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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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Q&A:

Jonathan Lindenberg, Bank of Tokyo Mitsubishi-UFJ – Part II

In the second installment of this Q&A, **Jonathan Lindenberg**, head of project finance in the Americas at **Bank of Tokyo Mitsubishi-UFJ**, discusses liquefied natural gas project landscape, prospects for renewables and potential challenges in project finance. Senior Reporter **Nicholas Stone** sat down with Lindenberg at the bank's office in New York.

Power Intelligence: Japanese banks have been able to offer longer tenors to clients. Do you see that continuing?

Jonathan Lindenberg: I believe it is an advantage. It is a function of our long-term stable funding source and our strong capital base. Our ability to offer longer tenors in a bank loan format is something that we will be able to keep offering in the future in bank loan formats for good projects. I will say that we will never look exclusively at that market. It makes more sense to assess the options. Sometimes it may make sense to tap the long-term, investment-grade project bond market. We are also a big player in that market and it has been more significant in recent years than in prior years. That is something that our clients can look at as an alternative to a long-term bank financing.

Jonathan Lindenberg

(continued on page 10)

Ohio Ruling Could Kick-Off Duke Sale

Duke Energy expects a ruling in its petition to the Ohio Public Utilities Commission regarding how its roughly 7.5 GW **Commercial Power** fleet recovers maintenance costs in the fourth quarter. A positive order from the PUC could put the fleet back on the market, bankers in New York say, pointing to the boost in income.

The merchant fleet is comprised of about 7.5 GW of coal-, oil- and gas-fired plants in Illinois, Ohio and Pennsylvania, although some of the coal-fired generation is subject to retirement.

Duke filed with the PUC last year to increase the maintenance fees it charges its competitive power customers, potentially changing the financials of the fleet. The company will review the ruling on its cost base capacity request

(continued on page 12)

GDF Nets Marubeni For Uruguay LNG

GDF Suez has brought in **Marubeni** as a joint venture partner to develop the $1.125 billion GNL del Plata re-gasification facility in Montevideo, Uruguay, and is looking to finance the facility. **BBVA** is advising the French giant on the debt financing, which it aims to close by year-end.

The project will be one of the largest in Latin America this year and has piqued lender interest, notes a deal watcher. "That will be the big deal," she adds.

French banks are considering lending to the project "aggressively," according to a banker, due to GDF's experience, relationship value and the size of the deal. Strong interest could mean competition among potential lenders and tight pricing, the banker adds. **BNP Paribas**, **Natixis** and **Société Générale** are said to be among them. Officials from the banks did not

(continued on page 12)

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Check out the latest news and trends in power project finance and M&A by following *PFR* on **Twitter** @power_intel. Also check out Senior Reporters @nicstone and @hollyfletcher.

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

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THE BUZZ

The lackluster results of the PJM capacity auction for 2016-2017 continue to create headwinds for a variety of power producers around the ISO. The weaker prices, particularly in the western areas of the ISO, are changing the financials of power assets and projects as investors retool mid- to long-term valuations (see chart, page 8). Deals from asset auctions to B loan pitches are feeling the heat from low prices including **FirstEnergy Corp**.'s 1,340 MW sale of hydro assets and **Tenaska Capital Management**'s refinancing of a peaker portfolio (see stories, pages 7 & 8).

Rockland Capital and **Mitsui & Co**. each added gas-fired generation this week. Houston-based Rockland scored a 433 MW portfolio across five northern states for $112 million, including debt assumption, from **Maxim Power Corp**., an Alberta-based shop that is looking to redeploy capital to gas-fired projects in its native footprint (see story, page 6). Mitsui linked up with **GDF Suez North America** in an agreement to buy a GDF's stake in the 500 MW Astoria Energy combined cycle plant in Astoria, N.Y. (see story, page 7). The two parties have struck deals before: in 2012 Mitsui and **Fiera Axium Infrastructure North America** bought minority stakes in portfolio of wind and solar assets from GDF in Canada (*PI, 12/19*).

GDF is also active in Latin America as it brings in **Marubeni** as a joint venture partner for the development of an LNG re-gasification facility in Uruguay (see story, page 1). The facility has a price tag of over $1 billion and will be one of the year's biggest deals in the region.

Panama saw its first wind facility financed, with a Chinese and a Spanish company teaming up on the 55 MW Penonome project (see story, page 5). It is the first in a series of wind projects that will provide project finance opportunities in the Central American nation. In another first, **Proparco**, the private investment arm of the **French Development Agency**, financed its maiden project in Chile's Atacama desert (see story, page 6).

Stateside, **Panda Power Funds** is nearing the first close on its second power investment fund (see story, page 5). The company has been lining up investors for the fund and has set forth its plans for the money raised—four shovel-ready projects in PJM. One of the projects has hit the market looking for debt financing so far—the Moxie Liberty facility in Bradford County, Pa.—and lender interest in the other plants is strong, note observers.

