Institutional Investor

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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

LatAm Transco Seeks Advisors, Lenders For $1B Line

The Medellin, Colombia-based **Interconexión Eléctrica S.A.** is looking to mandate a financial advisor for a potentially $1 billion transmission line project in Chile. "This deal represents a huge opportunity for lenders to build relationships and move into the region," says a deal watcher. "ISA represents a chance to get into the Chilean market and the Colombian market, as well as the continent as a whole."

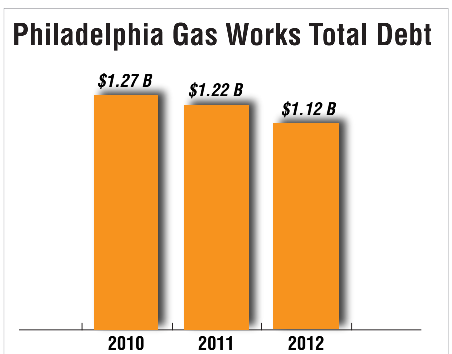
The company, one of the largest line operators in Latin America, will select an advisor for the Chilean financing in the next couple of weeks, says an observer. Japanese players **Bank of Tokyo-Mitsubishi** and **Sumitomo Mitsui Banking Corporation** are said to be pitching, while French banks making a comeback to lending in the region are also looking, says a deal watcher. ISA has cast a wider net for this financing due to the size of the project, says a deal watcher, adding that the company has tended to use local banks. Officials at the banks declined to comment. The amount of debt and equity sought in the deal could not be learned.

The Cardones to Polpaico project will connect facilities north of the capital Santiago to major mining developments, which are under development in the region. The project consists of three 500 kV transmission lines that will connect to Chile's **Sistema Interconectado Central** grid; the Cardones-Maitencillo, Maitencillo-Pan de Azucar and Pan de Azucar-Polpaico lines. It represents the Colombian state-run power grid operator's first foray into Chile. All of the lines are expected to be in operation within the next five years.

(continued on page 12)

Philly Hawks Muni Gas Utility

The City of Philadelphia is looking to sell its municipally owned natural gas distribution utility **Philadelphia Gas Works**. It has retained **JPMorgan** and **Loop Capital Markets**, a Chicago-based boutique investment bank with an office in Philadelphia, to run the auction.



Source: PGW 2012 Financial Report

Paul Dabbar, managing director at JPMorgan, and **Thomas Rosén** and **Derek McNeil**, managing directors at Loop Capital, are running the sale.

(continued on page 12)

Q&A: Siemens' Kirk Edelman

Kirk Edelman

Kirk Edelman, ceo of the project and structured finance energy business at **Siemens Financial Services**, leads its power and energy investing activities worldwide. He manages the activities of a global team that provides capital across the entire spectrum from debt to equity. He sat down with Senior Reporter **Nicholas Stone** to discuss the group's activities, where he sees opportunities in the market and how key issues may play out.

Could you describe Siemens' strategy for power project finance and how you see the company fitting into the sector?

We're one of the few financial services firms with a captive

(continued on page 9)

Deals & Firms Of The Year Awards

Votes are in! Stay tuned for details on winners recognized by their peers for excellence in the power industry.

New Project Finance Loans

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

See Deal Book, page 4

Generation Sale DATABASE

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

See calendar, page 3

IN THIS ISSUE

THE BUZZ

Hydro looks set to be a frequently traded asset class this year. The latest on deck is **FirstEnergy Corp**. which officially launched the sale of 1.2 GW of assets in PJM. Among notables last year was **Brookfield Renewable Energy Partners** picking up 1.4 GW of hydro facilities in Maine and the Tennessee-North Carolina Appalachian Mountains while other single assets moved in smaller deals (*PI, 3/1*). So far in 2013, **Philip Morris Capital Corp**. is looking to exit a sale leaseback agreement on a hydro facility Louisiana as well (*PI, 4/22*). There is little new build due to federal regulations and assets that come to market attract the attention of infrastructure players and other long-term owners for their predictable cash flows.

On the solar front, interest is migrating from large scale utility projects to distributed generation pipelines that can be easier to cite and interconnect to the existing grid. Utility holding companies and private equity funds with an eye to scale a company up are interesting in picking up companies such as **Tioga Energy** and **Nautilus Solar Energy**, which is in the market via a sale run by **Royal Bank of Canada** (see story, page 7).

Export credit agencies and government-backed debt have been critical in the past five years in pushing projects through the market. Despite healthier bank appetite, increased institutional investor interest and growth in lender liquidity, agency debt is still playing a vital role. The market was seeing that with the **Japan Bank for International Cooperation** and the **Nippon Export and Investment Insurance** agency looking to lend around $2 billion to **Sempra LNG**'s Cameron facility in Hackberry, La. (see story, page 5). NEXI is also reportedly insuring the debt, which will help get lenders comfortable, say observers. .

