

Power Finance & Risk

The weekly issue from **Power Intelligence**

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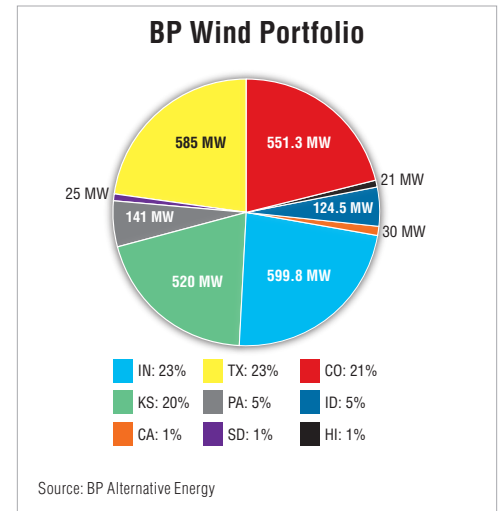
BP Wind Sale Piques Interest, Raises Eyebrows

BP Alternative Energy has launched a self-run sale of its U.S. wind platform despite a tough environment. Wind players say that divesting a platform right now is challenging as longer-term development prospects in the U.S. are unclear. The sale comprises 1.6 GW of stakes in a 2.6 GW fleet, BP's wind development pipeline and team.

Bankers and prospective buyers speculate that BP is using this process to gauge which portions of its **BP Wind Energy** portfolio will garner the most interest. Players estimate that BP Wind Energy could fetch \$1.4-1.6 billion, a value that is discounted by the development pipeline as well as questions about tax equity and some turbine technology.

John Deere Renewables was the last large wind platform to be sold, with 735 MW of operational assets going to **Exelon** in 2010 for \$860 million and a \$40 million earn-out. The market has been through several cycles since that transaction. Opportunities to buy

(continued on page 11)



Capital Power Floats Merchant Assets

Capital Power is selling down portions of its portfolio, including its merchant combined cycle trio in New England in order to fund its investment in a gas-fired project in Canada. The company is working with **Morgan Stanley** to sell the merchant facilities totaling 1,050 MW in Connecticut, Maine and Rhode Island.

The plants are the 265 MW Tiverton and 265 MW Rumford CCGTs in Tiverton, R.I., and Rumford, Maine, respectively, as well as the 520 MW Bridgeport CCGT in Bridgeport, Conn. **Craig Edgar** and **Todd Giardinelli**, managing directors at Morgan Stanley, are running the sale, says a deal watcher who has seen the teaser.

Sale proceeds would be used to finance the company's

(continued on page 12)

Panda Snags Moxie Plant Stakes

Panda Power Funds has taken equity stakes in two merchant gas-fired projects being developed by **Moxie Energy** in Pennsylvania and will launch a B loan via **Goldman Sachs** and **Credit Suisse** to finance the 825 MW gas-fired Liberty facility in Bradford County, Pa.

"Panda likes to roll the dice on markets and it sees an opportunity in PJM, like it did in ERCOT," says a deal watcher. "It is good for Panda and they have found pools of capital with their funds that are interested in these assets. There are no other private equity players competing with this as their core strategy."

The developer is shopping a 60:40 debt to equity ratio, meaning the amount of debt needed will probably come in at just under \$500 million. "It will probably be a little less levered

(continued on page 11)

Industry Current: Synthetic Power Contracts

Check out this feature on an alternative to the traditional, and scarce, PPA written by **Chadbourne & Parke** attorneys.

See feature, page 8

New Project Finance Loans

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

See Deal Book, page 4

Generation Sale ■ DATABASE

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

See calendar, page 3

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THE BUZZ

The merchant revolution took another turn last week, with the news that **Panda Power Funds** has taken equity stakes in two **Moxie Energy** facilities in PJM (see story, page 1). The Liberty and Patriot gas-fired plants have attracted a lot of interest among deal watchers and the news that Panda will invest in them made sense to some observers. The Dallas-based company has been at the forefront of merchant financings and is now looking to take that expertise to PJM. The company will also launch a B loan via **Goldman Sachs** and **Credit Suisse** for the debt portion of the Liberty facility. Securing the funds should not be hard, as institutional investor money is pouring into Panda's second fund and taking on more risk at the moment (see story, page 5).

Still in B loan land, **Calpine Corp.** is looking for a \$1 billion term loan to take out 8% bonds due in 2016 (see story, page 7). It joins a long list of companies ratcheting down rates on debt, including a **Tenaska** affiliate and **NextEra Energy Resources** (see stories, pages 7 & 8).