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Generation Sale DATABASE

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/Comment
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	TBA	Looking for equity (PI, 7/15).
ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Sale iced over low valuations (PI, 8/5).
	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Final bids expected early August (PI, 8/5).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	An equity investor to precede financing of the coal-to-gas-fired project (PI, 6/24).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	Retained JPM to sell plants alongside Perella (PI, 7/1).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Teasers are out (PI, 6/24).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
▶ FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldman Sachs	Handful of bidders are in the second round (see story, page 7).
First Columbia Energy Holdings	Banks Island (1 GW Wind)	British Columbia	None	Half dozen of entities are in due diligence (PI, 7/29).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Initial bids due early June (PI, 6/10).
GDF SUEZ Energy North America	Armstrong (620 MW Peaker)	Pennsylvania	Bank of America	BoA is prepping teasers (PI, 5/27).
	Troy (609 MW Peaker)	Ohio		
	Calumet (303 MW Peaker)	Illinois		
	Pleasants (304 MW Peaker)	West Virginia		
▶	Stake (500 MW Astoria Energy CCGT)	Astoria, N.Y.		Mitsui & Co. is buying a portion of GDF's stake (see story, page 7).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	Seller looking to take advantages of ERCOT interest; teasers not yet released (PI, 7/8).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Teasers went out in mid-April; includes a 171 MW peaker (PI, 5/6).
Lincoln Renewable Energy	Hereford (500 MW Wind)	Deaf Smith County, Texas	Morgan Stanley	EDF is buying the merchant project (PI, 7/29).
Longview Power	Longview (695 MW Supercritical Coal)	Maidsville, W.Va.	Lazard	Talking a potentail pre-pack with creditors (PI, 7/15).
▶ Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	Rockland Capital lands them for $112M (see story, page 6).
	Forked River (86 MW Gas)	Ocean River, N.J		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17)
▶ Puget Sound Energy	Tucannon (267 MW Wind)	Walla Walla, Wash.	TBA	Portland General Electric has bought it (see story, page 7).
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8)
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	Expects to receive final bids by end of summer (PI, 8/5).

▶ **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 hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	The company is in the market looking for equity, before finalizing the debt financing (PI, 4/29).
	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (LNG)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Sponsor ups the original bank loan to $4.4 billion and taps Korean entities for a further $1.5 billion (PI, 6/3).
Competitive Power Ventures	Shore (663 MW Gas)	Woodbridge, N.J.	GE EFS	Term Loan	$585M	TBA	CPV is looking to wrap the deal, despite still facing a legal battle over the PPA (PI, 5/27).
Corona Power	Sunbury Generation Facility (900 MW Gas)	Shamokin Dam, Pa.	TBA	Term Loan A & B	TBA	TBA	The financing will be dictated by the equity investor the company is looking to secure (PI, 6/24).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be $800 million (PI, 3/11).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	CCA Capital	TBA	$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Energy Investors Funds	Pio Pico (300 MW Gas)	San Diego County, Calif.	SocGen	TBA	$300M	TBA	Sponsor is re-launching financing efforts (PI, 6/10).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
Genesis Power	Keys Energy Center (750 MW Gas)	Brandywine, Md.	TBA	TBA	TBA	TBA	EIF is taking an equity stake in the project (PI, 3/4).
Gauss Energia	Various (3 x 30MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsor is looking to finance another three projects after the succesful closing of the Aura Solar facility (PI, 7/1)
▶ Goldwind, UEE	Penonome (55 MW Wind)	Cocle, Panama	BIDCR, BES	Construction/ Term	$71M	C+10-yr	The sponsors wrapped the first wind project financing in Panama's history (see story, page 5).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
▶	Viger-Denonville (24.6 MW Wind)	Quebec, Canada	KfW IPEX-Bank	Construction/ Term	$61.7M	C+18-yr	The sponsor closed the deal this week (see story, page 6).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	$1B+	TBA	Ares will provide a mezzanine tranche for the deal (PI, 7/15).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	$800M	TBA	The sponsor hit the market with a B loan package priced at LIBOR plus 650 bps (PI, 8/5).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor heads straight back into the market looking to fund the next two phases (PI, 3/18).
Pattern Energy	Panhandle (322 MW Wind)	Carson County, Texas	BayernLB, Crédit Agricole, NordLB	Bridge to Tax Equity	$500M	2-year	The sponsor has mandated three leads for the bridge loan, as pricing emerges (PI, 3/25).
Potentia Solar	Distributed Solar	Ontario, Canada	Brookfield	TBA	~$200M	TBA	The sponsor is looking to up-lever its rooftop activity in Ontario (Pi, 8/5).
Samsung Renewable Energy	Grand Renewable (100 MW Solar PV)	Haldimund County, Ontario	TBA	TBA	TBA	TBA	The sponsor is talking to banks looking for debt for the project (PI, 5/27).
▶ Solarpack	Various (25 MW Solar PV)	Tarapacá, Chile	IDB	TBA	$41M	TBA	The IDB closed the deal with its own funds and financing from the Canadian Climate Fund, with Proparco joining (see story, page 6).
Summit Power Group	TCEP (400 MW Coal Capture)	Odessa, Texas	Chexim	TBA	$1.5B	TBA	Chinese ECA will provide all of the debt for the project (PI, 8/5).

