

# power finance & risk

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## Sempra Set To Hold Out On Bid Levels

**Sempra Energy** is being tipped to play hardball on the sale of its retail marketing arm. Bids are going to need to hit the \$400-500 million price point.

*See story, page 2*

## Horizon Tees Up Trio For Tax

**Horizon Wind Energy** has lined up a **Wells Fargo** unit to take the tax equity in a trio of wind farms.

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## Ticking Coal Bomb

### LEASEBACK DEALS SET TO BITE COAL GENERATION

A slew of coal-fired plants operated under sale and leaseback deals are set to hit operators with a double whammy: the lessees will have to pay for environmental upgrades themselves and then pay the lessor for the value of those upgrades when the contracts mature and fair market value clauses kick in.

Numbers are hard to pin down, but bankers and lawyers say 30-40 plants could be in the bind.

Among the companies potentially on the hook is **American Electric Power**. A spokesman  
*(continued on page 7)*



## DEUTSCHE BANK RE-ENTERS NORTH AMERICAN PROJECT LOANS

Deutsche Bank has returned to North American non-recourse generation loan financing. The lender, which has been absent for nearly a decade, is the lead on a three-year, \$220 million mini-perm for **Kruger Energy's** 101.2 MW wind farm in Chatham-Kent, Ontario. The bank's last high profile project lending deal in power was the \$568 million Cottonwood loan for sponsor **Intergen** in February 2001.

"We're focusing on asset-neutral deals, especially in renewables," says **Bhaswar Chatterjee**, director of project and capital advisory in North America. He adds the bank is in advanced discussion on several wind projects and examining six others. He declined comment on the bank's previous activity in North American generation and on the rationale for re-entering the market.

*(continued on page 8)*

## EURO RENEWABLES CO. PLOTS \$600M+ DEBT HUNT

**EuroCape New Energy** is looking to raise EUR510 million (\$624.4 million) in debt to fund wind projects across Europe. "The company is in the real middle of expansion," says **Irina Peterson**, chief operational officer at the Monaco-based shop.

The company, which was founded in 2008 and is 50% owned by German company **STINAG Stuttgart Invest**, has an almost 3 GW development pipeline of wind and solar projects in France, Italy, Germany, Poland, Romania and Ukraine.

The Monaco-based company is looking to German relationship banks for the funding and is also open to other pitches. "We always look to see what banks are strong in a particular country," says Peterson, declining to name the relationship banks. The company is exploring the option of a bond issue, whether the company has a specific trigger for opting for that route could not be determined. EuroCape has also submitted applications to

*(continued on page 7)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.



## At Press Time

### Sempra To Hold Out For \$400-500M In Retail Sale

Sempra Energy could hold onto its retail business if final bids aren't in its desired range. Sempra values **Sempra Energy Solutions**, its retail marketing arm, between \$400-500 million, says a banker. If bids don't hit its price point then Sempra will likely hold onto the business, the banker notes.

"They won't sell if they don't get the right price. Energy Solutions won't be a fire sale," says one banker. **Exelon** and **Constellation Energy** are among the final bidders, but the process could be whittled down to Exelon, says the banker. **Lazard** collected final bids last week for Sempra Energy Solutions and the North America trading desk in RBS-Sempra commodities.

A Sempra spokesman in San Diego, Calif., declined to comment on the bidders, the status of the sale or the value of the unit. Officials at Lazard declined to comment. Exelon and Constellation officials did not return calls.

The retail business is being sold separately from Sempra's North America trading desk, which went on the market after a European Union ruling mandated that Sempra's partner **Royal Bank of Scotland** unwind its role. **UBS**, **Jefferies** and a third firm are the likely participants in the third round. UBS officials declined to comment and calls to a Jefferies official was not returned before press time. The identity of the third party could not be learned.

Winners of the auctions could be announced in early June, says a banker, and the Sempra spokesman says the company expects a buyer "within a month or so."

