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

Gussy Up For Sale?

NextEra Plots Leverage, Hedges For Texas CCGTs

NextEra Energy Resources is looking to add debt and commodity hedges to two merchant combined cycle facilities totaling 2,792 MW in Texas—transactions that may preface a sale. **Bank of America** has been tapped to arrange a B loan that could be north of $1 billion.

NextEra is not a frequent player in the B loan market but is intrigued by recent rates landed by other power companies and by the valuations of plants sold in Texas, observers say. The 1,792 MW Forney and 1,000 MW Lamar facilities are the company's only thermal assets in the region—the rest are in the Northeast—and it is moving toward having a higher percentage of contracted assets in its portfolio, according to recent NextEra analyst presentations.

The loan is expected to launch into syndication next month, says one deal watcher. The timeline for the commodity hedges could not be immediately determined.

Texas assets have traded between about $350-550 per kW—**Calpine** paid $432 million, or about $540/kW for the 800 MW Bosque CCGT (*PI, 10/8*)—and NextEra is interested in putting the plants on the market at some point, says a banker. "If they are successful putting $300-400 of debt per kilowatt on the plants then it just makes it that much more bite size for folks," says one banker, explaining that the debt makes the equity check a buyer needs to write much smaller. A $1 billion B loan would lever the plants with

(continued on page 12)

Terra-Gen Eyes Financing For Alta Phases

Terra-Gen Power is beginning preliminary talks with lenders for phases X, XI and possibly phase XII of the Alta wind projects in Tehachapi, Calif. "They were quite successful in selling the last round of Alta projects to **MidAmerican Energy**. So they will be quite popular in the marketplace," says a financier, referencing the sale of the 300 MW phases VII and IX. The phases that have been developed so far have been 100 to 150 MW each.

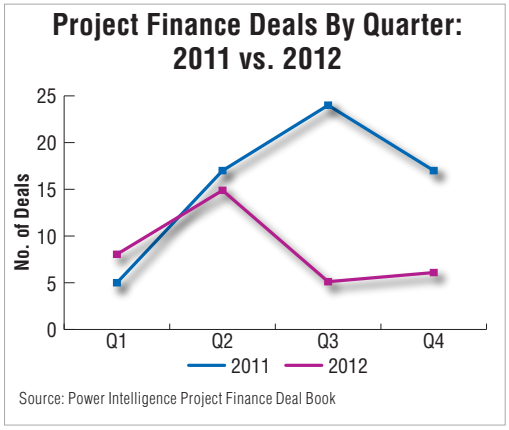
Terra-Gen closed a $650 million financing on the previous two phases last year (*PI, 4/18*). Pricing started at LIBOR plus 262.5 basis points and was scheduled to step up to 287.5 bps by the fifth year of the seven-year mini-perm (*PI, 4/10*). **Royal Bank of Scotland** and **Union Bank** were co-bookrunners. **Matthew Wade**, RBS director in Stamford, Conn., and **Matthew Odette**, Union Bank v.p. in Los Angeles, were the bankers

(continued on page 12)

Q4 PF Recap: Deal Flow Plunges

Less than half of a dozen deals worth $1.9 billion closed in the U.S. and Canada during the fourth quarter last year—the lowest deal flow since the first quarter of 2011, when roughly $745 million made it through the market across the same number of projects.

The dollar volume was also a 61% decline from the third



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Industry Current: The Next Steps For Energy Storage

Attorneys at **Akin Gump Strauss Hauer & Feld** examine energy storage and obstacles to further deployment.

See feature, page 9

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

PI takes a look at fourth quarter deal flows in its exclusive Project Finance Quarterly Recap and a couple of key trends stand out: action south of the border is heating up, with a slew of financing backing power and energy projects in Latin America. In the U.S. and Canada, meanwhile, project bonds backing deals are taking off (see story, page 1).

Two major financings have also just surfaced. **FGE Power**, a new Houston-based shop, is hunting debt and equity for a quasi-merchant, gas-fired facility in ERCOT, while **Terra-Gen Power** is looking for financing backing a few more phases of its massive Alta wind projects in California (see stories, pages 5 & 1). **Panda Power Funds** also had its first bank meeting for the Temple II facility. **Goldman Sachs** and **Credit Suisse** are leading that deal. Further down the financing track, **Pattern Energy** has closed a C$700 million ($680.93 million) deal backing its South Kent wind facility in Ontario. The flow all points to a pickup in activity after the doldrums of Q4.

Coal-fired generation seems to be back in play, at least for shops looking down the road to a recovery in power demand and prices—dependent upon the retirement of other coal-fired plants and a rise in natural gas prices. **Energy Capital Partners** and **Dynegy** each stepped up to take on a total of 7.5 GW of mostly coal-fired generation, with the lion's share of it in Illinois (see stories, page 7 & 6). Firms have been doing due diligence on how coal would be valued for a couple of years, but it took the trade of the coal-fired plants in Maryland from **Exelon** to **Riverstone Holdings** to crack open the door—prospective buyers got a data point to start the calculations (PI, *8/13*). That Riverstone upsized its B loan to finance that acquisition illustrates there is a segment of the institutional loan market investors ready to play with coal too.

