Institutional Investor

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Exclusive Insight on Power M&A and Project Financing

# Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

## EDF Stalks Québec Wind Funds

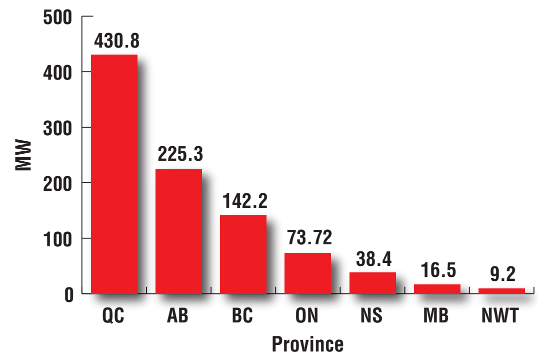
**EDF Renewable Energy** is hunting debt for its 350 MW Rivière-du-Moulin wind farm in eastern Québec. The project is slated to cost about $800 million and the company, formerly known as **enXco**, will probably need around $600 million in debt

"They have big pockets," says one deal watcher of EDF. "In Canada they can't do tax equity structures like they would in the U.S., so they will probably have all the LIBOR-plus-250 banks flocking to the deal, because of the strength of the company. You have to assume there will be a French bank, a Canadian bank and some of the banks active in Toronto on the deal," adds another deal watcher.

**Jim Peters**, v.p. of project finance at EDF based in Williston, Vt., will be handling the financing efforts. Peters and a spokeswoman in San Diego did not respond to inquiries by press time. It is unclear what debt-to-equity ratio the

*(continued on page 12)*

**Wind Generation Added In Canada In 2012**




Source: The Canadian Wind Energy Association

## Q&A: Harry Clark, Orrick

*Harry Clark*

Harry Clark has spent more than two decades working on government contracting. He started out at **Dewey & LeBoeuf** and is currently a partner with law firm **Orrick** in Washington, D.C., which he joined in 2012. Renewable energy has become a big part of his workload and he's acknowledged as one of the go-to advisors on the U.S. **Army**'s multiple award task order contract (MATOC), which prequalifies developers to bid on projects. He sat down with Senior Reporter **Holly Fletcher**.

*PI: What is your experience working with the government and what have you gleaned that is helpful to the private sector looking to work with the public sector?*

*(continued on page 10)*

## Genesis Hunts Funding For EIF-backed Plant

**Genesis Power** is looking for debt backing a 735 MW natural gas-fired combined-cycle facility in Brandywine, Md., and a subsidiary of **Energy Investors Funds** is a co-investor in the project. The cost of the facility is pegged to be around $750 million.

The developer will look for financing without a power purchase agreement, according to a statement made by **Robert Place**, president of Genesis, to the Maryland **Public Service Commission**. The company is in discussions with a counterparty to secure a hedge for the Keys facility, says a deal watcher. Genesis expects to close the financing by September.

"That seems to be the general tone for financings this

*(continued on page 12)*

### LatAm Energy & Infra Confab

*The Biltmore*

The role of local banks, project bonds and powering mines in Chile stirred up the buzz at the event in Miami.

*See conference coverage, page 8*

### 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*

## IN THIS ISSUE



## AT PRESS TIME

# K Road Scopes Mezz For Moapa

**K Road Power** is looking to tap mezzanine debt in the financing of its $1 billion, 350 MW Moapa solar photovoltaic project in Clark County, Nev. K Road is being advised by **Citibank** on the financing (*PI, 2/6*).

Company officials and Citi have been approaching funds and investment banks. "I haven't seen [mezz lending] before from investment banks, but it is theoretically possible," says one financier. "It would be pretty unusual, but they could do it if they wanted to build a relationship with the sponsor for future deals."

K Road has also approached **Carlyle Energy Mezzanine Opportunities Fund** and **Ares Management**. It is unclear exactly how much mezzanine debt the company is looking to secure or what exact structure the financing will take. "The developer is looking for as much leverage as possible," says a deal watcher. Carlyle and Ares officials confirmed they have looked at the deal, but declined further comment. **Carl Weatherley-White**, cfo at K Road in New York, declined to comment on the status of the financing.

Mezzanine lenders focused on power and energy have been raising funds aggressively in the past couple of years, amassing around $3 billion (*PI, 12/21*).

**State Street** and **MetLife** will be tax equity investors in the project among others, says another deal watcher. A State Street official confirmed that it is looking at the deal, but declined further comment. Calls placed to officials at MetLife were not returned by press time. Details of the tax equity tranche could not be learned by press time. The **Los Angeles Department of Water and Power** has a 25-year power purchase agreement with the facility (*PI, 12/7*).

### 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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Generation Sale DATABASE