**JPMorgan** is buying the international trading desk of RBS-Sempra **Commodities** (PFR, 1/28).

## ArcLight Snags Acquisition Loan Extension

Lenders in \$220 million B loan backing **ArcLight Capital Partners'** purchase of five generation and transmission assets have agreed to extend the facility's drop-dead date to next month. Seller **Energy Investors Funds** is trying to resolve a dispute with one of the plant's offtakers. If the acquisition is not finalized by next month, lenders can walk away from their commitments. The original drop-dead date had been set for May 4.

Lead arrangers **Bank of America** and **Barclays Capital** have implemented ticking fees on the facility after the acquisition was ensnared in an approval process with the U.S. **Federal Energy Regulatory Commission** in February. Ticking fees remain at 200 basis points over LIBOR, after they were bumped up from 150 bps in April. Pricing on the seven-year facility starts at 350 bps over LIBOR, with a 2% LIBOR floor and an original issue discount of 98.5. A Barclays official and an EIF spokesman declined to comment. **John O'Connor**, cfo of ArcLight in New York, and a B of A official did not return calls.

FERC has granted approval of the transaction, which was delayed by the intervention of **Golden Spread Electric Cooperative**, a partial owner of one of the plants in the deal. The nature of the dispute between EIF and the offtaker, and the identity of the offtaker, could not be learned.

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**Institutional  
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INTELLIGENCE FIRST

## SkyPower Inks Solar JV With German Co.

SkyPower has teamed with German developer **Conergy** to put photovoltaic installations on rooftops in Ontario. The joint venture plans to partner with, or lease space from, real estate companies and chain stores to build and own rooftop solar.

Details on how the partnership will work or project specifics, such as size or financing, could not be learned. Calls to SkyPower's **Kerry Adler**, president and ceo, and **Hando Kang**, senior director, as well as **Terri Steele**, spokeswoman at **Conergy Canada** in Edmonton, were not returned before press time.

The provincial government has said it wants Ontario to have 100,000 rooftop installations under its feed-in tariff. Conergy is already working with **RESCo Energy** on small rooftop installations in Ontario.

SkyPower, in partnership with **SunEdison**, will bring the two phases of 18 MW SunE Sky I and II online this year in Norfolk County. The Toronto-based developer is also preparing to start construction on the 10 MW pv project in Chatham-Kent this summer. Whether SkyPower will continue to develop ground-mounted projects could not be learned.

## Deere Wind Lures Strategics

The **John Deere Renewables** portfolio landed a handful of bids mostly from domestic strategics looking to selectively boost generation capacity or enter the wind market.

Bids included at least one bid for the Pacific Northwest and Michigan assets, says a deal watcher. The portfolio is being auctioned as a package. **Goldman Sachs** is running the auction, which is in its final round.

Whether parent **Deere & Co.** would sell it in pieces could not be determined.

Bidders include **NextEra Energy Resources**, which is being advised by **Marathon Capital** and **Exelon**, which is working with **Barclays Capital**. **Citigroup** is also advising a potential buyer and **Constellation Energy** is a name reportedly in the hat, industry officials say. Financial investors in the mix are likely to be interested in picking up operational farms that have offtake agreements to limit their exposure to development risk, bankers say.

Calls to officials at Constellation, Goldman and NextEra were not returned. Officials at Citi and Marathon declined to comment.

The Pacific Northwest and Michigan are attractive because of the ability to sell into California and regulatory conditions, respectively, bankers say. Exelon has been hunting an entry point into wind generation (PFR, 4/23).

A \$1 billion estimate is being floated for the entire package.

To mitigate concerns about some **Suzlon** turbine fleet, at least one bidder is offering a gross \$1 billion with \$100 million of it in a holdback fund, says a banker.

The package includes 735 MW of wind farms, a small development team and a 1.4 GW development pipeline that includes stakes in wood-burning biomass projects around the country.

## Horizon Taps Wells For Tax Equity

**Horizon Wind Energy** is selling the remaining tax equity stake in a trio of wind farms totaling 604 MW to a subsidiary of **Wells Fargo**. The transaction, which will give **Wells Fargo Wind Holdings** a 28.14% stake, is expected to conclude by June 18, according to a document filed with the U.S. **Federal Energy Regulatory Commission**. The investment amount could not be learned.

