

# Power Finance & Risk

The weekly issue from **Power Intelligence**

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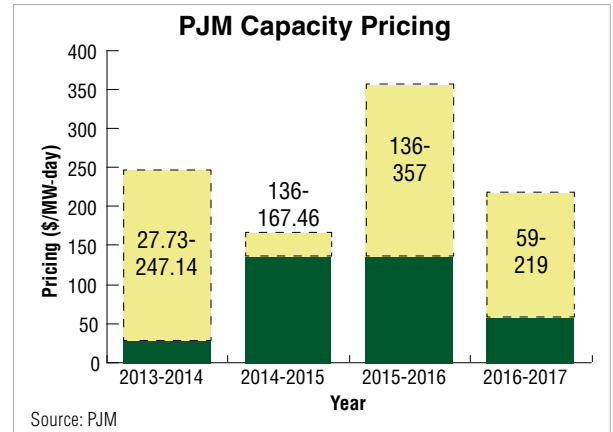
## PJM Pricing Softens Merchant Prospects

Lower than expected PJM capacity pricing has tempered the outlook on the region's merchant prospects as a record amount of power was imported from other regions. "Most expected [capacity pricing] to be moderate to last year, but not to this extent," says one developer with combined cycle projects in the region.

Pricing came in at \$59-219 per MW-day for 2016-2017 versus \$136-357 for the preceding year. The 2013-2014 pricing scheme of \$27.73-247.14 starts June 1. Capacity pricing is the wholesale price of power and the level is determined by analyzing the cost of power from facilities that bid into the market.

The results varied within PJM itself with the eastern outpost in New

(continued on page 16)



## Q&A

### Investec Q&A

**Ralph Cho** and **Michael Panteloganis** started as co-heads of power in North America at **Investec** earlier this year after nine years working together at **WestLB**. Founded in Johannesburg, South Africa, in 1974, Investec is listed on the Johannesburg and London Stock Exchanges. It is looking to build out its business in North American power by developing a platform of flexibility. Cho and Panteloganis sat down with Senior Reporter **Nicholas Stone** to discuss their first few months with the bank, where they are seeing opportunities in the market and what they are looking to achieve.

(continued on page 14)



Michael  
Panteloganis



Ralph Cho

### LS To Roll Out B Loan

**LS Power** has launched a refinancing of its \$750 million LSP Madison term loan B. The \$450 million dividend recapitalization was launched at a 2 p.m. bank meeting run by arrangers **Credit Suisse** and **Goldman Sachs** on May 30.

The seven-year loan is set to be pitched with a 12-month soft call of 101, says a deal watcher. Commitments will be due June 17. Proceeds will be used as a dividend and to refinance the existing B loan.

There is about \$375 million outstanding on the existing loan because principal has been reduced through asset sales. The original portfolio backing the loan has been reduced over the last year through the sale of its Blythe plant in California. Two other plants, Riverside in Kentucky and Doswell in Virginia, were refinanced in the first quarter in order to sell them ([PI, 1/24](#)). Doswell is up for sale now ([PI, 5/2](#)).

The original loan was signed at LIBOR plus 425 basis points with a 125 bps LIBOR floor ([PI, 6/18](#)). It had a 102 first year call

(continued on page 16)

## Power Finance & Risk is pleased to announce the winners of the 10<sup>th</sup> Annual Power Finance Deals & Firms Awards

Nearly 100 active borrowers, asset acquirers and sellers, lenders and advisors voted in our new and expanded awards process. **Invenergy**, **Mitsubishi UFJ Financial Group** and **Marathon Capital** are among the winners recognized by their peers for excellence in the power industry. For a full list of winners, see page 12.

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## THE BUZZ

## LNG, B Loans Keep Up The Pace

**C**heniere Energy has again looked to rework the debt on its Sabine Pass liquefied natural gas export facility. The Houston-based developer has tapped the **Export-Import Bank of Korea** and the **Korea Trade Insurance Corp.** for \$1.5 billion in debt, while increasing the original term loan facility to \$4.4 billion from \$2.3 billion (see story, page 8). Twenty-seven banks have piled into that term loan, with many looking at the pipeline of deals in the asset class.

One of the reasons for the increased number of investors—aside from the size of the deal—has been a lack of financing flow in the generation sector. Partly regulatory in nature, partly due to overcapacity, new projects have been thin on the ground so far this year. News that the **Los Angeles Department of Water and Power** has issued a 200 MW request for proposals for a solar development will be welcome by many (see story, page 9).

**LS Power** is tapping the hot institutional debt market. The private equity shop is out to refinance a \$750 million B loan it inked last year for subsidiary **LSP Madison**. The collateral portfolio has morphed over the last 12 months as LS sold the Blythe combined cycle plant in California to **AltaGas** and removed the Doswell CCGT and Riverside peaker in anticipation of auctions (see story, page 1). Chatter is that LS won't be the only shop out refinancing—even though several portfolios have already been on the investor catwalk, several more are in the queue.

**Liberty Mutual Insurance** is acting on the option to convert debt investments in **Invenergy's** 2.84 GW wind portfolio into equity. The insurance fund inked its first investment in the IPP in 2007 and has steadily grown its commitment, making Invenergy among its top 10 largest investments (see story, page 10). Under the agreement, the conversion option was set for the end of 2013 but Liberty Mutual has chosen to convert earlier, says a deal watcher. Earlier this year, Invenergy snagged a \$500 million equity investment from **Caisse de dépôt et placement du Québec** in a baker's dozen of wind farms totaling 1.5 GW in the U.S. and Canada ([PI, 1/9](#)).

