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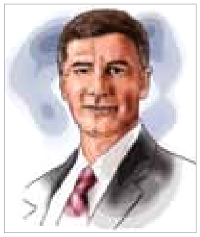
Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Q&A: Mike Lorusso, CIT Energy



Mike Lorusso

The changing landscape of project finance players is providing ample opportunity for CIT Energy to execute its strategy to obtain more senior roles in deals, **Mike Lorusso**, managing director and group head of **CIT Energy** in New York, told *PI* in an exclusive interview. "We've benefitted from an opportunity to step back into a senior role as our competition, primarily from European banks, has withered a bit and left somewhat of a vacuum there for us to step into," Lorusso said. The shop booked $500 million in business across more than 20 transactions in power in 2012 and is looking to continue its growth.

What is CIT's strategy in power project finance and asset-based M&A? Where does it fit into the sector?

Our role is to do three things: first, we are in an asset-building mode, so we will continue to put capital to work and book assets strategically. Second, as we are growing and increasing our business volume and improving our position in the marketplace, we're looking to up-tier our role in deals and take a more active pursuit of lead and co-lead opportunities. Third is a strategy to expand our profitability and complement the asset-build with income from capital markets fees.

We see ourselves fitting into the bigger picture in the sector by working with sponsors to bring them value-added ideas and

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THE BUZZ

PJM Sparks Investor Interest

Interest in PJM has spiked over the past several months as developers and investors try and position themselves to take advantage of some expected demand growth in the region in the coming years. This week, that brings word of investors circling equity stakes in gas-fired development assets in Pennsylvania. Vienna, Va.-based **Moxie Energy**, a shop started by a crew of **AES Corp**. alum, has landed an undisclosed investor for a stake in its 825 MW Moxie Liberty project in Bradford County (see story, page 6). The finalization of the purchase depends on securing financing for the project, and bankers say the developer is likely close to that milestone given its intercreditor agreement with EPC **Gemma Power Systems**.

For PFR's take on these stories and the rest of the market, see page 2.

Longview Reportedly Brushes With Covenant Breach

Longview Power, the owner of a merchant 695 MW supercritical pulverized coal-fired facility in Maidsville, W. Va., is reportedly facing a potential debt covenant breach. Talks with creditors are on-going in the run up to May, when the **First Reserve**-backed shop will need to report whether it tripped its total leverage covenant, observers say. A spokesman for Longview Power did not respond to an inquiry while a First Reserve spokeswoman declined to comment.

The shop is reportedly working on an amendment, although it would need to be a sweet deal for creditors to sign on to it. In the past, Longview sought permission to issue bonds to incrementally refinance $1.1 billion in debt (*PI, 8/10/10*). The plant has a five-year contract for 43% of its capacity with **PPL EnergyPlus** as a hedge.

(continued on page 12)

Industry Current: New Investors Eye Mexico

Dino Barajas, partner at **Akin Gump**, examines why investors are taking a closer look at Mexico's power sector.

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

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Elsewhere in the Keystone State, **Emberclear** is getting a lot of attention from independent power producers for a stake in its 300 MW Good Spring combined cycle project in Schuylkill County (see story, page 7). **Albert Lin**, ceo in Calgary, says financial players are also sniffing around given the wave of expected coal-fired retirements in the area. The buyer can choose to use a turnkey financing package lined up by the sponsor, or bring in its own package.

Other big talking points to come out of this week will be the attractive pricing and lengthy tenors that companies are trying to secure backing projects. Firstly, it seems that the market is becoming more comfortable with merchant risk. **Panda Power Funds** was able to close a $372 million B loan back the second stage of its Temple project in Texas at LIBOR plus 600 basis points (see story, page 7). That's 400 basis points lower than the loan that closed only last July backing Temple I. Still in B loan land, **Essential Power** tapped the market again for more favorable pricing only a few months after closing another refinancing backing a portfolio of projects (see story, page 5). Observers are saying that despite a sluggish overall market, B loans are really showing some impressive numbers.

Latin America is also seeing a flurry of activity, with notable deals closing. **AES Gener** wrapped the financing of its Cochrane coal-fired facility in Mejillones, Chile, which attracted the attention of a number of Japanese banks (see story, page 5). Also on the deal were: the **Japan Bank for International Cooperation** and the **Korea Finance Corp**. An uptick in the number of agency financings on the continent is being noticed by deal watchers, who also referenced the **Inter-American Development Bank**'s closing of a $41.4 million deal backing a series of solar photovoltaic facilities in Chile as further examples of how those entities are helping to prop up financing on in Latin America (see story, page 5).

TELL US WHAT YOU THINK!