Officials at Horizon, a unit of **EDP Renováveis**, in Houston and Wells did not return calls before press time.

**JPM Capital Corp.**, **New York Life Insurance Co.**, **New York Life Insurance and Annuity Corp.**, and **Aircraft Services Corp.**, hold the remaining tax equity stakes in the farms, which include:

- 103 MW Arlington in Gillam County, Ore.,
- 201 MW Cloud County farm in Cloud County, Kan.,
- 300 MW Pioneer Prairie in Howard and Mitchell Counties, Iowa.

## Invenergy Nears Beech Financing Again

Bankers expect Invenergy's 100.5 MW Beech Ridge to secure financing in the next few weeks—the second time a deal for the Greenbrier County, W.Va., wind farm would be clinched. A judicial decision prompted Beech Ridge's original scope—and thus loan—to be scaled down.

The size, pricing and tenor of the new loan could not be learned at press time. **Natixis** and **Dexia Crédit Local** are leads. The original \$300 million loan was ticketed for a 186 MW wind farm. **David Groberg**, v.p. of development for Invenergy's wind operation in the eastern United States, declined to discuss the cost and financing of Beech Ridge.

In January, a federal court ruled that Invenergy had to restrict the farm to the hibernating periods of an endangered Indiana bat. The ruling forced the developer to renegotiate a 20-year PPA with **American Electric Power** subsidiary **Appalachian Power** and redo environmental studies before its loan could be renegotiated (PFR, 4/8).

Invenergy installed 40 turbines while the courts debated the



matter and 27 since, Groberg says. If the company secures a permit, it could be permitted to add 33 more turbines, pushing the power generated past the 100.5 MW now planned.

Bankers at Natixis and Dexia declined comment.

## enXco Scores New PPA To Revive Lakefield

Wind developer enXco and **Indianapolis Power & Light Co.** have revised their lapsed power purchase agreement for the 201 MW Lakefield wind farm in southwestern Minnesota. The move resurrects negotiations with several interested lenders, New York bankers say.

"We'd still be very interested in doing a deal," one lender says. "enXco is a core client—one of the key wind companies for the banks."

The new PPA surprised some bankers. Almost three months ago, IPL terminated the initial contract, after the agency required to approve the deal, the **Indiana Utility Regulatory Commission**, mandated provisions IPL deemed unacceptable (PFR, 3/16). IPL, an **AES Corporation** utility, maintained that it had the contractual right to cancel the contract, prompting the Escondido, Calif.-based developer to remarket the project.

Before the initial PPA ceased, enXco was working with four

banks—**CoBank**, **Dexia Crédit Local**, **Banco Santander** and **Société Générale**—to arrange financing for Lakefield. One New York lender expects the same team to lead financing.

**Jim Peters**, enXco v.p. of project finance, and IPL representatives did not return calls seeking comment. Bankers also couldn't be reached for comment.

## WPL Buys Coal Plant Stake

**Wisconsin Electric Power Co.** is selling its quarter stake in the 380 MW Edgewater 5 coal plant to **Wisconsin Power & Light Co.** The sale, which will give WPL full ownership, is expected to be in the range of \$40-\$45 million and close by year end, says a spokesman for WPL parent **Alliant Energy** in Madison, Wis. The sale is awaiting state and federal approval.

Following the purchase, WPL expects to start construction on \$150 million upgrades to add a selective catalytic reduction, or SCR, to cut down emissions. The upgrades are not contingent upon the sale closing. The upgrades to the plant near Sheboygan, Wis., will be recoverable by ratebase, the spokesman says.

WPL is not using a financial advisor and whether Wisconsin Electric Power Co. is being advised could not be learned. Calls to officials at Wisconsin Electric Power Co. parent **Wisconsin Energy** were not returned before press time.

## Corporate Strategies

### Short Tenor Balances AEP Unit Debt Profile

**Appalachian Power Co.** sold \$300 million senior unsecured, five-year notes Friday to fund its construction program and repay advances from sister utilities. The **American Electric Power** unit, which serves customers in Virginia, West Virginia and Tennessee, expects construction costs to be about \$492 million this year, for a roster of projects including environmental compliance upgrades.

