

# Power Finance & Risk

The weekly issue from **Power Intelligence**

[www.powerintelligence.com](http://www.powerintelligence.com)

## 10th Annual Deal Of The Year Awards

### Desert Sunlight, Nighthawk And Sharyland Shine

*Firms and developers trying to get deals done in the past year faced a rough environment colored by a deteriorating lending landscape and controversy over government subsidies, among other things. The dozens of nominations were all strong, but this year's winners stand out for creative and novel financing solutions that pave the way for future deals and for overcoming challenges in a dynamic, changing market.*

#### BEST RENEWABLES DEAL: DESERT SUNLIGHT

Aside from being the largest U.S. renewables project finance deal of 2011, the \$1.74 billion Desert Sunlight financing is notable for tapping multiple markets and investors to fund relatively new technology, all while weathering one of the more volatile periods of the euro-zone debt crisis. First Solar and **Goldman Sachs** also managed to land a U.S. **Department of Energy** loan guarantee while the program suffered a credibility crisis and as developer First Solar worked to unload project stakes to a pair of renewables

*(continued on page 12)*

#### BEST M&A DEAL: NIGHTHAWK

**NextEra Energy Resources'** sale of five gas-fired plants clinches the top award because it overcame a slew of challenges and the sale process displayed unique flexibility to achieve the target sale price. The two-step auction hit turbulence over the summer when the financial markets were hit with a two-pronged source of volatility: the European sovereign bank crisis and the debt ceiling debacle in the U.S.

As other auctions were being shelved (**Calpine** pulled a pair of assets off the block and **Tenaska** iced the sale of another two), NextEra and its advisors sought an alternative: splitting the

*(continued on page 13)*

### Solar Trust Nets Hedge Fund Capital To Extend Auction

Wilmington, Del. – **Solar Trust of America** is set to receive funding from a hedge fund in lieu of financing from **NextEra Energy Resources** in order to push back the dates on a bankruptcy court-run sale of four solar photovoltaic projects. Judge **Kevin Gross** of the U.S. **Bankruptcy Court District of Delaware** approved the funding from **Mason Capital Management** Friday.

Under the new plan, Mason will lend up to \$25 million, including an \$18 million letter of credit “and provide us the time

*(continued on page 16)*

## THE BUZZ

**T**he impact of the year-end expiration of the production tax credit was a constant theme at the **American Wind Energy Association's** annual Finance & Investment Seminar. Sponsors are putting a halt on U.S. project development after 2013, according to various officials.

The uncertainty isn't just affecting wind development in the U.S.; it's re-directing developers' focus to other countries in the Americas. Managing Editor **Sara Rosner** reports that **Pattern Energy** is channeling most of its development expenditures to those countries. The San Francisco-based shop is in the process of financing its 115 MW El Arrayan wind project in Chile (PI, 3/16) as part of its target of 600 MW of development per year.

Some financiers predict wind project finance, which is already slowing in the U.S., will come to a crawl in the second half of the year due to the PTC program requiring all qualifying projects to be operational by year-end.

*(continued on page 1)*

### AWEA Wind Finance & Investment

Read what bankers and executives had to say about production tax credits, wind M&A and developments abroad at the event April 12-13 in New York.

*See story, page 7*

### Project Finance Deal Book

Check out our roundup 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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PTC funds up to 30% of a project's cost and is scheduled to expire Dec. 31. For sponsors without significant tax bases, this likely means they need to wrap financing by mid-year to allow sufficient time to build projects.

Legislative players anticipate that the PTC will be extended before year-end—but likely after Election Day, Senior Reporter **Brian Eckhouse** reports. That timeframe would do little to mitigate the expected deceleration of deal flow. **Wind Capital Group's** 150 MW project in Osage County, Okla., hinges on whether Congress extends the PTC (see story, page 7).

On the M&A side, solar is the talk of the town this week stemming from the activity surrounding **Solar Trust of America's** bankruptcy filing earlier this month. Creditors, including an affiliate of **Chevron U.S.A.**, are taking aim at a proposal from the company and debtor-in-possession **NextEra Energy Resources** to hold the court-run auction less than a month from the original filing.

Meanwhile, **Michael Donohue**, formerly a managing director in power and utilities group at **Barclays Capital**, is moving to a newly created managing director spot at **Royal Bank of Scotland** to manage the Stamford, Conn.-based firm's utility relationships. The move comes almost exactly a year after **David Nadelman**, former co-head of loan syndicate at RBS, shuffled over to **Royal Bank of Canada** (PI, 4/19).

## TELL US WHAT YOU THINK!

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

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

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## GENERATION AUCTION &amp; 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](http://www.powerintelligence.com/AuctionSalesData.html)

Seller	Assets	Location	Advisor	Status/Comments
AES	Cayuga (306 MW Coal) Somerset (675 MW Coal) Red Oak (766 MW CCGT)  Ironwood (720 MW CCGT)	Lansing, N.Y. Barker, N.Y. Sayreville, N.J.  South Lebanon, Pa.	Barclays Capital  Citigroup  Citigroup	Creditors near takeover of Cayuga and Somerset; no challenging bids (PI, 3/26). PPL Generation is buying Ironwood for \$87M plus cash; ECP is buying Red Oak (PI, 3/5).
Air Products & Chemicals	Stockton (50 MW Coal/Biomass Cogen)	Stockton, Calif.	New Harbor	Teasers for the facility went out Feb. 2 (PI, 2/13).
Alcoa	Calderwood (140.4 MW Hydro) Cheoah (118 MW Hydro) Chilhowee (52.2 MW Hydro) Santeetlah (40.4 MW Hydro)	Little Tennessee River, Tenn. Little Tennessee River, N.C. Little Tennessee River, Tenn. Cheoah River, N.C.	JPMorgan	Indicative bids due in early April (PI, 4/2).
Capital Power	Miller Creek (33 MW Hydro) Brown Lake (7.2 MW Hydro)	British Columbia British Columbia	CIBC	The owners has 60.56% equity stakes in the projects (PI, 4/9).
Cascade Investments	Altura (600 MW Cogen) Twin Oaks (305 MW lignite-fired) Cedar Bayou 4 (275 MW natural gas-fired)	Channelview, Texas Bremond, Texas Chambers County, Texas	TBA	Cascade has been listening to sell-side pitches (PI, 3/19)
Constellation Energy Group	Rio Bravo Fresno (24 MW Biomass) Rio Bravo Rocklin (24 MW Biomass) Chinese Station (22 MW Biomass)	Fresno, Calif. Lincoln, Calif. Jamestown, Calif.	No advisor	The company has reached out to prospective buyers as it considers selling its stakes (PI, 1/9).
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Covanta Energy	Burney Mountain (11.4 MW Biomass) Mt. Lassen (11.4 MW Biomass)	Shasta County, Calif. Westwood, Calif.	None None	Looking to sell the facilities (PI, 12/19).
Edison Mission Group	Homer City (1.884 GW Coal)	Homer City, Pa.	Barclays Capital	Looking to exit the facility as its lessee (PI, 3/12).
Element Power	Bobcat Bluff (150 MW Wind)	Wichita Falls, Texas	TBA	enXco is buying the project with aims to bring it online by year end (PI, 4/2).
Exelon	Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal)	Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md.	Citigroup, Goldman Sachs	Initial bids are due in early May (see story, page 10).
First Solar	Moore (20 MW Solar PV) Sombra (20 MW Solar PV)	St. Clair, Ontario St. Clair, Ontario	N/A	NextEra Energy Canada has bought the plants (PI, 3/19).
Gamesa Energy USA	Pocahontas (80 MW Wind) Sandy Ridge (50 MW Wind) N/A (Wind) N/A (Wind)	Pocahontas County, Iowa Blair County, Pa.	JPMorgan	Algonquin Power & Utilities is buying the four projects.
GDF Suez Energy North America	Hot Spring (746 MW CCGT)	Malvern, Ark.	UBS	Arkansas Electric Co-Op Corp. has agreed to buy the Hot Spring; set to file with regulators (PI, 2/20).
Iberdrola Renewables	Klamath (636 MW CoGen)	Klamath Falls, Ore.	Royal Bank of Canada	Teasers went out in late March (PI, 4/16).
LS Power	Blythe (507 MW CCGT)	Blythe, Calif.	TBA	LS is looking to flip the plant it bought in a portfolio in the fall (PI, 4/16).
NRG Solar	CVSR (250 MW Solar PV)	San Luis Obispo County, Calif.	Credit Suisse, Morgan Stanley	NRG is out talking to potential investors (PI, 3/5).
Obsidian Finance Group	Lakeview (2 MW Solar PV)	Lakeview, Ore.	TBA	PacifiCorp is buying the project; RBS to be lessor (PI, 4/2).
Penn Wind	Mahanoy (17.5 MW Wind)	Northumberland County, Pa.		EverPower bought the project (PI, 4/16).
Perennial Power	Mid-Georgia (300 MW CoGen)	Kathleen, Ga.	Fieldstone	Final bids came in Feb. 28 or 29 (PI, 3/5).
Rockland Capital	25% stake in Eagle Point (225 MW Gas)	Westville, N.J.		Rockland is flipping a stake to Noble Americas Gas & Power Corp. (PI, 4/16).
Silverado Power, Martifer Solar	Various (130 MW Solar)	Various, Calif.	Marathon Capital	The partners are looking to raise capital around the contracted portfolio (PI, 2/13).
Solar Trust of America	Blythe (1 GW Solar PV) Palen (500 MW Solar PV) Amargosa (500 MW Solar PV) Ridgecrest (250 MW Solar PV)	Blythe, Calif. Desert Center, Calif. Amargosa, Nev. Ridgecrest, Calif.		Creditors are looking to retain an advisor for a sale separate from bankruptcy proceedings (see story, page 1).
Stark Investments	Batesville (837 MW CCGT)	Mississippi	TBA	Tenaska has exited an agreement to buy the plant, which is now in bankruptcy.
Tenaska	High Desert (800 MW CCGT) Rio Nogales (800 MW CCGT)	Victorville, Calif. Seguin, Texas	Barclays, Citi	CPS Energy is buying Rio Nogales for about \$521 million (PI, 3/19).
Terra-Gen Power	Alta VI (150 MW Wind)	Tehachapi, Calif.		EverPower is buying the project; KeyBank advised EverPower (PI, 4/16).
U.S. Power Generating Co.	Gowanus Barges 1 (160 MW Oil) Gowanus Barges 4 (160 MW Oil)	Brooklyn, N.Y.	Tier One Capital Management	First round bids for the two barges are expected in February (PI, 1/9).

