

Power Finance & Risk

The weekly issue from **Power Intelligence**

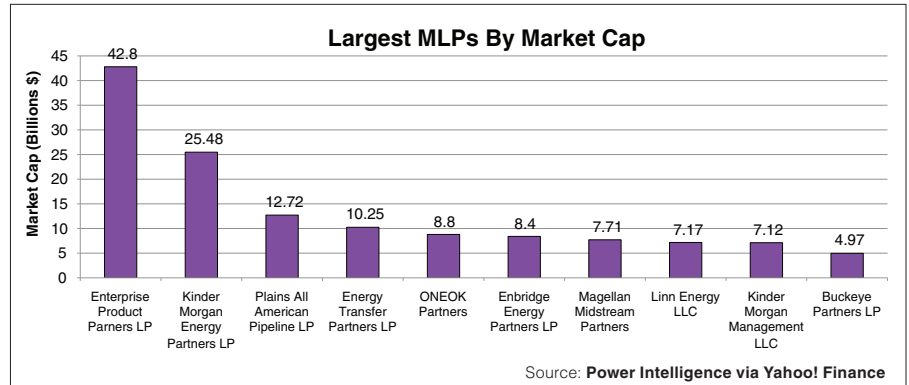
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Renewables Players Scout More PF Options

The hunt is on for the next generation of project financing options, including master limited partnerships, real estate investment trusts, project bonds and securitizations, according to executive and financiers at the 9th annual REFF-Wall Street conference in New York last week.

"I think it would be great if we could come to a conference and not talk about being subsidized by the government," said **Paul Gaynor**, ceo of **First Wind**. "We'd have certainty and be able to do long-term planning and eliminate the federal politics."

The bedrock of renewable financing has been production tax credits supporting traditional bank



(continued on page 8)

THE BUZZ

Industry officials are changing their tune about the production tax credits that have buoyed renewables projects for several years and kept them alive during the financial crisis. Political uncertainty in an election year, the thin universe of tax equity investors and a shrinking cast of project finance lenders are prompting developers and their bankers to look at other methods of funding. Master limited partnerships, real estate investments trusts, securitization and a burgeoning project bond market are on menu of new project finance options, though each has its own set of challenges for the power project finance set, officials said at the **American Council on Renewable Energy** and **Euromoney Energy Events'** Renewable Energy Finance Forum-Wall Street.

For PFR's take on these stories and the rest of the week's events, see page 2.

Deal Analysis

LS, ECP Take Dividend Recap Route

LS Power and **Energy Capital Partners** have turned to the institutional market for cash to re-balance capital structures after recent equity-heavy acquisitions. They are refinancing existing debt and also raising additional debt to fund cash payments to the borrowers.

The **LSP Madison** and **EquiPower Resource Holdings** deals are akin to dividend recapitalization, says one banker, adding they are "right-sizing" the capital structure since both injected more equity than usual into the acquisitions tied to the deals. The debt sits at the holding company for LSP Madison (see story, page 5) and project level for EquiPower (see story, page 6), respectively, and will make the private equity parent more liquid.

(continued on page 12)

REFF Wall Street

Check out our coverage of the event hosted by **Euromoney Energy** in New York June 19-20.

See stories, page 8-10.



New Project Finance Loans

We've updated to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale DATABASE

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

See calendar, page 3

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THE BUZZ

MidAmerican Energy and GE Energy Financial Services have successfully tapped the bond market for funds backing the Topaz solar project and the Shepherds Flat wind project, and bankers say that investors in this market are hungry for more project paper (see story, page 9). The hurdle there is educating investors that are still relatively new to renewable project financing.

The renewables M&A market is hot in Canada. **Mitsubishi** and **Osaka Gas Corp.** have agreed to buy majority stakes in 100 MW of Ontario solar projects from **Recurrent Energy**—the first time that Recurrent has offloaded any of its Canadian pipeline. Meanwhile, **Innergex Renewable Energy** is circling buying two hydro facilities in British Columbia from **Capital Power** for \$69.2 million.

The market looks set to continue this streak as **CIBC** ramps up to sell 300 MW of wind assets for **GDF Suez North America**.

The U.S. the acquisition market has some bright points as **Atlantic Power Corp.** waits to hit the capital market with a convertible debentures and common share issuance to finance the purchase of a 298 MW wind project in Oklahoma.

On the financing front, **LS Power** and **Energy Capital Partners** are active in refinancings of acquisitions. They're looking to tap institutional investors to balance the capital structure from equity-heavy transactions.

TELL US WHAT YOU THINK!

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

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

Power Intelligence

EDITORIAL

Steve Murray
Editor

Tom Lamont
General Editor

Peter Thompson
Executive Editor (Chicago)
(773) 439-1090

Sara Rosner
Managing Editor
(212) 224-3165

Holly Fletcher
Senior Reporter
(212) 224-3293

Katie Segreti
Data Editor

Hailey Goldstein
Contributor

Kieron Black
Sketch Artist

PRODUCTION

Dany Peña
Director

Deborah Zaken
Manager

Melissa Figueroa,
James Bambara,
Douglas Lee
Associates

Jenny Lo
Web Production &
Design Director

ADVERTISING

David Blide
Associate Director
(212) 224-3187

Patricia Bertucci
Associate Publisher
(212) 224-3890

Adrienne Bills
Associate Publisher
(212) 224-3214

PUBLISHING

Allison Adams
Group Publisher

Gauri Goyal
Business Director
(212) 224-3504

Anna Lee
Marketing Director
(212) 224-3175

Laura Pagliaro
Senior Marketing Manager
(212) 224-3896

Vincent Yesenosky
Head Of US Fulfillment
(212) 224-3057

Nina Bonny
Customer Service Manager
(212) 224-3433

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Ken Lerner
Account Executive
(212) 224-3043

REPRINTS

Dewey Palmieri
Reprint & Permission
Manager [New York]
(212) 224-3675
dpalmieri@institutionalinvestor.com

CORPORATE

Jane Wilkinson
Chief Executive Officer
Steve Kurtz
Chief Operating Officer

Customer Service

PO Box 4009, Chesterfield, MO 63006-4009, USA

Tel: 1-800-715-9195

Fax: 212-224-3886

UK: 44 20 7779 8704

Hong Kong: 852 2842 8011

E-Mail: customerservice@iintelligence.com

Institutional Investor Hotline

(212) 224-3570 and (1-800) 437-9997 or Hotline@iintelligence.com

Editorial Offices

225 Park Avenue South, New York, NY 10003

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GENERATION AUCTION & SALE CALENDAR