The AEP finance team chose the short tenor to balance out Appalachian Power's long debt profile, says **Pat Hemlepp**, spokesman in Columbus, Ohio, noting that investor appetite has leaned toward shorter maturities recently. "The reason our finance people decided to issue bonds now is there were no signs the markets were going to improve any time soon," he says. "There were indications that the day we issued them would be okay for a utility issuance."

The five year notes carried a 3.4% coupon and priced 137 basis points over U.S. Treasuries. The issuance was rated Baa2 by **Moody's Investors Service**, BBB by **Standard & Poor's** and BBB by **Fitch**.

**Credit Suisse Securities**, **UBS Securities** and **Wells Fargo**

**Securities** were joint bookrunners with **BBVA**, **Citigroup** and **Mitsubishi** as co-managers. Officials at the banks either declined comment or did not return calls.

## Duke Levers Farms For Wind, Solar

**Duke Energy** leveraged its interests in a portfolio of five wind farms via a \$325 million loan last Monday to accelerate the growth of commercial renewable energy projects in the U.S. Although the company has yet to allot the funds for specific projects, a spokesman says the debt will be used specifically for wind and solar projects.

The wind farms included in this round of financing are regarded as efficiently run, quality renewable energy assets with at least one long-term power purchase agreement in place with a wholesale electricity buyer apiece, says a spokesman. **Duke Energy Generation Services** owns and operates the farms via **Green Frontier Windpower Holdings**. The operational farms include 29 MW Happy Jack in Cheyenne, Wyo., 42 MW Silver Sage in Cheyenne, Wyo., 70-MW North Allegheny in Blair and Cambria counties, Penn., 99-MW Campbell Hill near Casper,

Wyo., and 51-MW Kit Carson in Burlington, Colo., which is set to come on line by year-end.

The 15-year term loan and letters of credit totaling approximately \$50 million were arranged by **Credit Agricole Corporate and Investment Bank**, along with **BBVA**, **Banco Santander**, **Bank of Tokyo-Mitsubishi**, **CoBank** and **Lloyds TSB**. All of the banks involved are relationship banks, says the spokesman, noting the deal made sense for Duke and lenders and the debt was sized at a comfortable level for all parties involved.

**Stephen De May**, senior v.p. and treasurer at Duke Energy, was overseas and was unavailable for comment. Other officials were unavailable due to the **American Wind Energy Association** Conference in Dallas.

## Missouri Utility Balances Debt

**Empire District Electric Co.** is issuing \$100 million in new debt to pay down hybrids and a bond. The 4.65%, 10-year first-mortgage bonds were priced last Monday and were set to close May 28 after *PFR* went to press.

The issue was planned for this quarter and first-mortgage bonds were chosen because of the market and pricing, says **Jan Watson**, secretary-treasurer at the utility in Joplin, Mo. She wouldn't reveal the pricing on the new issue, but says she is happy with it.

Half of the \$100 million issue will pay down 30-year, 8.5% trust preferred securities, which were issued in March 2001. The remaining proceeds will repay 6.5% first-mortgage bonds, which matured on April 1 of this year.

**Banc of America Securities** and **Wells Fargo Securities** are the joint book-running managers for the sale, with **Morgan Keegan & Co.** and **U.S. Bancorp Investments** as co-managers. They are all relationship firms, notes Watson.

## Georgia Power Taps Lower Rates

Georgia Power is taking advantage of low interest rates by recalling senior notes at par and replacing them with \$600 million in Series 2010B senior notes carrying lower coupons.

The notes have coupons of 5.4%, against 5.9% and 6% for the recalled retail notes. The **Southern Co.** subsidiary's new unsecured bonds are 30-year senior notes, whereas the redeemed \$350 million in senior notes are due in 23 years, says **David Brooks**, managing director of Southern Co.'s capital markets. "They are better rates and they're 30-year bonds," he says. "So we're stretching [the debt] out."

