Institutional Investor

VOL. XVI, NO. 33 / August 19, 2013

Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Starwood To Target PF For Texas Wind

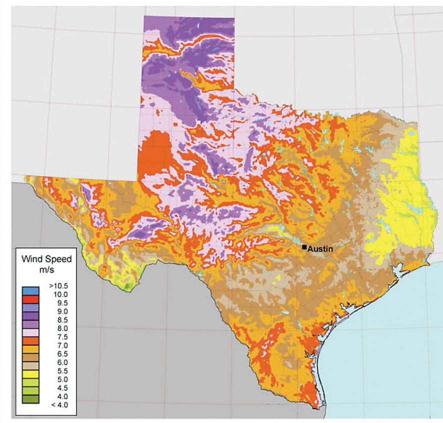
Starwood Energy will look to the project finance markets to fund construction of the first phase of a roughly 377 MW wind project in Texas that it has purchased from **T. Boone Pickens**' **Mesa Power Group**. The project has a development price tag of roughly $640 million.

Starwood is expected to put a long-term hedge in place for the power so it will not be financed as a purely merchant wind project, says a deal watcher, explaining that the shop does not want to go the route of pure merchant wind as some developers in ERCOT have. **JPMorgan** ran the sale for Mesa, which wanted to trade the project to a developer that could get the project financed before the expiry of the production tax credit program. The sale closed earlier this quarter.

The Stephens Ranch project is about 50 miles south of Lubbock in Borden and Lynn Counties, Texas, and will be developed in two stages. The first roughly $340 million, 200

(continued on page 12)

Texas Annual Average Wind Speed*



Source: **AWS Trupower and U.S. National Renewable Energy Laboratory**

*At 80 meters.

THE BUZZ

Despite the typical doldrums of August, deals are continuing to wash through the project finance pipeline. **Pattern Energy** has closed a bridge financing for the first phase of its Panhandle wind project in Texas, with **Citigroup** taking a tax equity stake in the facility (see story, page 6). Panhandle joins a growing number of wind projects that are being financed without power purchase agreements. Also nearing a financial close is **Competitive Power Ventures**' Woodbridge facility in New Jersey in a deal that is one-and-a-half times oversubscribed (see story, page 6).

Latin America continues to attract plenty of action with Costa Rica government-backed electricity provider **Instituto Costarricense de Electricidad** weighing up its options for financing the more than $1 billion Reventazón

(continued on page 2)

ICE Stalks Costa Rica Hydro Funds

Instituto Costarricense de Electricidad is talking to lenders to secure financing for the $1.4 billion Reventazón hydro facility in Limon province, Costa Rica. The company is looking to close the financing for the 305.5 MW plant by year-end.

ICE is reportedly working with **BNP Paribas** on a $700 million private placement, though it is still considering its options for financing the project, a banker says. A private placement would allow ICE to sell bonds to institutional investors in the U.S., Europe and South America. The company has not issued project bonds, although it has issued corporate bonds in foreign markets. The company most recently issued $500 million in 30-year notes, with a coupon of 6.375% and a **Moody's Investors Service** rating of Baa3. **Citigroup** and **Deutsche Bank** led that deal.

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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

IN THIS ISSUE

THE BUZZ

hydro facility in the Limon province (see story, page 1). Observers with knowledge of the deal suggest a private placement is favored by the sponsor. State-owned entity, Colombian transmission company **ISA**, has tapped **BBVA** as financial advisor for a $1 billion project in Chile (see story, page 5). It is another major mandate for the Spanish bank, following **GDF Suez** selecting it for the GNL del Plata re-gasification facility in Uruguay (*PI, 8/8*).

First Wind' is said to be gunning for a reverse flex on high investor demand for its $325 million B loan backing its joint venture **Northeast Wind Partners**, say deal watchers. **Tenaska Capital Management**, on the other hand, responded to investor resistance to its pitched $475 million B loan for a trio of peakers in PJM by shrinking the facility to $350 million (see story, page 7). Senior financiers say that the markets are bustling across most sectors, and are open for dividend recapitalizations. However, power sponsors looking for a recap, such as **Riverstone Holdings** and **LS Power**, go up against intense credit analysis.