## TELL US WHAT YOU THINK!

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

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

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**Intelligence**

**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](http://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).
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Aiming to find a buyer by end of July (PI, 5/20).
BP Wind Energy	Various (Wind portfolio)	Various	None	Has had initial chats with suitors, may bring in advisor later (PI, 5/20).
Capital Power	Tiverton (265 MW CCGT) Rumford (265 MW CCGT) Bridgeport (520 MW CCGT)	Tiverton, R.I. Rumford, Maine Bridgeport, Conn.	Morgan Stanley	Teasers went out recently (PI, 4/29).
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 (PI, 5/13).
First Solar	Campo Verde (139 MW Solar)	Kern County, Calif.		Southern Power and Turner Renewables are buying it.
GDF SUEZ Energy North America	Armstrong Troy (609 MW Peaker) Calumet (303 MW Peaker) Pleasants (304 MW Peaker)	Pennsylvania Ohio Illinois West Virginia	Bank of America	BoA is prepping teasers (PI, 5/27).
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) Forked River (86 MW Gas) Pawtucket (64.6 MW Gas) Pittsfield (170 MW Gas) Basin Creek (53 MW Gas)	Hartford, Conn. Ocean River, N.J. Pawtucket, R.I. Pittsfield, Mass. Butte, Mont.	Credit Suisse	First round bids due between 2/18-2/15 (PI, 2/11).
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	Process iced for run at Toronto Stock Exchange listing (PI, 5/27).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont. Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
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	Mexicali (625 MW Gas)  Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar) Mesquite 1 (150 MW Solar)	Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.		The Sempra Energy unit is talking with prospective advisors (PI, 10/22). ConEd has bought 50% stakes of Mesquite and Copper Mountain (see story, page 10).
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	The company is in talks with a handful of parties (PI, 4/22).

► **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail [hffletcher@powerintelligence.com](mailto:hffletcher@powerintelligence.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
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.	TBA	TBA	~\$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	\$4.4B	TBA	Sponsor ups the original bank loan to \$4.4 billion and taps Korean entities for a further \$1.5 billion (see story, page 8).
Competitive Power Ventures	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	\$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
	Shore (663 MW Gas-fired)	Woodbridge, N.J.	GE EFS	Term Loan	\$585M	TBA	CPV is looking to wrap the deal, despite still facing a legal battle over the PPA (PI, 5/27).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	\$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be \$800 million (PI, 3/11).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill County, Pa.	CCA Capital	TBA	\$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Fiera Axiom, 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).
Genesis Power	Keys Energy Center (750 MW Gas)	Brandywine, Md.	TBA	TBA	TBA	TBA	EIF is taking an equity stake in the project (PI, 3/4).
Greengate	Blackspring Ridge I (300 MW Wind)	Lethbridge, Alberta.	Citigroup	TBA	~\$600M	TBA	Sponsor may be looking for financing or to sell (PI, 9/10).
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 (PI, 5/13).
Innergex	Northwest State Rive (17.5 MW Hydro)	B.C., Canada	Industrial Alliance Insurance and Financial Services Co.	TBA	\$70M	40-yr	Deal wraps (see story, page 8).
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	Pricing, timeline emerge on Liberty term loan B (PI, 5/27).
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) Amalia (8 MW Hydro) Mopa (5 MW Hydro) Platanos (14 MW Hydro) Verde Cluster (37 MW Hydro)	Guatemala Guatemala Guatemala Guatemala Mexico	TBA TBA TBA TBA TBA				Sponsor is looking for \$223 million in debt and equity (PI, 5/6).
Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	\$700M	TBA	Panda's oversubscribed deal is expected to tighten to LIBOR plus 600 basis points (PI, 4/8).
Pattern Energy	Panhandle (322 MW Wind)	Carson County, Texas.	BayernLB, Crédit Agricole, NordLB	Bridge to Tax Equity	\$500M	2-year	The sponsor has mandated three leads for the bridge loan, as pricing emerges (PI, 3/25).
Ridgeline Energy	Meadow Creek (120 MW Wind)	Bonneville County, Idaho	TBA	TBA	\$180-200M	TBA	Sponsor discusses financing with lenders, equity with Diamond Generating Corp. (PI, 5/28).
Samsung Renewable Energy	Gran Renewable (100 MW Solar PV)	Haldimund County, Ontario	TBA	TBA	TBA	TBA	The sponsor is talking to banks looking for debt for the project (PI, 5/27).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	\$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~\$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).
Terra-Gen Power	Alta Wind X-XII (TBA MW Wind)	Tehachapi, Calif.	TBA	TBA	TBA	TBA	Sponsor is looking to finance another two, possibly three, phases of the project (PI, 3/18).

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## 10<sup>th</sup> Annual Power Finance Deals & Firms Awards

### THE WINNERS

*The industry has spoken. We revamped the format of our awards and expanded the category slate this year. In place of editorially selected awards, each category was directly adjudicated by borrowers, investors, bankers and advisors active in the Americas in an online poll in April and May.*

*Here is this year's roster of excellence:*

#### Project Finance Borrower Of The Year INVENERGY

*The voters' voice:*

"Simply for the breadth of their expertise and the fact that they completed so many financings in 2012"

"The breadth of borrowings among solar, natural gas and wind among U.S. and non-U.S. projects and investors is difficult to match"

"Flawless execution and internal and external team coordination and an ability to anticipate issues and develop strategies to address for quick resolution"



**Michael Polsky,**  
President and CEO of  
Invenery

#### Best Project Finance Lender For Renewables Generation

MITSUBISHI UFJ FINANCIAL GROUP

*The voters' voice:*

"Very creative"

"Did what they said they would do. Smart and dependable"

"They've been an active participant and do not shy away from implementing novel structuring features to execute challenging mandates"



**Jon Lindenberg,** MUFG head of  
Project Finance for the Americas

#### Best Project Finance Lender For Non-Renewables Generation

MITSUBISHI UFJ FINANCIAL GROUP

*The voters' voice:*

"Strong and quick execution capabilities"

"Best all around capabilities and support, deepest bench, etc."

"Presence seemingly everywhere and very easy to transact with"

#### Best Institutional Investor In Power PRUDENTIAL CAPITAL GROUP

*The voters' voice:*

"They have been very active investing in hybrid structures and taking long term risk"

"They show great flexibility with accommodating difficult projects... responsive, reasonable"



**Ric Abel,** managing director of  
Pru's energy finance group

#### Project Finance Bond Arranger Of The Year BARCLAYS

*The voters' voice:*

"Knows the market"

"They did a great job on Topaz"

"Sheer volume and generally recognized as best bond house"

#### METHOD

In early April we launched an online poll of power company officials, investors, bankers, lawyers and consultants to determine who were the leading players and top deals in the Americas in 2012.