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

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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	Bids due the first week of April (PI, 3/25).
▶ ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	TBA	An advisor is retained to sell ArcLight's stakes in nine plants (see story, page 7).
Atlantic Power Corp.	Path 15 (84-mile Transmission)	California	Rothschild	A joint venture between Duke Energy and American Transmission Co. is buying the line (PI, 3/18)..
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 (PI, 3/18)).
▶ EmberClear	Good Spring (300 MW Gas)	Good Spring, Pa.	CCA Capital	Likely to sell a nearby development in addition to Good Spring (see story, page 7).
Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	Teasers are out (PI, 12/10).
Enova Power Group	Plainfield (37.5 MW Biomass project)	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).
▶ Goldman Sachs, Energy Power Partners	Solar Gen 2 (150 MW Solar)	El Centro, Calif.	TBA	First Solar bought the project (see story, page 6)
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	AltaGas is buying it for $515M (PI, 4/1).
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).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	TBA	Mulling a sale of its Wyman and Cape stations to reduce merchant gen (PI, 4/1).
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 (PI, 3/18).
Pattern Energy	Various (1 GW Wind)	North America	Morgan Stanley	First round bids have come in for up to 49% of the wind portfolio (PI, 2/25).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
Project Resources Corp.	Ridgewood (25 MW Wind)	Minnesota	Alyra Renewable Energy Finance	PRC is looking to sell up to 50% of its lessee position in the farm (PI, 2/18).
Ram Power	Geysers (26 MW Geothermal)	Healdsburg, Calif.	Marathon Capital	In talks with several buyers amid a reorganization (PI, 2/4)
Rockland Capital	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	FERC has rejected Wayzata's bid to buy it (PI, 3/18).
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	First round bids due around Dec. 14 (PI, 12/17).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas) Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar) Mesquite 1 (150 MW Solar)	Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.	TBA	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 wraps a Japanese bank-heavy deal (see story, page 5).
	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	~$1B	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	Expansion	$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
BluEarth Renewables	Bow Lake (60MW Wind)	Algoma, Ontario.	TBA	TBA	$80M	TBA	Sponsor will be bringing a few deals to market this year (PI, 1/21).
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	Sponsor has an offtake agreement with Southern California Edison for the Hidden Hills project.
	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
▶ Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor is look for a 16-year tenor on the deal (see story, page 8).
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	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 partners (PI, 3/18).
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).
Innergex	Four Projects (170.5 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Sponsor is looking to tap lifecos to match the tenor of the debt to the length of the PPAs (PI, 3/25).
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)	Kern & 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	A third party investor has come on board and intercreditor agreement has been penned (see story, page 6).
NextEra Energy Resources	Various (Wind)	U.S.	TBA	Refi	TBA	TBA	The sponsor has been talking with lenders to refinance a portfolio of about 10 wind projects (PI, 10/1).
	Limon I & II (400 MW Wind)	Colorado	N/A	N/A	N/A	N/A	State Street, JPMorgan, Bank of America and Wells Fargo make tax equity investments in the projects (PI, 11/5).
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 (PI, 3/18).
▶ Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	$700M	TBA	Panda's oversubscribed deal is expected to tighten to LIBOR plus 600 basis points (see story, page 7).
Pattern Energy	Grand (150 MW Wind)	Haldimand County, Ontario	TBA	TBA	TBA	TBA	The sponsor closed a deal with 16 banks contributing to sister project South Kent (PI, 3/18).
	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, as pricing emerges (PI, 3/25).
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.	SocGen, Union Bank	TBA	$600M	TBA	Sponsor has tapped Soc Gen and Union Bank to lead the financing (PI, 3/25).
▶ Solarpack	Various (25 MW Solar PV)	Tarapacá, Chile	IDB	TBA	$41M	TBA	The IDB closed the deal with its own funds and financing from the Canadian Climate Fund (see story, page 5).
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).
Termotesajara	Norte de Santander (180 MW Coal)	Norte de Santander, Colombia	TBA	Expansion	$330M	TBA	Bankers say that the plant's arrangement for the generation are attractive to investors (PI, 9/10).

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PROJECT FINANCE

IDB Closes On Chilean Solar, Indicates Trend

The **Inter-American Development Bank** has closed a $41.4 million deal backing three solar photovoltaic facilities with a combined 26.5 MW output in the Atacama Desert, Chile. Spanish company **Solarpack** developed the projects. "Agencies are filling up a lot of the holes left by departing European lenders," says **Jan Weiss**, the lead syndications officer in the syndications unit at the IDB. "The project finance lending on the commercial side has diminished and been replaced by a lot of syndicated agencies. There is also a push from those agencies on the same objectives, like increasing the number of renewable projects in the region."

