

Power Finance & Risk

The weekly issue from **Power Intelligence**

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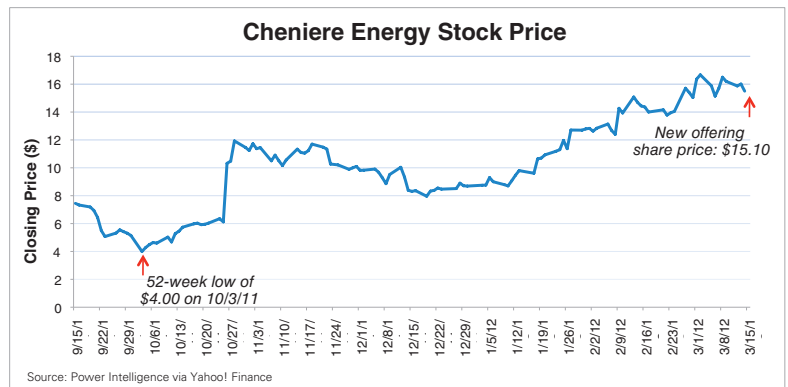
Blackstone Boost?

Cheniere Ups Bank Financing Plan By \$1B

Cheniere Energy is hunting a \$3.2 billion bank financing supporting the \$4.5-5 billion first phase of its liquefaction project in Sabine Pass, La.—almost \$1 billion more than it had initially targeted. The Houston-based sponsor is pushing for a bank-only financing and is asking potential lenders to consider taking \$250 million tickets, though smaller amounts are possible, deal watchers say.

Société Générale is Cheniere's financial advisor and likely will be participating in the deal. **BBVA**, **Banco Santander**, **Citigroup**, **Mitsubishi UFJ Financial Group**, **Mizuho Corporate Bank**, **Morgan Stanley** and **Royal Bank of**

(continued on page 11)



Duquesne Looks For PJM Coal Stake Exit

Duquesne Light Holdings is looking to sell its minority stakes in two coal-fired plants in Pennsylvania that are owned by a consortium of strategics—a sale that could offer a rough field guide on how to value coal-fired assets that survive the impending environmental regulations.

The Duquesne stakes—2.47% of the 1.711GW Keystone and

(continued on page 11)

Bill Gates Shop Scopes Lone Star Asset Options

Cascade Investments, the investment vehicle of **Bill Gates** based in Kirkland, Wash., is mulling the fate of **Optim Energy**, its Texas operating company that owns 1.18 GW and was formerly a joint venture with **PNM Resources**.

Cascade officials traveled to New York in January to hear pitches from a coterie of investment banks as they began to evaluate how to move forward with Optim, industry officials say. Options included a full divestiture and possibly a refinancing paired with a hedge on the power as a way to mitigate the merchant exposure. The team has not yet made a decision, says one banker, who expects that word could come shortly.

The decision that Cascade is making is not just which advisor to use, the banker notes, it's a strategic decision about how to proceed with a set of assets the investment vehicle didn't intend to outright own.

(continued on page 12)

THE BUZZ

Coal-fired generation may not be the hottest commodity given the current market dynamics. But investors looking to acquire will have several options in the coming months. **Exelon** will be selling three coal-fired plants

(continued on page 2)

Deal Of The Year Awards

Visit www.powerintelligence.com for a complete list of nominated deals for project finance and M&A. Winners will be announced next month.

Texas Securitization Hits The Mart

Texas Central Company, a subsidiary of American Electric Power Co., issued \$800 million in a rare rate-recovery bond deal.

See story, page 9

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

PROJECT FINANCE

- 5 | Pattern Inks Long Tenor For Chile Wind
- 6 | AES Mulls Calif. PV Leads
- 6 | BP, Semptra Tag For Penn. Wind
- 6 | MUFG Circles Invenergy Wind Mandate
- 7 | Peru Hydro Deal Details Emerge
- 7 | Semptra Seeks PV Lender Proposals

MERGERS & ACQUISITIONS

- 7 | Exelon Wraps Constellation Merger

- 8 | NextEra Lassoos First Canadian PV
- 8 | CPS Bags Tenaska CCGT

PEOPLE & FIRMS

- 8 | Cheng Leaves Credit Suisse

FINANCING STRATEGIES

- 9 | AEP Sub Recovers Deregulation Costs

DEPARTMENTS

- 3 | General Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 9 | News In Brief
- 12 | Alternating Current

THE BUZZ

(Continued from page 1)

totaling 2.648 GW in Maryland per its acquisition agreement with **Constellation Energy Group**, while **Duquesne Light Holdings** is exiting a minority stake in two coal-fired plants totaling 3.422 GW in Pennsylvania. Prospective buyers will be thinking hard about how the plants will fare under tighter emissions rules and gauging when there could be a rebound in power demand.

Bill Gates' investment vehicle, **Cascade Investments**, is weighing the future of **Optim Energy**, its power company in Texas. Cascade became the full owner of Optim in January and is looking at the best way to move forward with ERCOT assets that have been hit hard by low natural gas and power prices.

Most of the project financings this week are modest club deals—a roughly \$200 million deal backing a Pennsylvania wind farm sponsored by **BP Wind Energy** and **Semptra U.S. Gas & Power**, for instance.

However, U.S.-based bankers are focused on two deals of considerable enormity: a \$3.2 billion bank financing supporting the first phase of **Cheniere Energy's** export liquefied natural gas project in Sabine Pass, La., and a \$1.3 billion deal backing the initial phase of **AES Solar's** 709 MW solar photovoltaic project near Plaster City, Calif.

Bankers are especially keen on the Cheniere deal. Cheniere is looking for the biggest project financing in years and prefers all bank debt. This means that several of the largest players in project finance will need to take part—and commit to huge tickets, potentially \$250 million for some participants. And it appears they will, as **Brian Eckhouse** reports this week.

TELL US WHAT YOU THINK!

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

Feel free to contact **Sara Rosner**, managing editor, at (212) 224-3165 or srosner@iintelligence.com.

