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The exclusive source for power financing and M&A news

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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

JUNE 6, 2011

VOL. XIV, NO. 22

## HSBC Eyes WestLB Project Group

**HSBC Trinkaus** has initiated talks with WestLB about buying the bank's structured finance group.

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## LS Transmission Pricing Surfaces

**LS Power** has priced a \$300 million deal supporting its lines in Texas at LIBOR plus 200 basis points.

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## Tug of War

### LENDERS PUSH UNDERWRITING AS SPONSORS CLING TO CLUBS

Sponsors and bankers are locking horns over club arrangements as banks have begun to push for truly underwritten, broadly syndicated deals. "The sponsors have gained some skill with putting together these groups and there's a reinforcement of those relationships... In the end, we're a client-oriented business," says a head originator at a European lender in New York of sponsors' preference for club deals.

Banks spurned underwriting and flocked to clubs after the financial collapse, in light of soaring lending costs and the uncertainty of what lurked on peers' balance sheets (PFR, 8/20/08). With the project finance market gaining momentum and LIBOR showing

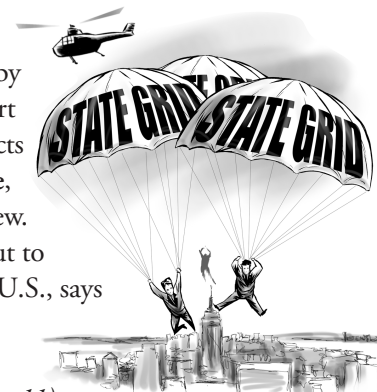
*(continued on page 11)*

### MAMMOTH CHINA GRID CO. PLOTS U.S. TRANSMISSION PUSH

State Grid Corporation of China, the world's largest utility by revenue, has opened an office in New York, signaling an effort to build or buy stakes in transmission lines and related projects in the U.S., sources say. The outpost is headed up by Kai Xie, senior v.p. Xie didn't reply to an e-mail requesting an interview.

The government-owned State Grid has begun reaching out to utilities and developers about potential joint ventures in the U.S., says an observer. It has a cooperation agreement with **American Electric Power** to evaluate transmission and distribution

*(continued on page 11)*



### MACQUARIE UNIT PREPS MAIDEN RENEWABLE FUND

A subsidiary of **Macquarie Group** is raising the group's debut fund dedicated to renewables infrastructure investment. It aims to raise about \$500 million and to close a portion of the fund this year, says a source familiar with the fund.

The fund is expected to be North America-centric and look at a range of renewable sources. The team expects to go after investments that have contracted, operational assets thereby guaranteeing stable cash flows, the source notes. Details regarding how much development risk the fund will have or whether transmission assets will be included could not be learned.

Investor appetite is not as strong as before the financial crisis although it has partially rebounded from its depths of late 2008 and 2009, says the deal watcher. Pension funds and

*(continued on page 12)*

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## At Press Time

# HSBC Sniffs WestLB Finance Unit

HSBC affiliate HSBC Trinkaus is talking with WestLB about buying its structured finance unit, which encompasses its project finance operations. "It's very preliminary at this point," says a deal watcher, noting that HSBC is among multiple groups targeting WestLB units. An HSBC Trinkaus spokesman in Düsseldorf confirmed early talks, declining to identify the units it is eyeing.

WestLB had originally sought to sell itself entirely, via advisor Friedrich Merz, a partner at Mayer Brown in Berlin (PFR, 2/9). However, the European Commission, the German government and the bank have decided that it will become a smaller, regional lender—referred to as a Verbund bank—with several of its global operations sold off by year-end, adds the deal watcher. Morgan Stanley is leading the sale of the units.

Which units will be sold off has yet to be determined. A spokeswoman at Mayer Brown in Berlin confirmed that Merz was no longer involved in the process since the change in sale strategy. Merz wasn't available for comment.

WestLB was required to find new owners as a condition for taking EUR3 billion (\$4.31 billion) in aid from the German government in 2008. The unit sale must be completed by year-end as a condition for taking the aid. Why WestLB, the German government and the commission changed course on the sale strategy couldn't be learned.

A WestLB official didn't return a call, while a bank spokeswoman in New York declined to comment. Officials at Morgan Stanley and HSBC in New York didn't return calls, while an MS spokesman didn't immediately address an inquiry.

## LS Transmission Pricing Emerges

LS Power has priced a \$300 million financing supporting its 234-mile transmission project in West Texas at roughly 200 basis points.

BNP Paribas, Citigroup, Crédit Agricole and Mitsubishi UFJ Financial Group affiliate Union Bank are leading the club deal (PFR, 5/10). The tenor on the loan couldn't be learned. Joe Esteves, LS cfo in New York, didn't return a call. Bank officials declined to comment or didn't return calls.

The pricing is lower than that of financings backing similar projects in the Competitive Renewable Energy Zones in West Texas. A \$400-500 million financing supporting CREZ lines sponsored by Brookfield Asset Management and Isolux Corsan Concesiones is priced at 225 basis points over LIBOR (PFR, 5/26). A CREZ line is "a regulated entity, so it fits a different profile than your typical project finance deal," explains a deal watcher. Some financiers have forecast lower pricing on transmission deals, noting that the risk profile aligns closely with infrastructure assets, which generally prices 25-50 bps under standard power project finance deals.

LS is looking for a co-owner for its CREZ lines (PFR, 3/18). The developer has three 345 kV double-circuit, alternating current lines in CREZ, including the 109-mile line connecting Gray to Tesla. The status of the transmission stake sale could not be learned.

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Institutional Investor, Inc. ISSN# 1529-6852

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## Project Finance

### Agricole, MUFG Wrap Alta Financing

Crédit Agricole and Mitsubishi UFJ Financial Group affiliate Union Bank have closed a \$631 million syndicated loan supporting 300 MW at Terra-Gen Power's Alta wind project.

Nick Bellamy, Crédit Agricole director in New York, and Matt Odette, Union Bank assistant v.p. in Los Angeles, led the deal. Banco Santander, ING, Rabobank and Royal Bank of Scotland were joint lead arrangers, with Bank of Montreal, CoBank, DZ Bank, Helaba and Key Bank participating. The financing is a mini-perm, with a tenor of seven years plus construction (PFR, 5/5).

