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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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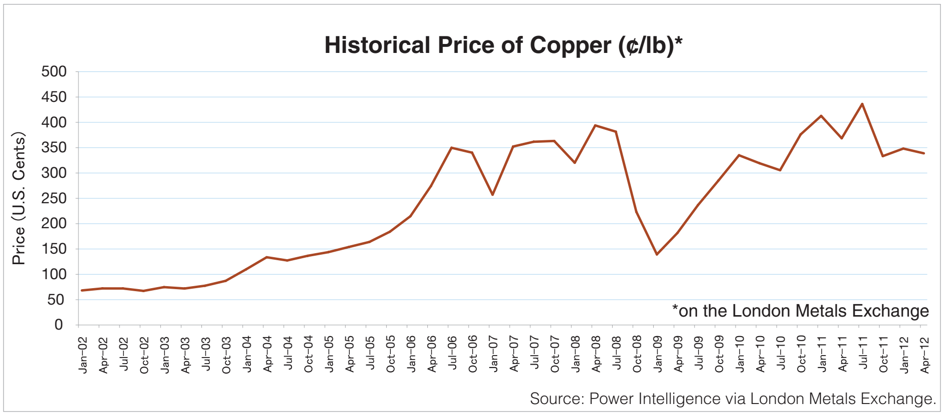
Developers Target Chilean PPA Flood

Developers are scoping several hundred megawatts of long-term offtake contracts that may surface in Chile, as multiple mining companies ready tenders this year for generation. **BHP Billiton** is looking for at least 400 MW at its Escondida mine southeast of Antofagasta. The resulting project is expected to cost $1.2 billion, says a senior financier in New York.

Others preparing or mulling tenders include **Collahuasi**, **Compañía Minera Teck Quebrada Blanca** as well as a joint venture of **Sumitomo Corp**. and **Quadra FNX Mining**, a company developing the Sierra Gorda copper project,



(continued on page 12)

Indian Co. To Hunt $500M Chile Wind Deal

An affiliate of **NSL Group**, an Indian agribusiness company that plays in infrastructure and power, plans to pursue a $500 million financing to support 400 MW of wind projects in southern Chile. The company is expected to hand out mandates to lenders this year, with financial close possible by the first quarter of next year, says a deal watcher.

(continued on page 12)

THE BUZZ

Another company is mulling options for a troubled generation asset in the U.S. and major project finance lenders are scrambling to take pieces of the few large deals in the market. *For more on these stories and PI's take on the market, see page 2.*

Starwood, Tyr To Sell Calif. Portfolio

Starwood Energy is selling a trio of peakers in California alongside co-owner **Tyr Energy**. The duo owns 196 MW of simple cycle plants in California under the operating company **CalPeak Power**.

CalPeak Power is owned by Starwood Energy, Tyr Energy and **GSO Capital**, the credit unit of **Blackstone**. Starwood Energy is the majority owner with roughly 80% ownership. The rest is split between Tyr and GSO. Blackstone is reportedly handling the sale process given GSO's stake, according to an M&A banker in New York.

CalPeak owns four plants in California, according to the Tyr Energy web site. Three of the plants are for sale, bankers say. The plants owned by CalPeak are:

- 49 MW Vaca Dixon peaker in Vacaville;

(continued on page 12)

Generation Call Calendar

Read about the latest request for proposals and updates on existing tenders in this quarterly feature covering utility generation calls in the Americas.

See feature, page 11

Project Finance Deal Book

Check out our roundup of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale DATABASE

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

See calendar, page 3

IN THIS ISSUE

THE BUZZ

GDF Suez Energy North America has begun evaluating how to proceed with a lignite-fired facility near Ackerman, Miss., that is having financial struggles after dealing with operational problems for much of the last year. **Barclays** is working with GDF while lessor **Southern Co**. has tagged **Perella Weinberg** for advice on how to proceed.

Although the outcome is not yet written for GDF's Red Hills plant, it's the latest in a string of plants under sale leasebacks making headlines. **Edison Mission Energy**'s Homer City is the subject of restructuring talks while **AES Eastern Energy** ended up in bankruptcy.

In addition to potential restructurings, plants on both coasts are on the market as **Westmoreland Coal Co**. scouts a buyer for a coal-fired facility in eastern North Carolina while **Starwood Energy** and **Tyr Energy** are looking to exit a peaker fleet in California. The opportunities are likely to swirl up some interest as investors angle to put money to work.

In project finance, an interesting juxtaposition has emerged: deal flow is down since mid-August and the number of players active in the market has also decreased. Thus, the push and pull of supply and demand, essentially, appears mostly unmoved to some bankers. This may explain why pricing on most vanilla deals is up just 25-75 basis points since the euro-zone crisis worsened last summer.

It also means, however, that the remaining dominant banks are chasing the same few big deals—typically financings backing projects being developed by established sponsors. Roughly 10 major project finance players are spying a $400 million deal backing **Pattern Energy**'s $600 million, 315 MW Ocotillo wind farm in Imperial Valley, Calif. (see story, page 6). Most of those lenders are also circling an expected financing supporting **BP Wind Energy** and **Sempra U.S. Gas & Power**'s $800 million, 419 MW Flat Ridge 2 wind project near Wichita, Kan.

Financiers' awareness of future deals appears to be especially acute in this period of scant deal flow. Lenders are buzzing about **Competitive Power Ventures** snagging a power purchase agreement earlier this year for a 661 MW combined-cycle project in Charles County, Md., via a state-wide solicitation. See *PI*'s comprehensive list of active or recently wrapped RFPs in the Americas in our quarterly Generation Call Calendar (see feature, page 11).