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GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
AES	Cayuga (306 MW Coal)	Lansing, N.Y.	Barclays Capital	Creditors are the \$300M stalking horse bid for Cayuga and Somerset in a bankruptcy process that will leave the other two plants shuttered (PI, 1/9).
	Greenidge (105 MW Coal)	Dresden, N.Y.		
	Somerset (675 MW Coal)	Barker, N.Y.		
	Westover (83 MW Coal)	Binghamton, N.Y.	Citigroup	PPL Generation is buying Ironwood for \$87M plus cash; ECP is buying Red Oak (PI, 3/5).
	Red Oak (766 MW CCGT)	Sayreville, N.J.		
	Ironwood (720 MW CCGT)	South Lebanon, Pa.	Citigroup	
Air Products & Chemicals	Stockton (50 MW Coal/Biomass Cogen)	Stockton, Calif.	New Harbor	Teasers for the facility went out Feb. 2 (PI, 2/13).
ArcLight Capital Partners	Waterside (72 MW Peaker)	Stamford, Conn.	Citigroup, Barclays Capital	First Reserve has launched a \$243M package to finance the gas-fired plants minus Hamakua (PI, 2/20).
	Crockett (162 MW Cogen)	Crockett, Calif.		
	Hobbs (604 MW CCGT)	Hobbs, N.M.		
	Hamakua (60 MW CCGT)	Honokae, Hawaii		
	Borger (230 MW Cogen)	Borger, Texas		
	Neptune (65-mile Transmission)	Sayreville, N.J., to Long Island, N.Y		
Cascade Investments	Altura (600 MW Cogen)	Channelview, Texas	TBA	Cascade has been listening to sell-side pitches (see story, page 1)
	Twin Oaks (305 MW lignite-fired)	Bremond, Texas		
	Cedar Bayou 4 (275 MW natural gas-fired)	Chambers County, Texas		
Constellation Energy Group	Rio Bravo Fresno (24 MW Biomass)	Fresno, Calif.	No advisor	The company has reached out to prospective buyers as it considers selling its stakes (PI, 1/9).
	Rio Bravo Rocklin (24 MW Biomass)	Lincoln, Calif.		
	Chinese Station (22 MW Biomass)	Jamestown, Calif.		
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Covanta Energy	Burney Mountain (11.4 MW Biomass)	Shasta County, Calif.	None	Looking to sell the facilities (PI, 12/19).
	Mt. Lassen (11.4 MW Biomass)	Westwood, Calif.	None	
Duke Energy	Cimarron II (131 MW Wind)	Gray County, Kan.	None	Sumitomo is in talks to take a minority stake (PI, 3/5).
	Ironwood (168 MW Wind)	Ford County, Kan.		
Edison Mission Group	Stakes	Uinta County, Wyo.	Marathon Capital	TIAA-CREF and CIRI have closed a \$480M preferred equity stake (PI, 2/27).
	Mountain Wind I (60 MW Wind)			
	Mountain Wind II (79.8 MW Wind)			
	Homer City (1.884 GW Coal)	Homer City, Pa.	Barclays Capital	Looking to exit the facility as its lessee (PI, 3/12).
Exelon	Brandon Shores (1,273 MW Coal)	Anne Arundel Co., Md.	Morgan Stanley	Exelon has 180 days to find a buyer per the merger agreement with Constellation (see story, page 7).
	H.A. Wagner (976 MW Coal)	Anne Arundel Co., Md.		
	C.P. Crane (399 MW Coal)	Baltimore Co., Md.		
First Solar	Moore (20 MW Solar PV)	St. Clair, Ontario	N/A	NextEra Energy Canada has bought the plants (see story, page 8).
	Sombra (20 MW Solar PV)	St. Clair, Ontario		
First Wind	Stakes (Various Wind)	Various, Northeast	Credit Suisse, Macquarie	Algonquin is dropping out of a JV with Emera to take minority stakes. Emera is taking over the investment (PI, 2/6).
Gamesa Energy USA	Pocahontas (80 MW Wind)	Pocahontas County, Iowa	JPMorgan	Selling four merchant wind projects that have tax equity investments (PI, 2/6).
	Sandy Ridge (50 MW Wind)	Blair County, Pa.		
	N/A (Wind)			
	N/A (Wind)			
GDF Suez Energy North America	Hot Spring (746 MW CCGT)	Malvern, Ark.	UBS	Arkansas Electric Co-Op Corp. has agreed to buy the Hot Spring; set to file with regulators (PI, 2/20).
	Choctaw (746 MW CCGT)	Ackerman, Miss.		Quantum Utility Generation bought Choctaw.
NRG Solar	CVSR (250 MW Solar PV)	San Luis Obispo County, Calif.	Credit Suisse, Morgan Stanley	NRG is out talking to potential investors (PI, 3/5).
Perennial Power	Mid-Georgia (300 MW CoGen)	Kathleen, Ga.	Fieldstone	Final bids came in Feb. 28 or 29 (PI, 3/5).
Rockland Capital	Boardwalk (4 MW Solar PV)	Atlantic City, N.J.	Energy Asset Advisors	GTG Energy has bought the merchant project (PI, 2/20).
Silverado Power, Martifer Solar	Various (130 MW Solar)	Various, Calif.	Marathon Capital	The partners are looking to raise capital around the contracted portfolio (PI, 2/13).
Sunoco Power	Eagle Point (200 MW Cogen)	Westville, N.J.	TBA	Rockland Capital is buying the facility (PI, 2/13).
Tenaska	High Desert (800 MW CCGT)	Victorville, Calif.	Barclays, Citi	CPS Energy is buying Rio Nogales for about \$521 million (see story, page 8).
	Rio Nogales (800 MW CCGT)	Seguin, Texas		
Tuusso Energy, Akula Energy Ventures	Antelop (20 MW Solar PV)	Lancaster, Calif.	Marathon Capital	Recurrent Energy has bought the project (PI, 2/20).
Tyr Energy	Stake (100 MW Biomass)	Gainesville, Fla.	Fieldstone	Starwood is buying 40% of the project (PI, 1/23).
U.S. Power Generating Co.	Gowanus Barges 1 (160 MW Oil)	Brooklyn, N.Y.	Tier One Capital Management	First round bids for the two barges are expected in February (PI, 1/9).
	Gowanus Barges 4 (160 MW Oil)			