Voting was open to all active in the sector. Polls closed May 9 with clear results in 10 categories. With races too close to call in the judgment of the editors, five categories were put in to a second round of voting to determine the winners.



## 10<sup>th</sup> Annual Power Finance Deals & Firms Awards

### Renewables Project Finance Deals Of The Year

#### OCOTILLO

**Sponsor:** Pattern Energy

**Asset:** 265 MW wind project in Imperial Valley, Calif.

**Deal Size:** \$600 million

**Lender Roster:** North American Development Bank, Deutsche Bank and RBC Capital Markets

*The voters' voice on Ocotillo:*

"First project to deliver power over the Sunrise Power Link and has also received awards from the **National Association of Environmental Professionals** and the **California Association of Environmental Professionals** for outstanding environmental analysis"



Ocotillo

#### TOPAZ

**Sponsor:** MidAmerican Energy Holdings

**Asset:** 586 MW solar project in Imperial Valley, Calif.

**Deal Size:** \$850 million in bonds

**Book Runner Roster:** Barclays, Citigroup, Royal Bank of Scotland

*The voters' voice on Topaz:*

"Opened the bond market for solar"

"A pioneering \$1.2 billion deal...first ever solar photovoltaic project and the largest renewable energy project financed in the 144A private placement market"



Topaz Solar Farm

### Non-Renewables Project Finance Deal Of The Year

#### SABINE PASS

**Sponsor:** Cheniere Energy

**Asset:** First trains of the liquefied natural gas export project that will have 16.9 billion cubic feet of capacity and 4 bcf in re-gasification and send-out capacity.

**Deal Size:** \$3.6 billion

**Lender Roster:** Bank of Tokyo-Mitsubishi, Crédit Agricole, Credit Suisse, HSBC, JPMorgan, Morgan Stanley, Royal Bank of Canada and Société Générale.

*The voters' voice:*

"Because of outstanding amount of debt raised"

"Largest PF loan in years. Opened a new asset class"



### M&A Asset Deals Of The Year

#### GWf ENERGY

**Buyer:** Highstar Capital

**Seller:** Harbert Power

**Assets:**

- 95 MW Hanford in Kings County, Calif.
- 97 MW Henrietta in Kings County, Calif.
- 314 MW Tracy in Stockton, Calif.

**Buyside Advisors:** Barclays

**Sellside Advisors:** Merit Capital Advisors, Morgan Stanley

#### MIDLAND COGEN

**Buyer:** Borealis Infrastructure

**Seller:** EQT Infrastructure, Fortistar

**Asset:** 1.56 GW Midland gas-fired cogen in Midland, Mich.

**Purchase Price:**

\$1.3-1.4 billion

**Buyside Advisors:** None.

**Sellside Advisors:** Credit Suisse, Royal Bank of Canada



Hanford



Tracy

## 10<sup>th</sup> Annual Power Finance Deals & Firms Awards

### Best Seller Of Power Assets LS POWER

*The voters' voice:*

"They just know how to get the most out of an asset"

"They always seem to get top dollar for their assets"



**Paul Segal**, *ceo of LS Power*

### Best Buyer Of Power Assets LS POWER

*The voters' voice:*

"Ability to acquire large portfolios of disparate assets"

"They buy in bulk and cheaply and are able to 'distribute' afterwards"

### Best Renewable Asset M&A Advisor MARATHON CAPITAL

*The voters' voice:*

"They just seem to be the go-to advisory for small and middle size developers looking to divest projects"

"Seem to have carved out a very strong position"

"Number of mandates"



**Ted Brandt**, *co-founder and ceo of Marathon*

### Best Non-Renewable Generation Asset M&A Advisors

**BANK OF AMERICA**

**BARCLAYS**

**SCOTIA**

### Best Corporate M&A Advisor

**MORGAN STANLEY**

### Best Law Firm For Asset M&A

**LATHAM & WATKINS**

### Best Law Firm For Project Finance

**LATHAM & WATKINS**

*The voters' voice on Latham:*

"Sheer volume of deals"

"Best bench and expertise"

"Jonathan [Rod] remains top of the field"



**Jonathan Rod**, *partner at Latham*

**MILBANK, TWEED, HADLEY & MCCLOY**

*The voters' voice on Milbank:*

"A perennial leader in project finance. The firm was once again dominant in the [league tables]"

"They have comprehensive energy and renewables experience and a deep bench"

## PROJECT FINANCE

## Sabine Upsizes Debt, Taps Koreans

**Cheniere Energy** has increased the senior secured loan backing its Sabine Pass liquefied natural-gas export facility to \$4.4 billion from \$2.3 billion and netted \$1.5 billion of additional debt from the **Export-Import Bank of Korea** and the **Korea Trade Insurance Corp.**

**Bank of Tokyo-Mitsubishi, Cr dit Agricole, Credit Suisse, HSBC, JPMorgan, Morgan Stanley, Royal Bank of Canada and Soci t  G n rale** led the original seven-year loan, which priced at 350 basis points over LIBOR for the first four years, bumping up to 375 bps over LIBOR for the remainder ([PI, 7/19](#)). Two additional banks have taken tickets in the bank loan, says an observer, although their identity could not be learned by press time. Banks had been concerned about over-committing to the project ([PI, 2/22](#)), but a dearth of activity is seeing them take larger tickets, with some banks committing up to \$400 million to the facility, says a deal watcher.

"It is unusual for them to up the debt because in project finance there is normally a restriction on increased indebtedness," says a deal watcher. "But with the LNG export facilities having multiple stages, you may see debt flexed up more commonly."

The company, via subsidiary **Sabine Pass Liquefaction**, intends to draw an additional \$420 million of senior secured debt as a direct term loan facility from the KEXIM and \$1.08 billion from a syndicate of Korean banks via a covered term loan facility that will be guaranteed by KEXIM and the Korea Trade Insurance Corp. That debt matures in 2020.

