

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Generation Sale Quarterly Report

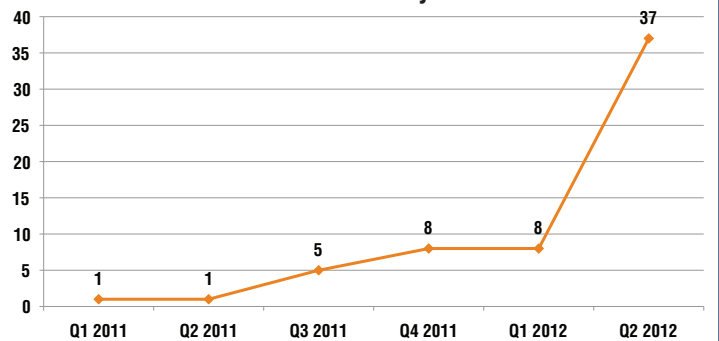
Uncertainty Cloaks Generation M&A

The number of assets up for sale in the second quarter, 32, is less than half the number put on the market in the first quarter of the year as the power industry faces uncertainty from various angles including political, financial and demand. Year-over-year though, 2012 is comparable to 2011 with 99 assets and 110, respectively, going on the market, according to exclusive data from *PI's Generation Sale Database*.

The industry is rife with questions surrounding the outcome of the November presidential election, whether the pull-out of European project finance banks is temporary and what future power demand will be, says **Eli Katz**, partner at law firm

(continued on page 8)

Solar Assets Sold by Quarter



Source: *PI Generation Sale Database*

IFM Unit Floats East Coast Refi

Industry Funds Management subsidiary **Essential Power** is looking to refinance a 1,721 MW portfolio of plants in PJM and ISO New England with a \$665 million senior secured package.

Barclays Capital is lead left on the deal and **Credit Suisse**, **Royal Bank of Canada** and **Union Bank** are also arranging. Commitments are due Aug. 2.

The package consists of a \$565 million B loan and a \$100 million revolver expiring in 2019 and 2017, respectively. Pricing on the B loan is 450 basis points over LIBOR with an

(continued on page 8)

Securitizers Grapple With Solar Deals

Securitization bankers and solar players are still trying to figure out how to bring to market the first solar asset-backed securities deals. Deals have been on the radar for at least a year with players like **SolarCity** ([PI, 9/26](#)) looking at the deals, according to *Securitization Intelligence*, a *PI* sister publication.

"Energy efficiency securitization has a lot of potential because there are so many buildings around the country that don't make good use of it and don't have a good way to finance it," **Ron Borod**, partner at **DLA Piper** in Boston, says. There are standard challenges such as creating a ratings methodology, gaining investor confidence and finding large enough solar portfolios to pool. In addition, Borod says the asset-backed securities market still has to resolve how to deal with certain contractual obligations, such as what happens when residents

(continued on page 7)

THE BUZZ

Merchant has been a dirty word for a long time, particularly since the 2008 financial crisis, when lenders, reeling from the upheaval, retrenched their businesses to focus on plain vanilla, contracted deals with experienced sponsors. A

(continued on page 2)

Generation Sale Quarterly Report

Check out the second quarter's power asset M&A activity, illustrated by data from our proprietary Generation Sale Database.

Visit www.powerintelligence.com/data

New Project Finance Loans

We've added updates 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

IN THIS ISSUE

PROJECT FINANCE

- 5 | Panda Upsizes Debt, Seals Funding
- 5 | Quebec Launches Wind RFP

MERGERS & ACQUISITIONS

- 6 | Navy Yard Floats Management Presentations
- 6 | NRG, GenOn Merge For Growth
- 7 | Duo To Lead Duke Midwest Options

- 7 | DTE To Snag Duke Assets

PEOPLE & FIRMS

- 7 | Randolph Lands At BBVA Unit

DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 8 | Alternating Current

THE BUZZ

(continued from page 1)

few deals, such as **Carlyle/Riverstone Holdings'** deal backing its partially merchant Topaz portfolio in Texas ([PI, 3/27/09](#)), managed to squeeze through credit committees, but not without a significant re-working. **Hess Corp.** had to agree to a 15-year offtake contract for its 512 MW gas-fired Bayonne project in New Jersey that it was developing with **ArcLight Capital Partners** in order to get that financing through the market ([PI, 9/30/2010](#)).