These are the current live generation asset sales and auctions, according to *Power Intelligence's* database. A full listing of completed sales for the last 10 years is available at www.powerintelligence.com/AuctionSalesData.html

| Seller | Assets | Location | Advisor | Status/Comments |
|---|---|--|-------------------------------|--|
| Alcoa | Calderwood (140.4 MW Hydro) Cheoah (118 MW Hydro) Chilhowee (52.2 MW Hydro) Santeetlah (40.4 MW Hydro) | Little Tennessee River, Tenn. Little Tennessee River, N.C. Little Tennessee River, Tenn. Cheoah River, N.C. | JPMorgan | Final round bids expected soon (PI, 6/11). |
| Apex Wind Energy | Canadian Hills (298 MW Wind) | Oklahoma City, Okla. | TBA | Atlantic Power is issuing shares, debentures to fund purchase (see story, page 7). |
| Bicent Power | Hardin (120 MW Coal) San Joaquin (48 MW San Joaquin Gas) | Billings, Mont. Lathrop, Calif. | Moelis & Co. Scotiabank | Creditors are circling the plants in a pre-pack bankruptcy (PI, 4/30). San Joaquin will be included in the sale of CalPeak assets (PI, 5/28). |
| BVP Property | Big Valley (7.5 MW Biomass or development) | Bieber, Calif. | Barrier Advisors | NexBank foreclosed on the asset in Q1 and is looking to sell it (PI, 5/21). |
| Calpine | Riverside (600 MW Gas) | Beloit, Wis. | TBA | WPL is paying \$393 million for the plant (PI, 5/21). |
| Capital Power | Miller Creek (33 MW Hydro) Brown Lake (7.2 MW Hydro) | British Columbia British Columbia | CIBC | Innergex is buying the facilities although BC Hydro has first refusal rights for Miller Creek (see story, page 7). |
| Cleco Evangeline | Coughlin (775 MW Gas-fired) | St. Landry, La. | TBA | Cleco Power is considering buy the facility in a request for proposals it will release this summer (PI, 6/18). |
| Edison Mission Group | Homer City (1.884 GW Coal) | Homer City, Pa. | Barclays | Looking to exit the facility as its lessee (PI, 3/12). |
| Energy Investors Funds | Loring BioEnergy (70 MW gas- and diesel-fired project) | Maine | Pierce Atwood | A jet fuel pipeline is for sale along with the cogeneration project (PI, 6/4). |
| Exelon | Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal) | Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md. | Citigroup, Goldman Sachs | Bidders have been notified as to whether they are in the second round (PI, 6/4). |
| First Wind | Steel Wind II (49.9% stake of 15 MW Wind) | Lackawanna, N.Y. | TBA | A minority stake is being put into the JV with Emera (PI, 5/28). |
| Gamesa Energy USA | Pocahontas (80 MW Wind) Sandy Ridge (50 MW Wind) Senate (150 MW Wind) Minonk (200 MW Wind) | Pocahontas County, Iowa Blair County, Pa. Texas Illinois | JPMorgan | Algonquin Power & Utilities a controlling interest in the four projects. |
| Harbert Power | Hanford (95 MW Gas-fired) Henrietta (97 MW Gas-fired) Tracy (314 MW Gas-fired) | Kings County, Calif. Kings County, Calif. Stockton, Calif. | Morgan Stanley | Harbert is looking to sell its stake in GWF Energy, the owner of the plants (PI, 6/18). |
| IPR-GDF Suez Energy North America | Various (287 MW Wind) | Various, Canada | CIBC | GDF has tagged CIBC on the sale (see story, page 6). |
| Iberdrola Renewables | Klamath (636 MW CoGen) | Klamath Falls, Ore. | Royal Bank of Canada | First round bids are in (PI, 6/4). |
| LS Power | Blythe (507 MW CCGT) | Blythe, Calif. | Credit Suisse | LS is looking to flip the plant it bought in a portfolio in the fall (PI, 4/16). |
| Luminus Management, CarVal Investors, Fortress Investment Group | Bosque (507 MW Gas) | Laguna Park, Texas | Bank of America | Bidders are in due diligence (PI, 6/18). |
| MACH Gen | Harquahala (1 GW Gas) | Maricopa County, Ariz. | Goldman Sachs | The sale launched recently (PI, 5/21). |
| NRG Solar | CVSR (250 MW Solar PV) | San Luis Obispo County, Calif. | Credit Suisse, Morgan Stanley | NRG is out talking to potential investors (PI, 3/5). |
| Olympus Power, Metalmark Capital | Brooklyn Navy Yard (Stake, 286 MW Gas-fired) | Brooklyn, N.Y. | Credit Suisse | Teasers went out recently for the stake (PI, 5/28). |
| Perennial Power | Mid-Georgia (300 MW CoGen) | Kathleen, Ga. | Fieldstone | ArcLight, GE EFS and GIC are buying the facility although Georgia Power has first refusal rights (PI, 5/21). |
| Recurrent Energy | Various (100 MW Solar PV) | Ontario | None | Mitsubishi and Osaka Gas are buying nine projects; four banks are financing construction (see story, page 6). |
| Stark Investments | Batesville (837 MW CCGT) | Batesville, Miss. | Lazard | Bids came in for a court-run sale (PI, 6/11). |
| Starwood Energy | Neptune (65-mile Transmission) | Sayreville, N.J. to Long Island, N.Y. | Barclays | Recently hired Barclays to run the sale (PI, 6/11). |
| Starwood Energy, Tyr Energy, GSO Capital | Vaca Dixon (49 MW Peaker) Panoche (49 MW Peaker) Border (49 MW) Enterprise (49 MW) | Vacaville, Calif. Firebaugh, Calif. San Diego, Calif. Escondido | Scotiabank | The portfolio sale will launch soon (PI, 5/28). |
| Tenaska Solar Ventures | Imperial Solar Energy Center South (130 MW Solar PV) | Imperial County, Calif | Royal Bank of Canada | Tenaska is looking to bring in a minority owner that has tax appetite (PI, 6/4). |
| Westmoreland Coal Co. | ROVA (230 MW Coal) | Weldon, N.C. | Gleacher & Co. | Wants to sell the plant by the end of the year (PI, 5/14). |
| Wind Capital Group | Various (1.3 GW Wind development) | Various | Energy Advisory Partners | Put the pipeline on the block as a way to raise capital (PI, 5/7). |

New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hlfletcher@iintelligence.com.

PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that *Power Intelligence* is tracking in the energy sector. A full listing of deals for the last several years is available at <http://www.powerintelligence.com/projectfinancedeal.html>

Live Deals: Americas

| Sponsor | Project | Location | Lead(s) | Loan | Loan Amount | Tenor | Notes |
|---|------------------------------------|--------------------------|--|-----------|-------------|----------------|--|
| AES Gener | Cochrane (532 MW Coal) | Chile | TBA | TBA | \$1B | TBA | Sponsor taps HSBC as financial advisor ahead of deal and eyes equity (PI, 6/11). |
| AES Solar, 8minutenergy Renewables | Mount Signal (200 MW Solar PV) | Imperial Valley, Calif. | TBA | TBA | \$700M | TBA | Mandates expected soon (PI, 5/21). |
| BP, Sempra | Flat Ridge 2 (419 MW Wind) | Wichita, Kan. | TBA | TBA | TBA | TBA | Lenders submit financing proposals to sponsors (PI, 6/4). |
| Cape Wind Associates | Mehoopany (141 MW Wind) | Wyoming County, Penn. | BTMU, CoBank, Mizuho | TBA | \$200M | 18-yr | Pricing, tenor emerge (PI, 4/16). |
| | Cape Wind (420 MW Wind) | Nantucket Sound, | Barclays | TBA | TBA | TBA | Financing to be re-ignited (PI, 4/16). |
| Cheniere Energy | Unidentified (Export LNG Facility) | Sabine Pass, La. | Agricole, BTMU, Credit Suisse, HSBC, JPMorgan, Morgan Stanley, RBC, SocGen | Mini-Perm | \$3.2B | 7-yr | Sponsor seeks second tier of lenders (PI, 5/7). |
| Cogentrix | Portsmouth (110 MW Coal) | Portsmouth, Va. | RBC, Scotia | Refi | \$120M | 5-yr | Sponsor tags RBC to lead refi, with Scotia as co-lead (PI, 5/7). |
| Dalkia Canada, Fengate Capital | Ft. St. James (33 MW Biomass) | Ft. St. James, B.C. | TBA | TBA | TBA | TBA | Sponsors seek roughly \$175 million financing for project (PI, 3/26). |
| | Merritt (33 MW Biomass) | Merritt, B.C. | TBA | TBA | TBA | TBA | Sponsors seek roughly \$175 million financing for project (PI, 3/26). |
| Diamond Generating Corp. | Mariposa (200 MW Gas) | Alameda County, Calif. | SMBC, DZ, CoBank, Sumitomo Trust | TBA | \$150M | 10-yr | Sponsor mandates four lenders (PI, 5/14). |
| Duke Energy Renewables | Los Vientos (402 MW Wind) | Willacy County, Texas | TBA | TBA | TBA | TBA | Sponsor circles \$220 million NADB tranche (PI, 5/28). |
| Finavera Wind Energy | Wildmare (77 MW Wind) | Peace River, B.C. | TBA | TBA | \$160M | TBA | Sponsor targets financing, likely from life insurance companies (PI, 4/2). |
| GCL Solar | Various (77 MW PV) | Puerto Rico | Union Bank, WestLB | TBA | \$200M | TBA | Deal to wrap this week (PI, 5/28). |
| Inkia Energy | Unidentified (500 MW Hydro) | Cerro del Aguila, Peru | BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC | TBA | \$600M | 12-yr | A dozen lenders expected to make commitments (PI, 4/30). |
| InterGen | Unidentified (Gas Pipeline) | Zacatecas, Mexico | TBA | TBA | \$200M | TBA | Sponsor considering club deal (PI, 6/11). |
| LSP Madison | Doswell (879 MW Gas) | Ashland, Va | Credit Suisse, Morgan Stanley, Citigroup | Refi/Term | \$750M | 7-yr | Commitments due on June 25 (see story, page 5). |
| | Riverside (500 MW Gas) | Louisa, Ky. | | | | | |
| | Blythe (507 MW Gas) | Blythe, Calif. | | | | | |
| | Cherokee (98 MW Gas) | Gaffney, S.C. | | | | | |
| | Safe Harbor (421 MW Hydro) | Conestoga, Pa. | | | | | |
| | Wallingford (225 MW Gas) | Wallingford, Conn. | | | | | |
| | University Park North (540 MW Gas) | University Park, Ill. | | | | | |
| | University Park South (300 MW Gas) | University Park, Ill. | | | | | |
| Odebrecht | Chaglia (406 MW Hydro) | Peru | BNP | Term | \$650M | 17.5-yr, 20-yr | Two more lenders join deal (PI, 5/21). |
| Panda Energy | Temple (600 MW Gas) | Temple, Texas | TBA | TBA | \$1.2B | TBA | Sponsor is looking to line up debt and equity (PI, 5/28). |
| Pattern Energy | Ocotillo (315 MW Wind) | Imperial Valley, Calif. | TBA | Mini-Perm | \$400M | C+ 7-yr | Sponsor targets \$400 million financing; 10 lenders eye deal (PI, 5/14). |
| Ridgeline Energy | Meadow Creek (120 MW Wind) | Bonneville County, Idaho | TBA | TBA | \$180-200M | TBA | Sponsor discusses financing with lenders, equity with Diamond Generating Corp. (PI, 5/28). |
| Rockland Capital, Broadway Electric Co. | Mass Solar (Solar PV) | Massachusetts | TBA | TBA | \$200M | TBA | Sponsors talking to four lenders about financing (PI, 5/14). |
| Sempra U.S. Gas & Power | Copper Mountain 2 (92 MW PV) | Boulder City, Nev. | TBA | TBA | \$130M | 17-18-yr | BTMU, Crédit Agricole and SMBC likely lenders (PI, 5/21). |
| Solarpack | Various (22 MW Solar PV) | Tacna and Moquega, Peru | TBA | TBA | \$120M | 20-yr | Sponsor is talking to lenders for funds for two projects (PI, 4/30). |
| Standardkessel, Green Energy Team | Unidentified (6.7 MW Biomass) | Koloa, Hawaii | TBA | TBA | TBA | TBA | WestLB exits deal; sponsor tap another bank as lead (PI, 5/21). |

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PROJECT FINANCE

LS Power Shops \$750M Package For Dividend, Refi

LS Power is in the market with a \$750 million secured term loan that it will use for a one-time dividend and a refinancing of a portfolio of seven plants. About \$400 million of the proceeds of the loan, which is being borrowed under affiliate **LSP Madison**, will go toward the dividend and the remainder will go toward the refi of plants owned by **LS Power Equity Partners II**. There is also an option for LS Power to issue an incremental \$50 million working capital facility.