## 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/Comments |
|---|---|---|---|---|
| ArcLight Capital Partners | Various (2.8 GW Gas) | Georgia | Citigroup, Barclays | Recently mandated two banks to sell six gas-fired plants in Georgia (PI, 3/4). |
| Atlantic Power Corp. | Auburndale (153 MW Cogen)<br>Lake (121 MW Cogen)<br>Pasco (121 MW Cogen) | Polk County, Fla.<br>Umatilla, Fla.<br>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) | California | Rothschild | The company is quietly shopping it; initial bids due soon (PI, 11/12). |
| Deutsche Bank, Katabatic Power Corp. | Banks Island (1 GW Wind project) | British Columbia | None | Newly founded shop is buying the shelved project in anticipation of load growth (PI, 1/21). |
| Diamond Generating | Stake (1,178 MW Kiowa CCGT) | Oklahoma | Citigroup | Co-owner Tenaska bought out the stake (PI, 1/21). |
| Dominion | Brayton (1,536 MW Coal, Oil, Gas)<br>Kincaid (1,158 MW Coal)<br>50% Stake (1,424 MW Elwood Peaker) | Somerset, Mass.<br>Kincaid, Ill.<br>Chicago, Ill. | Citigroup, Morgan Stanley | Parsing second round bids (PI, 3/4). |
| 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)<br>Rathdrum (275 MW Gas)<br>Plains End I & 2 (228.6 MW Gas)<br>Stakes (245 MW Cottage Grove Gas)<br>Stakes (249 MW Whitewater Gas) | Queens, N.Y.<br>Rathdrum, Idaho<br>Arvada, Colo.<br>Cottage Grove, Minn.<br>Whitewater, Wis. | Barclays<br>Scotiabank | Teasers are out (PI, 12/10).<br>Tyr, John Hancock and Prudential are buying the assets (see story, page 7). |
| 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 (PI, 3/4). |
| 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). |
| Invenergy | 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 Portfolio) | 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)<br>Forked River (86 MW Gas)<br>Pawtucket (64.6 MW Gas)<br>Pittsfield (170 MW Gas)<br>Basin Creek (53 MW Gas) | Hartford, Conn.<br>Ocean River, N.J<br>Pawtucket, R.I.<br>Pittsfield, Mass<br>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). |
| Olympus Power, Metalmark Capital | Brooklyn Navy Yard (Stake, 286 MW Gas) | Brooklyn, N.Y. | Credit Suisse | EIF has agreed to buy the plant, which was damaged by Hurricane Sandy (PI, 1/14). |
| 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)<br>Colstrip (529 MW Coal)<br>Corette (153 MW Coal) | Various, Montana<br>Colstrip, Mont<br>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)<br>Mexicali (625 MW Gas)<br>Copper Mountain 1 (58 MW Solar)<br>Copper Mountain 2 (150 MW Solar)<br>Mesquite 1 (150 MW Solar) | Arlington, Ariz.<br>Mexicali, Baja California, Mexico<br>Boulder City, Nev.<br>Boulder City, Nev.<br>Arlington, Ariz. | TBA | Salt River Project financed its 50% stake with cash (see story, page 7).<br>The Sempra Energy unit is talking with prospective advisors (PI, 10/22).<br>Infrastructure funds make up the bulk of first round bids for the solar assets (PI, 1/14). |
| Starwood Energy | SSM I, II, II (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)<br>Windridge (4.5 MW Wind)<br>Mesa (30 MW Wind)<br>Kingman (10.5 MW Wind, Solar PV)<br>Yabucoa (30 MW Solar PV) | <br>California<br>California<br>Arizona<br>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 hfletcher@iiintelligence.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). |
| Alterra | Dokie II (156 MW Wind) | Fort St. John, B.C. | TBA | Expansion | $300M | TBA | The sponsor is hoping to close the financing in the next few months (PI, 9/24). |
| 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. |
| | Palen (500 MW Solar) | Riverside County, Calif. | TBA | TBA | TBA | TBA | Sponsor has shifted its focus to Palen, after Rio Mesa fell through. |
| 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). |
| Competitive Power Ventures | St. Charles (660 MW Gas) | Charles County, Md. | TBA | TBA | $500M | TBA | Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17). |
| Coronado Power | Edinburg (700 MW Gas) | Edinburg County, Texas | TBA | TBA | $650M | TBA | The new shop will fire up the financing after some of the final permits are issued (PI, 12/3). |
| ▶ EDF Renewable Energy | Rivière-du-Moulin (350 MW Wind) | Quebec, Canada | TBA | TBA | TBA | TBA | The total investment needed for the project will be $800 million (see story, page 1). |
| EmberClear Corp. | Good Spring (300 MW Gas) | Schuylkill Country, 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). |
| Genesis Power | Keys Energy Center (750 MW Gas) | Brandywine, Md. | TBA | TBA | TBA | TBA | EIF is taking an equity stake in the project (PI, 3/4). |
| Geronimo Wind Energy | Black Oak and Getty (42MW & 40MW Wind) | Stearns County, Minn. | TBA | TBA | ~$150M | TBA | The sponsor is waiting to secure an offtake agreement (PI, 12/17). |
| Greengate | Blackspring Ridge I (300 MW Wind) | Lethbridge, Alberta. | Citigroup | TBA | ~$600M | TBA | Sponsor may be looking for financing or to sell (PI, 9/10). |
| ▶ K Road Power | Moapa (350 MW Solar) | Clark County, Nev. | TBA | TBA | $1B+ | TBA | The sponsor is looking to line up mezzanine debt before a tax equity tranche (see story, page 2). |
| MidAmerican Solar | Antelope Valley (579 MW Solar PV) | Kerm & L.A. Counties, Calif. | Goldman Sachs | TBA | TBA | TBA | The full project price tag is around the $2.3 billion mark (PI, 3/4). |
| ▶ OCI Solar Power, CPS Energy | Alamos I - V (400 MW Solar) | Texas | TBA | Term | ~$500M | TBA | Sponsor taps Korean investors for phase I (see story, page 5). |
| ▶ Panda Power Funds | Temple II (750 MW Gas) | Temple, Texas | TBA | TBA | $700M | TBA | The developer has approached ratings agencies for a possible B loan (see story, page 6). |
| 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 (PI, 3/4). |
| ▶ Terra-Gen Power | Alta Wind X-XII (TBA MW Wind) | Tehachapi, Calif. | TBA | TBA | TBA | TBA | Sponsor is looking to finance another two, possibly three, phases of the project. |
| 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). |

▶ **New or updated listing**

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## PROJECT FINANCE

# Korean Lenders Tapped For Texas Solar

**OCI Solar** has tapped the **Korea Finance Corp.** and **Korea Development Bank** for financing backing the first 41 MW phase of its 400 MW Alamos solar project near San Antonio. Approximately half of the total investment cost has been financed and the loan will have a 16-year tenor, says President **Tony Dorazio** in San Antonio, who declined to reveal the amount borrowed and the pricing.