Investors have been burned in the past, bankers say, referencing the expected **Energy Future Holdings**' bankruptcy looming on the horizon. The B loan investors that traverse the power landscape take into a variety of factors including commodity and power prices, as well as forecasts, to decide whether they are comfortable with a given amount of leverage on a plant. In some cases, sponsors such as Tenaska have to rework the package within the parameters set by investors.

B loan activity is expected to continue into the fall—barring unforeseen volatility. Investors are preparing for LS Power's $1 billion Sandy Creek refinancing and **Energy Capital Partners**' acquisition financing of a **Dominion** portfolio (see story, page 8).

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.
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Institutional Investor, LLC Issn# 1529-6652

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Institutional Investor Intelligence

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	
BP Wind Energy	Various (Wind portfolio)	Various	None	Auction shelved (PI, 8/5).
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 (PI, 8/12).
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	Stake (500 MW Astoria Energy CCGT)	Astoria, N.Y.		Mitsui & Co. is buying a portion of GDF's stake (PI, 8/12).
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).
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 (PI, 8/12).
	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.		
▶ Mesa Power Group	Stephens Ranch (377 MW Wind)	Lubbock, Texas	JPMorgan	Starwood has bought the project and will project finance it shortly (see story, page 1).
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 (PI, 8/12).
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).
▶ Wayzata Investment Partnes	Castelon (72 MW Cogen)	New York	Scotiabank	Teasers are out (see story, page 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 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
▶ Boralex	Jamie Creek (22 MW Hydro)	Gold Bridge, B.C.	TD Securities	Term	$53.65M	40-yr	The sponsor wrapped the deal at a rate of 5.42% (see story, page 5).
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 (Trains)	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	A wrap on the deal is imminent, with a 1.5 times oversubscription (see story, page 6).
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).
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 30 MW 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)
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
▶ ICE	Reventazón (305.5 MW Hydro)	Limon Province, Costa Rica	TBA	TBA	TBA	TBA	Sponsor is eyeing a private placement alongside an IDB loan (see story, page 1).
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).
▶ ISA	Cardones to Polpaico Transmission	Chile	BBVA	TBA	TBA	TBA	The sponsor has tapped BBVA as advisor for the facility (see story, page 5).
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	Deal wraps with pricing at LIBOR plus 200 bps (see story, page 6).
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).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).
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

ISA Tags BBVA For Chile Transmission

Colombian state-owned transmission company ISA has tapped **BBVA** as advisor for the financing of its approximately $1 billion transmission line project in Chile. The deal is seen as an opportunity for lenders to build relationships and secure a pipeline of potential projects in the country, note observers.

The size of the project has caused the Medellin, Colombia-based company to go beyond its usual coterie of local banks for financing (*PI, 5/10*). BBVA beat out several French and Japanese banks for the mandate, according to an observer. The amount of debt ISA is looking to put on the project could not be learned by press time.

The ISA mandate follows **GDF Suez**'s decision to appoint the bank as advisor for the $1.125 billion GNL del Plata re-gasification facility in Montevideo, Uruguay (*PI, 8/8*).

The Cardones to Polpaico transmission project will connect generation facilities north of Santiago, Chile to major mining developments in the north of the country. The project consists of three, 500 kV transmission lines that will connect to Chile's **Sistema Interconectado Central** grid; the Cardones-Maitencillo, Maitencillo-Pan de Azucar and the Pan de Azucar-Polpaico lines. All of the lines are expected to be in operation within the next five years.

The Chilean national energy committee **Comisión Nacional de Energía** selected ISA last October as part of a recent request for proposals to build the lines. **Standard & Poor's** assigns ISA a corporate credit rating of BBB-.

Seminole, Round Rock Ignite Tax Equity Play

Seminole Financial Services and **Round Rock Partners** have formed joint venture **Seminole Equity Partners** to secure tax equity from investors for renewable energy projects.

The shops are teaming up to provide a platform to source debt and tax equity from investors for smaller renewable projects. "Companies like **U.S. Bank** and **PNC**, who used to book smaller tax equity deals, are being pulled up into the middle and larger markets, with **Wells Fargo** and **Bank of America**," says **Chris Diaz**, senior v.p. of renewable energy at Seminole, adding that the new JV sees a gap in the smaller scale renewable market.