New or updated listing

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

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes	
▶ AES Solar	Imperial Valley (709 MW Solar PV)	Plaster City, Calif.	TBA	TBA	\$1.3B	TBA	Sponsor culls through lenders bids (see story, page 6).	
▶ BP, Sempra	Mehoopany (141 MW Wind)	Wyoming County, Penn.	BTMU, Mizuho	TBA	\$200M	TBA	Sponsors tap BTMU, Mizuho (see story, page 6).	
	Cardinal Gas Storage	Cadeville (16.5 bcf Gas Storage)	Monroe, La.	TBA	\$100M	TBA	Sponsor Is talking with CIT, RBC and SunTrust about financing (PI, 1/30).	
▶ Cheniere Energy	Unidentified (Export LNH Facility)	Sabine Pass, La.	TBA	TBA	\$3.2B	7-yr	Sponsor is hunting more debt \$1 billion more debt for phase one (see story, page 1).	
	Diamond Generating Corp.	Mariposa (200 MW Gas)	Alameda County, Calif.	TBA	\$150M	10+-yr	Sponsor to seek bids March 23 (PI, 3/12).	
	Duke Energy	Cimarron II (131 MW Wind)	Gray County, Kan.	TBA	\$260M	TBA	Sponsor seeks one financing for Cimarron II and Ironwood projects (PI, 1/30).	
		Ironwood (168 MW Wind)	Ford County, Kan.	TBA	\$260M	TBA	Sponsor seeks one financing for Cimarron II and Ironwood projects (PI, 1/30).	
		Laurel Hill (69 MW Wind)	Lycoming County, Penn.	TBA	\$77M	TBA	Sponsor hunting funds for wind project (PI, 1/30).	
E.ON	Various (Wind)	TBA	UniCredit	TBA	TBA	TBA	UniCredit readies a bond deal (PI, 2/6).	
Edison Mission Energy	Unidentified (Wind Portfolio)	Midwest U.S.	BBVA, Key Bank, WestLB	TBA	\$113.5M	TBA	Sponsors taps banks to lead financing (PI, 1/16).	
First Wind	Unidentified (Wind)	Hawaii	TBA	TBA	TBA	TBA	Sponsor looks to finance Hawaii wind project (PI, 3/12).	
GCL Solar	Various (77 MW PV)	Puerto Rico	Union Bank, WestLB	TBA	\$200M	TBA	MetLife to provide tax equity (PI, 3/5).	
Gradient Resources	Patua (30 MW Geothermal)	Reno, Nev.	Union Bank	TBA	\$200M	TBA	Sponsor downsizes financing, mandates Union Bank (PFR, 2/27).	
▶ Inkia Energy	Unidentified (400 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC	TBA	\$525M	12-yr	Sponsor prices financing above LIBOR plus 300 bps (see story, page 7).	
▶ Invenergy	California Ridge (214 MW Wind)	Vermillion and Champaign, Ill.	TBA	TBA	TBA	TBA	Sponsor, Union Bank discuss financing (see story, page 6).	
	LS Power	Centinela (175 MW Solar PV)	Imperial Valley, Calif.	TBA	TBA	TBA	Sponsor scouts financing, which may cobble bank debt and bonds (PI, 2/20).	
	Northland Power	Various (50-60 MW PV)	Ontario	Union Bank	TBA	TBA	Sponsor mandates Union Bank to round up \$180-200M in debt (PI, 3/5).	
	NRG Solar	Alpine (66 MW PV)	Lancaster, Calif.	Key Bank, Mizuho, MUFG, Santander	Term	\$300M	TBA	Pricing set at roughly LIBOR plus 250 (PI, 3/12).
▶ Pattern Energy	El Arrayan (115 MW Wind)	Santiago, Chile	TBA	Term	\$220M	C+ 15-yr	Sponsor to land a tenor of construction plus 15 years (see story, page 5).	
	Recurrent Energy	Various (Solar PV)	Northern California	TBA	\$100M+	TBA	Sponsor discusses deal with BoTM, Lloyds, Mizuho and UniCredit (PI, 1/9).	
	Scatec Solar North America	N/A (5 MW Solar)	Hawaii	TBA	TBA	TBA	Working with NorthWinds Advisors to secure financing by summer (PI, 3/5).	
		Redhills (50 MW Solar)	Iron County, Utah	TBA	TBA	TBA	Working with NorthWinds Advisors secure cash grant and financing by summer (PI, 3/5).	
▶ Sempra U.S. Gas & Power	Copper Mountain 2 (92 MW PV)	Boulder City, Nev.	TBA	TBA	\$130M	17-18-yr	Sponsor seeks lender proposals (see story, page 7).	
	Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial Valley, Calif.	TBA	\$600M	TBA	Sponsor settles on bank-only deal (PI, 2/6).	
	Terra-Gen Power	Alta (300 MW Wind)	Tehachapi, Calif.	MUFG, RBS	\$600M	TBA	Sponsor taps lead lenders, preps bank meeting (PI, 3/12).	
	Wind Capital Group	Unidentified (150 MW Wind)	Osage County, Okla.	BayernLB, Rabo	TBA	TBA	Lawsuit delays financing until 2012 (PI, 11/28).	

▶ New or updated listing

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

PROJECT FINANCE

Pattern Chilean Wind Deal Details Emerge

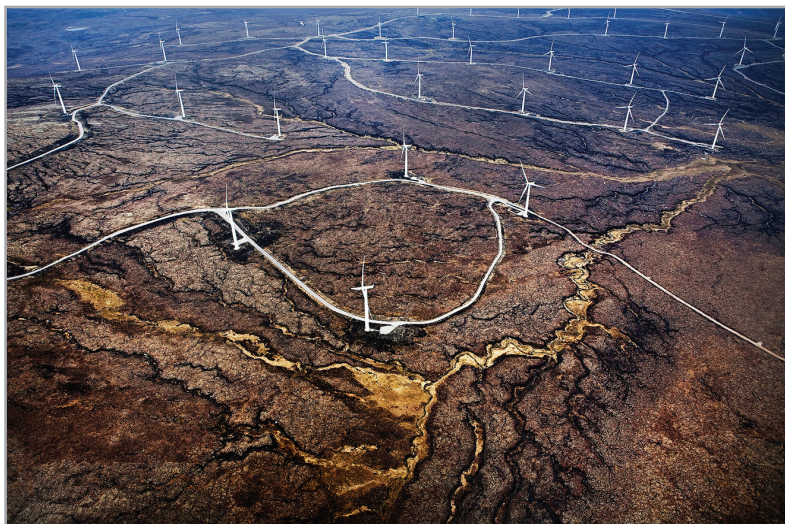
A roughly \$220 million financing supporting **Pattern Energy's** 115 MW El Arrayan wind project in Chile will have a tenor of construction plus 15 years. Pattern is talking with Danish export credit agency **EKF** about a guarantee wrapping at least part of the financing, says a deal watcher.

