Institutional Investor

VOL. XVI, NO. 15 / April 15, 2013

Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Panda Aims For Second Investment Fund

Panda Power Funds is looking to raise a new investment fund with a target of $800 million and a hard cap of $1 billion. It is the second fund the company has raised, after raising $420 million in 2011.

The Dallas-based power fund is talking to potential investors and has been marketing the fund since February. The expected investors are likely to be the same ones that contributed to the first fund, with some already far along the due diligence process, according to a deal watcher. Those investors included the **Ohio State Teacher's Pension Fund**, the **Indiana Public Employees' Retirement Fund**, the **3M Pension Fund**, Dutch pension fund **APG**, the **Alfred I. duPont Testamentary Trust** and an unnamed large U.K. public pension fund. There are a couple of new investors looking to contribute, although further details could not be learned. The institutional investors and funds either declined comment or did not respond to inquiries by press time.

"I have a very good feeling they will hit the $800 million," says a deal watcher, referencing the investor interest in its recent Temple deal (*PI, 4/3*).

Panda is shooting for a mid-summer close on the fund and is already looking at potential investments to put the capital to work. The firm is eyeing three shovel-ready projects in PJM. "The difference with this second fund is that because Panda is active in the market, they are in a position to talk to smaller developers that need a little help to get over the finish line," says the deal watcher.

(continued on page 12)

Q&A: Mike Lorusso, CIT Energy

Mike Lorusso

Federal subsidies are reshaping deals this year, as the power industry copes with the expiration of the U.S. **Department of Treasury**'s cash grant program and a decreasing confidence in the long-term viability of the production tax credit, **Mike Lorusso**, managing director and group head of **CIT Energy** in New York, told *PI* in an exclusive interview. He expects a return to partnership flips and leveraged leases for contracted renewable projects, as well as a decreasing number of wind deals coming to market throughout the year. "Beyond this year though, my sense is that you're going to see waning support from Congress for wind. As a result, a lot of wind developers are revisiting their future plans and their strategies," Lorusso said.

(see interview on page 10)

Platts Vegas

Industry Grapples With Cheap NatGas

The arrival of plentiful and cheap natural gas in the U.S. has changed the game in the power sector and the ramifications were a constant topic throughout **Platts** Global Power Markets Conference in Las Vegas last week. "I think the elephant in the room… is natural gas. It's here and it's cheap. Is this going to dwarf the whole market?" asked **Joseph Tato**, partner at **DLA Piper**.

Low fuel and development costs for gas-fired generation are making renewables increasingly less competitive according to many developers. "Renewables just can't compete in a $40/MWh marketplace," said **Ian Robertson**, ceo of **Algonquin Power and Utilities**. An official at **SolarReserve** noted that the

(continued on page 7)

Platts Confab

Check out what bankers, investors and developers are seeing in the market at the industry rendezvous in Las Vegas.

See feature, page 7

New Project Finance Loans

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

See Deal Book, page 4

Generation Sale DATABASE

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

See calendar, page 3

IN THIS ISSUE

THE BUZZ

The annual bacchanal in Las Vegas holds center stage for many in the industry as a place to pick up on trends, do business and relax. Last week's event was no exception. But there was also a real sense of the industry being at something of a watershed as how to deal with the unprecedented flood of cheap natural gas in the U.S. The strong inflow of capital hunting yield also took center stage at **Platts** 28th Annual Global Power Markets Conference at the **Wynn**.

Retiring coal-fired generation and questions around gas supply and price volatility are clouding the water for some developers and financiers. The flood of capital has also raised the question of whether this is actually a good thing for the power markets. If too much cash is chasing projects, will returns get driven too low? Will projects get built that shouldn't?

Outside of Vegas, project finance flow continued. **MidAmerican Energy Holdings** looked to shave some of the debt on its Topaz solar farm, by issuing $250 million worth of bonds. This will take the total amount of 144A debt on the facility to $1.1 billion, down from the anticipated amount of $1.3 billion due to an increased equity slice from MidAmerican. Bond financing for renewable energy projects has picked up pace in the past year, with a variety of companies tapping them for financing. One of those, **Invenergy**, is looking for financing backing its 95 MW Stony Creek wind facility in Orangeville, N.Y. The company is back in the market following the extension of the production tax credit, say observers.

Thinkstock/iStockphoto

In Latin America, banks are lining up pitches to lead the financing of a re-gasification facility outside Montevideo, Uruguay. The country has recently had its credit upgraded by ratings agencies and with a strong pipeline of deals in the offing, lenders may be trying to establish good ties in the country.

Panda Power Funds, meanwhile, is looking to raise capital for a second investment fund. The company has attracted a lot of investor interest, say those with knowledge of the capital raise, following a strong few years of development. The Dallas-based outfit has closed four deals for quasi-merchant development assets in the past 12 months and original investors in the fund are all likely to invest again, while a number of new entities are eyeing a slice.