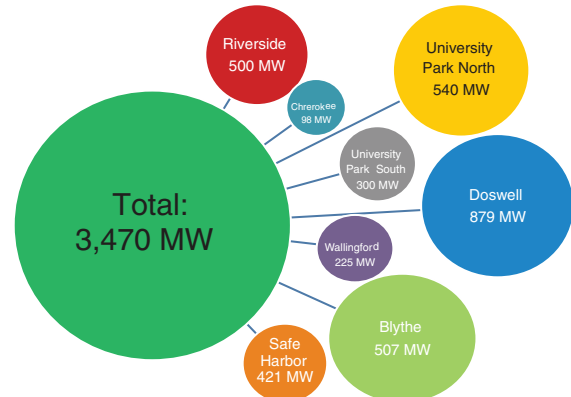
Credit Suisse is the administrative agent and co-lead arranger on the seven-year deal, along with co-leads **Morgan Stanley** and **Citigroup**. Pricing is 450 basis points over LIBOR, with a LIBOR floor of 125 bps and an original issue discount of 98.5 bps. The loan also includes call protection of 102, 101 and 100. The deal was launched last week and commitments are due June 25.

Hamish Bunn, executive director at Morgan Stanley, is working on the deal. Bunn, officials at the other banks and **Joe Esteves**, cfo of LS Power in New York did not return calls by press time.

Plants in the portfolio include the:

- 879 MW natural gas-fired Doswell plant in Ashland, Va.
- 500 MW natural gas-fired Riverside plant near Louisa, Ky.
- 507 MW natural gas-fired Blythe in Blythe, Calif.
- 98 MW natural gas-fired Cherokee in Gaffney, S.C.
- 421 MW Safe Harbor hydro plant in Conestoga, Pa.
- 225 MW Wallingford gas-fired peaker in Wallingford, Conn., and the
- 540 MW gas-fired peaker University Park North and the 300 MW gas-fired peaker University Park South in University Park, Ill.

LSP Madison Portfolio



Source: Power Intelligence

Doswell, Riverside, Safe Harbor and the University Park plants have existing project level debt. Doswell and Blythe also have \$139 million and \$250 million of existing senior level debt. How the proceeds from LSP Madison will be distributed in the refinancing could not be learned.

The deal is comparable to **Equipower Resource Holdings'** \$985 million refinancing that debuted last month, says **Terry Pratt**, analyst at **Standard & Poor's** in New York. Equipower has more initial debt than LSP Madison; about \$400 per kW compared to \$223 per kW. That figure contributes to S&P's lower rating of the Equipower deal, Pratt notes. S&P assigns a preliminary BB+ rating LSP Madison and a BB to Equipower's deal.

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Tel: 1-212-224-3570
+44 (0) 20-7779-8999
Fax: 1-212-224-3886

Email: hotline@iintelligence.com
Mail: Institutional Investor Intelligence
PO Box 4009, Chesterfield, MO
63006-4009, USA

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MERGERS & ACQUISITIONS

EquiPower Refi Pricing Comes In At Top Of Range

EquiPower Resource Holdings has inked pricing on its \$985 million term loan package at the top of the initial pricing guidance.

The loan package was initially floated with pricing meant to woo institutional investors to a deal that wasn't simple and straightforward given the merchant exposure and capacity payments, says a deal watcher, who calls the pricing "just right for these assets."

"Right now there isn't a lot of product for institutionals to go after," says the deal watcher adding this was priced to tap into pent up appetite.

The unit of **Energy Capital Partners** priced a six-and-a-half year, \$685 million first lien term loan at 500 basis points over LIBOR—the high end of the 475-500 bps price talk. The original issue discount remains at 98.5. The loan and accompanying \$100 million revolver are rated Ba3 by **Moody's Investors Service** and BB by **Standard & Poor's**. There is a 101 soft call on the term loan.

A seven-year, \$200 million term loan secured pricing at L+850 bps, the low end of the targeted 850-875 bps pricing, says a deal watcher. It has a 103, 102, 101 hard call for years one through three, respectively. The OID remained at 98. It's rated B2 by Moody's and BB by S&P.

Proceeds from the package will be used to refinance an acquisition financing package associated with Milford Power, pay down debt at the Liberty facility in Pennsylvania and for an investor dividend ([PI, 6/7](#)).

Barclays, Deutsche Bank, Goldman Sachs and Morgan Stanley are the lead arrangers. Commitments came in June 14; pricing was finalized Friday.

Barclays, **Macquarie Capital**, and Goldman Sachs subsidiary **J. Aron** have provided a hedge on Milford's power through 2014.

Spokesmen for the lead arrangers and ECP either declined to comment or didn't return calls.

Mitsubishi, Osaka Take Recurrent Ontario Stakes

Mitsubishi Corp. and **Osaka Gas Co.** have agreed to buy majority stakes in nine solar photovoltaic projects totaling 100 MW in Ontario from **Recurrent Energy**.

Mitsubishi and Osaka will each have a 44.95% stake while Recurrent will maintain a 10.1% holding in the projects. The acquisition is expected to close when the projects begin to come online later this year. Some will be online in early 2013.



Courtesy of Recurrent Energy

The projects are being financed by **Bank of Tokyo-Mitsubishi UFJ, Mizuho Corporate Bank, Sumitomo**

Mitsui Banking Corp., and Sumitomo Mitsui Trust Bank. Details such as size, pricing and tenor of the debt were not immediately learned.

The **Ontario Power Authority** has 20-year power purchase agreements for the projects. All nine are in southeast Ontario although exact locations and project names were not learned.

Recurrent had been working to arrange long-term debt for the projects parallel to holding talks with prospective buyers ([PI, 6/8](#)).

Recurrent, the solar development arm of Osaka, Japan-based **Sharp Corp.**, has been trying to bring investors into its 200 MW Ontario pipeline for about 18 months.

Mizuho advised Mitsubishi and Osaka. Recurrent is said to be running the sale itself.

Spokespeople for Mitsubishi, Osaka and Recurrent were not immediately reached. Officials at the banks either declined to comment or did not reply to messages.

GDF Reportedly Tags Canadian Advisor For Wind

GDF Suez North America has reportedly hired **CIBC** to sell assets in Canada, says a deal watcher. The auction will consist of GDF's roughly 300 MW of operating wind assets in Canada and no gas-fired generation, the observer says.