▶ **New or updated listing**

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PROJECT FINANCE

Panda Circles First Close On Second Fund

Panda Power Funds is nearing a first close on its up to $1 billion second power investment fund, with the company's pipeline of shovel-ready projects reportedly drawing interest. **Beacon Hill Financial Corporation** of Boston is placement agent for the fund.

The fund has a target of $800 million and a hard cap of $1 billion. **Robert Johnston**, managing director and ceo at Beacon Hill, declined to comment. Panda has been talking to potential investors since February (*PI, 4/10*). It is looking to close the second fund by year-end.

The original investors from the Dallas-based player's first fund, which closed in 2011 at $420 million, have committed to its second fund. They include the **Ohio State Teacher's Pension Fund**, the **Indiana Public Employees' Retirement Fund**, the **3M Pension Fund**, Dutch pension fund **APG**, the **Alfred I. duPont Testamentary Trust** and an unidentified, large public pension fund based in the U.K.

The project pipeline means investors know where the money will be put to work, says a deal watcher. The company is developing four projects in the PJM region and hit the market last week with a term loan B package backing the first, the 825 MW Moxie Liberty facility in Bradford County, Pa. (*PI, 8/1*). It will also look to finance the Moxie Patriot facility in Lycoming County, Pa., this fall. Both of those projects are being developed alongside **Moxie Energy**. The other two facilities will likely hit the project finance market next year and include **Green Energy Partner**'s 790 MW Stonewall project in Loudoun County, Va., and the 859 MW Mattawoman energy facility in Prince George's County, Md. Further details of those projects could not be learned by press time.

A thirst for yield has pushed more institutional investors into the power space, note observers (*PI, 4/23*). "Interest from institutional investors has risen exponentially," says an observer. "More and more pension funds, sovereign wealth funds and private equity shops are looking at the power sector due to the return profile."

There are a couple of new investors looking to contribute to the fund, deal watchers say, although further details could not be learned. Officials and spokespeople from the original investors either declined to comment or did not respond to inquiries by press time. **Bill Pentak**, v.p. of investor relations in Dallas, says that company officials cannot comment on the fundraising efforts due to a blackout period. Panda's last fund took around one and a half years to market and close.

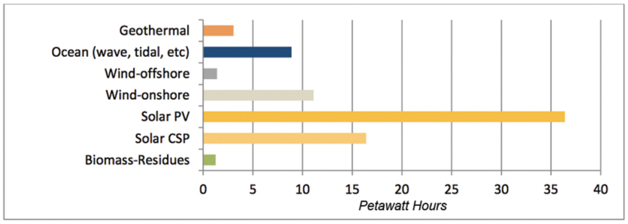
Goldwind, Spanish Co. Wrap Panama's First Wind Project

A joint venture between subsidiaries of Chinese turbine manufacturer **Xinjiang Goldwind Science & Technology Co**. and of Spanish developer **Union Eolica Espanola** have closed a $71 million financing backing the 55 MW Penonome wind facility in Panama. The deal marks the first completed project financing backing a wind project in the country.

Banco Internacional de Costa Rica and **Banco Espirito Santo de Investimento** were lead arrangers on the 10-year construction and term facility that was syndicated to a group of local, regional and international lenders. Pricing could not be learned by press time. Bank officials either declined comment or did not respond to inquiries.

"Financiers have shown that they are ready, willing and able to bank projects with solid technology and a power purchase agreement in the region," says a deal watcher on the financing. Projects in Panama have typically needed stronger sponsors, insurance and possible export credit agency debt in order to get international banks comfortable, notes a financier of projects in Central America, adding that the deal suggests that finance community's confidence in Goldwind and UEP.

Renewable Energy Potential In Central & Latin America



Source: Inter-American Development Bank

Utility **Altenergy**, a subsidiary of **GDF Suez**, will purchase the power generated from the Penonome facility. Details of the PPA could not be learned by press time. The 55 MW first phase of the total planned 220 MW Penonome wind project will feature 22 of Goldwind's GW2.5 MW turbines. Once complete in 2014, Penonome will be the largest wind energy project in Central America.

Chicago-based **Goldwind USA**, serves as the headquarters for Goldwind's operations in North and South America. **Union Eolica Panamena**, the Panamanian affiliate of Spain's Union Eolica, develops, constructs and operates wind projects in Panama. Between 2010 and 2012, the **Government of Panama** awarded UEP concessions for several wind farms located in the country's Cocle Province: the 102 MW La Rosa de los Vientos, the 169 MW Nuevo Chagres, the 18 MW Maranon and the 48 MW Portobelo. These projects are in various stages of development.

Inquiries made with UEP were not returned by press time and the company's plans for future project financings could not be learned. A Goldwind official could not be reached by press time.

Innergex Nets Quebec Wind PF

Innergex Renewable Energy has closed a C$61.7 million ($59.3 million) non-recourse construction and term project financing for the 24.6 MW Viger-Denonville wind project in Quebec, Canada. **KfW IPEX-Bank** is the lead arranger and sole lender.