While many financiers note that the negative connotation regarding merchant risk remains, a bullish outlook on ERCOT prices has buoyed **Panda Power Funds'** \$340.16 million backing its merchant Temple facility in Texas through to completion (see story, page 5). The Lone Star state is attempting to raise power prices in the region to encourage development and combat shortages, a combination that is appealing to investors and lenders.

Canada was once accused of being a loft apartment above a really great party. The constant stream of action north of the border for many years makes the quip seem very dated these days. The province of Quebec is gearing up to issue a request for proposals for 700 MW of wind and many companies, such as **Northland Power** and **TransCanada** that have had success in previous RFPs like are already organizing bids. The RFP has also piqued the interest of **Innergex**, which just closed a C\$168.5 million (\$165.8 million) construction and term loan with a 39-year tenor for the 49.9 MW Kwoiek Creek hydro project, which it developed with the First Nations.

Duke Energy is paring down its unregulated businesses as it looks to its regulated utility and renewables development units for growth. **DTE Energy Services** is circling a deal to buy Duke's stakes in over a dozen retail and inside-the-fence power facilities across the country. In a separate move regarding its commercial unit, the Charlotte, N.C.-based Duke hired two investment banks to float teasers for its unregulated fleet in PJM (see story, page 7).

In the corporate world, **NRG Energy** and **GenOn Energy** have agreed to stock-for-stock transaction that will make NRG the largest independent power producer in the country based on generation. The \$1.7 billion transaction that buys up the merged entity of **RRI Energy** and **Mirant** comes six years after Mirant struck out on a nearly \$8 billion hostile bid to take over Princeton, N.J.-based NRG.

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

Nicholas Stone
Senior Reporter
(212) 224-3260

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

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

Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Power Finance & Risk ©2012

Institutional Investor, LLC

Issn# 1529-6652

Copying prohibited without the permission of the publisher.

COPYRIGHT NOTICE: All materials contained in this publication are protected by United States copyright law and may not be reproduced, distributed, transmitted, displayed, published, broadcast, photocopied or duplicated in any way without the prior written consent of Institutional Investor. Copying or distributing this publication is in violation of the Federal Copyright Act (17 USC 101 et seq). Infringing Institutional Investor's copyright in this publication may result in criminal penalties as well as civil liability for substantial money damages. ISSN# 1529-6652