Canadian banks were the forerunners in the pitching process because of the location of the assets, industry officials say. The auction is expected to launch in roughly six weeks.

GDF, through its affiliation with **International Power**, owns five wind farms totaling 287 MW of operational wind assets in Canada, including the 99 MW Cape Scott wind project, which has a 20-year power purchase agreement with **BC Hydro**; the 40 MW Harrow near Essex, Ontario, which is contracted to the **Ontario Power Authority**; and the 99 MW Caribou farm near Bathurst, New Brunswick, that has a 20-year PPA with **New Brunswick**.

There is also a pipeline of roughly 184 MW of wind projects under construction ([PI, 6/1](#)).

Officials and spokespeople for CIBC and GDF Suez either declined to comment or didn't respond to messages.

Innergex Looks To Lands B.C. Hydro

Innergex Renewable Energy has agreed to buy two hydropower facilities from **Capital Power** in British Columbia. The companies have signed a purchase and sales agreement for the 33 MW run-of-river Miller Creek and the 7 MW run-of-river Brown Lake. The acquisition will not be finalized until **BC Hydro** decides whether to exercise its 30-day first right of refusal on the Miller facility.

In the interim, Innergex is contemplating how to finance the C\$69.2 million (\$67.3 million) acquisition, the amount if both facilities are bought, says **Marie-Josée Privyk**, director of investor relations in Longueuil, Quebec. The company had considered issuing shares but the stock price has fallen since the PSA was signed, she says, and it won't issue stock at a depressed price. Any debt sought will be at the corporate level, not the project level.

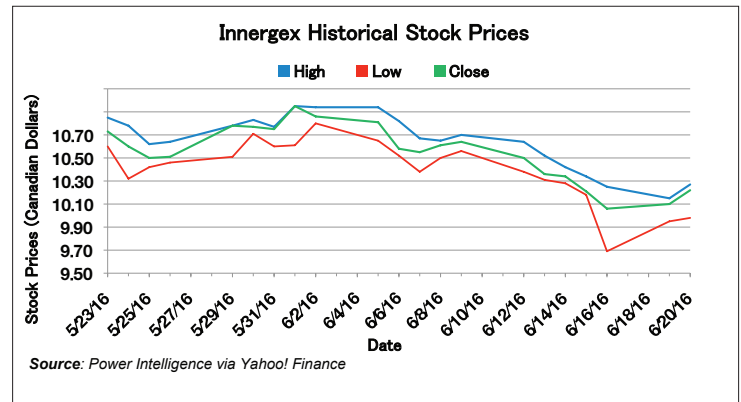
Innergex is listed as INE on the **Toronto Stock Exchange**. It had been trading around C\$10.40 (\$10.11) in the days before the announcement of the planned acquisition. It dipped to C\$9.70 (\$9.43) the day after the news before settling around C\$10.25 (\$9.96), where it remained on Tuesday.

The acquisition is expected to close next month. Innergex will own 11 facilities in British Columbia if both go through and has another seven in development or construction. Both Miller Creek,

near Pemberton, and Brown Lake, near Prince Rupert, have power purchase agreements with BC Hydro. Miller Creek has an offtake agreement until 2023 plus a five-year extension. Brown Lake on the Ecstall River is contracted through 2016.

CIBC advised Capital Power on the sale ([PI, 4/3](#)). Innergex is handling the purchase itself.

A BC Hydro spokesman could not immediately comment on whether the utility has an interest in acquiring the assets.



STRATEGIES

Atlantic Power Plans Debenture, Share Financing

Atlantic Power Corp. is planning to issue convertible debentures and common shares to finance its acquisition of a 298 MW wind project in Oklahoma from **Apex Wind Energy Holdings**. The \$130 million convertible debentures and six million shares of common stock could price any day. Since the Canadian Hills wind project is still under construction the company is able to time the transaction to market conditions, according to analysts.

Pricing and maturity on the convertible debentures are not yet set nor is the strike—the price at which holders have the option to convert to equity, according to an S/1 filed June 15. The strike

TD Securities is the book runner for the convertible debentures. **Morgan Stanley** is book runner for the share offering. Spokesmen declined to comment.

The company originally filed the S/1 documents with the U.S. **Securities and Exchange Commission** one month ago. An Atlantic Power spokeswoman in Boston declined to comment, citing the quiet period around the transactions.

Atlantic first took a 51% stake in February and acted on its right to buy out Apex in the spring ([PI, 2/3](#)). Atlantic will have a \$180 million equity investment in the project and Apex will remain a 1% shareholder.

Oklahoma Municipal Power Authority, **American Electric Power** subsidiary **Southwestern Electric Power Co.**, and **Grand River Dam Authority** will buy all the power generated. The project will use a combination of **REpower** and **Mitsubishi** turbines.



REpower Turbine

FAST FACT

The stock closed June 14 on the **New York Stock Exchange** and **Toronto Stock Exchange** at \$13.69 and C\$13.97 (\$13.58), respectively.

price is typically a 15-30% premium to where the stock trades when the debenture is sold, says one analyst. The stock closed June 14 on the **New York Stock Exchange** and **Toronto Stock Exchange** at \$13.69 and C\$13.97 (\$13.58), respectively. Using the June 14 closing, the equity

issuance would be worth around \$82 million.

There is no pressure from the construction of the project as it is scheduled to be online in November. But, the company is monitoring the stock markets and may choose an opening when there is relative calm given the volatility surrounding Greece debt and U.S. economic events, says one analyst.

CONFERENCE COVERAGE

Renewable Energy Finance Forum—Wall Street

The prospect of new options for financing renewable projects and the entrance of U.S. and Asian lenders into the market were among the trends that created the most buzz at the **American Council on Renewable Energy** and **Euromoney Energy Events'** Renewable Energy Finance Forum-Wall Street. Several hundred developers, bankers and investors gathered at the Waldorf-Astoria New York Hotel for the conference June 19-20. Managing Editor **Sara Rosner** filed the following stories.

Renewables Players *(Continued from page 1)*

project finance. The looming expiration of PTCs at year-end and a contracting bank loan market are spurring the search for structural innovation. While PTCs can defray up to 30% of a project's cost and have been renewed over the past several years, they often result in complex deal structures that lack standardization and require unique contracts for each transaction.