"They are looking to have diversified funding," says a deal

watcher. "It is a lot of debt to place and they opened up bank capacity again by issuing the bonds earlier this year. The appetite in the market is there and the ease with which they can get the funds with their credit agreement helped." Once Sabine Pass is operational, Cheniere expects to see cash flows of about \$1.8 billion per year, via the 20-year sale and purchase agreements the company has with **BG Gulf Coast LNG, Gas Natural Aproveisionamientos SDG S.A., KOGAS and GAIL.**

Cheniere has still only drawn down \$100 million of the now \$4.4 billion bank loan. It has so far relied on balance sheet and equity financing to fund activity. **Blackstone** contributed \$2 billion in equity to the first stage of the project and that has helped bring banks to the deal, notes an observer.

Total project debt of \$8.9 billion will now consist of the \$4.4 billion bank loan facility, \$2 billion of bonds due in 2021, \$1 billion of bonds due in 2023, the \$1.08 billion covered facility and the \$420 million from KEXIM. The issues all rank *pari passu* with each other. The original \$3.6 billion term loan commitment was reduced to \$2.3 billion through an April 2013 bond refinancing ([PI, 4/16](#)).

**Standard & Poor's** has assigned a BB+ rating to the two new tranches of 2020 debt and affirmed the BB+ ratings on the existing 2019 term loan facility. Bank officials either declined comment or did not respond to inquiries. Officials at Cheniere did not respond to inquiries by press time. Whether the terms of the bank loan have changed with the upsizing could not be learned by press time.

## Innergex Seals B.C. Hydro Financing

**Innergex Renewable Energy** has closed a C\$72 million (\$69.63 million) construction and term loan backing the 17.5 MW Northwest Stave River run-of-river hydro facility in Mission, British Columbia. Life and health insurance company **Industrial Alliance Insurance and Financial Services Inc.** is the agent and lead lender. Closed-end fund **Stonebridge Infrastructure Debt Fund I** participated.

The construction loan will carry a fixed interest rate of 5.3%. At the commencement of commercial operation, the debt will convert into a 40-year term loan and the principal will be amortized over a 35-year period, starting in the sixth year.

The Toronto-based Stonebridge fund was launched in 2012 with over \$200 million and a focus on lending to energy and infrastructure assets. Canadian pension funds and the **Business Development Bank of Canada** are the main investors. Quebec City-based IAIFS had been a prominent lender in the 90s and early 2000s to power and energy infrastructure projects. A lack of projects had meant a quiet period for the company in project lending, despite its appetite for deals.

"We were looking for 40-year money and there are very few players in Canada willing to do it," says **Jean Trudel**, chief investment officer at Innergex. Innergex officials approached a number of

lenders, including **Manufacturers Life Insurance Company**, which had lent to its C\$168.5 million (\$165.8 million), 49.9 MW Kwoiek Creek facility, also in British Columbia ([PI, 7/19](#)). Longueuil, Quebec-based Innergex selected IAIFS to lead the deal after it showed interest in bulking up its infrastructure investment portfolio. IAIFS then approached Stonebridge to contribute debt to the project.

"This was a good way to secure long-term, reliable cash flows for our investors," says **Louis Belanger**, managing director at Stonebridge. "These hydro assets are particularly attractive for those funds, which want that fixed-rate, senior debt," he adds. The removal of risk, due to Innergex having already largely funded the construction on balance sheet, was an attractive proposition for investors, he adds. Construction began in 2011 and commercial operation is expected to begin in the fourth quarter of this year. The project will be 80% levered, with Innergex providing the remaining C\$19 million (\$18.37 million) in equity.

All of the power will be bought by **BC Hydro** pursuant to a 40-year fixed-price power purchase agreement, which was obtained under that province's 2008 Clean Power Call request for proposals. Officials at IAIFS were not immediately available for comment. Calls placed to officials at ManuLife were not returned by press time.



## STRATEGIES

## LADWP Issues RFP For 200 MW Of Solar

The **Los Angeles Department of Water and Power** has issued a request for proposals for 200 MW of utility scale solar to be built at a formerly **NextEra**-owned site in Kern County in the Mojave Desert, Calif.

The LADWP bought the Beacon solar project from NextEra for \$31.5 million last year, due the site's proximity to a number of agency-owned assets, such as substations and its 135 MW Pine Tree wind project. That deal included 2,539 acres of land and associated permits and licenses for the project. The LADWP is now looking to find a builder for the site. Whether a specific solar type was preferred could not be learned by press time, although the site was originally slated to be concentrated solar before NextEra switched to photovoltaic. A spokesman at Juno Beach, Fla.-based NextEra did not respond to calls and why NextEra decided to sell the project could not be learned.

The deadline to apply to the RFP is July 19 and the contracts will be awarded on Dec. 17. The facilities will need to enter commercial operation in the second half of 2016. The LADWP will handle the evaluation process.

The winner of the RFP will enter into a power purchase

agreement with the LADWP, with an \$85 per MWh cap for the energy, a ground lease agreement for the Beacon land and interconnection agreements. LADWP will provide a lease for the Beacon sites and charge the developer for the use of certain infrastructure, including a substation and a 230 kV transmission line. The successful bidders will be responsible for financing, engineering, constructing, operating and maintaining the facility.

The LADWP issued a solar RFP in October last year, which was a response to a successful pilot program that received 26 bids for 10 MW of generation. The current status of that RFP could not be learned by press time. Officials at the LADWP did not respond to inquiries by press time. The LADWP awarded **K Road Power** a 25-year, \$1.6 billion power purchase agreement in November last year for its 350 MW Moapa Solar photovoltaic facility. Whether the PPA with K Road was the result of a former RFP could not be learned.

The RFP was announced at the same time as a 150 MW feed-in tariff program for distributed and local generation, of which 50 MW will need to be built at the Beacon site. The RFP is part of California's 33% renewable energy portfolio standard and also part of LADWP's strategy to transition away from coal-fired power.