 Institutional Investor
Intelligence

GENERATION AUCTION & SALE CALENDAR

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

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	Brookfield Renewables is buying them for \$600M (PI, 7/9).
Apex Wind Energy	Canadian Hills (298 MW Wind)	Oklahoma City, Okla.	TBA	Atlantic Power has issued shares, debentures to fund purchase (PI, 7/9).
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).
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 (PI, 6/25).
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).
Duke Energy	Various (7.5 GW Coal, Gas, Oil)	Ill., Ohio, Pa.	Citigroup, Morgan Stanley	Recently retained two banks to run the sale (see story, page 7).
EQT Infrastructure Fund, Fortistar	Midland (1.56 GW Gas Cogen)	Midland, Mich.	Credit Suisse, Royal Bank of Canada	Teasers went out this month (PI, 7/23).
Edison Mission Group	Beaver Valley (Stake, Nuclear)	Shippingport, Pa.	TBA	FirstEnergy is buying out EME's stake as a lessor (PI, 7/23).
Edison Mission Group	Homer City (1.884 GW Coal)	Homer City, Pa.	Barclays	Looking to exit the facility as its lessee (PI, 3/12).
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	Second round set for July 19 (PI, 7/3).
First Reserve, CalSTRS, Abu Dhabi Investment Authority	Stakes (146 MW Landfill Gas-to-Energy)	Various	TBA	IPP is buying out the investor's stakes (PI, 7/3).
GSO Capital, Starwood Energy, Tyr Energy	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).
GSO Capital, Strategic Value Partners	San Joaquin (48 MW)	Lathrop, Calif.		San Joaquin, from Bcent, is part of the CalPeak sale (PI, 7/3).
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, Merit Capital Advisors	July 13 pegged for first round bids (PI, 7/3).
IPR-GDF Suez Energy North America	Various (287 MW Wind)	Various, Canada	CIBC	GDF has tagged CIBC on the sale (PI, 6/25).
Iberdrola Renewables	Various (wind, solar) Klamath (636 MW CoGen)	Various Klamath Falls, Ore.	JPMorgan, Blackstone Royal Bank of Canada	The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16). 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).
LS Power	Bluegrass (495 MW Gas Simple Cycle)	LaGrange, Ken.	TBA	Kentucky Utilities, LG&E cease the process to buy (PI, 7/3).
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 facility has drawn utility eyes (PI, 7/16).
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	High competition for the facility as management presentations get underway (see story, page 6).
RES Americas	Various (Wind development assets)	North Dakota	None	Has had informal talks with a prospective buyer (PI, 7/16).
Solar Trust of America	Blythe (1 GW Solar PV) Palen (500 MW Solar PV) Amargosa (500 MW Solar PV) Ridgecrest (250 MW Solar PV)	Blythe, Calif. Desert Center, Calif. Amargosa, Nev. Ridgecrest, Calif.	RPA Advisors Marathon Capital	BrightSource, NextEra each net projects (PI, 7/3).
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).
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).
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 hffletcher@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).
	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	TBA	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
AES Solar, 8minutenergy	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).
	Mehoopany (141 MW Wind)	Wyoming County, Penn.	BTMU, CoBank, Mizuho	TBA	\$200M	18-yr	Pricing, tenor emerge (PI, 4/16).
Cape Wind Associates	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).
Competitive Power Ventures	St. Charles (650 MW Gas)	Charles County, Md.	TBA	TBA	\$500M		Sponsor talking with banks for a club deal (PI, 7/9).
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).
Energy Investors Funds	Pio Pico (300MW Gas)	San Diego County, Calif.	TBA	TBA	\$300M	TBA	Sponsor has a favorable reputation with lenders (PI, 7/23)
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).
LS Power	Unidentified (100 MW Solar)	California	TBA	TBA	\$100M	TBA	Sponsor seeking funding (PI 7/23).
LSP Madison	Doswell (879 MW Gas)	Ashland, Va	Credit Suisse, Morgan Stanley, Citigroup	Refi/Term	\$750M	7-yr	Deal closed at 450 bps over LIBOR with a LIBOR floor of 125 bps (PI 7/23).
Odebrecht	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 Paribas	Term	\$650M	17.5-yr, 20-yr	Pricing set at roughly 350 over LIBOR (PI, 7/9).
► Panda Power Funds	Temple (600 MW Gas)	Temple, Texas	Ares Management, Morgan Stanley	Term	\$340.16M	6-yr	This is the first time in six years that hedge and credit funds have bought into a project financing leveraged loan with construction risk (see story, page 5)
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	18-yr	Deal wraps, priced at LIBOR + 250 bps (PI, 7/2).
Solarpack	Various (22 MW Solar PV)	Tacna and Moquegua, 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).

► 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 Managing Editor Sara Rosner at (212) 224-3165 or e-mail srosner@iintelligence.com.

PROJECT FINANCE

Panda Upsizes, Seals Temple Financing

Panda Power Funds has completed the financing for a 758 MW natural gas-fired facility in Temple, Texas, after upsizing the senior secured package to \$340.16 million from \$305 million. **Ares Management** led the mezzanine debt and **Morgan Stanley** led the A tranche. The deal closed last week.