The identity of other participating lenders, the size of tickets and the pricing of the loan couldn't be learned. John O'Connor, Terra-Gen cfo in New York, declined to comment. Bank officials and spokespeople declined to comment or didn't return calls. Terra-Gen is an affiliate of ArcLight Capital Partners.

The financing backs Alta phases six and eight. The project, in Tehachapi, Calif., will ultimately generate 3 GW. Southern California Edison has an offtake agreement for 1.5 GW at Alta, including phases six and eight.

### CPV Gas Deal Closes

Competitive Power Ventures has landed a nearly \$800 million financing backing its \$900 million, 800 MW Sentinel simple-cycle plant near Palm Springs, Calif. Bank of Tokyo-Mitsubishi UFJ led the deal alongside Royal Bank of Scotland, ING, Natixis and Sumitomo Mitsui Banking Corp.

WestLB is among 18 other lenders participating in a loan that was more than 200% oversubscribed. The deal closed in late May.



"Some pieces were downsized by half to accommodate all the participants," says an originator in New York. Activity on the deal may prompt lenders to price loans backing similar gas projects below Sentinel's margin of LIBOR plus 225 basis points, he adds. The loan has a tenor of 10 years.

CPV and GE Energy Financial Services each have 25% stakes in Sentinel, with Diamond Generating Corp. owning the remaining 50%. Diamond is a subsidiary of Mitsubishi Corp., based in Los Angeles.

The identity of other banks in the financing couldn't be learned. Spokesmen for CPV in Silver Spring, Md., and GE EFS

in Stamford, Conn., declined to comment. Bank officials declined to comment or didn't return calls. A Diamond spokeswoman in Los Angeles didn't address an inquiry. Southern California Edison has a 10-year offtake agreement for Sentinel. It is slated for operation in 2013.

### MUFG Seals NRG Solar Deal

Mitsubishi UFJ Financial Group has wrapped a \$70-80 million financing backing NRG Solar's 20 MW Roadrunner solar photovoltaic plant in New Mexico. The NRG Energy affiliate plans to invest up to \$21 million in the project (PFR, 5/20).

The financing package comprises a loan and letter of credit. Jeff Fesenmaier, MUFG v.p., helped lead the deal on behalf of affiliate Union Bank. Deal details, including the sizes of the loan and letter of credit, as well as pricing and tenor, couldn't be learned. An MUFG spokeswoman in Los Angeles didn't address an interview request for Fesenmaier. An NRG Solar spokeswoman in Princeton, N.J., didn't return a call seeking comment.

El Paso Electric Co. has a 20-year offtake agreement for Roadrunner. Construction began in December and is slated to be complete by September.

## Mergers & Acquisitions

### Duke Circles Wis. Wind Purchase

Duke Energy Renewables has agreed to buy an operational 20 MW wind farm in Wisconsin from CH Energy Group. The acquisition of the Shirley farm in Glenmore is expected to close over the summer pending regulatory approval.

The farm came online in December and has a 20-year power purchase agreement with Wisconsin Public Service Corp. CH Energy, the Poughkeepsie, N.Y.-based holding company for Central Hudson Gas & Electric Corp., has been divesting its renewable generation. ReEnergy Holdings, backed by Riverstone Holdings, is buying the 20 MW Lyonsdale wood-fired biomass facility near Utica, N.Y. from CH Energy (PFR, 4/1).

The purchase marks Duke's first foray into the northern Midwest wind market. The company owns about 1 GW of wind in Wyoming, Texas, Colorado and Pennsylvania. The Duke Energy subsidiary is also planning to start construction on a 168 MW wind project in Kansas this fall.

Whether either company used an advisor and the purchase price could not be learned. Calls to a Duke spokesman in Charlotte and a CH Energy spokeswoman were not returned.



## Corporate Strategies

### SunEdison Targets Upsized Revolver

SunEdison is talking with lenders about upsizing its \$50 million revolver to \$200 million. Potential lenders include **Banco Santander**, **BayernLB** and **Dexia Crédit Local**, a deal watcher says.

SunEdison landed a \$50 million non-recourse revolver from **Rabobank** in December to help finance solar photovoltaic projects (PFR, 1/21), with the intent of expanding the facility over the life of the three-year tenor. Details such as pricing and tenor could not be learned.

Lenders eyeing the financing and deal details, including pricing and timeline, couldn't be learned. **Chris Bailey**, SunEdison v.p. of project finance in Beltsville, Md., declined to comment. Bank officials didn't return calls seeking comment.

SunEdison's development pipeline reportedly includes the 10 MW Rideau Lakes project and the 10 MW South Stormont project, both in Ontario.

### Fortis Sells Shares For CVPS Purchase

**Fortis Inc.** is selling \$300 million of common shares in a bought deal to support its \$700 million purchase of **Central Vermont Public Service Co.** The CVPS sale was first reported by *PFR* (PFR, 5/24). The St. John, Newfoundland-based company is aiming to wrap the equity sale by June 15.

**Scotia Capital** and **RBC Dominion Securities** are the lead underwriters. The 9.1 million shares carry a price tag of \$33 each and the underwriters have an option to purchase an additional 1.365 million of shares to cover over-allotments. "We got an attractive offer from the banks to lock in a 2% discount," says **Barry Perry**, cfo of Fortis, on the pricing of the common shares in the sale and the company's decision to go with a bought deal instead of a public equity offering. The closing price of a Fortis common share was \$33.66 when the market closed on May 27 and the sale was announced on May 30.

**Steve MacCulloch**, co-head of diversified industries at Scotia and **David Dal Bello**, managing director in the energy and power group at RBC, are heading up the equity sale.

Proceeds will go toward paying down \$200-300 million outstanding on a \$600 million revolver, which Fortis will later use to fund the CVPS purchase. The revolver is led by Scotia, RBC, CIBC, Bank of Montreal, TD Bank, HSBC and the **National Bank of Canada** and expires next March.