A decline in equipment supply costs for maturing wind and solar technology is also causing many officials to turn to the financial supply chain to find other ways to reduce overall project costs. "It's an opportunity to squeeze some of the capital costs out of

these projects. Without fuel costs

it's all about the capital costs and financing costs," said **Kevin Walsh**, managing director of power and renewable energy at **GE Energy Financial Services**.

Senator **Chris Coons** (D-Del.) proposed the Master Limited Partnership Parity Act last week, which would allow MLPs to include renewable generation assets. Ownership interests in the MLP, which can currently own oil and gas assets, are traded on markets like corporate stock.

MLP income is usually taxed less than income from publicly traded corporations, giving MLPs wider access to capital in equity markets.

The MLP market has more than \$300 billion in capital and is devoted mostly to midstream energy and natural resources, said **John Plaster**, managing director and head of alternative energy global power group at **Barclays Capital**. "The MLP Parity Act would be a huge benefit to the sector. If we could have a long-dated durable tax advantage, not relying on third party monetizations, the result is a much, much less complicated deal structure, which will improve market and M&A access," Plaster said.

"If we could have a long-dated durable tax advantage, not relying on third party monetizations, the result is a much, much less complicated deal structure, which will improve market and M&A access."

REITs also offer a form of tax incentive in that REITs are exempt from paying taxes as long 90% of the REITs income goes to shareholders. The REIT also provides a more liquid option for investors because they can buy or sell shares in the structure. Several entities are in talks with the U.S. **Internal Revenue Service** for a private letter ruling that would allow REITs to include generation assets ([PI, 6/13](#)). "MLPs and REIT structures would all create a better, more liquid marketplace," **Kevin Genieser**, managing director in the global power and utility group at **Morgan Stanley** said.

Securitization is another option that could open new markets to renewable investment and provide more liquidity to projects, especially bundles of distributed solar assets. **Chase Weir**, ceo of **Distributed Sun**, noted that several distributed generation developers have formed a coalition to work with a ratings agency on securitization. "We're focused on the next generation business model with standardization and securitization. We're going to see



Keith Martin

the public markets come in and tax credits making a slow exit," Weir said. The coalition is working to standardize paperwork for the transactions so that the agencies can more effectively rate bundles of small residential and commercial projects.

"Securitization is one important element of the capital markets," said **Jonathan**

Plowe, head of new energy and infrastructure solutions at **Bank of America Merrill Lynch**. "I think we need to work to put more project lending tools on the table... We're actively working on developing methodologies with ratings agencies," Plowe added.

Congress is unlikely to vote on the MLP anytime soon, noted **Keith Martin**, partner at **Chadbourne & Parke**, adding the IRS is expected to dispense some guidance on the REIT structure for generation assets. **Patrick Eilers**, managing director of **Madison Dearborn Partners**, also noted that there may be some pushback from REIT and MLP industry groups that are hesitant to share a piece of their respective pies. "You also need the MLP and REIT associations to want these things to qualify and there could be some headwinds on that," Eilers said.

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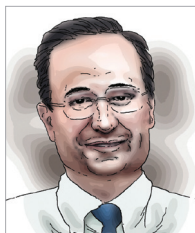
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CONFERENCE COVERAGE

Investors Hunt For Project Bonds

Institutional investors in the capital markets are showing an increasing appetite for bonds backing project finance deals, financiers told attendees. "The project bond market is now open for renewables and we're seeing a lot of oversubscription in that space," said **Chris Radke**, director at **Credit Suisse**.

"We're seeing a lot of interest from institutional investors, but we're spending a lot of time on the education process," said **John Plaster**, managing director and head of alternative energy global power group at **Barclays Capital**, adding that the lender is getting inquiries from these investors on the pipeline for potential investments.



John Plaster

Large insurance companies and money managers such as **PIMCO** and **BlackRock**, which have the internal resources to evaluate renewable projects, account for a portion of the demand. The long-term nature of investing in renewables, the credit quality of project offtakers and the absence of fuel cost risks, appeal to these investors. Deterrents still exist, however, in the form of construction risk and regulatory uncertainty. "Getting regulatory stability would be a huge boost to the industry," Plaster noted.

AES Corp. and **8minutenergy Renewables** are considering a bond tranche for a their \$700 million financing backing 200 MW at their Mount Signal photovoltaic project ([PI, 5/14](#)). **SolMex Energy** and **BrightSource Energy** are also considering bonds for large solar projects ([PI, 3/9](#)).

Time To Move On From Subsidy Reliance?



Jonathan Weisgall

The political uncertainty on Capitol Hill and the uncertainty over expiring renewable tax credits has some players questioning whether production tax credits are a good thing for the industry. "The industry needs longevity, it needs certainty and a certain amount of de-risking and we're not seeing much of that at the federal level," **Jonathan Weisgall**, v.p. for legislative affairs at **MidAmerican Energy Holdings Co.**, told attendees.

The production tax credit, which can defray up to 30% of a project's cost and is set to expire at year-end, has been renewed several times in the past. However, the election year has compounded uncertainty regarding the potential renewal. "The big wild card is the November election," said **Keith Martin**, partner

at **Chadbourne & Parke**. While the main issue for renewing the PTCs is congressional gridlock, he added, "the Republicans are not giving us much hope." Many wind sponsors are halting development pipelines in the U.S. beyond 2013 and some, such as **Pattern Energy**, are even looking to move business abroad.

Nicholas d'Arbeloff, president of regional development and national programs at **Advanced Energy Economy**, pointed to innovative structures such as master limited partnerships, as a potential avenue to financing renewables. Senator **Chris Coons** proposed a bill that would extend the MLP structure, which is already viable for oil and gas assets, to renewables earlier this month.

The U.S. **Internal Revenue Service** will also likely be giving some guidance on adding generation assets to real estate investment trusts, Martin said.

Asian, U.S. Banks Step Up PF Efforts

Asian and U.S. lenders are stepping up project finance activity as European players scale back their efforts or step out of the market. "The field is dominated by European banks, but their volume dropped from 65% to 50%. That slack was picked up by U.S. banks and Japanese banks," **Thomas Emmons**, managing director at **Rabobank** told attendees.

Bank of America Merrill Lynch is stepping up in renewables financing, said **Jonathan Plowe**, head of new energy and infrastructure solutions. The firm unveiled a \$50 billion environmental initiative last week that focuses lending and capital markets activity and advisory services, in part, on solar, wind, hydro, biomass and waste-to-energy projects. Meanwhile, **Mitsubishi UFJ Financial Group** and its affiliates **Union Bank** and **Bank of Tokyo-Mitsubishi** have lead roughly 40% of the deals that have closed this year, according to *PI's* Project

Finance Deal Book.