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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
Air Products & Chemicals	Stockton (50 MW Coal/Biomass Cogen)	Stockton, Calif.	New Harbor	Teasers for the facility went out Feb. 2 (PI, 2/13).
Alcoa	Calderwood (140.4 MW Hydro) Cheoah (118 MW Hydro) Chilhowee (52.2 MW Hydro) Santeetlah (40.4 MW Hydro)	Little Tennessee River, Tenn. Little Tennessee River, N.C. Little Tennessee River, Tenn. Cheoah River, N.C.	JPMorgan	Indicative bids due in early April (PI, 4/2).
Bicent Power	Hardin (120 MW Coal) San Joaquin (48 MW San Joaquin Gas)	Billings, Mont. Lathrop, Calif.	Moelis & Co.	Creditors are circling the plants in a pre-pack bankruptcy (PI, 4/30).
Capital Power	Miller Creek (33 MW Hydro) Brown Lake (7.2 MW Hydro)	British Columbia British Columbia	CIBC	The owners has 60.56% equity stakes in the projects (PI, 4/9).
Cascade Investments	Altura (600 MW Cogen) Twin Oaks (305 MW lignite-fired) Cedar Bayou 4 (275 MW natural gas-fired)	Channelview, Texas Bremond, Texas Chambers County, Texas	TBA	Cascade has been listening to sell-side pitches (PI, 3/19)
ConocoPhillips	Various (490 MW CoGen)	Various		Generation affiliated with refineries has been spun-off to Phillips 66 (PI, 5/7).
Constellation Energy Group	Rio Bravo Fresno (24 MW Biomass) Rio Bravo Rocklin (24 MW Biomass) Chinese Station (22 MW Biomass)	Fresno, Calif. Lincoln, Calif. Jamestown, Calif.	No advisor	The company has reached out to prospective buyers as it considers selling its stakes (PI, 1/9).
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Edison Mission Group	Homer City (1.884 GW Coal)	Homer City, Pa.	Barclays Capital	Looking to exit the facility as its lessee (PI, 3/12).
Element Power	Bobcat Bluff (150 MW Wind)	Wichita Falls, Texas	TBA	enXco is buying the project with aims to bring it online by year end (PI, 4/2).
Exelon	Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal)	Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md.	Citigroup, Goldman Sachs	Initial bids are due in early May (PI, 4/23).
Gamesa Energy USA	Pocahontas (80 MW Wind) Sandy Ridge (50 MW Wind) N/A (Wind) N/A (Wind)	Pocahontas County, Iowa Blair County, Pa.	JPMorgan	Algonquin Power & Utilities a controlling interest in the four projects.
GDF Suez Energy North America	Hot Spring (746 MW CCGT)	Malvern, Ark.	UBS	Arkansas Electric Co-Op Corp. has agreed to buy the Hot Spring; set to file with regulators (PI, 2/20).
Iberdrola Renewables	Klamath (636 MW CoGen)	Klamath Falls, Ore.	Royal Bank of Canada	Teasers went out in late March (PI, 4/16).
LS Power	Blythe (507 MW CCGT)	Blythe, Calif.	Credit Suisse	LS is looking to flip the plant it bought in a portfolio in the fall (PI, 4/16).
Luminus Management, CarVal Investors, Fortress Investment Group	Bosque (507 MW Gas)	Laguna Park, Texas	Bank of America	Hope to sell the plant by early summer (PI, 4/30).
NRG Solar	CVSR (250 MW Solar PV)	San Luis Obispo County, Calif.	Credit Suisse, Morgan Stanley	NRG is out talking to potential investors (PI, 3/5).
Perennial Power	Mid-Georgia (300 MW CoGen)	Kathleen, Ga.	Fieldstone	In exclusivity with a buyer; Ga. Power still maintains first right of refusal (PI, 4/30).
Rockland Capital	25% stake in Eagle Point (225 MW Gas)	Westville, N.J.		Rockland is flipping a stake to Noble Americas Gas & Power Corp. (PI, 4/16).
Silverado Power, Martifer Solar	Various (130 MW Solar)	Various, Calif.	Marathon Capital	The partners are looking to raise capital around the contracted portfolio (PI, 2/13).
Solar Trust of America	Blythe (1 GW Solar PV) Palen (500 MW Solar PV Amargosa (500 MW Solar PV) Ridgecrest (250 MW Solar PV)	Blythe, Calif. Desert Center, Calif. Amargosa, Nev. Ridgecrest, Calif.	RPA Advisors Marathon Capital	RPA is working with the company; creditor committee with Marathon (PI, 5/7).
SOLON	Black Mountain (10 MW Solar PV)	Kingman, Ariz.	TBA	Duke Energy Renewables has bought the project (PI, 5/7).
Stark Investments	Batesville (837 MW CCGT)	Mississippi	TBA	The facility is in bankruptcy..
Terra-Gen Power	Alta VI (150 MW Wind)	Tehachapi, Calif.		EverPower is buying the project; KeyBank advised EverPower (PI, 4/16).
U.S. Power Generating Co.	Gowanus Barges 1 (160 MW Oil) Gowanus Barges 4 (160 MW Oil)	Brooklyn, N.Y.	Tier One Capital Management	First round bids for the two barges are expected in February (PI, 1/9).
▶ Westmoreland Coal Co.	ROVA (230 MW Coal)	Weldon, N.C.	Gleacher & Co.	Wants to sell the plant by the end of the year (see story, page 7).
Wind Capital Group	Various (1.3 GW Wind development)	Various	Energy Advisory Partners	Put the pipeline on the block as a way to raise capital (PI, 5/7).