The $80 million Pozo Almonte and Calama photovoltaic projects tapped two sources of debt, with the IDB and **Canadian Climate Fund** both providing $20.7 million. The CCF is a C$250 million ($246 million) fund set up by the Canadian government and managed by the IDB, which backs private sector climate mitigation and adaptation projects in Latin America that need concessional financing to become viable. Pozo Almonte and Calama are two of the first large-scale solar energy projects in the region, says **Jean-Marc Aboussouan**, chief of the infrastructure division, structured and corporate finance department at the IDB in Washington D.C..

Solarpack has signed a contract with **Compañía Minera Doña Inés de Collahuasi** for the construction, development and management of the solar power plants. Solarpack has a pipeline of more than 120 MW in Chile, of which 20 MW are fully developed, with construction now beginning on these projects. Officials at Solarpack did not respond to inquiries by press time. It is estimated that energy consumption in Chile will grow annually between 6% and 7% until 2020.

AES Wraps Cochrane

AES Gener has closed the financing of its 532 MW Cochrane coal-fired facility in Mejillones, Chile. The Santiago, Chile-based affiliate of **AES Corp.** closed the $1.05 billion financing last week. **Mitsubishi Corp.** has a 40% stake in the project.

The **Japan Bank for International Cooperation**, **Bank of Tokyo-Mitsubishi UFJ**, **Sumitomo Mitsui Banking Corporation**, **Mizuho Corporate Bank** and the **Korea Finance Corp.** are participating in the deal. **HSBC** is the financial advisor (*PI, 6/6*). The **Banco Estado** of Chile will also provide a $55 million letter of credit.

"There is a lot of activity in the region at the moment," says one financier of power projects in Latin America, citing the approximately 5% demand growth in the region around Mejillones. "Everyone is looking for those extra pockets of liquidity, with new banks and agencies stepping in to provide that." Pricing on the loan could not be learned, but observers say that most Latin America deals start around LIBOR plus 300 basis points and go upwards, with a preference for seven to 10-year mini-perms.

Commercial operations are expected to begin in the first quarter of 2016, with generation sold to copper mines in the north of Chile.

Cameron Stalks 16-yr LNG Debt

Cameron LNG, an affiliate of **Sempra LNG**, is trying to lock down 16-year debt backing its liquefied natural gas export facility at the Calcasieu Channel in Hackberry, La.. The company is looking to secure between 60%-70% of the approximately $6 billion project cost in debt (*PI, 1/8*).

"I am just not sure which banks can do that kind of tenor, but I would say the Japanese banks would be all over it," says one deal watcher. "They will be approaching banks in late June, early July."

Sempra is looking to close the financing in the fourth quarter. "The financial structure of the project is expected to be a joint venture where the customers have 100% of the tolling capacity and about 50% of the equity," says a company official in San Diego. "We are currently examining multiple sources of financing including bank debt, export credit agency debt and/or capital markets."

A hot term loan B market may prove to be the most attractive, says a deal watcher. Cameron is working with equity partners **Mitsubishi Corporation**, **Mitsui & Co.** and a subsidiary of **GDF SUEZ**, to secure the debt and has tapped **Royal Bank of Scotland** as a financial advisor.

The facility is close to securing its permitting to export LNG, according to officials at the U.S. **Federal Energy Regulatory Commission**. The Cameron project will have export capability of 12 million tons per year, or approximately 1.7 billion cubic feet per day. The project is expected to be complete in July, 2018.

Essential Power Eyes Refi...Again

Industry Funds Management subsidiary **Essential Power** is looking to refinance debt on a 1,721 MW portfolio with a $550.7 million senior secured term loan B. **Barclays** is the bookrunner for the transaction. Commitments are due April 9.

"The market is very quiet, but the term loan B market is very, very active," notes one deal watcher. Pricing talk is around LIBOR plus 350 basis points with a 1% LIBOR floor. Commitments are being offered at par. The loan matures on Aug. 8, 2019, which is the same maturity as the loan it is refinancing. That previous loan was a $665 million refinancing and came in one-and-a-half times oversubscribed, pricing is at LIBOR plus 425 bps (*PI, 8/6*). The 75 basis point drop in pricing in a little over six months is indicative of the hot B loan market, say bankers (*PI, 2/8*). **Credit Suisse, Union Bank** and **Royal Bank of Canada** were arrangers on the $665 million refinancing.

The original debt backed the company's—then **North American Energy Alliance**—purchase of plants in PJM and ISO New England from **Consolidated Edison** (*PI, 3/28/2008*).

See www.powerintelligence.com for a full list of assets.

