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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

JUNE 13, 2011

VOL. XIV, NO. 23

SunEdison Nets Axio

SunEdison has agreed to purchase **Axio Power** from **GreenLight Energy Resources**.

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Entegra Circles Refi, Sells Gila Unit

Entegra is in the market with a \$300M refinancing, and **Wayzata Investment Partners** is buying one of its Gila River units.

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LONE STAR SHOP SCOUTS \$1B+ FOR COAL LIQUEFACTION PLANT

Houston-based developer **DKRW Advanced Fuels** is hunting a more than \$1 billion financing backing its roughly \$1.7 billion, 650 MW coal liquefaction-to-gas plant in Medicine Bow, Wyo. **DKRW** has selected **Citigroup** as financial advisor and is looking to wrap a deal by year-end.

"Coal liquefaction is difficult to develop because of permitting issues," says a longtime project financier. "But if the developer has addressed permitting, I don't see why it can't get done. There's volume in the market." A head of project finance says European banks would pounce on the financing to diversify portfolios, provided that the project has offtake agreements and permitting. If those conditions are met, the debt would probably secure the

(continued on page 11)

CHENIERE HUNTS \$2.24B FOR LNG

Cheniere Energy is looking for roughly \$2.24 billion to support the first half of the \$6.4 billion export liquefied natural gas facility it is developing in Sabine Pass, La. The Houston-based sponsor has tapped **Société Générale** as advisor and is targeting financial close by year-end.

The Sabine facility would be the first to export gas in the continental U.S. and the second in the country overall, after **ConocoPhillips** and **Marathon Oil's** Kenai export LNG plant in Alaska, which opened in 1969.

"The Sabine financing would be a precedent," says a deal watcher, who noted that other sponsors are expected to export gas after the discovery of shale gas in the U.S. Some financiers are questioning the logic of building an export facility. "It's all on the theory that we have gas all of a sudden," a senior financier says. "I've been in this business a long time.

(continued on page 12)

Full Throttle

NRG, NISSAN REV UP BATTERY PROJECT

NRG Energy and **Nissan North America** are pitching to investors an initiative that would use old, rechargeable electric vehicle batteries in a storage system that will balance renewable energy. The two companies have a partnership to develop an electric vehicle infrastructure and are pitching the project in New York, observers say.

Early-stage investors and other shops with a higher tolerance for risk would be most likely to step in with capital for a project like this, says one banker, adding that Nissan and NRG could probably do much of the initial work on balance

(continued on page 11)



Check www.iipower.com during the week for breaking news and updates.

At Press Time SunEdison To Buy Axio

SunEdison has agreed to purchase **Axio Power** from private equity shop **GreenLight Energy Resources**. The acquisition comes about a year and a half after Axio first began looking for a buyer. **Marathon Capital** advised Axio, which is based in San Juan Capistrano, Calif.

Since it launched the process, Axio has continued to pursue offtake agreements for projects, which helped alleviate buyer concerns' about the feasibility of its pipeline (PFR, 2/17). Axio has a 20-year power purchase agreement with **Hawaiian Electric Co.** for its 5 MW photovoltaic Campbell Industrial Park on Oahu.

During the sale process, talks with two exclusive bidders unraveled (PFR, 3/10 & 8/6). Neither the purchase price nor whether SunEdison used an advisor could be learned. Officials at Axio, Marathon and SunEdison could not be immediately reached.

Entegra Nears Gila Refi, Wayzata Grabs Unit

Entegra Power Group is in the market with a \$300 million refinancing on two units at its 2.2 GW Gila River while **Wayzata Investment Partners** has emerged as the successful bidder for Unit 2 of the combined-cycle facility. **Barclays Capital** is running the sale.

This recapitalization is noteworthy because one of the two units is merchant, making the deal 50% uncontracted. But participation was buoyed by the M&A value that **LS Power** got for its nearby Arlington Valley and Griffith plants as well as Wayzata's on-going interest in the other Gila units, a banker says. The refinancing will make more of Entegra's debt first lien, says a banker, and proceeds from the sale will also be used to take down debt.

The six-year, \$300 million package includes a \$220 million term loan and an \$80 million revolver, which are expected to price at 275 basis points over LIBOR, with step-ups. **WestLB**, **Mitsubishi UFJ Financial Group**, and **GE Capital** are arranging the package although more banks are expected to fill the ranks when it closes.

Entegra has a seven-year \$450 million second lien term loan and \$30 million second lien synthetic letter of credit maturing in April 2014 in addition to an eight-year \$850 million payment-in-kind term loan that is junior to its first and second lien maturing in 2015 (PFR, 3/9/07). The PIK loan has pricing of 600 bps over LIBOR. The amount of debt outstanding on the loans could not be learned.

Wayzata had approached Entegra with an offer for the 540 MW Unit 2 earlier this spring, spurring a go-shop process that failed to elicit a higher offer, says a deal watcher (PFR, 5/11). The acquisition, which is already in the process of gaining federal regulatory approval, could close in the next few weeks.

Gila River consists of four, 540 MW combined-cycle units that run independently. Wayzata bought Unit 1 on balance sheet for an undisclosed amount last year (PFR, 7/9).