The \$85 million term loan A was downsized from about \$200 million while the \$255 million term loan B was upsized from around \$75 million. The change reflects an increase in term loan B appetite in recent months, according to analysts, and their favorable outlook on ERCOT. There are efforts to increase power prices to encourage new development and stave off the shortages that plagued the region last year ([PI 5/24](#)). The switch is likely also emblematic of minimal amortization over the life of B loans and looser covenants that typically characterize B loans compared to A loans, a deal watcher adds.

The A-loan priced at LIBOR plus 700 basis points and the B-loan priced at LIBOR plus 1,000 bps and reflects construction risk, says an industry official. Both have a LIBOR floor of 150 bps and mature in 6 years and an original issue discount of 98.

The lead arrangers are talking with several shops interested in picking up pieces of the bank piece in syndication, says a deal watcher, noting that the list is not yet set. Syndication was expected to be finalized by close of business in New York July 23. The

identity of the firms looking to take pieces could not be learned.

This deal represents the first time in six years that hedge and credit funds have bought into a project financing leveraged loan with construction risk, according to deal watchers, with one noting that the sponsor's 55% equity contribution helped them get comfortable. The last instance was when **Merrill Lynch, Credit Suisse** and **Goldman Sachs** completed the loan funding of LS Power's Plum Point coal-fired plant in Osceola, Ark. ([PI 3/17/2006](#)).

Bill Pentak, v.p. investor relations at Panda in Dallas, declined to comment on the deal. Officials at Ares and a Morgan Stanley spokesman declined to comment.

The A-tranche is set to include a hedge that mitigates the merchant risk for lenders ([PI 5/25](#)). Panda started looking for funds for the combined cycle plant, which will total 1.5 GW, last year ([PI 5/20/11](#)). Temple is slated to begin operations in 2014.

As a result of the increased level of debt, **Standard & Poor's** lowered its preliminary issue rating from B+ to B, while they also changed the preliminary recovery rating to 3 from 2.

Pentak says Panda is now working on financing backing its approximately \$520 million merchant gas-fired project in Sherman, Texas. "We're bullish about where power prices, are going to be," says Pentak. "Texas is desperate for electricity."

Quebec Tees Up Wind RFP Call

Quebec is gearing up to issue a request for proposals for 700 MW of wind generation in the province. The final details, such as submissions deadlines and terms, are expected to be released by the government in the fourth quarter.

Many companies have been waiting and preparing bids ahead of the RFP announcement, says a deal watcher. Following a 2003 bidding process, eight wind farms totaling over 1,000 MW have been built, including **Northland Power's** 127.5 MW Saint-Ulric wind farm in Matane and a **TransCanada** affiliate's 109.5 MW Carleton wind farm in Avignon. The latest RFP is the province's first major call for wind projects since 2005.

Previous processes involved presenting proposals to the **Quebec Energy Board**, before successful bids entered into 20-year power purchase agreements with **Hydro Quebec**. A spokesperson from the utility declined to comment on whether the new PPAs will be the same until the government releases more detail.

The latest RFP includes a 250 MW portion reserved for projects developed in association with First Nations, while the other 450 MW is open to all developers. The Quebec government will assess all requests under the open 450 MW portion equally, but those projects submitted under the 250 MW Aboriginal segment will be assessed on a first-come, first-serve basis, according to sources involved with the deals. Representatives of the Quebec government

did not respond to calls before press time.

Applicants must also comply with Quebec's local content stipulations, which require 60% of the overall cost of the wind project to be spent within the province, including 30% of the total cost of producing the turbines to be spent in the Gaspésie-Les-Îles-de-la-Madeleine and MRC de Matane regions.