## New or updated listing

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

## PROJECT FINANCE DEAL BOOK

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

## Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Solar	Imperial Valley (709 MW Solar PV)	Plaster City, Calif.	TBA	TBA	\$1.3B	TBA	Sponsor culls through lenders bids (PI, 3/19).
BP, Sempra	Mehoopany (141 MW Wind)	Wyoming County, Penn.	BTMU, CoBank, Mizuho	TBA	\$200M	18-yr	Pricing, tenor emerge (PI, 4/16).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound,	Barclays	TBA	TBA	TBA	Financing to be re-ignited (PI, 4/16).
Cardinal Gas Storage	Cadeville (16.5 bcf Gas Storage)	Monroe, La.	CIT, RBC, SunTrust	TBA	\$100M	TBA	CIT joins financing; pricing revealed (PI, 4/9).
Cheniere Energy	Unidentified (Export LNH Facility)	Sabine Pass, La.	TBA	TBA	\$3.2B	7-yr	Sponsor is hunting more debt \$1 billion more debt for phase one (PI, 3/19).
Dalkia Canada, Fengate Capital	Ft. St. James (33 MW Biomass)	Ft. St. James, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly \$175 million financing for project (PI, 3/26).
	Merritt (33 MW Biomass)	Merritt, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly \$175 million financing for project (PI, 3/26).
Diamond Generating Corp.	Mariposa (200 MW Gas)	Alameda County, Calif.	TBA	TBA	\$150M	10+-yr	Sponsor to seek bids March 23 (PI, 3/12).
Duke Energy	Cimarron II and Ironwood (131 and 168 MW Wind, respectively)	Gray and Ford counties, Kan., respectively	BTMU, SMBC	TBA	\$250M	TBA	Sponsor taps leads (PI, 4/16).
	Laurel Hill (69 MW Wind)	Lycoming County, Penn.	TBA	TBA	\$77M	TBA	Sponsor hunting funds for wind project (PI, 1/30).
Edison Mission Energy	Various (120 MW Wind Portfolio)	Nebraska	BBVA, Key Bank	TBA	\$113.5M	TBA	Deal wraps (see story, page 7).
Finavera Wind Energy	Wildmare (77 MW Wind)	Peace River, B.C.	TBA	TBA	\$160M	TBA	Sponsor targets financing, likely from life insurance companies (PI, 4/2).
GCL Solar	Various (77 MW PV)	Puerto Rico	Union Bank, WestLB	TBA	\$200M	TBA	MetLife to provide tax equity (PI, 3/5).
Inkia Energy	Unidentified (400 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC	TBA	\$525M	12-yr	Sponsor prices financing above LIBOR plus 300 bps (PI, 3/19).
Invenergy	California Ridge (214 MW Wind)	Vermillion and Champaign, Ill.	Santander	TBA	TBA	C+ 10-yr	Sponsor taps Santander to lead deal (PI, 4/2).
North Star Solar	Unidentified (60 MW PV)	Fresno County, Calif.	TBA	TBA	\$150M	TBA	Sponsor to hunt project equity, debt (PI, 4/2).
Pattern Energy	El Arrayan (115 MW Wind)	Santiago, Chile	TBA	Term	\$220M	C+ 15-yr	Sponsor to land a tenor of construction plus 15 years (PI, 3/19).
	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	TBA	TBA	TBA	C+ 7-yr	Sponsor seeking lender proposals (PI, 3/26).
Potentia Solar	Various (Solar PV)	Ontario	TBA	TBA	\$75M	TBA	Sponsor scouts financing for 125 solar DG projects (PI, 4/2).
Recurrent Energy	Various (Solar PV)	Northern California	TBA	TBA	\$100M+	TBA	Sponsor discusses deal with BoTM, Lloyds, Mizuho and UniCredit (PI, 1/9).
Sempra U.S. Gas & Power	Copper Mountain 2 (92 MW PV)	Boulder City, Nev.	TBA	TBA	\$130M	17-18-yr	Sponsor seeks lender proposals (PI, 3/19).
Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial Valley, Calif.	BTMU, Union Bank	TBA	\$500M	10-yr	Deal wraps (PI, 4/16).
	Imperial Solar Energy Center West (130-150 MW Solar)	Imperial Valley, Calif.	TBA	TBA	TBA	TBA	Sponsor may look to finance project in Q4 (PI, 4/16).
Terra-Gen Power	Alta (300 MW Wind)	Tehachapi, Calif.	MUFG, RBS	TBA	\$660M	C+ 7-yr	Deal wraps (see story, page 5).
Wind Capital Group	Unidentified (150 MW Wind)	Osage County, Okla.	TBS	TBA	\$160M	TBA	Financing pushed off until 2013 (see story, page 7).

## New or updated listing

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



## PROJECT FINANCE

## Terra-Gen Lands \$650M Alta Wind Deal

**Terra-Gen Power** has closed a \$650 million financing supporting 300 MW at its Alta wind project in Tehachapi, Calif. Eleven lenders are financing phases seven and nine in the deal which wrapped April 13.