MERGERS & ACQUISITIONS

First Solar Bags Project From Goldman Affiliate

First Solar has bought a 150 MW solar project in Imperial County, Calif., from an affiliate of **Goldman Sachs**. The project, Solar Gen 2, has been under development by **Energy Power Partners** and will go into construction this year.

The project already had some solar panels by a different manufacturer so First Solar will use those in development and complete the project with its own equipment. First Solar is already in construction on the 139 MW Campo Verde that is nearby, according to its 10-K. Solar Gen 2 has a 25-year power purchase agreement with **San Diego Gas & Electric**.

First Solar has a 2.9 GW pipeline of projects near construction or under construction in North America.

First Solar Trades 2012

Seller	Project	Buyer
First Solar	Sombra (20 MW) Ontario	NextEra Energy Canada
First Solar	Moore (20 MW) Ontario	NextEra Energy Canada
First Solar	Silver State North (50 MW) Nevada	Enbridge
Element Power	Macho Springs (50 MW) New Mexico	First Solar

Source: Power Intelligence

A Goldman spokeswoman declined to comment on the purchase price or the financing details of the project. **Steve Zaminski**, ceo of Energy Power Partners in Greenwich, Conn., did not reply to an inquiry. A First Solar spokesman could not immediately comment.

Investor Circles Moxie Pa. Gas-Fired Plant

Moxie Energy has entered into a membership interest purchase agreement with an undisclosed third party investor for its $800 million, 825 MW gas-fired Moxie Liberty facility in Bradford County, Pa.

The company has also entered into a consent and intercreditor agreement with **Argan Inc.**, a designer and builder of power generation facilities, through its subsidiary **Gemma Power Systems** for the construction and design of the facility. The financing should close in the next few weeks considering these developments, says a deal watcher. "The fact that they entered into an intercreditor agreement tells you they are pretty close," he adds, saying that most EPC contracts usually signal that financing is imminent.

Rockville, Md.-based Argan has already advanced $3.6 million toward the development. Construction will begin when the third party investor finalizes its purchase, which is contingent upon securing financing for the project. The investor will also advance some of the pre-construction costs.

Calls placed to **Kent Morton**, v.p. at Moxie, were not returned. Officials at Argan declined to comment on the deal.

EmberClear Pa. Projects Pique PE Interest

Independent power producers owned by private equity shops are showing the most interest in EmberClear's $400 million Good Spring gas-fired project in Schuylkill County, Pa. The project is expected to start construction in the fourth quarter and **Albert Lin**, ceo in Calgary, anticipates finding a buyer by then.

EmberClear wants to sell the project outright so it can continue with its development plans, says Lin, noting that's the company's business model. Lin says the retirement of coal-fired plants in the region is keying up interest from financial players that are looking to get in on greenfield projects. The 300 MW Good Spring combined cycle project is expected to have five-year gas and power contracts.

There is a second 300 MW phase of the project that is about nine months to a year behind Good Spring in development and they will likely be sold as a pair, says Lin, adding that several investors have expressed interest in the two. It's too early to say whether investors will submit proposals to buy both, he adds.

EmberClear has lined up a turnkey financing package that could be used by buyers although they have the option to line up financing with existing relationship lenders. "You could probably improve returns by making choices other than what we have," says Lin. He declined to comment on the identity of lenders.

CCA Capital is running the sale (*PI, 3/20*). **Jamie Stahle** and **Andrew Briggs**, managing directors at CCA, are handling the assigment.

ArcLight Plans Juniper Cogen Sale

ArcLight Capital Partners is looking to sell its portfolio of nine cogeneration facilities in California.

The auction is not expected to launch until the summer because ArcLight wants to repair a turbine at one of the facilities and try to line up an offtake agreement, says one banker. The portfolio totals 426 MW although ArcLight has stakes in some of the plants.

Juniper Gen: Original Lineup

Plant	Location	MW
Badger Creek	Bakersfield	46
Bear Mountain	Kern County	46
Chalk Cliff	Maricopa	46
Corona	Corona	47
Double C	Kern County	49.8
High Sierra	Kern County	49.8
Kern Front	Oildale	49.8
Live Oak	Live Oak	46
McKittrick	McKittrick	46

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

All nine assets used to be under the holding company named **Juniper Generation** until the power purchase agreements began maturing and seven were removed from a collateral package backing a $206 million senior note issuance that matures in 2014. Now, only the 46 MW Bear Mountain and the 47 MW Corona remain in Juniper. ArcLight is the sole owner of Bear Mountain, contracted to **Pacific Gas & Electric** until April 2015, and owns 40% of Corona, contracted to **Southern California Edison** until June 2018.

Juniper had $15.65 million in senior bonds that mature in December 2014 outstanding at the end of 2012, according to a **Standard and Poor's** report.