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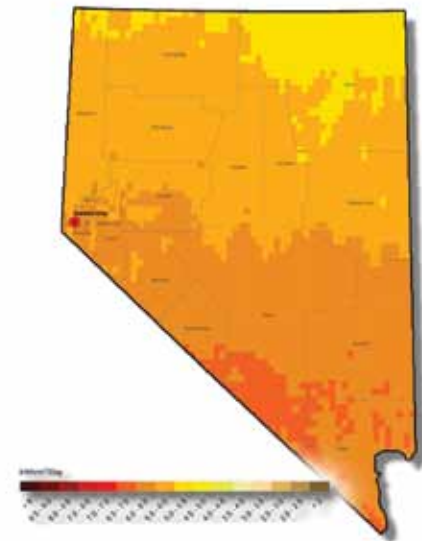
## MERGERS &amp; ACQUISITIONS

## ConEd Unit Buys Into Sempra Solar

A subsidiary of **Consolidated Edison** has agreed to a solar joint venture with **Sempra U.S. Gas & Power**. Under the agreement, **ConEd Development** will own 50% of the Copper Mountain II and Mesquite I assets totaling 320 MW.

The JV will include the 150 MW Copper Mountain 2 in Nevada and the 170 MW Mesquite project in Arizona, which went online this year. They are contracted to **Pacific Gas & Electric**. The deal is

### Nevada PV Solar Resource



Source: U.S. National Renewable Energy Laboratory

expected to close in the third quarter.

Sempra had put Copper Mountain II and Mesquite I on the market last fall along with two other phases of Copper Mountain totaling about 300 MW ([PI, 10/19](#)). Those two phases are not included in the sale.

**Morgan Stanley** has been running Sempra's sale of stakes ([PI, 1/10](#)).

Sempra is continuing to

develop Copper Mountain III and closed a \$350 million financing for the 250 MW third phase in Boulder City, Nev., last week ([PI, 5/23](#)). The 10-year debt priced at LIBOR plus 237 basis points. **Union Bank** and **Société Générale** led the deal.

ConEd Development owns 110 MW of solar projects in California, according to a recent filing with the U.S. **Federal Energy Regulatory Commission**.

Details such as purchase price and whether ConEd used an advisor could not be immediately ascertained. A spokesman did not respond to an inquiry by press time.

## Liberty Mutual To Turn Invenergy Wind Debt To Equity

**Liberty Mutual Insurance** is converting a debt investment in **Invenergy's** wind unit to equity. The property and casualty insurance company will own about 16.5% of the 2,840 MW portfolio after the conversion.

The Boston-based insurance company is a long-time investor in Invenergy wind projects and has held debt investments since 2007, according to an Invenergy statement to *PI*.

Liberty Mutual had \$361 million invested in Invenergy fixed-maturity debt at the end of the 2012, according to the insurance company's fourth quarter financial report. At the end of 2011, Liberty Mutual had \$340 million invested in Invenergy. There were no equity investments in either of those years. Invenergy has been among Liberty Mutual's top 10 largest investments since at least 2010.

**Invenergy Wind** is comprised of 26 wind assets around the U.S. and includes two projects totaling 336 MW that are expected to be online this year. **Liberty Structured Holdings** will be an equity-owning entity, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

Details on the existing agreement, such as how much of the debt will convert into equity, could not be learned. A Liberty Mutual spokesperson was not immediately available to comment.

## PEOPLE &amp; FIRMS

## BES' Adams Move To Sumitomo

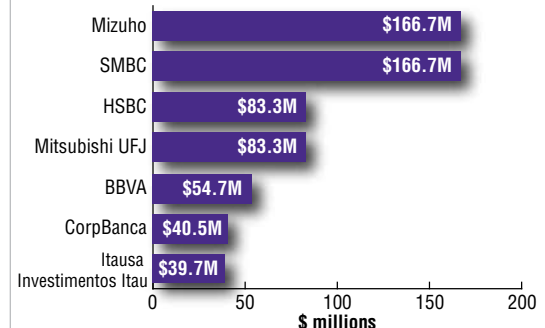
**Sumitomo Mitsui Banking Corp.** has hired **Carl Adams**, head of structured finance at **Banco Espirito Santo**, as managing director and head of Latin America. Adams oversees the project and corporate finance teams as well as the bank's offices in the region. He reports to **Isaac Deutsche**, co-head of specialized finance in the Americas.

In other news, **Felipe Diaz**, v.p. of project finance in New York, will relocate to SMBC's Santiago office as chief representative. Alfredo Santillan, senior v.p. in Mexico City, has been appointed chief representative of that office.

The moves are part of the bank's aggressive strategy to expand in Latin America. SMBC opened up its office in Santiago this year ([PI, 5/2](#)), after opening an office in Peru last year, Colombia in 2010 and re-opening its Mexico office in 2009.

Prior to his start at BES in 2009, Adams was head of emerging markets, structured finance and corporate finance at **WestLB**, where Deutsche was also executive director. They left WestLB in 2008. Adams and Deutsche did not respond to email inquiries by press time. Details, such as Adam's start date and whether there are plans to replace him at BES could not be learned.

### Top Latin America Mandated Lead Arrangers - Q1 2013



Source: Dealogic

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## INDUSTRY CURRENT

## Financing U.S. Military Renewable Energy Projects

THIS WEEK'S INDUSTRY CURRENT is written by **R. Thomas Hoffmann**, partner and energy practice co-leader, and **Darin Lowder**, associate, at **Ballard Spahr** in Washington, D.C.

Financing the massive transition of the U.S. military to renewable energy resources presents a tremendous opportunity, coupled with significant challenges, to developers, lenders, and investors in renewable energy power projects serving the military. In a previous *Industry Currents*, we addressed some of the issues private power providers of renewable energy may encounter in adhering to the rules embedded in the federal contracting process. This article addresses some of the challenges and opportunities in financing these projects.

As an example of the scale and scope of this effort, the Army procurement for renewable energy in the next several years is estimated to be worth \$7 billion in long-term power contract revenues. These efforts are driven by statutory requirements that 25 percent of the energy purchased by the U.S. **Department of Defense** must come from renewable resources by 2025. These requirements support the DoD's focus on enhancing installation energy security, mission effectiveness, and resilience through reduced reliance on fossil fuels and grid-supplied power. DoD anticipates meeting this target in part by leveraging private sector funding through public-private partnerships, since no significant federal funds are expected to be available.