Agencies are also vital in backing projects in emerging markets, with Latin American power and energy project finance benefiting greatly from agency backing. The **Inter-American Development Bank** and the **International Finance Corp.** have thrown their support behind a novel biomass facility in Belize, which is looking for debt and equity financing (see story, page 5).

Securing tax equity for projects is a major issue for the industry. **Alterra Power Corp**. has hired **Jon Schintler**, a former director of finance at **Invenergy**, partly due to his expertise with structures incorporating tax equity (see story, page 8). And it seems appeasing tax equity investors in the first solar securitizations is proving tricky too (see story, page 8). Those investors are concerned about being subordinated in the debt structure.

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Funds make out the bulk of entities in the second round (PI, 5/6).
	Juniper Generation (Cogen Portfolio)	Various, California	TBA	An advisor is retained to sell ArcLight's stakes in nine plants (PI, 4/8).
BP Wind Energy	Various (Wind Portfolio)	Various	None	Prospective investors are in preliminary due diligences (PI, 4/29).
Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Teasers went out recently (PI, 4/29).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	TBA	Taken pitches from potential advisors for a bankruptcy court-run sale (PI, 5/6).
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).
Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	Teasers are out (PI, 12/10).
Enova Power Group	Plainfield (37.5 MW Biomass)	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	Goldman Sachs	Teasers are out (see story, page 7).
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		
LS Power	Doswell (708 MW CCGT) (171 MW Peaker)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Teasers went out in mid-April (PI, 5/6).
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).
Pattern Energy	Various (1 GW Wind)	North America	Morgan Stanley	First round bids have come in for up to 49% of the wind portfolio (PI, 2/25).
PPL Corp.	Various (604 MW Hydro)	Various, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
	Colstrip (529 MW Coal)	Colstrip, Mont.		
	Corette (153 MW Coal)	Billings, Mont.		
Philip Morris Capital Corp.	Lessor Stake (192 MW Sidney Murray Hydro)	Vidalia, La.	Energy Advisory Partners	Teasers went out this month with an end Q2 timeline (PI, 4/29).
Project Resources Corp.	Ridgewood (25 MW Wind)	Minnesota	Alyra Renewable Energy Finance	PRC is looking to sell up to 50% of its lessee position in the farm (PI, 2/18).
Ram Power	Geysers (26 MW Geothermal)	Healdsburg, Calif.	Marathon Capital	In talks with several buyers amid a reorganization (PI, 2/4)
Rockland Capital	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	FERC has rejected Wayzata's bid to buy it (PI, 3/18).
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 hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at http://www.powerintelligence.com/projectfinancedeal.html

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	~$1B	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
BluEarth Renewables	Bow Lake (60MW Wind)	Algoma, Ontario	TBA	TBA	$80M	TBA	Sponsor will be bringing a few deals to market this year (PI, 1/21).
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	The company is in the market looking for equity, before finalizing the debt financing (PI, 4/29).
	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.	JBIC, NEXI	TBA	~$4B	TBA	The deal will likely be dominated by Japanese banks, with JBIC and NEXI lending $2B (see story, page 5).
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 tpped the bond market again to free up bank capacity for the deal (PI, 4/22).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be $800 million (PI, 3/11).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	CCA Capital	TBA	$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Fiera Axium, Starwood Energy	Unknown (34 MW Solar)	Ontario	BTMU, NordLB, Natixis	TBA	$140M	TBA	Sponsors working with a trio of banks on the deal (PI, 5/6).
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).
▶ GSR Energy	GSR Energy (36 MW Biomass)	Orange Walk, Belize	TBA	TBA	$205M	TBA	Sponsor is looking for debt and equity to build the project (see story, page 5).
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 (PI, 4/29).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	$800M	TBA	A third party investor has come on board and intercreditor agreement has been penned (PI, 4/8).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor heads straight back into the market looking to fund the next two phases (PI, 3/18).
Pan-American Hydro	Chiacte (31 MW Hydro)	Guatemala	TBA				Sponsor is looking for $223 million in debt and equity (PI, 5/6).
	Amalia (8 MW Hydro)	Guatemala	TBA				
	Mopa (5 MW Hydro)	Guatemala	TBA				
	Platanos (14 MW Hydro)	Guatemala	TBA				
	Verde Cluster (37 MW Hydro)	Mexico	TBA				
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).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	SocGen, Union Bank	TBA	$600M	TBA	Sponsor has tapped Soc Gen and Union Bank to lead the financing (PI, 3/25).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).
▶ Termotesajara	Norte de Santander (180 MW Coal)	Norte de Santander, Colombia	TBA	Expansion	$330M	TBA	Deal closed Q3, 2012.
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

Belize Biomass Backing Sought

GSR Energy is looking for $205 million in debt and equity backing a 36 MW biomass project on the New River in Orange Walk District, Belize.