**Royal Bank of Scotland** and **Union Bank**, a **Mitsubishi UFJ Financial Group** affiliate, were co-bookrunners. **Matthew Wade**, RBS director in Stamford, Conn., and **Matthew Odette**, Union Bank v.p. in Los Angeles, led the deal.

**Banco Santander**, **BMO Capital Markets**, **CIBC**, **Key Bank** and **KfW IPEX-Bank** were joint lead arrangers. **Associated Bank**, **BayernLB**, **DZ Bank** and **Sumitomo Mitsui Banking Corp.** also participated in the financing.

RBS and Union Bank had initially committed to \$100 million tickets and the joint lead arrangers pledged \$80 million. Most commitment sizes were reduced upon closing, however, according to a deal watcher who declined to elaborate. Commitment sizes range from \$20-100 million.

The Terra-Gen deal marks Associated's inaugural wind project financing. The bank, based in Green Bay, Wis., committed roughly \$20 million the deal. The size of other lenders' ultimate commitments couldn't be learned. **John O'Connor**, Terra-Gen cfo

in New York, didn't return a call seeking comment. Bank officials declined to comment or didn't return calls.

Pricing starts at LIBOR plus 262.5 basis points (PI, 4/10); it is scheduled to step up to 287.5 bps by the fifth year of the seven-year mini-perm.

**Southern California Edison** has an offtake agreement for roughly 1.5 GW of Alta generation. Phases seven and nine will use 100 V90-3.0 MW **Vestas** turbines. The phases are expected to be operational by year-end. Phase seven will produced 168 MW, while phase nine will generate 132 MW. Terra-Gen financed phases six and eight in one swoop last year in a roughly \$600 million deal (PI, 6/1).



Vestas V903 Turbine



renewable energy finance forum

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The Waldorf=Astoria, New York City

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**William M. Moore**  
Chief Executive Officer,  
**Deepwater Wind**

**John Eber**  
Managing Director –  
Energy Investments,  
**JP Morgan**

## EME Wraps Neb. Wind Deal

**Edison Mission Energy** has wrapped a \$113.5 million financing backing two Nebraska wind projects. **BBVA** and **Key Bank** are the sole lenders.

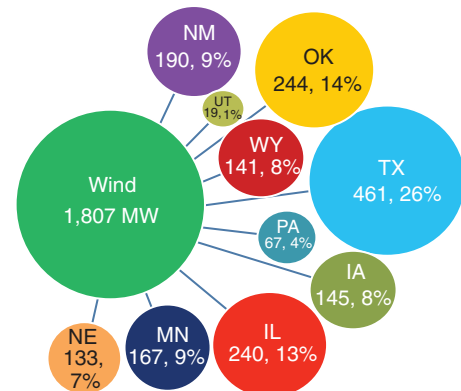
**WestLB** had been slated to participate in the deal, but ultimately wasn't needed given the modest size of the financing, explains a deal watcher, who didn't elaborate. The deal was priced at LIBOR plus 287.5 basis points (PI, 4/3). EME had sought a 15-year tenor prior to closing (PI, 1/23). The final tenor couldn't be learned. **Krish Koomar**, EME managing director in Irvine, Calif., and a spokesman in Chicago didn't return calls seeking comment. Bank officials declined to comment.

The financing backs the \$145 million, 80 MW Broken Bow wind project in Custer County, and the 40 MW Crofton Bluffs project near Crofton. The projects are slated for operation at year-end.

The **Nebraska Public Power District** has 20-year power purchase agreements for 47 MW and 20 MW of Broken Bow and Crofton Bluffs, respectively. The **Omaha Public Power District** will offtake 18 MW and 13 MW of Broken Bow and Crofton Bluffs, respectively. The **Lincoln Electric System** and the **Municipal**

**Energy Agency** are also offtakers for the projects. The Broken Bow project will use **GE** 1.6 MW turbines.

### Edison Mission Group Operating Wind Projects



Source: Power Intelligence.com via Edison Mission Group

## BORROWER STRATEGIES

## PG&E Snags Lowest 30-yr Coupon

**Pacific Gas & Electric** has landed a 4.45% coupon on an upsized bond issuance of \$400 million, marking the San Francisco-based utility's lowest coupon on 30-year debt.

### FAST FACT

PG&E priced the issuance at 130 basis points over U.S. Treasuries.

The company went to the bond market expecting to raise \$300 million in senior secure notes but upsized the transaction by 33% due to investor demand, says a PG&E spokesman. The issue was seven times oversubscribed.

PG&E priced the issuance at 130 basis points over U.S. Treasuries. **Moody's Investors Service** and **Standard & Poor's** rates the notes A3 and BBB, respectively. The notes settled April

16. Proceeds will pay down a portion of its outstanding commercial paper. The company had about \$1.2 billion of CP outstanding on April 10.

**Goldman Sachs**, **JPMorgan Securities**, **Loop Capital Markets** and **Wells Fargo Securities** are lead arrangers. **BNY Mellon Capital Markets**, **RBC Capital Markets**, **MFR Securities** and **Mischler Financial Group** are co-managers. The spokesman declined to comment on how the company selects underwriters.

PG&E has no immediate plans to issue more bonds but typically taps the bond market two or three times a year, the spokesman says. An official at PG&E could not be reached and bank spokespeople either declined to comment or did not reply to inquiries.

## ACCESS MONDAY'S ISSUE ON FRIDAY

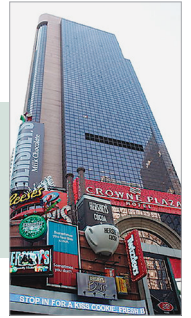
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## CONFERENCE COVERAGE

### AWEA Conference

Bankers, attorney and developers convened at the Crowne Plaza in New York on April 12-13 for the **American Wind Energy Association's** Finance & Investment Seminar. Expiring production tax credits topped the agenda for most of the conference. Senior Reporters **Brian Eckhouse** and **Holly Fletcher** and Managing Editor **Sara Rosner** filed the following stories.



### Legislators Foresee PTC Extension

Legislative players anticipate that the production tax credit—a key subsidy that drives wind investment—will be extended past its year-end expiry. The odds favor a deal in November or December, when Congress is likeliest to consider large bills, including a potential tax extenders bill, said **Russ Sullivan**, Democratic staff director for the Senate Finance Committee, at the seminar.

An extension of the PTC likely would be rolled into a large tax package, featuring many sweeteners, which would lessen the individual scrutiny on each subsidy. Such a package isn't likely before Election Day, Congressional observers say, given the contentious partisan climate.



Dave Reichert

There is bi-partisan support for an extension of the PTC. Roughly 90 members of the House of Representatives have pledged support for the credit, including 19 Republicans, said **Jason Edgar**, legislative director for Congressman **Dave Reichert** (R-WA). Votes on energy policies tend to be based more on regional considerations than ideological factors, Edgar explained.

Roughly 55% of 2011 wind tax equity deals tapped the PTC over the U.S. **Department of Treasury** cash grant, noted **John Eber**, **JPMorgan** managing director of energy investments in Chicago. Bankers anticipate that the majority of 2012 wind tax equity deals will tap the PTC.