It seems that Latin America is trending, with news that **SolarReserve** will open an office in Santiago, Chile (see story, page 5). The Santa Monica, Calif.-based solar developer is looking to expand, due to a subdued U.S. market and opportunities down south.

Challenges and uncertainty in the U.S. market are also affecting wind development and project finance. Developers need to be swift and vigilant to get over obstacles, such as scarcity of power purchase agreements and financing, to make it to the finish line and slip projects under the production tax guidelines before year-end. Wind projects that can qualify for the PTC remain the development area with the most activity. **Greenbriar Capital Corp.**, a new player headed by **Jeff Ciachurski**, formerly the CEO of **Western Wind Energy Corp.**, is buying a project in Utah that will likely qualify under the safe harbor expenditure clause (see story, page 6).

On the M&A side for wind, **BP Wind Energy** is checking the mood of prospective shops with its ambitious platform sale (see story, page 1). The market presents opportunities to get wind PPA cash flows without taking on the full portfolio (think minority stakes and tax equity partnerships) and observers are keen to see what value or carve-out buyers want, as well as what BP is willing to do.

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GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Bids due the first week of April (PI, 3/25).
ArcLight Capital Partners	Juniper Generation (Cogen Portfolio)	Various, California	TBA	An advisor is retained to sell ArcLight's stakes in nine plants (PI, 4/8).
Atlantic Power Corp.	Path 15 (84-mile Transmission)	California	Rothschild	A joint venture between Duke Energy and American Transmission Co. is buying the line (PI, 3/18)
▶ BP Wind Energy	Various (Wind Portfolio)	Various	None	Prospective investors are in preliminary due diligence (see story, page 1).
▶ Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Teasers went out recently (see story, page 1).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
▶ Champlin-GEI Wind Holdings	Blue Mountain (80 MW Wind)	Monticello, Utah	TBA	Greenbriar Capital Corp., headed by Jeff Ciachurski, has agreed to buy it (see story, page 6)
EmberClear	Good Spring (300 MW Gas)	Good Spring, Pa.	CCA Capital	Likely to sell a nearby development in addition to Good Spring (PI, 4/8).
Enova Power Group	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	UBS	Prospective buyers went to an on-site presentation in late Dec (PI, 12/24).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldma Sachs	Plans to sell the assets by year end (PI, 3/4).
First Solar	Campo Verde (139 MW Solar)	Kern County, Calif.		Southern Power and Turner Renewables are buying it.
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).
JPMorgan Capital Corp.	Tax Equity Stakes (524 MW Wind Portfolio)	Texas	JPMorgan	A Macquarie affiliate is creating a partnership to get the cash flow from the projects (PI, 4/22).
	Tax Equity Stakes (800 MW Wind Portfolio)	Various		
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).
NextEra Energy Resources	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).
▶ Philip Morris Capital Corp.	Lessor Stake (192 MW Sidney Murray Hydro)	Vidalia, La.	Energy Advisory Partners	Teasers went out this month (see story, page 6).
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).
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	Barclays	NRG is buying it with \$244M cash (PI, 4/22).
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.		
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	The company is in talks with a handful of parties (PI, 4/22).

▶ 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 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. 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
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	The company is in the market looking for equity, before finalizing the debt financing.
	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	The deal will likely be dominated by Japanese banks.
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 has tapped the bond market again to free up bank capacity for the deal (PI, 4/22).
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 County, 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 (PI, 4/15).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	\$1B+	TBA	The sponsor has tapped Banco Santander and Prudential to do a bank/bond financing (PI, 4/22).
► MidAmerican Solar	Antelope Valley (579 MW Solar PV)	Kern & L.A. Counties, Calif.	Goldman Sachs	TBA	TBA	TBA	The company is looking to mimic the Topaz financing it completed last year (see story, page 5).
► Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	\$800M	TBA	Panda Power Funds is taking an equity stake in the project (see story, page 1).
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).
Solarpack	Various (25 MW Solar PV)	Tarapacá, Chile	IDB	TBA	\$41M	TBA	The IDB closed the deal with its own funds and financing from the Canadian Climate Fund (PI, 4/8).
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

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PROJECT FINANCE

Yield Hunt Pushes Institutional Investors Into Power

A thirst for yield is pushing more institutional investors into private equity funds backing power and energy projects in the U.S. "There has been a growing interest in the whole energy field from private equity investors as the targeted returns are two to three times what they can get elsewhere," says an institutional investment placement specialist.

Institutional investors looking for greater yield are also transitioning from traditional infrastructure funds to take on more risky development, such as merchant plays. "In the old-school mentality, you would look at the power market and not get involved in development unless you had a power purchase agreement," the placement agent says of the institutional investors. "But now conservative infrastructure funds are starting to head down the risk curve and take on development. It just goes to show how yield-starved the world is."