The Belize-based sponsor is seeking $82 million in equity and $123 million in debt from agencies and commercial lenders. It has secured the provisional support of the **Inter-American Development Bank** and the **International Finance Corp.** and is looking to tie up the financing as soon as possible.

"Renewable energy investments are tax free in Belize and we have already got support from the IDB and the IFC, which should help get the project moving," says company co-founder **Sharon Hughes**. GSR is self-funded to this point and has no debt. The company is casting a broad net for equity investors, Hughes added, noting it is not focusing on any particular part of the spectrum such as strategic or financial players.

The technology utilizes waste bagasse and biomass from sugar cane processing for integrated power generators and has been implemented in Brazil. The company aims to replace power Belize is currently buying from Mexico for $0.21/kWh, with GSR estimating its project's generation to cost around $0.135/kWh. The government of Belize has agreed to negotiate the power purchase agreement on GSR's behalf with state-owned utility **Belize Electricity Ltd**.

Hughes has worked in project management and project engineering roles with **Amoco**, **US Steel**, **Northrop** and **Dwyer Instruments**. She co-founded the company in 2009 with **Glenford Eiley**, a Belizean politician and former chairman of Placencia Village—a town in Belize—for 14 years, who has worked with the IDB on grant implementation and compliance. It is the company's first project and it aims to begin commercial operation in 2017. GSR is targeting an overall rate of return of 27% for the project.

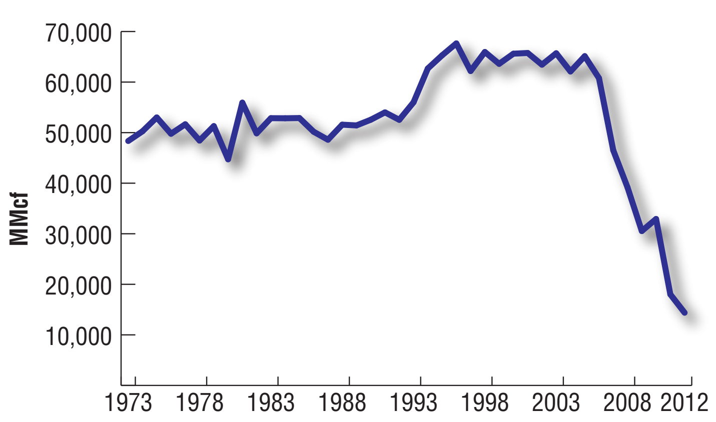
The project will be insured by **RF&G**, a firm backed by **Lloyd's of London**. Calls placed to **Jan Weiss**, lead syndications office at the IDB, were not returned by press time. An official at the IFC did not respond to inquiries by press time.

JBIC, NEXI Plot Big Cameron Play

The **Japan Bank for International Cooperation** and the **Nippon Export and Investment Insurance** agencies are working to provide around $2 billion in debt backing **Cameron LNG**' export facility in Hackberry, La. NEXI will also insure debt in an additional $2 billion commercial bank loan tranche, says a deal watcher.

The **Royal Bank of Scotland** is financial advisor for the liquefaction project, which has a total cost of $6 billion. Cameron LNG is a subsidiary of **Sempra LNG**. **Mitsubishi Corp.** and **Mitsui & Co.** are equity investors in the project. Their participation has helped bring in the participation of Japanese lenders, with JBIC and NEXI investing to help promote those companies in the U.S., says an observer.

Liquefied U.S. Natural Gas Exports To Japan



Source: U.S. Energy Information Admisistration

Cameron is corralling a group of Japanese lenders for the bank loan tranche, says a deal watcher. The **Bank Of Tokyo Mitsubishi-UFJ**, **Sumitomo Mitsui Banking Corp.** and **Mizuho** are all likely to come in on the deal due to the involvement of JBIC and NEXI, say observers. Bank officials either declined to comment or did not respond to inquiries by press time. The terms of JBIC and NEXI's participation, such as pricing and tenor, could not be learned by press time.

Japanese lenders are in an upsurge of activity at the moment, say observers. With the Japanese central bank setting the interest rate at 0%, many lenders are pushing abroad in search of yield. Also, Cameron LNG is looking for a 16-year tenor on the bank tranche (*PI, 4/4*) and Japanese banks are some of the only lenders in the market that can provide such long-dated debt, says one deal watcher.