Chinese entities are also increasingly looking to put capital to work in renewables, **Frank Napolitano**, managing director and group head of power and utilities at **RBC Capital Markets** noted. With 10-year U.S. Treasuries hovering around 1.5%, the Chinese,

FAST FACT

Chinese entities are also increasingly looking to put capital to work in renewables.

which are the largest holders of those instruments, are scoping other areas to generate higher returns. "Their goal is to try and change the return on those dollars. We've seen them getting more and more active with each passing month. If they can earn 4% on a corporate as opposed to the 1.5% rate

on Treasury, that's a pretty good deal for them," Napolitano explained.

BNP Paribas, **Société Générale**, **Dexia Credit Locale** and **WestLB** are among the banks that have reduced project finance efforts due to turmoil in Europe.

CONFERENCE COVERAGE

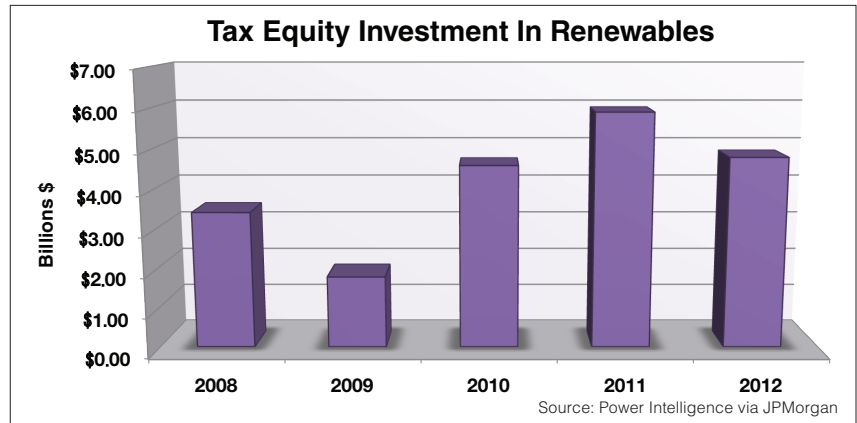
Roughly \$2B Tax Equity Deals Pending

About \$2 billion in tax equity investments are making their way through the market. The flow, which is split between wind and solar, is being spurred by the expiration of the production tax credit, said **John Eber**, managing director of energy investments at **JPMorgan**.

The PTC, which has been primarily used for wind, can offset up to 30% of a project's costs. Projects must be in operation by Dec. 31 in order to qualify. "We're off to a very strong start in 2012," Eber told attendees. Tax equity volume will top \$4.8 billion, he noted, adding that it will likely be in line with the \$5.9 billion in deals seen last year. Eber periodically reveals tax equity volume figures and they are regarded as a strong gauge of activity in this private market.

Some executives noted that the PTC tax equity market is essentially closed for new deals as the deadline nears

and potential investors likely don't have enough time to process the transactions. The investment tax credit, which pertains primarily to solar projects, expires in 2016.



Reporter's Notebook

- Cookie monsters! Attendees were treated to a variety of chocolate chip, oatmeal, peanut butter and dark chocolate treats during the afternoon coffee break on Tuesday.

- When **Lyndon Rive**, ceo of **SolarCity**, isn't working at the distributed generation developer, he can probably be found at the bottom of pool as an avid player of underwater hockey. Teams of six clad in fins, masks, snorkels and protective headgear face off under up to eight feet of water to maneuver a weighted puck.



iStockphoto/Thinkstock

- Analogies abounded on panels throughout the first day. Race cars, airplane runways, heroin and onions stood in for a variety of issues in renewable energy.

- Although several hundred attendees managed to pack the conference venue at the Grand Ballroom at the **Waldorf-Astoria**, their numbers were no match for the air conditioning. Many attendees were heard complaining about the frosty temperatures in the landmark art deco building.

- "It's like that joke: a conservative, a liberal and a President walk into a bar and the bartender says 'Hey man,'"—**Jonathan Weisgall**, v.p. for legislative affairs, **MidAmerican Energy Holdings Co.**, on how the outcome of U.S. presidential election would effect renewable policy.

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NEWS IN BRIEF



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

- North Carolina advocacy group **Waste Awareness and Reduction Network** will cross-examine two officials from the **Duke Energy** merger with **Progress Energy** in a hearing on Monday over changes to the merger agreement since the fall. The companies received approval from the U.S. **Federal Energy regulation Commission** on June 8 and oppose more hearings (*The Charlotte Observer*, 6/20).



James Inhofe

- The U.S. Senate has blocked a bill proposed by Sen. **James Inhofe** (R-Okla.) that would have overturned the U.S. **Environmental Protection Agency** regulations to reduce greenhouse gas emissions from coal-fired plants. The bill was defeated by a 46-53 vote (*Businessweek*, 6/20).

- **Colorado Springs Utilities**' has signed a two-year contract with **Xcel Energy** for 108,000 MWh of wind generation beginning Jan. 1, 2013, as a way to test consumer interest in buying the renewable resource. Local regulators rejected a 20-year power contract earlier this year, saying more research was needed (*Colorado Springs Gazette*, 6/20).

- The U.S. **Natural Resources Defense Council** condemned **AEP**, **Ameren**, **DTE Energy**, **Energy Future Holdings**, **FirstEnergy**, **GenOn**, **PPL**, and **Southern Co.**, for spending a combined \$67 million since 2010 for lobbying against stricter pollution regulations in the Clean Air Act (*NJToday*, 6/20).

- **AES Corp.** has brought two retired units at its Huntington Beach gas-fired plant in Huntington Beach, Calif., back online to make up for the San Onofre Nuclear Generation Station being offline for repairs. The two units will likely go idle again when the nuclear plant is back online in the fall (*Southern California Public Radio*, 6/20).

- Shareholders of **CH Energy Group** approved **Fortis**' buyout offer of \$65 per share with 91% voting in favor. The merger is expected to close in 2013 (*Poughkeepsie Journal*, 6/20).

- U.S. Senator **Bob Corker** (R-Tenn.) wants the U.S. **Environmental Protection Agency** to give power companies five years to implement the new emissions regulations on coal-fired plants instead of three (*The Tennessean*, 6/20).

- **Steve Wright**, CEO of **Bonneville Power Administration**, will retire from the federal power distributor at the end of January. The U.S. **Department of Energy** will lead the process to find a replacement (*Sustainable Business Oregon*, 6/19).