The purchase price for Unit 2 could not be learned. Officials and spokespeople for the banks declined to comment. **Michael Schuyler**, CEO of Entegra in Tampa, declined further comment and **Blake Carlson**, partner at Wayzata, didn't reply to an inquiry.

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**Institutional
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|--|---|---|---|
| <p>UAE March 2011</p>  <p>Shams Power Company PJSC</p> <p>USD 612,000,000 Project Financing</p> <p>Mandated Lead Arranger WestLB</p> | <p>US February 2011</p>  <p>Viento II Funding, Inc.</p> <p>USD 225,200,000 Financing of a 362MW wind farm portfolio consisting of three projects</p> <p>Joint Lead Arranger Sole Bookrunner WestLB</p> | <p>US December 2010</p>  <p>Caithness Shepherds Flat, LLC</p> <p>USD 1,426,189,402 Project Financing</p> <p>Joint Lead Arranger Joint Bookrunner WestLB</p> | <p>Chile December 2010</p>  <p>Hidroelectrica San Andrés Ltda. Hidroelectrica El Paso Ltda.</p> <p>USD 120,000,000 Project Financing for two 40MW hydroelectric run-of-river power plants in Chile</p> <p>Mandated Lead Arranger Bookrunner WestLB</p> |
| <p>Turkey November 2010</p>  <p>EnerjiSA Enerji Üretim A.Ş.</p> <p>EUR 1,000,000,000 Senior Debt Facilities</p> <p>Bookrunner Joint Lead Arranger WestLB</p> | <p>US September 2010</p>  <p>Bayonne Energy Center</p> <p>USD 422,000,000 Senior Secured Credit Facility</p> <p>Joint Bookrunner Joint Lead Arranger Syndication Agent WestLB</p> | <p>Egypt August 2010</p>  <p>Egyptian Refining Company</p> <p>USD 2,350,000,000 Project Financing</p> <p>Mandated Lead Arranger WestLB</p> | <p>Canada June 2010</p>  <p>Helios Solar Star A-1, L.P.</p> <p>CAD 96,200,000 Construction financing for 20MW PV generating facilities</p> <p>Joint Bookrunner Joint Lead Arranger WestLB</p> |
| <p>USA May 2010</p>  <p>Hudson Ranch Power I LLC</p> <p>USD 300,184,000 Senior Secured Credit Facilities</p> <p>Bookrunner Lead Arranger Co-Syndication Agent WestLB</p> | <p>Germany/Russia May 2010</p>  <p>Nord Stream</p> <p>EUR 3,884,000,000 Term Loan Facility</p> <p>Original Facilities Lender WestLB</p> | <p>Mexico April 2010</p>  <p>Rubicon Drilling</p> <p>USD 225,000,000 Senior Secured Term Loans</p> <p>Joint Bookrunner Mandated Lead Arranger WestLB</p> | <p>Australia March 2010</p>  <p>Collgar Wind Farm Pty Ltd</p> <p>AUD 478,000,000 206MW Collgar Wind Farm Project Finance Facilities</p> <p>Mandated Lead Arranger WestLB</p> |

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Project Finance

OPA Eyes New CHP Generation

The **Ontario Power Authority** is looking for up to 300 MW of combined heat and power generation in one or more projects. Winners will garner 20-year offtake agreements and the authority aims to choose projects by year-end.

The OPA is gearing up to host a 200 MW call and may issue a second call in the fourth quarter for 100 MW. Eligible projects include gas-fired or biomass and must be at least 20 MW for the 200 MW call. Projects with favorable costs and an engineering, procurement and construction contract, as well as sponsors with experience developing CHP, hit the authority's sweet spot, says **Kevin Dick**, director of clean energy procurement in Toronto. Desired generation pricing couldn't be learned.

The deadline to register for the 200 MW call is June 17, with an application due by Aug. 26. Contracts could be offered by the close of September.

OPA began seeking 1 GW of CHP generation in 2005. The agency has met half of its objective. It awarded roughly 415 MW of contracts in 2006. Sponsors that snagged OPA offtake agreements for CHP include **Northland Power** and **Pristine Power**.

A 2007 generation call yielded no contracts, while 45 MW was granted to **Becker Cogen** and **St. Mary's Renewable Energy Corp.** for 15 and 30 MW facilities, respectively, in 2008. The agency is also expected to look for 200 MW of CHP projects that generate 20 MW or less, under OPA's clean energy standard offer program initiative.

Bank Of Ireland Looks To Offload PF

Bank of Ireland is aiming to sell its non-domestic project finance units, comprised of a EUR2.7 billion (\$3.96 billion) portfolio and roughly 25 staff. **Deutsche Bank** is advising on the sale out of London. "We're in the early stage of the process," says a Bank of Ireland spokeswoman in Dublin, noting that a completed sale is possible by year-end. The bank's portfolio and business in Ireland is not included in the sale.

Loans backing U.K. infrastructure assets make up most of the portfolio, which includes roughly 150 financings, says the spokeswoman, who declined to specify the number and size of U.S. deals. The sale is part of Bank of Ireland's efforts to deleverage itself in the aftermath of the 2008 financial collapse.