The assets were on the market in 2008 and ArcLight considered selling a subset of the plants dubbed the "Three Sisters" early last year, say observers. The Three Sisters— Kern Front, Double C and High Sierra—are each 49.8 MW. The assets were bought back in 2004 by ArcLight Energy Partners Fund II.

An advisor has been retained but its identity could not be immediately learned. An ArcLight spokeswoman did not reply to an inquiry.

STRATEGIES

Temple II Loan Expected To Tighten

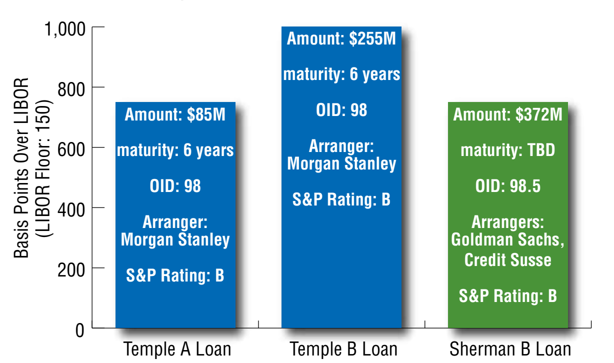
Panda Power Funds is set for a pricing reduction on its $372 million B loan financing the Temple II project. The loan was pitched at LIBOR plus 675 basis points and is expected to close at LIBOR plus 600 bps given strong investor appetite, deal watchers say. The deal was oversubscribed.

The loan has a 125 bps LIBOR floor. The original issue discount came in from 98 to 99.5. **Credit Suisse** and **Goldman Sachs** are leading the deal, which is expected to close soon.

The tightening will hearten developers with other projects in Texas that expect to be looking for B loan financing in the coming months, says one banker. Project financiers have been bullish on the prospects of merchant generation this year and anticipate that pricing could come in 200 bps this year (*PI, 1/18*).

Spokesmen for Panda in Dallas and Goldman and Credit Suisse in New York could not immediately comment.

Panda Project Finance Loan Breakdowns



Source: Power Intelligence

Q&A: Mike Lorusso—Part I

Mike Lorusso is managing director and group head of **CIT Energy** in New York. He sat down with **Sara Rosner**, *PI's* managing editor, to discuss the lender's growth strategy, financing merchant power and the changing landscape of project finance lenders. Check back next week for Lorusso's take on tax equity structures and trends in project finance and asset-based M&A in 2013.

(Continued from page 1)

solutions, help them get their deals financed, their investments completed, new construction built and acquisitions done as well.

You talk about being in asset-building mode. What types of assets hit the sweet spot?

It's a variety of things. Within the power space, we're fuel source agnostic so we will do fossil fuel plants and renewables. There's a predominance of gas-fired plants right now, which we're fine with, as well as some acquisition financing going on with coal. We will cautiously look at coal as long as it makes commercial and environmental sense. We'll pursue renewables, we're fairly active in both wind and solar. Wind doesn't seem to have much future growth opportunity due to the diminishing lack of support that it's receiving. Solar is reasonably active right now and has a runway for the next several years.

We're looking for diversity and we're participating in all of those sectors. To a much lesser extent, we'll do biomass. But we see much less opportunities there that fit our sweet spot. Additionally, we shy away, as many lenders do, from unproven or non-commercial technologies.

Can you describe CIT's activity in the past year?

We had significant new business in power last year. That includes a few leads in solar deals, a few co-lead transactions and we also bought some assets in the secondary market. We are truly in an asset-building mode. We'll continue to do that and we'll continue a multi-pronged approach to building assets by being strategic and selective. In addition to that, we're looking to co-lead or lead deals. We're willing to do underwritings and syndications for transactions when we feel that there's a receptive market to do that.

Our focus is the U.S. and a little bit in Canada. It's agnostic across all of the sub sectors within power. Also, what's nice with us is we can do the full range of traditional, fully amortizing project finance-type structures through the range of term loan B type structures where a lot of traditional PF lenders don't play. It's a few guys, such as ourselves and a few of the institutional investors. We can work with the full range of structures there including the various senior debt roles within the renewable tax structures such as coming into a leveraged lease as debt or coming into a partnership flip structure. Whether it's a back-levered deal or a levered deal, we can participate.

In terms of trying to move up-tier in these deals, what is that process like?