Fortis' purchase of CVPS for \$35.10 per share represents a 44% premium on CVPS' share price at market close on Friday. "You can't buy a utility in North America without spending a

lot of money," Perry says.

Fortis will assume \$230 million in debt as part of the transaction, which is slated to close in six months to a year pending shareholder, state and federal regulatory approval, **Larry Reilly**, CVPS ceo said in a conference call today. **Lazard** has been advising CVPS on the process since it received an unsolicited bid last fall, Reilly adds. Whether Fortis used an advisor could not be learned.

CVPS will represent roughly 7% of Fortis' assets and earnings when the transaction is finalized, according to a report from **Standard & Poor's**.

### Solar ABS Deal On The Way

Foster City, Calif.-based **SolarCity** is close to issuing an asset-backed securities transaction very soon, according to *PFR* sister publication *Total Securitization*. **Mike Niver**, director of project finance, expects the market could be issuing "several billion within a few years." Niver says his deal could have an initial size of about \$75-100 million. Small at first, but with much larger deals being planned, he noted.

**NRG Energy** also recently laid out its early stage plans to securitize portions of the revenue from its solar portfolio (*TS*, 4/15), with **Christian Schade**, cfo, calling securitization a way to diversify the firm's access to capital.

Efforts to get the solar ABS market going have been stymied by a number of factors, including rules governing the federal tax incentives connected to solar contracts and standardization of underwriting procedures. **Morgan Stanley**, **Citigroup**, **U.S. Bancorp** and **Wells Fargo** are said to be the main providers of financing to the solar industry. It is unclear which banks or desks will handle solar-backed ABS, as securitization could draw in professionals from energy, project finance and securitization teams.

One banker also notes that rating agencies still had

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not devised adequate criteria to rate solar-backed securitizations, despite a recent push in the asset class (*TS*, 10/22/10). Ratings will be needed if sponsors want to market deals to pension and insurance funds. “They’re the accounts best equipped to buy longer-dated fixed-rate deals,” the banker says, pointing to the bonds’ 10-20-year average life. “Most insurance and pension funds need ratings, it’s in their bylaws.”

But that isn’t stopping solar finance firms from scrambling to be the first issuer. Once one deal is structured and the kinks worked out of the process the flood gates will open, the banker notes.

Niver says SolarCity is projecting to generate about \$1 billion in eligible securitization collateral over the next 18 months, he said. “We hope to do more than that obviously,” he says. “We’ve been doubling and tripling our business for a number of years. He did, however, admit rating agencies pose a problem. But some agencies are being more constructive than others, he says, declining to elaborate.

SolarCity has previously sold a \$500 million portfolio of potential solar securitization collateral to a number of investors, including Morgan Stanley, U.S. Bancorp, and Citi (*TS*, 10/5/10). Niver declined to elaborate further on its issuance

plans or timeline on the new ABS.

A spokespeople at Morgan Stanley, Wells and U.S. Bank did not return phone calls. An official at Citi declined to comment.

## People & Firms

### Lloyds Taps Commerz Chief

Lloyds TSB Bank has hired Craig Meisner, Commerzbank head of debt capital markets, as head of loan markets. Meisner, who headed up syndication in several areas, including project finance, at Commerz, started at Lloyds late last month and is based in New York.

He reports to **Samir Lalvani**, North American head of wholesale markets in New York, and **Ian Fitzgerald**, head of loan syndicate in London, says an observer. Whether Commerz plans to replace Meisner couldn’t be learned. An official didn’t return a call seeking comment. A Lloyds spokesperson in London also didn’t return a call seeking comment.

Lloyds most recently participated in a \$400 million financing backing **enXco**’s 201 MW Lakefield wind farm last month (*PFR*, 5/16), and co-led a \$311.5 million refinancing supporting **NextEra Energy Resources**’ 507 MW Blythe Energy Center in Blythe, Calif. (*PFR*, 12/21).



## INDUSTRY CURRENT

### Outlook For Renewables In Mexico

*This week’s Industry Current is written by Raquel Bierzwinsky, an associate at Chadbourne & Parke in Mexico City.*



Raquel Bierzwinsky

Mexico has set an ambitious goal of having 35% of all energy production derive from renewable energy sources by 2024. In the next 15 years, national energy consumption is expected to grow at an annual pace of 3.7%. The country is expected to have 13 to 14 operating wind farms within three years. Solar has been slower to develop. The government has begun planting the seeds, through legislation and incentives, for the increased participation of private capital in the sector.

#### Background

Private sector participation in the power industry in Mexico did not commence until 1992 with legal reforms that allowed private entities to participate in the generation of power. Transmission, sale and distribution of power remain services exclusively provided

by the **Comisión Federal de Electricidad**, the state-owned utility.

Currently, Mexican law allows private entities to participate in five generation schemes: as independent power producers or IPPs, in inside-the-fence projects called self supply or *autoabastecimiento*, as co-generators, as small power producers, meaning producers of less than 30 MW, and as exporters or as importers for self consumption.

Beginning in 1993 with the Mérida III IPP project, the Mexican government has awarded more than 25 IPP projects, mainly employing gas-fired and combined-cycle gas turbine technologies. Under the IPP scheme, electricity may only be sold to CFE under 25-year power purchase agreements awarded through competitive bidding procedures based on the lowest average generation price. IPPs currently represent approximately 35% of the aggregate energy production in Mexico.

In the past 12 months, CFE awarded PPAs to the 433 MW gas-fired combined-cycle Norte II IPP project and is in the process of awarding PPAs to the 217- to 294 MW Baja California III combined-cycle gas-fired power project.

The Mexican government recently included renewable energy

projects under the IPP scheme, namely five wind projects, all located in the southern state of Oaxaca (in this case subject to 20-year PPAs). Of all current Mexican power output, 77% derives from fossil fuels, while only 23% derives from alternative energy sources, mainly hydro.

## Renewables Outlook

With the enactment in November 2008 of the Law for the Use of Renewable Energies and Financing of Energy Transition, the Mexican government of **Felipe Calderón** took the first steps in promoting the diversification of sources of energy through the use of renewables developed and operated by private entities.