### Financing Similar Projects – Has This Been Done Before?

Any developer or lender that intends to finance the projects faces customary credit issues for example, the credit of the power purchaser and the quality of the power sales agreement but also will face several financing challenges that are unique to military projects. Finally, a number of contract mechanisms are available in the procurement and financing of these projects.

Lenders that have been involved with other military public-private financings, such as military housing privatization, have useful experience and insights into the credit quality and other aspects of financing these projects. Several important distinctions are also present in the current procurement of renewable energy. First, the housing providers had no direct "offtake" contract with the military. Although they were typically paid directly by tenants who were members of the Armed Forces with military housing allowances, individual servicemen and women were free to choose whether to live in the privatized units. In addition, through enabling legislation, the DoD was permitted to provide the housing privatization projects with various guarantees, including those related to the BRAC process or stipulated loss payments in

the event of a termination for convenience, as described below.

In short, the financing of military housing privatization projects is a wonderful template, but not an exact replica, for financing renewable energy projects.



Darin Lowder



R. Thomas Hoffmann

### Federal Government Credit Quality

Renewable energy projects providing power directly to the DoD will benefit from the federal government's triple-A credit rating (**Standard & Poor's** downgraded the rating to AA+ but **Fitch Ratings** and **Moody's Investors Service** maintain the rating at AAA). The benefits of this credit may be diluted through two processes, however. The U.S. Army has developed an energy initiatives task force through which it has issued a request for proposals for indefinite delivery indefinite quantity multiple award task order contracts for renewable energy providers on military installations. Through this process, the Army plans to simultaneously procure power and encourage the development of excess generation that may be sold to utilities or other non-governmental offtakers. The credit profile of the offtakers of these projects will likely be less desirable than projects with an exclusive offtake agreement with the DoD. In addition, the military may also directly procure renewable energy from local utilities, which would typically competitively procure the power from independent power producers for delivery to the DoD. In those cases, the credit of the utility customer would prevail, unless a "pass through" mechanism can be created to capture some of the value of the DoD's higher credit rating.

### Overview of Credit Risks

There are credit risks present in military procurement projects that are not customary for the independent power industry. Key credit risks considered by lenders or investors in renewable energy projects typically include those related to the construction, operation, technology, and performance of the project, as well as the risk of nonpayment by the customer. In some cases, there might be environmental or interconnection challenges to be solved during the development stage of a project. The news is not always bad or daunting. Under some of the military's efforts, such as the Army's EITF initiative, project sites are expected to be reviewed for environmental and permitting issues to reduce this risk. Being located on federal land also helps provide some



level of predictability when compared to state and local permitting requirements.

Renewable energy projects at military facilities present novel risks. For example:

**Base closure risk** – Under the base realignment and closure process, existing military facilities may be downsized or eliminated. The most recent round began in 2005 and concluded in 2011. In its most recent budget, the DoD requested two new rounds of BRAC in 2015 and 2017 to consider potential consolidations and base closures. Although the BRAC process presents a significant long-term risk for individual projects, those involved with financing military housing privatization projects, such as **Christopher Moriarty of Wells Fargo**, have indicated that the base closure risk may be reasonably evaluated.

During the last round of BRAC, the military published rankings for how essential each base was to military operations. Although the DoD was permitted to provide guarantees to account for the base closure risk under the military housing privatization process, no such possibility has been discussed in the context of renewable energy development.

“Although financing the military’s recent push to procure increased amounts of clean energy presents unique challenges to lenders and investors, these issues have all been addressed in the past in various business sectors of military procurement and contracting.”

**Termination for Convenience Risk** – Like most state and local governments, the DoD has a no-fault termination provision built into its contracts. This provision exists in part to prevent current governments from interfering with the ability of future governments to effectively govern. Lenders and investors experienced in local, state, or federal contracting are familiar with this risk, and with methods to address the risk. Other financing parties may struggle to understand this risk. In broad terms, projects will not be financed if the government’s commitment to purchase the output is entirely subject to termination without consequence. The risk of termination for convenience is managed through several approaches. First, a termination for convenience carries with it a governmental obligation to reimburse sunk costs and other values. But the devil is in the details. Parties can address the issue indirectly through the settlement and dispute resolution process under the agreement, by establishing a predetermined maximum termination payment by year of termination, or by establishing a predetermined schedule of liquidated termination payments due upon termination. Although the military appears to be open to liquidated termination payments because they understand that such payments are the approach most likely to encourage the use of project financing on military projects, it is not yet clear which approach the DoD will adopt in negotiations. Chances are, however, that DoD will adopt one or at most two contractual structures and make these available to all

counterparties. It is unlikely that each project will negotiate this issue “from scratch.”

## Contract Mechanisms

A number of contracting authorities are available to the DoD, including long-term power purchase agreements, energy savings performance contracts, utility energy services contracts, enhanced-use leasing, and the direct acquisition of utility services.

**Long-term PPAs** – Although long-term PPAs have been common in renewable energy projects providing power to utilities and private commercial or residential customers, they have only recently become acceptable with the military. Long-term PPAs generally provide lower power costs to the power customer and are easier to finance since there is a longer stream of committed revenues lenders can depend on for repayment. Previously, PPAs with the military were limited to 10 years. As the result of recent interpretation of statutory authority, that limit has been extended to 30 years (a memorandum issued by the Pentagon confirming the 30-year authority was issued in November 2012, providing guidance and reassurance to developers and federal contracting officers). The first example of a federal agency signing a PPA with a term longer than 10 years was the 14 MW solar project at the Naval Air Weapons Station China Lake in California, which was completed in October 2012 (and for which approval was granted in 2011). For that project, the U.S. **Navy** signed a 20-year PPA.

