14% of the plant, wants to buy out the remaining interests from five lessors for about \$159 million, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

A fair market value appraisal of the 424.8 MW plant in late 2011 put it at \$184.7 million, which the lessors are contesting, according to the filing. The case is being heard in the U.S. **Court of Appeals, Ninth Circuit**. The valuation puts the plant at \$434 per kW.

The sale leaseback originated in 1986 and gives TEP the

option to repurchase the plant for fair market value on Jan. 1, 2015. Under the agreement TEP had to provide notice of its intent by Sept. 2013.

The lessors include affiliates of **Daimler Capital Services**, **Alterna Capital Partners**, **LDVF1 TEP**, **MWR Capital**, a South Dakota affiliate of **MidAmerican Energy Holdings Co.** and **Pacific Harbor Capital**. Alterna bought its 43% stake in 2009.

The identity of the parent of LDVFI TEP could not be determined. A call to the TEP press office in Tucson, Ariz., was not immediately returned. Spokespeople for the lessors could not immediately comment.

## FirstEnergy Eyes Hydro Sale

FirstEnergy is looking to sell a portfolio of unregulated assets, including 1,181 MW of hydro, this year. **Goldman Sachs** is reportedly advising on the transaction.

The competitive hydro fleet consists of 660 MW stake in the 1,110 MW Bath County pumped storage facility in Warm Springs, Va.; the 451 MW Seneca pumped storage facility in Warren, Pa.; the 52 MW Lake Lynn hydro facility in Pa.; and various smaller assets comprising 19 MW in PJM.

**American Municipal Partners**, the Columbus, Ohio-based municipal cooperation that serves municipal utilities in seven states, is interested in at least a portion of the assets, bankers say.

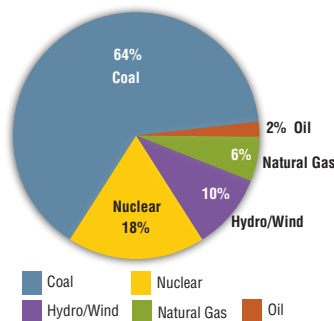
The company had originally planned to sell

the assets in 2015 but bumped the auction up as it began on an initiative to reduce debt at its competitive businesses **FirstEnergy Solutions** and **AE Supply**, according to **James Pearson**, cfo and senior v.p. of FirstEnergy, on its earnings call last week. The company is aiming to reduce debt by at least \$1.5 billion.

First Energy owns 1,832 MW of hydro, according to its 2011 10-K filed with the U.S. **Securities and Exchange Commission**.

A FirstEnergy spokeswoman could not comment on whether Goldman is involved. A Goldman spokesman declined to comment. A call to the AMP press office was not immediately returned.

**FirstEnergy Generation Fuel Mix**



Source: Power Intelligence via FirstEnergy Corp.

## Dominion Parses Final Bids

Final round bids have come in for Dominion's 3.4 GW coal-, oil- and gas-fired portfolio. The bids came in the week of Feb. 11. Prospective buyers have not yet heard whether they won the auction as Dominion is still reviewing the offers, say bankers.

**ArcLight Capital Partners**, **Dynegy**, **Energy Capital Partners**, **Riverstone Holdings** as well as **New Wave Energy Capital Partners**, a financial player based in Pittsburgh, Pa., are the shops with a keen eye on the assets. A few others submitted bids but are not likely to emerge as the buyer because their interest is primarily due to the paucity of assets on the market ([PL, 1/28](#)). **Citigroup** and **Morgan Stanley** are advising Dominion.

The assets are:

- 1,536 MW Brayton, three coal-fired units and one oil or gas-

fired unit in Somerset, Mass.;

- Kincaid, a 1,158 MW facility with two coal-fired units in Kincaid, Ill.; and
- Elwood, a 1,424 MW gas-fired peaker near Chicago. Dominion owns half and **J-POWER USA Development Co.** owns the other half.

Bidders are using the 2.648 GW of coal-fired power in PJM that Riverstone bought from **Exelon** for \$400 million as a data point for comparable pricing. Riverstone paid \$150 per kW on average ([PL, 8/13](#)). The Dominion fleet could fetch around \$510 million using that mark, not accounting for a higher value ascribed to the gas-fired stake.

Several shops including **Credit Suisse**, **UBS**, **Barclays** and **Bank of America** have had conversations about providing a B loan for the acquisition.