Bank of Tokyo-Mitsubishi UFJ and **Sumitomo Mitsui Banking Corp.** are leading the deal. They expect to bring in one or two other commercial banks as participants. Financial close is anticipated by May.

Antofagasta Minerals, a subsidiary of Chilean mining company **Antofagasta**, had an option to buy 30% in the project (PI, 1/6) and has done so, says an official in London who didn't elaborate. Houston-based sponsor **AEI Energy** is developing the project with Pattern. The size of equity stakes could not be learned.

How the El Arrayan financing would qualify for an EFK wrap couldn't be learned. The pricing of the financing also couldn't be learned. Spokespeople for Pattern and EKF declined to comment, while efforts to reach AEI were unsuccessful. Bank officials declined to comment or didn't return calls.

Minera Los Pelambres, a mining company controlled by Antofagasta, has a 20-year offtake agreement for El Arrayan, which will be built near Santiago. The project is expected to be operational next year. It will use **Siemens** 2.3 MW turbines.



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AES Culls Through Proposals For Calif. PV

AES Solar is culling through lender bids to lead a roughly \$1.3 billion financing backing the first phase of its 709 MW Imperial Valley solar photovoltaic project. Lenders anticipate that the sponsor, a joint venture of **AES Corp.** and **Riverstone Holdings**, will pick leads in the next few weeks.

AES has considered a financing that mixes bank and bond tranches (PI, 1/13), but has yet to announce a structure. Some bidders anticipate that AES may lean more heavily on a private placement, given tighter bank capacity during the euro-zone crisis. Project banks have largely favored seven-year mini-perms for large financings since the credit markets turned last August, financiers say.

"They only wanted long-term solutions," says an originator, referring to AES Solar. "I'm not sure how many banks can go long."

UniCredit is among the lenders that may participate in the financing, deal watchers say, despite the Italian bank's efforts to wind down its North American project finance operation (PI,

1/6). The bank is motivated to strengthen its relationship with AES Corp., which also plays in markets outside North America, explains a banker.

"UniCredit, which is winding down its North American project finance operation, is looking at the deal. It wants to strengthen its global relationship with AES Corp."

Other potential lenders and the terms of the deal, including pricing and tenor, couldn't be learned. **Patty Rollin**, AES Solar v.p. of development in North America in Arlington, Va., declined to comment. Bank officials declined to comment or didn't return calls.

San Diego Gas & Electric has a 25-year offtake agreement for 200 MW from the Imperial Valley project. It will be built near Plaster City, Calif.

BP, Sempra Tap Duo For Penn. Wind

BP Wind Energy and **Sempra U.S. Gas & Power** have tapped **Bank of Tokyo-Mitsubishi UFJ** and **Mizuho Corporate Bank** to help finance their 141 MW Mehoopany wind project in Wyoming County, Penn. The sponsors are seeking roughly \$200 million in debt.

BP has favored club deals for its wind financings—and typically works with relationship lenders, bankers say. BTMU and Mizuho participated in a roughly \$400 million club deal

FAST FACT

➤ **BP** has favored club deals for its wind financings—and typically works with relationship lenders, bankers say.

backing BP and Sempra's 250.8 MW Cedar Creek II wind project in Weld County, Colo., in 2010 (PI, 12/21/10).

Whether BP and Sempra plan to mandate other lenders for the Mehoopany financing and deal terms, including pricing and tenor, couldn't be learned. A BP spokesman in Houston didn't return a call while a Sempra spokesman declined to comment. Bank officials declined to comment or didn't return calls.

Old Dominion Electric Cooperative and **Southern Maryland Electric Cooperative** have power purchase agreements for Mehoopany (PI, 2/7). Construction of the farm is underway; operations are expected by year-end.

Invenergy, MUFG Discuss Ill. Wind

Invenergy is talking with **Mitsubishi UFJ Financial Group** affiliate **Union Bank** about helping finance its more than \$350 million, 214 MW California Ridge project in Illinois' Vermillion and Champaign counties.

FAST FACT

➤ **Dexia and Natixis**, though, aren't expected to participate in the California Ridge financing, say deal watchers, pointing to the ongoing euro-debt crisis, which has benched some lenders.

Other Invenergy relationship lenders include **BayernLB**, **CoBank**, **Dexia Crédit Local**, **Natixis**, **NordLB**, **Rabobank**, **Royal Bank of Canada** and **Siemens Financial Services**. Dexia and Natixis, though, aren't expected to participate in the California Ridge financing, say

deal watchers, pointing to the ongoing euro-debt crisis, which has benched some lenders and prompted others to reduce their roles in project finance—at least temporarily. Invenergy is targeting financial close this year (PI, 12/13).

Deal terms, including pricing and tenor, couldn't be learned. An Invenergy spokeswoman in Chicago declined to comment. Bank officials declined to comment or didn't return calls.

The **Tennessee Valley Authority** is the offtaker for California Ridge.

Union Bank participated in a \$259 million financing backing Invenergy's \$326.4 million, 138 MW Le Plateau wind project in southeastern Quebec (PI, 5/17).



Peru Developer Prices Hydro Loan

Peruvian developer **Inkia Energy** has priced a \$525 million financing backing its \$750 million, 400 MW hydro project in Peru above LIBOR plus 300 basis points. Financial close is expected by May, says a deal watcher.

Inkia is still talking with Peruvian lender **Banco de Crédito del Peru** about joining the financing and has reached out to some development banks, as well, the deal watcher adds. **BBVA, Crédit Agricole, HSBC, Scotia Capital, Société Générale** and **Sumitomo Mitsui Banking Corp.** are already attached to the

financing (PI, 11/30). It has a 12-year tenor.

The identity of the development banks couldn't be learned. **Jorge Melgar**, Inkia project manager in Lima, didn't respond to e-mail inquiries. Bank officials declined to comment or couldn't be reached.

A government-owned utility in Peru will buy 200 MW of the project's generation. The rest of the generation will be sold into merchant markets.

FAST FACT

➤ **Inkia Energy** is talking with Peruvian lender **Banco de Crédito del Peru**.