Bank of Ireland's project finance units outside of the country—including a group based in Stamford, Conn.—haven't halted efforts despite the process, the spokeswoman says. The bank is an occasional player in the North American project market. It participated in a \$450 million financing backing **First Wind's** 203 MW Milford I wind farm in Milford, Utah (PFR, 4/17/09).

The identity of potential buyers and a timeline for the sale

couldn't be learned. **Adrian Olsen**, Bank of Ireland global head of project finance in London, didn't return a call by press time. DB officials in New York and a spokeswoman in London didn't immediately address inquiries.

Bank of Ireland is among several European banks looking to offload project finance portfolios or operations in efforts to build liquidity. **HSBC** affiliate **HSBC Trinkaus** is looking at **WestLB's** global structured finance operation, which features the EUR8 billion (\$11.5 billion) project finance portfolio (PFR, 6/2). **Banco Espirito Santo** has sold at least three loans of its EUR 2.6 (\$3.82 billion) project finance and infrastructure portfolio (PFR, 2/15).

Calif. Solar Shop, N.Y. Financial Co. Launch JV

Belectric, a Newark, Calif.-based photovoltaic systems integrator, and **Smart Energy Capital** of White Plains, N.Y., have launched a joint venture to develop and finance PV projects that will generate 1.5-20 MW each. Early projects are targeted for Southern California, Arizona and New Jersey—locales with strong solar resources or attractive incentives.

The partners aim to finance at least one project within the next 12 months. "We see a lot of talk, not a lot of building," says **David Taggart**, Belectric president and coo, of photovoltaic sponsors in the U.S. "We want to get out of the gate quickly." The partners collaborated on the sale of a 30 MW pv project in Sacramento, Calif., to **Constellation Energy** last month. Belectric developed the project, under the **Sacramento Municipal Utility District's** feed-in tariff program; Smart Energy structured and arranged the deal. Financial terms of the sale couldn't be learned.

Executives at Belectric and Smart Energy believe a partnership combining expertise in systems integration, finance and development will accelerate those processes. "It's a way for us to team with a group that knows how to control costs," Taggart says. Smart Energy maintains relationships with lenders and equity investors, says **Rob Krugel**, managing partner of Smart Energy Capital and a former banker at **Lehman Brothers**. Those relationships include lenders and insurance companies; Krugel declined to identify them.

The partnership has at least one power purchase agreement, for a 1.5 MW project, with **Southern California Edison**. Taggart declined to identify other potential offtakers and the size of the joint venture's project pipeline. A SoCalEd spokeswoman didn't return a call.

Belectric USA, founded in 2009, is an affiliate of German company **Belectric Technology**. It served as general contractor of a 3 MW solar array developed by **enXco** at Pocono Raceway Solar Project, in Pennsylvania. Smart Energy was also founded in

2009 with an aim of optimizing the cost of capital for photovoltaic projects.

NRG Tags Trio For Calif. Gas

NRG Energy has mandated **Crédit Agricole**, **Mizuho Corporate Bank** and **Royal Bank of Scotland** to lead a \$683 million financing backing its 550 MW combined-cycle plant in El Segundo, Calif. Financial close is expected by next month.

Pricing is slated to start at 225 basis points over LIBOR. Most loans supporting California gas deals this year have 10-year tenors, matching offtake agreements. **Southern California Edison** has a 10-year power purchase agreement for El Segundo. The tenor of the deal supporting El Segundo couldn't be learned. An NRG spokeswoman in Princeton, N.J., didn't return a call by press time. Bank officials declined to comment or didn't return calls.

Tokyo Electric Power Co. had been expected to take an equity stake in El Segundo, but backed out this spring (PFR, 5/19). Whether NRG has found other equity investors couldn't be learned.

Fotowatio Lands Conditional DOE Guarantee

The U.S. **Department of Energy** has offered **Fotowatio Renewable Ventures** a \$45.6 million loan guarantee backing a 20 MW alternating current photovoltaic solar plant in Nevada, under the agency's Financial Institution Partnership Program. **John Hancock Life Insurance** is the lender-applicant for the guarantee.

FIPP loans cover up to 80% of the entire project loan (PFR, 9/8). The size of the loan and cost of the project couldn't be learned. Deal details, including pricing and tenor, and the financing timeline also couldn't be immediately ascertained. A DOE spokeswoman in Washington, D.C., declined to comment. A spokeswoman for Fotowatio in the San Francisco area didn't immediately address an inquiry, while a John Hancock official in Boston didn't return a call.

The Fotowatio plant will feature polycrystalline silicon modules attached to single-axis horizontal tracker technology. **NV Energy** is the offtaker, under a 25-year power purchase agreement. Construction is expected to begin this year, with operation targeted for late 2012.

John Hancock has experience as a FIPP lender-applicant. The insurance company in September closed a FIPP-supported \$98.5 million loan supporting **Nevada Geothermal Power's** 49.5 MW Blue Mountain geothermal plant in Humboldt County, Nev. (PFR, 9/8). The loan has an interest rate of 4.14% and a 20-year tenor.