CIT has had a long history of success in the power project finance market. We've benefitted from an opportunity to step back into a senior role as our competition, primarily from the European banks, has withered a bit and left somewhat of a vacuum there for us to step into. We're looking to use our balance sheet within reason and put assets on it, which has been well-received by the marketplace. We've always had a good reputation and a good history of being a smart lender, aggressive but selective, and our sponsor clients are very receptive to that. We built up our presence back in the marketplace and demonstrated success. We've proven to our clients that when we say we can do something, we're able to execute on that and that's important because execution risk is a huge question a lot of times in borrowers' minds. We've allayed all of those concerns and proven ourselves and the reception has been very positive as a result of that.

How do you see this changing landscape of project finance lenders playing out in the next year?

I've been in this business longer than I would like to admit--I go back over 20 years--and there's been a constant flow and evolution of lenders during that time and some lenders have been in and out several times now. That's a continuum that we always see in this space. There's a variety of new lenders entering, some lenders don't exist anymore, certain countries have had starts and stops in this space, certain lenders have been active internationally, come to the U.S. market and try it for a while and then pull out. There has been a constant flow in that regard. As lenders leave, new lenders step up to fill the void.

There are several European lenders that either don't exist anymore or have withdrawn from the market or withdrawn from the U.S. market but that gap is, to some extent, filled by other lenders and new lenders stepping up. There are several new U.S. lenders that have appeared. There are some European lenders that have just been on the sidelines and are now gradually getting back in and are selectively coming back in to the market. There seems to be that constant ebb and flow in the market and that change helps to keep a reasonably constant source of capital available for these transactions.

Q&A

Who are the strongest players in project finance and why? What is CIT's strategy with regard to the competition?
I look at the market in three levels of competition with, of course, some overlap. At the high end, there are the riskier transactions. At that level you have the higher priced, riskier deals that involve more structuring and complexity to mitigate those risks, but you get paid for it. There's a small continuum of competition there. Moving to the mid-level, you have less risky deals that still involve some effort in structuring and pricing is still very attractive. Probably two-thirds of the lenders play in this level. We're involved and very active in that mid-level. At the bottom end of the market, you have very plain vanilla, straight forward deals, heavily banked sponsors, major names, sponsoring those transactions. On that level, you get the piling-on effect of the lenders who are risk-averse. They're willing to go out long-term and willing to take very low yields on the funding. We're very selectively in this space because we find those deals to be underpriced and driven by relationships or lenders who are just looking to get other ancillary business and are not so concerned about the transaction in and of itself.

What are your thoughts on getting merchant deals financed in this market this year?
We're certainly seeing growing momentum toward new merchant construction. That's a function of developers responding to the evolving supply-demand imbalance in certain regions resulting from coal-fired retirements that have been announced. Additionally, there is the movement toward gas as the fuel of choice which is a reflection of the optionality value, as gas prices increase, that these plants provide in the future.

Those plants are being developed mainly in three markets. California, where there was an influx of new construction deals over the past two years that were a result of PPAs that the commission required utilities to enter into. That was last year's generation of deals. Looking forward this year, there are merchant plants proposed primarily, if not exclusively, in ERCOT and PJM. We've certainly seen activity there. The lenders that are going to pursue those plants are in the middle to high-end of the categories I mentioned. Those lenders, which are probably much less than 50% of the universe of lenders, are most likely the ones who are going to pursue those plants. How those plants get done will require a combination of energy hedging and/or capacity payments and a low leverage resulting in low dollar-per-kW basis.

In PJM, its utilizing the capacity payments and getting some comfort as to where people expect, conservatively, those future prices to be. ERCOT is more challenging because it's an energy market, not a capacity market. There's a lot more reliance on the peak pricing and the spark spreads you can get there. So those deals are more difficult and that's reflected in the price that **Panda** paid for their merchant deals in ERCOT last year. That was a sub-debt level of pricing that they paid to get those deals done.

INDUSTRY CURRENT

Mexico's Power Sector Attracts New Investors

THIS WEEK'S INDUSTRY CURRENT *is written by* ***Dino T. Barajas,*** *partner specializing in project finance and Latin American transactions in the corporate practice group at* ***Akin Gump Strauss Hauer & Feld*** *in Los Angeles.*

Dino Barajas

Forget sluggish economies in the U.S., the European Union and certain Asian countries; Mexico has emerged as a lightning rod for international infrastructure investment. As energy investors assess changing global opportunities, Mexico continues to offer numerous stable investment prospects. Mexico's investment-grade credit rating provides potential investors one of the few high quality investment environments in Latin America.

The Mexican economy has been bolstered by the strong international demand for its commodities and a competitive labor force favored by numerous U.S. industries following a re-evaluation of a production chain previously outsourced to China.

As a result, continued economic growth has strained Mexico's power generation and transmission systems. The long-term relative stability of Mexico's economy provides investors with safe, profitable power sector development opportunities. Savvy political technocrats in the country are using the current investment window to attract foreign investors.