Bankers and other observers say that it takes fortitude to go for coal right now. One needs to have a strong view on where the regional market is headed or, like Dynegy, that there's a real economy of scale coupled with confidence in the longer-term market. "[Dynegy] gets an essentially free option if this market does turnaround," says one banker, on the transaction in which the company, that recently emerged from bankruptcy, agreed to take on the debt in order to pocket the plants. Coal-fired power is not expected to be the most traded asset class of the year, but it's going to make a strong showing now that a few firms have led the way.

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Institutional Investor Intelligence

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
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 (PI, 3/4).
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-miles Transmission)	California	Rothschild	A joint venture between Duke Energy and American Transmission Co. is buying the line (see story, page 6).
Deutsche Bank, Katabatic Power Corp.	Banks Island (1 GW Wind project)	British Columbia	None	Newly founded shop is buying the shelved project in anticiption of load growth (PI, 1/21).
▶ 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	ECP is buying the assets; CS will lead the financing (see story, page 7).
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	Tyr, John Hancock and Prudential are buying the assets (PI, 3/11).
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).
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).
▶ NextEra Energy Resources	Forney (1,792 MW Gas) Lamar (1,000 MW Gas)	Forney, Texas Paris, Texas	TBA	NextEra is looking for about $1B in debt and commodity hedges and may look to sell (see story, page 1).
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).
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	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	FERC has rejected Wayzata's bid to buy it (see story, page 7).
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 project) Mesquite 1 (150 MW Solar)	Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.	TBA	Salt River Project financed its 50% stake with cash (PI, 3/11). 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).

▶ **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).
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).
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 (PI, 3/11).
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).
▶ FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity (see story, page 5).
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).
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 (PI, 3/11).
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).
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	Limon I & II (400 MW Wind)	Colorado	N/A	N/A	N/A	N/A	State Street, JPMorgan, Bank of America and Wells Fargo make tax equity investments in the projects (PI, 11/5).
▶ OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor heads straight back into the market looking to fund the next two phases (see story, page 6).
▶ Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	$700M	TBA	The deal launched in New York this week (see story, page 6).
▶ Pattern Energy	South Kent (270 MW Wind)	Haldimand County, Ontario	BTMU, Union Bank, Mizuho	TBA	$800M	TBA	The sponsor closed a deal with 16 banks contributing (see story, page 5).
	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).
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).
▶ Terra-Gen Power	Alta Wind X-XII (Wind)	Tehachapi, Calif.	TBA	TBA	TBA	TBA	Sponsor is looking to finance another two, possibly three, phases of the project (see story, page 1).
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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PROJECT FINANCE

Pattern, Samsung Land South Kent Financing

Pattern Energy and **Samsung Renewable Energy** have closed a C$700 ($680.93) million financing of their 270 MW South Kent facility in Chatham-Kent, Ontario. "The pricing came in more aggressive than expected," says a deal watcher. The sponsors secured pricing around LIBOR plus 250 basis points for the first five years of the 10-year loan. The pricing rises to around LIBOR plus 275 bps for the final five years.

The mini-perm has a syndicate of 16 banks. **Bank of Tokyo-Mitsubishi UFJ**, **Union Bank** and **Mizuho** led the deal. **Royal Bank of Canada**, **Royal Bank of Scotland**, **CIBC**, **NordLB**, **BayernLB**, **Helaba**, **Société Générale**, **Natixis**, **Crédit Agricole**, **KeyBanc**, **Bank of Montreal** and **Siemens Financial Services** all took tickets. Ticket sizes ranged from around $50 million to $100 million, according to a deal watcher. **ManuLife** has also contributed an institutional tranche to the deal, details of which could not be learned by press time.

"Banks are scared that there won't be a lot in the deal pipeline this year and they are looking to put their money to work," says a deal watcher. "This means that funding costs have come down and banks are pushing to get in." The deal had originally been discussed at around LIBOR plus 300 bps (*PI, 12/3*).

Pattern and Samsung are still looking to secure funds for the nearby 150 MW Grand wind project (*PI, 10/22*). Construction will now begin on South Kent, which is part of Samsung's $7 billion investment in Ontario to build and operate 2,500 MW of wind and solar. Banks did not respond to inquiries by press time or declined to comment, citing confidentiality agreements with Pattern and Samsung. A spokesman for Pattern in New York also declined further comment. Both South Kent and Grand have a 20-year power purchase agreement with the **Ontario Power Authority**.

Houston IPP Fires Up Merchant Build

FGE Power, a Houston-based independent power producer, is looking for debt financing and equity partners for a 726 MW, approximately $500 million combined cycle project near Westbrook, Texas.

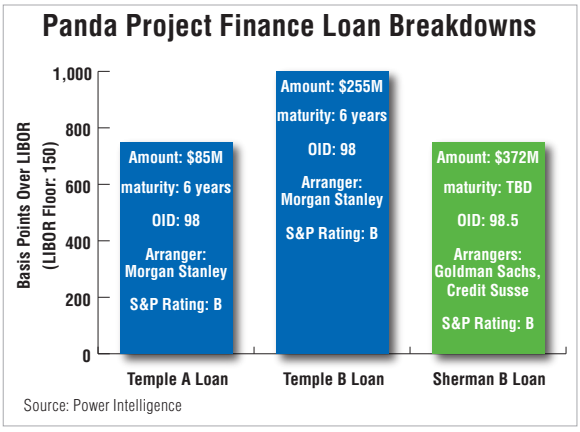
The company will look to secure a 50:50 debt-to-equity ratio for the FGE Texas project, which will have a five- to six-year hedge for the generation output. FGE is leaning toward using a term loan B although there could be a more traditional project finance structure such as a term loan A in the package, says a deal watcher. The company and its advisors have been tracking **Panda Power Funds**' deals in the B loan market and anticipate that will be the best route.