The largest FIPP financing is the \$1.2 billion debt package backing **Caithness Energy** and **GE Energy Financial Services'** 845 MW Shepherds Flat, which closed in December (PFR, 4/21). The DOE loan guarantees backing the Shepherds and Humboldt projects were for 80% of project costs.

Mergers & Acquisitions

Calpine Teasers Flutter Into Market

Barclays Capital has released sale teasers for a pair of Calpine plants totaling 1.2 GW in Minnesota and South Carolina. Financial players as well as strategics with an interest in contracted assets are expected to look at the plants although it's too early to tell how much traffic the auction will draw, says a deal watcher.

Calpine is selling the 375 MW combined-cycle Mankato plant in Mankato, Minn., and the 847 MW Broad River combined-cycle plant in Gaffney, S.C. Broad River is fully contracted to **Carolina Power & Light**, a subsidiary of **Progress Energy**, while Mankato is contracted to sell power to **Northern States Power** until 2026 (PFR, 5/3).

Mankato was part of a \$498.5 million refinancing under **Calpine Steamboat Holdings** in 2009 (PFR, 11/23/09). The package includes a \$465 million term loan plus a \$33.5 million letter of credit.

A Calpine spokeswoman in Houston didn't respond to an inquiry, while a Barclays spokesman declined to comment.



Mont. Utility Circles Wind Acquisition

NorthWestern Energy has agreed to buy an \$86.1 million, 40 MW wind project in Judith Basin County, Mont., from **Compass Wind**. The Spion Kop project will be purchased upon completion, according to a Tuesday filing with the U.S. **Federal Energy Regulatory Commission**. The construction is expected to be complete by the end of next year.

The company will recover the acquisition's cost through the rate base. NorthWestern started the approval process for the acquisition with the **Montana Public Service Commission** on May 31. Approval is needed by April 1 of next year in order to finalize the transaction.

Compass, a community wind developer out of Denver, Colo., entered the project into a request for information—akin to a request for proposals—that NorthWestern issued in August 2009, a NorthWestern spokeswoman says. The utility also agreed to buy a 24 MW wind project near Belt, Mont., from **Invenergy** under the RFI (PFR, 1/11).

NorthWestern Energy operates utilities under the same name in parts of Montana, South Dakota and Nebraska, with its corporate headquarters in Sioux Falls, S.D. A call to **Chris McCall**, president at Compass, was not immediately returned.

Texas Court Nixes Muni CCGT Purchase

High Plains Diversified Energy Corp. has shelved its plans to purchase the 1 GW Odessa combined cycle plant from PSEG Power after a Texas judge ruled last week that the municipal utility didn't have authority to issue bonds to finance the \$335 million acquisition.

The ruling came after Lubbock, the largest member city under High Plains' authority, intervened in the process, essentially arguing that High Plains didn't have the authority to operate under Texas law. High Plains is not expected to appeal the ruling, says a spokeswoman in Lubbock, adding that the company has no plans to revive the acquisition of Odessa.

One deal watcher says that Lubbock was reluctant to approve the two acquisitions initially although why Lubbock decided to intervene against its municipal utility could not be learned.

Established in 2008 with five member cities, High Plains had entered into two separate acquisitions this year for the Odessa plant as well as for the 550 MW Quail Run CCGT from Constellation Energy (PFR, 1/18 & 1/7). The ruling is expected to halt the \$185.5 million Quail Run acquisition, says a High Plains spokeswoman.

Whether there are immediate plans to relaunch the sale of Odessa, run by Goldman Sachs, and Quail Run, could not be learned.

A PSEG spokesman did not return a call while spokespeople at JPMorgan, which advised High Plains, and Goldman could not immediately comment. Neither a Constellation spokesman nor a Lubbock spokesman was immediately reached.

People & Firms

UBS Ropes Lord As Power MD

Keith Lord, a consultant for investment bank advisory outfit Evercore Partners, has joined UBS' power investment banking group as a managing director. Lord reports to Jim Schaefer, co-head of the Americas power team and managing director. He starts at UBS' New York offices on June 10.

Lord was a part-time consultant for Evercore, says a spokesman. Details about his role could not be immediately ascertained. Lord was previously a managing director and co-head of the global power mergers & acquisitions group at Lehman Brothers. He left the firm in 2005 (PFR, 6/24/05).

James Metcalfe, UBS' head of global power and managing director, recently announced that he was leaving for infrastructure fund Alinda Infrastructure Partners (PFR, 5/13). The two worked together at Lehman.

An Evercore spokesman declined further comment. Lord

could not be reached. A UBS spokeswoman declined further comment.

Ares Snags Ex-TCW Banker To Build Power Team

Paul Colatrella, senior v.p. at EIG Global Energy Partners, has joined Ares Management in New York as a managing director to look for investments in conventional and renewable debt. This is the first Ares dedicated power generation investment team focused on senior, high-yield and mezzanine debt, says Colatrella, who started Wednesday.

Ares is looking to fill out the team over the next few months, Colatrella says. He declined to comment on whether other staffers at EIG will be joining Ares.

EIG was spun out of Trust Company of the West earlier this year and is led by CEO Blair Thomas in Washington, D.C. (PFR, 1/7).