**Energy Savings Performance Contracts** – An energy savings performance contract typically consists of an agreement between an energy services company and a property owner to design and build energy conservation measures, guaranteeing energy savings that will be used to pay the debt service on the improvements. In January 2013, the Army dedicated a 4.1 MW solar installation at the White Sands Missile Range in New Mexico as part of an ESPC with **Siemens Government Technologies** under a 25-year contract. Utility energy services contracts are also permitted, and are similar to ESPC’s except that utilities rather than ESCO’s provide the services.

Other contracting tools the DoD may utilize include the direct acquisition of utility services and enhanced-use leasing, which involves allowing a private developer to lease underutilized DoD property, with rent paid by the developer in the form of cash or in-kind services.

## Conclusion

Although financing the military’s recent push to procure increased amounts of clean energy presents unique challenges to lenders and investors, these issues have all been addressed in the past in various business sectors of military procurement and contracting. It is fair to say that all of this is new to most of the renewable energy industry, but it is not new to U.S. companies accustomed to doing business with the Armed Forces. Due to the scope and scale of this effort, and the possible replication of effective models, many developers and financing parties will find it worthwhile to better understand these challenges.

## Q&amp;A

## Investec Q&A *(Continued from page 1)*

**You guys started recently with Investec, can you tell us a bit about the bank and what types of things you're doing?**

**Ralph Cho:** Mike and I joined a couple of months ago and are co-heading the North American power business for Investec out of New York. We have been tasked to expand Investec's North American presence. The bank is dual-headquartered in South Africa and London. It is dual-listed on the Johannesburg and London stock exchanges. We are focused on helping private equity sponsors, developers and, to a certain extent, mid-cap strategics with their asset-based financing needs by delivering capital across a project's capital structure – whether that is senior or mezzanine debt or equity.

**Michael Panteloganis:** The bank is rated BBB-, so we have a higher cost of funds compared to traditional project finance commercial banks making it harder for us to be an efficient source of capital as a senior lender. However, the bank becomes a more efficient lender at sub-debt or holdco levels. In certain cases, when the senior debt has some kind of wrinkle to it or an element of commodity risk where commercial banks typically drop off, we become an ideal lender.

**RC:** The bank also has appetite to provide equity or equity-like instruments. It isn't unusual for us to take late-stage development risk or to even co-invest alongside private equity. We've offered products to help finance construction loans; offered to bridge equity through construction; finance equipment supply contracts; and offered to back-lever equity. The bank is willing to be creative and work with sponsors to provide tailored solutions that optimize everyone's interests in a project.

**So we won't see you pop up as participants in senior debt deals?**

**RC:** It's not our goal to sit here and write checks. But if you are a client that we're banking and you say, 'Hey, I know we are going to be talking about leading other deals but can you help us out on this transaction, which another bank is leading?' then yes, you may see us pop up. The bank isn't interested in simply participating in transactions, they want us to originate and lead transactions.

**Is the area you are looking to play in competitive or are you really looking to develop something new?**

**MP:** As a bank, we are a somewhat atypical. Our products are broad by virtue of us needing to be diverse given our cost of capital. We operate in project finance very much like a merchant bank. There are some banks that may overlap with us for certain parts of the capital structure, but as we trend toward equity, we start to look like a debt fund or finance companies.

**RC:** There are a lot of debt funds that have emerged recently, which provide mezzanine financing and overlap with us. But I don't

necessarily see them as competitors, but more as potential partners. Everyone is very different in what they can do. I have spent the first couple of months trying to get a good read of the different types of mezzanine players out there, because we have an interest in collaborating with them. For example, on a \$100 million facility, we are not going to take down the whole \$100 million. So we would look to find other players that are similar to

us that can take the balance. We are learning that not everyone is willing to do the whole puzzle. Everyone has different constraints. There are some investors that don't like long tenors. Others won't take construction risk, while others need certain types of pricing - it's very fragmented.

**Is there a certain amount of capital that you have available or certain regions that you're looking at?**

**MP:** We don't have any defined limits. I think the bank is very open at this juncture and it's looking at the North American market from the perspective of seeing an opportunity to grow its global business lines. To date, Investec has focused on smaller developers and tougher credits in North America, so from that perspective there are a lot of areas for us to grow in. This particular platform is attractive because it enables us to work with sponsors with great flexibility. We don't have to look at an asset from one perspective of capital. We ask: What is your financing issue at the project and how can we help you? You see this across the globe. In addition to North America, our footprint covers South Africa, Australia, Europe and Asia.

**RC:** The bank is working on development and construction projects where it's funding equity to build such projects. In other examples, it's looking at opportunities to co-invest with private equity sponsors. I think what we're trying to do in North America is to build on the platform that has been established globally and we think that is going to be very powerful to market players in North America in the long run.

**Did the bank approach you to do that or did you bring that idea to the bank?**

**MP:** The discussions with us have dated back for about a year. As WestLB shuttered its doors, it naturally led guys like ourselves to talk with other institutions. This discussion started with Ralph and when **Jamie Manson** left and went to **Brookfield** it opened up the

### Facts About Investec

- The majority of Investec's assets sit on the asset management side similar to wealth managers like **Blackrock** or **Fidelity**.
- Investec acquired a banking license in 1980 and was listed on the **JSE Limited South Africa** in 1986. In July 2002, it implemented a dual-listed companies structure with linked companies listed in London and Johannesburg.
- There are over 7,000 people employed by the bank.
- The bank has £20.2 billion (\$30.54 billion) in total assets, with £99 billion (\$149.69 billion) in third-party assets under management.

## Q&amp;A

opportunity for me to jump in. Investec's platform provides exactly where we wanted our career paths to go. The head of project and infrastructure finance for North America, **John Casola**, resides in Toronto. However, given that its energy portfolio is substantially based out of the U.S., it made sense for the bank to have a couple of guys sitting in New York.

#### Are their plans to add to the team?

**MP:** The bank's goal is to grow the global businesses organically. We are going to have to put some wins on the board to be able to expand the team. We presently have good resources and they are integral to growing our business. If our deal flow is so great that we need more people, then that's a good problem.