However, renewable energy IPPs are not subject to the renewable energies law, but rather continue to be subject to the Electric Energy Public Service Law, which governs generation from conventional power sources.

In terms of development of renewable energy projects different from IPPs, the **Comisión Reguladora de Energía**, the government agency responsible for granting all private energy production permits and licenses, had issued 113 permits for the development of wind, biomass, hydro and biogas projects, which, once operational, are expected to generate over 3.5 GW, with wind power constituting almost 75% of the technology used followed by biomass with 16%, hydro with 8% and biogas with 1%. Notably missing are licenses for private geothermal and solar projects.

Most of the permits granted are under the small production and self-supply schemes, with the majority being under the latter. Under the self-supply scheme, the power producer must form a venture with its offtakers (*socios autoabastecidos* or self-supplied partners), whereby the offtakers must commit to purchase the entire power output of a plant under 15- to 20-year PPAs.

The Mexican government has adopted certain schemes to support development of privately-owned renewable projects, including 100% depreciation in the first year for all renewable energy capital investments and the abatement of annual government fees. Another important incentive may come from the implementation by the Mexican government of mechanisms established by the Kyoto protocol (under which Mexico is designated as an Annex II country, eligible for clean development mechanism (CDM) projects) allowing renewable energy projects to obtain certificates of emission reduction, representing an additional source of financing for the projects.

On the regulatory front, CFE has developed special transmission agreements derived from open season processes for electricity generated from renewable sources, providing for reduced transportation rates, and is assisting in negotiating land rights for the construction of the transmission lines.

## The Crown Jewel—Wind Projects

Wind projects have taken off in Mexico. Prime areas for the

development of wind projects include the Istmo de Tehuantepec region in the state of Oaxaca, the Baja California region, the Yucatán peninsula, the states of Zacatecas and Veracruz, and along the northern Pacific coast. The state of Oaxaca leads the way with an estimated wind potential of over 10,000 MW, followed by the Baja California region with an estimated potential of over 5,000 MW.

The Istmo region presents some particularly advantageous conditions for wind power projects, as the average wind speed in Oaxaca is above 8.5 meters per second—approximately 30 empty trailer trucks are turned over by the wind current in the Istmo every year—and the measured load factor is above 50%.

The Istmo region, one of the poorest in the country, requires major investment in transmission lines and interconnection capacity to serve all new projects being developed. To that end, CRE and CFE launched an initial open season invitation for private entities to reserve transmission capacity. Self-supply developers initially subscribed 1,900 MW of transmission capacity to be built by CFE, requiring letter-of credit support from these private entities to guarantee construction. Such reserved capacity was later reduced to 1,491 MW as a result of forfeiture of capacity and adjustments in the existing transmission lines. A new 400 kV transmission line with a 2,000 MW transmission capacity was placed into operation in 2010. Existing transmission capacity was also reinforced and expanded by 330 MW.

A second open season process is expected to be launched in 2011, but CRE has not confirmed the timing for this to occur. CFE has now awarded five wind IPP projects, all in the state of Oaxaca: the 102.85 MW La Venta III, sponsored by **Iberdrola**, the 102 MW Oaxaca I, sponsored by **ACS**, and the Oaxaca II, III and IV projects, currently under development by **Acciona Energy**, with an individual capacity of 102 MW per project. These IPPs, along with CFE's La Venta I and II projects jointly will have 590 MW of installed capacity.

However, the capacity and power output of these CFE projects only represent 10% to 20% of total wind power capacity in the country, as the majority of commercial wind projects in Mexico are being developed under the self-supply scheme. CRE has so far issued permits to develop over 2,000 MW, and it is expected that by 2014 there will be 13 to 14 wind projects installed with an aggregate output between 2,500 and 3,000 MW.

The forecast is for Mexico to have at least 7,000 MW of installed wind capacity by 2025.

Notable self-supply projects that have been or are in the process of being developed within the last year include the 250 MW Eurus project in Oaxaca, developed by Acciona Energy and financed by the **International Finance Corporation**, the **Inter-American Development Bank**, the **Corporación Andina de Fomento**, Germany's **DEG**, France's **Proparco**, Spain's **Instituto de Crédito Oficial**, Mexico's **Nacional Financiera** and



**Bancomext**, along with participations from commercial banks **BBVA** and **Banco Espirito Santo**, as well as the **World Bank Clean Technology Fund**. The Eurús wind farm will supply power to **Cemex** plants throughout Mexico.

Another notable self-supply wind farm in the past year is the 67.5 MW La Mata-Ventosa project in Oaxaca, developed by **Eléctrica del Valle de México S. de R.L. de C.V.**, an affiliate of **EDF Energies Nouvelles SA**, supplying power to **Wal-Mart** stores across the country, and financed by the IFC (along with a loan from the World Bank Clean Technology Fund), the IADB and the **Export-Import Bank of the United States**.

One of the most significant projects in the country is a 396 MW wind farm that **Macquarie** and **FEMSA** are developing in Santo Domingo, Oaxaca, to supply power to several **FEMSA** and **Heineken** subsidiaries across the country.

Finally, there is a 90 MW wind project also in Oaxaca under development by **Renovalia's** Mexican subsidiary **Desarrollos Eólicos Mexicanos**, with **Grupo Bimbo's** plants as offtakers.

In addition, Iberdrola was recently selected by **Gesa Eólica de México** to build the 228 MW Piedra Larga wind project also in Oaxaca.

The Baja California region also has a pipeline of wind projects developed or under development, beginning with **Unión Fenosa's** 10 MW La Rumorosa and two 800 MW projects currently under development by a venture between **Unión Fenosa** and **Sempre Energy**. These three projects have the goal of transporting and selling the power output to the California energy market under the export scheme.

The Aubanel project, located near the town of La Rumorosa, just 15 miles south of the Mexico-U.S. border and 60 miles east of San Diego, will be jointly developed by **Gamesa** and **Cannon Power** in several stages and is projected to have a total capacity of 1,000 MW. This project is expected to sell its output initially to Mexican consumers under the self-supply scheme, but at a later stage is planned to export electricity to the California market.

## What the Future Holds

Unlike wind, development of projects from other renewable sources has yet to flourish.