Littleton, Colo.-based Round Rock originates, syndicates, structures, underwrites and manages tax incented investments focused on renewable energy and community development. It has executed more than $5 billion dollars of deals in both debt and equity. Seminole is the main operating company of **The Seminole Companies**, a group of interrelated financial services corporations. It is capitalized via investments from Midwest-based pension funds. Seminole has provided construction and permanent debt for smaller scale and rooftop solar projects (*PI, 4/1/2011*). Those transactions have typically been between $2 million and $30 million in value.

Belleair Bluffs, Fla.-based Seminole also has experience working in the low-income housing market and the JV may focus on bringing investors from that market across to renewable tax equity investments. Seminole has originated debt and equity for real estate investments throughout the country for institutional investors. "They need to know that you can get higher yields with renewables; housing yields are at about 4-6% IRR, but on renewable you can get between 8-12%," says Diaz.

SEP is looking for 1-4 MW solar and wind projects that function with either a partnership flip or inverted lease structure. Depending on the reception of the JV and the tax equity needs of the market, SEP may consider scaling up. They won't take solar renewable energy certificate risk, due to their pricing volatility, notes a deal watcher.

The JV is talking to investors and lining up projects. The team working at SEP includes **Matthew James** and **Rodney Eckhardt**, both managing partners at Round Rock. James founded financial services and private investment group **Greystone Renewable Energy Ventures**, which previously raised a tax equity fund.

Boralex Wraps Canadian Hydro Financing

Montreal-based renewable company Boralex has closed a C$55.3 million ($53.65 million) financing backing its 22 MW Jamie Creek hydro facility near Gold Bridge, B.C. **TD Securities** is the financial advisor on the transaction.

Canada Life Assurance Company and **Great West Life Assurance Company** are the two lenders to the debt facility, which represents 85% of the project cost. The loan has a nine-year grace period for repayment of principal and will amortize thereafter over 31 years at a rate of approximately 5.42% for the full term of the loan.

Financings backing hydro projects in Canada tend to have tenors that are commensurate to projects' power purchase agreements, notes a deal watcher, adding that institutional investor appetite in the country is strong for these long-term, contracted facilities. Jamie Creek has a 40-year PPA with **BC Hydro**, with a 20-year renewal period.

Boralex purchased the facility from renewables developer **Sequoia Energy** last year (*PI, 10/31*). **Assinibone CreditUnion** provided some of the early stage construction financing of the project.

Construction at the Jamie Creek site is underway, with commissioning planned for the first quarter of next year.

CPV Circles Close On Woodbridge Financing

Competitive Power Ventures is near closing its $585 million debt package backing the 725 MW Woodbridge gas-fired plant in Woodbridge, N.J. The deal was one-and-a-half times oversubscribed. **GE Energy Financial Services** is the lead arranger of the debt (*PI, 5/24*).

The package includes a $400 million term loan and $185 million in working capital and letters of credit. GE EFS is contributing $187.5 million in debt to the project, which will use **GE** turbines. **ING Capital**, **Union Bank**, **NordLB**, **Credit Agricole**, **Royal Bank of Canada** and **Royal Bank of Scotland** are participating in the deal. Price talk is coming in at LIBOR plus 425 basis points for the bank term loan, and will step up over the life of the loan.

The project, slated to be online in 2015, was awarded a 15-year power purchase agreement under a long-term capacity pilot program run by the New Jersey **Board of Public Utilities**. However, the contracts from that program are being contested by other generators (*PI, 5/24*). The project has also been cleared to sell 661 MW of capacity into PJM via the 2015-2016 auction.

ArcLight Capital Partners and **Toyota Tsusho Corp**. took a 50% and 31.25% stake in the facility, respectively, with CPV holding the remaining stake (*PI, 6/3*). CPV officials and ArcLight and Toyota representatives did not respond to inquiries by press time. Bank officials either declined comment or did not respond to inquiries by press time.