"The whole thing went very well, very smoothly, and it is definitely an option out there," says Dorazio of using the Korean lenders. "With Basel III, most European lenders have gone back to the mini-perm structure. European lenders will only do that kind of tenor with certain customers."

Established in October 2009, KoFC is a financial institution based in Seoul mandated to support the growth of the Korean economy. KDB was founded in 1954 with a similar order. But both have started investing more widely. "They are not so much import/export banks anymore, they have a looser mandate. We are owned ultimately by Koreans, **OCI Company**, so they could get comfortable with it," Dorazio says. OCI Solar is a subsidiary of Seoul-based OCI Company. The lenders did not respond to inquiries by press time.

Overall $1 billion will be needed for the development of Alamos, of which around half will be sourced as debt (*PI, 9/10*). The 400 MW project is being developed through a public-private partnership between OCI and **CPS Energy**, a utility serving the greater San Antonio area.

**Nexolon America** will manufacture the panels, **ERCAM Trackers** will produce the solar trackers and **KACO** will supply the photovoltaic inverter and power electronics. Alamo I will be completed by year-end, while the entire project should be finished by late 2016.

# Sequestration Slices 1603 Cash Grants

President **Obama**'s sequestration order will trigger an automatic cut of 8.7% to all U.S. **Department of Treasury** payments made under the 1603 cash grant program. "You could see this ruling causing a developer to say that it's not worth it," says **David Burton**, partner at **Akin, Gump, Strauss, Hauer & Feld**. The program gives qualifying renewable energy projects 30% of their value in a lump sum in lieu of the production tax credit or investment tax credit.

The cut will last until Sept. 30 and apply to all award letters issued by Treasury on or after March 1, regardless of when the applications were submitted. "There are some very large utility scale deals, some high profile, which may be affected," adds Burton, which he declined to identify.

Projects impacted will see 8.7% of the 30% cash grant cut, representing a loss of 2.6% of the overall project value. This is expected to impact on the cost of capital for solar projects without the governmental backing and shift the financing structures used, says another deal watcher.

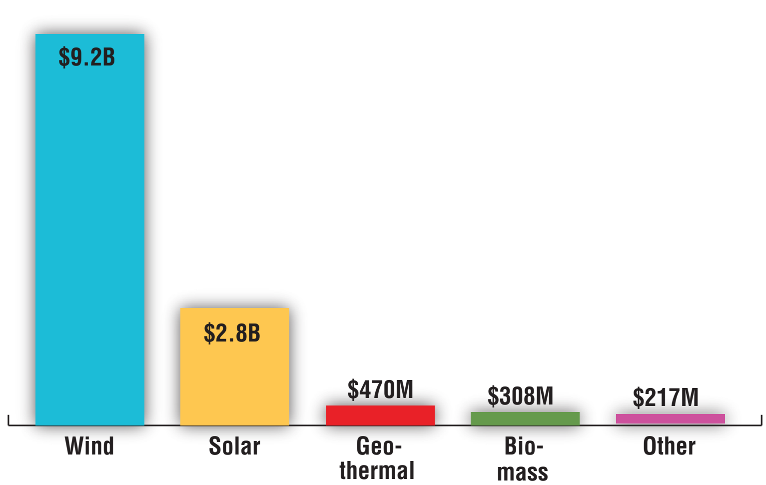
More developers may opt for the ITC and would need a tax equity investor to monetize it for them, which could mean an increase in demand for tax equity, according to Burton. "The grant is generally thought of as comparable to equity, so I don't think lenders will be prepared to fill the hole from sequestration," he says of how they may make up the lost percentage.

The ITC cannot be claimed on the lost 2.61%. Sponsors can elect out of the grant and opt for only the ITC, which they can do up until the time the Treasury wires the grant amount. "This is good news for us," says one tax equity investor at an institutional investor. "We will probably get more opportunities, while those entities with bridge loans will likely suffer."

A spokeswoman for the Treasury in Washington would not reveal any projects that may be affected. "Treasury will continue to review applications and make determinations in accordance with current practice," it said in a *statement released by the government*.

It is unclear what will happen at the end of the seven month reduction to the grant. "No one knows about that yet," says **David Weisblat**, a partner at **Troutman Sanders**.

**Section 1603 Awards By Fuel Type**




Source: Power Intelligence

# Panda Hunts Temple II Rating

**Panda Power Funds** has reportedly approached **Standard & Poor's** to get a rating for the term loan B backing the second 750 MW phase of its merchant Temple gas-fired facility in Temple, Texas. The move suggests it is close to shopping the debt to investors, bankers say, and the deal is expected to launch by month-end.

S&P assigned a B rating to both the Temple I and Sherman term loan Bs. The ratings agency cannot comment on a deal before it has delivered a rating, according to a spokeswoman in New York. **Bill Pentak**, v.p. of investor relations and public affairs at Panda, and **Robert Simmons**, cfo and the official in charge of securing the financing for the company, declined to comment.