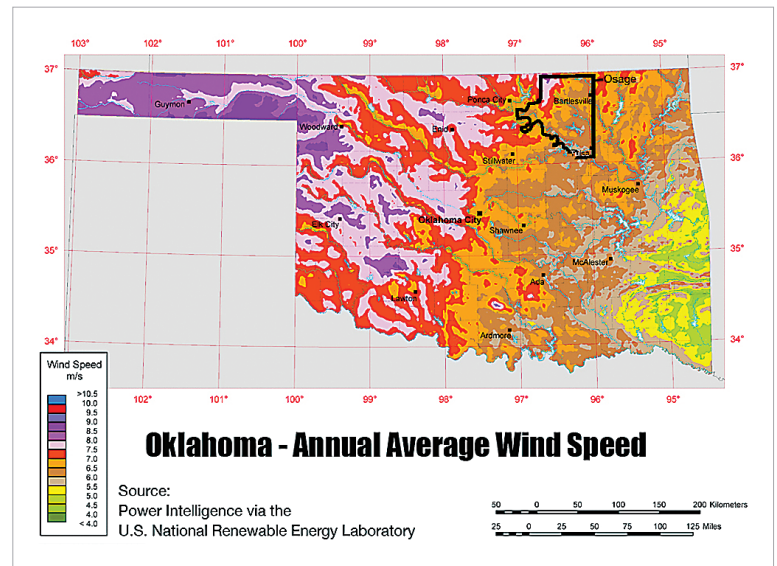
### Wind Capital Ices Okla. Deal

**Wind Capital Group** has pushed back the financing of its 150 MW wind project in Osage County, Okla. The developer will look to finance the project in 2013 if Congress extends the production tax credit beyond year-end, said **Robert Craig**, Wind Capital cfo in Chicago, on the sidelines of the seminar. The developer's plans for funding the project without a PTC extension could not be learned.

The developer had looked to restart the financing earlier this year after the U.S. **District Court for the Northern District of Oklahoma** ruled that the **Osage Nation** had failed to establish its claims that the wind project would interfere with its mineral rights (PI, 2/9). Wind Capital had suspended the roughly \$160 million Osage deal after the tribe filed the lawsuit to cease construction of the project (PI, 11/21). **BayernLB**, **NordLB** and **Rabobank** were potential Osage lenders before the financing was initially halted.

"The lawsuit essentially prevented the project from being done by the end of this year, which is a requirement for getting the PTC," says a deal watcher. The PTC is scheduled to cease at year-end.

Wind Capital is focused on developing its 201 MW Post Rock wind project in Kansas' Ellsworth and Lincoln counties, Craig told *PI*. Wind Capital wrapped a nearly \$300 million financing supporting Post Rock late last year (PI, 1/6).



Wind Capital has undergone personnel changes in recent months as **Tom Carnahan**, chairman of the board, and **Ciaran O'Brien**, ceo, left the company (PI, 3/26). Whether Carnahan and O'Brien's departures had a role in the postponement of the Osage deal couldn't be learned.

Bank officials declined to comment or didn't return calls.



## U.S. Sponsors Eye Development Abroad

U.S. wind developers are looking at building project pipelines abroad as uncertainty over the extension of production tax credits puts a stranglehold on development stateside.

Canada and Latin America are prime targets, officials said at the seminar in New York.

"We're looking at doing 600 MW per year over the next few years. We'd like to see that in the U.S. but currently we're pulling back. Canada and Chile will get most of our development expenditures," **Mike Garland**, ceo of **Pattern Energy** said, adding that several of Pattern's competitors, including **NextEra Energy Resources**, are looking to develop projects in those regions.

NextEra made its initial foray into Canadian solar when it purchased two solar projects totaling 40 MW in Ontario from **First Solar** (PI, 3/12). Pattern is in the midst of financing its 115 MW El Arrayan wind project in Chile (PI, 3/16).

In addition to the looming expiration of the PTC, which ends on Dec. 31 and defrays up to 30% of a project's development costs, developers face a myriad of other challenges in the U.S., officials said. Crowded transmission queues, long and complex permitting, and the lack of a clear federal energy strategy are also dampening wind development in the country.



## Bank, Bond Mix Coming To Wind Financings

Financing structures mixing bank debt and bonds loom in future wind deals, said **Thomas Emmons**, **Rabobank** managing director in New York, at the seminar.

"That's a structure that's becoming fairly understood," Emmons said.

A handful of 2012 solar photovoltaic financings have used, or are using, that model: tapping multiple pools of funds to cobble together debt larger than \$400 million. **LS Power**, for instance, landed a \$466 million financing backing 127 MW at its Arlington Valley PV project in Maricopa County, Ariz., with short-term bank debt and a long-term private placement (PI, 3/1).

The structure has precedent, but was mostly common in financings well above \$1 billion. **Caithness Energy** and **GE Energy Financial Services** attracted multiple markets for a \$1.2 billion financing supporting its 845 MW Shepherds Flat wind project in eastern Oregon last year (PI, 4/21).

The structure is gaining in popularity in more modest financings—those above \$400 million, and especially greater than \$600 million—in a period of diminished capacity in the project finance market. Roughly one-third of project finance lenders have benched themselves since mid-August amidst woes stemming from the euro-zone debt crisis (PI, 1/20). Several European banks have also cut tenors on financings to 10 years or less, boosting the appeal of private placements, which can span 20 years or longer.

"The landscape has changed significantly—and I think permanently," Emmons said.

### FAST FACT

➤ The structure is gaining in popularity in more modest financings

## Wind M&A Players Adjust Strategies Under PTC Ambiguity

M&A players are re-calibrating their approach to wind projects as the uncertainty over whether the production tax credits will be extended rattles the industry. Despite the questions about PTCs, "by no means is this a space people should shy away from," **Martin Pasqualini**, managing director at **CP Energy Group**, told the audience at the seminar in New York on Thursday.

Mature projects, those with power purchase agreements and are shovel ready, are the ones likeliest to trade because buyers want projects that are actionable, said **Gary Greenblatt**, managing director at **Marathon Capital**. Sellers should have all their ducks in a row before they take a project to market, he said, adding that real estate should be secured, permitting finalized and due diligence completed, otherwise sellers will flinch and possibly walk away. The market could see more deals similar to **Atlantic Power Corp.** and **enXco** buying shovel-ready projects from **Apex Wind Energy Holdings**

### FAST FACT

➤ Mature projects, those with power purchase agreements and are shovel ready, are the ones likeliest to trade.

and **Element Power**, respectively, as a way to drive projects to the finish line (PI, 2/3 & 3/29).

The current value of early stage project is "zero," according to Pasqualini, marking a departure from when buyers were angling to pick up development portfolios and platforms a few years ago. Shops with longer dated development portfolios are probably wise to hold onto the assets, said Greenblatt.

Further delay on extending the PTCs could be a boon for one type of player: large strategics looking to pick up assets. The longer it takes for action on the PTCs, the more prices will flag, said **David Giordano**, managing director at **BlackRock Alternative Investors**, thereby opening up a larger window for well-funded sponsors to pick up development assets on the cheap.

Developers with operational fleets are also expected to continue to look for ways to raise capital—think **First Wind's** stake sale to **Emera** or **Edison Mission Group's** partnership with **TIAA-CREF** and **Cook Inlet Region, Inc.** (PI, 1/31 & 2/22)—to fund development.

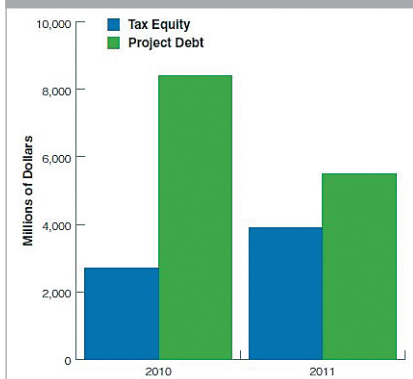


## Solar To Drive Growth In Tax Equity

Solar financings—not wind deals—are driving growth in the tax equity market, said **John Eber**, **JPMorgan** managing director of energy investments, at the seminar.

The solar market will continue to demand more tax equity, especially for distributed generation, specifically residential and rooftop financings, Eber said. Investors raised roughly \$6 billion in tax equity for power projects in 2011, up 25% from the prior year. Solar tax equity surged from \$1.3 billion in 2010 to \$2.5 billion last year. Wind tax equity also increased 44% in 2011 to \$3.9 billion from \$2.7 billion in 2010.