Innergex, which just secured a C\$168.5 million (\$165.8 million) construction and term loan for its 49.9 MW hydro project in British Columbia ([PI 7/19](#)), has already announced its intention to submit a bid. The Longueuil, Quebec-based company is working with the **Mi'gmaewi Mawioimi First Nation** on a proposal for a 150 MW wind farm on the Gaspé Peninsula. The company is not yet seeking financing as it usually funds the initial construction itself. However, if it garners a suitable PPA, it will start looking for some third-party funding, a spokeswoman says.

Northland also expects to participate in the RFP. The Toronto-based company has submitted proposals for the past three Quebec calls for tender and says it is ready to submit again. They are also communicating with two First Nations groups on a possible collaboration.

The new call for tenders is part of the Quebec's aim to reach its Clean Energy Target of 4,000 MW of wind by 2015, having just passed the 1,000 MW milestone in March. Another 8,000 MW of generation is expected between 2016 and 2025.

MERGERS & ACQUISITIONS

Navy Yard Sale Goes To Management Presentations

Brooklyn Navy Yard management is currently presenting to prospective buyers of the 286 MW cogeneration facility in Brooklyn, N.Y. These presentations typically give more in-depth information



Brooklyn Navy Yard

on asset performance and allow prospective buyers to meet sellers and their representatives. The auction of the contracted gas-fired plant has attracted about 10 shops into the second round. **Credit Suisse** is running the sale.

The asset is attractive for its long-term steam and power contracts although its debt load, \$521.6 million, and some questions about New York City taxes in the coming years are

sticking points for some prospective buyers, say officials. The robust turnout led to a competitive first round, says one shopper whose investment firm was priced out of the running. The bid amount required to get to the second round couldn't be learned.

Credit Suisse is selling the plant for **Tyche Power Partners**, a joint venture between **Olympus Power** and **Metalmark Capital**, and co-owner New York-based **York Research Corp.** Metalmark Capital is a private equity firm spun out of **Morgan Stanley Capital Partners**.

The facility has contracts with **Consolidated Edison Co. of New York** and **Brooklyn Navy Yard Development Corp.**, which buy 97% and 3% of the power respectively. The power and steam contract with ConEd matures in 2036 while the contract with the Navy Yard extends into 2039.

The amount of debt and its 39 years tenor, has tempered the interest of more conservative fund players ([PL 6/5](#)).

Whether a deadline for bids has been set could not be learned. A Credit Suisse spokesman declined to comment while an Olympus official was not available for comment.

NRG, GenOn Hook-Up For Retail Growth

NRG Energy has agreed to buy **GenOn Energy**—the former **Mirant Corp.** —in a stock-for-stock transaction totaling about \$1.7 billion. GenOn has a sizeable fleet in the Northeast that will be used to support retail growth in the region, **David Crane**, president and ceo at NRG, said on a conference call July 23.

The company will look to grow its retail and wholesale footprint in the Northeast as well as the West. Princeton, N.J.-based NRG is paying about \$2.19 per GenOn stock, or a 20% premium over its close on July 20.

The deal puts an aggregate 47 GW—31% of which is coal—under NRG's banner, topping the generation fleets of **Exelon** and **Calpine** by 9 GW and 19 GW, respectively, according to an NRG investor presentation.

The merger, which will keep Crane at the helm of NRG, is expected to be completed in first quarter of 2013. Regulatory approvals are required in New York and Texas as well as by the U.S. **Federal Energy Regulatory Commission**.

NRG plans to reduce indebtedness by about \$1 billion, **Kirk Andrews**, cfo at NRG, said on the conference call. The company will have about \$500 million maturing in 2014 and significant maturities each year starting in 2016 and continuing through 2021. Roughly \$2.5 billion will mature in 2016.