The debt-to-equity ratio is common for facilities in Texas without power purchase agreements. A similar ratio was used for Panda's Temple I and Sherman projects (*PI, 7/23* & *9/20*). "You can't load debt heavily into this type of project in ERCOT," says the deal watcher, who adds that ratio is almost "the levered limit."

"We are looking to differentiate ourselves and this deal has more of a conventional, fixed payment structure for a longer period," says **Ross McCausland**, who is advising FGE as founder of **Protos Energy Advisory**, referring to the hedge the company is aiming to secure. The company is "in advance discussions" on securing that hedge on the generation. **Tuck Hardee**, managing director at **Houlihan Lokey** in New York, will be handling the debt and equity advisory process.

FGE aims to close the financing by late summer. Construction is slated to begin around the middle of the third quarter although FGE is still working to finalize some of its permits, which could delay the build, says an investor involved with other projects in Texas who is also looking at this facility. The project is near the site of an abandoned **Luminant** coal-fired project so an interconnection and substation are already available, according to a deal watcher. Operation is slated for 2016.

The company, which was founded three years ago, has three other projects in the pipeline around the country and is looking to bring in an equity partner that wants to get on-board with its future developments and build a relationship, says the deal watcher. FGE is open to working with a financial player or a strategic partner. Talks with lenders and investors, including domestic and foreign, have heated up in the last couple of weeks. "Bankers have no problem getting comfortable with new players, if the technology is good and the hedge is right," says a banker.



FGE had originally planned to develop wind farms in Texas, but switched focus a year ago to this gas-fired facility due to ERCOT's need for more reliable, peaking generation in the face of rolling blackouts. How FGE has funded the development to this point could not be learned. **Emerson Farrell**, founder, ceo and president of FGE, did not respond to inquiries by press time. Houlihan officials declined to comment. Farrell serves as board director and senior advisor to various firms focused on clean tech, biofuels, and distributed power generation, according to the sponsor's Web site.

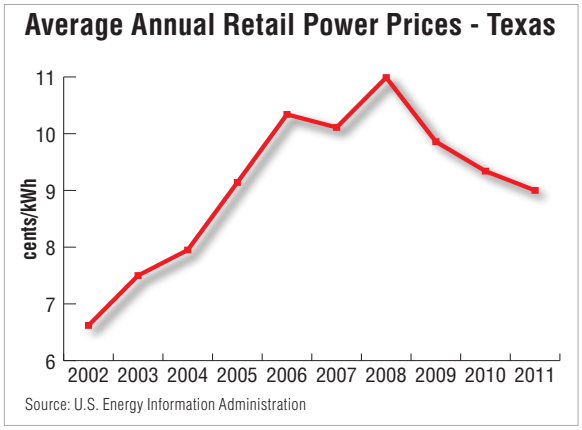
OCI Scouts Next Round Of PF

OCI Solar will head back into the market to look for financing backing the next two stages of its Alamos solar project outside of San Antonio, Texas. The phases will be 4.4 MW and 41 MW, says President **Tony Dorazio**.

The company tapped the **Korea Finance Corp.** and **Korea Development Bank** as joint lead arrangers for the financing of the first, 50 MW phase (*PI, 3/7*). That deal wrapped earlier this month. A spokesman for Korea Finance Corp. in Seoul declined to comment on whether it intended to participate in the next round. KDB did not respond to inquiries by press time.

When complete, Alamos will be a 400 MW facility, which OCI is developing in conjunction with the City of San Antonio. "The public/private aspect of the project has definitely caught the eyes of others and we get calls all the time from different communities about that [relationship]," says Dorazio. "**CPS Energy** and San Antonio were the first movers in this type of structure, so they will get the advantage with us."

The generation will be sold to CPS, the city's municipally-owned utility, via a 25-year power purchase agreement. Over $1 billion will be required for the entire project (*PI, 9/10*).



Panda Temple II Deal Launches

A financing backing **Panda Power Funds**' 750 MW Temple II gas-fired project launched at 10 a.m. on Wednesday at a bank meeting in New York. The sponsor has tapped **Credit Suisse** and **Goldman Sachs** to lead the term loan B.

"They will look to come more aggressively to market, now that there are the precedents," says a deal watcher, referencing the pricing of the Temple I and Sherman deals (*PI, 7/23* & *9/20*). Some bankers are bullish on merchant and predict around 200 basis points of tightening on pricing still to come for these types of deals (*PI, 1/18*).

Panda recently approached ratings agencies to secure a rating for the debt package for the project in Temple, Texas (*PI, 3/7*). **Standard & Poor's** assigned a B rating to both Sherman and Temple I.