The construction loan will carry a fixed interest rate of 6%. At the commencement of commercial operation in the fourth quarter this year, it will convert into an 18-year term loan. Innergex subsidiary **Parc Éolien Communautaire Viger-Denonville** also closed a short-term loan of C$5.5 million with a floating rate, to finance the construction of a substation and collector system for the project. Offtaker **Hydro-Québec** will reimburse Innergex for this portion of the project in 2014. KfW also arranged that debt. The debt represents 82% of the total project cost of C$75 million.

Innergex won a tender from Hydro-Québec in 2010 to build the Viger-Denonville project. The tender called for community and aboriginal projects and the project is a 50-50 joint venture between Innergex and the **Rivière-du-Loup Regional County Municipality**. The facility has a 20-year power purchase agreement with Hydro-Québec.

Calls placed to an Innergex spokeswoman in Longueuil, Quebec, were not returned by press time. Calls placed to KfW officials in New York were also not returned.

Proparco Joins IDB, CCF In Chile Solar Financing

Proparco, the private investment unit of the **French Development Agency**, has joined the **Inter-American Development Bank** and the IDB-managed **Canadian Climate Fund** in providing a $66.4 million debt package to Spanish developer **Solarpack**'s 26.5 MW of photovoltaic projects in the Atacama Desert in Chile. It is Proparco's first project financing in Chile.

A $41.4 million loan was funded in April, with the IDB and the CCF each committing $20.7 million each (*PI, 4/1*). Washington D.C.-based **Astris Finance** advised Solarpack and that company's relationship with Proparco allowed them to secure $25 million in financing from the French development financial institution in June. Details, such as pricing and tenor, on the IDB, CCF and Proparco loans could not be learned by press time.

Created in 1977, Proparco's mission is to be a catalyst for private investment in developing countries, targeting growth, sustainable development and helping countries reach the **United Nations**' millennium development goals, according to its Website. Proparco officials in Paris did not respond to inquiries by press time.

The $84 million series of projects include the 25.4 MW Pozo Almonte 2 and Pozo Almonte 3 photovoltaic facilities, which are under construction, and the 1.1 MW Calama Solar 3, which has been operational since April 2012. Electricity from the facilities will be sold to Santiago, Chile-based mining companies **Codelco** and **Collahuasi**. Solarpack has signed a contract with **Compañía Minera Doña Inés de Collahuasi** for the construction, development and management of the solar projects. Solarpack has a development pipeline of more than 120 MW in Chile. Officials at Solarpack did not respond to inquiries by press time.

The CCF is a C$250 million ($246 million) fund set up by the Canadian government and managed by the IDB, which backs private sector climate mitigation and adaptation projects in Latin America that need concessional financing to become viable. Calls placed to IDB officials in Washington were not returned by press time.

MERGERS & ACQUISITIONS

Rockland Scores Maxim Portfolio

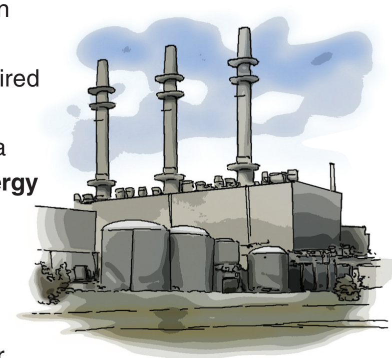
Rockland Capital has agreed to buy a portfolio of gas-fired assets totaling 433 MW from **Maxim Power**.

Patriot Power Holdings, an affiliate of Rockland, will pay $112 million, including the assumption of $22 million in debt for the five assets in Connecticut, Massachusetts, Montana, New Jersey and Rhode Island. The sale price is roughly $259 per kW. The deal is expected to close in the fourth quarter pending regulatory approval.

Credit Suisse advised Maxim Power; Rockland did not use a financial adviser. **Scott Harlan**, managing partner at Rockland, declined to comment on how the acquisition would be financed, citing a confidentiality agreement.

The plants are:

- 62 MW CDECCA combined cycle cogeneration facility in Hartford, Conn.;
- 86 MW Forked River simple cycle plant in Ocean River, N.J.;
- 64.6 MW Pawtucket combined cycle in Pawtucket, R.I.;
- 170 MW Pittsfield CCGT in Pittsfield, Mass.; and
- 53 MW Basin Creek gas-fired plant in Butte, Mont.


Pittsfield

The Forked River plant has a tolling agreement with **FirstEnergy Solutions**. until 2018. Basin Creek went online in 2006 with a 20-year fixed capacity toll with **Northwestern Energy** and CDECCA has a contract for its steam.

Maxim Power is a Calgary-based independent power producer that will use proceeds to pay down debt (*PI, 12/13*).

Mitsui To Buy Astoria Stake

Mitsui & Co. has agreed to buy a stake in **Astoria Energy** from **GDF Suez North America**.