Even though Mexico has some of the highest potential for solar use in the world with average isolation potential of 0.6 kWh per square foot, large-scale and utility-size solar projects are yet to be developed. Solar has been used for thermal solar applications for water heating and photovoltaic applications for the provision of electric power at isolated sites and settlements, including by **Pemex** for the use of photovoltaic panels to power monitoring systems for its offshore oil and gas production platforms, and in private, roof-mounted PV projects, which represent a total of 18 MW of off-the-grid capacity.

High costs and technology concerns have been cited as the

main impediments to development of large-scale solar projects.

CFE has announced the development of 12 MW of solar projects, while, on the private side, only a few developers have proposed solar projects ranging in size from 80 acres to 400 acres contiguous to electric substations in the states of Veracruz and Chiapas, with estimated costs per project ranging from \$50 million to \$250 million.

Hydro is the biggest non-fossil fuel source of energy in Mexico, with large-scale utility projects, such as the 2,300-MW El Cajón project in the state of Nayarit, being exclusively developed and operated by CFE. Mexico has seen a slow stream of small-scale privately-owned hydro projects being developed in the past few years under the self-supply schemes, representing 292 MW of capacity. The Papaloapan basin in the state of Veracruz has been identified as having significant potential for mini-hydro generation. The **National Commission for Energy Savings** has developed studies of the potential of the Rio Blanco River in the state of Veracruz along Mexico's gulf coast.

Existing geothermal projects have been developed only by CFE and amount to 960 MW of installed capacity. Mexico is the world's third largest user of power from geothermal plants. CFE has announced an intention to develop an additional 125 MW of capacity in the near future, but has not hinted at any possibility of these being developed by the private sector.

Finally, permits for the development of biomass and biogas projects have been issued for just over 620 MW of capacity. The largest use of biomass for generation in Mexico comes from sugarcane bagasse and from waste. Waste-to-energy projects have been actively promoted by state governments. A handful of projects based on the use of methane and other gases extracted from municipal landfills have been developed, including the Energía de Nuevo León project, which utilizes gas extracted from the landfill in the city of Monterrey and has a production capacity of 7.4 MW. Other landfill projects are being considered in Mexico City and the State of Mexico. The **World Bank** has been monitoring regulatory changes in Mexico for the promotion of biogas projects at landfills.

## Conclusion

Mexico offers a wide variety of resources for the development of renewable energy projects. However, a key element for a more robust renewables market depends on the government's willingness to diversify energy sources for public consumption and to allow development of large-scale projects by private entities, under IPP and other schemes, from sources such as wind, solar, hydro and geothermal, of which Mexico has an abundant supply.

For the time being, self-supply and export schemes, along with CFE's periodic bids for IPP projects, present the most viable path for private sector development of renewable projects in Mexico.

## 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

- **PSEG Power** has nixed a purchase and sale agreement for **High Plains Diversified Energy Corp's** 1 GW gas-fired plant in Texas. PSEG, which had agreed to a \$335 million price in the PSA, is still looking to buy the plant this year (*Energy Business Review*, 6/2).
- The U.S. government is assigning \$27 million to decrease the costs of solar installation and permitting. The intent of the funding, called the SunShot Initiative, is to increase solar installations and the U.S.' stance in the global solar industry (*PV Tech*, 6/2).
- **U.S. Geothermal's** subsidiary, **USG Nevada**, has signed a 25-year power purchase agreement with **NV Energy** for USG's 19.9 MW San Emidio project in Washoe County, Nev. The first unit of the project is slated for operation by the fourth quarter (*StreetInsider*, 6/1).
- The **North Energy** consortium has received a license from Brazil's environmental agency, **Ibama**, approving the world's third largest hydro plant. The plant in the Amazon rainforest will produce 11.2 GW (*The New York Times*, 6/1).
- President **Barack Obama** has nominated **John Bryson**, former ceo of **Edison International**, as Secretary of the U.S. **Department of Commerce**. The choice reflects Obama's aim to bring the White House and the business community together after fallout over healthcare and financial regulations (*Bloomberg*, 6/1).
- **Constellation Energy** has renewed a contract to continue to provide thermal and renewable generation to more than 146 federal accounts and institutions. Constellation will supply 1.72 million MWh of electricity to sites in Washington D.C. (*North American Wind Power*, 5/31).
- **E.ON Climate & Renewables North America** has proposed a wind farm near Elwood, Indiana. The Wildcat project will produce enough electricity to power roughly 60,000 homes (*Indystar.com*, 5/31).
- **FuelCell Energy Inc.**, based in Danbury, Conn., has received a \$129 million contract for 70 MW of fuel cell kits from **Posco Power**, a South Korean company. It is FuelCell's largest order (*Reuters*, 5/31).
- **Constellation Energy** plans to buy **StarTex Power**, a retail electricity company in Houston with about 170,000 customers, for \$142.5 million. The purchase gives Constellation an entrance into the Lone Star state's market (*Reuters*, 5/27).

- **IKEA** will install six more solar photovoltaic roof panels on various Eastern U.S. locations. The additional panels would generate 5.076 MW and would have an annual output of 6.39 million kWh (*Gamut News*, 5/25).

### Europe

- France has concerns about electricity supply as drought and increased water temperatures affect hydro and nuclear generation. Nuclear generators may have to lower production or even implement a shut-down (*The Wall Street Journal*, 6/2).
- **E. ON AG**, is seeking billions of euros from the German government in compensation for Chancellor **Angela Merkel's** plan to shut-down the country's nuclear reactors (*The Wall Street Journal*, 6/1).
- Czech, Slovak, and Hungarian transmission network officials have signed a memorandum to link their grids next year. The European Commission's goal is to see international market integration by 2015, which would steadily level out electricity prices in neighboring countries. (*Bloomberg*, 5/31).
- Germany will completely phase out all of their 17 nuclear reactors by 2022. This is in sharp contrast to German Chancellor **Angela Merkel's** original plan to extend the lifetimes of nuclear reactors into the 2030s (*The Wall Street Journal*, 5/30).
- German Environment Minister **Norbert Roettgen** says the seven nuclear reactors in the country that have been suspended for the three-month safety inspection period will remain shut-off permanently. Top labor representatives of Germany's nuclear operators have written an open letter to the government stating that jobs in nuclear and other sectors could be in peril (*The Wall Street Journal*, 5/27).