Robert Simmons, cfo at Panda, and **Bill Pentak**, v.p. of investor relations, were not immediately available to comment. Officials from Credit Suisse and Goldman confirmed their involvement in the deal.

MERGERS & ACQUISITIONS

Dynegy Swoops On Ameren Merchant Coal

Dynegy has agreed to buy a 4.1 GW merchant coal-fired portfolio from Ameren and will take on its existing $825 million debt. The transaction will put the assets in a new subsidiary, **Illinois Power Holdings**, that is ring-fenced from Dynegy. No cash will be paid for the assets.

Dynegy is also buying Ameren's Illinois retail business, which will help reduce the merchant exposure on the plants, according to **Robert Flexon**, ceo, on Dynegy's fourth quarter earnings calls Thursday. The acquisition has been in the works for three months.

The merchant unit **Ameren Energy Resources** is facing several struggles with its debt—the first maturity comes with a $300 million issuance of 7% notes in 2018—and decreases power sales as well as some environmental capex. Ameren had said it would evaluate how to proceed with the troubled unit the weeks after **Edison Mission Energy** filed for a Chapter 11 bankruptcy (*PI, 1/18*).

The deal will keep the unit from what was tipped to be a bankruptcy. Its bonds that mature in 2018 had been trading around $0.55 on the dollar but jumped to $0.73-$0.75 on Thursday morning on news of the deal, say investors.

Ameren worked with **JPMorgan**, which had run a process to sell the facilities two years ago (*PI, 8/27/10*). **Lazard** advised Dynegy.

Duke, ATC JV Snag Calif. Transmission

Duke-American Transmission Co., a joint venture between **Duke Energy** and **American Transmission Co.**, has agreed to buy the Path 15 transmission line in California from **Atlantic Power Corp.** The JV will pay about $56 million in cash and assume $137 million in debt, for a total purchase price of $193 million.

The transaction is expected to close in the second quarter. American Transmission Co. will use a mix of debt and equity for its portion of the line, says a spokeswoman. **Rothschild** ran the sale for Atlantic (*PI, 11/8*) while the JV did not use an advisor.

Path 15 is an 84-mile, 500 kV transmission line in central California that came online in December 2004. It is contracted until 2034 to California utilities through CAISO. Utilities pay a fee to CAISO for access to transmission capacity.

FAST FACT

The transaction is expected to close in the second quarter.

Duke-American Transmission Co., or DATC, was formed in 2011 to build transmission projects in the Midwest and from Wyoming to California. The acquisition will give the JV its first operating asset.

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ECP Taps CS To Lead Dominion Financing

Credit Suisse will be launching a financing package next month for **Energy Capital Partner**'s $650 million purchase of **Dominion**'s 3.4 GW of coal-, oil- and gas-fired portfolio.

The $400 million package will launch around the middle of April and is set to include a $325 million B loan and $75 million revolver, says a deal watcher. ECP is likely to bring in other banks, possibly a joint lead arranger or two, says the observer.

ECP is aims wrap the financing in the weeks leading up to the acquisition close slated for the second quarter. The loan will be backed by Elwood, which already has $80 million in debt, and Kincaid. Brayton, the facility in Massachusetts, will not be included in the debt package.

Source: ThinkStock/iStock Photo

Kincaid Plant

The $650 million purchase price includes tax benefits for Dominion and the assumption of gas at the plants so ECP is paying around $500 million for the assets, say financiers.

Source: ThinkStock/iStock Photo

Brayton Plant

Final bids for the assets were submitted in late February. **Citigroup** and **Morgan Stanley** are advising Dominion. The assets are:

- Brayton, a 1,536 MW facility with 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.

A Credit Suisse spokesman could not immediately comment and an ECP spokesman did not respond to an inquiry.

FERC Blocks Wayzata Harquahala Acquisition

Wayzata Investment Partner's purchase of the Harquahala combined cycle facility in Arizona from **Rockland Capital** has been nixed by the U.S. **Federal Energy Regulatory Commission**. The agency cited concerns Wayzata would be able to manipulate the power market because it also owns half of the 2.2 GW Gila River facility in Gila Bend, Ariz.

Although rare, this is the second denial from FERC in the last nine months. They usually occur over issues concerning competition in the market although sellers and buyers spend time during diligence considering how FERC will perceive competition, says an M&A attorney, who has seen prospective buyers walk away from a deal over FERC concerns.

Gila River

The FERC order says that Wayzata's proposed power sales plan for the merchant 1 GW Harquahala—giving marketing control over to **Twin Eagle**, a third party energy management company—does not put a Chinese wall between the two plants. FERC asserts that Wayzata would still be privy to Harquahala's power sales strategy and could choose whether or not to run Gila River, thus having the ability to raise prices.

Hiring Twin Eagle to handle power sales did not remove control over the power supply from Wayzata since the fund will still be able to shop for a long term power contract for the plant, according to the agency. The order was issued Thursday.

Blake Carlson, partner at Wayzata in Wayzata, Minn., told *PI* that it's too early to comment on how the companies will proceed as they are still reviewing the situation. **Scott Harlan**, managing partner at Rockland in Dallas, did not respond to an inquiry.

Harquahala is in Tonopah, about 55 miles north of Gila River. **Goldman Sachs** has been running the sale for Rockland (*PI, 5/18*).