Mitsui through a subsidiary called **MyPower** will own 20.6% of the 500 MW combined cycle plant in Astoria, N.Y., according to a recent filing with the U.S. **Federal Energy Regulatory Commission**. GDF Suez N.A. currently owns half of the facility while holding company **Steinway Creek Generating Co**. owns the other half. A timeline for the closing could not be determined.

Steinway Creek is owned by **JEMB**-**Harbert** (56%) with two affiliates of **Energy Investors Funds** holding the remainder.

The facility has a long-term power purchase agreement with **Consolidated Edison** until 2016. It's an affiliate of **Astoria Energy II**, the 550 MW CCGT in Astoria. Harbert is increasing its stake in AEII by buying EIF's 33.3% stake (*PI, 7/15*). GDF Suez N.A. also owns 27.75% of AEII.

Mitsui and GDF Suez N.A. have partnered in recent months when Mitsui and **Fiera Axium Infrastructure North America** took minority stakes in GDF Suez N.A.'s 730 MW renewable portfolio in Canada (*PI, 12/19*).

A GDF Suez N.A. spokeswoman in Houston could not immediately comment while a Mitsui representative in Tokyo was not available by press time.

FirstEnergy Hydro Process Nears 2d Deadline

FirstEnergy Corp. is in the second round of due diligence with buyers interested in its 1,240 MW of hydro assets in PJM.

The assets, and likely buyers' projections of revenue over in the coming years, were impacted by lower than expected PJM capacity prices for the 2016-2017 range, says a banker. Indicative bids came in early in the second quarter. "A handful of interested parties are in deep dive process," **Anthony Alexander**, ceo of FirstEnergy, said on the recent earnings call. Alexander expects that second round bids will be submitted this quarter.

The portfolio consists mostly of pumped storage assets which are not expected to play to the interests of the usual hydro suspects such as **Brookfield Renewable Energy Partners**, says a banker, who expects a buyer to be a financial player. **American Municipal Power** was initially interested in a portion but is not anticipated to make a move for the bulk of the assets.

The competitive hydro fleet consists of 713 MW stake in the 3,000 MW Bath County pumped storage facility in Warm Springs, Va.; the 451 MW Seneca pumped storage facility in Warren, Pa.; the 52 MW Lake Lynn hydro facility in Lake Lynn, Pa.; and a various smaller run-of-the-river assets comprising 24 MW in PJM. **Dominion Resources** and **Monongahela Power**, a subsidiary of FirstEnergy, are the other owners of Bath County

The portfolio went on the market in the spring and is being sold by **Goldman Sachs**. **Mark Siconolfi**, Goldman managing director, and **George Triantafyllou**, v.p., are running the sale.

PGE Buys Puget Sound Wind Project

Portland General Electric has bought a $500 million, 267 MW wind project from **Puget Sound Energy** that will be constructed over the next 18 months.

PGE will finance construction of the Tucannon River project in Walla Walla, Wash., by tapping into a $376.5 million equity offering and a $225 million private bond issuance from June. It anticipates spending $105 million on the project this year, $387 million in 2014 and $8 million in 2015. The acquisition closed Aug. 1.

The bonds include $150 million due in 2044 that carry a 4.47% coupon and a $75 million tranche with the same pricing that will be issued this month and mature in 2043. **Wells Fargo** is the underwriter for the debt while **Barclays**, **JPMorgan**, Wells Fargo and **Bank of America Merrill Lynch** are underwriters of the equity offering. **Morgan Stanley** was a co-manager.

The purchase is a result of a request for proposals issued by PGE last year. RES Americas will construct the project formerly known as phase II of the Lower Snake River project. RES Americas originally sold the 1,200-1,400 MW Lower Snake River project to Puget Sound in 2009 (*PI, 8/19/11*).

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

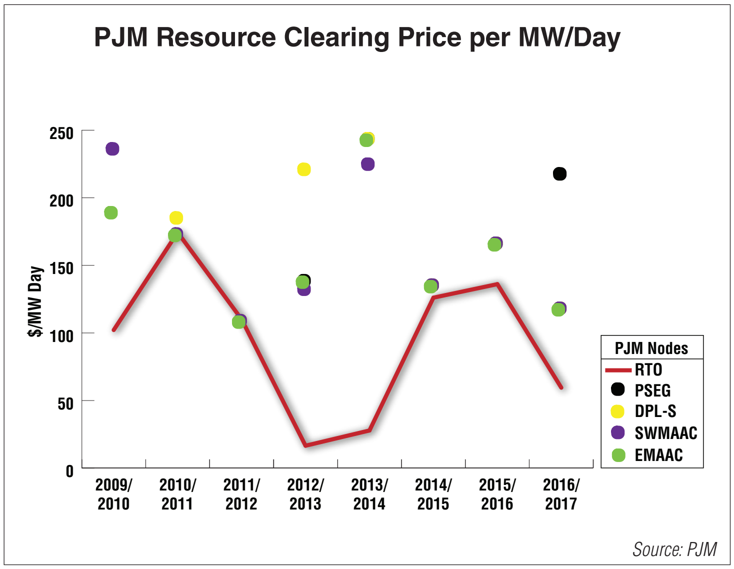
STRATEGIES

Tenaska Looks To Refi PJM Portfolio

Tenaska Capital Management is aiming to refinance a merchant gas-fired portfolio totaling 1.83 GW.