On May 20 and May 21, bookrunners **Bank of America**, **Goldman Sachs**, **J.P. Morgan**, **RBS Securities** and **SunTrust Robinson Humphrey** deemed the market too tight to introduce \$600 million in notes, says **Omar Zaman**, a director at

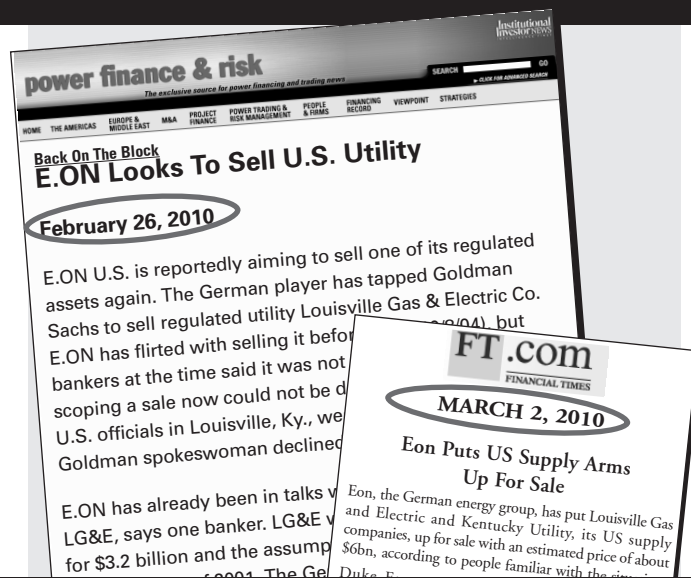
**SunTrust** who helped construct the deal. But on Monday, May 24, health care company **Abbott Laboratories** hit the market. "We heard that transaction was going very well, so we decided to test the waters," Zaman explains. "We found a decent, broader market tone and [Georgia Power] has a strong name. It was a good order book."

The bond issuance is Georgia Power's second installment in three months—and probably the last for 2010, Brooks says. In March, Georgia Co. offered \$350 million in series 2010A floating rate senior notes due March 2013 to help reduce about \$239 million in short-term debt, according to **Shalini Mahajan**, an analyst at **Fitch Ratings**. The debt issuances didn't surprise Mahajan, noting Georgia Co.'s heavy construction budget. She assigned an A+ rating to the March issuance, with a negative outlook.

The \$600 million in new bonds will be priced at 135 basis points over 30-year Treasury bills, marked at 4.09%, Brooks says. The other \$250 million raised is earmarked for ongoing projects, including the third and fourth units of the Vogtle nuclear site.

**Thomas Croft** of Bank of America and **Peter Madonia** at J.P. Morgan also anchored the team of bookrunners. Neither could be reached for comment.

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## News In Brief

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

### Americas

- Energy companies are lobbying to be exempt from the financial overhaul bill that Congress is holding final negotiations over. The energy industry is specifically concerned with the definitions surrounding derivatives and the parties involved in those transactions (*Wall Street Journal*).
- Tokyo-based **Toshiba** and Virginia-based **The Babcock & Wilcox Co.** are jointly investing \$200 million to promote uranium enrichment technology being developed by **USEC** after **USEC** was left out of a \$2 billion U.S. federal loan guarantee (*Bloomberg*).
- **Entergy** CEO **Wayne Leonard** said new nuclear generation is still too expensive, citing the economics of construction as too risky for many companies, including his own. Entergy suspended two applications filed with the **Nuclear Regulatory Commission** to build reactors in 2008 due to challenges in construction negotiations (*Reuters*).
- Private equity firm **First Reserve** is looking to invest further in alternative energy after a joint venture totaling \$1.5 billion with solar developer **SunEdison**. The venture will develop projects in Italy, Spain, the U.S. and Canada (*Wall Street Journal*).
- A 1 MW solar project developed and owned by **Duke Energy** is operating in Charlotte, N.C. It is **Duke Energy Generation Services'** first renewable project in the state (*PRNewswire*).
- **Thomas Reuters** has agreed to acquire **Point Carbon**, a Norwegian provider of energy and environmental data company. The transaction is expected to close in the coming weeks (*BusinessWeek*).
- Massachusetts is attempting to settle a lawsuit filed by **TransCanada Power** in April, which claimed the requirement that utilities negotiate long-term power purchase agreements from state energy providers and a new state incentive for local solar developments both violate the Commerce Clause of the U.S. Constitution by discriminating against out-of-state parties (*Boston Globe*).
- Connecticut Gov. **Jodi Rell** has vetoed a 129-page bill that would have overhauled the state's energy policy, citing consumers would have paid higher rates (*BusinessWeek*).
- **Energy Transfer Equity** has acquired partner **Regency Energy Partners**, resulting in the ownership of pipeline firm **Energy Transfer Partners** and natural gas company **Regency**. ETE used its preferred units, worth about \$300 million, to buy all of