The shift comes with news of **Panda Power Funds** looking to raise a second development fund backing its merchant gas-fired developments (PI, 4/10). Investors in that fund include the **Ohio State Teaches Pension Fund**, the **Indiana Public Employees' Retirement Fund** and the **3M Pension Fund**. After expected returns from certain infrastructure funds did not materialize, these entities are looking to take on more risk in investment and renewable energy and merchant gas-fired assets fit that profile, financiers say.

"These funds are going to be a lot more active in power and energy, and the big game changer has been the shale plays," adds a deal watcher. "The infrastructure funds are even heading more into development and they are willing to take more risk."

Sweet spots for those institutional investors in North America

are primary funds. They see a lot of co-investment opportunities with companies like Panda, says the deal watcher. Panda's current fundraising effort is expected to be oversubscribed, as was its recent term loan B backing its Temple II facility in Texas, which came in seven times oversubscribed (PI, 4/3).

Antelope Valley To Tap Bond Market

MidAmerican Energy Holdings has reportedly tapped **Barclays**, **Citigroup** and **Royal Bank of Scotland** to lead a bond financing backing its \$2.5 billion, 579 MW Antelope Valley solar photovoltaic project. **Goldman Sachs** is left-lead on a smaller bank loan tranche, says an observer.

The sponsor is looking to recreate a financing similar to the deal that it landed for its 586 MW Topaz project (PI, 2/24/2012). That deal comprised an \$850 million 144A bond issuance with a coupon of 5.75% that will span construction plus 25 years. "Everyone is keeping an eye on Antelope Valley," says a deal watcher. "They want to try and do a carbon copy of the Topaz deal, with that additional bank money."

The large price tag on Antelope Valley will lend itself to tapping multiple sources of debt, says a deal watcher. "It will be received well, but the size will mean using multiple sources of capital," notes an observer.

The three leads also worked on a recent \$250 million issuance, which priced at 4.875% with a similar tenor, backing Topaz (PI, 4/9). Officials at the banks declined to comment on the deal or did not respond to inquiries by press time. MidAmerican also declined to comment on the financing. The projects have two 20-year power purchase agreements with **Southern California Edison**, with construction slated to begin this year.

PEOPLE & FIRMS

SolarReserve Expands Into LatAm, Hires Director

Solar developer SolarReserve has opened an office in Santiago, Chile, as it looks to expand into Latin America. The Santa Monica, Calif.-based company has hired **Jose Lobo** to be director of development for the region. He is based in Santiago.

"There's really the couple of big draws [in Chile]: the great solar resource, government policy shifting to help renewables and a strong mining sector that needs the generation," **Kevin Smith**, ceo of SolarReserve, told PI. "There are also other parts of Latin America, Peru and Brazil and Colombia that are promising. We're looking at all those markets too."

Lobo has previously held management positions at **E-CL** and **Endesa**. He will report to **Tom Georgis**, senior v.p. of development based at the company headquarters in California. The initial number of employees in the office is unclear, although Georgis and two other staffers are in Santiago to get

the office up and running. There will be room for more hires, says Smith.

A U.S. market buffeted by low natural-gas prices and regulatory rumblings is pushing sponsors further afield, added Smith. SolarReserve is pursuing large-scale concentrated solar power with storage technology and photovoltaic projects. Company officials have also specifically mentioned opportunities for providing power to mining companies in the region (PI, 3/8). **AES Gener** recently closed a \$1.05 billion financing backing its 532 MW Cochrane coal-fired facility in the north of Chile, which will sell its generation directly to copper mines (PI, 4/3).

SolarReserve has around 400-500 MW of development projects in the region and has bid on a number of requests for proposals issued by the Chilean government. Smith declined to comment on specific plans or projects.

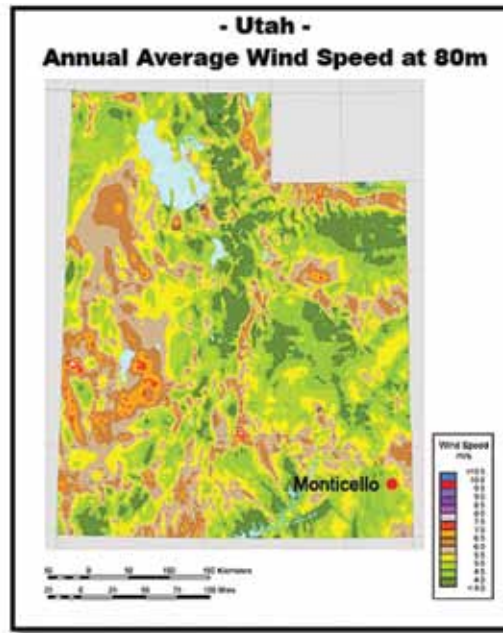
MERGERS & ACQUISITIONS

Ciachurski-Led Shop To Buy Utah Wind Project

Greenbriar Capital Corp., a shop headed by **Jeff Ciachurski**, formerly of **Western Wind Energy Corp.**, has agreed to buy an 80 MW wind project in Utah.