▶ **New or updated listing**

*The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes, contact Senior Reporter **Holly Fletcher** at (212) 224 3293 or e-mail 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 Solar	Imperial Valley (709 MW Solar PV)	Plaster City, Calif.	TBA	TBA	$1.3B	TBA	Sponsor culls through lenders bids (PI, 3/19).
BP, Sempra	Flat Ridge 2 (419 MW Wind)	Wichita, Kan.	TBA	TBA	TBA	TBA	Sponsors to reach out to lenders in May (PI, 5/7).
	Mehoopany (141 MW Wind)	Wyoming County, Penn.	BTMU, CoBank, Mizuho	TBA	$200M	18-yr	Pricing, tenor emerge (PI, 4/16).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound,	Barclays	TBA	TBA	TBA	Financing to be re-ignited (PI, 4/16).
Cheniere Energy	Unidentified (Export LNG Facility)	Sabine Pass, La.	Agricole, BTMU, Credit Suisse, HSBC, JPMorgan, Morgan Stanley, RBC, SocGen	Mini-Perm	$3.2B	7-yr	Sponsor seeks second tier of lenders (PI, 5/7).
Cogentrix	Portsmouth (110 MW Coal)	Portsmouth, Va.	RBC, Scotia	Refi	$120M	5-yr	Sponsor tags RBC to lead refi, with Scotia as co-lead (PI, 5/7).
Dalkia Canada, Fengate Capital	Ft. St. James (33 MW Biomass)	Ft. St. James, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly $175 million financing for project (PI, 3/26).
	Merritt (33 MW Biomass)	Merritt, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly $175 million financing for project (PI, 3/26).
▶ Diamond Generating Corp.	Mariposa (200 MW Gas)	Alameda County, Calif.	SMBC, DZ, CoBank, Sumitomo Trust	TBA	$150M	10-yr	Sponsor mandates four lenders (see story, page 5).
enXco	Shiloh 3 (102.5 MW Wind)	Solano County, Calif.	BayernLB, NordLB, Rabo, Union Bank	Mini-Perm	$150M+	7-year	Sponsor and equity backer tap lenders for back-levered deal (PI, 5/7).
Finavera Wind Energy	Wildmare (77 MW Wind)	Peace River, B.C.	TBA	TBA	$160M	TBA	Sponsor targets financing, likely from life insurance companies (PI, 4/2).
GCL Solar	Various (77 MW PV)	Puerto Rico	Union Bank, WestLB	TBA	$200M	TBA	MetLife to provide tax equity (PI, 3/5).
Green Valley Energy	N/A (35 MW Biomass)	Santa Barbara, Honduras	TBA	TBA	$65M	10 to 15-yr	Sponsor is working with consultant Green Finance Group (PI, 4/30).
Inkia Energy	Unidentified (500 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC	TBA	$600M	12-yr	A dozen lenders expected to make commitments (PI, 4/30).
Invenergy	California Ridge (214 MW Wind)	Vermillion and Champaign, Ill.	Santander, Prudential	TBA	TBA	C+ 10-yr	Deal wraps (PI, 5/7).
LS Power	Centinela (175 MW Solar PV)	Imperial Valley, Calif.	TBA	TBA	TBA	TBA	Sponsor scouts financing, which may cobble bank debt and bonds (PI, 2/20).
North Star Solar	Unidentified (60 MW PV)	Fresno County, Calif.	TBA	TBA	$150M	TBA	Sponsor to hunt project equity, debt (PI, 4/2).
▶ NSL Group	Unidentified (400 MW Wind)	Chile	TBA	TBA	$500M	TBA	Sponsor to hunt financing this year (see story, page 1).
Pattern Energy	El Arrayan (115 MW Wind)	Santiago, Chile	Agricole, BTMU, SMBC	Term	$245M	C+ 15-yr	Deal wraps (PI, 5/7).
▶	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	TBA	Mini-Perm	$400M	C+ 7-yr	Sponsor targets $400 million financing; 10 lenders eye deal (see story, page 6).
Potentia Solar	Various (Solar PV)	Ontario	TBA	TBA	$75M	TBA	Sponsor scouts financing for 125 solar DG projects (PI, 4/2).
▶ Rockland Capital, Broadway Electric Co.	Mass Solar (Solar PV)	Massachusetts	TBA	TBA	$200M	TBA	Sponsors talking to four lenders about financing (see story, page 5).
Scatec Solar North America	Redhills (50 MW Solar)	Iron County, Utah	TBA	TBA	TBA	TBA	Working with NorthWinds Advisors secure cash grant and financing by summer (PI, 3/2/12).
Solarpack	Various (22 MW Solar PV)	Tacna and Moquega, Peru	TBA	TBA	$120M	20-yr	Sponsor is talking to lenders for funds for two projects (PI, 4/30).
SolMex Energy	Tecate (450 MW PV)	Tecate, Mexico	TBA	TBA	TBA	TBA	Sponsor to hunt $500 million in debt and $100 million in equity over several years (PI, 4/30).
Wind Capital Group	Unidentified (150 MW Wind)	Osage County, Okla.	BayernLB, Rabo	TBA	TBA	TBA	Lawsuit delays financing until 2012 (PI, 11/28).

▶ **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 **Brian Eckhouse** at (212) 224-3624 or e-mail beckhouse@iiintelligence.com.*

PROJECT FINANCE

Rockland, Partner Eye $200M Solar DG Deal

Rockland Capital and **Broadway Electric Co.**, a Boston-based engineering, procurement and construction company, are targeting a roughly $200 million financing backing a 60 MW portfolio of solar distributed generation projects in Massachusetts. **Scott Harlan**, Rockland managing partner in Houston, is overseeing the deal.

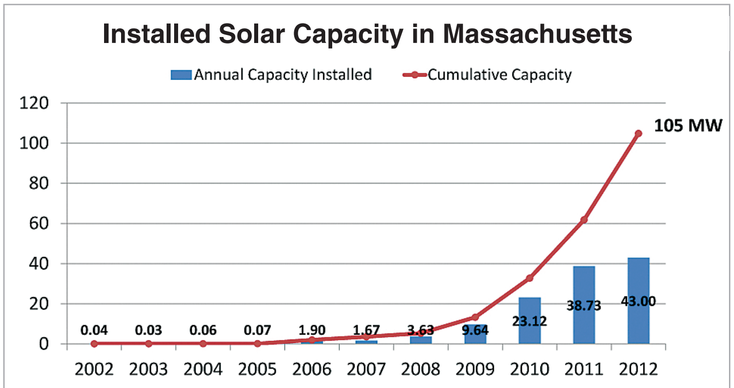
WestLB had been slated to lead the financing, but it will pass off its mandate to at least one other bank as it winds down its current lending activities. Four other lenders with experience in solar deals are jockeying for the mandate, says a deal watcher. Rockland is expected to pick between two alternatives: select one bank to lead a syndicated financing or tap all four short-listed lenders to participate in a club deal.

FAST FACT

The projects fall under Massachusetts' solar renewable energy credit program which was enacted in 2008.

The DG cluster, dubbed Mass Solar, has garnered power purchase agreements for the projects, according to Rockland's web site. The projects fall under Massachusetts' solar renewable energy credit program.

Solar lenders in the U.S. include **Banco Santander**, **Crédit Agricole**, **Lloyds Bank Corporate Markets**, **Mitsubishi UFJ Financial Group**, **Mizuho Corporate Bank**, **Natixis** and **Sumitomo Mitsui Banking Corp**. (PI, 9/27/10 and 8/31). Rockland relationship lenders include **CoBank** and MUFG affiliate **Union Bank** (PI, 4/3/09).



Source: **Massachusetts Department of Energy Resources.**

Desired pricing and tenor on the Mass Solar deal couldn't be learned. Harlan and **Lawrence Hurwitz**, Broadway ceo in Boston, didn't return calls seeking comment. Bank officials declined to comment or didn't return calls.

Diamond Taps Quartet For Calif. Gas

Diamond Generating Corp. has tapped **Sumitomo Mitsui Banking Corp**., **DZ Bank**, **CoBank** and **Sumitomo Trust & Banking Co**. as lenders in a roughly $150 million deal backing its 200 MW Mariposa peaker in Alameda County Calif.

SMBC is lead left on the deal; the other three lenders are tagged as mandated lead arrangers. Bankers working on the financing include **Carl Morales**, SMBC senior v.p., **Steve Bissonnette**, DZ director, and **Lori Kepner**, CoBank v.p.

The financing has a 10-year tenor. Diamond, a **Mitsubishi Corp**. subsidiary, is targeting financial close in mid-July (PI, 3/8), a couple of weeks after commercial operations are anticipated at Mariposa. Pricing on the deal couldn't be learned. A Diamond official in Los Angeles declined to comment, while bank officials declined to comment or couldn't be reached.

Pacific Gas & Electric has a 10-year offtake agreement for Mariposa.

Sumitomo Trust, in 2011, participated in a $727 million financing backing **Sharyland Utilities**' transmission lines in West Texas' Competitive Renewable Energy Zones (PI, 2/24).