Sempra Sub Issues RFP For Nev. PV

Sempra U.S. Gas & Power has asked lenders to submit bids for a roughly \$130 million financing supporting up to 92 MW at its Copper Mountain 2 solar photovoltaic project in Boulder City, Nev. The **Sempra Energy** subsidiary is looking for a 17-18 year tenor, says a deal watcher.

Most project lenders have favored tenors up to 10 years since August, when the credit markets tightened amid the euro-zone crisis. But modest renewables financings—generally under \$200 million—backed by strong sponsors and solid offtake agreements can land longer tenors, bankers say, because only three or four lenders are needed to participate (PI, 2/16). **Bank of Tokyo-Mitsubishi**

UFJ and **Mizuho Corporate Bank** are among the lenders that can offer 18-year tenors (PI, 3/2).

Sempra should be able to snag 18-year debt, says a senior originator, noting the deal's limited size and Sempra Energy's strong corporate credit rating. **Standard & Poor's** rates Sempra Energy's foreign long-term debt BBB+.

Sempra relationship lenders include BTMU, **ING**, **Lloyds Bank Corporate Markets**, Mizuho and **Société Générale**. The sponsor's desired pricing couldn't be learned. A Sempra spokesman in San Diego couldn't be reached for comment by press time. Bank officials declined to comment or didn't return calls.

Pacific Gas & Electric is the offtaker for Copper Mountain 2 (PI, 10/7). Construction of the 92 MW began in December; installation is expected by early next year.

FAST FACT

➤ **Standard & Poor's** rates **Sempra Energy's** foreign long-term debt BBB+.

MERGERS & ACQUISITIONS

Exelon Seals Constellation Merger, Moves Toward Coal Auction

Exelon has six months to sell 2.648 GW of coal-fired plants in Maryland now that its \$7.9 billion acquisition of **Constellation Energy Group** has closed. As part of the merger agreement, Constellation agreed to sell three facilities in Anne Arundel County and Baltimore County. **Morgan Stanley**, one of Constellation's merger advisors, is running the sale, says a deal watcher.

Teasers for the plants are expected to be floated soon as the "clock starts now" regarding the time constraints on the sale, notes one observer, although an exact timeline could not be learned. The plants for sale include:

- 1,273 MW Brandon Shores coal-fired in Anne Arundel Co.;
- 976 MW H.A. Wagner coal-fired in Anne Arundel Co.; and
- 399 MW C.P. Crane coal-fired in Baltimore County.

The stock-for-stock acquisition closed March 12, less than a year after *PI* first reported that a merger was in the works (PI, 4/8). Morgan Stanley, **Goldman Sachs** and **Credit Suisse** advised Constellation while **Barclays Capital, JPMorgan, Evercore Partners** and **Loop Capital Markets** worked with Exelon.

An Exelon spokeswoman in Chicago referenced the timeline

for the sale under the merger agreement but declined to comment on details regarding the auction. A spokesman for Morgan Stanley was not immediately reached.



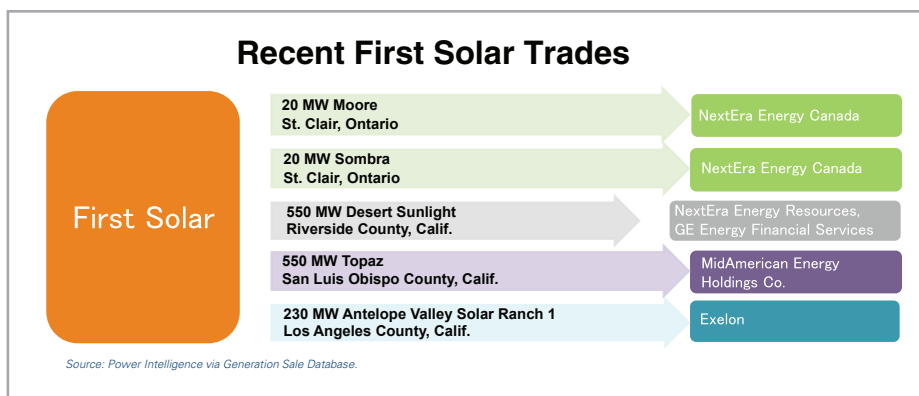
Brandon Shores courtesy Exelon

NextEra Ropes Maiden Canada Solar Assets

NextEra Energy Canada, a subsidiary of **NextEra Energy Resources**, has bought two solar plants in Ontario totaling 40 MW from **First Solar**—marking NextEra's initial solar play in Canada.

The 20 MW Moore and 20 MW Sombra facilities in St. Clair went online last month. Each has a power purchase agreement with **Ontario Power Authority**. **Export-Import Bank of the United States** guaranteed a C\$184.3 million (\$219 million) loan for the construction of the projects in September (PI, 9/9).

The company is looking for fully contracted assets, said **Mike O'Sullivan**, senior v.p. of development for NextEra in a release.



Neither the purchase price nor whether either party used a financial advisor could be learned. A First Solar spokesman didn't respond to an inquiry while a NextEra spokesman couldn't comment.

CPS To Finance Tenaska CCGT With Bonds

CPS Energy, a San Antonio city-owned and based utility, has agreed to buy the merchant 800 MW Rio Nogales combined cycle facility from **Tenaska Capital Management** and will finance the acquisition with bonds.

The City of San Antonio has issued \$521 million electric and gas systems revenue bonds on behalf of CPS. Proceeds from the senior lien issuance will be used to finance the acquisition, according to a **Fitch Ratings** report rating the new series of taxable 2012 bonds AA+. **JPMorgan** is the senior underwriter on the bonds, says a CPS spokesman, who could not comment on the purchase price or the bond issuance due to a confidentiality agreement with Tenaska.

The purchase price would be in the neighborhood of \$651 per kW if the full amount of the bond issuance is used for acquisition financing. The acquisition is slated to be finalized next month pending regulatory approval. **Bank of America** advised CPS.

PI reported that CPS was the front-runner for the Rio Nogales facility in Seguin as it tries to move away from coal-fired generation

(PI, 1/24). Because CPS will not need the full amount of power generated by Rio Nogales until the 871 MW Deely coal-fired plant is retired in 2018, the utility is planning to sign a heat rate call option of 480 MW of the generation with a third party, according to Fitch. The fixed payment from the call option will be used to cover the debt service on the bonds through 2018.