Credit Suisse and **Morgan Stanley** advised NRG. The Morgan Stanley team was led by **Jeff Holzschuh**, vice chairman, and **Ray Spitzley**, managing director. The Credit Suisse team was

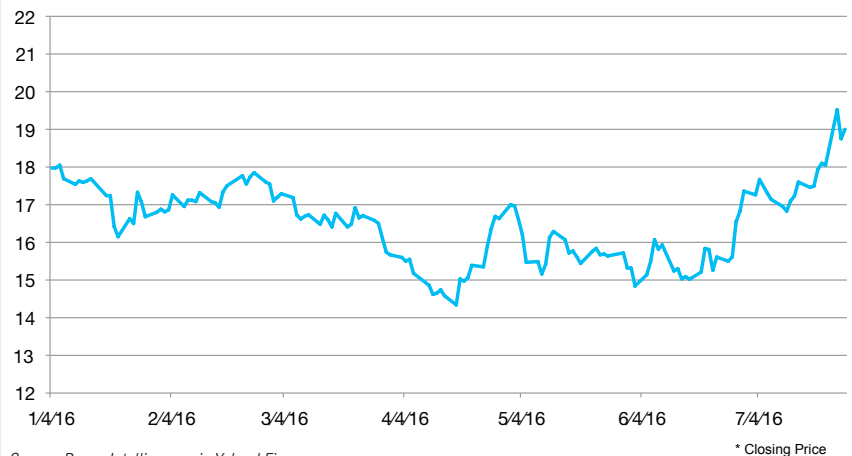
led by **Jamie Welch**, co-head of the global energy group, and **John Cogan** and **Ahmad Masud**, co-heads of power and utilities in the Americas.

The **JPMorgan** team that advised GenOn was led by **Jay Horine**, managing director and head of U.S. power and utilities, **Paul Dabbar**, managing director, and **Jimmy Elliott**, global chairman of M&A.

Credit Suisse and Morgan Stanley are providing \$1.6 billion in commitment letters to NRG although the merger is not contingent upon financing, according to the merger agreement.

GenOn was created when **RRI Energy** and **Mirant** merged in the spring of 2010 ([PL 4/23/10](#)).

NRG Share Prices



Source: Power Intelligence via Yahoo! Finance

* Closing Price

Duke Taps Two To Sell Commercial Fleet

Duke Energy has hired two investment banks to evaluate options for its 7.5 GW Midwest generating business. **Citigroup** and **Morgan Stanley** will be working with the company, industry officials in New York say.

The **Commercial Power** fleet is comprised of coal-, oil- and gas-fired plants in Illinois, Ohio and Pennsylvania, bankers say. Duke is seeking to pare down non-core businesses and move to a more regulated profile ([PI, 7/6](#)).

A spokesman for Duke in Charlotte, N.C., says the company has not determined how it will proceed with the unit. He declined to comment on whether Duke is working with Citi or Morgan Stanley.

The Charlotte, N.C.-based company reached out to a coterie of prospective advisors in the fall of 2010 about a sale. That move was shelved when merger talks with **Progress Energy** heated up ([PI, 10/8/10](#)). The \$32 billion merger with Progress was finalized earlier this month.

DTE Swoops In On Duke Retail Biz

DTE Energy Services has agreed to buy **Duke Energy's** stakes in a portfolio of commercial power and district heating and cooling assets, many of which are co-owned by **GDF Suez Energy North America**. DTE Energy Services is acquiring stakes from **Duke Energy Services** in 14 retail energy service facilities in states around the country including, California, Florida, Ohio, Michigan, Illinois, Minnesota and Pennsylvania.

In the bundle are two facilities with power purchase agreements:

- the 37 MW St. Paul biomass-fired cogeneration facility in St. Paul, Minn., has a PPA with **Northern States Power Co.** through 2022 and a thermal agreement with **District Heating Development Co.** Co-developer **District Energy St. Paul** will keep its 50% stake; and
- the 18 MW Tuscola facility in Tuscola, Ill., that has a 20-year energy, water and waste water services agreement with **Equistar Chemicals**. GDF owns 51% of Tuscola while Duke owns the balance.