Champlin-GEI Wind Holdings, reportedly backed by private equity shop **Good Energies**, is developing the 80 MW Blue Mountain project near Monticello, Utah. The developer is close to securing a power purchase agreement with **PacifiCorp** subsidiary **Rocky Mountain Power**, according to the **Utah Public Service Commission** filings. Terms of the deal could not be learned.

Vancouver-based Greenbriar will use cash to fund the acquisition, according to a company release. The company plans to spend 5% of the total project



Source: U.S. National Renewable Energy Laboratory

cost by year-end in order to qualify for the production tax credits under guidelines released last week by the U.S. **Internal Revenue Service**.

Real estate investment shop Greenbriar Capital, founded in 2009 by Ciachurski, is listed on the **Toronto Stock Exchange** as GRB.V. The acquisition is among the first by Greenbriar Capital since Ciachurski established its renewables platform. He left Western Wind amid a takeover by **Brookfield Renewable Energy Partners**.

Ciachurski did not respond to an email inquiry about the wind project. An official for Champlin-GEI in Santa Barbara, Calif., was not immediately available for comment.

Philip Morris Lights Up Hydro Lessor Stake Sale

Philip Morris Capital Corp. is looking to exit a sale leaseback agreement on a 192 MW hydro facility on the Mississippi River near Vidalia, La. The company has hired **Energy Advisory Partners**, a boutique based in Chicago, to sell its 49.62% stake in the Sidney Murray run-of-river facility. Teasers went out this month.

HNB Investment Corp., a subsidiary of PMCC, owns the stake. **Harbert Power Fund III** is the other lessor, according to its website. Philip Morris will sell its stake as a whole or as three individual stakes of 16.54% each if a consortium is interested, according to the teaser.

The facility went online in 1991 and is contracted to an **Entergy** subsidiary until 2031. The sale leaseback has the same duration.

FAST FACT

Philip Morris will sell its stake as a whole or as three individual stakes of 16.54% each if a consortium is interested.

Brookfield Renewable Energy Partners is the lessee of Sidney Murray.

PMCC wants to receive initial bids on May 1, with second-round entrants notified on May 7. The deal is targeted to close by the end of this quarter.

The sale is a continuation of a five-year internal restructuring at PMCC that began in 2008 ([PI, 5/30/08](#)).

Dave Bryant, founder of Energy Advisory Partners, and **Kyle Nenninger**, owner at the boutique, are running the sale for PMCC. Bryant did not immediately respond to an inquiry.

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STRATEGIES

Pricing Emerges On TPF Refi

Tenaska Power Fund's \$395 million term loan B refinancing is being floated at LIBOR plus 450 basis points. The B loan is part of a \$425 million package arranged by **UBS** and **Goldman Sachs** that launched Friday ([PI, 4/18](#)). Commitments are due May 3.

The four and a half year package has a 125 bps LIBOR floor and a 99 original issue discount. Investors, both existing and potential, have been interested in the **TPF Generation Holdings** loan so far, says a deal watcher, referencing Tenaska's strong reputation and the location of the TPF assets in PJM and CAISO.

The B loan market has been luring power producers to refinance over the last few months, and bankers say that institutional lender appetite has not waned with the influx of power paper. The investor demand is large enough to encompass the loans that are in the market now as well as ones in the queue, says one

banker involved in a handful of transactions.

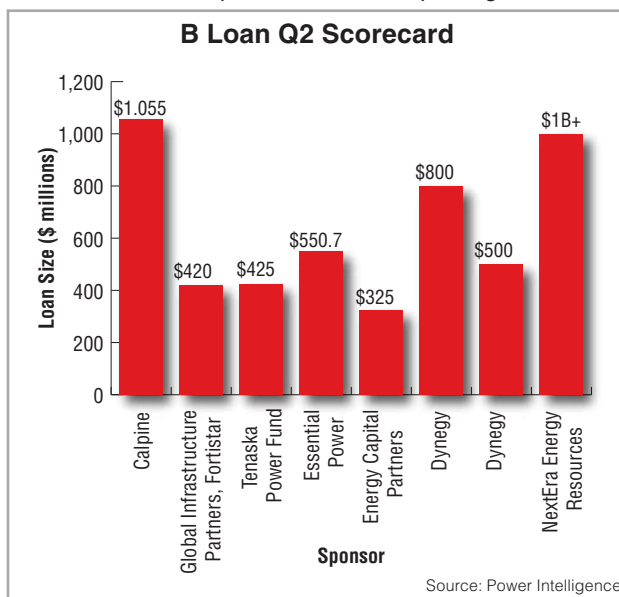
The packages that have hit the market recently appeal to