Customer Service
PO Box 4009, Chesterfield, MO 63006-4009, USA
Tel: **1-800-715-9195**
Overseas dial: **1-212-224-3451**
Fax: **212-224-3886**
UK: **44 20 7779 8704** Hong Kong: **852 2842 8011**
E-Mail: customerservice@iiintelligence.com

Institutional Investor Hotline
(212) 224-3570 and (1-800) 437-9997 or Hotline@iiintelligence.com

Editorial Offices 225 Park Avenue South, New York, NY 10003

Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Postmaster
Please send all undeliverable Mail and changes of addresses to:
PO Box 4009 Chesterfield, MO 63006-4009 USA

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).
	Juniper Generation (Cogen portfolio)	Various, California	TBA	An advisor is retained to sell ArcLight's stakes in nine plants (PI, 4/15).
Atlantic Power Corp.	Path 15 (84-mile Transmission line)	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)	Somerset, Mass.	Citigroup, Morgan Stanley	ECP is buying the assets; CS will lead the financing (PI, 3/18)).
	Kincaid (1,158 MW Coal)	Kincaid, Ill.		
	50% Stake (1,424 MW Elwood Peaker)	Chicago, Ill.		
EmberClear	Good Spring (300 MW Gas Project)	Good Spring, Pa.	CCA Capital	Likely to sell a nearby development in addition to Good Spring (PI, 4/15).
▶ Enel Green Power North America	Buffalo Dunes (250 MW Wind)	Grant, Haskell and Finney Counties, Kan.		GE EFS has agreed to buy a 51% stake in the project (see story, 6).
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).
▶ First Wind	N/A (Wind)	Hawaii, Washington	Marathon Capital	Set to finalize a sale of a wind project before month-end (see story, page 8).
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 (PI, 4/15).
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)	Hartford, Conn.	Credit Suisse	First round bids due between 2/18-2/15 (PI, 2/11).
	Forked River (86 MW Gas)	Ocean River, N.J		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass		
	Basin Creek (53 MW Gas)	Butte, Mont.		
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).
	Forney (1,792 MW Gas)	Forney, Texas	TBA	NextEra is looking for about $1B in debt and commodity hedges and may look to sell (PI, 3/18).
	Lamar (1,000 MW Gas)	Paris, Texas		
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)	Various, Montana	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
	Colstrip (529 MW Coal)	Colstrip, Mont		
	Corette (153 MW Coal)	Billings, Mont.		
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)	Arlington, Ariz.	TBA	Salt River Project financed its 50% stake with cash (PI, 3/11).
	Mexicali (625 MW Gas)	Mexicali, Baja California, Mexico		The Sempra Energy unit is talking with prospective advisors (PI, 10/22).
	Copper Mountain 1 (58 MW Solar)	Boulder City, Nev.		Infrastructure funds make up the bulk of first round bids for the solar assets (PI, 1/14).
	Copper Mountain 2 (150 MW Solar)	Boulder City, Nev.		
	Mesquite 1 (150 MW Solar)	Arlington, Ariz.		

▶ **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	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).
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 (PI, 4/8).
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 (Trains)	Sabine Pass, La.	TBA	TBA	$3B	TBA	The sponsor is looking to close the deal in the first half of 2013 (PI. 1/7).
Competitive Power Ventures	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be $800 million (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).
▶ Invenergy	Stony Creek (95 MW Wind)	Orangeville, N.Y.	TBA	TBA	TBA	TBA	Sponsor fires up financing search after PTC extension (see story, page 5).
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).
▶	Topaz (550 MW Solar PV)	San Luis Obispo County, Calif.	Barclays, Citi, RBS	Bonds	$250M	26-yr	The sponsor downsized the bond offering after an increase in equity (see story, page 6).
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 (PI, 4/8).
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 (PI, 4/8).
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).
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).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).
Terra-Gen Power	Alta Wind X-XII (TBA MW Wind)	Tehachapi, Calif.	TBA	TBA	TBA	TBA	Sponsor is looking to finance another two, possibly three, phases of the project (PI, 3/18).

▶ **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 Nicholas Stone at (212) 224-3260 or e-mail nicholas.stone@iiintelligence.com.

PROJECT FINANCE

Invenergy Eyes Stony Creek Financing

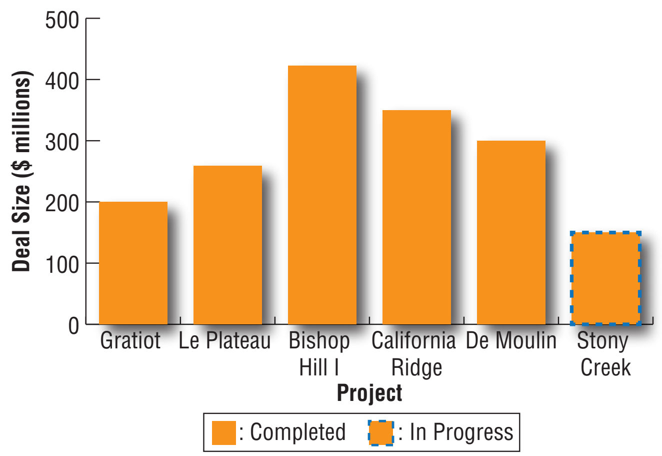
Invenergy is talking to lenders for financing backing its 95 MW Stony Creek wind project in Orangeville, N.Y. The expected cost of the project is approximately $175 million.