A $495 million debt package has been floated at LIBOR plus 500 basis points with a 1% floor and an original issue discount of 99. There is a 103 and 102 call protection for the first two years. Commitments were due Aug. 8.

The portfolio contains the 328 MW Crete peaker and 656 MW Lincoln peaker near Chicago, and the 850 MW Rolling Hills peaker in southeastern Ohio. The package will put about $270 per kW on the portfolio.



The package could be modified upon commitments, according to investors taking a look at the loan. The plants are fully merchant and cleared under the RTO pricing of PJM, which has the lowest pricing in the ISO. RTO is on tap to have wholesale prices over the next four years at $27.73, $125.99, $136.00 and $59.37 per MW/day. “It’s a lot of leverage,” says one, referencing the wholesale prices.

Bank of America Merrill Lynch and **Goldman Sachs** are the co-leads for **TPF II** and the **TPF Rolling Hills** package, which includes a $475 million B loan and a $20 million revolver. The six-year B loan is rated B2 by **Moody’s Investors Service** and a preliminary B+ by **Standard & Poor’s**. The five-year revolver is rated B1 by Moody’s.

Proceeds are slated to pay down an existing $68 million term loan and fund debt service reserves, although the biggest allotment, about $350 million is earmarked for a dividend.

The B loan package is backed by the three facilities and includes a provision that allows any of the three plants to be sold at a minimum value and proceeds used to pay down debt.

A spokeswoman for Tenaska in Omaha, Neb., could not immediately comment. Spokeswomen for Goldman and BAML declined to comment.

PEOPLE & FIRMS

BlackRock Scoops Ex-WestLB Banker

Erik V. Savi, formerly a managing director at **WestLB**, has joined **BlackRock** as a managing director and head of U.S. infrastructure debt. He reports to **Leland Hard**, head of bank loans, and **Jim Barry**, chief investment officer of the renewable power group. Savi started at the beginning of August.

Savi is focused on building BlackRock’s infrastructure debt business in the U.S. and will work with the asset manager’s European platform, according to a spokesperson in New York. He will also work on BlackRock’s alternatives credit investment platform covering origination, structuring, and execution of senior secured investment grade loans and bonds, high-yield bonds and leveraged loans, and mezzanine debt in power, energy and public infrastructure projects across North America. Further details of the hire could not be learned by press time.

Prior to joining WestLB in 2009, Savi held posts at **Viking Capital Advisors**, **Merrill Lynch** and **MetLife**. WestLB emerged as portfolio management company **Portigon Financial Services** (*PI, 6/7*). Savi left Portigon, neé WestLB, in January.

BlackRock, based in New York, is the world’s largest asset manager with over $3 trillion in assets under management. Among its recent power sector activity was buying a large swathe of **Cheniere Energy**’s bond issuance backing its Sabine Pass LNG export facility in Hackberry, La. (*PI, 4/16*).

Jonathan Lindenberg *(Continued from page 1)*

PI: How do you see LNG export facility development playing out?

JL: I think several more liquefaction projects will be built in the U.S. We are a major player—possibly *the* major player. There is some rationing of export licenses that the **Department of Energy** has discussed publicly, and I don't think that the supply of licenses is unlimited. The transactions themselves are typically very large, and often facilities that are completed at a single site are expanded into multiple trains. The volume of finance that is going to be needed for the LNG business is going to be very large. So that means clients need to look at multiple sources of financing; banks, bonds and agencies. And they need to do that innovatively. That is where we come in. That is the perfect business for us.

PI: What about the ones in British Columbia? Are you watching those?

JL: Yes. We are keeping an eye on those and hope to be involved. Some will access the project market and it is likely some will not.

PI: Jumping over to the renewable market now, it has been a bit of a shaky time for regulatory and political reasons. How does your pipeline look and how do you see the market playing out?

JL: Believe it or not, our most significant source of new business is still the renewable market. Renewables just lend themselves well to project finance. They typically involve long-term, contractual off-take. With tax regulations changing and some tax benefits expiring at the end of this year for wind projects, we do expect to see less activity in the U.S. Many of our clients are focused on solar transactions or wind transactions in Canada and Latin America so we are still seeing significant flow from those types of projects and regions. Our Canadian renewable business is quite significant. The activity is bolstered by feed-in tariffs and by a tremendous amount of development activity throughout the provinces.

We very much want to use our capabilities in the tax equity market to benefit our clients and to help ensure that the flow of activity continues, particularly around solar. It is likely that sometime in the future there may be extensions of production tax credits and investment tax credits. It is also quite possible, as everyone has discussed, that the MLP market or the REIT market will become a factor in the renewable business. I am not sure how near-term any of that is, but we think there is a place for renewables in the future.

PI: There have been a slew of new PPAs for wind as utilities seem to be on the hunt for the last subsidized wind projects. Do you expect those financings to boom in the next year?