different segments of investors, given the variance in locations and mixes of contracted versus merchant makeup, says a banker. For instance, **Global Infrastructure Partner's** \$420 million Channelview refinancing also launched last week ([PI, 4/18](#)) but will attract investors with lower risk appetite because it has an offtake agreement in place versus Tenaska's peaker portfolio.

The loan will refinance what remains of the \$1.64 billion financing package supporting the acquisition of three peakers from **Constellation Energy** in 2006, says a banker. It will be backed by the 250 MW Wolf Hills peaker in Bristol, Va., the 830 MW High Desert in Victorville, Calif., and the Big Sandy, a

300 MW plant in Wayne County, W. Va.

Spokespeople for the banks and Tenaska either declined to comment or did not respond to calls.



Calpine Shoots For \$1B Refi

Calpine Corp. is pursuing a potential \$1.055 billion debt refinancing in the term loan B market via subsidiary **Calpine Construction Finance Company**. **Goldman Sachs** is leading the deal.

"Based on the current interest rate environment and the market appetite, it was an excellent opportunity for us to save on some interest payments and capitalize on some cash interest savings for our shareholders," **Bryan Kimzey**, v.p. of investor relations at Calpine in Houston, told *PI*.

Proceeds from the senior secured term loan B will be used to redeem the subsidiary's outstanding 8% bonds due in 2016 as well as to pay related fees and expenses. That \$1 billion issuance of 144A bonds was used to repay an existing credit facility that was scheduled to mature in 2009, to redeem CCFC's outstanding second lien notes due in 2011 and to redeem its outstanding preferred shares.

The B loan market is becoming increasingly attractive to borrowers looking to refinance debt, note observers, as investors continue to look for yield and for opportunities to put capital to work in a low interest rate environment (see story, page 5). "There are so many yield hungry investors and these term loans from companies

like Calpine are having no trouble lining up those investors," says a deal watcher. "We haven't seen the likes of this for a while."

Calpine has been shifting a lot of its debt from the bond market to the term loan market of late. It has lowered interest payments on certain facilities by up to 75 basis points, compared to what it was paying as little as six months ago (*PI, 2/8*). The U.S.' largest independent power producer re-priced \$2.595 billion in B loan debt in February via **Morgan Stanley**, bringing pricing down from LIBOR plus 325 basis points to LIBOR plus 300 bps (*PI, 2/14*).

Officials at Calpine declined to comment on terms of the deal and the timeline, as well as why it chose Goldman to run the deal. Officials at Goldman declined to comment on the deal.

Calpine 2013 Refis / Repricings

Date	Amount	Old Pricing	New Pricing
April 23	\$1.055B refinancing	Bonds at 8%	TBD
Feb. 14	\$2.595B repricing	LIBOR plus 325 bps	LIBOR plus 300 bps
Oct. 12	\$835M refinancing	Bonds at 7.25-8%	LIBOR plus 325 bps

Source: Power Intelligence

INDUSTRY CURRENT

Synthetic Power Contracts-Part II

THE SECOND INSTALLMENT OF THIS INDUSTRY CURRENT is written by **John Marciano**, partner at **Chadbourne & Parke** in Washington, D.C., and **John Frenkil**, associate at Chadbourne in Los Angeles. To read the first installment, please visit the Features page at www.powerintelligence.com.



John Marciano



John Frenkil

Financing Issues

Lenders have been willing to finance projects with synthetic PPAs, provided key issues are addressed in the agreement.

Due to the high value-at-risk created by the amount of the settlement exposure, the hedging counterparty will generally seek to share rights in the collateral package, which are traditionally held by lenders in a project financing. This is the most significant area of tension in negotiating a synthetic PPA because the project owner is likely to have already pledged its assets—such as project revenues, contractual rights, physical assets and equity—to senior lenders. Therefore, the pool of collateral available to secure the hedge agreement may not be large enough to protect the counterparty without creating overlapping claims between the counterparty and existing lenders.

Accordingly, the counterparty will seek a senior lien on specific collateral and step-in rights in order to secure its exposure on the

“Lenders have been willing to finance projects with synthetic PPAs, provided key issues are addressed in the agreement.”

hedge, while lenders will want to ensure that the provisions in the hedge agreement do not prejudice their rights under the intercreditor agreements or otherwise cause their protections to fail.