Invenergy's most recent U.S. financing involved a dual bank/bond structure, backing its $350 million, 200 MW California Ridge project near Danville, Ill (*PI, 5/1*). **Banco Santander** and subsidiary **Sovereign Bank** led the bank component, while **Prudential Capital Group** managed the institutional tranche. The Santander-Prudential duo wrapped a number of dual tranche deals last year. They remain bullish on financing renewable projects, says one deal watcher. The amount of debt and structure of the financing for Stony Creek could not be learned by press time. Calls placed to the institutions were not returned by press time. Invenergy officials in Chicago declined comment on the financing. The financing will be run through **Stony Creek Energy**, an Invenergy-subsidiary. **Jim Murphy**, executive v.p. and cfo, will likely lead the financing effort.

The company has re-entered the market following the extension of the wind production tax credit, say observers. Preliminary construction such as clearing land for turbines at the facility was halted last April. **Eric Miller**, Invenergy's director of business development, wrote to the New York **Public Service Commission** explaining that the company would wait until the extension of the PTC to continue work on the facility. The extension of the PTC came earlier this year (*PI, 1/3*).

Stony Creek will use **GE**'s 1.6-100 meter wind turbine IEC Type Class III. An Invenergy official declined to comment on the status of the power purchase agreement, although there have been discussions with the **New York Independent System Operator**. NYISO officials also declined to comment.

Recent Invenergy PF Deals



Source: Power Intelligence Project Finance Deal Book

FAST FACT

The Santander-Prudential duo wrapped a number of dual tranche deals last year.

Uruguay Re-gas Plant Financing Pitches Due

Final pitches to lead the financing of an approximately $400 million liquefied natural-gas re-gasification facility near Montevideo, Uruguay, are due in the next couple of weeks, following the selection of a project developer on April 1.

Depending on the developer, the plant will either be floating or land-based and is to be located in the Río de la Plata, in the area of Punta de Sayago, Uruguay. The bid winner hasn't been made public or there is a delay in the decision, says a banker looking at the deal. The company that wins the bid will then decide on the financing timeline and structure.

"This is a big transaction for the continent," says a deal watcher, who adds a number of big European banks are circling the deal, signaling a possible return to lending in Latin America. "Almost every bank I have spoken to is looking at the deal. I also think that you will see some export credit agencies and multilaterals in on the deal." French banks are eyeing the investment "aggressively," says the deal watcher. **BNP Paribas**, **Natixis** and **Société Générale** are said to be among them. Officials from the banks did not respond to inquiries before press time or chose not to comment.

A number of international consortiums were vying for the right to develop the facility, including a Korean and Japanese consortium, **Enagás** from Spain, Norwegian company **Hoegh LNG** and **GDF-Suez**. Banks have formulated various pitches depending on which company wins the bid, says a deal watcher. The financing is expected to be closed by year-end.

"The strategy will not be the same for each company," says a financier of power projects in the region who is looking at the deal, adding that a long-term bank deal may work for some sponsors or a mini-perm structure for others. "Banks are becoming more comfortable with the risk profile of Uruguay after it was upgraded and the lenders are keen to work on the financing."

Uruguay has a pipeline of up to $1.3 billion of wind projects to be built, with observers suggesting that getting in on this deal will pave the way for lenders to establish themselves in Uruguay for future deals. The terminal will have send-out capacity of 10 million cu m/d, expandable to 15 million million cu m/d.

FAST FACT

A number of international consortiums were vying for the right to develop the facility, including a Korean and Japanese consortium, **Enagás** from Spain, Norwegian company **Hoegh LNG** and **GDF-Suez**.

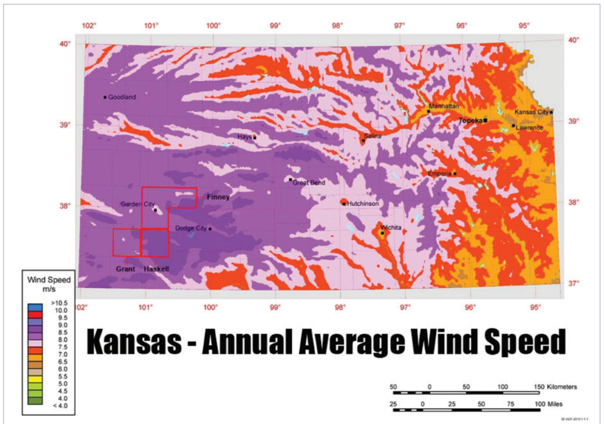
MERGERS & ACQUISITIONS

GE Unit Scoops Enel Wind Stake

GE affiliate **GE Energy Financial Services** has agreed to purchase a 51% stake in **Enel Green Power North America**'s 250 MW Buffalo Dunes wind farm for roughly $40 million.

Stamford, Conn.-based GE EFS will also fund construction of the project in Grant, Haskell and Finney Counties, Kan., investing up to $230 million in addition to the $40 million it is spending for common equity shares. Enel is providing $180 million of the estimated $370 million in equity needed to build the project. Enel has the option to increase its stake to 75% during certain periods through 2014. GE EFS and Enel are looking for tax equity investors to take advantage of the production tax credits on Buffalo Dunes, a GE EFS spokesman says. He declined to comment on the timeline for tax equity investment or identify investors. The parties are not looking at debt financing for the project at this time, the spokesman adds.