With a change in administration following last year's presidential election and a push by the federal government to further modernize the country's infrastructure, Mexico's power sector will continue to provide opportunities for private equity investors, development companies, construction companies and lending institutions. One of the challenges is to understand the inherent risks of investing and operating in Mexico.

During the 1980s and 1990s, Mexico was a darling of the investment community. Many region-specific private equity funds emerged. Infrastructure development companies formed dedicated

INDUSTRY CURRENT

Latin American teams. But as competition for infrastructure development grew and profit margins declined, investors and developers soon turned to other markets—such as Eastern Europe, Russia, the Middle East and Asia—that were experiencing infrastructure development booms and offering more profitable investment opportunities.

Investors and developers also looked to the U.S. and Europe, which were experiencing economic prosperity and an aggressive infrastructure build-out. With this shift in regional focus, many private equity players and developers deemphasized their capital deployment efforts in Latin America and disbanded their LatAm teams.

The demise of these region-focused teams meant a loss of institutional knowledge for these firms and an opportunity for smaller regional developers to gain a foothold in Mexico. Now, as large institutional players return to the region, successful firms will need to retain external advisers with a deep knowledge of the Mexican market in order to judge market opportunities and investment risks.

The sharp reduction in power sector opportunities in the U.S. and Europe has catalyzed recent interest in Mexican power. Mexico's power sector has attracted attention from foreign investors, who have developed large fossil fuel-fired power plants, the culmination of 20 years of work by the country to leverage its strong credit rating and stable economic growth to attract investors.

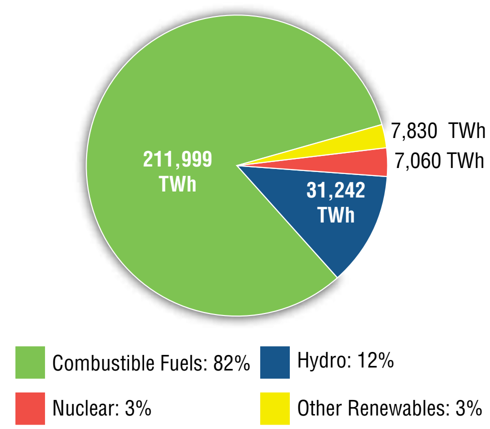
In the early 1990s, the Mexican government embarked on a massive infrastructure build-out program in its electricity sector. Mexico developed a well-defined legal framework to permit private investors to participate in the development and ownership of power generation facilities to supply the national electric utility, **Comisión Federal de Electricidad**, as well as large direct industrial customers. The CFE independent power project program has become one of the most effective international power plant development programs anywhere in the world.

The speed of power plant deployment and the low costs associated with the long-term energy pricing demonstrate the competitive and transparent bidding environment which CFE has fostered. CFE's IPP program allowed the government to refocus its own capital investments in the national transmission grid.

Private sector thermal power plant developments are the foundation of Mexico's modernized power sector. By promoting gas-fired plants to replace aging diesel and oil-fired units, Mexico has achieved cleaner-burning facilities and reduced the country's carbon footprint and inventory of conventional pollutants. Controlling the size and locations of the plants in each IPP request for proposals, CFE has been able to strategically leverage private investor funds to meet the public demand for electricity in regions of the country in greatest need of additional power generation capacity. During the last 18 years of Mexico's IPP program, CFE has targeted power generation development in the most critical power starved regions of the country.

An unintended shortcoming of CFE's otherwise successful IPP program has been pressure on the country's natural gas supply. During the course of two decades, Mexico moved from a natural gas exporter to a net importer. Natural gas demand has increased to the point that Mexico has had to promote liquefied natural gas regasification facilities throughout the country (including in Altamira, Baja California and Manzanillo) to augment its domestic supplies. In order to accommodate new entry points for natural gas supplies, the **Ministry of Energy** will need to expand Mexico's vast pipeline network.

Mexico 2012 Generation By Resource



Source: Power Intelligence via International Energy Agency

Similar to the activity in the U.S., Mexico has seen a surge in activity surrounding renewable energy. CFE has been addressing issues of wheeling power, which hindered the past development of renewable power projects. CFE's preexisting wheeling structure failed to account for wind's intermittent nature and penalized wind power projects for failing to produce a stable, constant electricity supply. Today, CFE's wheeling arrangements account for wind power's intermittency. CFE has created a system where a renewable energy project can "bank" excess energy production during periods when an off-taker does not require energy from the project and allow the user to access the "banked" energy during periods when the power project does produces insufficient energy to meet the user's needs. Additionally, postage-stamp wheeling charges earmarked solely for renewable energy have benefitted renewable energy production. As a result, buyers of wind power see energy sale rates that directly compete with fossil fuel generated energy.