Panda is in a strong position as it has the equity backing and a good system of hedges, so lenders should be comfortable buying into the B loan, says a deal watcher. Panda will look to be more aggressive on the pricing this time around for Temple, deal watchers say, pointing to a potential for around 200 basis points of tightening on merchant financings in general (*PI, 1/18*). Panda's Temple I deal priced at LIBOR plus 1,000 basis points, according to deal watchers, and they expect the pricing on Temple II to be much lower. **Ares Management** led the mezzanine debt for Temple I, while **Morgan Stanley** led the A tranche (*PI, 7/23*). The Panda Sherman B loan trimmed 250 bps off that level, coming in at LIBOR plus 750 bps (*PI, 9/20*).

Details of a possible amount sought could not be learned by press time.

**STRATEGIES**

# Highstar B Loan Draws Interest

**Highstar Capital** garnered strong early responses from investors this week for its $725 million B loan refinancing a pair of acquisitions. Commitments for tickets began coming in to lead arranger **Citigroup** on Monday, a day ahead of the deadline, says a deal watcher.

The five gas-fired plant portfolio in Arizona and California is attracting a broader array of investors than the loans being re-financed, says the deal watcher, noting there is greater diversity and higher contractedness. Existing lenders as well as new lenders were lining up to take tickets.

The interest comes on the heels of strong appetite for **Riverstone Holdings**' B loan for **Topaz Power Holdings**, says a financier. That loan was upsized and wrapped tighter than guidance (*PI, 3/5*).

The seven-year loan is being floated at LIBOR plus 400-425 basis points (*PI, 2/20*). It has a 100 bps LIBOR floor. There's a soft call of 101 in the first year. **Morgan Stanley**, **Barclays**, **Royal Bank of Canada** and **Union Bank** are participating.

The loan will sit at **Star West Generation**, Highstar's independent power producer that owns the 572 MW Griffith combined cycle plant in Kingman, Ariz., the 579 MW Arlington Valley near Phoenix, the 95 MW Hanford peaker, the 97 MW Henrietta peaker in Kings County, Calif., and the 314 MW Tracy CCGT in Stockton, Calif.

Proceeds will be used to take out a $173 million B loan wrapped in November that financed the California purchases. That loan closed at LIBOR plus 475 bps, at a time when the institutional market was awash in paper and pricing was wider. It's also refinancing a spring 2011 B loan for $650 million, which priced at LIBOR plus 450 bps and financed the Arizona assets.

# Topaz Wraps Upsized Loan

**Riverstone Holdings**' refinancing of its merchant **Topaz Power Holdings** subsidiary in Texas came in with an upsized B loan and pricing tighter than initial guidance.

Pricing on the $560 million B loan was originally floated at LIBOR plus 425 basis points but came in at LIBOR plus 400 bps on strong investor appetite, says a financier. The B loan was boosted by $50 million to $610 million. Commitments had come in oversubscribed as investors are turning to the B loan market for yield (*PI, 2/21*).

The loan carries a LIBOR floor of 125 bps. It was offered at 99 with a 101 soft call in the first year. The package includes a $30 million credit facility which stayed the same size.

**Goldman Sachs** was lead left and **Barclays** the other lead. **Moody's Investors Service** is rating the package at B1 and **Standard & Poor's** BB-.

Topaz Power owns 1,859 MW in southern Texas. The plants are:
- 999 MW Barney combined cycle cogeneration in Corpus Christi,
- 190 MW Laredo simple cycle in Laredo and the 670 MW Nueces Bay CCGT cogen in Corpus Christi.

# AEP Units Near Rate Recovery Securitization

**American Electric Power** subsidiaries **Appalachian Power Company** and **Wheeling Power Company** are closing in on an agreement in West Virginia to issue a rate recovery securitization.

The utilities proposed a $415 million transaction that aims to recover about $312 million in losses and other expenses related to the increased price of coal. Appalachian Power reported that annual coal costs ballooned to $1.2 billion in 2011, up from $720 million in 2007.

In meetings on Tuesday, Appalachian Power and Wheeling Power agreed on the terms of their joint financing proposal, and are expected to publicly file that agreement imminently. A deal still hinges on approval from the West Virginia **Public Service Commission**.

A standard rate recovery asset-backed securitization structure pools a charge on customer's bills and sells it to investors through securitization. But first, a utility must get legislation passed to authorize a state's public utility regulator to consider the measure and then the commission has to dispatch a financing order before the utility can proceed with the transaction.

Rate recovery bond securitizations surface from time to time to offset various losses, from damage sustained from natural disasters, competitive issues in states that privatized their utilities in the 1990s, or other revenue losses, as in this case. Similar ABS deals are awaiting the go-ahead from authorities in Louisiana and Ohio, suggesting an active year for the ABS niche this year.

"The major benefit of securitization for a utility is that it lowers the cost of financing, which is ultimately paid by the rate payers, so the consumer pays less," according to **Floyd LeBlanc**, v.p. at **CenterPoint Houston**, which has turned to securitization several times to recover lost costs. LeBlanc called securitization more palatable for consumers than "traditional rate making," which he said involves a higher charge to consumers over a longer period of time. "The lower cost of securitization minimizes the price increase, duration and overall impact to end user consumers," LeBlanc said.

The approval process began in August of 2012. A securitization market official told *PI* sister publication *Securitization Intelligence* a typical timeline for getting a rate reduction deal through the state approval machine is between six and nine months.