The project will utilize turbines from **GE Power & Water** and construction is slated to wrap in December. Buffalo Dunes has a 20-year power purchase agreement with **Alabama Power Co**.



Source: Power Intelligence via the U.S. National Renewable Energy Labortory

PEOPLE & FIRMS

JPM Names Power Chief

Ian Connor has been made head of power and utilities at **JPMorgan** in New York. He reports to **Jay Horine**, who has vacated the position to become director of all energy operations.

"We are going to be focused on continuing the momentum that we built up when Jay and I joined the team in 2007, marrying the balance sheet strength of JPMorgan with differentiated and thoughtful strategic advice," says Connor. He runs a team of around 40 people.

The desk covers advisory on mergers and acquisitions, and equity and debt underwriting. The team focuses on all fuel types and sees opportunities in the LNG space, following the shale gas boom. "It has been a very positive last five years for the industry and there are a number of exciting areas of growth as we look forward, including gas infrastructure and LNG," says Connor. "The capital markets currently are incredibly robust right now."

Connor joined from **Goldman Sachs**, where he was a managing director in energy investment banking (*PI, 3/16/2007*). At Goldman, he advised **Xcel Energy** on the restructuring and divestiture of **NRG Energy** and **Duke Energy** on its merger with **Cinergy**. Prior to Goldman, Connor was a power and utilities banker at **Lazard**.

In other new appointments, **John Ciolek** was named to lead the midstream/MLP business, and **Dave Harrison** to lead the Canadian energy practice. They will also report to Horine.

STRATEGIES

MidAmerican Moves To Cut Topaz Debt

Topaz Solar Farms is issuing $250 million of 144A bonds to finance its 550 MW Topaz solar facility, bringing total debt on the project to $1.1 billion instead of its planned $1.3 billion. The move leaves the debt-to-equity ratio of the project to 45%, down from 52% and reflects an equity injection by parent **MidAmerican Energy Holdings**.

"MidAmerican thinks that it is a good equity investment and have increased that percentage, so they are not issuing as many bonds as originally planned," says **Laura Schumacher**, v.p., senior credit officer at **Moody's Investors Service**. "Interest rates have come down and so not as much debt was needed."

Barclays, **Citibank** and **Royal Bank of Scotland** are the bookrunners on the 26-year notes, which are slated to price this week. The lenders were also the bookrunners on the $850 million of 5.75% bonds that were issued in a 144A last year to back Topaz (*PI, 2/24*). The latest issuance will have a 14-year average life, note observers. The latest issuance will rank *pari passu* with the 2012 vintage. Moody's rates the latest issuance of notes Baa2 and has also upgraded the rating on the original $850 million senior secured notes to Baa2 from Baa3.

Construction of the project is about one month ahead of schedule without cost overruns and is currently about 40% complete. **Pacific Gas & Electric** is the offtaker of Topaz, under a 25-year offtake agreement. Commercial operation is expected in 2015.

CONFERENCE COVERAGE

Platts Global Power Markets Conference

The hunt for yield, impacts of low-priced and plentiful natural gas and an increasing focus on emerging markets were some of the items on the agenda that created the most buzz at **Platts** 28th Annual Global Power Markets Conference. Hundreds of bankers, executives and developers attended the event at the **Wynn** in Las Vegas April 8-10. Managing Editor **Sara Rosner** filed the following stories.

The Wynn

Industry Grapples *(Continued from page 1)*

it's looking at development opportunities in emerging markets, in part because of the U.S. natural gas phenomenon. "The low gas prices in North America in general make it more difficult to compete with fossil fuels. In other markets, that's not as prevalent," the SolarReserve official said.

Other companies, such as **Competitive Power Ventures** and **American Electric Power** are more bullish on the benefits of developing gas-fired capacity. "Natural gas is going to be the dominant new generation," **Doug Egan**, ceo of CPV, said pointing to gas-fired technology's high efficiency, reduced emissions and relative inexpensiveness compared to wind, nuclear, solar and coal. "Natural gas is domestic, plentiful and inexpensive to extract."