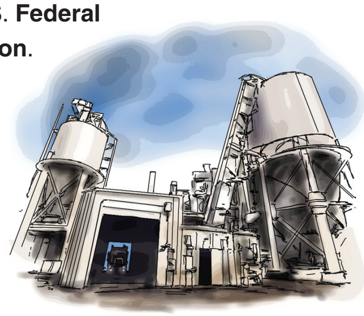
Officials at Cameron LNG did not respond to inquiries by press time. The project is slated for a financial and regulatory close by the end of the year, with complete commercial operation in July 2018 (*PI, 1/8*). **GDF Suez** as well as Mitsubishi and Mitsui affiliates have secured preliminary offtake agreements for some of the gas supplied from the project. Japanese companies are contracted to buy more than four million metric tons per year from the project.

MERGERS & ACQUISITIONS

Singapore Snags GWF Direct Investment

Government of Singapore Investment Corp. has purchased a roughly 25% direct co-investment stake in **GWF Energy** from **Highstar Capital**.

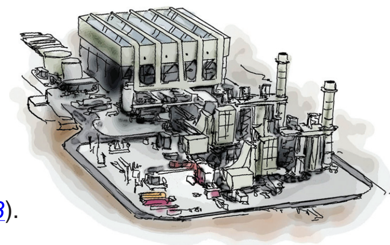
GIC, an investor in Highstar's fund, and is preparing to take a seat on GWF's board now that the stake acquisition in GWF closed, according to a filing with the U.S. **Federal Energy Regulatory Commission**. GIC subsidiary Epsom Investment will hold the seat.



Hanford

The structure is modeled on a previous deal executed from 2011 when GIC made a direct co-investment in **Star West Generation** soon after Highstar acquired two facilities from **LS Power** in 2011 (*PI, 10/14/11*). GIC bought a 24.7% stake for $150 million in that deal.

GWF owns three gas-fired facilities in California, the 95 MW Hanford peaker, the 97 MW Henrietta in Kings County, Calif., and the 314 MW Tracy combined cycle facility in Stockton, Calif. Highstar bought the IPP from **Harbert Power** late last year (*PI, 11/28*).



Tracy

The relationship between Highstar and GIC could further expand if Highstar emerges as the winner in the **Southeast PowerGen** auction, which is currently in the second round. GIC owns 24.95% of Southeast PowerGen alongside **ArcLight Capital Partners** and **GE Energy Financial Services** and is tipped to stay on as an investor depending on who emerges as the buyer (*PI, 4/30*). Highstar is among the funds that are in the second round.

Spokespeople for GIC and Highstar were not immediately available to comment.

ECP Loan Pitched At L+350

Energy Capital Partners has launched its $610 million term loan financing the acquisition of 3.4 GW of coal-, oil- and gas-fired portfolio from **Dominion** at LIBOR plus 350 basis points.

The six-and-a-half year term loan C is ranked *pari passu* with the existing term loan B at **EquiPower Resource Holdings**, which will own the assets. The loan is pitched with a 125 bps LIBOR floor and a 99.5 original issue discount. There is a soft call of 101 for six months.

Barclays, **Credit Suisse** and **Goldman** are the lead arrangers. Commitments are slated to come in at close of business on May 15 but the deadline could be moved up if investor demand is strong, says a deal watcher, noting changes in the schedule for **Global Infrastructure Partners**' and **Tenaska Power Funds**' loans.

iStockPhoto/Thinkstock

Brayton

The loan has a preliminary rating of B1 from **Moody's Investors Service** and BB from **Standard & Poor's**.

Proceeds will also be used to take out an existing $200 million second lien term loan that was inked in the summer and carries pricing at LIBOR plus 850 bps (*PI, 6/19*). The first lien B loan was included in the package and was repriced in the fall to LIBOR plus 425 bps (*PI, 10/25*).

ECP is buying the 1,536 MW Brayton, three coal-fired units and one oil or gas-fired unit in Somerset, Mass.; Kincaid, a 1,158 MW facility with two coal-fired units in Kincaid, Ill.; and a 50% stake in Elwood, a 1,424 MW gas-fired peaker near Chicago. **EquiPower Resource Holdings**, a portfolio company of ECP, will own the assets. The loan will be backed by Kincaid and Elwood.

iStockPhoto/Thinkstock

Kincaid

FirstEnergy Hydro Teasers Hit Mart

FirstEnergy Corp. launched the sale of 1,240 MW of merchant hydro assets in PJM. Teasers were released by advisor **Goldman Sachs** recently; first round bids have not been submitted.

The sale is expected to receive strong interest as PJM is an area that is expected to see power prices rise as coal-fired generation is retired. Several companies are in the process of developing new gas-fired generation in Pennsylvania and the opportunity to own hydro assets—known for their low cost of power—will likely be a draw for fund investors and some strategics, observers says.