**Regency's** general partner from an affiliate of **GE Energy Financial Services** (*BusinessWeek*).

- Midwest utility **CMS Energy** has announced plans to delay the development of a \$1 billion, 830 MW coal plant near Bay City, Mich., due to declining power demand and declining gas prices (*Wall Street Journal*).
- European energy utility **EDP Energias de Portugal** is expecting two projects totaling \$900 million to come online in Brazil by year-end and expects its earnings in the country to grow by 10% as it continues to build wind, hydro and gas projects in the country (*Bloomberg*).

### Europe

- **UIL Holdings** has agreed to acquire three plants in New England from **Iberdrola** for approximately \$1.3 billion and is planning to issue debt and equity to fund the purchase (*Wall Street Journal*).
- The Queen of England announced new legislation will be introduced to improve energy efficiency and support low carbon energy (*NewEnergyFocus*).

### Asia/Pacific

- New South Wales is aiming to sell three retail electricity businesses which together could be worth up to AUD\$3 billion (\$2.49 billion), according to **Citigroup**. The government is planning to release more details of the sale process to prospective bidders July 1 and complete the sale by year-end (*Bloomberg*).
- Japan could become the leader in geothermal energy if it focused on that fuel type, said **Lester Brown**, prominent environmentalist and president of the U.S.-based **Earth Policy Institute** yesterday (*AFP*).
- U.S. Secretary of Commerce **Gary Locke** said various American energy firms are interested in investing in sustainable energy in Indonesia, including **Peabody Energy** and **General Electric** (*Jakarta Globe*).
- **China Huaneng Group** has agreed to buy 1.8 GW of wind turbines from local suppliers for CNY8.06 billion (\$1.2 billion) in order to meet the China's goal of at least 15% of its energy coming from renewable resources by 2020 (*Bloomberg*).
- India is said to be working on a program for new renewable energy certificates to increase investment in the country's thriving renewables arena (*BusinessGreen*).

## Project Finance Deal Book

*Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. The entries below are of new deals or deals where there has been change in their parameters or status. 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@iinews.com](mailto:beckhouse@iinews.com).*

### Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES	Mong Duong II (1,200 MW coal)	Vietnam	TBA	TBA	TBA	TBA	Bankers anticipate the project to cost at least \$2.4B (PFR, 5/24).
Catalyst Renewables, Hannon Armstrong	50 MW Hudson Ranch I (geo)	Salton Sea, Calif.	WestLB, ING, SocGen	Mini-Perm	\$297M	7-yr	Financial close reached on \$401 million deal (PFR, 5/24).
Cavallo Energy	Cross Hudson Transmission	Ridgefield, N.J.-to-New York	TBA	TBA	\$400-\$450 M	TBA	Bidding process to secure shippers started May 17 (PFR, 5/17).
Edison Mission Group	Laredo Ridge Wind Energy Project	Petersburg, Neb.	TBA	TBA	TBA	TBA	Club deal with pricing at 250 bps over LIBOR (PFR, 5/17).
El Paso	Ruby Pipeline (675-mile Natural Gas Pipeline)	Wyoming to Oregon	Credit Suisse, Calyon, BMO, Scotia, SocGen, Banco Santander, RBS	TBA	\$1.5B	7-yr	Financial close reached (PFR, 5/17).
enXco	Lakefield (201 MW Wind)	Minnesota	Dexia, SocGen, Banco Santander, CoBank	TBA	TBA	TBA	Financing restarts after PPA overhauled (see story, page 4).
First Wind	Milford II (100 MW Wind)	Milford, Utah	TBA	TBA	\$220M	TBA	Expected to close this month (PFR, 5/3)
Horizon Wind Energy	Meadow Lake II	White County, Ind.	TBA	TBA	TBA	TBA	JPMorgan Capital selling tax equity stake (PFR, 5/4).
Hudson Transmission Partners	Hudson Transmission	Ridgefield, N.J.-New York	RBS, SocGen	TBA	TBA	TBA	Loan size ranges from \$300-800 million depending on whether NYPA buys project (PFR, 5/17).
Invenergy	Beech Ridge (100.5 MW Wind)	Greenbrier County, W. Va.	TBA	TBA	TBA	TBA	Financial close expected soon on scaled down project (see story, page 3).
Kruger Energy	Chatham (100 MW Wind)	Ontario	Deutsche Bank	Mini-Perm	\$220M	3-yr	Financial close reached (see story, page 1).
Panda Energy	Two 15-20 MW photovoltaic projects	TBA	TBA	TBA	TBA	TBA	Con Edison Development will assist with financing (PFR, 5/3).

For a complete listing of the Project Finance Deal Book, please go to [iipower.com](http://iipower.com).

## EURO RENEWABLES

(continued from page 1)

European Bank for Reconstruction and Development in order to qualify for future funding. It is also looking to the **European Investment Bank**—a source it has not yet tapped into, she notes.

EuroCape will bring its first project online this summer—a 24 MW wind farm in France—and is working on the 8 MW first stage of a wind project in Romania, its minority interest in a 260 MW wind farm in Poland and a 45 MW wind park in Sicily, Italy. EuroCape is working on securing land-agreements and grid connections for a 450 MW wind project in Ukraine.

The company is open to buying and selling projects at a certain stage of development, says Peterson. A project would have to be somewhere between greenfield and operational if EuroCape would buy, she says, and quality is key. The company is also open to partnerships, especially with large utility companies for bigger developments. EuroCape sold its northern French wind assets and development subsidiary to **Energie de Portugal's** subsidiary

EDP Renováveis in a transaction valued at over EUR100 million in April 2008.

EuroCape was the brainchild of **Rudolf Schulz**, former cfo of wind manufacturer **Nordex**, and **Stephen Kenyon-Slade** about a decade ago, but was not formally founded until 2008.

—Katie Hale

## LEASEBACK DEALS

(continued from page 1)

says it is lessee on the 1.3 GW Rockport II plant in Indiana. The 33-year lease was signed in 1989. It will have to add environmental upgrades by 2019. The spokesman declined comment on whether it is negotiating with the lessor. On the other side of the fence, **PSEG Resources** is lessor on a number of facilities, says a spokesman, who adds lessees are responsible for upgrades.

Many coal plants under these agreements need upgrades to meet tightening greenhouse gas emissions. The issue will continue to surface over the next several years as more coal plants



are subject to the clampdown. "The urgency with which people are studying these contracts is new. The structure can complicate and affect the decision process about whether to improve a unit or shut it down. It's giving people heartburn," says **Timothy Toy**, a private practice lawyer in New York. Toy is advising lessees, mostly independent power producers, on about a dozen contracts. He declined to disclose names.

The upgrades, from selective catalytic reduction to scrubbers, can be costly. Under typical contracts, there is no obligation for the lessor to foot the costs. "If [this is] not spelled out in the contract then it's kind of like going down on bended knee to the lessor to get a deal favorable to the lessee," says **Lawrence Gannon**, partner at **White & Case** in New York, who worked on many deals at the outset but is not re-examining the provisions.

Sale and leasebacks were used as a form of financing for utilities in the 1980s and caught on with IPPs in the late 1990s and early 2000s. Lessors, or the current owners, are usually entities with large tax appetites, such as banks and companies with leasing units. Agreements have life spans of roughly 35 years.