The true test of whether the projects are viable is determining if third party non-recourse financing is available. In Mexico, commercial lending institutions are actively looking for lending opportunities to well-structured infrastructure projects. Multilateral lending institutions, such as the **International Finance Corp.** and the **Inter-American Development Bank** are also working in the Mexican market with creative financing structures.

In addition to multilateral financing institutions and commercial lenders, international development banks, such as **FMO**, have supported infrastructure projects that promote certain economic, environmental or social objectives. Some international development banks have even prioritized the Mexican market as a target lending environment in order to spur the development of certain projects, such as renewable energy power plants.

Longview Reportedly *(Continued from page 1)*

Longview tried to rework its debt package over the summer to extend maturities, particularly that of a $62 million revolving credit facility that matured in February (*PI, 8/24*). Those talks were unsuccessful as lenders were wary of the plant's ability to meet existing debt obligations. Longview hired **Lazard** in the fall to advise on a restructuring. **Houlihan Lokey** is now advising creditors.

The merchant plant came online in December 2011 and has suffered a number of operational problems, including boiler leaks. The operational troubles coupled with low power prices in PJM—it sold power at 70% of the price it forecast in the first half of 2012—have generated less cash than expected.

Creditors include affiliates of **KKR**, **Sankaty Advisors**, **Knighthead Capital Management**, **Oaktree Capital Management** and original lenders **Natixis** and **CIT Group**. At this point, the creditors are acting together but there has been some dissension—one fund has threatened to hire another advisor—that indicates that talks could be difficult,.

Its debt has been trading around $0.74-$0.75 for about the last month, down from $0.85 in August. The sponsors have said that they are not going to put more equity into the plant as a band-aid. First Reserve owns 92% of Longview. The rest is comprised of minority stakeholders.

Longview has a roughly $500 million senior secured term loan maturing in 2017 priced at LIBOR plus 575 basis points. A $455 million term loan priced at LIBOR plus 250 bps matures in 2014 and is part of a larger package from 2011 that consists of a revolver and letter of credit. Credit facilities totaling $163 million mature in February 2014.

Details of any proposed amendment could not be learned. Officials or spokespeople for Houlihan, Lazard and the creditors either declined to comment or didn't respond to inquiries.

—Holly Fletcher

CONFERENCE CALENDAR

• **Platts** will host the 28th annual Global Power Markets Conference April 8-10 at the Wynn in Las Vegas.

• **Geothermal Energy Association** will be hosting the International Geothermal Energy Finance Forum April 11 at the Marriott Marquis in New York.

• **Bloomberg** will host the 6th annual Future Of Energy summit April 22-24 at the Grand Hyatt in New York.

• **Euromoney Energy Events** will host the 3rd annual Renewable Energy Finance Forum - Latin America and Caribbean April 30-May 1 at the Four Seasons Hotel in Miami.

• **Euromoney Energy Events** will host the 10th annual Renewable Energy Finance Forum – Wall Street June 25-26 at the Waldorf Astoria in New York.

ALTERNATING CURRENT

BGE Helps Baltimore Get Leafy

Baltimore Gas & Electric is mailing some green packages to customers in the run up to Arbor Day on April 26. The utility is giving away 9,000 free trees to customers who want a two to four foot tree to help cut energy costs in the future with additional shade.

There's a catch: customers should follow the planting guidelines and put the tree away from power lines in an energy saving location. To help with placement, BGE has teamed up with the **Arbor Day Foundation** on a website that allows customers to enter their address and then identifies the best place to plant a tree. Draw the shape of the house, using boxes, on a map and, the map points to the best places to plant a tree, based on exposure and where it will reduce energy costs.

As of press time on Wednesday, there were 1,530 trees still available, according to *www.arborday.org/BGE*, so there's still a chance to get a Serviceberry, American Hornbeam, Flowering Dogwood, American Hophornbeam, Willow Oak, Basswood or Eastern Redbud in the mail.

QUOTE OF THE WEEK

"I've been in this business longer than I would like to admit, I go back over 20 years, and there's been a constant flow and evolution of lenders during that time and some lenders have been in and out several times now. That's a continuum that we always see in this space."—**Mike Lorusso**, managing director and group head for **CIT Energy** in New York on the changing landscape of lenders in project finance (see Q&A, page 1).

ONE YEAR AGO

Vizcaya, Spain-based **Solarpack** was preparing to take its Calama I and II solar projects in Chile to the market for financing. [The company lined up $41.4 million in loans from the **Inter-American Development Bank** and **Canadian Climate Fund** for three projects, including Calama (*PI, 4/1*).]