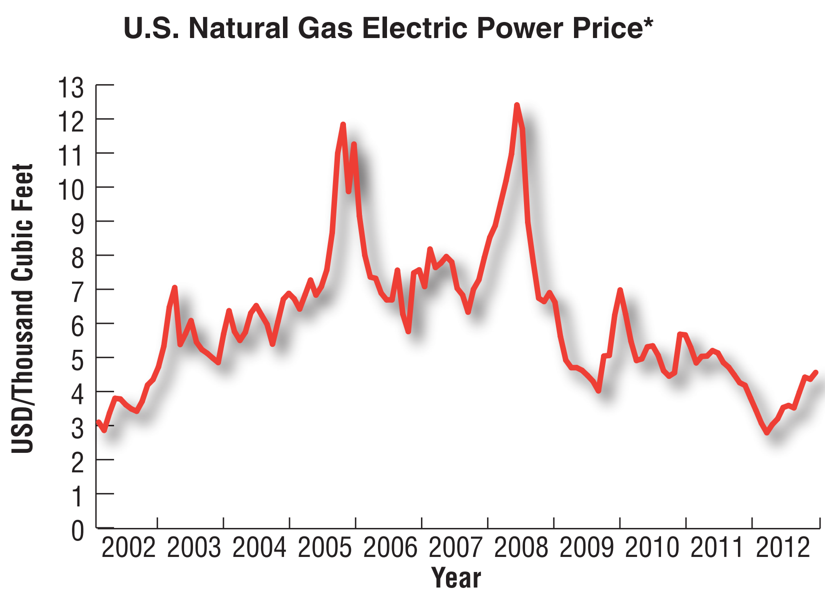
A massive wave of coal-fired retirements and plans to export natural gas are clouding natural gas' future role and its place in the U.S. generation mix. More than 40 GW of coal-fired generation is slated to retire between 2015 and 2017 to meet environmental regulations, **Mark McCullough**, executive v.p. of generation at AEP, told attendees. Replacing that with natural gas-fired generation would likely significantly increase pricing pressure on that fuel. Switching that retiring coal-fired capacity to natural gas-fired generation would require about 4.5 bcf of natural gas per day, noted **Alan Sawyer**, director of asset management at **NRG Energy**, who also pointed to a lack of infrastructure to support the transmission of gas for generation needs. **Joe Toussaint**, head of energy marketing in the Americas at **Cargill**, meanwhile, pointed out that gas prices would need to rise anyway in order to stimulate more production of the resource.

Several sponsors are plotting multi-billion dollar projects to export billions of cubic feet of gas to growing Asian economies (PI, 9/12), especially as those countries shy away from nuclear baseload capacity in the wake of the Fukushima nuclear disaster. However, the majority of these projects are still awaiting federal permitting to trade the fuel. "With gas, there are a lot of political issues that need to be resolved before it becomes clear whether the U.S. will become an exporter of gas," noted **Paul Segal**, ceo of **LS Power**.

The question of supply and pricing have created a murky picture for many sides of the industry, including utilities looking to balance state renewable portfolio requirements, with coal-fired retirements and the need to balance the variability of renewables with baseload generation. "I do get nervous about our 80% dependency on gas. We want to phase out our reliance on coal but we don't want to be completely dependent on gas. Where does that leave us?" asked **Dilek Samil**, executive v.p. and ceo of **NV Energy**.

"It's historically been named the widowmaker for a reason," **Ian Connor**, managing director of investment banking at **JPMorgan**, said of the historic volatility of gas prices.

—Sara Rosner



**The price of gas used by generators whose line of business is the generation of power.*

Source: U.S. Department of Energy information Administration

CONFERENCE COVERAGE

Bankers, Execs See Big Capital Flows


Alex Urquhart

Bankers and power company executives are seeing an abundance of capital available for project financing and asset-based M&A. "There's so much capital that has no place to go," said **Alex Urquhart**, president and ceo of **GE Energy Financial Services,** on a panel at the conference in Las Vegas Tuesday morning.

A continuing search for yield and a low interest rate environment are behind the bounty, which will likely drive a seller's market for power assets, executives said. The availability, and the relative inexperience of some new investors in the power industry, however, has some industry officials concerned over investment and lending decisions.

"Today there's such a thirst for yield that there's a willingness to take on more risk than the return would warrant," Urquhart noted. "I think you can get some things down that shouldn't get done… and that's because there's too much capital out there," he added, pointing to some types of merchant generating assets.

First Wind Nears Project Sale

Boston-based First Wind will likely finalize an agreement to sell a wind project to an undisclosed investor before month-end, according to a deal watcher on the sidelines of the conference in Las Vegas. **Marathon Capital** is advising the developer.

The developer had been evaluating offers after putting out feelers early last year to gauge interest in assets in Hawaii and Washington (*PI, 11/30*). Assets in those states include the 69 MW Kawailoa and 30 MW Kahuku projects in Oahu, the 51 MW Kaheawa farm in Maui and the 105 MW Palouse project in Whitman County, Wash. All of the projects have long-term power purchase agreements.

FAST FACT

The developer had been evaluating offers after putting out feelers early last year to gauge interest in assets in Hawaii and Washington.

Proceeds from a sale have been earmarked to fund First Wind's development pipeline. The developer is backed by **Madison Dearborn** and **D.E. Shaw**. A First Wind spokesman did not respond to a call by press time.

Marathon Taps NextEra, NRG Execs

Marathon Capital has tapped **Bryan Fennell**, former v.p. of **NextEra Energy Resources**, and **David Kirkpatrick**, former v.p. of new business development at **NRG Energy**, as directors.

Fennell, who focused on asset-based M&A for NextEra, works out of the Miami area and reports to **Ted Brandt**, ceo in Bannockburn, Ill. Kirkpatrick focused on NRG's distributed solar business and related acquisitions and reports to **Terry Grant**, managing director and head of Marathon's western activities and solar practice in the San Francisco office. Both started at their respective positions within the last few weeks.

The advisory shop has also made another undisclosed hire that will likely be announced in the next few weeks. The expansion is part of Marathon's drive to reinforce and grow its presence in global energy and infrastructure, an official on the sidelines of the conference in Las Vegas noted, adding that Marathon has worked with both men in deal transactions in their former positions over the last several years.