Pattern To Close On Panhandle, Citi Tax Equity...

Pattern Energy aims to close the $500 million bridge financing for its 322 MW first phase of the Panhandle wind project in Texas by Aug. 16. The bridge loan will be taken out by a tax equity investment from **Citigroup. BayernLB**, **Crédit Agricole** and **NordLB** are leading the deal.

Pricing on the bridge loan is LIBOR plus 200 basis points (*PI, 3/20*). **CIBC**, **Société Générale**, **Royal Bank of Canada**, **Union Bank**, **Deutsche Bank** and **Royal Bank of Scotland** all took tickets in the deal. Ticket sizes could not be learned by press time.

"It was attractive for the lenders and there are not that many deals out there for wind," says a deal watcher. "The pricing is about right for where the market is at the moment." Lenders were able to get comfortable with the power hedge on the project and Citi as the tax equity investor, he adds. Pattern has a power hedge in place with an affiliate of **JPMorgan** and with Citi (*PI, 5/14*). Further details on the hedge could not be learned by press time.

The same three banks will lead a planned re-levering of the debt facility, notes a deal watcher. The sponsor and the banks are aiming to re-leverage the project with a seven-year, $300 million term loan four months after commercial operation and when the project meets certain undisclosed conditions.

This is the first phase of a potential 1,000 MW that the San Francisco-based developer will look to build in Carson County, Texas. Pattern is looking to secure a power purchase agreement in the next two years, during the construction period, note observers.

MERGERS & ACQUISITIONS

...And Files For $345M IPO

Pattern Energy Group, Inc., has filed its S-1 with the U.S. **Securities and Exchange Commission** to raise $345 million in an initial public offering in the U.S. and Canada. **BMO Capital Markets**, **Royal Bank of Canada** and **Morgan Stanley** are the bookrunners.

The earliest the company could launch its road show is in roughly three weeks, the period that it must wait under SEC guidelines. The company will be affiliated with **Pattern Energy Group LP**, which will still develop the wind assets—and be headed by **Michael Garland**, who also heads Pattern LP. It will list on the **Toronto Stock Exchange** and is tipped to be leaning toward a **New York Stock Exchange** listing, says an observer.

The company plans to look like **NRG Yield** initially, with contracted assets in its portfolio, but its long-term plan is to buy Pattern LP and take on the development risks, says a deal watcher. Pattern Energy Inc. is currently not large enough to absorb the development risk, however, it plans to grow into a company that develops and owns assets. The portfolio that will be pitched to investors in the coming weeks is fully contracted. Pattern Energy has $1.21 billion in debt, including credit facilities and term loans.

The initial portfolio will be six operational wind farms and two under construction in the U.S., Canada and Chile for a total 1,041 MW. Pattern Energy Inc., will have the right of first offer to six assets that Pattern LP is developing that total 746 MW. The company was tipped to file Friday, as first reported by *PFR* (*PI,8/9*).

The portfolio consists of the 130 MW St. Joseph in Manitoba; 152 MW Spring Valley in Nevada; 101 MW Hatchet Ridge in California; 265 MW Ocotillo in California; 113 MW Gulf Wind in Texas; and 101 MW Santa Isabel in Puerto Rico. The development projects are the 135 MW South Kent in Ontario and the 36 MW El Arrayan in Chile.

The company, backed by **Riverstone Holdings**, has been en route to an IPO for over a year (PI, *6/14/12*). The road to the public markets has taken several turns over the last year and a half and has included parallel talks with bankers about an IPO and with prospective investors interested in a roughly 49% stake (*PI, 5/23*).

The ticker symbol was not disclosed in the S-1.

Wayzata Shops Merchant N.Y. Plant

Wayzata Investment Partners has put a combined cycle plant near Albany, N.Y., on the market. Teasers for the 72 MW Castleton dual gas and oil-fired facility were recently released by **Scotiabank**.

The merchant facility is in New York's Zone F and has a gas transportation agreement with **Dominion** through October 2032, according to the teaser. Capacity auctions for the zone have recently topped $5 per kW month. The plant can produce steam for cogeneration.

Seth Keller and **Boyd Nelson**, co-heads of the U.S. power and utilities team at Scotia, are running the sale.