For example, the counterparty will prefer that the payments associated with settlement of the

hedge be treated on the same level as operation and maintenance expenses in the project waterfall, which are typically paid out at a priority over the senior debt. However, lenders will argue against such treatment for the counterparty's payments, while also requiring that their consent to any material modifications to the project owner's obligations. Also, the lenders may push back on various provisions negotiated by the counterparty, including an obligation by the project owner to post liquid collateral with the counterparty upon the occurrence of certain trigger events.

Termination rights are another issue of focus in negotiating a synthetic PPA. In order to ensure that the project owner is not subject to differing standards, lenders will want to see the termination rights, as well as termination events under the hedge, as closely aligned as possible with the events of default under

the loan and intercreditor agreements. Also, lenders may ask for a brief cure period after an event of default under the hedge agreement in order to give the lenders a chance to cure any default and thus preserve the value of the hedge.

The short term of a synthetic PPA, typically 10 or fewer years, is a concern for lenders because it creates a period of unhedged merchant tail and will require the debt to be amortized in a relatively short amount of time. Nevertheless, lenders will finance projects using a synthetic PPA if there is sufficient price protection.

While traditional long-term PPAs rarely have index-based escalation factors because of the uncertainty caused by shifts in the power markets over time, parties to a synthetic PPA may be able to negotiate for an escalation factor because the term of the agreement is typically less than half that of a traditional PPA. By setting an escalation factor for the strike price over a relatively short period of time lasting fewer than ten years, the synthetic PPA will more accurately align the price of the agreement with that of electricity in the power markets, thereby reducing the exposure of all parties to volatile pricing movements.

Under a project financing associated with a traditional long-term PPA, lenders vote on a weighted basis, according to their exposure to the transaction. Under a synthetic PPA, the lenders and hedging counterparty can choose to arrange voting rights in one of several ways. The counterparty may defer to the lenders and is not entitled to voting rights. The voting may be based on the exposure of the counterparty. Alternatively, the voting rights may be based on the occurrence of a particular event, such as acceleration of the senior debt.

Synthetic PPAs face some regulatory uncertainty. The **Commodity Futures Trading Commission**, which is implementing the Dodd-Frank Act, has not said yet to what extent parties to synthetic PPAs will be subject to CFTC regulation, but it is clear that parties to hedges will face new limits on positions and capital exposure, as well as record-keeping and reporting requirements. There is a limited exemption for end users. The scope of the exemption is still being debated. Parties will need to factor these potential new regulatory requirements into their modeling for projects using synthetic PPAs.

*The Industry Current is a feature written by power industry professionals that highlights and clarifies key issues in the sector. PI runs the feature periodically and is now accepting submissions. For details and guidelines, please call **Sara Rosner** at (212)224-3165 or email srosner@iijnews.com.*

Moody's Calls Out Loan Length For Solar ABS

Analysts at **Moody's Investors Service** are calling out several "major credit risks" it says market players should take into account, with the possibility that when solar deals eventually come down the pike, they may be structured as shorter securities or will garner lower ratings.

Residential solar contracts in particular, present a unique set of worries due to their 20-year tenors, and include obsolescence risk, contract risk, sponsor risk and solar panel performance risk, Moody's analysts said. "All things being equal, a riskier security will have a lower rating," **Michael McDermitt**, v.p. and senior credit officer at Moody's, told *PI* sister publication *Securitization Intelligence*. "The question will be finding that place where the degree of risk and the economics balance to clear the market."

Most of the issues Moody's underscored are also closely linked to the greenness of the solar space and its potential for rapid evolution. Lack of performance history for solar panels and relatively short operating histories for the players most likely to tap the securitization market are at the forefront of the discussion. Further, should the economic benefit of solar panels versus traditional energy sources diminish, new originations could become less common and standing borrowers could willingly default.

"Over a five-year period, many of these risks are either easily mitigated or not that big, but they are the key risks," McDermitt said.

"The longer you stretch it out over time the bigger they are because of greater uncertainty."

Conversations weighing the risks and benefits for financing solar projects through securitization have cropped up in both the securitization and power finance communities and have been circulating for years (*SI*, 9/23/11), and have recently broadened to include solar contracts on commercial properties (*SI*, 11/9/12) or loans provided by Property Assessed Clean Energy, a municipal program that finances clean energy retrofitting (*SI*, 12/7/12).

NextEra Launches B Loan

NextEra Energy Resources is launching a \$1 billion term loan B today to refinance two merchant combined cycle plants in Texas. The bank meeting was at 2 p.m. in New York. **Bank of America** is the lead arranger on the loan.