David Kirkpatrick

Prior to joining NextEra in 2001, Fennell was a v.p. at **Dresdner Kleinwort**. He has also held positions at **PSEG Global**, **New Harbor Inc**., and **Enserch Development Corp**. Prior to joining NRG in 2011, Kirkpatrick was v.p. of emerging technologies and M&A at **enXco** for four years. Kirkpatrick has also held positions at **Imperium Renewables**, formerly **Seattle Biodiesel**, **GE Wind Energy**, **Amazon**, **Boston Consulting Group** and **Ernst & Young**.

Emerging Markets Draw Developer, Financier Interest

Bankers and developers are increasingly turning to emerging markets to grow their businesses. "We are hedging our bets, expanding in to other markets, because there are headwinds here," said a **SolarReserve** official at the conference in Las Vegas, pointing to low demand growth and power prices, as well as policy uncertainty in the U.S. The Santa Monica, Calif.-based developer is keeping tabs on tenders in Chile, South Africa, Saudi Arabia and Turkey, in addition to a handful of projects in the western U.S.

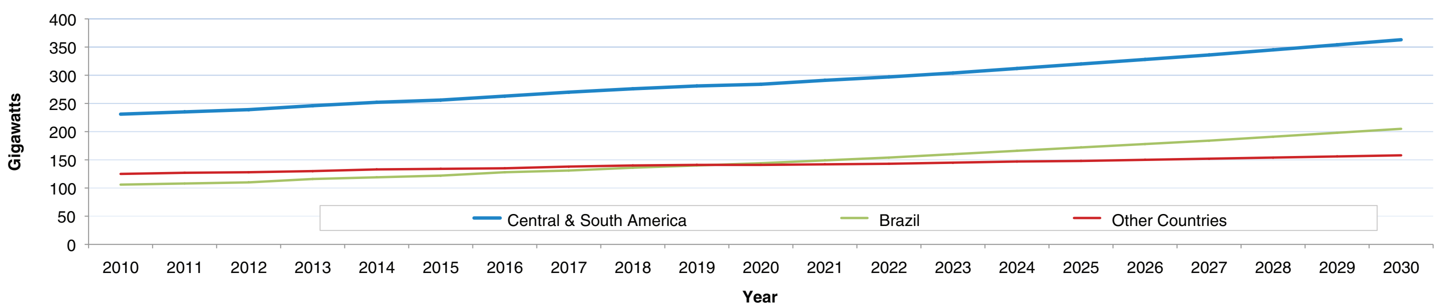
Mark Gurfinkel, v.p. of project finance at **Mizuho Corporate Bank**, said huge power demand forecasts in Latin American are partially driving the bank's growth in that region. The Japanese lender agreed to buy the Brazilian unit of **WestLB** for $380 million last year and is conducting strategy and management meetings in the region this week.

Justin DeAngelis

The risk profiles of projects in non-OECD countries are significantly different from North American assets. "There's economic risk, political risk, access to capital. What's the rule of law? The whole thing revolves around the sanctity of the contract," **Anne Selting**, analytical manager of infrastructure and renewables at **Standard & Poor's**. About 32% of the ratings agency's power project finance bond rating was on paper tied to EMEA in 2012, with another 15% of paper coming from Latin America.

Despite the risks, the thirst for yield is driving the outreach from the U.S., many financiers noted. "It's tough. They're not 100% mitigatable at the end of the day but that's why you're seeing greater returns than what you see in the U.S.," said **Justin DeAngelis**, director at **Denham Capital**, adding that power demand is forecasted to grow by 70% globally by 2035, with 80% of that coming from developing countries. The private equity shop closed its sixth fund with $3 billion in commitments in March and has power investments in the Philippines, South Africa, Israel and Brazil as well as other countries outside the U.S.

Central & South America Installed Generating Capacity Forecast



Source: Power Intelligence via U.S. Energy Information Adminstration

Reporter's Notebook

• The unseasonably chilly Las Vegas weather put a dampener on golf rounds ahead of the formal start of the conference. The near-guaranteed sunny desert weather was replaced on the fairways by chill winds and overcast skies, a number of players reported, including **Dynegy** Chief **Bob Flexon**. The other downside, of course, was all those solar fields sitting under-utilized.

Bob Flexon

• How about attendee numbers as a market barometer? This year saw a circa 10% increase to 830 bodies through the door. The Tuesday morning CEO session was a big draw, packing the Wynn Lafite Ballroom.

• While it was chilly, the rather heavy chicken pot pie lunch was viewed by some devourers as a high-risk strategy. Conference afternoons are long enough it seems without a big pie rolling around in the stomach.

• The conference kicked off on Monday night with a reception in the **Penske Wynn Ferrari** dealership located just off the casino at the Wynn. Attendees enjoyed an open bar and hors d'oeuvres surrounded by Maseratis and the ilk in the subterranean showroom. Bankers later packed the annual rendezvous at **Club XS** hosted by **MUFG**, where they reveled into early Tuesday morning.

iStockphoto/Thinkstock

• With talk of fast-paced gas markets ruling the generation roost, **Ian Robertson**, ceo at **Algonquin Power and Utilities**, noted there is an uneven playing field when it comes to gas versus renewables. Aside from the relative cost basis, he noted the investment horizon for a hydro generation project is somewhat longer: 100 years in some cases.