Bank spokespeople either declined to comment or did not immediately respond to an inquiry. A Dominion spokesman did not immediately respond to an inquiry.



Kincaid

## STRATEGIES

## Kinder Readies \$1B In Bonds For Acquisition

**Kinder Morgan Energy Partners** plans to issue \$1 billion of senior unsecured notes to help finance its \$21.1 billion acquisition of **El Paso Corp.** and \$3.9 billion purchase of **Copano Energy**. The El Paso acquisition closed last May and the Copano purchase is slated to close in the third quarter.

"It has been a pretty active time in the bond market for midstream companies," says **William Ferrara**, a director at **Standard & Poor's**, referencing **Cheniere Energy's** upsized offering last month (*PI*, 1/31). "Kinder Morgan is an active issuer and this is another example of a growing sector taking advantage of lower interest rates to secure financing."

Ferrara says he expects more companies in the space to issue debt as conditions are supportive.

The issuance consists of a \$600 million, 10.5-year tranche that carries a coupon of 3.5% and an issue price of 99.73 and a \$400 million, 30-year tranche, with a coupon of 5% and an issue price of 99.322. The 10.5-year notes are priced at 185 basis points over

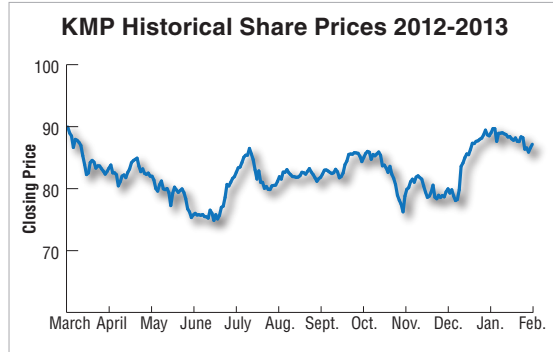
Treasuries and the 30-year notes are priced at 155 bps over Treasuries.

**Deutsche Bank**, **DNB Bank**, **JPMorgan**, **Mitsubishi UFJ Financial Services**, **RBC Capital Markets**, **Royal Bank of Scotland** and **SunTrust** are joint lead managers. **ING**, **Mizuho**, **Natixis**, **Scotiabank** and **Sumitomo Mitsui** are co-managers.

**Shell U.S. Gas & Power** and **Southern Liquefaction Company**, a Kinder Morgan subsidiary and unit of **El Paso Pipeline Partners**, recently revealed plans to develop a natural gas liquefaction plant in two phases at Southern's existing Elba Island LNG Terminal, near Savannah, Ga. A Kinder Morgan official in Houston declined to comment on details of this

project and precisely how it would use the proceeds of the bonds.

Kinder Morgan tapped **Barclays** to run the cash and stock acquisition of El Paso. The company plans to sell El Paso's exploration and production business. S&P rates the notes BBB, while **Moody's Investors Service** rates the offering Baa2. The issuance takes the company's overall long-term debt to \$15.7 billion.



Source: Power Intelligence via Yahoo! Finance

## Brookfield Pockets Bonds For Wind Refi

**Brookfield Renewable Energy Partners** has completed a C\$450 million (\$437 million) bond issuance refinancing its 166 MW Comber wind project—the first rated bond issuance backing a wind deal in Canada on the public market. "We expect more wind transactions to come," says **Greg Lawrence**, managing director at **Scotia Capital** in Toronto, which was sole lead and book runner. "This is a new asset class and the market was keen to invest in their transaction."

The senior bonds have an all-in interest rate of 5.13% and fully amortize over a period of 17.7 years. The offering was "well oversubscribed," says Lawrence. Over half of the 25 institutions that invested are also investing in the renewable sector for the first time. Pension funds and investment managers are buying some of the Brookfield deal, which wrapped Friday. Lawrence declined to identify the investors, while **Sachin Shah**, cfo at Brookfield Renewable, declined to comment.

"There are many candidates in the Canadian power industry that could use bonds for financing," says Lawrence. "There are more than 20 owners and operators of wind projects in Canada, who now have a truly new source of capital for project finance. I expect at least one or two more deals this year of comparable size."

The bonds are rated BBB by **DBRS**. The lack of a domestic agency rating this type of project bond had been a barrier in the past, says Lawrence, but DBRS has now started looking at the

assets. **Bruce Ellis**, senior v.p. at DBRS, says that due to government policy in Canada, including the regimen of feed-in tariffs that pushed projects into the market, there are now a number of sponsors looking to refinance older loans backing facilities that took advantage of government subsidies. "Due to the transaction sizes there will be a broader range of investors and greater market appetite."