### Asia

- **Canadian Solar Inc.** has created a joint venture with a unit of **GCL-Poly Energy Holdings Ltd.** to build a 600 MW wafer plant in Suzhou, China. The plant's initial capacity can be expanded to 1.2 GW and eventually 2 GW of internal solar cell capacity by early 2012 (*Reuters*, 5/31).

### Africa

- **Jacobsen Elektro AS**, based in Norway, has begun building a 100 MW gas-fired plant in Dar es Salaam, Tanzania. The facility is part of the government's plan to increase the country's generation capacity by at least 650 MW in the next two to three years (*Bloomberg*, 6/1).



## 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
American Renewables	Gainesville (100 MW Biomass)	Gainesville, Fla.	BoTM	TBA	\$400M	TBA	BoTM mandated for club deal and will joined by six or seven others (PFR, 5/23).
Boralex, Gaz Métro	Unidentified (272 MW Wind)	Seigneurie de Beupré, Quebec	TBA	TBA	\$500-600M	18-20-yr	Sponsors tap BNP Paribas as adviser on the credit (PFR, 5/2).
Brookfield Asset Management, Isolux Corsan	CREZ (300 Miles Transmission)	Texas	BOTM, DB, Santander, Scotia, SocGen	TBA	\$400-500M	TBA	At least one of the lenders plans to syndicate their piece (PFR, 5/30).
Calpine	Russell City (600 MW Combined-Cycle)	Hayward, Calif.	ING, Union Bank	TBA	TBA	TBA	Loan priced at 225 bps over LIBOR (PFR, 5/23).
Cogentrix	Alamosa (30 MW PV)	San Luis Valley, Colo.	FFB	TBA	\$90.6M	TBA	Sponsor snags conditional DOE loan guarantee (PFR, 5/16).
Competitive Power Ventures	Sentinel (850 MW Gas)	Riverside County, Calif.	BoTM	TBA	\$800M	10-yr	Deal wraps oversubscribed (see story, page 3).
EDF EN Canada	Lac-Alfred (300 MW Wind)	La Matapédia et la Mitis, Quebec	TBA	TBA	TBA	TBA	Sponsor shelves debt financing (PFR, 5/9).
El Paso Corp.	Ruby (675-Mile Pipeline)	Wyoming to Oregon	TBA	Refi	TBA	TBA	Sponsor to refinance \$1.51 billion loan after project is operational this summer (PFR, 4/18).
enXco	Lakefield (201 MW Wind)	Jackson County, Minn.	Dexia, SocGen	TBA	TBA	TBA	Deal wraps (PFR, 5/23).
Fotowatio Renewable Ventures	Unidentified (30 MW PV)	Webberville, Texas	BayernLB	TBA	TBA	TBA	Deal wraps (PFR, 5/2).
Gradient Resources	Patua (60 MW Phase I Geo)	Reno, Nev.	BNP, Dexia, Scotia	TBA	\$600M	TBA	Mandated banks plan syndication (PFR, 5/30).
Hudson Transmission Partners	Hudson Transmission	Ridgefield, N.J.-New York	RBS, SocGen	TBA	TBA	TBA	Deal wraps (PFR, 5/30).
Invenergy	Le Plateau (138 MW Wind)	Quebec	Natixis, RBC	TBA	TBA	TBA	Deal wraps, with BayernLB, Rabo, SMBC and Union Bank taking part (PFR, 5/23).
LS Power	Cross Texas (230 Miles Transmission)	Texas	BNP, Citi, Crédit Agricole and MUFG	TBA	TBA	TBA	LS Power mandates four banks to lead deal (PFR, 5/16).
NRG	El Segundo (550 MW Gas)	El Segundo, Calif.	TBA	TBA	TBA	TBA	Tokyo Electric Power Company drops out as equity holder (PFR, 5/23).
	Roadrunner (20 MW Solar PV)	Santa Teresa, N.M.	MUFG	TBA	TBA	TBA	Sponsor lands financing (see story, page 3).
Panda Energy	Temple (600 MW Gas)	Temple, Texas	TBA	TBA	TBA	TBA	Sponsor targets financing by second quarter 2012 (PFR, 5/23).
SolarReserve	Crescent Dunes (110 MW Solar)	Tonopah, Nev.	FFB	TBA	TBA	TBA	Sponsor snags conditional DOE loan guarantee (PFR, 5/30).
Summit Power Group	Texas Clean Energy Center (400 MW IGCC)	Odessa, Texas	RBS	Loan, bonds, private placement	TBA	TBA	Sponsor plots \$1.3-1.4 billion financing package (PFR, 5/30).
Terra-Gen Power	Alta Phases 6 and 8 (300 MW Wind)	Tehachapi, Calif.	Crédit Agricole, MUFG	Mini-Perm	\$600M	C+ 7-yr	Deal wraps (see story, page 3).

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# Generation Auction & Sale Calendar

**Generation Sale DATABASE**

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call **Holly Fletcher** at (212) 224-3293 or e-mail [hfletcher@iineews.com](mailto:hfletcher@iineews.com).