Among other deals to run afoul of FERC, the most recent was a $110 million sale that would have traded the 495 MW Bluegrass simple cycle portfolio in LaGrange, Ky., from **LS Power** to **Kentucky Utilities** and **Louisville Gas & Electric** (*PI, 6/25*). In that instance, FERC gave conditional approval to the deal that was contingent upon the two parties filing a revised plan. The utilities instead opted to launch a request for proposals (PI, *9/18*).

Wayzata and Rockland have not been granted conditional approval and must re-file if a new plan is drafted to mitigate the agency's concerns.

PEOPLE & FIRMS

RBS Banker Exits

Michael Canavan, director of high-yield capital markets at **RBS Securities**, has resigned from the Stamford, Conn.-based shop to work in structured power project finance at another undisclosed lender. Canavan will start in his new post at the end of the month. He resigned late last week.

During his four years at RBS Securities, Canavan focused on originating structured and corporate debt financing, including non-recourse project and acquisitions financing, for independent power producers. He reported to **Richard Smith**, managing director and head of high-yield capital markets. Previously, Canavan spent five years at **Royal Bank of Scotland** in the power finance and infrastructure group where he was also responsible for originating and structuring debt products for companies such as **NRG Energy**.

While at RBS and its affiliate, Canavan worked on NRG and **United Illuminating**'s GenConn financing backing two peakers in Connecticut (*PI, 5/1/2009*) as well as an acquisition financing for **Southwest Generation**, the entity created for **Hastings Funds Management** and **IIF BH Investment**'s purchase of generation from **Black Hills Corp**. (*PI, 8/1/2008*).

An official at RBS did not respond to calls by press time. A spokesman confirmed the departure, declining further comment. Canavan did not respond to messages. Plans for replacing Canavan could not be learned.

STRATEGIES

Highstar Wraps Upsized B Loan

Highstar Capital has wrapped a term loan B at the low end of its price guidance. The $725 million B loan was upsized to $750 million, says a financier. The loan came in at LIBOR plus 400 basis points and had been pitched to investors at LIBOR plus 400-425 bps.

The original issue discount was lessened by 50 bps to 99.5. The LIBOR floor remains at 100 bps. There's a soft call of 101 in the first year. **Citigroup** is the lead arranger. **Morgan Stanley**, **Barclays**, **Royal Bank of Canada** and **Union Bank** are participating.

Highstar garnered a strong response from investors and was oversubscribed, says the banker. Existing lenders as well as new lenders took tickets (*PI, 3/5*).

The shop will use the proceeds to take out two B loans with higher pricing—a $173 million B loan at LIBOR plus 475 bps and a $650 million loan at LIBOR plus 450 bps (*PI, 2/20*).

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 and the 97 MW Henrietta peaker in Kings County, Calif., and the 314 MW Tracy CCGT in Stockton, Calif.

Highstar and Citi officials declined to comment.

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INDUSTRY CURRENT

Energy Storage: Clearing the Path for a Breakthrough – Part I

*THIS WEEK'S INDUSTRY CURRENT is written by **Kerin Cantwell** and **Miles Killingsworth**, partner and associate, respectively, at **Akin Gump Strauss Hauer & Feld**'s global project finance practice in Los Angeles and **George "Chip" Cannon, Jr.**, partner at the firm's energy regulatory practice in Washington, D.C.*

Kerin Cantwell

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Numerous energy storage technologies have now reached technological maturity and are being deployed in various electricity market segments. Competing new technologies are also in research and development. Barriers nonetheless persist at the state and federal levels and within the organized wholesale power markets, preventing energy storage providers from commercializing their products and services in a way that attracts necessary investment capital at acceptable rates of return and at costs that are fair to ratepayers.

The U.S. **Federal Energy Regulatory Commission**, various state public utility commissions (most notably in California and Texas), regional system operators, and state and federal legislatures and agencies are attempting to address these barriers. Some utilities, independent transmission and generation developers, and regional system operators have placed energy storage systems in use despite the absence of clear market regulations and even guaranteed cost recovery. The immediate need for such systems is acute and their deployment cannot be deferred until the market and regulatory rule-makers catch up with the technical demands of the grid. This article describes energy storage applications and recent changes in energy storage regulation, and makes recommendations as to how to remove legal and market barriers to foster full commercial implementation of energy storage systems.

> "Barriers nonetheless persist at the state and federal levels and within the organized wholesale power markets, preventing energy storage providers from commercializing their products and services in a way that attracts necessary investment capital."

What is Energy Storage?

Energy storage means many different things to different industry stakeholders depending on where and how it is used in the electricity value chain. Sensitive to the many uses of the term, the **California Public Utilities Commission** formally adopted the definition of an energy storage system contained in the California Public Utilities Code in its "Decision Adopting Proposed Framework for Analyzing Energy Storage Needs" issued on Aug. 6, 2012 (the August 2012 Rulemaking). The code defines an energy storage system as a commercially available technology that is capable of absorbing energy, storing it for a period of time and thereafter dispatching the energy. The system must be cost-effective and accomplish one of the following purposes: reduce greenhouse gas emissions, defer or replace generation, transmission or distribution assets, or improve the reliability of the grid. The system must also meet at least one of the following characteristics: 1) use mechanical, chemical or thermal processes to store energy that was generated at one time for use at a later time, 2) store thermal energy for direct use for heating or cooling at a later time in a manner that avoids the need to use electricity at that later time, 3) use mechanical, chemical or thermal processes to store energy generated from renewable resources for use at a later time, or 4) use mechanical, chemical or thermal processes that would otherwise be wasted for delivery at a later time. In the absence of an industry-standard definition of "energy storage" California's definition is reasonably comprehensive, but does not include research-stage and emerging technologies, which should also be considered.