U.S. Wind Project debt and Tax Equity Deals Closed in 2010 and 2011



Source: AWEA U.S. Wind Industry Annual Market Report year ending 2011

Banks and financial companies are the likeliest tax equity players, not corporations, Eber said. Even **Google**, which has dabbled in tax equity, has primarily been a pure equity player in projects because the returns tend to be better than in tax equity, Eber explained.

### Reporter's Notebook

• “This isn’t natural gas. This is unnatural gas.” —**Art Whittemore**, cfo of **Gamesa Technology Corp.**, on the plummeting price of natural gas.

• **All Aboard?** Emissions rules may ultimately prompt the closure of some existing small coal-fired projects—but these projects aren’t necessarily doomed to full retirement. Some may be taken offline and sent to other countries, said **Jim Hempstead**, **Moody’s Investors Services** senior v.p. in New York.

• AWEA offered a smorgasbord of culinary options at the luncheon and reception on Friday: three salads to choose from (Greek, ratatouille and quinoa), grilled chicken with roasted red bliss potatoes and brown chicken jus, a risotto with salmon, artichoke and braised Swiss chard, and chocolate-covered strawberries.



• Attendees at the lunch could choose from tables with designated conversation topics, including merchant versus contracted, surviving low gas prices and wind cost trends. **Buz Barclay**, **Marathon Capital** managing director in New York, chose a table sans designated topic, but promised his own theme: war stories of a career in project finance. The charismatic Barclay didn’t disappoint.

## 2013 Annual Financial Services Provider Guide

issue date  
September 17, 2012

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INSTITUTIONAL INVESTOR INTELLIGENCE’S 2013 FINANCIAL SERVICES PROVIDER GUIDE is a comprehensive directory of companies providing products and solutions to the financial industry. Given the recent improvements in customization and delivery of services, this timely Guide showcases the leading providers in their respective sectors. Promoted across Institutional Investor Intelligence’s print and online products, the Guide will be delivered to selected recipients from our premium subscription audience as well as senior executives at asset management firms, mutual funds, hedge funds, banks and brokerages, as well as technology firms and compliance officers.

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## MERGERS &amp; ACQUISITIONS

## Exelon Coal Bids Pegged For May

Initial bids for the 2.648 GW of coal-fired plants in Maryland that Exelon is selling will be due early next month, says a deal watcher. **Citigroup** and **Goldman Sachs** are running the sale. The auction has attracted a large pool of prospective buyers because it's rare to have coal-fired assets that are not in distress on the market, says another deal watcher.

The company anticipates that the plants will attract viable buyers, says an Exelon spokesman, who declined to comment on the bid deadline. The company plans to finalize a purchase agreement within 150 days of the merger closing, March 12. Teasers went out for the plants in



Brandon Shores

late last month (PI, 3/26). Exelon is selling the 1,273 MW Brandon Shores in Anne Arundel Co.; the 976 MW H.A. Wagner in Anne Arundel Co.; and the 399 MW C.P. Crane in Baltimore County.

Chicago-based Exelon is selling the trio as part of its merger agreement with **Constellation Energy Group**. Exelon has 180 days from the merger closing on March 12 to sell the coal-fired assets.

## PEOPLE &amp; FIRMS

## RBS Taps Barclays M.D. For New Utility Spot

**Michael Donohue**, formerly a managing director in the power and utilities group at **Barclays Capital**, is set to join **Royal Bank of Scotland**. Donohue will be a managing director in the power and utilities group out of Stamford, Conn.

Donohue will report to **Michael Keating**, head of U.S. power and infrastructure coverage, in a newly created position, says a spokesman in Stamford. He has not yet started at RBS. He will be managing the firm's relationships with utilities.

Donohue left Barclays this month, according to **Financial Industry Regulatory Authority** records. Prior to joining Barclays in 1999, Donohue was managing director and group head of power and utilities at **UBS**, according to a **LinkedIn** profile.

His start date could not be immediately learned. Keating was traveling and not immediately available for comment. Donohue could not be reached.



## NEWS IN BRIEF

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



- A settlement agreement between **Black Hills Energy** and the utilities' customers has been rejected by the Colorado **Public Utilities Commission**. The agreement would have allowed Black Hills to build a new gas-fired turbine at one of the company's existing facilities (*MarketWatch*, 4/19).

- **The Shaw Group** and **Westinghouse** have received approval from **South Carolina Electric & Gas** to go forward with engineering and construction for SCE&G's proposed nuclear project. The project was approved in 2009 and has been going through regulatory review (*MarketWatch*, 4/19).

- **DTE Energy** is planning to build a 110 MW wind farm in Huron County, Mich. The \$500 million project is part of the state's plan to get 10% of its power from renewable sources by 2015 (*Yahoo! Finance*, 4/19).

- Groups opposed to a nuclear facility proposed by **Southern Co.** are asking a court of appeals to block the license to go forward with the project. The U.S. **Nuclear Regulatory Commission** approved Southern Co.'s proposal and denied a request from several

environmental groups to suspend construction on the project (*Bloomberg*, 4/18).

- California legislators are considering a bill that would allow utilities companies to count hydro toward their renewable energy requirements. Utilities such as **Pacific Gas & Electric** must get 33% of their generation from renewable sources by 2020 (*Bloomberg*, 4/18).

- Brazil is considering putting measures in place that could boost solar panel sales by \$3 billion in coming years. As part of the new policy, homeowners and businesses in Brazil will be able to trade power generated by rooftop panels to utilities in exchange for power used at night. Utilities expect that panel sales will increase 50% annually as a result of the new policy (*Bloomberg*, 4/18).

- California-based **SunEdison** has completed a 25 MW solar project in Gujarat, India. The company now has a total of 45 MW of solar capacity as part of the Gujarat Solar Program, part of a larger renewable energy initiative in the province (*The Sacramento Bee*, 4/17).



## 10TH ANNUAL DEAL OF THE YEAR AWARDS

**BEST RENEWABLES DEAL** (Continued from page 1)

heavyweights.

To many participants and observers, Desert Sunlight's legacy is as the first utility-scale photovoltaic financing broadly syndicated to the bank and bond markets. The deal also introduced First Solar's thin-film technology to mid-tier institutional investors. "Desert Sunlight gave people the opportunity to look at us and our technology," says **Thomas Plagemann**, First Solar v.p. of project finance in New York. First Solar is also the engineering, procurement and construction company for the \$2.3 billion Desert Sunlight.

The financing comprised \$595.2 million in fixed-rate notes guaranteed by the DOE and \$148.8 million of non-guaranteed fixed-rate notes; a \$340 million guaranteed floating-rate term loan and an \$85 million non-guaranteed term loan; a \$233.6 million guaranteed bridge loan to the U.S. **Department of Treasury** cash grant; a \$58.4 million bridge that isn't guaranteed; and \$276.2 million in non-guaranteed letters of credit. It is structured to allow for a few delayed draws.

The impact of Desert Sunlight is already evident. **MidAmerican Energy Holdings** in February snagged an \$850 million private placement in February supporting its 586 MW Topaz PV project in San Luis Obispo County, an oversubscribed financing that was upsized from \$700 million (PI, 2/24). Like Desert Sunlight, Topaz was a mega project developed by First Solar—and sold to a major renewables player.

In the case of Desert Sunlight, **GE Energy Financial Services** and **NextEra Energy Resources** bought 50:50 stakes in the project after first discussing investments in the first quarter of 2011. Both had prior relationships with the Tempe, Ariz.-based First Solar. GE EFS and NextEra ultimately inked their stakes upon the early fall financial close of the deal (PI, 10/5). But banks and investors knew GE EFS and NextEra were the almost certain buyers: on an invitation to the deal's Aug. 12 launch, lead banks Goldman and **Citigroup** promoted GE EFS and NextEra as the project sponsors (PI, 8/11). "They understand the business. And they add significant value to raising debt," says Plagemann of GE EFS and NextEra.