#### Where are you seeing opportunities in the project finance markets to play in the space?

**MP:** We look at the business in terms of three buckets. There is M&A, greenfield development and refinancing/recapitalization. With each of those buckets there are plenty of deals to unearth. Our reach is pretty broad with sponsors. We're talking with private equity guys, developers and, to a lesser extent, strategics because they typically have their corporate revolver banks that are helping them with their capital needs. Our focus is to really find opportunities in renewable energy and conventional thermal energy but we are open to looking at, on a case-by-case basis, midstream infrastructure. I think we are pretty pleased with how our pipeline is building up.

**RC:** When we go out and tell sponsors our story, what we find is

that our marketing resonates pretty well with them. The fact that we can be a one-stop solution is attractive. Whether it is first lien, second lien, holdco or mezzanine – we can help structure around a clients' need. Our backgrounds as sell-side bankers, combined with the bank's appetite for mezzanine capital, positions us to effectively structure and syndicate on a one-stop basis.

#### Is that one stop shop idea something you are looking to develop?

**MP:** The one-stop is definitely an approach we would like to integrate. You've seen it around the space in different forms. I would say that with the investment banks, typically you see them offering a hedge from their commodity desk in order to run the book on a B loan. Or you see tax equity investors also arranging the senior debt associated with a project financing. We see our capital at the mezzanine or equity level to be valuable enough to be able to arrange the senior debt as well. Let's not forget Ralph's historical work as a project finance syndicator. We continue to maintain our lending relationships.

**RC:** We are a very attractive option in today's M&A market. With markets so competitive, we can help buyers with higher thresholds by providing them with a critical piece of capital that helps them become more competitive. Because we are a bank and we fund through the LIBOR markets, we're able to do a transaction at a more cost-effective level than many other mezzanine players, which ultimately positions us to deliver enterprise value to our clients.

*Check back next week for the second installment of this Q&A, when Cho and Pantelagianis discuss the competition, trends in pricing and innovations in deal structures.*

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## LS To Roll *(Continued from page 1)*

premium.

Plants in the LSP Madison portfolio include the:

- 98 MW natural gas-fired Cherokee in Gaffney, S.C.
- 421 MW Safe Harbor hydro plant in Conestoga, Pa.
- 225 MW Wallingford gas-fired peaker in Wallingford, Conn., and the
- 540 MW gas-fired peaker University Park North and the 300 MW gas-fired peaker University Park South in University Park, Ill.

Bank spokesmen could not immediately comment and an LS official didn't immediately respond to an inquiry.

## PJM Pricing *(Continued from page 1)*

Jersey coming in at a higher price than those in the west due to congestion. The results mean that merchant plants may not be as flush with cash in the immediate years as owners had hoped but are not so low that investment is expected to halt.

The decrease in pricing is largely due to a number of plants from other regions, such as MISO, bidding into PJM in order to take advantage of higher wholesale prices. Imports nearly doubled this year to 7,483 MW this year, with 4,723 MW of that coming in from MISO. Last year, plants in MISO exported 2,078 MW. "[PJM and MISO] sit right next to each other. Generators look for every conceivable way to bid in," says an analyst, noting that MISO variable was underestimated.

In MISO the clearing price for 2013-14 is \$1.05 per MW-day while in PJM for the same period it ranges from \$27.73-247.14 per MW-day.

For the most part, developers with projects slated to be online later this decade, such as **Moxie Energy** and **EmberClear**, are not concerned that the results will staunch interest from prospective investors and lenders as capacity pricing is just one factor in a plant's economics. The price of fuel, prospective hedges and technology specs are among the other considerations, says a developer, who does not anticipate that the results will be a "swing point" for investors.

Coal-fired retirements did not play as large of a role in the pricing as expected and were overridden by the influx of power imports into the region and several new-build projects, such as Moxie's Liberty combined cycle. Plants in places as far away as Alabama, in the case of **Calpine's** 720 MW Morgan CCGT, that had access to transmission could bid into the auction, reducing the impact of retirements.

The swing in price from year to year underscores the volatility of merchant markets and the uncertainty in forecasting amid an ever-changing backdrop of factors, such as access to transmission, analysts and investors say.

The auction outcome could impact the economics of coal-to-gas conversion projects or retrofits. Shops with plans for such projects will have to consider the capital expenditure as well as the operational costs to determine whether the plant will be able to compete with greenfield projects that use more efficient, and therefore more cost-effective, technology. **—Holly Fletcher**

## ALTERNATING CURRENT



The biggest race in the country has been canceled. No, the Kentucky Derby went ahead and a pretty little horse named **Orb** took the honors. But disaster struck the second annual solar go-kart race held at **The University of Arizona**.

The **Racing The Sun** event was to pit three high school teams against each other to build go-karts powered by solar energy. **Cienega** led by **Michael Keck**, **Pueblo** led by **Miquel Enriquez** and **Sunnyside** led by **Sherry Brown** were the teams set to race it out. However, certain issues forced the organizer, **Office of University Research Parks** in conjunction with the **Arizona Research Institute for Solar Energy**, to cancel the race.

The official statement from the organizer was damning. "We were notified yesterday of some technical issues with the solar go-karts that will prevent them from being operational in time for the race," it read. How many financiers of solar projects have heard that excuse from developers before? How many panel manufacturers have failed to deliver to sponsors? It apparently happens to the best of us.

"While we would have liked to reschedule the race, with the end of the school year and graduation here, it is not possible to do so," the statement continued. Not only did the poor kids miss out on a day of solar-powered fun, whizzing around the track at speeds of up to 30 mph, it was straight back to the algebra, Shakespeare and finals ("Once more unto the breach, dear friends.") There are now a lot of unhappy little speed demons in Arizona.

The goal of the event is to encourage science, technology, engineering and mathematics skills in high school students. It is unclear whether the event will be held again next year, but **ESPN** should be weighing up an exclusive TV rights deal if it doesn't clash with the **Scripps** National Spelling Bee.



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## QUOTE OF THE WEEK

*"When we go out and tell sponsors our story, what we find is that our marketing resonates pretty well with them. The fact that we can be a one-stop solution is attractive."*—**Ralph Cho**, co-head of power in North America at **Investec** in New York on being able to play in several layers of the capital stack (see Q&A, page 1).