Rate reduction ABS issuance topped $2.5 billion in 2012, a stark contrast from just $207 million the year prior, according to **Wells Fargo** research. Analysts at the bank pointed in particular to a large issuance from CenterPoint Houston, whose $1.7 billion accounted for much of last year's volume.

## MERGERS & ACQUISITIONS

# Investor Trio Snag EIF Portfolio

**Tyr Energy**, **John Hancock Financial Services** and **Prudential Capital Group** are set to buy majority interests in a portfolio of gas-fired plants totaling 997 MW from **Energy Investors Funds**.

EIF has been selling the portfolio called a Polaris, which is a subset of its **Calypso Energy Holdings** assets since the summer (*PI, 8/3*). The trio will buy two of the plants outright, Rathdrum and Plains End, and 35% of Cottage Grove and Whitewater.

The facilities are:

- 275 MW Rathdrum, in Rathdrum, Idaho, which has a tolling agreement with **Avista Corp**. until 2026;
- 228.6 MW Plains End I & 2 in Arvada, Colo., which has a tolling agreement with **Public Service Co. of Colorado** until 2028;
- 245 MW Cottage Grove in Cottage Grove, Minn., which has a PPA with **Northern States Power** until 2027 along with a steam contract with **3M Manufacturing Co**. with the same maturity; and
- 249 MW Whitewater in Whitewater, Wis., which has a PPA with **Wisconsin Electric Power** until 2022 and steam contracts of the same length with **University of Wisconsin** and **Whitewater Greenhouse**.

**Scotiabank** is advising EIF, while **Morgan Stanley** advised the buyers. EIF financed its acquisition of the bulk of Calypso with an $850 million debt package that consisted of seven- and 12-year term loans (*PI, 1/11/08*).

The purchase price and how it will be financed was not immediately learned. Spokespeople for the firms could not immediately comment.

# SRP Pays For Mesquite With Cash

**Salt River Project** has used cash to acquire a portion of **Sempra U.S. Gas & Power**'s Mesquite combined cycle plant. The $371 million, or roughly $600 per kW, acquisition of 625 MW closed Feb. 28.

Sempra is "working diligently" to line up an offtaker for the other portion of Mesquite as a way to attract other prospective buyers, **Debra Reed**, ceo of **Sempra Energy**, said on an earnings call. Sempra U.S. Gas & Power is trying to sell off its unregulated generation to focus on gas distribution (*PI, 10/19*).

Mesquite is a 1.25 GW CCGT in Arlington, Ariz., and SRP agreed to buy half the plant in November (*PI, 11/7*).

Through subsidiaries, Sempra, based in San Diego, Calif., owns the 1,250 MW Mesquite Power gas-fired combined cycle in Arlington, Ariz., as well as the 625 MW Termoeléctrica de Mexicali gas-fired asset in Mexicali, Baja California, Mexico. The Mexicali plant would be included in the sale as it sits roughly a mile south of the Mexico-California border.

**CONFERENCE COVERAGE**

# Latin American Energy & Infrastructure Finance Forum

The rising profiles of local and regional lenders in project finance deals, the role of debt capital markets and generation for mines in Chile and Peru were highlights of the event held at **The Biltmore Hotel** in Coral Gables in Miami March 5-6. Managing Editor **Sara Rosner** filed the following stories from the conference hosted by **Euromoney Seminars**.

*The Biltmore*

## Mining Spurs Power Developments

Mining development in northern Chile and southern Peru is creating a need for dedicated infrastructure, including generation capacity. Roughly 1.3 GW of new capacity will be needed to support new mines in Chile in the next two to three years, **Enrique Tarazona**, cfo of Peruvian port operations company **Trabajos Maritimos**, told attendees at the conference in Miami.

"Peru has $40 billion in infrastructure investment needs spread across five mines. There's a huge gap between development and investment," said an attorney based in Lima. Proposed mining projects in Peru include **Xstrata Peru**'s $5.2 billion Las Bambas copper mine in the Apurimac region, **Minera Yancocha**'s more than $4.8 billion Minas Conga copper and gold mine in the Cajamarca region, **Anglo American Quellaveco**'s $3 billion Quellaveco copper mine in the Moquegua region and **Minera Chinalco Peru**'s $2.2 billion Toromocho copper mine in the Junin region.

**BHP Billiton** is evaluating proposals from three bidders in a request for proposals to build a more than 400 MW project to support its Escondida copper mine in Antofagasta, Chile (*PI, 11/14*). The company is expected to announce a winner in the RFP this year, one banker said. **AES Gener**, **GDF Suez**, **Marubeni**, **Mitsubishi Corp.**, **Mitsui** and **Sembcorp**. had reportedly been eyeing several tenders in the region. In Chile, **Collahuasi Compañia Minera Teck Quebrada Blanca** as well as a joint venture of **Sumitomo Corp**. and **Quadra FNX Mining** were also said to be been looking at tenders to build generation to back mining projects (*PI, 5/11/12*).