Their involvement helped attract more than 20 lenders and investors lenders to the financing, despite one of the most turbulent

stretches of the euro-zone crisis. An investment grade rating of BBB- from **Fitch Ratings** also boosted the project's appeal. The banks structured Desert Sunlight as essentially two projects, to reflect the two offtake contracts with **Pacific Gas & Electric** and

**Southern California Edison**, that act as one financing under a holding company. This dual-borrower structure established separate borrower entities. The loans to each borrower are not cross-collateralized, per requirements in the power purchase agreements.

Despite bank and investor interest, financial close wasn't assured. Another hurdle loomed in the form of the DOE's Sect. 1705 loan guarantee program.

A few weeks after the Desert Sunlight deal launched, solar manufacturer **Solyndra**, which had been the beneficiary of a \$535 million DOE loan, collapsed. Some people familiar with the Desert Sunlight deal say an already exhaustive DOE process became even more bureaucratic. Others, including executives at First Solar and GE, disagree with that view.

Goldman is the lender-applicant to the DOE's Financial Institution Partnership Program. About a dozen financings, including Desert Sunlight, scrambled to close by the final day of the Sect. 1705 program on Sept. 30, amid mounting political scrutiny of the program. Several of these deals, including Desert Sunlight,

closed right up against the deadline.

**DESERT SUNLIGHT**

**SPONSORS:** GE Energy Financial Services and NextEra Energy Resources

**ASSETS:** 550 MW solar photovoltaic project in Chuckwalla Valley, Calif.

**DEAL SIZE:** \$1.74 billion

**THE KEY PLAYERS**

**GE CAPITAL:** Donald Kyle

**NEXTERA:** Amy Black, Paul Cutler

**FIRST SOLAR:** Thomas Plagemann

**U.S. DEPARTMENT OF ENERGY:** Doug Schultz, Kenneth Cestari

**JOINT BOOKRUNNERS:** Goldman Sachs (Alex Hernandez), Citigroup (Stuart Murray)

**CO-DOCUMENTATION AGENTS AND JOINT LEAD ARRANGERS:** Bank of Tokyo-Mitsubishi UFJ (Erik Codrington), Lloyds Bank Corporate Markets (Russell Protti), BayernLB (Matthew Ptak)

**JOINT LEAD ARRANGERS:** UniCredit (Gisela Kroess), Sumitomo Mitsui Banking Corp. (Kyle Blake), Banco Santander (Daniel Kostman)

**LEGAL ADVISOR TO GE EFS:** Chadbourne & Parke (Paul Weber, Eli Katz, Ben Koenigsberg)

**LEGAL ADVISOR TO NEXTERA:** Hogan Lovells (Thomas Woolsey)

**LEGAL ADVISOR TO FIRST SOLAR:** Skadden, Arps, Slate, Meagher & Flom (Martin Klepper)

**LEGAL ADVISOR TO DOE:** Clifford Chance (David Evans)

**LEGAL ADVISOR TO LENDERS:** Latham & Watkins (Matthew Henegar)

**RUNNER-UP**

**SPONSORS:** SAIC and Enova Energy Group

**ASSETS:** Plainfield 37.5 MW biomass project in Plainfield, Conn.

**DEAL SIZE:** \$125 million

**THE KEY PLAYERS**

**SAIC:** J.T. Grumski, Greg Meacham

**ENOVA ENERGY GROUP:** Zachary Steele, Bill Brunstad and Ben Easterlin

**SENIOR LENDER:** The Carlyle Group (David Albert, Rahul Culas and Tek Kaminski)

**LEGAL ADVISOR TO SAIC:** Milbank Tweed Hadley & McCloy (Karen Wong)

**LEGAL ADVISOR TO ENOVA:** Fulbright & Jaworski (Mark Tibberts, Michael Pikiel)

**LEGAL ADVISOR TO CARLYLE:** Chadbourne & Parke (Keith Martin, Todd Alexander)

The \$125 million financing supporting **SAIC** and **Enova Energy**



## 10TH ANNUAL DEAL OF THE YEAR AWARDS

**Group's** \$225 million, 37.5 MW biomass project in Plainfield, Conn., may best depict the tumult of the last five months of 2011—and the need for innovative financing solutions amid the euro-zone crisis. And the Plainfield deal was one of few U.S. biomass deals of 2011, which speaks to the paucity of wood waste and an especially laborious due diligence process for lenders.

The team of rookie developer Enova of Atlanta and SAIC, the McLean, Va.-based energy and national security giant, had initially tapped **Société Générale** as the lead (PI, 7/15). But uncertainty over SocGen's ability to wrap the deal before the Dec. 31, 2011, expiration of the U.S. **Department of Treasury** cash grant

prompted the lender to bow out; SAIC and Enova were especially cognizant of the December 2013 date construction must be completed to qualify for the grant. SocGen was among several European lenders with crimped liquidity during the European sovereign debt crisis.

Enova and SAIC ultimately turned to **The Carlyle Group's** energy mezzanine opportunities group, which had launched its inaugural mezzanine debt fund earlier in the year (PI, 7/22). Carlyle originally was supposed to provide a bridge loan to the cash grant, but was tapped to provide the entire financing via mezz debt to ensure year-end closing.

—**Brian Eckhouse**

## M&A DEAL OF THE YEAR: NIGHTHAWK *(Continued from page 1)*

portfolio up to get more eyes. The sale was emblematic of how the M&A market looked for most of the year—solid in the first half, then slowing to a trickle in the second half.

NextEra tapped **Citigroup** and **Credit Suisse** to sell a mostly contracted portfolio totaling 2.7 GW in early spring, although by the time the sale, code-named Nighthawk, launched in early May, the market was heading into summer. While the third quarter is typically a quiet period, last summer would ultimately be rollicked by the parallel debt crises in the U.S. and Europe.

The markets were suffering the repercussions of a debt ceiling debacle alongside a downgrade of the U.S.' national credit rating by **Standard & Poor's**, as well as liquidity concerns at European banks. Prospective buyers shied away from M&A as financing markets seized from instability. But NextEra was already in the market with a generation fleet sale that was not only the largest of the year, but the largest since Calpine bought

**Pepco Holdings'** unregulated unit **Conectiv Energy** in 2010, picking up roughly 4.5 GW (PI, 4/21/10).

The disquiet of the markets added to the normal levels of uncertainty that accompany an auction. "You always worry about these deals—you can't assume they will get done," says **Jack Paris**, managing director at Citi, noting that the volatility "certainly presented challenges."

The co-advisors held management presentations starting in mid-June. **LS Power** submitted its binding bid for four of the five plants

in the middle of August. The LS acquisition of the four contracted plants—Blythe, Calhoun, Cherokee and Doswell—for \$1.05 billion, or \$488/kW was announced in early September. The fate of the merchant component was still undetermined.

A separate round of binding bids for RISEC was held later that month (PI, 10/6). **Entergy Services** emerged as the buyer with an offer of \$346 million, or \$629 per kW, for RISEC. The break-up of the portfolio came when it became clear that deal certainty—a NextEra priority—would likely depend on courting different types of buyers, says another deal watcher. The merchant facility in Rhode Island augmented Entergy Services' existing presence in the region. Entergy owns six nuclear plants in Massachusetts, New York and Vermont.

Splitting the portfolio also came to maximize the value that NextEra got for its plants: the RISEC plant sold for \$141/kW

more than the contracted fleet average. In total, NextEra received just under \$1.4 billion for the fleet, a number that neared the ballpark figure (\$1.5 billion) that was pegged as a target early in the auction (PI, 6/13). Both acquisitions closed in the fourth quarter.