The competitive hydro fleet consists a 713 MW stake in the 3,000 MW Bath County pumped storage facility in Warm Springs, Va.; the 451 MW Seneca pumped storage facility in Warren, Pa.; the 52 MW Lake Lynn hydro facility in Lake Lynn, Pa.; and various smaller run-of-the-river assets comprising 24 MW in PJM. **Dominion Resources** and **Monongahela Power**, a subsidiary of FirstEnergy, are the other owners of Bath County.

FirstEnergy would like to sell the assets as a single portfolio although it will consider all cash bids that are for individual assets, according to the teaser. **Mark Siconolfi**, Goldman managing director, and **George Triantafyllou**, v.p., are running the sale.

Brookfield Renewable Energy Partners and **American Municipal Partners**, the Columbus, Ohio-based municipal cooperation that serves municipal utilities in seven states, are among interested entities expected to submit indicative bids later this quarter, bankers say. AMP would likely have an interest in a portion of the assets (*PI, 2/25*). A sale is expected to be complete in the second half of the year.

The company had originally planned to sell the assets in 2015 but bumped the auction up as it began on an initiative to reduce debt at its competitive businesses **FirstEnergy Solutions** and **AE Supply**. The company aims to reduce debt by at least $1.5 billion and expects to issue up to $300 million in equity later in the year following the hydro sale as part of the strategy, officials said on the first quarter conference call.

A Goldman spokesman declined to comment. Spokesmen for Brookfield and AMP either declined to comment or did not immediately respond to inquiries.

Starwood Markets Nautilus

Starwood Energy is looking to sell or bring a co-investor in to **Nautilus Solar Energy**, its distributed generation portfolio company.

Starwood is working with **Royal Bank of Canada** on the process and is open to a variety of offers, says a deal watcher who has seen the teaser. The ultimate deal structure will be guided by final offers. A short-list of buyers is in the second round.

The company could be sold wholly or partially, including a breakup of the U.S. operations from Canada.

Nautilus has an operational portfolio in the U.S. and Canada that totals about 25 MW. The projects expected to come online in 2013 total 25 MW, which will double the size of the company.

The Nautilus investment was made in 2009 via the **Starwood Energy Infrastructure Fund 1**, which is near the end of its commitment life (*PI, 1/16/09*). Starwood does not have the time or additional capital needed for the company, says a deal watcher, noting the robust interest in distributed generation assets right now. "The price of commercial real estate and residential rooftop solar is so low that it's close to hitting the tipping point," says an observer.

A deadline for final bids and the identities of firms on the shortlist could not be learned. **Frank Napolitano**, head of U.S. power and utilities investment banking team at RBC, and **Brad Nordholm**, ceo at Starwood Energy in Greenwich, Conn., declined to comment, citing confidentiality agreements.

PEOPLE & FIRMS

Ex-RBS Banker Lands At SunTrust

Michael Canavan, formerly a director of high-yield markets at **RBS Securities**, has joined **SunTrust Robinson Humphrey** as a director in New York.

Canavan joined in April and is working in acquisition finance execution and structuring as well as power generation finance. SunTrust has approximately $9 billion committed to energy industry clients. It is unclear who Canavan reports to and whether this was a newly created position or a replacement. Canavan left RBS in March (*PI, 3/12*).

Canavan could not be reached by press time. Officials at SunTrust declined to comment on the hire. **John Fields**, managing director of the energy operations at the bank in Atlanta, did not return calls by press time.

While at RBS Securities and parent **Royal Bank Of Scotland** before that, Canavan worked on **NRG Energy** and **United Illuminating**'s GenConn financing backing two peakers in Connecticut (*PI, 5/1/2009*). He also worked on an acquisition financing for **Southwest Generation**, the entity created for **Hastings Funds Management** and **IIF BH Investment**'s purchase of generation from **Black Hills Corp**. (*PI, 8/1/2008*). Officials at RBS in Stamford, Conn., declined to comment on plans for replacing Canavan.

Alterra Nabs Invenergy's Director Of Finance

Jon Schintler, director of finance at Chicago-based **Invenergy**, has joined **Alterra Power Corp.** as director of project finance and mergers & acquisitions. He started at the Vancouver, B.C.-based sponsor's offices on May 6.

"I will be working on project finance covering debt, tax equity and different forms of equity," says Schintler, who reports to company CEO **John Carson** and has a team of two reporting to him. "There are a lot of development projects Alterra is actively pursuing and I will be working here to help and move them through the market."

Schintler's experience in structuring deals with tax tranches is a major reason for his hire, says an observer. Alterra, formed when **Magma Energy Corp.** bought **Plutonic Power** in 2011 (*PI, 3/15/2011*), is developing projects in Canada, the U.S., Iceland, Chile and Italy. The company has been looking to raise around $1 billion in debt and equity since last summer, backing expansions to its Dokie wind farm and an Upper Toba hydro project, both in British Columbia, as well as facilities in Iceland (*PI, 9/19* & *9/4*).