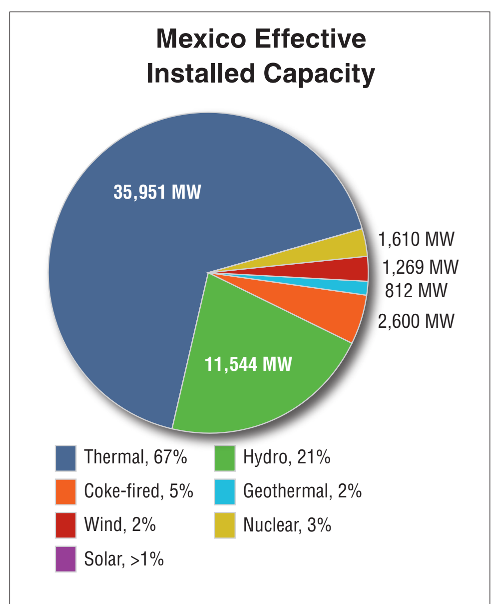

Source: InfoMine.com

## Astris Scopes Partners For Mexico Solar

Energy and infrastructure finance advisory shop **Astris Finance** is looking for players to participate in a new solar offtake arrangement in northern Mexico. The shop, which was founded in 2000 as the former Latin America-focused subsidiary of **Dexia**, plans to work with sponsors to develop and finance solar projects in the range of 12 MW and with municipalities to offtake the generation, said **Juan Francisco Toro**, director of structured finance at the conference.

The structure would provide cheaper electricity to that region of Mexico, noted Toro, who added rates in the area are some of the most expensive in the Americas. The structure could trim rates from more than 20 cents per kWh to 17-18 cents. The structure would be novel in that it would bypass the **Comision Federal de Electricidade**, Mexico's state backed utility. It would be more similar to the self supply schemes in the country utilized by private entities, such as **FEMSA** and a subsidiary of **Heineken**'s arrangement to buy power from the 396 MW Marena Renovables wind project (*PI, 2/27/2012*).

Astris, which was bought out by management in 2009 and has offices in Paris, Washington, D.C., and Mexico City, has been working with attorneys to vet and solidify the proposed structure. There are no utility scale solar projects in Mexico, but the country will need to add about 500 MW of solar to its fuel mix by 2026 to achieve the country's goal of reducing emissions by 30%, according to a presentation by **Pablo Sanchez Parra**, head of project finance at **BBVA Bancomer**.




Source: SENER and Comision Federal de Electridade

**CONFERENCE COVERAGE**

# Local Lenders Surge Into Project Finance

Local banks are increasingly active in project finance in Latin America. "The rise of local and regional banks has stepped up liquidity across Latin America," said a managing director at **HSBC** at the conference.

**Banco de Chile**, **Grupo Bancolombia** and **Banco Itau** are among the regional lenders making plays, bankers said. The lenders are filling the gap left by European banks that have generally scaled back participation and ticket sizes in project finance as they prepare for higher capital reserve requirements under Basel III.

The new players are also not challenged by deals in local currency, which is perceived as a risk by international banks. While local and regional banks often follow the example of international players, in some cases, they have also started structuring and leading their own deals, with international players coming in to take tickets, **Ricardo Jaramillo Mejia**, managing director of **Banca de Inversion Bancolombia** noted.

*Ricardo Jaramillo Mejia*

**Nely Fernandez**, senior v.p. and department head of syndications and placement at **Sumitomo Mitsui Banking Corp**., says there are roughly 70 project finance lenders in the region and of those, about 25 are new to project finance since 2006 and 2007. She expects upwards of $20 billion in energy and infrastructure project finance deals to clear the market this year, a $3 billion increase over 2012.

# Bonds Weighed For Brazil Hydro

A consortium led by affiliates of **Odebrecht** and state-backed utility **Eletrobras Furnas** is weighing issuing bonds backing a 3,150 MW hydro facility in Rondônia, Brazil, according to a deal watcher on the sidelines of the conference. Roughly 716 MW of capacity is in operation at the $7-8 billion Santo Antonio project, which marks the first dam to be built in the Amazon since the 1980s.

**Banco Santander** advised on the original financing of the project. **Banco Nacional de Desenvolvimiento Economico e Social** provided a R$6.2 billion ($2.5 billion) loan in 2008 and also supported a tranche of financing in which Santander, **Bradesco**, **Unibanco**, **BES Investimento do Brasil**, **Caixa Economica Federal**, **Banco do Brasil**, **Banco do Nordeste** and **Banco de Amazonia** participated. Details regarding a timeline for a potential issuance and banks participating in the deal, could not be learned by press time.

All of the dam's 44, 71.6 MW turbines on the Rio Madeira near Porto Velho are slated for operation in 2016. The consortium includes **Odebrecht Participações e Investimentos**, **Construtora Norberto Odebrecht**, Brazilian conglomerate **Andrade Gutierrez**, **Cemig** and **Fundo de Investimento e Participação Amazonia**, a fund formed by Santander, **Banif** and the investment branch of the public pension fund **Fundo de Garantia por Tempo de Serviço**. The developers won a 35-year concession held by the **Agência Nacional de Energia Elétrica** to sell 70% of the capacity at R$78.87 ($40.23) in 2007. The remaining capacity will be merchant.

# Project Bonds Pegged To Increase In PF

Bonds backing generation assets will increasingly be used for project financing. "You're not seeing a tremendous amount of bonds, but volume is going to go up," said a banker with **Sumitomo Mitsui Banking Corp** at **Euromoney Seminars**' Latin American Energy & Infrastructure Finance Forum.

Bonds made up about 5% of project finance deals in the region last year, financiers said, with Mexico and Brazil hosting most of the assets backing the instruments. **Mexico Generadora de Energia**'s $575 million bond issuance backing a pair of generation plants with a combined 500 MW capacity in Mexico was a highlight of discussions regarding bonds for power projects. The affiliate of **Grupo Mexico** priced the 20-year notes at 388 basis points over equivalent treasuries. **Morgan Stanley**, **Bank of America Merrill Lynch** and **HSBC** led the December issuance of the notes, which carry a 5.5% coupon. The projects will power Grupo Mexico's mining operations.