The other assets include inside-the-fence facilities that provide power or heating and cooling services to a variety of off-takers including **General Motors** facilities in Lansing, Mich., a **Proctor & Gamble** facility in St. Bernard, Ohio, and **San Diego Children's Hospital** in San Diego, Calif. The generation facilities range in size from 1.5 MW to 134 MW, according to Duke's Web site.

The transaction is set to close around Aug. 31, according to a filing with the U.S. **Federal Energy Regulatory Commission**. The sale originated from a yearly review of its commercial businesses, says a Duke spokesman. He declined to say whether an advisor was used for this transaction, citing a policy not to comment on Duke partners.

Duke Energy Services, formerly known as **Duke Energy Generation Services**, or DEGS, is a legacy business unit from its \$9 billion merger with **Cinergy** in 2005 ([PI, 5/9/05](#)).

A DTE spokesman did not respond to a request for comment.

regarding purchase price or whether a financial advisor was used. A GDF spokeswoman in Houston was not reached for comment.

PEOPLE & FIRMS

BBVA Unit Taps Randolph For Chicago

BBVA affiliate **BBVA Compass** has tapped **Charlie Randolph**, senior relationship manager at **CoBank** in Omaha, Neb., as senior v.p. and corporate banking manager in Chicago. Randolph started in the newly created position last month.

Randolph will lead the Chicago loan production office and help the bank break into the commercial lending market in the area. BBVA Compass has been servicing the Chicago area from its Dallas offices. Randolph reports to **Steve Mitchener**, regional executive of commercial banking for BBVA Compass in Dallas. Any project finance deals will likely be funneled to **Kerri Fox**, head of structured finance North America in New York, a banker notes.

Prior to his stint at CoBank ([PI, 1/29/2010](#)), Randolph was a managing director of corporate loan and leveraged capital markets for **Royal Bank of Scotland** in New York where he worked with sponsors such as **First Wind**. Randolph landed at RBS after that bank bought pieces of **ABN Amro**, where he was a managing director of loan syndication in Chicago, in 2007.

Randolph could not be reached for comment. An official at CoBank did not respond to a call by press time and whether the bank has plans to replace Randolph could not be learned.

Securitizers Grapple *(Continued from page 1)*

relocate or how to deal with assets already spoken for by tax equity investors.

Commercial real estate solar assets would seem to be an easier sell, but many of the potential issuers so far have been on the residential side. "I think there could be a lot more juice in [commercial real estate] for securitization," Borod says. "Commercial users of solar panels have often already established that they're credit worthy and it's easier to get that critical mass. We've been talking it up to some of our clients, but we just haven't found the people who want to do it. If they don't have a crying need to go through the discipline of a securitization, it costs a lot of money."

Mike Mittleman, founder of **MJM Consulting**, and former director of project finance for SolarCity, says both residential and commercial solar projects come with their own benefits and baggage when it comes to fitting them to the securitization model.

"On the residential side you have the law of large numbers helping you as you'd have in a large auto pool; lots of obligors. On the commercial side, projects tend to be larger and accessing commercial credit is a different process," Mittleman says. Evaluating the credit of a commercial borrower is a concern. "The standard on the residential

side is FICO,” but there’s no commercial equivalent, Mittleman added.

Further, Mittleman points out that creating an adequately diverse pool is a significant challenge on the commercial side. “If one [commercial developer] has more than 5% concentration, they’ll have to make up for it by providing greater credit enhancement, just like any other securitization,” he says.

Still, Mittleman says these challenges “need to be analyzed but are by no means a problem or showstopper.” He adds that he expects a first solar ABS deal to be done in the fourth quarter of this year or very early in 2013.

Other market watchers had their eyes this week on announcements that **Credit Suisse** has invested \$200 million each in **SunRun** and **SolarCity** to support the purchase and installation of residential solar systems—a possible sign the bank is getting ready to issue a solar asset-backed deal. “If you see a bank buying up mortgages it’s usually because they have plans to securitize them,” one market player says, extrapolating that the same could be true with these purchases of solar assets.