A message left for an EIG official in Washington regarding replacement plans was not immediately returned.

Eshoo Launches PF Consulting Group

Nina Eshoo, a former managing director at Crédit Agricole, has launched Saltbox Partners, a project finance consulting firm in New York. Saltbox aims to advise biomass, coal, gas and renewables sponsors on projects that don't necessarily fit the plain vanilla mold.

"We gravitate toward things that are not cookie-cutter," Eshoo says, pointing to her experience structuring hybrid financings with project and corporate debt as well as export financings to the U.S. Saltbox has lined up three clients, which Eshoo declined to identify.

Saltbox will help sponsors negotiate with banks and prepare related documentation, among other services. "There is a niche for us to provide advice for \$50-150 million deals... Crédit Agricole and other big banks are focusing on bigger deals," says Charles-Henry Kurzen, a Crédit Agricole v.p. who will join Saltbox on July 1. Kurzen departed the bank Friday. Eshoo, who started at the firm 18 years ago, left last month (PFR, 5/12).

In his eight years at Crédit Agricole, Kurzen worked on a number of deals, including EIF Calypso's purchase of stakes in 14 thermal plants (PFR, 3/28). Kurzen reported to Eshoo at Crédit Agricole. Since her departure, he has reported to Nick Bellamy, a managing director who co-led a \$631 million financing supporting 300 MW at Terra-Gen Power's Alta wind project in Tehachapi, Calif. (PFR, 6/1).

Crédit Agricole plans to replace Kurzen. Details of that process couldn't be learned. A bank official didn't return a call.

Corporate Strategies

Calpine Circles Term Loan Refi

Calpine is in the market with a \$360 million term loan to refinance debt used to develop combined-cycle plants in California and Texas. Commitments were due June 9; the bank meeting was held Tuesday in New York. **Morgan Stanley** is the lead arranger.

Price talk for the seven-year loan is 325 basis points over LIBOR with a 125 bps LIBOR floor. **Standard & Poor's** and **Fitch** rate the loan B+ and BB, respectively.

The loan will refinance debt on the 605 MW Metcalf in San

Jose and the 1 GW Deer Park in Deer Park, Texas. There is a \$265 million term loan backing Metcalf—priced at 325 basis points over LIBOR—that matures in 2015. The \$156 million Deer Park credit facility includes a \$150 million term loan and a letter of credit at 350 bps over LIBOR, which mature next year. There is \$247.8 million and \$97.5 million outstanding on Metcalf and Deer Park, respectively.

Spokespeople for Calpine and Morgan Stanley did not respond to inquiries.



INDUSTRY CURRENT

U.S. Renewable Energy – Continuing to Push Ahead



Patricia Hammes

*This week's Industry Current is written by Patricia Hammes and Robert Freedman, partners and co-heads of the sustainable development group, Shearman & Sterling.**



Robert Freedman

With its historical tie to government support, the U.S. renewables industry has seen its share of ups and downs. The general rule has been: as government support goes, so goes the renewables industry. In the past the market saw a rush to development as a deadline for production tax credit expiration loomed and then saw a dearth of activity until clarity was provided on further extensions.

In light of this pattern, the American Recovery and Reinvestment Act of 2009 provided stability of government support at a time when the credit markets were collapsing, and the historic base of investors interested in financing projects because of available tax credits significantly declined together with their tax base to use such credits. Most notably, the 30% cash grant in lieu of tax credits and the creation of the U.S. **Department of Energy** 1705 Program for use with commercial technology was a driving force behind the recent development of projects in 2010 and the first half of 2011. However, much of the current political debate in the U.S. is centered around the role of government, and this debate is now playing out directly in relation to the renewable energy sector and the ARRA and DOE programs. It is still the case that current technology for

renewables projects is generally not competitive with conventional fossil-fueled generation sources (although the gap is narrowing) and, consequently, renewables projects continue to rely upon governmental subsidies and policies to be commercially viable. So, as the ARRA and DOE programs and incentives begin to wane, the question rises again as to whether that surge will continue after 2011. Add to this question the continued lack of a consistent energy policy around greenhouse gas and carbon legislation and you have a framework for a renewable sector that may be headed for another slowdown. Against this backdrop though you have an improved credit market with many investors looking to put funds to work, and technological improvements that are rapidly bringing down the cost of development. It was these factors driving the renewable sector ahead of fossil fuel resources in U.S. power development. As long as the country remains focused on energy independence and the importance of climate change issues, there is a good reason to believe renewables will push ahead notwithstanding the current legislative uncertainty.

Prior to the passage of the ARRA, the U.S. renewables sector was mired in the financial crisis of 2008 and 2009. The 30% cash grant in lieu of tax credits reenergized project sponsors by supplementing the diminishing base of tax equity investors. At the same time, the 1705 program addressed a significantly restricted credit market by providing funding and credit support for projects utilizing commercial technology. Prior to the implementation of the 1705 program, the DOE had been operating under a program (known as the 1703 program) which provided guarantees for non-commercial technology. While the 1703 Program had been in place for several years, the DOE had not issued a loan guarantee prior to 2009.