Cleco To Hunt For 800 MW

Cleco Power is seeking roughly 800 MW of long-term capacity resources in a draft request for proposals issued last week. Only projects that generate at least 50 MW qualify for the Pineville, La.-based utility's RFP.

All resources will be considered, though Cleco specifically seeks resources that provide "highly reliable capacity and energy at the lowest reasonable cost," according to the draft RFP document. Projects that are built or will be built by May 1, 2015 qualify; generating facilities must be online by that date.

Applicable bids include proposed acquisitions for the utility, tolling of generation resources and the granting of power purchase agreements. Tolling agreements and PPAs will last at least 20 years.

Cleco expects to issue the final version of the RFP July 10, with proposals due Aug. 9. Winning bidders will be notified as early as Nov. 12.

Richard Sharp, director of capacity planning in Pineville, is the utility's administrator for this RFP. The utility has retained **Energy Associates** as the independent monitor for the RFP. **Elizabeth Benson** is managing that effort for Energy Associates. That company has been retained to ensure that proposals pitched by Cleco merchant affiliate **Cleco Evangeline** don't garner advantages through the ranking and selection process, according to the draft RFP document. Benson did not return a call and details regarding the location of Energy Associates' offices could not be learned.

Cleco Evangeline's 775 MW Coughlin combined-cycle plant in St. Landry, La., won a three-year PPA through the utility's 2011 RFP. That term spans May 1 through April 30, 2015. Existing facilities were favored among bids to the 2011 RFP (PI, 11/8).

Pattern SoCal Wind Deal Details Emerge

Pattern Energy is seeking roughly $400 million in debt to back its $600 million, 315 MW Ocotillo wind project in Imperial Valley, Calif. It is aiming for a tenor of construction plus seven years.

At least 10 project lenders are eyeing the mini-perm, bankers say. These include: **Bank of Tokyo-Mitsubishi UFJ**, **BBVA**, **CoBank**, **Crédit Agricole**, **Lloyds Bank Corporate Markets**, **Royal Bank of Canada**, **Royal Bank of Scotland** and **Sumitomo Mitsui Banking Corp**. Pattern had been hunting for financing proposals (PI, 3/20), though the status or outcome of that process remains unclear, says a financier. A Pattern spokesman in New York declined to comment. Bank officials declined to comment or didn't return calls.

The financing is expected to be priced at LIBOR plus 250 basis points. Financial close is expected by the third quarter.

Pattern last week wrapped a $245 million financing supporting its 115 MW El Arrayan wind project near Santiago, Chile (PI, 4/30). BTMU, Crédit Agricole and SMBC participated in that financing. **San Diego Gas & Electric** has a 20-year offtake agreement for Ocotillo.

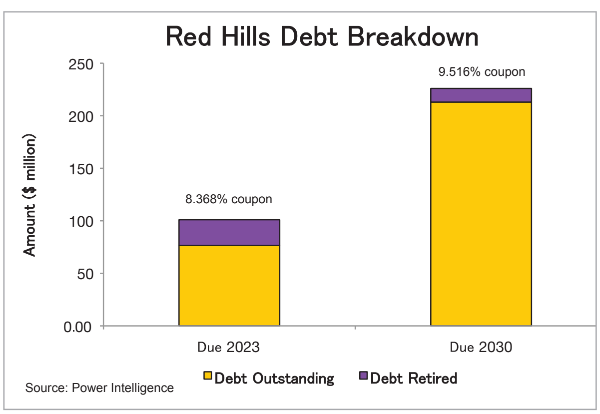
MERGERS & ACQUISITIONS

GDF Tags Barclays On Lignite-fired Restructuring

GDF Suez Energy North America has retained Barclays to advise on restructuring alternatives for a lignite-fired plant near Ackerman, Miss. The 440 MW Red Hills facility had about $282 million outstanding in December on $321 million pass-through trust certificates from its sale lease back with **SE Choctaw LLC**, a unit of **Southern Co**.

Red Hills was offline for a period in 2011 and this year because of technical problems, including boiler leaks. It has a 30-year power purchase agreement with the **Tennessee Valley Authority** that originated in 2002.

Choctaw Generation, the operating company that owns Red Hills, has $19 million due in debt service payments in June and a $13 million interest payment due in December. Without a cash infusion from "an outside source, we project that the project will likely deplete its liquidity reserves and default in 2012-2013," according to a **Standard & Poor's** report. S&P estimates the plant will have about $626 per kW, or $276 million, outstanding in 2013.



There is about $76.6 million outstanding on a $95 million tranche of notes due in 2023 that carry an 8.368% coupon. Roughly $213 million is outstanding on $226 million notes that are due in 2030 and carry a 9.516% coupon. Significant bondholders include affiliates of **American General Life Insurance Co**., **Metropolitan Life Insurance**, **New York Life Insurance**, **Pacific Life & Annuity Co**. and **Prudential Insurance**.

Restructuring advisor **Perella Weinberg** is said to be working with the Southern unit, according to an industry official.

A Southern Co. spokesman in Atlanta confirmed the restructuring but declined further comment. A spokeswoman for GDF Suez Energy North America in Houston didn't return a call. Bank spokespeople declined to comment.

NRG Nabs MetLife Tax Equity For Solar

NRG Solar has lined up a tax equity from a subsidiary of **MetLife** for a five project solar photovoltaic portfolio in California and New Mexico. **MetLife Capital Credit** will take a full tax equity stake from NRG in the projects totaling 86 MW, according to a filing with the U.S. **Federal Energy Regulatory Commission**. The transaction is on course to close in mid June.

The projects include three farms in Kings County, Calif., that came online in late summer—6 MW Avenal Park, the 19 MW Sand Drag and the 20 MW Sun City—as well as the 21 MW Blythe project in Blythe, Calif., and the 20 MW Roadrunner project in Santa Teresa, N.M. **Pacific Gas & Electric** has a power purchase agreement with the three in Kings County while **Southern California Edison** and **El Paso Electric Co**. have PPAs with Blythe and Roadrunner, respectively.

FAST FACT

Eurus Energy owns half of the Sun City, Sun Drag and Avenal Park projects.

Eurus Energy owns half of the Sun City, Sun Drag and Avenal Park projects. MetLife will not make the tax equity investment in Eurus' stake, according to the filing.

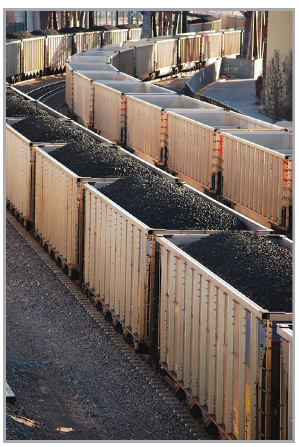
This investment in NRG Solar's projects is among the first solar tax equity deals of the year, says one deal watcher. Solar is expected to comprise a growing amount of the tax equity market after seeing a jump from $1.3 billion 2010 to $2.5 billion last year (PI*,* 4/16).