Prior to joining Invenergy, Schintler worked at **Crédit Agricole** subsidiary *Calyon Financial*. Officials at Invenergy declined to comment on the move. Whether the company has lined up a replacement for Schintler could not be learned.

STRATEGIES

Solar Securitization Proselytizers Grapple With Tax Equity

Financiers and sponsors are trying to figure out how to develop a solar securitization structure that appeases tax equity investors' concerns regarding subordination. Tax equity is difficult enough to secure without the added issue of subordinating the tax equity investor in a securitization, attendees said at **Information Management Network**'s first annual Sunshine Backed Bonds conference at the Union League Club in New York on May 3.

In a solar securitization, cash flows from distributed generation assets would be bundled and spliced into securities. Tax equity investors in these portfolios typically take a passive ownership stake to reap the tax credits without the responsibility of operating the assets. Solar securitization noteholders will likely be paid out before a tax equity investor in most structures, attendees said, adding that reconciling tax equity investment with subordination in securitizations is proving to be one of the major difficulties in bringing the first securitizations of solar assets to market.

"Dealing with the tax equity investor is clearly the most difficult legal and factual problem for securitization," said **Sherif Sakr**, partner at **Deloitte & Touche**.

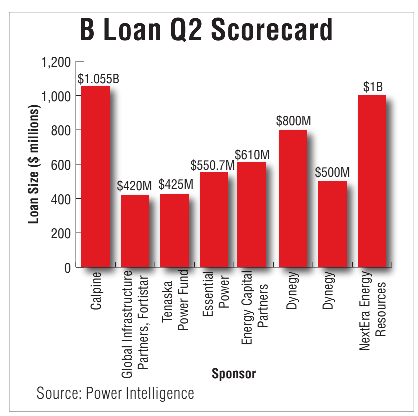
The pool of tax equity investors for renewables projects has always been small and shallow, with many projects from various resources competing for investment. With the extension of the production tax credit, which is primarily used for wind projects, the amount of tax equity appetite available for solar, which uses the investment tax credit, is even more limited this year, said **Werner Nikowitz**, managing director at investment banking and financial services firm **Global Capital Finance**. The PTC expires at year-end, while the ITC expires in 2016.

Paul Detering, ceo at **Tioga Energy**, said that incorporating tax equity into the financing structure is a critical element for solar securitization, as most solar projects are not financially viable without it. "You need to monetize the investment tax credit, so you need someone with tax appetite," he said. "This means there are limited capital partners, a higher cost of capital and it means that one of the biggest challenges for solar securitization will be working out that tax equity."

The inaugural event attracted over 200 attendees, with many bullish about the role securitization can play in financing rooftop solar. "I want to see between $1 billion and $2 billion worth of solar issuance by next year," said **John Joshi**, member partner at clean energy investment fund **ICE Capital Partners**. The first deals are now expected to come in the third quarter, with sponsors aiming for a rating of either A or AA, according to observers.

GIP Inks Tighter B Loan At L+325

Global Infrastructure Partners tightened pricing on its $375 million Channelview term loan B to LIBOR plus 325 basis points. The seven-year loan was pitched to investors at LIBOR plus 375-400bps (*PI, 4/29*,) but came in lower on investor demand. The LIBOR floor was nudged down to 100 bps from 125 bps and the original issue discount tightened to 99.5 from 99.



Source: Power Intelligence

Goldman Sachs, **Deutsche Bank** and **Mitsubishi UFJ Financial Group** are the lead arrangers. **Moody's Investors Service** rates the package, which includes a five-year $45 million revolver, Ba3. **Standard & Poor's** rates it BB-.

Channelview is an 856 MW cogeneration facility near Houston that sells steam to **Equistar Chemicals** and has hedges in place for 56% of the power until 2017. The proceeds will take out about $100 million in existing debt and the rest is earmarked for a dividend (*PI, 4/18*). GIP owns 90% of the facility and **Fortistar** owns the remainder.

Q&A

Q&A: Edelman *(Continued from page 1)*

finance capability in the energy space. SFS is able to further derive certain benefits from its relationship with our corporate parent, **Siemens AG**, and its energy equipment and services business. As a result, our strategy is probably a little different than most. After working at SFS for some time now, I have come to really appreciate these differences. When we provide capital for transactions that have Siemens content or services, we call that "captive" business. On the other hand, we also do significant "non-captive" business, which has no Siemens content or services. Nonetheless, when you invest in the energy sector, almost anywhere you go there is potentially some sort of Siemens angle to it. In other words, some key stakeholder in the transaction is likely a customer of Siemens, or the project is using Siemens equipment or services. So it's not too hard for us to find that type of hook in a deal.

Where are you seeing opportunities in the power space?