Wayzata bought the plant from **EPCOR Power** for about $10 million in 2009 (*PI, 2/20/09*).

Energy Capital Partners is also in the market with a facility in the area. **Deutsche Bank** is selling the merchant 635 MW **Empire Generating Co.** combined cycle in Rensselaer, N.Y. (*PI, 6/10*).

PEOPLE & FIRMS

OneWest Adds Ex-WestLB Staffer

Mandy Querio, a former associate director in the syndications team at WestLB, has joined **OneWest Bank** as its first v.p. of syndications. She started at the beginning of August. Querio will report to **Grant Ahearn**, executive v.p. and head of the specialized financial services group.

Pasadena, Calif.-based OneWest did not have a syndications desk as part of its power and project group prior to Querio's hiring. The bank entered the power project finance space last year, bringing over a team from **Union Bank**, including Ahearn (*PI, 10/5*).

OneWest has been looking to capitalize on the drawback of traditional project finance players, such as WestLB and **BNP Paribas**, note observers. It is the largest federal savings bank in Southern California and has approximately $27 billion in assets under management. The bank lends to conventional and renewable generation assets and power-related infrastructure in the U.S. It targets commitment from $15 million to $50 million and also offers syndication of larger loans, according to its website.

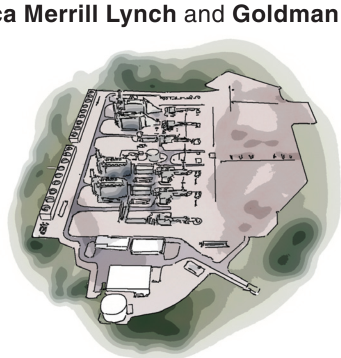
Prior to joining WestLB in May 2006, Querio was a senior investment associate at **Merrill Lynch**. Querio left WestLB in August 2012. OneWest officials in Pasadena, Calif., confirmed the hire but declined further comment.

STRATEGIES

Tenaska Shrinks B Loan

Tenaska Capital Management's $475 million term loan B refinancing has been downsized to $350 million as of last week, deal watchers say. **Bank of America Merrill Lynch** and **Goldman Sachs** are the co-leads on the six-year loan.

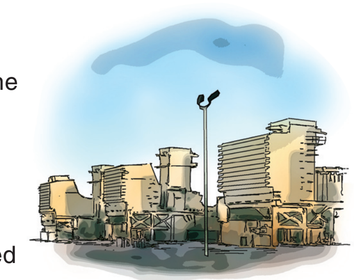
The loan, which is backed by 1.83 GW of peakers in PJM, was tipped to be reworked as investors began digging into the due diligence on the portfolio of three gas-fired peakers in RTO, the PJM zone with the lowest capacity auction pricing (*PI, 8/6*). The loan was originally pegged to pay down an existing $68 million term loan, fund debt service reserves and send about $350 million up as a dividend recap. Investors "still turn up their nose" at dividend recapitalizations, notes one senior financier, who adds that other sectors are likely to push dividend recaps through. Power, however, can be fraught with other questions particularly when merchant assets and commodity prices are at play.



Rolling Hills

The original $475 million debt package, including a $20 million revolver, was 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 came in Aug. 8. Pricing is said to have remained the same.

The revised deal will put about $191 per kW in debt on the portfolio, down from about $270 per kW in the original package. The decrease wasn't enough for some investors who opted to sit out of the deal altogether, says one who took a look but passed.



Lincoln

The B loan package includes a provision that allows any of the three plants to be sold at a minimum value and proceeds used to pay down debt. 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 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. A Goldman spokeswoman declined to comment as did a Tenaska spokeswoman in Omaha.

LS Shoots For Sept. B Loan Launch

LS Power is targeting a post-Labor Day launch for its term loan B refinancing its stake in the 900 MW Sandy Creek pulverized coal-fired plant in Texas. The B loan is pegged to be in the neighborhood of $1 billion, not including credit facilities, say deal watchers.