The introduction of the ARRA and 1705 program, however, came at a time when a consistent energy policy in the U.S.,

particularly as it relates to greenhouse gas legislation, was becoming increasingly uncertain. In the recent past, as more states began implementing renewable portfolio standards requiring utilities to purchase renewable power, and the introduction of greenhouse gas and carbon legislation was looming, power purchasers were more inclined to sign above market power purchase agreements. The investment returns from these agreements, coupled with the stimulus of the cash grant, led to continued growth the renewable sector. Many utilities though have now filled their renewable portfolio standard quotas and there is no foreseeable significant greenhouse gas and carbon legislation on the horizon. The flow of above market power purchase agreements has receded and many industry players cite this as one of the reasons why development of wind projects in the U.S. in 2010 decreased from 2009. It is also one of the reasons keeping equity investors from making significant investments in the wind sector.

On the other hand, solar has been a bright spot. The 1705 program has played a significant role in the development of utility scale solar projects. Additionally, the program has worked to incentivize development of the U.S. solar manufacturing business which had been significantly lagging behind China.

With wind and solar being intermittent resources and typically located away from major load centers, improvement of the electric transmission system continues to be a recognized need. Transmission was becoming an increasing impediment to investment as lenders became more focused on curtailment issues and began requiring projects to obtain more secure interconnection status. Issues such as whether a project was a network resource (a more secure interconnection status) versus an energy resource (an interconnection status more subject to curtailment) became part of the investment discussion. Investors also provided increased scrutiny to curtailment provisions in power purchase agreements.

The 1705 program again played a part in the effort to improve the transmission outlook in 2011 by providing the first loan guaranty to a transmission project when it closed on the **LS Power/Nevada Energy One Nevada Line Project** developed to deliver renewable energy north to south in Nevada. Additionally, individual state incentive programs such as the Competitive Renewable Energy Zone projects in Texas are assisting transmission development.

The importance of the ARRA and 1705 program in 2010 and the first half of 2011 may become further evident as the programs expire. The cash grant provided by the ARRA is set to expire at the end of 2011 for renewable energy projects that have not commenced construction by such date. The 1705 program

will end Sept. 30, 2011 and the DOE has publicly stated that it is no longer accepting applications for the program. How well the U.S. renewable energy sector does in the absence of these programs remains a question. Additionally, further slowdown in renewable projects may be seen if already low natural gas prices are further exacerbated by the expected development of sizeable shale gas deposits.

There is still reason for optimism though. Already, the capital costs for renewable energy projects continue to decrease and this has diminished the need for a cash grant and has investors returning to a tax credit financing structure. Renewable energy tax credits have been in around in some form or other for many years so there is reason to believe that such credits will continue notwithstanding that the cash grant will likely not be renewed and other government support may be cut back. Additionally, several advances and efficiencies in executing projects such as distributed solar, which does not present the same transmission issues as large utility scale projects, will likely continue to expand the generation base.

Further, there looms in the background of the ongoing discussion taking place on the nation's infrastructure (which has a focus on the transportation sector) another possible opportunity for renewable energy. If the political will comes together to initially fund and sponsor a self-sustaining infrastructure bank as has been discussed by the **Obama** administration as well as various members from both parties of Congress, this infrastructure bank is likely to have a mandate to provide financing in the energy sector as well. A national infrastructure bank which rises above the constant ebb and flow of political support for renewable energy could provide a more stable incentive for developers to focus on the long term development of renewable energy resources.

In sum, despite the pressures on the development of renewable energy from the likely reduction in the recently provided government incentives from the ARRA and DOE programs, concerns over global warming, improvements in technology and transmission, the growing demand for energy and electricity in the coming years and recent set-backs for the nuclear industry after the incident at Fukushima, Japan, provide a continued positive outlook for the sector. The second half of 2011 and the beginning of 2012 will likely be a very telling time to see how the sector reacts.

** While the authors represent the U.S. Department of Energy on a number of loan guaranty transactions including the One Nevada Line transmission deal referred to in this article, the views expressed herein are solely those of the authors and do not reflect any views of the DOE.*

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.

| Seller | Assets | Location | Advisor | Status/Comments |
|---|--|--|-------------------------------------|---|
| 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 out (see story, page 5). |
| CH Energy Group | Shirley (20 MW Wind) | Glenmore, Wis. | N/A | Purchase marks Duke's foray into northern Midwest (PFR, 6/6). |
| 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). |
| Compass Wind | Spion Kop (40 MW Wind) | Judith Basin County, Mont. | TBA | NorthWestern Energy is planning to put the project into its ratebase (see story, page 5). |
| Constellation Energy | Quail Run (550 MW CCGT) | Odessa, Texas | | A sale to High Plains Diversified Energy Corp. was nixed (see story, page 6). |
| Entegra Power Group | Gila River (340 MW unit in 2.2 GW CCGT) | Phoenix, Ariz. | Barclays Capital | Wayzata emerges from go-shop as buyer (see story, page 2). |
| 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). |
| 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) Risee (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). |
| PSEG Power | Odessa (1 GW CCGT) | Odessa, Texas | Goldman Sachs | The company is talking to other parties after High Plains Diversified Energy Corp. dropped out of the auction (see story, page 5). |
| 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 Bremont, 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). |