Valuations for combined cycle facilities in Texas have ranged from \$335/kW to \$830/kW over the last year. **Energy Capital Partners** snagged the 1 GW Odessa facility from **PSEG Power** for \$335 million; **Exelon** paid \$305 million for the 720 MW Wolf Hollow plant and **Rayburn Country Electric Cooperative** laid out \$215 million for a quarter stake in the **Calpine**-owned 1,038 MW Freestone Energy Center (PI, 7/28, 5/12 & 1/6/11).

Tenaska was selling the Rio Nogales and the 830 MW High Desert combined cycle in Victorville, Calif. **Citigroup** and **Barclays Capital** are running the sale. The High Desert facility may remain on the market or be shelved, according to one deal watcher, who says that offers may not have been high enough for Tenaska to sell.

Details on pricing and maturity of the bonds could not be immediately learned. A Tenaska spokeswoman declined to comment. Bank spokesmen could not comment.

FAST FACT

CPS is planning to sign a heat rate call option of 480 MW of the generation with a third party. The fixed payment from the call option will be used to cover the debt service on the bonds through 2018.

PEOPLE & FIRMS

Managing Director Exits Credit Suisse

Steve Cheng, managing director and co-head of global project finance at **Credit Suisse**, has left the firm. Cheng left the New York office the week of March 5 and reportedly has not determined his next move, says an industry official.

Cheng worked in the investment banking department that is

headed in the U.S. by **James Amine**. Cheng has worked on a variety of IPP financings (PI, 10/20/08).

The reasons for his departure could not be learned. A Credit Suisse spokesman declined to comment while a message for Cheng was not immediately returned.

STRATEGIES

Texas AEP Sub Recovers Deregulation Costs Via Securitization

Texas Central Company, a subsidiary of power utility **American Electric Power Company**, priced an \$800 million securitization of rate-recovery bonds, enabling the utility to recover costs linked to its deregulation. AEP priced its three AAA-rated classes of bonds, which an official with knowledge of the transaction said were oversubscribed. "This was the lowest priced Texas transaction to date at a weighted average rate of 2.28% and we are pleased with this outcome," an AEP spokesman said in a statement to *PI*.

The transaction's three-year, \$307.9 million A1 tranche was priced to yield .88% at 20 basis points over swaps; the seven-year, \$180.2 million A2 tranche priced to yield 1.98% at 40 bps over swaps and the 10-year, \$311.9 million A3 tranche priced to yield 2.84% at 70 bps over interpolated swaps. The notes settled March 14.

The company acted now to recover the costs because in July the Texas Supreme Court overturned an earlier decision that blocked the recovery, the spokesman says. The recovery case was then remanded back to the **Public Utility Commission of Texas**, which approved TCC to recover these costs through securitization on Jan. 12.

There are no additional securitizations in the pipeline, according to the spokesman.

In its prospectus filed with the U.S. **Securities and Exchange Commission**, AEP notes that an incentive to investors in this

type of securitization is the lack of prepayment risk because the securitized collateral comes from future expected payments collected as an extra fee added to TCC customers' regular energy bills.

Texas' Restructuring Act of 1999 moved to transition public utilities to the private sector, and allowed securitized transition bonds as an avenue to facilitate the change. Utilities occasionally use similar asset-backed transactions to recover losses from natural disasters and other events interrupting service.

The issuance marks the third series of transition bonds that

FAST FACT

▶ The issuance marks the third series of transition bonds that TCC has sponsored, after its \$797.3 million offer in 2002, and a \$1.7 billion offering in 2006.

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The market last saw a similar, \$1.695 million recovery bond issuance from another Texas utility, **CenterPoint Houston**, earlier this year, according to sister publication *Securitization Intelligence*, and a

\$206.1 million transaction from **Entergy Louisiana** last summer recouping losses from canceling plans to convert a 538 MW steam-powered plant to petroleum coke and coal (*PI*, 7/11).

Morgan Stanley, **Barclays Capital** and **Citigroup** marketed the transaction, but declined to comment.

NEWS IN BRIEF

News In Brief is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but *PI* does not guarantee its completeness or accuracy.



AMERICAS

- **Fresno County, Calif.**, will weigh the past agricultural productivity when considering whether to approve permits for solar photovoltaic projects on farmland. The county has 29 projects in its pipeline (*The San Jose Mercury-News*, 3/15).
- The U.S. installed more than 1.8 GW of solar generation in 2011, more doubling its production in 2010, but uncertainty over federal subsidies may threaten future growth. The U.S. **Senate** last week rejected a bill to reactivate the U.S. **Department of Treasury** cash grant (*The Wall Street Journal*, 3/15).
- **PG&E Corp.** will issue 5.9 million shares of common stock in a public offering in an effort to raise \$250 million. **Barclays Capital** and **UBS** are leading the deal, which will be used by utility subsidiary **Pacific Gas & Electric** for general corporate purposes (*The Sacramento Bee*, 3/15).

- **Apex**, a Charlottesville, Va.-based wind developer, is looking to build a commercial wind project in Augusta County, Va. The project, which would be built on and around a county landfill, requires approvals from three local jurisdictions (*The Staunton News Leader*, 3/15).
- New Mexico officials will hear a proposal by **Xcel Energy** to build a \$16.4 million, 23 MW gas-fired project in the transmission isolated town of Tucumcari. The town has had its power go out during times of peak demand in other parts of the state (*Carlsbad Current Argus*, 3/14).

First Solar is planning to start construction on a 20 MW solar photovoltaic project in Hagerstown, Md., in the second quarter. The project will sell power and renewable energy credits to a **FirstEnergy Corp.** subsidiary (*Reuters*, 3/14).

- The **Texas Public Utility Commission** is considering tripling the \$3,000 per MWh price cap on wholesale power in times of peak demand as a way to incentivize power producers to build new generation as ERCOT nears a generation shortfall (*Dallas Observer*, 3/14).

- Building offshore transmission substations to ship offshore wind power back to the grid would cost \$652 million per platform, according to a study by **ABB Power Systems Consulting** for **Dominion Virginia Power**. The utility is contemplating putting 100 to 400 in the waters off the coast of Virginia Beach (*Virginia Business*, 3/14).

- **Northeast Utilities** and **NStar** will give a one-time credit and rate freeze until Dec. 2014 for customers in Connecticut in an agreement with officials that puts the planned \$4.7 billion merger on track to close by mid-April (*Dow Jones Newswires*, 3/14).