Meanwhile, LS looked to the project finance market instead of utilizing the \$1 billion staple financing offered up by Citi, Credit Suisse and **Goldman Sachs** (PI, 8/12). When LS saw that there was appetite for contracted plants in the bank market it decided to go that route, says one deal watcher,

### NEXTERA PORTFOLIO

**BUYERS:** LS Power, Entergy Services

**SELLER:** NextEra Energy Resources

#### ASSETS:

- 507 MW Blythe CCGT in Blythe, Calif., contracted to Southern California Edison
- 550 MW RISEC CCGT in Johnston, R.I., merchant
- 668 MW Calhoun peaker in Eastaboga, Al., contracted to Alabama Power Co.
- 98 MW Cherokee CCGT in Gaffney, S.C., contracted to Duke Energy Carolinas
- 708 MW Doswell CCGT in Ashland, Va., contracted to Virginia Electric Power Co.; there is also a 171 MW peaker.

**PURCHASE PRICE:** \$1.4 billion

#### THE KEY PLAYERS

**SELLER ADVISORS:** Citigroup (Jack Paris, Todd Guenther, Jason Mallet, Sara Schwerin, and Michael Karafiol) and Credit Suisse (Ray Wood, Jason Satsky, Dave Smith, Ahmad Masud, and Wally Cheng)

**BUYER ADVISORS:** King & Spalding (Crayton Bell, Neil Levy, Steven Guynn, Robert Leclerc, Bruce Richardson, David Tewksbury, Grace Su, Stephanie Lim, Jeffrey Spigel and John Carroll)

**LEGAL ADVISOR TO SELLER:** Hogan Lovells

**LEGAL ADVISOR TO BUYER:** Morgan, Lewis & Bockius attorneys advised Entergy Services

## 10TH ANNUAL DEAL OF THE YEAR AWARDS

noting that it was a creative financing move. The private equity shop called on a roster of relationship banks for \$650 million to \$700 million to put on the Doswell and Calhoun plants (PI, 9/30). **CIT Group, CoBank, Santander, Siemens Financial Services** and **Union Bank** closed two packages—each in the mid-\$300 million range and comprising a seven-year term loan, revolver and letters of credit. The closing of the acquisition was contingent upon financing.

How Entergy financed the acquisition couldn't be learned. A spokeswoman in New Orleans declined to comment.

### M&A RUNNER-UP

**BUYER:** Constellation Energy Group

**SELLER:** U.S. Power Generating Co.

### ASSETS:

- 801 MW combined cycle Fore River
- 560 MW Mystic 7, both gas- and oil-fired
- |1,602 MW CCGT Mystic 8 and 9

**PURCHASE PRICE:** \$1.1 billion

**SELLER ADVISORS:** JPMorgan and Perella Weinberg Partners

**BUYER ADVISORS:** UBS and Credit Suisse

**U.S. Power Generating Co.'s** bankruptcy sale of gas-fired subsidiary **Boston Generating** highlighted dramatically the troubles faced by gas- and coal-fired generation alike in sales. A sustained environment of low gas and power prices has put many plants in financial straits, with restructuring or bankruptcy filings among the most feasible solutions.

The sale, led by **JPMorgan**, found a large pool of prospective buyers before heading to the courtroom for a hotly contested bankruptcy proceeding.

The Constellation bid was expected to face off against a bid from **Energy Capital Partners** although the only offer that came was a restructuring proposal from a group of second lien creditors including **CarVal**

**Investors** and **MatlinPatterson Advisers**.

The judge rejected the restructuring offer. The bulk of the deal played out in 2010 with an aim of closing by year-end although documentation spilled over into January 2011.



Mystic Plant

## BEST NON-RENEWABLES DEAL: SHARYLAND PROJECTS

Several transmission financings wrapped in 2011, but **Sharyland Utilities'** \$727 million deal backing \$1.04 billion in transmission lines in Texas stands out for its novel equity arrangement—a real estate investment trust as project sponsor. “It’s an elegant structure with a nice regulatory framework,” says **Roberto Simon**, **Société Générale** head of energy project finance in the Americas in New York.

The REIT structure offered several benefits. Under the REIT, Sharyland could bring in investors and still maintain operation and management of the project. And the structure is an efficient way to raise third-party capital, says **Brian Swinford**, **Hunt Consolidated** v.p. of finance in Dallas.

The innovation, however, required intensive efforts on several fronts. Sharyland, a Texas-based public electric utility owned by **Hunter Hunt** and other members of the **Ray Hunt** family, applied to be a transmission service provider under Texas’ Competitive Renewable Energy Zones. In 2006, Sharyland asked the **Internal Revenue Service** whether a REIT could own electric

transmission assets; more than a year later, the IRS said a REIT, if properly structured, would qualify for REIT tax treatment. The utility

then sought—and secured—approval from the **Public Utility Commission** of Texas to transfer the transmission project to the REIT while Sharyland maintained its license and ownership. Sharyland landed PUC approval in late 2009.

In addition to dealing with the IRS, Sharyland would have to educate the banking and investment communities on a REIT as transmission sponsor. “The real struggle for the lenders was that they’re not lending to the utility itself, which holds the license and is the operator,” says Swinford. “They’re lending to the asset company that actually owns the assets, which are leased back to the utility.”

Hunt sought investors with capital and transmission experience. “We were looking for partners who were active in the space and might be open to investing in a REIT. We had to find investors who understood REITs and who had the structure to be able to invest in

### SHARYLAND PROJECTS

**SPONSOR:** Electric Infrastructure Alliance of America

**ASSETS:** 295 miles of 345 kV transmission lines in the Competitive Renewable Energy Zones in Texas

**DEAL SIZE:** \$727 million

#### THE KEY PLAYERS

**HUNT CONSOLIDATED:** Brian Swinford, Kristin Boyd

**JOINT LEAD ARRANGERS:** Royal Bank of Canada (Bill Caggiano, Mark Saar), Royal Bank of Scotland (Jonathan Kim), Societe Generale (Alejandro Valencia, Roberto Simon)

**STRUCTURING AND DOCUMENTATION ADVISOR:** Prudential Financial (Richard Carroll)

**MANDATED LEAD ARRANGERS:** Mizuho Corporate Bank (Samantha Varley), Scotia Capital (Alok Garg) and Sumitomo Mitsui Banking Corp. (Michael Cummings)

**LEGAL ADVISOR TO SPONSOR:** Mayer Brown (Michael Niebruegge)

**LEGAL ADVISOR TO LENDERS:** Simpson Thacher & Bartlett (Alan Brenner)

## 10TH ANNUAL DEAL OF THE YEAR AWARDS

REITs,” Swinford says.

Hunt ultimately launched two REITs, **Electric Infrastructure Alliance of America** and **Gas Infrastructure of Alliance of America**, which will invest up to \$2.1 billion to develop and acquire electricity and gas transmission and distribution assets. EIAA contributed \$312.34 million in equity to the Sharyland project, or 30% of project costs. **Hunt Power, John Hancock Life Insurance, Marubeni Corp., OPTrust Private Markets Group and TIAA-CREF** are funding the trusts (PI, 12/3/10).

After sewing up the equity structure in late fall 2011, financiers faced a complicated project financing. One complication involved IRS rules. Under these, at least 90% of taxable income (after debt is serviced) must be distributed to the REIT investors to maintain REIT status, according to Hunt. The debt, explains **Kristin Boyd**, Hunt Consolidated director of project finance in Dallas, resides at **Sharyland Projects**. Debt payments will be made by that organization, after which dividends can pass up to the REIT, where the 90% income rule applies.

Financiers and investors also had to address construction hurdles. The construction period would be long—an expected 2 1/2 years—and the project lacked completion guarantees. Sharyland also opted against a lump-sum engineering, procurement and engineering contract, as such arrangements can be costly. So, Sharyland Utilities effectively serves as the EPC contractor and is using several subcontracts to manage construction and engineering. The financing was structured to include contingency

funds in order to hedge these risks, Boyd explains. And as a regulated utility, Sharyland is allowed to recover all prudently incurred project costs.