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.*

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 Beaupré, Quebec | TBA | TBA | \$500-600M | 18-20-yr | Sponsors tap BNP Paribas as adviser on \$500-600 million 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 (PFR, 6/6). |
| 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). |
| 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). |
| | Unidentified (20 MW PV) | Southern Nevada | John Hancock | TBA | TBA | TBA | Fotowatio snags conditional DOE loan guarantee (see story, page 5). |
| 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 prices loan at roughly 200 bps over LIBOR (PFR, 6/6). |
| NRG | El Segundo (550 MW Gas) | El Segundo, Calif. | Crédit Agricole, Mizuho, RBS | TBA | \$683M | TBA | NRG tags three to lead deal (see story, page 5). |
| | Roadrunner (20 MW Solar PV) | Santa Teresa, N.M. | MUFG | TBA | TBA | TBA | Sponsor lands financing (PFR, 6/6). |
| 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 | \$631M | C+ 7-yr | Deal wraps (PFR, 6/6). |

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LONE STAR

(continued from page 1)

going rate for thermal project financings, he says, about 225 basis points over LIBOR.

Regardless, financing such a project would require considerable research, notes a senior official at an insurance company, given the unknown technological risks and some lender wariness of the coal component. "Not all lenders have the capacity to even examine such a project," he says.

DKRW will tap carbon basin coal to produce refined hydrocarbon liquid products. The products will go through **General Electric's** coal gasification technology to yield synthetic gas which will power turbines. The project is expected to be operational in 2014. Whether the developer has landed offtake agreements and the status of permitting couldn't be learned.

Sponsor affiliate **DKRW Energy** was founded by a trio of ex-**Enron** officials and had the backing of private equity shop **Och-Ziff Capital Management Group** (PFR, 12/24/08). St. Louis, Mo.-based **Arch Coal**, one of the largest coal producers in the U.S., has a 25% stake in DKRW Advanced Fuels and will supply the coal for the project; whether Och-Ziff remains a partner in DKRW Energy couldn't be learned. DKRW specializes in importing liquefied natural gas, coal liquefaction and wind generation. "They're some smart guys... and they've gotten a lot

of things done," says an observer.

The Medicine Bow financing is one of at least two deals supporting coal-related projects expected to launch this year. **Summit Power** is seeking \$1.3-1.4 billion in project loans and bonds for its more than \$2 billion, 400 MW integrated gasification combined-cycle plant in Odessa, Texas (PFR, 5/27).

Stuart Murray, a Citi director, is leading the effort for the bank. Murray, who peers say is one of the more savvy and innovative bankers in project finance, led two of the largest deals of 2010, a \$1.2 billion financing backing **Caithness Energy** and **GE Energy Financial Services'** 845 MW Shepherds Flat wind farm and a \$1.2 billion deal supporting 570 MW at **Terra-Gen Power's** Alta wind farm (PFR, 4/21).

DKRW has been planning the Medicine Bow project for more than a half-dozen years (PFR, 2/11/05). A **Sierra Club** lawsuit against the project delayed it, though the state Supreme Court reportedly rejected the challenge earlier this year. Details regarding additional project delays, desired structure, tenor and pricing, could not be learned.

William Gathmann, DKRW cfo in Houston, and an Arch Coal spokeswoman in St. Louis didn't immediately address inquiries. An Och-Ziff spokesman in New York didn't return a call. Citi officials declined to comment or didn't return calls.

—*Brian Eckhouse*

NRG, NISSAN

(continued from page 1)

sheet. There is room for growth in the power sector for storage initiatives and this venture could provide medium-term returns, says an observer. "They are really looking down the line to when the [electric] cars really start hitting the market," says one lawyer.

High cost has been the primary obstacle to energy storage projects so far. Battery energy storage projects cost in the neighborhood of \$1,000 - \$1,500 per kW, says an observer, putting it on par with developing gas-fired, baseload generation in some regions. The size of the NRG-Nissan initiative and the costs could not be learned.

In such a project, the batteries would be strung together, containerized and placed in a warehouse, where they would charge up from renewables during peak production and low demand. During high-demand periods, the batteries would release a direct current through an inverter that would convert it to an alternating current that would transmit power, say industry officials. **First Wind** is using a 15 MW battery storage at its 30 MW Kahuku farm in Oahu, Hawaii.

Batteries would be supplied by Nissan's new electric vehicle, the Leaf, that is currently being sold in a handful of states, including Texas. Right now, a stockpile of batteries does not exist,

as the ones that were used in test vehicles are limited and have already been re-used, says an industry official. As more Nissan Leafs hit the road, more batteries would be available. Nissan expects to have 10,000-12,000 cars on the road by year end.

In an electric vehicle, each recharging wears on the battery's life, decreasing the number of miles it can drive on a charge. Drivers are expected to be wary of decreased driving range and to look to replace the car batteries before they are entirely depleted. Although the long-term performance becomes unsuitable for reliable distance driving, when batteries are lumped together, the wear-and-tear of recharging would be spread over hundreds of batteries instead of a single battery being constantly and fully recharged.