NRG Energy has been looking to bring investors into its portfolio under subsidiary NRG Solar (PI*,* 2/29). **Credit Suisse** and **Morgan Stanley** are advising on that process; whether either is involved in this transaction could not be immediately learned.

An NRG spokeswoman did not return a message by press time while spokesmen for Credit Suisse and Morgan Stanley could not immediately comment. A MetLife official declined to comment.

Coal Co. Eyes N.C. Coal-Fired Sale

Westmoreland Coal Co. is looking to sell a 230 MW coal-fired plant in North Carolina. Westmoreland, a coal mining company based in Englewood, Colo., has had conversations with prospective buyers about its Roanoke Valley facility, or ROVA, in the northeastern part of the state, says an observer, who anticipates that a deal could be struck by year-end.


Thinkstock/iStockphoto

In recent quarterly earnings calls, CEO **Keith Alessi**, has said the ROVA plant, which consists of two units, is not a core asset and that talks have been ongoing but that utilities move slower than other entities, according to transcripts. Alessi sketched out a 12-18 month timeframe for selling the plant in the annual earnings call in March.

Kevin Paprzycki, cfo and treasurer, pointed to quarterly financial filings and investor call transcripts for information regarding the ROVA plans. He declined further comment.

Boutique investment bank **Gleacher & Co**. is said to be advising on any sale. A Gleacher official in New York did not respond to an inquiry.

ROVA comprises units I and II, each with a power purchase agreement with **Dominion Virginia Power** until 2019 and 2020, respectively. Coal fuel agreements mature in 2014 and 2015. The plant could hit financial difficulties after the fuel agreements mature because new terms would be at a higher cost and the PPAs do not allow for any increase in fuel-pass through charges, according to the 10-K filed in February. The offtake agreements may be renewed in five-year intervals.

Prospective buyers include utilities as well as power producers that own coal-fired generation that could be shutdown under stricter emission regulations from the U.S. **Environmental Protection Agency**, says the observer. It's possible that a fuel agreement could be transferred to ROVA from another facility that is being shut down, the observer notes.

The facility is also near a natural gas pipeline and it's possible that it could be converted to coal or have coal- and gas-fired units on the same property, according to call transcripts.

INDUSTRY CURRENT

Fed Incentives, Weak PPAs Fuel Renewable M&A

THIS WEEK'S INDUSTRY CURRENT is written by **Hind Farag** and **Robert Whaley**, head of the North American power research team and analyst, respectively, at energy research and consulting company **Wood Mackenzie** in Houston.

Hind Farag

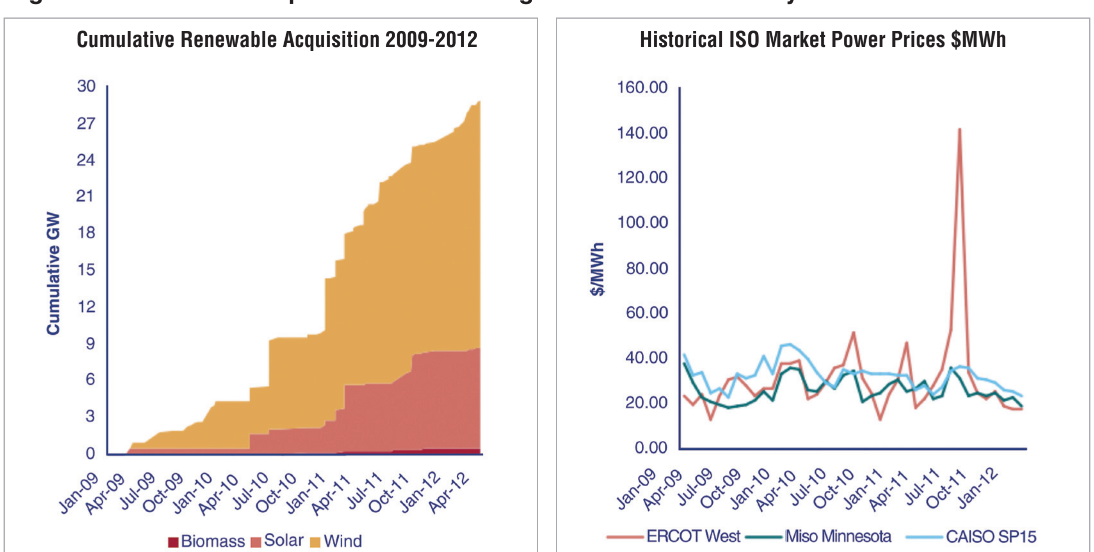
Robert Whaley

M&A activity in the renewable energy sector has continued to grow through the first quarter of 2012, after collapsing in 2008 as capital markets dried up in the wake of the economic recession. After 2008, declining gas prices and anaemic demand depressed power prices, reducing the value in power purchase agreements and making credit harder to come by in a capital-constrained, post recession period. Consequently, the attractiveness of renewable capacity development decreased, directing attention to M&A activity to leverage the benefits of those projects fully or partially developed. Many producers began to acquire capacity directly from cash strapped developers in order to meet renewable portfolio standards, reduce emissions footprints, and secure valuable government incentives that began to expire in the second half of 2011. Now, as capital availability continues to rebound, M&A activity has continued to escalate. Renewable developers and power producers backed by stronger capital markets are looking for M&A opportunities as they confront weak PPA value and uncertainty in the future of the federal production tax credit, potentially slowing down traditional development. Approximately 29 GW of renewable capacity installed or in development has changed hands since 2009, compared to 39 GW that began commercial operation or began construction during the same period.

Development of renewable generation assets continues to face many risks in the near term. In addition to low gas prices and correspondingly low power prices limiting PPA value, the risk of temporary PTC expiration this year places pressure on facilities planned for completion in 2013 and beyond. Should developers commit or remain committed to projects that fail to come online by year-end, they may have to face negative margins while not benefiting from the key government subsidy that improves the economics of such projects. Solar generation development will continue to take advantage of the investment tax credit which runs through 2016 for new solar projects. However, Wood Mackenzie estimates the levelized cost of new entry for wind capacity typically at approximately 90 $2011/MWh, well below the 200 nominal $2011/MWh for photovoltaic solar facilities without government subsidies or incentives. The levelized cost of new entry reflects a constant number of payments overtime equal to the net present value of the future cost recovery stream needed to cover the interest on debt, return on equity, taxes, and depreciation of the capital investment plus the O&M to run and maintain the unit. In the depressed energy price environment, demonstrated in Figure 1, the importance of government incentives in providing returns on investment in renewable capacity becomes clear. Wholesale power prices alone generally do not support the necessary renewable build out to comply with state RPS, hence the need for not only tax incentives, but also renewable energy certificates.