The B loan will add debt to a new holding company, **LaFrontera Generation**, that owns the 1,792 MW Forney and 1,000 MW Lamar facilities. Forney is in Forney, Texas, and Lamar is in Paris, Texas. The plants don't have existing debt.

NextEra is not a frequent player in the B loan market but is intrigued by recent rates landed by other power companies and by the valuations of plants sold in Texas, observers say.

Spokesmen for both Bank of America and NextEra declined to comment.



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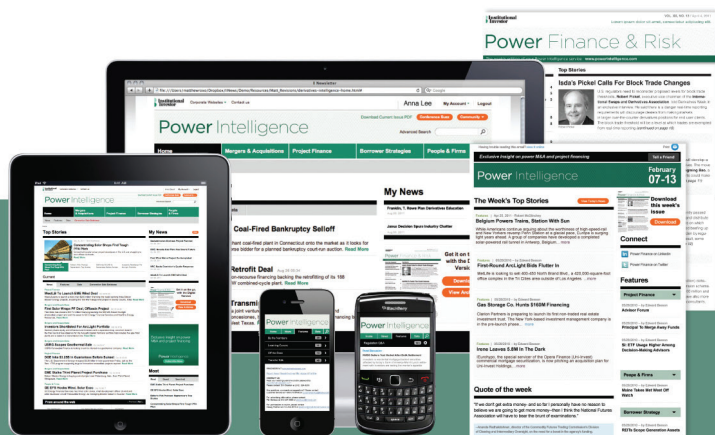
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Panda Snags *(Continued from page 1)*

than a straightforward project financing because they needed to put a little more equity in to appease the debt holders,” says a deal watcher. “Moxie is not as much of a brand name of a project as Panda yet, but this investment will help.”

The Liberty financing will be buoyed by Panda’s experience closing three financings backing merchant gas-fired projects in ERCOT in the last 12 months, bankers say, with the most recent Temple deal seven times oversubscribed (PI, 4/3). Panda has built a name for itself financing this type of project and they will have plenty of exposure, adds the deal watcher.

The financing for Moxie Liberty and its 700 MW Moxie Patriot facilities in Asylum Township, Pa., and Clinton Township, Pa.,

respectively, will probably get done this year, says an observer. Panda is currently raising a second equity fund and is having success due to a yield-starved investor base keen to put its capital to work (PI, 4/10). “I heard from a couple of people that Panda was very confident about putting that money to work,” says a deal watcher.

Moxie Energy started looking for \$800 million in debt and equity backing the Liberty facility last October. Moxie was founded by **AES Corporation** alum. Officials at Panda could not comment due to confidentiality agreements. Officials at Moxie did not return calls by press time. Banks declined to comment. The timeline for the B loan and when it will launch could not be learned by press time.

—**Nicholas Stone & Holly Fletcher**

BP Wind *(Continued from page 1)*

into existing wind fleets without taking on the owner-operator role, coupled with uncertainty about wind development when the production tax credits expires at year-end, are clouding the appeal of purchasing whole platforms. “In the old days, you could do a platform play but now, with the PTC guidelines constantly changing, there is not much interest in getting a lot of development assets,” says one wind player. **Edison Mission Energy** floated its wind platform about a year ago but wound up shelving the process because offers came in too low, says one investor.

Recent wind deals, where investors take minority stakes in assets or partner in tax equity partnership agreements, give buyers an advantage because the deal structure can be negotiated. “If you’re looking to put cash to work, why not buy into a portfolio rather than buying a portfolio?” asked one investor, pointing to **Pattern Energy** looking to bring in a minority investor into its existing portfolio and the **Threshold Power** joint venture with **JPMorgan** (PI, 2/22 & 1/4).

Nine of the 16 wind farms in the portfolio have co-owners, including **Dominion Resources**, **NRG Energy**, **Ridgeline Renewable Energy** and **Sempra U.S. Gas & Power**. The partnership agreements make it easy for all co-owners to sell at once as buyers typically shy away from entering an existing joint venture because it’s like “inheriting someone else’s marriage,” says one observer with experience with BP contracts. Partners do have the option to buy out BP’s half.

The spinning assets are mostly contracted, although there is some merchant exposure in ERCOT. Additionally, three of the four farms in Texas use **Clipper Windpower** turbines, which raises concerns about the warranties now that the manufacturer has been sold to a private equity firm that wants to negate existing agreements.

BP holds most of the portfolio’s tax equity capacity on balance sheet, so a buyer will need tax appetite or be interested in bringing in a tax equity investor, says an observer familiar with the financing of the portfolio. John Deere, too, held its wind

farm’s tax equity on balance sheet, which was a boon to Exelon (PI, 4/21/11). However, there are not as many shops that want to buy up that amount of wind assets that have tax capacity, observers say.