Battery storage technology has come a long way in recent years and is much closer to being viable, especially in areas like Hawaii and Texas, where power prices are normally high, a renewables banker says. One advantage to working with an auto manufacturer would be the steady flow of batteries if the Leaf takes off, bankers and lawyers say. One question that investors and lenders have about the project is how Nissan and NRG are going to maintain the chargeability of the battery, asks one lawyer with energy storage experience.

NRG, the Princeton, N.J.-based independent power producer,

has a penchant for emerging technologies, says a deal watcher, pointing to its \$300 million joint venture with **GE Capital** and **ConocoPhillips** that will look at new solar and biofuel projects, at first. Whether that JV will work with or provide funding to battery storage could not be learned.

Officials at NRG declined to comment through a spokesman in Houston, who declined any comment beyond the statement that the company is committed to its infrastructure projects with Nissan. A Nissan USA spokesman in Roseland, N.J., decline to comment.

—*Holly Fletcher*

CHENIERE HUNTS

(continued from page 1)

Sometimes we have a deficiency, other times we have a glut. It seems to swing a lot."

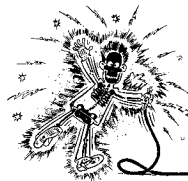
Meg Gentle, cfo in Houston, points to the discovery and expansion of shale gas in the U.S. and gas prices' link to oil prices as drivers behind investor and lender interest in the project. Demand from developing economies in Asia is on the rise. The U.S. **Energy Information Administration** estimates that there are up to 827 trillion cubic feet of recoverable shale gas in the U.S., according to its Annual Energy Outlook. The figure is more than double the EIA estimate of 353 tcf from last year.

Other project financiers anticipate Cheniere will land the financing, pointing to the sponsor's experience and credit committees' preference for diversified portfolios. SocGen and HSBC led a more than \$750 million financing backing Cheniere's import facility at Sabine Pass in 2005 (PFR, 2/4/05). **Credit Suisse** is also a relationship lender.

The sponsor is seeking a 70:30 debt-to-equity ratio for the financing and may tap project banks and the capital markets for the debt, Gentle says. Financiers say sponsors can generally score up to \$1 billion per deal from project banks in this liquid market. "Maybe we'll look for \$1 billion in bank debt and the rest from the capital markets," Gentle says. Cheniere will also look for equity to fund the Sabine export facility, Gentle notes, adding that the company has roughly \$170 million on its balance sheet.

Cheniere has entered into eight non-binding memoranda of understanding for companies to purchase the liquid gas produced at the facility, Gentle says. **Gas Natural Fenosa**, **Sumitomo Corp.**, and a subsidiary of Chinese company **Enn Energy Trading Co.** have reportedly entered into such agreements. Those companies would also be responsible for supplying the unliquefied gas to the facility. Cheniere is also working with **Morgan Stanley** to trade the gas. The U.S. **Department of Energy** last month granted Sabine Pass authorization to export domestically produced gas to any country that can import it, expanding upon an authorization from last year that would allow Cheniere to export gas only to countries that have Free Trade

Alternating Current



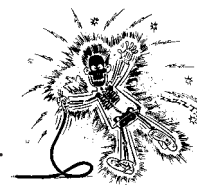
Spion Kop: Wind, War and Football

What does the **Liverpool Football Club's** stadium in the U.K., a wind project in Montana and the Second Boer War have in common? The Battle of Spion Kop, of course.

British troops tried to conquer the Boers by overtaking a large hill, Spion Kop, near Ladysmith, South Africa, during the night of Jan. 23, 1900 to gain an advantageous offensive position. However, upon daybreak, British forces realized that they were on the lower flank of the *kop* (Afrikaans for hill) and its rocky soil only allowed them to dig 16-inch deep trenches. The Boers fired down on the exposed British forces, which lost the battle with 243 casualties and roughly 1,250 troops wounded or captured.

A steep set of terraces and stands at the LFC's stadium and other British venues have been likened to the hill and its namesake battle. Fans that sing and cheer in this section of the LFC stadium are known for their particularly colorful support. LFC fans are commonly called Kopites. *Spion* means to spy or look out.

Meanwhile, the 40 MW Spion Kop wind farm being developed by **Compass Energy** and bought by **NorthWestern Energy** (see story, page 5) is just east of Spion Kop, Mont. Whether the town, which is now abandoned, boasts any notable topography could not be learned.



Agreements with the U.S.

Gentle declined to comment on any of the companies that have entered into memoranda. Bank officials declined to comment or didn't return calls.

—*B.E. & Sara Rosner*

Quote Of The Week

"We gravitate toward things that are not cookie-cutter." —**Nina Eshoo**, founder of **Saltbox Partners** in New York, on her new consultancy's mission to advise biomass, coal, gas and renewables sponsors that seek modest-sized or alternative financings (see story, page 6).

One Year Ago In Power Finance & Risk

Merrill Lynch Credit Products, a unit of **Bank of America**, began increasing its stake in financial player-owned **Milford Power** in Milford, Conn., a move signaling the consortium was looking to sell. [**Energy Capital Partners** agreed to buy the 548 MW combined-cycle facility for \$360 million and close its financing package in January (PFR, 1/19).]