JL: Well, if you are not in construction by the end of this year, you won't qualify. There are safe harbor provisions to qualify for starting construction, so I do expect a rush to get projects to a stage where they can qualify for benefits and access financing that is tax advantaged. Also, major strategic players who don't have a reliance on the tax equity market are doing all they can to put their facilities in the ground. I do think the next 12 months or so will see a big push, but perhaps fall off after that.

PI: What about renewables and term loan Bs? Why haven't seen a whole lot of those?

JL: I think it is certainly possible. Often renewables, because they benefit from contractual off-take, they can access very low cost sources of funding without the B loan market. So I think the vast majority of them have accessed the investment grade bank and bond markets. If we get into merchant wind or hedged wind transactions, I think the institutional loan market could be a source of financing for those.

PI: Have you seen many new players entering the tax equity market? How is the capacity looking there?

JL: There are some new entrants, but not significant numbers. The market has capacity to do a number of transactions, but it is also a bit constrained. Our role there is to use our tax capacity and use our ability to access additional investors to look for those who can work alongside us in a transaction that we structure, either as a club, which tends to be the case these days, or more of an arranged situation. We are heavily focused on trying to expand the investor universe, trying to attract new players to that market. And there are a few.

PI: How long does it take to educate a new tax equity player?

JL: Well, it takes one deal. There is a fair amount of legal, engineering and financial due diligence that we undertake with certain investors. Many of the players that are the most prominent players already have significant experience, but the new players, maybe they have spent six months to a year before making their first investment.

PI: We recently reported that Liberty Interactive Corp. made a tax equity investment. We heard a few years ago that Kraft was looking into it. How do you see that market evolving?

JL: Google is also active. We have noticed a trend that companies that have high taxable income, who don't have other

Q&A

ways to shelter that income, who may have taken a 'green' pledge, who have either high electricity usage or their customers do, are often candidates or might be candidates for tax equity investing. We certainly are scouring the U.S. market for those players.

PI: So you guys are actively approaching those potential investors?

JL: Yes. We are having dialogue. Understanding their preferences. Looking for new angles for our clients.

PI: It seems that some of the small regional banks that were looking at tax equity a couple of years ago were there because the low-income residential housing market had slumped and the returns they used to get had dried up or were not as attractive and tax equity was the way to go. Are those players still interested or have other areas resurged?

JL: The one significant alternate investment class for tax advantage investing is the low-income market. So you tend to find players who have a strong preference for one or the other. And it tends to be regional banks who believe that low-income housing investments give them a nice after tax return plus has a benefit that is more localized and community-oriented and a public service. Banks that tend to be more broad or global and less regionalized and have a significant energy practice, tend to be investors in tax equity in tax advantaged power investments. We do both, because we are both a regional bank and a global bank.

PI: What do you think the biggest issues are facing the project finance industry moving forward?

JL: The project finance market is one that has always had cycles that result in one particular investor class or another having appetite, or not, for transactions. We have certainly had crises over the years that included the fallout post-**Lehman Brothers**, the European banking market challenges, the **Enron** situation or the crisis that followed the financing of merchant power the first time around. Those types of things are just inherent in our business. I do think the market has gotten a little more experienced and sophisticated with the possible risks and the likelihood of systemic fallout from one of those type events is less likely. I think the issue that we will continue to face is: can we find sufficient capacity for projects? If there are investors who may not be available for the asset class because of a particular issue, can we then continue to adapt and find sufficient capacity to fund the infrastructure and power needs of the market? So far, so good, but sometimes there is a bit of an adjustment period to such events.

PI: What do you think the next big challenge will be then?

JL: I hope nothing. I think we are at a stage in the project markets—I have been doing this for almost 30 years now—where the bulk of the investors that are practitioners in this business have a significant level of experience. They are structuring things largely prudently. Maybe there are small degrees of risk around the edges, maybe some of the transactions completed are a bit off from a risk-return standpoint, but I don't think that the broad, systemic risks that could give rise to poor asset quality in our business are expected. By and large what's been done in recent times has been pretty rational. And that extends to businesses that are higher risk, like the merchant power business, where hedging has been used to a large degree. People have been careful about which markets to invest in. Capacity payments are also a mitigating factor to some of the structures. The levels of leverage are more rational than perhaps they were in the past. I think it is with that level of experience and understanding that the market has become a more risk-averse and sensible. I don't see systemic risk in the structuring; it is going to come from some major world event like a bankruptcy or a deepening of an existing crisis like the European banking crisis.

PI: For the power and energy industry is it regulatory concerns? Or is it a demand issue?

JL: The fundamental issues are supply and demand driven. The availability of power purchase agreements lends itself towards the broadest possible number of financial solutions for a project. We have a gas environment where costs are low and availability of gas is plentiful, but I'm not sure the power demand is there to warrant huge volumes of new projects. Since power demand has the greatest correlation with economic growth, we hope and expect that something changes for the positive in the future.

PI: Will that lack of demand force a bank like yours to explore things like energy efficiency in terms of project finance or distributed generation to put your capital to work?