Q&A: Mike Lorusso *(Continued from page 1)*

What kind of structural innovations do you see in deals in the next year?

For deals that have PPAs, and those right now are just renewables, we're probably going to see a return to the tax equity structures such as partnership flip structures, leveraged partnerships and leases or even inverted leases. We're going back toward those structures because we no longer have the cash grant and there are very few projects that are grandfathered in for the cash grant. So I would say we're seeing a bit of "back to the future" effect, where we're going back to those structures now to accommodate the need for tax equity. We'll probably see those deals done if they have long-tenor PPAs with a combination of a bank tranche, which would be shorter term, and a longer term institutional insurance-type tranche, to accommodate the larger deals and the need for longer-term financing.

In the merchant plant deal structures, they obviously don't accommodate long-term funding because of the uncertainty of the merchant market. There you're just going to see primarily a mini-perm structure and possibly a blend of a term B and a term A. When you get back to the original advent of the A and the B structure, the term loan B was taking the back-end risk, 100% cash flow sweep at a point and time and a nominal amortization and the A piece is getting more of a fixed amortization but gets out sooner. There may be some opportunity to use that structure to allow these merchant plants to get constructed. Alternatively, for aggressive commercial arrangements, sponsors could use an all term B structure or, for more conservative commercial deals, an all-commercial bank structure.

In terms of bonds, how do you see that segment of the market developing?

To do a bond, the bond buyers especially want to get paper rated. They're a bit less industry specialized than commercial bank lenders so they usually want to see some existing performance and they typically don't like to take construction risk. Bond financing per-se is not that attractive for project financing because you need the right size deal and certainty of cash flows which you only get in the fixed-price PPA-type deals and they want to see some demonstrated historical performance which you only get when those plants have been up and running. So some of these long-term deals use mini-perms to get through construction and then do a bond take-out at some time in the future.

What about institutional investors? Do you see them becoming more active?

There have always been a handful of sophisticated lenders in that space and, to varying degrees, they're still around and active. It just has to be the right situation and the right strategic fit with the borrower. Some borrowers, even though they could get fixed-rate, long-term financing, may not want to lock themselves up with the make-whole premiums that they have if they want to do a refinancing. What happens with locking up the long-term financing is you've taken the uncertainty off the table for refinancing and re-pricings of your deal but you've also taken the optionality off the table to do something with that financing. That's always a complicated equation for the borrower to try and solve: how they can optimize the strategic fit. That's why we've only seen certain situations where there's an institutional piece, whether it's all institutional or whether there's a blended commercial bank loan shorter term and a longer term institutional piece.

In terms of some of these large deals, what's your sense of lender capacity in the market?

It's interesting because lenders would prefer to have 100 smaller deals than two mega deals because of concentration risk and lending limits which allow us to build diversity in our portfolio. Take an LNG deal: they're massive, multi-billion dollar type deals, but they tend to be sponsored by major companies. **Cheniere** had **Blackstone** as well as underpinning contractual arrangements from several multinational energy companies and that allowed some of the large relationship lenders to step up for huge tickets. They normally wouldn't do that in your basic project financing. For example, several lenders there went for $250 million each. So the capacity is there for these large deals if they have major, multi-national type sponsors or major private equity sponsors that can get their lenders to step up for a much larger than normal ticket size.

> "So the capacity is there for these large deals if they have major, multi-national type sponsors or major private equity sponsors that can get their lenders to step up for a much larger than normal ticket size."

The capacity varies with the type of deal. For example solar sponsors tend not to be the same multi-national players. There tend to be more focused developer types or more specialized private equity. Solar projects for the most part now are smaller. In the past few years we've had a couple of major solar deals that were done under the loan guarantee program and that allowed them to get financed. The lender capacity is there for a medium to midsize deal. For a mega deal, you need the support from major sponsors to attract lenders to step up for a much larger than normal size ticket.

Generally, it seems like the deals have been done in a way that accommodates what otherwise would have been some limited capacity. If you are a smaller developer, trying to do a mega deal, you would run into capacity limitations and that's where you would have to call on a multitude of sources to get your deal done. You would probably need to somehow combine a term B institutional piece, which are for the most part the non-bank lenders, a project finance type piece with commercial bank lenders and maybe a more traditional institutional piece. You're going to have to call in all of your cards in order to get a deal like that done.

Are you seeing a lot of these larger solar deals out there in the market this year so far?

Right now, the largest deals we're hearing of right now are in the $500 million to $600 million range. Those deals could, with reasonable effort, get done in traditional project finance or term B type universe of lenders. Another major LNG deal would have to go outside of that, but then again, as I mentioned before, that's going to be a different structure with the same lenders but a different set of investors that could do a different type of financing.

You're not going to see a $2 billion merchant power deal get done in the project finance sector and for that reason, you're not going to see a $2 billion merchant power project.

Are there any other trends in project finance or asset-based M&A that you're seeing emerging this year?

This year seems to be shaping up as the same level of activity as last year, maybe a little more active. I think this year will be the usual complement of M&A activity, so assets changing hands, whether its utilities selling certain assets in the private sector or within the private sector as private equity firms trade ownership inerests in assets. That level of M&A will be roughly the same as it was last year.