- **NextEra Energy** is proposing changes to the planned boundaries of its 150 MW Jericho wind project near London, Ontario. The

project could go into construction next year pending regulatory approval (*ifpress.com*, 6/19).

- A partnership between **North Bay Hydro**, **Conestoga-Rovers & Associates**, and **Caterpillar** has brought a 1.6 MW landfill-gas-to-energy project online in North Bay, Ontario. The project will generate an 11% annual return on the \$4.5 million investment (*The North Bay Nugget*, 6/20).

- **Conduit Capital Partners**' financing of two 20 MW solar projects in Peru was approved by the U.S. **Board of Directors of the Overseas Private Investment Corp.**, a branch of the government that provides development financing. All of the power will go to Peru's national grid (*Power Engineering*, 6/19).

- **Minnesota Power** says that it will need more time to decide whether to shut down three coal-fired plants—Aurora, Schroeder and Cohasset—by 2016. The utility wants to analyze how the closures of the plants, which are at least 50 years old, would impact customers (*Star Tribune*, 6/18).

- The **Electric Reliability Council of Texas** is planning to bring 2 GW of mothballed plants online during peak demand hours of the summer months. The **Public Utility Commission** of Texas will increase the wholesale power price to \$3,000 per MWh on days when mothballed plants are brought online to compensate for the high costs of keeping a plant on standby (*San Antonio Express News*, 6/18).

- **Tri-State Generation and Transmission Association**, which supplies power to rural areas in Colorado, Nebraska, New Mexico, and Wyoming, says it cannot complete a proposed plant in Kansas under timelines associated with current U.S. **Environmental Protection Agency** policies (*Businessweek*, 6/18).

- **Public Service Electric & Gas Co.** has received approval from New Jersey **Board of Public Utilities** for its North Central Reliability Project that will upgrade transmission lines and substations in the state. The project is estimated to cost \$390 million and create 400 new jobs during a two-year period (*The Sacramento Bee*, 6/18).



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- **Snohomish County PUD** and **Puget Sound Energy** are ahead of schedule of the state's renewable portfolio standard that mandates that utilities derive 3% of their generation from renewables by year-end. PUD is at 6.7% and PSE is at 10%, leading some to wonder if the bill was needed (*The Seattle Times*, 6/17).

LS, ECP *(Continued from page 1)*

True dividend recapitalizations are rare in the power sector, bankers say, because many power purchase agreements and hedges block them. The ones that occur in power are “not the same flavor” as deals that occur in other industries, such as food, where upon leveraging up a portfolio company or project, the proceeds can climb the shareholder ladder.

The \$985 million EquiPower refinancing and dividend transaction priced June 15 while investors are currently looking over the books for LSP Madison's \$750 million secured term loan. Commitments are due June 25 for LSP Madison. EquiPower priced its term loans at 500 basis points over LIBOR and 850 bps for the first and second lien loans, respectively, because the hedge only extends a couple of years.

In the events leading up to the EquiPower deal, ECP bought its New England assets with a lot of equity and turned to the capital markets last month for longer term financing, says a deal watcher, adding that its most recent purchase, Liberty Power, had debt that traveled with it and was also “over-equitized.” The debt sits at the project level and will be used to replenish ECP's coffers from the purchases, the watcher says.

For LS Power, it put project level financing on two plants in the portfolio of four it bought from **NextEra Energy Resources** in conjunction with the acquisition. It then looked to this market for a refinancing and equity to balance out its capital structure, says a banker. Two-thirds of the roughly 3.1 GW backing the loan package come from that acquisition.

Volatility in the capital markets has tempered the number of sponsors looking to raise capital. Five sponsors have tapped the institutional market since last July: **Rockland Capital**, **Invenergy**, **First Reserve** and now ECP and LS. Institutional investors are keen to take slices of power term loans sponsored by strong management teams that have a solid track record because opportunities in this sector are scarce, for the moment, industry officials say.

—**Holly Fletcher**

ALTERNATING CURRENT

Littlest Farm

Tiny Mo. Town Stands Tall With Wind

A town of less than 2,000 folks that sits just off of Interstate 29 in Missouri is probably the greenest small town in America. And that's because in 2008, with the help of St. Louis-based developer **Wind Capital Group**, Rock Port, Mo., became the first town in the country to meet its power demand with wind.

Four **Suzlon S-64** wind turbines sit on 250-foot steel towers rooted in farm land within the city limits, generating 5 MW, enough to meet the demands of 1,400 households. That's more than enough to power the homes of the 1,318 people who lived in Rock Port in 2010, according to the U.S. Census. The Loess Hills wind farm, named for

the soil that makes up the lands, interconnects to the **Rock Port Municipal Utility**, according to WCG's Web site.

Rock Port Municipal Utility is a member of the **Missouri Joint Municipal Electric Utility Commission**, which has a power purchase agreement with the farm.

WCG developed Loess Hills in parallel with the near by 50 MW Cow Branch wind farm so the littlest farm in its portfolio would benefit from the scale of a larger project.



Photo by Holly Fletcher

CONFERENCE CALENDAR

- **Intersolar** will host Intersolar North America 2012 July 10-12 at the Moscone Center in San Francisco.
- **Infocast** will host Mexico Wind Power Finance & Investment Summit 2012 July 23-25 at the Presidente InterContinental Mexico City in Mexico City, Mexico.
- The **Geothermal Energy Association** will hosting the GEA National Geothermal Summit 2012 August 7-8 in Sacramento, Calif.
- The **Solar Energy Industry Association** and the **Solar Electric Power Association** will host Solar Power International 2012 Sept. 10-13 at the Orange County Convention Center in Orlando, Fla.
- **Platts** will host the 14th Annual Financing U.S. Power Conference Oct. 18-18 at the New York Marriott Marquis in New York.

QUOTE OF THE WEEK

“I think it would be great if we could come to a conference and not talk about being subsidized by the government.”—**Paul Gaynor**, ceo of **First Wind**, on cultivating project finance options without the production tax credit subsidy (see story, page 1).

ONE YEAR AGO

Barclays Capital was preparing to re-launch an effort to find investors for the \$2.6 billion, 468 MW Cape Wind project off the coast of Massachusetts after the U.S. **Department of Energy** shelved the project's application for a loan guarantee. [Developer **Cape Wind Associates** is working with Barclays to amass \$1.8-2 billion in debt for the project by early 2013 now that most of the power is contracted and **Siemens** has taken an equity stake (PI, 4/13).]