In recent times, there has been a lot of deal flow involving renewables. But now, with tight formation hydrocarbons reducing gas prices, you are seeing a lot more activity in the oil and gas space. Given time, I believe you will see a general migration back to fossil plants. That works well for us at Siemens, because we have a vested interest in the renewables space as well as the fossil space. For us, we are happy to play in either sector.

How can you take advantage of that? How do you adjust from focusing on investment in renewables to meet the demands of a changing market?

To be honest with you, it doesn't take a whole lot of adjusting. We go where our relationships lead us. For example, if you have a developer that says, "We want to develop a plant where there is shale gas and we are contemplating a fossil based power station to take advantage of that play," then we are able to accommodate that both from our equipment and service business as well as our financing business. So it is actually quite practical, and like most of us in the business, you have to go where the demand is. Specifically where the capital is required and where your customers need the financial support. SFS does that quite well.

Have you noticed any trends in how deals are getting done and pricing?

Generally speaking there is a lot of liquidity in the market. Things seem to have become even a little frothy in a short period of time. I suspect that will probably put downward pressure on margins. In our business, the margin fluctuation is there, but it doesn't seem to be as extreme as you typically see in certain other businesses. For example, the general leverage lending business has margins that tend to fluctuate more than in the typical project finance world. But with all of this liquidity in the market, I am starting to see things shift a little bit beyond just margins. For quite some time people didn't want to take underwriting risk and now it seems that we are gradually heading back to a market where the big players are willing to provide some level of underwriting capacity.

Is that bringing some banks into the market?

Yes, I think that is absolutely true. Some folks that were quiet, many European banks such as certain Spanish banks for example, suddenly seem to be playing a bigger role again. Obviously, the Japanese banks are out there in a very strong way as they have been for a while.

Are there names or entrants there that surprise you?

You have seen some shops pop up that weren't in our space before and some new places, which have benefited from taking well known industry professionals and bringing them on board to establish the business. You have seen a group of those types of firms come into the market, like **Associated Bank**, **OneWest Bank** and a few others. So there are some new names that have popped up, but the people behind them are well known. And then there are some names that are well known, but may not have been in certain markets, that are popping up and grabbing big people, like **Investec**.

Who do you see as the strongest players and how does Siemens position itself with regards to that competition?

The strongest players are typically the ones that are putting the most capital to work right now. And, generally speaking, it is the Japanese banks as a group that seem to have the most capacity. How do we play in this market? We are kind of unique. SFS has been very active in years past when the market has been stagnant. Likewise, we can be very active when the market picks up. That's because we are part of a very large corporate entity. That allows SFS to be a little more opportunistic than some stand alone financial services entities can be. So we tend to be active through economic cyles, through both the peaks and the valleys. We love it, because in a down market we can play a role when there is less capital competing for good transactions and in an up market when there are a lot more deals and more capital in the market, we can still be effective because we pick and choose our battles.

That being said, we are not like a mainstream commercial bank--we can afford to play in some spaces like the mezzanine market and the equity markets, that typical commercial banks won't play in. However, we are a little different from a private equity firm, because we can also invest debt capital like a bank or institutional lender, yet also consider equity opportunities. It is the same for

Q&A

the mezzanine space. Moreover, we can lend short-term, long-term, fixed rate, floating rate. We have a lot of flexibility. We can do certain structures on the debt side, which involve subordination that banks typically shy away from. So, I think our biggest strength is our breadth and our flexibility and our ability to do transactions across a very wide spectrum of financial services. When we are approached with an investment opportunity, we view it as a capital opportunity. Whether that capital takes the form of debt, equity or something in between may not initially be known. It is our job to determine what is best for the project, for our customer and for SFS. That is what makes this job so interesting.

How do you think the merchant market will play out? What about the few merchant wind deals that have come to market?

When you look back to the past 25 years, there was a point in time in the project business where any sort of market risk was *verboten*. You just didn't go there. And over time we've come to a point where the industry is willing to consider it. That's just natural evolution. So today, a project with merchant exposure can attract financing but on a more conservative basis. Consequently, you are going to see certain deal structures that will provide some support should prices deteriorate and naturally these merchant deals will have more conservative. The industry has even started to embrace the use of synthetic power purchase agreement schemes, using hedges to try to mitigate the risk during the tenor of the debt, like you've seen in the **Panda Power Funds**' deals. I think is a very innovative way to attract a broader group of potential lenders and even investors.

What do you see happening with the renewable market?

In North America, you are still seeing some deals, in Canada for example, which benefit from strong provincial feed-in tariff type structures. And those remain as strong and as attractive as they always have been. But you are also seeing people starting to get comfortable with the notion that certain tax advantages offered in the United States may eventually be phased out or even eliminated. Given time, the industry will adapt to these changes.

In terms of pricing and structures on those deals, what are the ways people are trying to cope with that?