Credit Suisse is said to have joined **Goldman Sachs** as lead arranger. The New York-based shop has also been talking to a variety of lenders about filling out the co-arranger slots, with one deal watcher saying there is "a lot of interest from folks in joining the team." The project was financed with $1 billion in bank debt in a deal led by **Credit Suisse** and **Royal Bank of Scotland** (*PI, 9/7/07*).

The existing debt at **Sandy Creek Energy Associates** L.P., the operating company that owns the 575 MW portion held by LS, is currently rated B+ by **Standard & Poor's** and B1 by **Moody's Investors Service**. LS' last B loan for subsidiary **LSP Madison Funding** received a BB+ from S&P and a Ba2 from Moody's (*PI, 7/10/12*). Moody's had issued a preliminary Ba3 on a refinancing of the loan that was ultimately pulled in June (*PI, 6/5*)

Sandy Creek, in Riesel, Texas, came online in April, about a year later than originally planned because its boiler was damaged when it overheated in a test in 2011. Given the delays, S&P forecasted there would be about $834 million outstanding in first lien debt in 2015. There is a subordinate payment-in-kind debt that matures in February 2016 that had $217 million outstanding in March 2012.

Sandy Creek Energy Associates has a 30-year power purchase agreement for 150 MW with **Brazos Sandy Creek Electric Cooperative** and a 30-year PPA for 100 MW with **Lower Colorado River Authority**. The remainder is hedged under short-term agreements.

Brazos also owns 25% of the plant. **GE Energy Financial Services** has a stake.

An LS official declined to comment as did a Goldman Sachs spokeswoman. A Credit Suisse spokesman could not immediately comment.

Rockland Hunts La Paloma Refi

Rockland Capital is refinancing a second lien term loan on its **La Paloma Generating Co**.

Bank of America Merrill Lynch is arranging a roughly $110 million second lien term loan B at the operating company of the 1 GW combined cycle plant in McKittrick, Calif.

The current second lien B loan matures in 2018 and was priced at LIBOR plus 875 basis points (*PI, 9/20/11*). **Ares Management** is the largest holder of the existing debt but it's not clear yet whether the firm will be in the new loan, say observers. Rockland is aiming to wrap the deal by the end of the month.

Deal watchers say that Rockland is trying to bring pricing in on the debt as well as loosen its covenants, two elements that are possible in today's debt markets. Rockland has already reworked the first lien debt that was put in place in a week in August 2011. The shop also recently inked a $300 million loan via **Beal Bank** that refinanced a six-year $302 million term loan B, with pricing of L+ 550 bps.

The plant is owned by affiliates of **Solus Alternative Asset Management**, **TCW Asset Management**, **Morgan Stanley**, **Credit Suisse**, **Merrill Lynch**, **Loews Corp** and **Stark Investments**. Rockland is the managing owner.

Scott Harlan, managing partner at Rockland in Houston, declined to comment as did a spokesman for BAML. A Beal spokesman was not immediately available for comment.

INDUSTRY CURRENT

The Market For Portfolio Sales and Consolidation

THIS WEEK'S INDUSTRY CURRENT is the transcript of a panel of industry officials focused on the market for portfolio sales of generating assets and consolidation in the power industry.

More portfolios of operating projects are expected to follow as some larger players pull back from new wind and solar development or find their European parents no longer willing to provide capital for new development. Various portfolios of gas-fired plants are also for sale. There has been ongoing consolidation in the distributed solar market as a few national brands emerge. The panel below examines whether this is a good time to buy and what it takes to win the bidding process.

***Eli Katz**, partner at **Chadbourne & Parke** in New York, moderated the panel, which included:*

- ***Ted Brandt**, ceo of **Marathon Capital,***
- ***Jon Fouts**, managing director of the global power and utilities group at **Morgan Stanley,***
- ***Andrew Murphy**, senior managing director of **Macquarie Infrastructure**, and*
- ***Declan Flanagan**, ceo of **Lincoln Renewable Energy.***

MR. KATZ: What trends do you see in the US market? Who is buying and who is selling?