As Hunt relationship lenders, **Prudential Financial** and **Royal Bank of Canada** were obvious candidates for the Sharyland financing. The utility selected **Royal Bank of Scotland** and SocGen as joint lead arrangers alongside RBC. SocGen offered the most aggressive underwriting proposal, according to Swinford, while RBS offered a capital markets



Sharyland Transmission Line

platform that integrated with Prudential's role of raising debt from institutional investors. The deal launched in mid-May and closed

about a month later.

Fifteen banks and investors ultimately participated in the deal, which include \$667 million in construction and term loan facilities and \$60 million in fixed-rate notes. Pricing starts at LIBOR plus 200 basis points, with step-ups of 25 bps post-completion. The financing has a seven-year tenor.

### RUNNER-UP

**SPONSORS:** Competitive Power Ventures, Diamond Generating Corp. and GE Energy Financial Services

**ASSET:** Sentinel 800 MW simple-cycle project in Desert Hot Springs, Calif.

**DEAL SIZE:** \$795.5 Million

### THE KEY PLAYERS

**CPV:** Paul Buckovich

**DIAMOND:** Paula Zagrecki

**GE CAPITAL:** Donald Kyle

**MANDATED LEAD ARRANGER:** Bank of Tokyo-Mitsubishi UFJ (Anthony Licata)

**OTHER LEAD BANKS:** ING (David Barrick), Natixis (Pierre Audrain), Royal Bank of Scotland (Jonathan Kim), Sumitomo Mitsui Banking Corp. (Carl Morales)

**LEGAL ADVISOR TO SPONSORS:** Latham & Watkins (Jonathan Rod, Amy Maloney)

**LEGAL ADVISOR TO LENDERS:** Milbank Tweed Hadley & McCloy (Bill Bice, Douglas Kim)

The \$795.5 million financing supporting the Sentinel simple-cycle plant in Riverside County, Calif., was the first of a wave of California gas-fired deals that wrapped in the second quarter of 2011, setting structural and pricing benchmarks for that market. The financing has a tenor of construction plus 10 years. It is priced at LIBOR plus 225 basis points (PI, 5/31).

Diamond and GE EFS mobilized their extensive banking relationships to draw at least 30 lenders to the deal launch in early spring. “It also showed the capacity of the market at that time,” says a person familiar of the deal, referring to a small window that opened in the second quarter, allowing a return of underwriting, before the credit markets turned in the third quarter.

Mandated lead lender **Bank of Tokyo-Mitsubishi UFJ** roped \$1.55 billion in commitments from more than 20 lenders, nearly two times the size of the financing, during a stretch of several large project financings in the market. “Being the first into the market was helpful,” says **Kevin Walsh**, GE EFS leader of power and renewable energy in Stamford, Conn. “Everyone was anxious to be part of the first one.”

—**Brian Eckhouse**

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## Solar Trust *(Continued from page 1)*

we need” to run a competitive auction, according to **Michael Nestor**, partner at Wilmington-based law firm **Young Conaway Stargatt & Taylor** that is advising Solar Trust. The debtor-in-possession, or DIP, funding will extend until July 15, at which point a sale is anticipated to be finalized.

Mason initiated discussions with Solar Trust and its advisors last week, Nestor told the court. Mason becomes the senior lender in the Solar Trust capital structure. Existing creditors will receive payment from sale proceeds after Mason. Similar to the agreement with NextEra, Mason will take control of Solar Trust’s four projects if no buyer is found. In that scenario—a credit bid—creditors will not receive a payment. Solar Trust’s creditors include the parents of Solar Trust of America, German solar developer **Solar Millennium** and German industrial conglomerate **Ferrostaal** as well as **Chevron Energy Solutions Co.**, and **Global Finance Corp.**, a boutique advisory shop based in Las Vegas. Unsecured creditors are in the final stages of retaining an advisor.

Solar Trust of America is developing the 1 GW Blythe solar project in Blythe, Calif., the 500 MW Palen in Desert Center, Calif., the 500 MW Amargosa in Amargosa Valley, Nev., and 250 MW Ridgecrest in Ridgecrest, Calif. Global Finance is a partner on the Amargosa project. The projects were originally developed as concentrated solar power but have been converted to photovoltaic technology.

A final hearing to approve the new DIP funding is set for Thursday, April 26. A new set of bidding procedures, including a sale timeline, is expected to be heard on that date as well. “This debtor needs to get on with the sale process,” **Dennis O’Donnell**, counsel at **Milbank, Tweed, Hadley & McCloy**, which is representing Mason, told the judge in the lead-up to the approval.

NextEra suspended its \$25 million DIP agreement Wednesday after **MMR Group**, a Baton Rouge, La.-based contracting firm, filed with the court claiming at least partial ownership in the Blythe project.

**Chip Cummins**, executive director at **RPA Advisors**, the boutique advisory shop working with Solar Trust, told the court that no binding bids or letters of intent had been received under the current timeline. He said several entities had expressed interest and did initial evaluations but ultimately opted not to bid because the schedule was too tight to complete due diligence or receive board approval.

Solar Trust entered bankruptcy with less than \$60,000 in liquidity due to the bankruptcy filing of its German parent, Solar Millennium, Cummins said, noting that the cash infusion from NextEra was the only lending option at the time of the filing. The originally proposed auction was scheduled for April 30 with bids due April 27 (PI, 4/17).

NextEra considers itself an interested party and is likely to formally bid for the projects, **Seven Rivera**, partner at **Chadbourne & Parke** and an attorney for NextEra told the court.

—**Holly Fletcher**

## ALTERNATING CURRENT

### What’s In A Name?

### Mountain Man Lives On In Coal-fired Plant



What does a 2,110 MW coal-fired plant in Wyoming have in common with **Brad Pitt**, Interstate 80 and Yellowstone National Park? That would be **Jim Bridger**, a mountain man, scout, guide and coal-fired plant namesake who helped map out the American West in the 19<sup>th</sup> century.



Jim Bridger

Bridger first gained fame in 1824 as the first European American to see the Great Salt Lake in Utah and one of the first to see the geysers in what is now Yellowstone National Park. Born in Virginia, he ranged from Colorado to the Canadian border, learning French, Spanish and several Native American languages. Along the way, he discovered Bridger Pass, an alternative on the Oregon Trail that shortened the trip by 61 miles. Bridger Pass would later host Interstate 80 and the Union Pacific Railroad.

Bridger wed three Native American women over his lifetime and fathered five children. Pitt’s character Lt. **Aldo Raine** in the film *Inglorious Basterds* refers to this lineage: “Now, I am the direct descendant of the mountain man Jim Bridger. That means I got a little Injun in me. And our battle plan will be that of an Apache resistance.”

**Pacificorp** owns the plant in Point of Rock, population three according to the U.S. Census. The Portland, Ore.-based utility also operates a park with picnic tables, restrooms a swimming beach and two fishing docks near the facility. What Bridger would have thought of the plant or the park could not be learned.

## QUOTE OF THE WEEK

“We’re looking at doing 600 MW per year over the next few years. We’d like to see that in the U.S., but currently we’re pulling back. Canada and Chile will get most of our development expenditures.”—**Mike Garland**, **Pattern Energy** ceo in San Francisco, on how the uncertainties in the U.S. wind industry has prompted developers to shifting their focus elsewhere (see story, page 8).

## ONE YEAR AGO

**David Nadelman**, former co-head of loan syndicate at **Royal Bank of Scotland**, left the Stamford, Conn.-based bank to take a position at **Royal Bank of Canada** in New York. [**Michael Donohue**, formerly a managing director in the power and utilities group at **Barclays Capital**, is set to join RBS in a newly created position (see story, page 10).]