Seller	Assets	Location	Advisor	Status/Comments
3Ci	Des Moulins (156 MW Wind)	Kinnear's Mills, Quebec	TBA	Invenenergy has acquired the project (PFR, 5/30).
AES	Cayuga (306 MW Coal) Greenidge (105 MW Coal) Somerset (675 MW Coal) Westover (83 MW Coal) Huntington (904 MW Huntington CCGT)	Lansing, N.Y. Dresden, N.Y. Barker, N.Y. Binghamton, N.Y. Huntington, Calif.	Barclays Capital   TBA	Two bidders emerge as frontrunners (PFR, 4/11).   AES will lease two of the units from Edison Mission Energy under a new sale leaseback agreement so EME can transfer the permit allowances upon the plant's retirement (PFR, 3/25).
Brookfield Infrastructure Partners	Cross Sound Cable (24-mile Transmission)	N.Y., Conn.	Rothschild	Potential buyers are receiving CIMs right now (PFR, 5/2).
Calpine	Mankato (375 MW CCGT) Broad River (847 MW Simple cycle)	Mankato, Minn Gaffney, S.C.	Barclays Capital	Teasers are expected to go out soon for the plants (PFR, 5/9).
CH Energy Group	Shirley (20 MW Wind)	Glenmore, Wis.	N/A	Purchase marks Duke's foray into northern Midwest (see story, page 3).
City Water & Light	Stake (550 MW Nelson coal-fired steam)	Westlake, La.	TBA	A unit of Entergy is buying the portion it has a PPA with (PFR, 5/23).
Entegra Power Group	Gila River (340 MW unit in 2.2 GW CCGT)	Phoenix, Ariz.	Barclays Capital	Final round bids are due in a go-shop process later this month (PFR, 5/15).
EQT Corp.	Big Sandy (68-mile Natural Gas Pipeline)	Kentucky	TBA	Infrastructure funds associated with Citi and Macquarie are among bidders (PFR, 5/9).
First Wind	Various (Wind)	Maine, New York	Credit Suisse Macquarie Capital	Emera and Algonquin are teaming up on a joint venture (PFR, 5/9).
Gamesa Energy USA	Chestnut Flats (38 MW Wind)	Cambria County, Pa.	None	Has lined up a buyer that will bring a PPA for the merchant project (PFR, 5/2).
GDF Suez Energy North America	Hot Spring (746 MW CCGT) Choctaw (746 MW CCGT)	Malvern, Ark. Ackerman, Miss.	UBS	UBS is releasing CIMs to interested parties (PFR, 5/15).
KGen Power	Hot Spring (620 MW CCGT)  Hinds (520 MW CCGT)	Hot Spring, Ark.  Jackson, Miss.	Credit Suisse	Local state subsidiaries of Entergy have agreed to buy the plants in two separate transactions totaling \$459 million (PFR, 5/9).
LS Power	Cross Texas Transmission (234-mile project) Great Basin Transmission (230-mile project)	Texas Nevada	Citigroup Citigroup	Final offers are due by month's end (PFR, 5/15).
Navasota Energy Partners	L'Energia (80 MW CCGT)	Lowell, Mass.	TBA	EDF Trading North America has agreed to buy the plant (PFR, 5/30).
NextEra Energy Resources	Blythe (507 MW Combined-cycle)  Calhoun (668 MW Peaker) Doswell (708 MW CCGT & 171 MW Peaker) Cherokee, (98 MW CCGT) Risec (550 MW CCGT)	Blythe, Calif.  Eastaboga, Ala. Ashland, Va. Gaffney, S.C. Johnston, R.I.	Credit Suisse, Citigroup	Teasers went out this week (PFR, 5/9).
NRG Solar	Various (stake in 881 MW solar pipeline)	Various	Credit Suisse	NRG is looking for a minority owner for its solar subsidiary (PFR, 5/9).
PNM Resources	Stake in Optim Energy Altura (600 MW Cogen) Twin Oaks (305 MW lignite-fired) Cedar Bayou 4 (275 MW natural gas-fired)	Texas Channelview, Texas Bremond, Texas Chambers County, Texas	Morgan Stanley	Teasers are out as Cascade Investments considers exiting (PFR, 5/23).
Raser Technologies	Thermo 1 (14 MW Geothermal)  Lightning Dock (15 MW Geothermal development)	Thermo, Utah  Hidalgo County, N.M.	Bodington & Co.	A pair of investors have come forward as stalking horse bidders in a Ch. 11 bankruptcy (PFR, 5/23).
Recurrent Energy	Bagdad (15 MW PV) Ajo 1 (5 MW PV) Sunset Reservoir (5 MW PV) Cranbury (7.5 MW Distributed PV) Kaiser Permanente (15 MW Distributed PV)	Bagdad, Ariz. Ajo, Ariz. San Francisco, Calif. Cranbury, N.J. California	Credit Suisse	Indicative bids came in April 6 (PFR, 4/11)
Standard General	Standard Binghamton (49.3 MW Peaker)	Binghamton, N.Y.	Energy Advisors	Alliance Energy Group expects a 2Q close (PFR, 5/23).
Strategic Value Partners, JPMorgan, Cargill	Liberty Electric Power (586 MW CCGT)	Eddystone, Pa.	JPMorgan	Teasers have gone out and buyers are receiving CIMs (PFR, 5/2).
Synergics	Roth Rock (40 MW Wind)	Oakland, Md.	TBA	Gestamp Wind North America has agreed to buy the project and has lined up a tax equity investor (PFR, 5/2).
Tenaska Capital Management	University Park (300 MW Simple Cycle)	Chicago, Ill.		LS Power has agreed to buy the University Park facility (PFR, 4/11).
Wayzata Opportunities Fund	Chowchilla (49 MW Peaker)  Red Bluff (45 MW Peaker)	Chowchilla, Calif.  Red Bluff, Calif.	TBA  TBA	EWP Renewable Corp., a unit of Korean Electric Power Corp., is buying the facilities (PFR, 5/30).

## LENDERS PUSH

(continued from page 1)

stability, lenders are now regularly offering underwritten options again, bankers say. The re-emergence of syndication has also boosted lender confidence in underwritings. **Terra-Gen Power** recently wrapped a \$631 million syndicated loan backing its Alta wind project (PFR, 6/1).

But sponsors that initially balked at the prospect of wrangling with a group of banks at the negotiating table are now showing a preference for the club structure.

In addition to foregoing an underwriting fee that generally tacks on an extra 50-100 basis points in costs for lead arrangers, sponsors have found that clubs can accommodate the less than plain vanilla projects. "Given the complexity of some of our transactions, I do have a preference to work with two to three to four banks. You end up being far more effective," a cfo at a European wind developer in the U.S. notes, pointing to tax equity structures, shorter or less traditional power purchase agreements and complex project hedges. Banks with different appetites and product offerings can often come together for a much more customized arrangement than in a traditional underwritten deal that gets syndicated, he says.