MR. BRANDT: Clearly **NextEra** has been a net buyer through thick and thin, but it is hard to judge the rest of the players in the top 15. Everybody knows that BP and Edison Mission Energy will soon be selling large portfolios of wind farms. There will probably be other divestments, but it is not clear who will be the buyers other than NextEra. There are some private equity firms that would like to bulk up and get larger. There are a lot of people who are thinking about public exits as opposed to strategic exits.

Motivations to Sell

MR. KATZ: Where do you think the next wave of sellers will come from? Why would they be selling now?

MR. MURPHY: We would like to be a buyer in this market. As an infrastructure fund, we have some challenges that the other potential buyers do not have. We cannot use tax benefits that are a large driver of the economics. We are only interested in contracted portfolios with stable returns.

That being said, it really is a question of looking at who are the natural longer-term holders of the assets. An emerging trend is for companies to sell off assets into yield cos. **NRG Energy** is putting some of its solar assets up for sale into a yield co. This highlights the fact that NRG is not necessarily a long-term holder; it needs to free up the capital that it has invested in that business. This is one of the drivers of portfolio sales. You see some of the other strategics exiting or partially exiting the space.

We could be a natural long-term holder of those assets if we can deal with the structuring issues. We can hold assets for 10 or more years. You are beginning to see that dynamic at work as some of these portfolios mature. There are more natural places to put them for the longer term so that developers can free up capital for reuse.


Eli Katz

MR. KATZ: Some large investors put a lot of money into wind and solar and now infrastructure or private equity funds have taken them out. Do you see that trend continuing or can you even call it a trend?

MR. FOUTS: We see that trend continuing. The reason that a lot of the Europeans entered the renewable energy market in the mid-2000s is as much strategic as anything else. Now the assets are migrating to new owners who can hold them long term at a lower cost of capital. People are optimizing their portfolios. We are seeing a lot of Canadians buyers. They have long- term hold periods, they are sitting on other assets with yields in the single digits, and they have a lot of money to put to work.

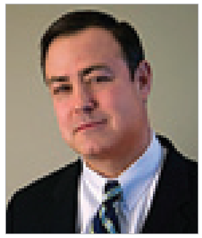
MR. KATZ: There has probably been some maturation of wind and solar assets that make them more attractive to people who used to buy conventional assets. What are the differences for a buyer looking to buy a portfolio of conventional assets versus renewable assets, and what might motivate him to do one over the other?


Declan Flanagan

MR. FLANAGAN: Ultimately, it comes down now to contracted cash flows. That is what people are buying. Whereas years ago, it was all about supporting renewable energy and helping with climate change, that is completely gone as a motivator. Now it is about contracted cash flow, and the technology elements that lie below that can be less important. That being said, in renewable assets, most of the major economic decisions are locked in up front and so there is less room for optimization than in a gas plant. The kind of play where people buy at the right point in the cycle on gas plants and multiply their capital by reselling in the right cycle is harder to do when you are buying a wind or solar project with a 25-year power purchase agreement.

MR. KATZ: Do you see a new type of buyer focused on renewable energy assets, and are there more complications with a renewable portfolio than a conventional portfolio?

MR. BRANDT: You have to look at wind and solar differently. Wind is clearly moving toward maturity. Solar is pretty fragmented, and it is not yet clear who will be the ultimate long- term owners, although **MidAmerican Energy** is pretty strong right now. With wind, unless you have 1,000 MW, you cannot really be a scaled player in the wind business. There has been a huge effort to get to the point; there are now something like 10 players who are at about 1,000 MW. The guys who are at 1,000 MW are saying they would really like to get around 3,000 MW. There is a desire to consolidate in a difficult market with scarce PPAs.


Ted Brandt

On the other hand, there is probably more capital available for a developer than ever before, and there is passive capital for the first time. Just a few years ago, you only had the choice of active capital where you had to give up control in order to get access to capital. Now the pension funds are viewing contracted renewable projects as infrastructure quality, and we are seeing pension and infrastructure funds with wide open wallets. I would not call it an ATM card, but a contracted project will give a developer the ability to attract capital.

Purely Cost of Capital?

MR. KATZ: Does the bidding for projects come down simply to who has the lowest cost of capital? How does anyone differentiate himself? What are potential bidders doing that might give themselves an advantage?