Officials at SolarCity did not immediately respond to requests for comment.

—**Marissa Capodanno**

IFM Unit Floats *(Continued from page 1)*

original issue discount of 98-98.5 and a LIBOR floor of 125 bps. The package has a 100% cash sweep and 101 one-year soft call protection. **Standard & Poor’s** rates the package BB.

A portion of the proceeds will be used to refinance debt issued in 2008 to back Essential Power’s, then **North American Energy Alliance**, purchase of the assets from **Consolidated Edison** ([PI, 3/28/2008](#)). The package being refinanced includes a roughly \$300 million first-lien term loan, an \$85 million first lien term loan, an \$80 million letter of credit and a \$40 million working capital revolver. The LC and revolver expire next year.

Remaining proceeds will support a tender offer for \$205 million of 10.875% second lien notes due in 2016. These were issued to refinance a bridge loan from Barclays ([PI, 9/29/2009](#)). The bond tender, which requires a receipt of a majority of the outstanding notes in order to be completed, expires Aug. 15. Bondholders are being offered \$1,126.25 per note. Barclays is the manager on that deal.

Plants in Essential Power’s portfolio include:

- an 80% interest in the 246 MW cogeneration Lakeside Energy in Lakewood, N.J.
- the 351 MW Ocean Peaking Power plant also in Lakewood, N.J.
- a 350 MW stake in the Rock Springs peaker plant in Rising Sun, Md.
- 281 MW of hydro, oil- and gas-fired and steam generation under its **EP Energy Massachusetts** subsidiary.
- and the 540 MW combined cycle Newington Energy plant in Newington, N.H.

Jeff Spencer, v.p. and cfo of Essential Power in Iselin, N.J., and officials and spokespeople at the banks either declined to comment or did not return calls. Officials at IFM in Sydney did not respond to e-mail by press time.

ALTERNATING CURRENT

Duke Makes Hollywood Moves In Web Series



When Duke Energy hasn’t been busy making billion dollar mergers and trading assets, it’s been dabbling in family sitcoms via a web series on a fictional family of four starring **Shannon Powers**, a young lady also known as Bossy Pants, according to the utility’s web site.

The series includes a dozen [episodes](#), between 40



ThinkStock/iStock Photo

seconds to several minutes long that follow Powers around the house as she explains how to conserve power, as well as four bios for each of the characters. Mother **Margaret Powers** is also known as the cfo. From ditching baths (and rubber ducks) for showers to dressing up as an energy hungry vampire for Halloween and unplugging the television

when her father, **Vic Powers**, falls asleep while watching, Powers delivers tons of tips.

The Charlotte, N.C.-based utility behemoth, which contracted with external companies to produce and cast the series, came up with the show as a way to connect with customers, a spokesman says. He could not identify the actress in the program and whether more episodes are planned could not be learned.

Uncertainty Cloaks *(Continued from page 1)*

Chadbourne & Parke. “Because there aren’t any answers to the questions it creates a lot of uncertainty,” he says.

The renewable sector is witnessing project sales on and off the radar as developers—those busy with initial stage development, as well as those focused on late stage and long-term ownership—eye the expiration of the production tax credits at the end of this year and the investment tax credits in 2016. “It’s about as uncertain as it’s ever been,” Katz says.

—**Holly Fletcher**

For the full report and more data, visit www.powerintelligence.com/data.html

ONE YEAR AGO

AES Corp. was considering restructuring the debt on its coal-fired subsidiary **AES Eastern Energy** while looking also to sell it. [Creditors of AES Eastern, including affiliates of **JPMorgan**, **Prudential Life Insurance Co.**, **John Hancock**, **New York Life Investment Management Holdings**, **Allstate Insurance** and **Standard General**, had their takeover offer for the assets approved in a bankruptcy court proceedings after no other bids for the unit were submitted (PI 3/23).]