The increasing use of bonds is a reflection of premiums on many lenders' liquidity due to Basel III requirements as well as a search for yield in times of low interest rates. Institutional investors in Latin America are growing quickly and will eventually be a natural source of funding, said **Guillermo Fonseca Torres**, managing director of infrastructure finance and real estate at **Scotiabank**. "There is going to be more participation from institutional investors in project finance as they look for yield," added a banker from a Spanish lender.

***Reporter's Notebook***

- An avian invasion: a bird was fluttering around the main lecture hall throughout the first day of the conference. Whether it was charged for attendance could not be learned.
- Many conference attendees complained about the limited accommodation at the Biltmore in Coral Gables and the long lines for cabs to other hotels. The **Weston** and the **Hyatt Regency** were popular alternatives.

## Q&A: Harry Clark *(Continued from page 1)*

I've been working on government contacting matters involving U.S. government segments such as the U.S. **Department of Defense**, U.S. **Department of Energy** and the U.S. **General Services Administration** now for, sad to say, about 24 years. The renewable energy element has expanded substantially in the last three or four years. The renewable element has become a much more pronounced part of the practice as the U.S. **Department of Defense** has commenced its effort to greatly expand its use of renewable energy a few years ago.

Renewable energy government contracting has emerged as a very specialized area. On top of the normal complexities of renewable energy development is layered a complex body of regulation that impacts every aspect of the contracting relationship between the government and the private party.

*PI: So far in the application process for the U.S. Army's MATOC, what sets apart companies that are sailing through communications versus those that are struggling?*

Some of the attributes that tend to contribute to success in this area are: a) devotion of the time and effort needed to develop a solid proposal; b), obtaining the expertise needed to be effective in dealing with the Defense Department as a customer; and, c) focusing intently on the challenges that are involved in application of the standard government contracting legal requirements in the context of renewable energy projects.

To expand on that a bit, the phenomenon we're witnessing is a coming together, you might say, of two very different cultures. On the one side you've got the contracting function in the government—the government and its perspective on acquiring goods and services. And on the other side you've got the renewable energy community and what is typically a project finance approach to renewable energy projects. There's nothing good and bad on either side, they are just very different. Folks who tend to succeed are thoughtful about understanding and acknowledging the differences and incongruities and taking those challenges on in a thoughtful, realistic way.

*PI: Have you ever seen a private company struggle with how to adapt to working with the government? How do you recommend a company prepare itself?*

I've certainly seen instances in which investors and companies were not taking this as seriously as it needs to be taken and really struggling with it. At the end of the day problems are almost always solvable but they require attention and devotion of time and effort.

It is advisable to be sensitive to differences between the private sector and the government and rather than hoping that at the end of the day the government is going to act like a private sector contractor. It's not going to do so. It can't, given the legal environment in which it operates as a customer. With that in mind, put some thought into coming up with the most competitive proposal that can be submitted.

My experience over the past 20 years is ordinarily that acquisition officials in the government—they want to get it right. They want to get the best deal for the government. They want to accommodate, within reason, private sector competitors to enable the government to secure the best value. There's only so much they can do. There are some legal restrictions that they generally cannot waive. If the private sector is working on an informed good faith basis then normally, challenges can get resolved.

*PI: One issue that cropped up when the U.S. Department of Energy established its loan guarantee program was the department was understaffed, which slowed the process and frustrated developers and lenders. Do you expect there to be a similar learning curve in the Army process?*

My experience is that the people involved within DOD are thoughtful, intelligent, well meaning. But there is a learning curve and there are real challenges. If I was in the shoes of some of these folks in the government I would have the same challenge of making the square peg of renewable energy procurement fit in the round hole of government contracting regulations. Government acquisition functions face categorical legal requirements in many areas. They can't just wish them a way. They have to deal with them.

They've learned an awful lot about this business area and they are learning a lot more. That's crucial. At the same time, folks in the business community should be realistic about the challenge of negotiating the federal procurement legal structure and the need for creative thinking. It's not as easy as saying 'you the government should behave exactly like a private party.' They can't act like a private party. They are subject to special legal requirements that don't apply to private parties.

It takes concerted, thoughtful effort on both sides. I've been impressed by government. I've been impressed by business in general. It would be wrong on the government side to just sort of blame the business community for the challenge. It would be wrong on the business side to blame the government challenges. The fact is there are challenges here and often they are not easy.

*PI: How is the MATOC program moving along?*

The DOD received the MATOC proposals in October and those are all under review. It's not clear exactly when MATOC awards will occur. My sense is that awards should begin to emerge in the third calendar quarter. Many would view the timeline as slow. It's no doubt disappointing to some but it's not surprising.

*PI: What happens after the companies receive their MATOC eligibility awards?*

MATOC awards are expected to result in a more streamlined process to bid on projects in the future. At the same time the Army is pursuing renewable energy products outside the MATOC framework. An example is the Fort Detrick request for proposals here in Maryland [for a solar photovoltaic power purchase agreement]. And the MATOC program is limited to the Army. The U.S. **Navy** and U.S. **Marines** are pressing ahead with their programs.

*PI: What's the one element of working with the government that most takes the private sector by surprise?*

I think the most notorious is what's called "termination for convenience." It's an area that is shrouded in mystery and is viewed as being a bit more frightening than it actually needs to be. The notion is that the government always has to be in a position to cancel projects for reasons related to the government funding process. It is a legal imperative. In any government project, including a renewable energy project, the government is going to have termination for convenience rights where they can simply terminate the projects. The big question is 'okay what are the implications of that?'