There are numerous energy storage technologies in various stages of commercial development and use. Generally, they break down into mechanical or electrochemical technologies. Mechanical energy storage technologies include pumped hydro, compressed air and flywheels. The advantages of mechanical systems are that they are long established, proven (and therefore bankable) technologies, and many have been in commercial operation for decades. Pumped hydro, for example, constituted approximately 22,000 MW of the 23,250 MW of installed energy storage capacity in the U.S. in 2011. The downsides of mechanical systems for certain applications are low energy efficiencies and slow response times. In addition, pumped hydro and compressed air systems have geographical and geological constraints, long construction lead-

times, and high capital costs.

There are several types of electrochemical technologies (*i.e.,* batteries) for large-scale energy storage that are either commercially available or close to commercialization. Lithium-ion has been the battery technology of choice in recent years due to its high energy density, high efficiency, and relatively long lifecycle. However, lithium-ion batteries are expensive and present safety issues. Traditional flooded or sealed lead-acid battery technology has high energy density and is currently the lowest-cost battery technology, but it has relatively low efficiency. Moreover, the batteries need to be charged at low temperature, requiring an HVAC system that results in higher balance of plant and operating costs than certain other battery technologies. Advanced lead-acid batteries, also known as lead-carbon batteries, which use a hybrid technology that is part lead-acid battery and part supercapacitor, have lower energy density than traditional lead-acid batteries, but have lifecycles estimated at 5 to 10 times that of traditional lead-acid batteries. Lead-carbon batteries are fast charging, with charge acceptance rates estimated at 10 to 20 times that of earlier generation lead-acid technologies. Sodium sulfur batteries have an energy efficiency of approximately 89%, but must be kept at 300°C, are expensive, and also present safety issues. Flow battery technology, which is a cross between a conventional battery and a fuel cell, has an energy efficiency of approximately 80%. Flow battery chemistries include zinc-bromide and all-vanadium redox.

There are many more energy storage technologies in the research and development stage that may eventually prove more cost-effective for certain applications. The U.S. **Department of Energy**, through its **Advanced Research Projects Agency-Energy**, provided $43 million in funding to 19 new projects in 2012 to advance national policy goals of improving the efficiency and reliability of the grid, advancing electric vehicle technology, and promoting energy security. The projects focus on the development of new battery chemistries and designs and battery sensing and control technologies. For example, in a project at the **University of Southern California**, which received earlier ARPA-E funding, researchers are developing an iron-air battery. This battery can store the same amount of energy as a lithium-ion battery, but at an estimated 10% of the cost. If successfully developed, this technology would result in a low-cost, environment-friendly, high energy density battery capable of 5,000 deep charge/discharge cycles.

The "End-Use" Approach to Defining Energy Storage

California Assembly Bill 2514, which was signed into law in September 2010 by then Governor **Arnold Schwarzenegger**, requires the CPUC to determine appropriate targets, if any, for mandating energy storage for load-serving entities by Oct. 31, 2013. In December 2010, the CPUC issued an order instituting rulemaking outlining the first of two phases designed to implement AB 2514. The first phase focused on overall policies and guidelines for energy storage systems. This phase concluded in July 2012 and is summarized in the August 2012 Rulemaking. The second phase, which began in December 2012, will address the costs and benefits of energy storage and establish how they should be allocated. Various stakeholders collaborated to develop "use cases" which were filed with the CPUC for its consideration in connection with the goals of AB 2514.

Category	Storage End Use	
Describes at what point in the value chain storage is being used	*Describes what storage is being used for, i.e., its application.*	
ISO/Market	1	Ancillary services: frequency regulation
	2	Ancillary services: spin/non-spin/replacement reserves
	3	Ancillary services: ramp
	4	Black start
	5	Real time energy balancing
	6	Energy price arbitrage
	7	Resource Adequacy
Generation	8	Intermittent resource integration: wind (ramp/voltage support)
	9	Intermittent resource integration: photovoltaic (time shift, voltage sag, rapid demand support)
	10	Supply firming
Transmission/ Distribution	11	Peak shaving
	12	Transmission peak capacity support (upgrade deferral)
	13	Transmission operation (short duration performance, inertia, system reliability)
	14	Transmission congestion relief
	15	Distribution peak capacity support (upgrade deferral)
	16	Distribution operation (voltage/VAR support)
Customer	17	Outage mitigation: micro-grid
	18	Time-of-use (TOU) energy cost management
	19	Power quality

In the August 2012 Rulemaking, the CPUC used an "end-use" approach to adopting a framework for analyzing the state's energy storage needs. This approach is helpful in understanding the "big picture" of energy storage, its various uses in the organized electricity markets, the multitude of governmental and quasi-governmental agencies which regulate or influence the uses and potential uses of energy storage, and how certain energy storage technologies are best suited to particular applications at various points in the electricity value chain. The end-uses are summarized in the following chart contained in the August 2012 Rulemaking:

Next week, in the second installment of this Industry Current, the authors will examine the stakeholders in energy storage and regulatory and market barriers to commercial deployment.