As noted above, given the outlook for the cost of new entry and the depressed energy price environment, the risk of the PTC expiration is increasing the attractiveness of projects positioned to receive the tax incentive. Under such premise, **Atlantic Power** acquired the Canadian Hills wind project in March and **enXco** acquired the Bobcat Bluff wind

Figure 1: Renewable Acquisitions and Pricing for Renewables in Key Markets



Source: Wood Mackenzie North America Power Service; MISO: ERCOT: CAISO project, both of which will be in operation by the end of the year. The CEO of enXco sited the "fast approaching expiration" of the PTC as a driver for partnerships in announcing in January 2012 the acquisition of the Spinning Spur Wind project. Likewise, **MidAmerican Energy** announced in January 2012 that it was acquiring three wind projects totalling 400 MW that would all be completed in 2012, allowing it to lock in the tax credit for the next ten years.

Prior to 2012, renewable asset transactions were driven by power producers and corporate diversification looking to profit from key government incentives established by the American Recovery and Reinvestment Act of 2009. Eligibility for the U.S. **Department of Energy** loan guarantee program and the section 1603 cash grant expired in October and December, respectively. Projects eligible for these incentives needed to have begun construction by those dates. The loan guarantee and the cash grant minimized project risk and provided a significant return on investment. The DOE loan guarantee was received by several projects which were either acquired in part or in full, accounting for 1,500 MW and $5 billion in investment. To take advantage of such subsidies, **NRG Energy** acquired the Agua Caliente and California Valley Solar Ranch projects, **Google** and NRG invested in the Ivanpah Solar project, while Google, **Sumitomo**, and **Tyr Energy** all acquired a portion of the Shepherds Flat wind project.

Looking Beyond The Deadlines

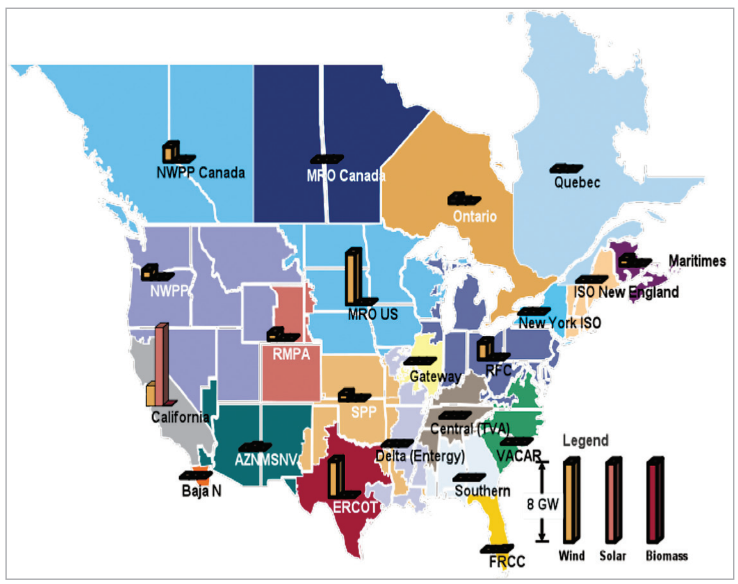
Developers who were unable to successfully meet these deadlines are now looking for alternative financing prospects from investors now aided by strengthening capital markets. In November, MidAmerican stepped in to acquire the Topaz solar farm from **First Solar** and **Siemens** announced it would step in to help finance the Cape Wind project, subject to other project milestones. The Topaz and Cape Wind projects failed to commence construction prior to the deadline for the loan guarantee and were forced to look for alternative financing after initially securing commitments from the DOE. Re-invigorated capital markets will be key to securing project development in the absence of government incentives.

Renewable developers facing a shortage of capital and needing to merge or divest projects to finance development pipelines drove a large percentage of acquisitions in the current M&A cycle. In March 2011, one of the largest mergers occurred between **Magma Energy** and **Plutonic Power**, which created **Alterra Power Corp**. with a market capitalization of $575 million. The merger lowered the cost of capital to develop capacity pipelines, enabling the faster completion and the diversification of those pipelines. **Wind Works Power Corp**., **Sun Edison**, and First Solar were other leading renewable developers looking for opportunities. While the current climate with stronger capital markets is raising hopes about developers' ability to rely on more direct investment versus merger opportunities to finance production, weak fundamentals and doubts on the PTC continues to challenge the total amount of renewed capital investment. More robust capital markets will allow utilities and independent power producers to look for opportunities to acquire renewable capacity to meet RPS targets and secure production tax credits.

However, as government incentives face potential expiration and to the extent renewable developers are able to restore development pipelines, power producers would have less need and incentive to continue to acquire renewable capacity. Still, IPPs will continue to seek out opportunities to market trade-able RECs, as will corporations looking to diversify into clean energy products. NRG is among the leading IPPs acquiring renewable capacity. In particular, NRG has positioned itself to market a large amount of solar generation in the Southwest. Atlantic Power, **Capital Power**, and **International Power** are other competitive power producers currently active in renewable acquisitions, and in 2010 **Exelon** acquired **John Deere Renewables** to significantly boost its clean energy portfolio. Utilities with larger balance sheets, including **Duke Energy**, **Dominion**, **Southern Co.**, **Arizona Public Service**, **Constellation Energy**, **Sempra Energy**, **FPL**, and **Pacific Gas & Electric** were the most active in acquiring renewable projects in the past three years to meet RPS requirements and reduce their emissions footprints. Similarly, Google, **United Technologies**, Siemens, and **Panasonic** were the more prominent non-power producing corporations looking to diversify. Greater capital availability will make it easier for power producers and corporations with smaller balance sheets to pursue investment strategies in renewable generation.

Despite the uncertainty around federal incentives for renewable development, state RPS continue to mandate a growing share of renewable power generation. In states with strong RPS but anticipated indigenous deficiencies, many power producers have been acquiring renewable capacity to comply with such policy.

Figure 2: North American Renewable M&A Activity 2009-2012



Nearly a third of all acquisitions have occured in California, which has one of the nation's most aggressive RPS requirements. Outside of California, the Midwest is another region with strong renewable generation goals that is expected to be challenged in its ability to meet state targets with local generation in the future. States along the East Coast from North Carolina to New Hampshire are also expected to face more significant challenges in meeting renewable targets. Acquisitions in regions that are expected to meet or exceed RPS mandates, such as Texas and portions of the West, are generally aiming at marketing excess RECs to under-compliant regions, as tradable markets for RECs continue to mature. IPPs and non-power producing corporations will be those best positioned to exploit these inter-regional marketing dynamics, which increase the potential for capital investment in the industry.