NextEra Energy Resources is a player that could take on both the operational and development pipeline and is looking at the portfolio, according to observers. NextEra however, is moving toward contracted assets, so it may not be interested in taking on merchant assets in Texas. The tax equity capacity could also be a deterrent for NextEra as it has been bringing in tax equity investors to its own projects, indicating it may have dwindling appetite (PI, 9/6).

A BP spokeswoman was not immediately available to comment and spokespeople for co-owners were not immediately reached. A NextEra spokesman declined to comment.

—**Holly Fletcher**

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.

Capital Power *(Continued from page 1)*

investment commitment of \$860 million in the 800 MW Shepard gas-fired development project in Calgary, Alberta, says a spokesman. Capital Power bought a quarter of the project from **ENMAX Corp.** and plans to expand its stake to 50% by early 2014. The project is slated to be operational in early 2015.

Capital Power is also considering selling the 150 MW Halkirk wind farm in Alberta that sells renewable energy credits to **Pacific Gas & Electric** and went online in December. The company may opt to sell stakes in a portfolio of its wind farms in addition to the merchant gas-fired assets to raise capital, according to the spokesman. Whether the wind stakes are currently on the market could not be learned.

The Edmonton, Alberta-based shop bought the New England facilities from **Brick Power** and **LS Power** for a combined \$670 million in early 2011 in two transactions. Those purchases highlighted a burgeoning interest in taking on merchant risk, after the market had tended toward contracted assets following the 2008 financial crisis (PI, [2/17/11](#) & [3/8/11](#)).

Capital Power lowered the value of the plants in the second quarter of 2012 because of lower-than-expected spark spreads, according to the company's annual report. The company had been surprised by the softening of New England's power market. It became uncomfortable being in the region and decided to pursue other greenfield and contracted opportunities in the U.S. and Canada.

A Morgan Stanley spokesman declined to comment.

—**Holly Fletcher**

CONFERENCE CALENDAR

- **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.
- **Platts** will host the 7th Annual Texas Energy Markets conference June 11-12 at the Westin Galleria Houston in Houston.
- **Euromoney Seminars** will host the 10th annual Renewable Energy Finance Forum – Wall Street June 25-26 at the Waldorf Astoria in New York.
- **Euromoney Seminars** will host the [9th Annual Mexican Energy and Infrastructure Finance Forum](#) June 25-26 at the JW Marriott in Mexico City.
- **Euromoney Seminars** will host the [8th Annual North American Energy and Infrastructure Finance Conference](#) September 11-12 at The Westin New York at Times Square in New York.
- **Platts** will host the 15th Annual Financing US Power conference October 28-29 at the Marriott Marquis Hotel in New York.

ALTERNATING CURRENT

Bottoms Up **Scottish Town Toasts** **Whiskey-Fired Plant**



Here's a reason to pour a single malt whiskey tonight. **Helius Energy** has energized an 8.23 MW biomass facility in Rothes, Scotland, that burns the byproducts from the region's renowned spirit—single malt whiskey, of course—to fuel a generator.

The GBP60.5 million (\$93 million) project has been in the works for since 2009 and came online this month ([PI, 1/30/09](#)). Helius is partnered with the **Combination of Rothes Distillers** and **Rabobank** affiliate **Rabo Project Equity BV** on the project that will also burn draff, or what's left of the grain after fermentation.

Rothes, a village on the River Spey, boasts five distilleries,



iStockphoto/Thinkstock

including the Speyburn-Glenlivet Distillery and the Glenrothes Distillery. It's a short trek from Inverness in the Highlands, the pulse of the whiskey industry.

The only fitting way to celebrate

a whiskey-fueled power is to, well, pour one stout. If there's not a Speyburn, Glenrothes or even a Balblair, from nearby Edderton, filling your decanter, then the barkeeps at the Brandy Library in New York will be glad to pour one up.

QUOTE OF THE WEEK

"There's really the couple of big draws [in Chile]: the great solar resource, government policy shifting to help renewables and a strong mining sector that needs the generation. There are also other parts of Latin America, Peru and Brazil and Colombia, that are promising."—**Kevin Smith**, ceo of **SolarReserve** in Santa Monica, Calif., on the company's decision grow its business in Latin America (see story, page 5).

ONE YEAR AGO

A trio of investors including **Fortress Investment Group**, **Luminus Management** and **CarVal Investors** put the 800 MW Bosque gas-fired facility in Laguna Park, Texas, on the market. [**Calpine Corporation** agreed to buy the plant for \$432 million or \$540 per KW ([PI, 10/8](#)).]