The club also works well for the prevalence of deals that are in the \$300 million range, as it gives sponsors the opportunity to establish relationships with larger project finance lenders that are looking for a corresponding larger ticket size within a smaller deal.

With larger deals on the horizon or in play, however, sponsors will likely be more inclined to mandate a true underwriting lead

arranger, rather than deal with dozens of banks in a club. A portion of the \$1.431 billion deal backing **Caithness Energy** and **GE Energy Financial Services'** **Shepherds Flat** wind project was underwritten. **Citigroup** was lead left on that deal with **Bank of Tokyo Mitsubishi UFJ**, **Royal Bank of Scotland** and **WestLB** as joint bookrunning managers (PFR, 12/23).

Financings that are time-sensitive, such as M&A deals that must comply with a regulatory timeframe, are also ripe for underwritings. **Highstar Capital** received at least one underwritten proposal to finance its \$906 million purchase of **LS Power's** 573 MW Arlington Valley and the 579 MW Griffith natural gas-fired plants. **Barclays Capital**, **Citigroup** and **Royal Bank of Canada** are leading the \$750 million financing package backing the purchase (PFR, 4/21). Bank and company officials either declined to comment or did not return calls; whether the package is underwritten could not be determined.

—Sara Rosner

## MAMMOTH CHINA

(continued from page 1)

technologies, including ultra-high voltage transmission, advanced energy storage and distributed generation. The collaboration is a first step and could ultimately yield project collaborations. State Grid also has discussed teaming up with **Duke Energy** on similar initiatives. "They believe they have the most efficient design and technology... and can do it cheaper than anyone else in the world," says the observer.

State Grid entered the Americas in December, when it reportedly invested nearly \$1 billion in seven Brazilian

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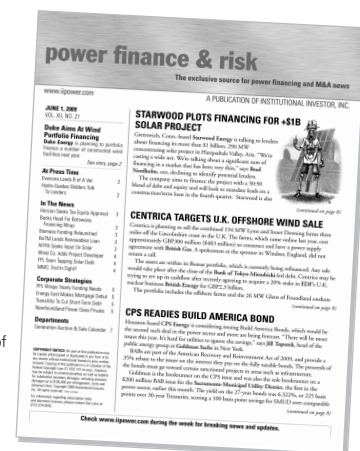
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transmission groups. Near-term M&A activity in the U.S. likely would be for stakes in existing projects. Transmission observers say potential M&A targets could include **Neptune Regional Transmission System's** 660 MW undersea line linking New Jersey and Long Island (PFR, 7/15/05) and **SteelRiver Transmission Company's** 400 MW Trans Bay Cable Project in Northern California.

State Grid had revenues of \$183 billion in 2009; E.ON came in second at \$124.8 billion. Specific plans for State Grid's collaboration with AEP and potential venture with Duke couldn't be learned. Spokespeople at AEP in Columbus, Ohio, and Duke in Charlotte, N.C., declined to comment. Officials and spokespeople at Neptune and SteelRiver didn't return calls seeking comment.

—*Brian Eckhouse*

## MACQUARIE UNIT

(continued from page 1)

other investors who have appetite for renewables or "think that they need to have appetite" are looking for places to put their money, the banker notes. By the final close, fundraising will have lasted between 18 and 24 months, says the source.

**Macquarie Infrastructure Fund** has been looking at **EQT Corp.'s** sale of its Big Sandy pipeline (PFR, 5/3) and affiliate **Macquarie Mexican Infrastructure Fund** bought a stake in **Preneal Group's** 396 MW in Mexico (PFR, 3/21). The name of the fund and the identity of the unit of Macquarie Group that will manage it could not be learned.

A Macquarie spokeswoman declined to comment, citing U.S. Securities & Exchange Commission regulations.

—*Holly Fletcher*

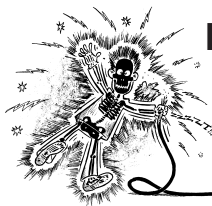
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## Alternating Current



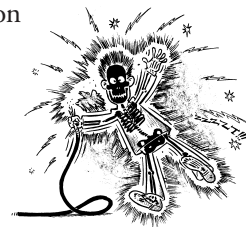
### Blasting Away The Bad Bulbs

Put aside the "Angry Birds" iPhone application, boys and girls. There's a new iPhone app to satisfy your fleeting attention span. **Xcel Energy** has unveiled **Bulb Blasters**, an app where players fire at energy-sucking light bulbs falling from the sky via a cannon designed as a compact fluorescent light bulb. It's patterned after **Atari's** "Space Invaders," according to Xcel's Web site, and combined the speed of "Tetris."

The game's primary motive is to promote energy efficiency to audiences generally untouched by mainstream Xcel marketing efforts—teenagers and 20-somethings. "We were looking for different [marketing] tactics," says **Kim Sherman**, Xcel's product portfolio manager in Minneapolis, who noted that most campaigns target homeowners 25 and above. "It's hard to reach the younger folks."

Mission statements pop up after completing each stage (or in this reporter's case, upon quick death in the first round), such as: "Defending efficiency begins at the switch. Turn it off when you're not in the room." As an added technological flourish, a barcode in the app can be swiped to snag deals at stores offering discounts on compact fluorescent light bulbs.

The free app is also available on the iPad and iPod Touch, and can be downloaded at [www.bulbblasters.com](http://www.bulbblasters.com) and the Apple store.



## Quote Of The Week

"You can't buy a utility in North America without spending a lot of money." —**Barry Perry**, cfo of **Fortis Inc.** in St. John, Newfoundland, on the company's purchase of **Central Vermont Public Service** for \$700 million (see story, page 4).

## One Year Ago In Power Finance & Risk

**Northland Power** mandated **BMO Capital Markets**, **CIBC** and **Union Bank** to lead a \$580 million package backing its 265 MW combined-cycle plant near North Battleford, Saskatchewan. [Ten banks joined the oversubscribed deal (PFR, 8/31). Northland is looking to finance its roughly \$1 billion pipeline of solar, wind and hydro plants by next year (PFR, 8/6).]