Scotia led the original \$322 million loan financing of Comber, along with **Bank of Tokyo-Mitsubishi UFJ** (*PI*, 10/5/10). The project in Essex County, Ontario, entered commercial operation in fall 2011 and has a 20-year power purchase agreement with the **Ontario Power Authority**.

## PEOPLE &amp; FIRMS

## Goldman Taps Gibson As Power Co-Head

**Matt Gibson**, managing director in the power and utilities team at **Goldman Sachs**, has been tapped to be co-head of the global power investment banking. He will replace **Tim Kingston** who is headed to Santiago, as *PI* first reported last month (*PI*, 1/17).

Gibson is the co-head of the Chicago office and will remain in the Windy City, says an observer. Gibson will be global co-head alongside London-based **Gonzalo Garcia**.

The timeline for Gibson to takeover could not be learned. A Goldman spokesman declined to comment.

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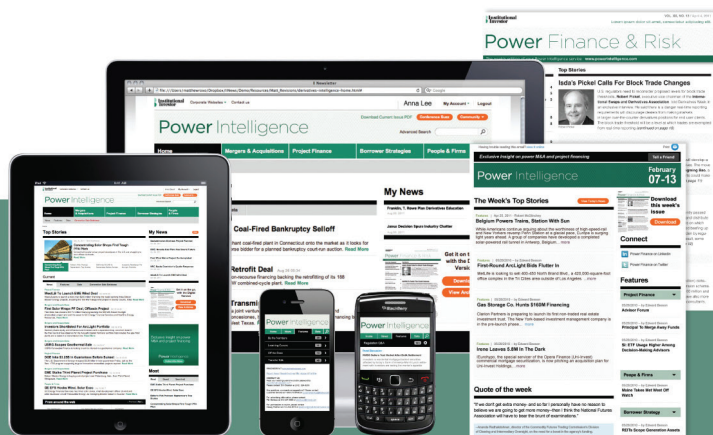
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## INDUSTRY CURRENT

## The U.S. Army's Hunt For Electricity – Part III

THIS WEEK'S INDUSTRY CURRENT is the final installment of a transcript of a panel of industry officials focused on the U.S. Army's solicitation for renewable projects. Last week, panelists discussed options for these projects when they reach the end of their contracts and enhanced uses leases. This week, the panelists examine excess generation and other potential issues in the solicitation.

**Keith Martin**, partner at **Chadbourne & Parke** in Washington D.C., moderated the panel, which included:

- **Nate Butler**, manager of government programs at **SunEdison**,
- **John Finnerty**, government channel manager for **Standard Solar**,
- **Robert Franson**, a v.p. at **Energy Investors Funds**,
- **Kevin Johnson**, manager of mergers and acquisitions and federal markets for **Acciona Energy North America**,
- **David McGeown**, a principal with **McGeown Associates**, a consultancy that is assisting the U.S. Department of Defense, and
- **Kevin Prince**, project development manager for federal programs for **SunPower**.

## Excess Electricity

**MARTIN:** Do you expect the Army to buy all the output or just what it needs? Do you expect to be able to sell any excess electricity to the grid? Do you expect to be able to build a larger project than the Army requires and earn additional revenue by generating electricity for export?

**FRANSON:** If the base wants to take 100% of the output, that's great. If it does not want to take it, then we will need the ability to sell that power off-base to a utility. It would be even better if the base will allow us to build a bigger project and generate electricity from the start for export.



Kevin Prince

**PRINCE:** It is the responsibility of the developer to look at the load data for the base and size of the system for the best economics or net present value. Utilities buying from larger scale projects generally do not want any excess electricity sold to someone else. There is usually a requirement from investors that 100% of the output be purchased whether or not the base consumes

it. The issue of generating more electricity than the base needs might be resolved by establishing a baseline for consumption, calculated on historical usage, and if the purchase falls below that baseline, then there would be some sort of equitable adjustment.

**MARTIN:** What happens if the project is curtailed? Will the Army pay for the electricity anyway?

**BUTLER:** The contract should explain what happens if the project is curtailed. The answer will depend on who caused the curtailment and the reason that it happened. If it is a government-caused issue, then that might be a government liability. The contract will also have to allocate liability where the project is curtailed due to force majeure or a problem with the transmission grid. As long as you know what will happen, you can manage the risk. It is only where you do not know what will happen that the real problems begin.