Well, let's assume they start phasing out tax credits and there are no more grants. Then I think you are going to see a lot less activity in the space, which probably goes without saying. But the deals that are going to get done are going to have to take into account the phasing out of those benefits. I think only stronger deals will get done and they will probably be done in a manner that is a little more conservative than you might have seen in the past, because you cannot monetize these tax benefit streams. So I think the industry will adapt, but it will likely limit the amount of deals that get financed.

What are the biggest issues facing the industry? Is trying to finance those renewable projects one of them?

If you look at where the push for renewable power originated, it came in large part from renewable portfolio standards that most states implemented to encourage utilities to source power from renewable sources. The states took different paths and some were more aggressive than others with their renewable goals. However after a period of time, there has been a degree of ratepayer pushback in certain states where rates have increased significantly to accommodate the RPS. Ratepayers appear to be saying, "Yes, we support renewable energy, but at the same time we can't see our retail rates continuing to escalate. We need a balanced approach." This reaction is probably a healthy dynamic. I do think you have to balance renewable energy and the economics in a way that people can get comfortable with it.

What should people be looking out for over the next few years?

The biggest thing, and it's no surprise, is tight formation hydrocarbon, so-called shale gas and the associated natural gas liquids. Changes are happening very quickly. For example, instead of developing LNG re-gasification facilities, sponsors are now seeking to develop LNG export facilities. All of the capital that is needed to get those deals financed and the associated infrastructure financed and the necessary maritime assets financed, is creating exciting opportunities. As a result, I think there will be a lot of interesting transactions in the very near future. In fact, it has already started. What does that mean elsewhere? Access to increasing amounts of shale gas may lead to a variety of socio-economic and political effects and that is increasingly being discussed in the press. So I believe that this is going to have a significant impact in our industry in the near future and in turn will also impact the broader oil and gas space.

How is Siemens positioned to cope with that shift?

Siemens has an oil and gas business that is very active. We are somewhat uniquely qualified to take advantage of certain equipment and services needs in the sector. Everything from automation and controls, to rotating equipment, to emerging technologies that are going to actually make some of these trends happen more efficiently. SFS is also well positioned with respect to the trends in the energy sector. With our experienced staff and the resources provided by Siemens, SFS can effectively target these financial markets and opportunities. After spending much of my career at a variety of other financial services firms, I find SFS's business model to be very exciting. I am confidant that SFS will continue to be a significant provider of capital in the energy markets as these markets grow and evolve as a result of the trends we have discussed. A lot of exciting things have happened at SFS in recent years, and we are definitely on the right path.

Philly Hawks *(Continued from page 1)*

The advisors held conversations with prospective buyers earlier this week at the **American Gas Association**'s 2013 Financial Forum in Naples, Fla., says a deal watcher. The city is aiming to find a buyer by year-end and close the deal in 2014.

Philadelphia considered selling the utility around the early 2000s, but buyer interest wasn't deep enough to support a valuation that would fetch more than the debt of the utility at the time, according to a city report. The utility had about $1.12 billion in debt at the end of its 2012 fiscal year in August. The debt is rated Baa2 by **Moody's Investors Service**, BBB+ by **Standard & Poor's** and BBB by **Fitch Ratings**.

Now, several gas distribution utilities are on the market—**New Mexico Gas Co.** and **SourceGas** are both being sold by private equity shops (PI, 3/29 & 3/27)—as owners look to take advantage of buyer interest, says a banker following the processes. "For potential buyers, stock prices are at near highs for most of them, so it's a great time to be looking," says a banker.

Philadelphia Gas Works serves about 503,000 customers, of which 477,000 are residential and 25,000 are commercial. The remainder is industrial. The utility owns about 6,000 miles of gas mains and pipes.

A JPMorgan spokeswoman confirmed the mandate and declined further comment. ***—Holly Fletcher***

LatAm Transco *(Continued from page 1)*

These projects will put ISA in second position in terms of power transmission network ownership in Chile behind **Transelec**.

The company has a $2.5 billion capital investment plan slated over the next four years that it aims to fund with 30% debt and 70% on balance sheet, according to a deal watcher. Previous debt financings have involved agency money and bond financings, with the **Inter-American Development Bank** and **Corporación Andina de Fomento** backing a project it developed in Bolivia in 2005.

The Chilean national energy committee **Comisión Nacional de Energía** selected ISA last October as part of a recent request for proposals. ISA outbid firms such as Brazilian company **Alupar Investimento**, Colombian company **Empresa de Energia de Bogota**, **Elecnor** out of Spain and a Chilean unit of **Abengoa**.

Standard & Poor's has given ISA a corporate credit rating of BBB-. Officials at ISA headquarters did not respond to inquiries by press time. ***—Nicholas Stone***