Understandably this is a topic that has gotten the attention of the folks in the business and investment communities and understandably so. I actually think that the more one looks into termination of convenience the more the business and investment community can become comfortable with it. There are generally well understood approaches to compensating the private sector contractor on termination. To be sure, that needs to be understood by the contractor.

While termination for convenience is disconcerting, there is a flipside. There are aspects of the government contracting process that are more favorable aspects of purely private deals. Perhaps most importantly, the U.S. government doesn't default. The full faith and credit of the U.S. government stands behind compensating the contractor in accordance with the contract. You might have questions about exactly what those compensation numbers are and what they are going to be. But what you can count on is that if you've got a fully authorized contract—as long as there's no legal defect establishment of the contract—the government is, in fact, going to make the payments that are contemplated by the contract. Of course you cannot count on that in the private sector world.

# EDF Stalks *(Continued from page 1)*

company will look for or whether or not it will utilize a bond tranche, which was used for the first time with a wind project in Canada last month (*PI, 2/28*).

Previous EDF projects in Canada have been well received, bankers say. **KfW IPEX-Bank**, **NordLB**, **Société Générale** and **Sumitomo Mitsui Banking Corp** led a financing backing EDF's $700 million, 300 MW Lac-Alfred wind farm in La Matapédia et la Mitis project in Québec (*PI, 2/4/2011*). **Dexia Crédit Local** and **Union Bank** also wrapped a financing backing the sponsor's roughly $48 million St. Isidore A solar photovoltaic plant in Ontario (*PI, 1/6/2011*). Bank officials and spokespeople either did not respond to inquiries by press time about their involvement in the current deal or declined to comment.

Rivière-du-Moulin is the fourth and largest of seven EDF projects that garnered 20-year offtake contracts through a **Hydro-Québec** request for proposals in 2008 and 2010. EDF received all of the necessary approvals to commence construction at the end of last month. The wind farm, located near Lac Pikauba in the MRC de Charlevoix and the Lac Ministuk in the MRC du Fjord du Saguenay, will be developed in two phases: the first phase of 150 MW is expected to begin construction in 2013 for commissioning by Dec. 1, 2014. The second phase of 200 MW is scheduled to begin construction in 2014 for commissioning by Dec. 1, 2015. The project will comprise 175, 2 MW **REpower** turbines.

***—Nicholas Stone***

# Genesis Hunts *(Continued from page 1)*

year," adds the deal watcher. "The quasi-merchant facilities will look for financing on the back of an appropriate hedge."

EIF, which is investing in the development of the project known as Keys, has the option to provide all equity for the construction, subject to a variety of conditions, according to Place's statement. Further details could not be learned by press time. An EIF official declined to comment on the potential investment. Place could not be reached for comment.

The popularity of EIF and its frequency in the marketplace should make lenders comfortable with this project, says a financier. EIF most recently was the sponsor behind the 300 MW Pio Pico gas-fired facility in San Diego County, Calif. (*PI, 9/25*).

Genesis Power is an independent power producer headquartered in Needham, Mass. It was formed in 1989 and has developed more than 2,800 MW of generation. Whether EIF and Genesis have worked together before could not be learned by press time.

Commercial operation at Keys is scheduled to begin in June 2016. The construction should begin shortly after the financing is settled. EIF is also co-investing with Genesis in the development of the project prior to the commencement of construction.

***—Nicholas Stone***

## ALTERNATING CURRENT

***Power Parts***

### Ranchers, DIYers Find Power Loot In Austin

Utility poles downed by heavy winds around Austin, Texas, could find a second life corralling cattle. Local municipal utility **Austin Energy** trims the damaged areas from felled wood poles and offers to cut them to size for the public—usually ranchers and landscapers—at the cost of $0.50 per foot.


Thinkstock/Stockphoto

The community-owned utility had to replace more than four dozen power poles downed last week by heavy winds. Those poles will be chopped to order for anyone who reaches out to the reclamation department via phone, or even Twitter, as this reporter found out.

The utility makes about $250,000 a year from sales to the public of pole wood and the large cable spools that can be up-cycled to a DIYer's dream coffee table, says **Carlos Cordova**, spokesman at Austin Energy. Landscapers use wood for edging and raised flower beds.

The power distribution business comes with an array of metal and copper parts, wires and other thingamajigs so the company tries to refurbish, reclaim or recycle what it can. The company gives nuts and bolts a little tender loving care, i.e. sandblasting, so they can be reused. Linemen sort what metal can be reused from what cannot, putting the scraps into a heap for recycling, Cordova says. Austin Energy nets about $650,000 a year from selling more than one million pounds of scrap metal a year.

## QUOTE OF THE WEEK

*"It's not as easy as saying 'you the government should behave exactly like a private party.' They can't act like a private party. They are subject to special legal requirements that don't apply to private parties."*—**Harry Clark**, partner at **Orrick** in Washington, D.C., on how renewable developers should approach government agencies such as the U.S. **Department of Defense** about power purchase agreements (see interview, page 1).

## ONE YEAR AGO

**Edison International** was evaluating various options for its unregulated power producer unit **Edison Mission Energy**, including a potential bankruptcy filing. [EME, with $3.7 billion in debt, filed for a Chapter 11 bankruptcy in the U.S. **Bankruptcy Court Northern District of Illinois** in December (*PI, 12/18*).]