Nate Butler

**MARTIN:** Some utility contracts increase the electricity price if the project misses deadlines to qualify for tax subsidies. Do you expect the Army to allow such adjustments?

**FINNERTY:** It would be wonderful if they did, but we have not seen that flexibility.

**JOHNSON:** We could also run up against the retail rate cap. What we are seeing is that the utility sets the price of electricity in a particular location.

## Other Points

**MARTIN:** What other issues do you see with the Army procurement?

**BUTLER:** I would say to the Army that the cleaner the process, the better. If you can avoid it, do not add to the requirements as we go along. Have realistic expectations for the value of what you are bringing to the table, whether it is land, sunlight, biomass or wind. It makes it hard when we bid at one price and on one set of terms and then there are lots of things on which we also have to give. It makes it more difficult for a project to be successful.

Time is another big deal for us. You have incentives that are running out all the time. You have financing where rates come and go and if we can move quickly and get the best terms, the government benefits. Timing is a lot bigger issue than I think the government appreciates.

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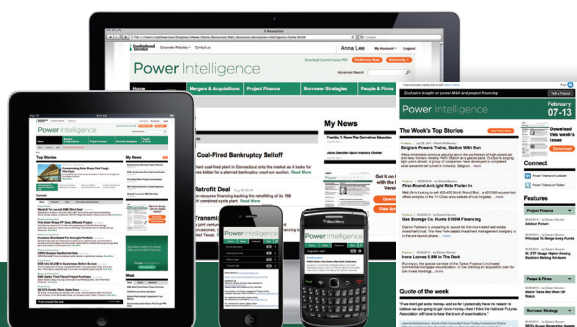
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**PRINCE:** The Army is operating under two types of authorities. It has section 2922a, which authorizes it to purchase electricity, or it has EUL authority, which allows it to lease underutilized land to earn revenue. It is usually an either-or situation. There is not enough value in the deal to get revenue from the land and also to get electricity savings. That is an important consideration.

**MARTIN:** Are there other issues with the procurement?

**JOHNSON:** There is a bit of a fatigue factor for those of us competing globally. There is a hurry-up-and-wait pattern to military procurements. It is hard to keep the management teams, both here and abroad, engaged and ready to react when we sit for a while and then, suddenly, an RFP comes out right before Thanksgiving or over the holidays.



Kevin Johnson

**MCGEOWN:** I have one that relates directly to each of the procurements, but is my big nightmare because I am often the one saying, "This is not going to work." It is a general comment that may not relate to my fellow panelists, but when we see 150 people come talk to the military brass about what they can do, we hear too much rubbish. Tell the truth. Equally, if you think what the Army is requesting is nonsense, tell the top brass. Tell them what it takes to get these deals done, and we will go and get some deals done.

**MARTIN:** The *North American Windpower* article said there were both advantages and disadvantages to bidding into a DoD procurement compared to a utility RFP. What are the advantages?

**BUTLER:** I think number one is marketing. The government pays up to \$4 billion a year for electricity. That's a big payoff even if you can get a small part of that. I would say the barriers to entry are high, but once you clear those, it can be a less crowded field. The fact that the Army procurement has hundreds of applicants is not typical for a government or DoD procurement. Once you figure out how to work with the DoD, I think you can make a business of it.

**MARTIN:** Rob Franson, you get the last word. What's the advantage of this?



Robert Franson

**FRANSON:** The main advantage is the potential for five to 10 years' worth of transactions using the same template. However, unfortunately there are still a lot of issues that need to be resolved before we can participate in this space.

*The Industry Current is a feature written by power industry professionals that highlights and clarifies key issues in the sector. PI runs the feature periodically and is now accepting submissions. For details and guidelines on writing an Industry Current, please call Sara Rosner at (212)224-3165 or email [srosner@iineews.com](mailto:srosner@iineews.com).*

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## Pepe To Start *(Continued from page 1)*

other movers are HSH directors **Sanjeeva Senanayake** and **David Watson** and assistant v.p. **Charles Yawson**.