- **Seneca Capital Markets**, the second largest shareholder in Dynegy behind **Carl Icahn**, has sold a third of its stake in the company, a move that comes on the heels of a report from a bankruptcy examiner. Seneca's 10% stake has been reduced to roughly 6.69% (*The Wall Street Journal*, 3/13).

- Wind, biomass and solar revenues grew globally from \$188.1 billion in 2010 to \$246.1 billion in 2011 despite global economic troubles, according to a report from clean-tech research and advisory firm **Clean Edge**. The solar and wind sector accounted for most of last year's expansion (*MarketWatch*, 3/13).

- **GE** has been selected to provide generating equipment for a 540 MW gas-fired project near Marble Falls, Texas, that will be owned by the **Lower Colorado River Authority**. The project is slated to be online in 2014 (*Power Engineering*, 3/13).

- **Duke Energy** has signed an agreement with **China Power Investment Corp.** to cooperate in developing nuclear energy technology. Duke has also signed an agreement with **China**

Guangdong Nuclear Power Group to collaborate in nuclear and renewable energy investments (*MarketWatch*, 3/13).

- **Juwi Wind Canada** has plans to develop a 6 MW wind project in Nova Scotia alongside local shop **Community Wind Farms**. The move is part of Juwi's plan to expand into the Canadian renewable market (*Electric Light & Power*, 3/13).

- The U.S. **Bureau of Land Management** has deferred making a decision on **Renewable Energy Systems Americas'** 425 MW China Wind project in Idaho for two years due to concerns about the impacts on endangered bird species in the area (*The Idaho Statesman*, 3/12).

- **First Solar** will build the 26 MW Avra Valley solar project for **NRG Energy** in Tucson, Ariz. **Tucson Electric Power** has a 20-year power purchase agreement for the project (*Yahoo! Finance*, 3/12).

- Wind energy investments, both onshore and off, in North America are set to increase through 2017, according to a report from **Pike Research**, that estimates \$145 billion will be invested in the wind industry between 2011 and 2017. The continent could see 145 GW of new wind projects installed during this time (*Power Engineering*, 3/12).

- A U.S. court has decided that **Mitsubishi Heavy Industries** must pay \$170 million to **GE Electric Co.** for patent infringement in a claim that Mitsubishi Heavy violated a patent that allows wind turbines to connect to the power grid (*Bloomberg*, 3/12).

- The Ohio **Supreme Court** has ruled that the proposed Buckeye wind project in Champaign County can move forward. The project was initially approved in 2010 but was delayed as local groups moved to oppose the project (*The Springfield News Sun*, 3/12).

EUROPE

Alstom is eyeing **Gamesa** and **Vestas** as potential acquisitions. The French engineering group is also competing to build offshore wind projects in France (*Reuters*, 3/15).

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CONFERENCE CALENDAR

- **Infocast** will host Project Finance: The Tutorial March 21-23 at Digital Sandbox in New York. To register, visit <http://infocastinc.com/index.php/conference/610>.
- **Infocast** will host the 4th Annual Waste To Energy Development & Finance Summit March 27-29 at 191 No. Wacker Drive in Chicago. To register, visit <http://infocastinc.com/index.php/conference/614>.
- **Platts** will host the 27th Annual Global Power Markets Conference April 1-3 at the ARIA Resort & Casino in Las Vegas, Nev. To register, visit <http://www.platts.com/ConferenceDetail/2012/pc212/index>.
- **Euromoney Energy Events** will host the Renewable Energy Finance Forum—Latin America & Caribbean April 24-25 at the Miami Marriott Biscayne Bay in Miami, Fla. To register, visit <http://www.euromoneyenergy.com/EventProgramme.aspx?EventID=4286&CategoryID=0>.
- **Infocast** will host Distributed Solar East 2012 April 25-27 at the

Crowne Plaza Somerset-Bridgewater in Somerset, N.J. To register, visit <http://infocastinc.com/index.php/conference/623>.

- **Euromoney Energy Events** will host the 3rd Renewable Energy Finance Forum—Canada April 30-May 1 at the Sheraton Centre Toronto in Toronto. To register, visit <http://www.euromoneyenergy.com/EventDetails/0/4286/3rd-Renewable-Energy-Finance-Forum-Canada.html>.
- **Euromoney Seminars** will host the 2nd Annual Infrastructure and Energy Finance West Conference May 22-23 at the Grand Hyatt in San Francisco. To register, visit <http://www.euromoneyseminars.com/EventDetails/0/4629/2nd-Annual-Infrastructure-and-Energy-Finance-West-Conference.html?CategoryID=0&EventID=4629>.
- **Infocast** will host Mexico Wind Power Finance & Investment Summit 2012 July 23-25 at the Presidente InterContinental Mexico City in Mexico City, Mexico. To register, visit <http://informationforecastnet.com/index.php/conference/mxwind12>.

Cheniere Ups *(Continued from page 1)*

Canada are considering participating. Lenders that are tracking the deal include **Scotiabank** and **Sumitomo Mitsui Banking Corp.** The financing is a seven-year mini-perm and priced above LIBOR plus 300 basis points. Cheniere is targeting financial close this quarter.

The financing has been buttressed by **Blackstone's** expected \$2 billion equity investment, principally in the project. Blackstone and Cheniere entered into an exclusive arrangement late last month. "Blackstone validates that this is not someone doing a crazy idea," says a senior financier. "It shows that there is the potential for good returns. So, you know this [debt] deal is going to happen."

That rosy outlook is shared by senior bankers across the project finance marketplace, despite harsh headwinds that would scuttle most financings. The Cheniere deal is the largest to hit the project marketplace in years—and it has arrived during a particularly turbulent stretch of the euro-zone crisis, which has benched roughly one-third of the usual players and severely constricted lender capacity. Most financings above \$600 million require a private placement to complement bank debt (PI, 1/20).

Yet, there is a prevailing view that the Cheniere deal doesn't—and shouldn't—fall within the typical project finance template. "It's the largest [existing] deal for oil and gas in the Americas. Banks are eager to show that they can play in this market," says a banker, noting that Sabine Pass is expected to be the first export liquefied natural gas facility in the continental U.S.

"No, Cheniere isn't a normal deal," adds a head of project finance. "And if you look at Europe and the Middle East, you're still seeing big deals get done, so it's not unheard of."