JL: Yes. I think we are always willing to look in innovative and new areas. That could be in the form of arranging tax-motivated investments or it could be in the form or debt. Certainly we are looking at transmission, alternate fuels, alternate renewables, distributed generation—we are looking at all the types of things that our clients are looking at. For us, what is really replacing the expected volume fall off in renewables, which has been one of the largest asset classes in the Americas for power, has been shale gas-related infrastructure projects, like LNG investment, pipelines related to the projects and to new-build chemical and petro-chemical projects, which we are seeing in the Americas for a the first time in a long while. This gas revolution is causing significant volume in the project markets.

Ohio Ruling *(Continued from page 1)*

before deciding how to proceed with its gas-fired and coal-fired generation, **Lynn Good**, ceo said on the company's second quarter earnings call. If the order is released in late September or early October then company could blueprint a strategy by the end of the first quarter of 2014, Good said.

An **American Electric Power** subsidiary received permission from the PUC for the same type of increase just before Duke filed its application.

The portfolio has been up for trade twice since 2010 and both auctions have been pulled. The most recent auction was launched in the summer of 2012 by **Citigroup** and **Morgan Stanley** only to be pulled in September to give the company time to complete the regulatory proceedings (*PI, 9/18*). The plants had attracted several bids in the first round of the process in 2012 and, according to investors and bankers, the appetite for the assets, particularly the gas-fired fleet, remains strong. Duke has asked that the request be retroactive to August 2012.

—Holly Fletcher

GDF Nets *(Continued from page 1)*

respond to inquiries before press time or declined to comment. The **Inter-American Development Bank** is likely to lend to the facility, says an observer familiar with the deal.

"The relationship with GDF Suez is more of a driver than [working in] the country," says a syndicator of Latin American project debt, regarding lender interest in the project. The strength and experience of the JV should override lender concerns about the project being in Uruguay, currently rated BBB- by **Standard & Poor's**.

In order to tap export credit agency financing from the **Japan Bank for International Cooperation** or the **Nippon Export and Investment Insurance**, the partnership between GDF and Marubeni must follow a couple of rules, notes an observer. For example, Marubeni would need a 30% equity interest in the project company and some sort of operating role. Details of the JV, such as the size of ownership stakes and operating roles, and the debt-to-equity ratio on the project, could not be learned by press time.

Marubeni took a 50% stake in GDF subsidiary **National Power International Holdings**, which holds GDF's thermal and renewable power projects in Portugal, for an undisclosed price this week. GDF and Marubeni officials did not respond to inquiries by press time.

The JV partners are still assessing whether the facility will be a floating barge or located on land and are working with local government officials to finalize the plans. This will be an important factor in the financing, notes an observer, as the JV could potentially finance the barge separately from any onshore infrastructure and be able to move it to another location at a later date. "I don't think they would actually do that," adds the observer, "but it could be a way of delinking it from the country risk so they can get a little bit more leverage."

The LNG re-gasification plant would supply natural gas to Argentina and Uruguay. The aim is for each country to take 50% of the plant's capacity of 10 million cubic meters per day, although capacity could eventually reach 15 million m3/day and Uruguay could sell excess capacity. Uruguay's state-owned energy company, **ANCAP**, is negotiating with potential LNG suppliers. **Gas Sayago**—formed by ANCAP and state-owned electricity company **UTE**—is the counterparty for the LNG.

The Uruguayan government will pay GDF $14 million per month during a 20-year concession that GDF garnered earlier this year in a tender (*PI, 4/10*). The plant is expected to be operating by the first quarter of 2015.

—Nicholas Stone

ALTERNATING CURRENT

Seattle Solars On Through The Rain

Calling all sun lovers in Seattle! The abundance of sunshine is not a draw to the Pacific Northwest—Seattle gets precipitation about 152 days a year, not including cloudy but dry days while San Diego gets wet on 43. But Seattleites like living green enough to ante up with cash to support a Community Solar program through the municipal utility **Seattle City Light**.

The Seattle Aquarium is on track to have a 49 kW solar project installed on the south side of its roof as part of Community Solar initiative that lets consumers invest in solar generation for credits on their statements.

Source: Thinkstock/iStockphoto

The aquarium's $330,000 project will consist of 246 panels and City Light customers can invest in a 24 watt unit for $150 and up to 125 units, or $18,750. The first Community Solar project put a 25 MWh installation on three picnic shelters in Jefferson Park and attracted cash from almost 400 customers—proof that there are sun worshippers in Cascadia after all.

The program hits on a problem that many customers with solar dreams encounter: the residential rooftop isn't suited for panels. Only about a quarter of residential rooftops nationwide are suitable for photovoltaic installations, according to a study from the **National Renewable Energy Laboratory** in 2008. Obstacles range from cost of installation and shade trees to ownership issues (apartment buildings and rental homes) as well as maintenance.

QUOTE OF THE WEEK

*"Believe it or not, our most significant source of new business is still the renewable market. Renewables just lend themselves well to project finance."—***Jonathan Lindenberg**, head of project finance in the Americas at **Bank of Tokyo Mitsubishi-UFJ** in New York (see Q&A, page 1).