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Q4 PF Recap *(Continued from page 1)*

quarter, when banks and borrowers wrapped $4.9 billion in deals. A dearth of large projects, regulatory concerns and the presidential election stifled deal flow and debt amount, bankers say.

As a whole, 2012 saw around $12.5 billion of debt for project financing in North America, less than half of the more than $25 billion from 2011. The amount for the fourth quarter also fell well short of the 17 deals worth $4.2 billion that closed in the commensurate quarter in 2011.

Just over 30% of the debt secured came through the capital markets, with $672.2 million of project bonds issued in the fourth quarter. This emerged as the most significant trend in the quarter, as sponsors increasingly are tapping dual bank/bond tranches backing projects. "There are more sources of capital for issuers available today as the more traditional project banks recede," says **Hamish Bunn**, managing director of project finance at **Morgan Stanley** in New York. "This means that bond deals, or bank/bond combinations, are now available to developers on reasonable terms."

Three development teams closed combined bank/bond deals. **AES Solar** and **8minutenergy Renewables** worked together to secure the most debt for a single project in the quarter by landing $636 million in debt backing the 266 MW Mount Signal photovoltaic facility (see Deal Snapshot). The deal included a $416 million issuance of 25-year notes that priced around 5.5%. **Invenergy** closed a $146.2 million bond deal alongside a bank loan for a project in Quebec and **BP Wind Energy** and **Sempra U.S. Gas & Power** also utilized dual tranches backing a wind facility in Kansas, with $110 million in bonds. **Prudential Financial** led the bond tranche for both of those deals.

"There was a fear that if banks receded, where would developers acquire the necessary capital for their projects and how would the economics of a project be affected by that new capital?" adds Bunn. "But the capital markets have stepped up and are very much open to project financings on economic terms, particularly for long tenors."

In Latin America, **Mexico Generadora de Energia** also tapped the debt capital markets for two gas-fired plants totaling 500 MW. The affiliate of mining company **Grupo Mexico** closed a $575 million bond deal backing the projects in Nacozari de Garcia, Mexico.

Pricing hovered around LIBOR plus 250 basis points for most deals, with **Diamond Generating Corp.** snaring the quarter's most attractive terms with its 10-year, LIBOR plus 200 bps loan of $150 million backing its 200 MW Mariposa facility.

DEAL SNAPSHOT

A look at the players, the numbers and the outcome of a key deal this quarter.

DEVELOPER: **AES Solar**, **8minutenergy Renewables**

PROJECT: Mount Signal (266 MW Solar PV)

LOCATION: Imperial Valley, Calif.

FINANCING: The partnership wrapped a $636 million debt package for the facility. It consisted of a $220 million cash grant bridge loan and a $416 million bond issuance. The seven-year bridge loan priced at around LIBOR plus 275 basis points, while the 24.7-year notes had a coupon of approximately 6%, with a 15-year average life.

LEADS: **Morgan Stanley** as left lead and **Citigroup** for both the bank and institutional tranches.

DURATION OF TRANSACTION: The financing hit the market in the beginning of May, and closed Nov. 9.

WHY IS THE DEAL NOTEWORTHY?

Dual bank and bond tranche deals gained momentum last year, but this was the first deal in the U.S. backing a power project that managed to create a public, broadly marketed bond tranche alongside a bank loan. The precursors in the market, such as **MidAmerican Energy**'s $850 million deal backing Topaz and the **LS Power** Arlington Valley and Centinela projects, used private placements. The public bond allowed the developers to tap a longer tenor of 24.7 years, which is just under the 25-year length of the power purchase agreement. It also meant that there was no refinancing risk for the sponsors. The cash grant bridge loans in dual tranche deals are also normally ranked *pari passu* with the bonds, but in this instance the bridge loan is subordinated debt and is secured only by the cash grant, not the asset.

AT THE NEGOTIATING TABLE:

Hamish Bunn, the managing director of project finance at Morgan Stanley, and **Stuart Murray**, the director of project and infrastructure finance at Citigroup, were the main players in getting the deal done. **Martin Torres**, executive director, **Michael Kumar**, managing director, and **Andrew Hanson**, managing director of debt private placements, worked on the deal at Morgan Stanley, while **Eric Hediger**, v.p., **Raphael Lesser**, financial advisor, and **Miguel Ticache**, director and head of private placements handled the deal at Citi.

As left lead, Morgan Stanley took the idea to AES. **Rabobank** affiliate **Rabo Securities** and Norway's **DNB Markets** were co-placement agents, alongside Morgan Stanley and Citigroup as joint lead placement agents for the institutional tranche. The two leads also provided the smaller cash loan, while **Rabobank** and **DNB Bank** provided letters of credit as part of the deal. The financing process was handled by AES for the partners.

*Deal Snapshot is a quarterly feature in which we focus on significant, interesting deals. For submissions or more information, contact Senior Reporter **Nicholas Stone** at 212.224.3260 or nicholas.stone@iiintelligence.com*

PROJECT FINANCE DEAL WRAP SHEET Q4

The following power project finance deals closed between Oct 1 and Dec.. 31.