The first two trains of Sabine Pass—which the financing supports—are fully contracted, bankers say. **Gas Natural Fenosa**

is among the purchasers of the liquid gas produced at the export LNG facility (PI, 6/10). Construction of the first two trains (there are four planned) is expected to start in the first half of this year, with operations targeted for 2016.

Separately, Cheniere last week priced a \$306-352 million offering of common stock at \$15.10. **Credit Suisse**, which has advised Cheniere in its equity hunt, is underwriting the offering, which the company expected to close Friday as *PI* went to press.

Why Cheniere is seeking a larger financing than the \$2.24 billion it sought last spring couldn't be learned. **Meg Gentle**, Cheniere cfo in Houston, didn't return a call seeking comment, while a spokeswoman declined to comment. Bank officials declined to comment or didn't return calls.

—**Brian Eckhouse**

Duquesne Looks *(Continued from page 1)*

3.83% of the 1.711 GW Conemaugh—are small but notable, says one M&A banker. **Bank of America** is running the sale. The company wants to have a buyer by the mid-year, says a deal watcher.

Pittsburgh, Pa.-based Duquesne Light is looking to sell because they are non-core to its regulated business, says the deal watcher. Duquesne Light bought the stakes for \$173 million from a **Pepco Holdings** unit in 2005 (PI, 11/23/05).

Financial players that can go long on power demand have an appetite for scrubbed coal-fired generation but uncertain emission regulations make it difficult to close the buy-ask spread (PI, 10/28). Many of the coal-fired assets to have hit the market have been through a restructuring or bankruptcy process, making the auction of a healthy, albeit small, stake interesting, say both a banker and an investor.

The PJM region will be hard hit by coal-fired retirements in the

coming years (**FirstEnergy Corp.** announced in January that it will retire 2.67 GW by September) and this divestiture will give market participants a starting point on how to value other assets.

Homer City, the 1.884 GW coal-fired plant in Homer City, Pa., that is leased by **Edison Mission Energy** under a sale leaseback with **General Electric Capital Corp.**, is one of the only other coal-

Keystone Ownership		Conemaugh Ownership	
Exelon	41.99%	Exelon	31.32%
PSEG Power	22.84%	PSEG Power	22.50%
GenOn Energy	16%	GenOn Energy	16.45%
PPL Generation	12.34%	PPL Generation	16.25%
NRG Energy	3.70%	Duquesne Light Holdings	3.83%
Duquesne Light Holdings	2.47%	NRG Energy	3.70%

The identity of the remaining stakeholders could not be learned.

Source: Power Intelligence via company regulatory filings and web sites

fired facilities to come near the market—and that transaction is pockmarked with contention (PI, 3/5).

A timeline for releasing teasers couldn't be learned. A BofA spokesman declined to comment. **—Holly Fletcher**

Bill Gates *(Continued from page 1)*

The plants have been hard hit by the sustained low natural gas and power prices, according to PNM's 10-K that was filed Feb. 29 with the U.S. **Securities and Exchange Commission**. Wholesale power prices fell below the amount for which PNM had planned, according to the filing.

Optim Energy owns the following:

- 600 MW Altura cogeneration plant in Channelview, Texas, that has a power purchase agreement with **Lyondell Chemical Co.**;
- 305 MW Twin Oaks lignite-fired plant in Bremond, Texas, that sells power into wholesale markets; and
- 275 MW Cedar Bayou 4 natural gas-fired plant in Chambers County, Texas. **NRG Energy** owns half of this facility.

Cascade came into full ownership of Optim in January after PNM wrote down a \$113.7 million investment in Optim at the end of 2010. Cascade made an equity investment in Optim in the fall that acquired 49% of PNM's stake. Cascade picked up PNM's remaining 1% stake in January, which was determined to have the fair market value of zero, according to the 10-K. The stake was broken into two parts as a tax advantage, says a deal watcher. The amount of equity invested in the fall couldn't be learned; a PNM spokesman in Albuquerque, N.M., declined to comment.

Industry officials are watching what happens to the assets for several reasons, say a banker and a private equity official. If Cascade opts to sell the assets then the market could get a data point about how coal-fired generation is valued in ERCOT, says one M&A banker. A strong per kW price could prompt other coal-fired owners to test the waters, says another banker.

Additionally, generation plays in ERCOT are enticing to

ALTERNATING CURRENT

Developers Asked To Help Clean Up NYC



New York City isn't lacking in refuse. Consider: the city processes roughly 10,000 tons of waste each day.

So to help curb the tonnage of garbage that typically finds its way to landfills, New York has issued a request for proposals to build a waste-to-clean energy plant within 80 miles of city limits (This includes the city itself). The project falls under New York's sustainability agenda, dubbed "PlaNYC."

The plant would initially process up to 450 tons each day—and potentially double that if the pilot effort is deemed successful, according to the city's Web site. Applicable conversion technologies include anaerobic digestion, gasification and hydrolysis; conventional "mass burn" technologies don't make the cut.

Developers bidding into the RFP must provide detailed environmental data, including emissions statistics. New York City won't contribute a dime to capital costs, but it will pay a per-ton fee to the facility operator. Bids to build and operate the facility are due June 5.

A spokeswoman for Mayor **Michael Bloomberg** didn't return a call seeking comment.

investors, particularly after the power shortage when temperatures soared over the summer, says one official interested in picking up facilities in ERCOT.

Cascade had been working with **Evercore Partners** in the summer of 2011 regarding its Optim stake although that engagement was terminated, according to an industry official, when Evercore bought advisory boutique **Lexicon Partners**, which was already working with PNM (PI, 7/6).

Morgan Stanley worked with PNM Resources on the fall transaction.

A Cascade official didn't respond to an inquiry.

—Holly Fletcher

QUOTE OF THE WEEK

"Blackstone validates that this is not someone doing a crazy idea. It shows that there is the potential for good returns. So, you know this [debt] deal is going to happen."—A senior financier in New York on **Cheniere Energy's** likely reception for a \$3.2 billion financing after Blackstone made a \$2 billion equity investment (see story, page 1).

ONE YEAR AGO

LS Power looked to sell minority stakes in two of its transmission project companies, **Great Basin Transmission South** of Nevada and **Cross Texas Transmission**. [**John Hancock Life Insurance** snagged an equity stake in the projects (PI, 6/21).]