Lessees have a few options, ranging from negotiating an early extension of the lease to maximizing the return on investment to finding ways to build so the lessor does not own the physical upgrade. Another option, albeit unlikely, is for the lessee to prematurely buy out the lease, says a banker. —**Holly Fletcher**

## DEUTSCHE BANK

(continued from page 1)

One longtime project financier, upon hearing last week of Deutsche Bank's rumored involvement in a debt deal, was convinced the bank would not be lending given its sideline status. Another veteran banker speculates Deutsche Bank may be returning now because it sees opportunity given the waning appetite of some other lenders.

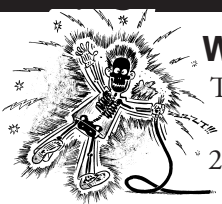
The bank has been active in other power areas. Earlier this month, **National Wind** lined up a senior secured credit facility with Deutsche Bank, as the developer pushes U.S. expansion efforts. Deutsche Bank also is advising on a **Solar Trust of America** 500 MW solar thermal project in Southern California, Chatterjee says. The Cleveland-based Solar Trust is a joint venture between **Solar Millennium AG** and German engineering and procurement contractor **Man Ferrostal**.

On the Chatham deal, **Scotia Capital** and **Rabobank** are among the banks taking \$40 million tickets, Chatterjee says. **Allied Irish Bank**, largely out of power finance in recent months, was a small participant, a deal watcher says. Pricing was about 325 basis points over LIBOR.

Construction on the farm began in February, with a completion date targeted for late 2011.

**Jean Roy**, Kruger's v.p. of operations in Montreal, and officials at BNP did not return calls seeking comment. Bankers at Scotia and Allied Irish declined comment. —**Brian Eckhouse**

## Alternating Current

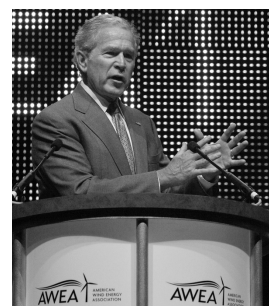


### Wind, Dallas, Dubya

The American Wind Energy Association landed a big name for its WINDPOWER 2010 Conference last Tuesday: ex-President **George W. Bush** gave the keynote address to the attendees in Dallas. While "renewables" may not be the first word associated with Bush, he made a good stab at touting renewable energy and the need for a long-term investment in wind power. And, to prove he is a practitioner of what he preaches, he revealed the home he shares with wife **Laura Bush** outside of Crawford, Texas, is powered by geothermal energy.

Also, in 1999 then-Governor Bush signed into Texas law a renewable energy program, which has helped the state exceed its goal of having 10 GW in renewables capacity by this year. Almost 100% of those megawatts come from wind. President Bush mentioned it's in the nation's security interests and "economic interests that we diversify away from oil."

It also appears windophilia might be in Dubya's interest for another reason. He is rumored to have been compensated \$100,000 for the speech. An AWEA spokeswoman in Washington, D.C., directed questions on the matter to an official at his office in Dallas who declined to comment. Normally, President Bush charges \$150,000 for his engagements, but he graciously discounted his fee because the event was located in his hometown. That's a Texas-sized gas discount, we reckon.



W\$\$S\$ind is Good!

Photo: Randy Eli Gruthe, used with permission from AWEA.

## Quote Of The Week

"If [this is] not spelled out in the contract then it's kind of like going down on bended knee to the lessor to get a deal favorable to the lessee." —**Lawrence Gannon**, partner at **White & Case** in New York, on who foots the bill for coal plant upgrades under leveraged lease (see story, page 1).

## One Year Ago In Power Finance & Risk

**Duke Energy** was seeking a portfolio financing of wind projects acquired from **Gamesa Energy USA**. [The hunt continued for more than a year, wrapping last week, when Duke leveraged five farms with a 15-year, \$325 million term loan and \$50 million in credit from several banks, including **BBVA**, **Banco Santander**, **Bank of Tokyo-Mitsubishi** and **CoBank** (see story, page 4).]