In addition to that, we are hearing and seeing some new construction in gas-fired generation in the merchant sector as previously discussed. Wind got a bit of a jump start. You're going to see some deals getting done that were in late stages of development and just needed that boost. Beyond this year though, my sense is that you're going to see waning support from Congress for wind. As a result, a lot of wind developers are revisiting their future plans and their strategies. So there will be some wind deals this year getting done in the late stages of development. Beyond that, I don't think you're going to see much more activity in wind.

In solar, we're seeing continued activity for the midsized, and a few large-sized, deals and increased activity in the distributed generation sector. But, that's always a challenge to finance because of the multitude of small deals they need to aggregate together in portfolios.

What will the tax equity component look like?

That's going to be a major component in deals because of the cash grants. There are a few deals that have grandfathered themselves in but otherwise, without the cash grant and now dependent on the ITC or the PTC once again, we'll depend on tax equity to get the renewables done. Similarly, as I said in solar, we're seeing more activity in the smaller distributed generation and even some private equity shops trying to figure out how they can actually do residential solar. You still need tax equity to make those deals work so that's another situation: how to get tax equity into those smaller, distributed generation deals, which is difficult.

Do you see any changes in the universe of tax equity players?

It's more or less the same universe. The new blood came in last year when a few folks like **Google** stepped in to that space. But other than that, I don't know if there's any new blood in 2013. I think the players that got in last year are the new blood now that are looking at these transactions in tax equity**.**

Panda Aims *(Continued from page 1)*

Details of those projects could not be learned.

Bill Pentak, v.p. of investor relations in Dallas, says that company officials cannot comment on the fundraising efforts due to a blackout period. Panda's last fund took around one-and-a-half years to market and closed in early 2011.

Beacon Hill Financial Corporation of Boston is placement agent for the fund. **Robert F. Johnston**, managing director and ceo of Beacon Hill, declined to comment. **Compass Advisors** advised on the capital raise for the first deal and legal services were provided by **Latham & Watkins LLP**. Whether they would participate again could not be learned by press time.

—***Nicholas Stone***

CONFERENCE CALENDAR

- **Bloomberg** will host the 6th annual Future Of Energy Summit April 22-24 at the Grand Hyatt in New York.
- **Platts** will host the 8th Annual Northeast Energy Markets Conference April 23-24 at the New York Marriott Downtown Hotel 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.
- The **American Wind Energy Association** will host the AWEA WINDPOWER 2013 Conference & Exhibition May 5-8 at the McCormick Place Convention Center in Chicago.
- **Euromoney Seminars** will host the 10th Annual Renewable Energy Finance Forum – Wall Street June 25-26 at the Waldorf Astoria in New York.

QUOTE OF THE WEEK

"Today there's such a thirst for yield that there's a willingness to take on more risk than the return would warrant. I think you can get some things done that shouldn't get done."—**Alex Urquhart**, president and ceo of **GE Energy Financial Service** in Las Vegas, on the effects of large amounts of capital available for project financing (see story, page 8).

ONE YEAR AGO

Terra-Gen Power wrapped a $650 million deal backing phases seven and nine of its Alta Wind project in Tehachapi, Calif., as 11 lenders took pieces of the deal with pricing starting at LIBOR plus 262.5 basis points. [The New York-based developer is back in the market looking for financing backing phases 10 through 12 of the project, following the successful sale of the earlier phases to **MidAmerican Energy Holdings** (PI, 3/11).]

ALTERNATING CURRENT

ArcLight Exec Taps The Maple Syrup Biz

Superman would be proud. By day, **Robb Turner** is a mild-mannered senior partner and co-founder of energy-focused investment firm **ArcLight Capital Partners**. By night, or weekend, or whenever he gets the chance, he runs **Crown Maple**, the hottest thing to hit the maple syrup market since pancakes fresh off the griddle.

It all started when Turner decided to buy 800 acres in Duchess County, N.Y. He found the land thick with maple trees and decided to tap them for syrup. **Madava Farms** was born and his product took off. It impressed the sommelier at New York's famed **Per Se** restaurant so much that he quit his job to sell the syrup. A famed chef designed the kitchen for an all-maple café run by Turner on Madava. And in less than two years since the first tree was tapped, none other than U.S. President **Barack Obama** was enjoying the product at his second inaugural lunch.


iStockphoto/Thinkstock

Turner enlisted helpers from the Sugar Maple Research and Extension Program at **Cornell University**, which must be the greatest university program ever designed. He found the most advanced equipment in the space—maple syrup's answer to concentrated solar thermal technology, perhaps—and hired a branding expert. You could almost feel Vermont shudder when Turner built what experts are calling the largest maple syrup production facility in North America, which can produce syrup from 400,000 taps.

Turner likens the syrup making process to natural-gas extraction, according to a profile by *The New York Times*. The two art forms rely on pressure differentials, he says, so his work in the power and energy space has come in handy. And if you are looking for good pricing on a deal, make sure you mention how much you love Crown Maple on your pancakes of a Sunday morning next time you're across the negotiating table from ArcLight.