Conclusions

In the near to midterm, M&A in the renewable energy sector should remain elevated. As the deadlines to take advantage of the loan guarantee and the cash grant have expired, developers unable to secure these incentives have been and will be forced to look for alternative financing and divestiture opportunities. At the same time, re-invigorated capital markets will need to step in to compensate for expiring government subsidies. In particular, a failure to extend the federal PTC will lead to a dearth in wind driven capacity development, and further encourage M&A activity to compensate. As solar development is less at risk due to better positioned tax incentives, solar projects still remain attractive M&A targets, particularly for conglomerates and IPPs not constrained by geographic footprints. Longer term acquisitions will be primarily driven by economic market fundamentals. If tax incentives are not renewed, capital availability, power prices and the corresponding value of PPAs should prove to be the determinant of the level of acquisitions.

> "Despite the uncertainty around federal incentives for renewable development, state RPS continue to mandate a growing share of renewable power generation."

PEOPLE & FIRMS

Dewey Power Players Lands At Bracewell & Giuliani

Five partners have joined law firm Bracewell & Giuliani from the power and utilities group at beleaguered **Dewey & LeBoeuf**. Dewey has been wrestling with much publicized issues over compensation and debt obligations.

John Klauberg

The group joined last week and includes former global power and utilities group co-head **John Klauberg** and former co-head of the energy regulatory department, **Catherine McCarthy**. The other partners are **Frederick Lark**, **David Poe** and **Charles Vandenburgh**. The attorneys will be split among offices in New York, Washington, D.C., and Connecticut.

The partners wanted to keep the transaction and regulatory teams intact at a firm with deep roots in energy that could be boosted from additional electric expertise, says McCarthy. Bracewell stood out from others firms for McCarthy, specifically, because of the group of young partners on the regulatory side, she says, adding that "you could see where it would be in 10 years."

Klauberg will be head of Bracewell's power and utilities group.

So far three associates have accepted offers to move to Bracewell and the firm is awaiting more responses, McCarthy says. Several staffers that worked with the group have also joined, she says, adding that the team is in touch with staffers who are looking for employment.

Six other Dewey New York partners joined **Hunton & Williams** last month, including **Bud Ellis**, formerly co-head of the utilities, power and pipelines industry group. **Kevin Felz**, **Michael Fitzpatrick**, **Steven Friend**, **Steve Loeshelle** and **Peter O'Brien** round out the sextet.

Three partners from the global oil and gas group landed at **Akin Gump Strauss Hauer & Feld**. **John LaMaster** and **Marc Hammerson** in London and **Steven Otillar** in Houston office. LaMaster was chairman of the group.

Dewey & LeBoeuf has been active in the space: it represented **PSEG Power** on the separate sales of a pair of 1 GW gas-fired plants in Texas to **Wayzata Investment Partners** and **Energy Capital Partners** last year. It also advised **Puget Energy** when it was acquired by a consortium of infrastructure funds led by **Macquarie Infrastructure Partners**.

William Lamb

Neither **William Lamb**, co-head of the global power and utilities group at Dewey & LeBoeuf, nor a spokesman, was reached for comment.

Constellation V.P. Joins UBS

Dayan Abeyaratne, formerly v.p. of corporate strategy and development at **Constellation Energy**, has joined UBS as a managing director in the power and utilities group.

Abeyaratne started in the New York office May 7. He reports to **Jim Schaefer**, Americas head of global power, utilities & alternative energy. Abeyaratne will do client coverage in the power generation space.

Prior to Constellation, Abeyaratne was a senior v.p. at **Barclays Capital** and **Lehman Brothers.**

Abeyaratne nor Schaefer were immediately available for comment.

FAST FACT

James Metcalfe, **UBS** former head of global power and managing director, left the bank this time last year to join **Alinda Infrastructire Partners**.

GENERATION CALL CALENDAR

The Generation Call Calendar is a feature that PI runs on a quarterly basis that tracks ongoing calls for generation in the Americas.

Caller	Capacity	Contracts	Deadlines	Requirements	Notes
Arizona Public Service Co.	14 MW (New Solar PV)	N/A	Bids were due April 30.	Projects must use commercially proven technology.	The utility will own and operate the project, under its AZ Sun program.
Baltimore Gas & Electric, Delmarva Power and Light Co., Potomac Edison Company, Pepco	1,500 MW Maximum (Gas-fired)	Up to 20 years	Bids were due Jan. 20.	Projects that cleared prior PJM base residual auctions for capacity were ineligible.	Competitive Power Ventures won a 20-year offtake agreement with Baltimore Gas & Electric and Delmarva Power & Light Co. for its 661 MW combined-cycle plant in Charles County, Md.
Cleco Power	Up to 750 MW (Gas-fired)	3- to 5-year PPAs or tolling agreements.	Bids were due Nov. 17.	Generation that originates from new or existing projects eligible.	The utility's merchant subsidiary Cleco Evangeline won a three-year PPA for its 775 MW Coughlin plant in St. Landry, La.
	800 MW	At least 20 years	Final RFP to be issued July 10, with bids due Aug. 9.	Qualifying projects must generate at least 50 MW and be operational by May 1, 2015.	All resources apply (see story, page 6).
Duke Energy Carolinas	50-300 MW	5-20 years	Bids were due Oct. 14.	Projects reportedly must be operational by 2014.	Proposals for renewable energy certificates would be considered.
Empresa Eléctrica de Guatemala, Distribuidora de Electricidad de Oriente, Distribuidora de Electricidad de Occidente	800 MW (Renewables and Thermal)	15-year contracts	Utility reportedly anticipated at least 30 bids filed by Jan. 26.	N/A	Award-winners were expected to be announced in March.
Pacific Gas & Electric	50 MW (New Solar PV)	20-year contracts	Targeting RFP for 2012.	Projects must be 1-20 MW and within PG&E's coverage area.	RFP is part of five-year process to add 250 MW of renewables to portfolio (PI, 4/14).
Portland General Electric	400 MW (Gas-fired)	TBA	PGE scheduled to issue RFP June 5	The utility is targeting baseload resources.	PGE plans to bring resources into its portfolio between 2013-2017 (PI, 1/27).
	200 MW (Gas-fired)	TBA	PGE scheduled to issue RFP June 5	The utility is seeking winter and summer peaking supply generation.	PGE plans to bring resources into its portfolio between 2013-2017 (PI, 1/27).
	150 MW (Gas-fired)	TBA	PGE scheduled to issue RFP June 5	The utility is looking for winter-only peaking capacity.	PGE plans to bring resources into its portfolio between 2013-2017 (PI, 1/27).
Public Service Co. of New Mexico	120-140 MW (Renewables)	Asset purchases, PPAs and joint-ownership agreements available.	Formal bids were due June 10, 2011.	Projects must be operational by 2014 and may be outside of the state.	Finalists were scheduled to be picked by February (PI, 7/28).
Puget Sound Energy	385 MW (All Sources)	TBA	Bids were due Nov. 1.	Eligible projects must be online between December and 2015.	PGE has pared the candidate list after an initial screening. A decision is possible this quarter.
San Diego Gas & Electric	N/A	Up to 30 years.	Offers were due July 18.	N/A	SDG&E, in February, secured PPAs with Iberdrola Renewables for 100 MW of wind generation 8minutenergy Renewables for 200 MW of solar generation.
Southern California Edison	50 MW (New Solar PV)	TBA	TBA	TBA	Utility is planning to issue a call for 50 MW of new photovoltaic generation.
	400-700 MW (New Renewables)	TBA	TBA	Solar, hydro under 30 MW, wind, biomass and geothermal would be the only qualifying resources.	RFP possible this fall. Winning bidders would secure PPAs starting later this decade (PI, 3/30).
Virgin Islands Water and Power Authority	10 MW (New Solar PV)	20-year contracts	Short-listed bidders named in November.	Selected projects must be operational 18 months after contracts approval. Operation guaranteed for Dec. 2013.	AES Solar, SunEdison and SunPower among six short-listed bidders.