Sponsor	Project	Location	Lead(s)	Loan	Amount	Tenor
NORTH AMERICA						
AES Solar, 8-minutenergy Renewables	Mount Signal (266 MW Solar PV)	Imperial Valley, Calif.	Citigroup, Morgan Stanley	Cash grant bridge	$220M	7-yr
				Bonds	$416M	25-yr
Pattern Energy	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	Deutsche Bank, RBC	Mini-perm	$467M	C+7
Diamond Generating Corp.	Mariposa (200 MW Gas)	Alameda County, Calif.	SMBC, DZ, CoBank, Sumitomo Trust	TBA	$150M	10-yr
Invenergy	Des Moulins (135.7MW Wind)	Montreal, Quebec	Prudential, Sovereign Bank	Construction/Bridge	$153.9M	C + 12
				Bonds	$146.2M	
BP, Sempra	Flat Ridge 2 (419 MW Wind)	Wichita, Kan.	Banco Santander, Bank of Tokyo-Mitsubishi,	TBA	$245M	10-yr
			Prudential Financial	Bonds	$110M	22.5-yr
GDF Suez Canada, MIT Renewables	Portfolio (268 MW Wind and Solar)	Ontario, B.C.	BTMU, Mizuho, Sumitomo, Japan Bank of International Cooperation, ManuLife	TBA	TBA	TBA
LATIN AMERICA						
IMPSA	El Libertador (65 MW Wind)	Lavalleja, Uruguay	Inter-American Development Bank	Construction	$66M	TBA
Abengoa S.A	Palmatir (50 MW Wind)	Tacuarembó, Uruguay	Inter-American Development Bank	Construction	$41.7M	TBA
National Electricity Generation and Transmission Authority	Punta del Tigre B (530 MW Gas)	Colonia Wilson, Uruguay	Inter-American Development Bank	TBA	$200M	25-yrs
			Andean Development Corporation	TBA	$180M	TBA
			KfW	TBA	$70M	TBA
			UTE	TBA	$291.2M	TBA
EDF EN Mexico, Mitsui	Eoliatec Del Istmo (164 MW Wind)	Oaxaca, Mexico	TBA	TBA	$273M	TBA
InterGen	San Luis de la Paz (205 MW Gas)	Zacatecas, Mexico	BTMU, Export Development Canada, HSBC, NordLB, Scotiabank, Sumitomo Mitsui			TBA
$218M	TBA					
Grupo Mexico SA de CV	La Caridad II (500 MW Gas)	Nacozari de Garcia, Mexico	Morgan Stanley, HSBC, Bank Of America Merrill Lynch	Bonds	$575M	20-yr

NextEra Plots *(Continued from page 1)*

about $358 per kW.

The company may opt to hold onto the plants after arranging the debt and use the proceeds for other expenses such as renewable development.

Forney is in Forney, and Lamar is in Paris. The plants don't have existing debt and are owned by NextEra subsidiaries called **FPLE Forney** and **Lamar Power Partners**.

A Bank of America spokeswoman did not respond to inquiries and a NextEra spokesman in Juno Beach, Fla., did not immediately respond to an inquiry. ***—Holly Fletcher***

Terra-Gen Eyes *(Continued from page 1)*

handling the loan. Calls placed to Wade and Odette were not returned by press time.

John O'Connor, Terra-Gen cfo in New York, and **Steve Doyon**, chief development officer, did not return calls. A spokesman in New York declined comment on the project and the financing.

Terra-Gen has tapped many project finance banks in various deals over the years. "They should have no trouble pulling it off," says a deal watcher. "Terra-Gen does good deals. It's last deal was big and well received. The company has a good reputation and many relationships."

Banco Santander, **BMO Capital Markets**, **CIBC**, **KeyBank**, **KfW IPEX-Bank**, **Associated Bank**, **BayernLB**, **DZ Bank**, **Sumitomo Mitsui Banking Corp.**, **Crédit Agricole**, **Natixis**, **Prudential Investment Management**, **Rabobank**, **Citibank**, **Barclays**, and **Credit Suisse** have all taken tickets in Terra-Gen deals. Bank officials declined to comment or didn't return calls by press time.

Southern California Edison has an offtake agreement for roughly 1,500 MW from Alta. The overall development is slated to be around 3,000 MW and around 1,320 MW had been installed by the end of 2012. ***—Nicholas Stone***

QUOTE OF THE WEEK

"There was a fear that if banks receded, where would developers acquire the necessary capital for their projects and how would the economics of a project be affected by that new capital?… But the capital markets have stepped up and are very much open to project financings on economic terms, particularly for long tenors."—**Hamish Bunn**, managing director of project finance at **Morgan Stanley** in New York, on the emergence of project bonds (see story, page 1).

ONE YEAR AGO

Exelon wrapped its $7.9 billion acquisition of **Constellation Energy Group**, which triggered the start of the six month-period it had to sell 2.648 GW of coal-fired plants in Maryland. [**Riverstone Holdings** emerged as the buyer with a roughly $400 million, or $150 per kW, bid (*PI, 8/13*).]

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