The shop was founded in 2009 by Wellford, who has a long pedigree in energy that includes a stint as vice-chairman of **Sithe Energies**, one of the trailblazers in the U.S. merchant generation sector. His current focus is green energy and Pepe cites Wellford's role as an advisor to the Texas Clean Energy Project as an example of the type of projects in which his team can deploy its financial acumen. The integrated gasification combined cycle clean-coal power plant is being built near Odessa, Texas. "Harrison's passion is supporting environmentally beneficial companies," Pepe says.

HSH has been in wind-down mode on its power debt book in the U.S. for a while and hasn't been taking new tickets except in some restructurings of debt it already holds.

The team started at Wellford on Friday. —**Peter Thompson**

## ArcLight Preps *(Continued from page 1)*

to up its stake to be majority owner. It typically takes corporate level stakes, such as investments in **Star West Generation** and **Duquesne Light & Power**, and is not a manager or operator (PI, [10/14/11](#) & [12/6/10](#)). GE EFS could sell along with ArcLight, the banker adds.

The six plant portfolio includes simple cycle and combined cycles around the state that are mostly contracted although one, the 640 MW Sandersville simple cycle in Sandersville, Ga., was merchant as of the fall, according to a filing with the U.S. **Federal Energy Regulatory Commission**. For the full list, see table below.

The trio bought one of the plants in the portfolio, the 300 MW Mid-Georgia Cogeneration, in the second half of 2012 from **Perennial Power** for roughly \$150 million, including the assumption of about \$60 million in debt plus some cash in the capital structure. **Georgia Power Co.** opted to forgo its first right of refusal on the plant ([PI, 8/14](#)).

It bought Sandersville from **KGen Power** for about \$203 per kW ([PI, 7/12/10](#)).

### Southeast PowerGen Fleet

Plant Name/Size	Location	Contracts
Monroe 320 MW	Monroe County, Ga.	Tolling agreement with Georgia Power Co. through May 2024
Walton 450 MW	Monroe, Ga.	Tolling agreement with Georgia Power Co. through May 2024
Washington 602 MW	Linton, Ga.	Tolling agreement with Constellation through 2015; Georgia Power Co. through May 2024
Sandersville 640 MW	Washington County, Ga.	Merchant
Effingham 515 MW	Rincon, Ga.	Tolling agreement with Constellation through Dec. 2015
Mid-Georgia Cogen 300 MW	Kathleen, Ga.	Power purchase agreement with Georgia Power until 2028; steam contract with Frito-Lay

Source: U.S. Federal Energy Regulatory Commission and Power Intelligence

## ALTERNATING CURRENT

### Apple Flirts With Mainstream Solar Tech Design



Apple is trying to address a ubiquitous conundrum of smart phone ownership: how does one charge a phone in those moments when the cord won't reach the outlet or those many times when there is, simply and usually most inconveniently, no outlet? The Silicon Valley giant is turning to the sun for a solution.

The company has received approval from the U.S. **Patent and Trademark Office** for a transparent solar panel that doubles as a touch screen, according to [Patently Apple](#), a blog that covers, well, Apple patents. It first filed a solar patent in 2008 and again with an update in 2010. The company snagged approval Feb. 5.



ThinkStock/iStock photo

The electrodes in the panel would double as solar energy collectors as well as the sensors that detect activity on the touch screen. The implications are the stuff of any smart phone owners' daydream: charging the phone in a cupholder while riding down the interstate or on a windowsill during a flight delay.

Spokesmen for Citi and Barclays declined to comment. A GE EFS spokesman referred questions to ArcLight, where a spokeswoman did not respond to an inquiry. A GIC spokesperson was not immediately available for comment. —**Holly Fletcher**

## MidAmerican Hunts *(Continued from page 1)*

says a deal watcher, who thinks bank appetite will still be there given the lack of deal flow in the wider project market ([PI, 1/17](#)). "This deal will need almost every bank in the market," says a project financier. "The original purchase of the project from SunPower was received well, so they shouldn't have any problems marketing it to lenders."

MidAmerican's most recent project financing tapped the bond market for \$850 million in a 144A transaction to back its Topaz solar photovoltaic project in San Luis Obispo County, Calif. ([PI, 2/24/2012](#)). That deal was led by **Barclays Capital**, **Citigroup** and **Royal Bank of Scotland**. Barclays' syndicate desk referred inquiries to Goldman, while Citigroup and RBS declined to comment.

The projects have two, 20-year power purchase agreements with **Southern California Edison**. Construction is scheduled to begin in 2013, with the plants expected to be complete by the end of 2015. —**Nicholas Stone**