The entries above are of new calls since Jan. 1, 2011 or calls that have been changed in their parameter or status since that date. To report updates or new request for proposals or to provide additional information, please contact Senior Reporter Brian Eckhouse at (212) 224-3624 or beckhouse@iiintelligence.com.

Starwood, Tyr *(Continued from page 1)*

- 49 MW Panoche peaker in Firebaugh;
- 49 MW Border peaker near San Diego; and
- 49 MW Enterprise peaker in Escondido.

The plants were fully contracted with the **California Department of Water Resources** through the end of 2011. Details on whether new contracts are in place, or if the plants are operating as merchant facilities, could not be learned. The maturity of the offtake agreements could have spurred the sale as the owners, particularly Tyr, tend to gravitate toward contracted assets.

The Southwest and California markets have been attractive to buyers looking for gas-fired assets, although most have been combined cycle. The plants are likely to attract buyers that are looking to add scale to an existing portfolio or, possibly, utilities.

The plants were part of a seven peaker portfolio that **Pratt & Whitney**, a unit of **United Technologies Co**., developed as a way to test out technologies (PI, 10/28/05). Starwood and Tyr bought five of the facilities in 2006 (PI, 3/3/06).

San Diego Gas & Electric exercised an option in a lease agreement to buy the 49.9 MW El Cajon simple-cycle facility from **CalPeak Power** for about $13.7 million (PI, 8/10). El Cajon was built on SDG&E land.

The identity of the plant not for sale could not be learned. Starwood and Tyr officials in Greenwich, Conn., and Stamford, Conn., respectively, were not available for comment. A GSO official did not return a call. ***—Holly Fletcher***

Indian Co. *(Continued from page 1)*

The Hyderabad-based NSL, which owns wind turbine manufacturer **ReGen Powertech** of Chennai, India, reportedly plans to invest $650 million in wind projects across neighboring sites at an undisclosed location in Chile over the next few years. The company is negotiating power purchase agreements with **Endesa**, the international power company and Spain's largest utility, according to the deal watcher.

Caravel Capital Management, a New York-based alternative investment management company that focuses on U.S. and Latin American companies, is a minority shareholder and sponsor of the Chile wind projects. The source of equity in the projects and financing terms, including pricing and tenor, couldn't be learned. Lenders considering the financing and whether the sponsors have retained an advisor also couldn't be immediately ascertained. **Anibal Palma**, Caravel managing partner in New York, declined to comment. An NSL spokesman didn't immediately address an inquiry. An Endesa official couldn't be reached for comment.

Chile is among project financiers' preferred countries in Latin America. It's an investment-grade country—**Standard & Poor's** rates Chile's foreign long-term debt A+—and some of the biggest international lenders have considerable experience financing projects in the country. However, wind financings are rare, says a senior banker in New York, noting that Chile's wind regime is less potent than other Latin American countries such as Brazil and Mexico.

Wind project financings aren't totally unheard of in Chile. **Bank of Tokyo-Mitsubishi UFJ**, **Crédit Agricole** and **Sumitomo Mitsui Banking Corp.** recently wrapped a $245 million financing supporting **Pattern Energy**'s 115 MW El Arrayan project near Santiago, Chile (PI, 4/3).

The NSL deal is expected to be dollar-denominated, like most project financings in Chile, a banker says. International lenders prefer dollar-denominated deals, says a syndicator in New York, noting that some refuse to take the currency risk.

Some lenders are familiar with NSL for its developments in India. Others are researching the company, the deal watcher says. As of February, **NSL Renewable Power** owned 162 MW of installed renewables capacity, 150 MW in wind and 12 MW in biomass, according to its Web site. At that time it was building 54 MW of hydro across two projects in India's Himachal Pradesh state. The location of NSL's wind and biomass assets couldn't be learned.

—Brian Eckhouse

Developers Target *(Continued from page 1)*

observers say. A bevy of sponsors are eyeing the tenders, including **AES Gener**, **GDF SUEZ**, **Marubeni**, **Mitsubishi Corp**., **Mitsui** and **Sembcorp**., says another financier who tracks Chilean project financings. Lenders are offering advisory services to some potential sponsors as well as early deal structures to others, he adds.

The quest for copper is largely driving the demand for more power, one banker says. Chile holds the world's largest copper reserves and produces one-third of the global supply of the metal, according to the **European Commission**'s Eurostat.

Observers of the Chilean power market anticipate as much as 2 GW of power purchase agreements may be inked from 2012 solicitations for coal-fired, solar and potentially gas-fired generation. "The solicitations probably will be spread out across the year," says a banker tracking the mining companies' plans.

AES reportedly is seeking an offtake agreement for its 552 MW Cochrane coal-fired project in Chile's northern region, a facility expected to become operational in 2015. AES has an established brand in Chile, which could boost its pursuit of a PPA in one of these tenders, says one banker. But a senior lender in New York adds some mining companies are intent on bringing new generators into the market in an effort to increase competition and thus drive down power prices. "BHP wants new players for diversification," he says.

Lenders view Chile as a stable market. "And the mining offtakers are very strong credits, at least the ones that are operating," says the banker tracking these companies. "Chile has a strong mining tradition."

The specific nature of the mining companies' tenders, including deadlines and sizes of the solicitations, couldn't be learned. Officials or spokespeople for the mining companies and the sponsors of potential generating projects didn't respond to messages or couldn't be reached by press time. ***—Brian Eckhouse***