MR. MURPHY: One of the challenges we face is how to differentiate ourselves. Our cost of capital is low, but not as low as some others. What we try to do is go farther up the risk spectrum by coming in during construction. We also look for opportunities to build strategic relationships because we want to write bigger checks. If we can talk about writing a big check in pieces over time and develop a relationship with a partner who can bring multiple projects over time, that is another way to try to avoid being just a cost of capital play, and it has value to the good developers.

MR. FOUTS: This is an important but subtle change that we have probably seen over the past 12 months. Twelve months ago, the focus was entirely yield and current cash flow. In the past 12 months, the pendulum has swung back and people are willing to take exposure to development and construction risk. They want that growth dynamic.

One way to distinguish yourself as a seller is to have a development team with a proven track record in developing assets and getting them through construction. Buyers today are putting more emphasis on that.

MR. FLANAGAN: Once the project is ready to start construction or beyond, it is exclusively a cost of capital play. Anyone who is looking to be a buyer is probably wasting time at the notice-to-proceed stage or beyond, unless he has a compelling cost-of-capital advantage.

MR. KATZ: What about post-PPA revenues? Can there be differences in what people expect the power prices will be after the power purchase agreement expires?

MR. FOUTS: It is the tail wagging the dog. The cost of capital is still key. A residual assumption discounted over 20 years is not going to swing the deal as much as a 100-basis-point advantage on cost of capital.

MR. KATZ: Who has the edge today between financial bidders and strategic bidders? Is there a different answer in renewables versus conventional?

MR. FOUTS: Clearly, what happens in the **BP** and **Edison Mission Energy** sales will be the story of 2013. A strategic player like MidAmerican that can use the tax credits and deferrals on a real-time basis has a fundamental advantage over everybody else.

Warren Buffett's money is pretty attractive. MidAmerican can write a big check, and it has been smart about not leaving much money on the table. Clearly it has more room to increase the price if it has to do so to win.

MR. MURPHY: Other than MidAmerican, there are not many players with tax appetite. That narrows the field pretty aggressively. After MidAmerican, it is back to some of the pension funds and infrastructure funds that are buying on a cost-of-capital basis.

MR. BRANDT: I agree. The tax capacity of the strategics is a huge differentiator. The strategics are more efficient buyers than anyone who has to go to Jon and his colleagues for tax equity structures.

On the conventional side, it is a different dynamic. It depends on where the asset is and its locational value. A conventional power plant can be a compelling play for a strategic if it fits into a portfolio and can bring synergies. Some strategics can be competitive on that, even if it is a fully contracted asset. It depends on the asset itself, because the ability to use tax benefits is not a differentiating factor.

MR. FLANAGAN: A few years ago, no doubt a strategic had the edge. The best long-term owner of these assets was clearly a strategic, but the advantage is now with the financial investors due to their lower cost of capital. The gap is narrow, but tax capacity cannot tilt it back the other way. It goes back to who wants to be the long-term owner. Strategics do not want to be long-term owners. Everyone is ultimately trying to get to that mythical 6% yield-seeking retail investor. That changes the dynamic completely from where it was four or five years ago.

Please check back next week for the second installment of this Industry Current, when the panelists discuss a shift in types of buyers and discount rates for wind assets, utility scale solar and distributed generation.

Starwood To Target *(Continued from page 1)*

MW phase is scheduled to begin construction in September and be online in August 2014.

The project was attractive to Starwood because of its proximity to a transmission substation that is expected to be operational in the first week of September under the Competitive Renewable Energy Zones. "It's not an area that has a lot of congestion, unlike the projects in the Panhandle," says the deal watcher.

The purchase price and whether discussions with counterparties for a hedge are under way, could not be learned. A Starwood spokesman and an official were traveling and not available for comment.

—Holly Fletcher

ICE Stalks *(Continued from page 1)*

The **Inter-American Development Bank** has approved a $200 million non-sovereign guaranteed loan to the project, which has a tenor of 20 years. The **International Finance Corporation** will also contribute $100 million to the bank loan tranche. The tenor of that loan could not be learned by press time. BNP, IFC and IDB officials did not respond to inquiries.

Some lenders are concerned about ICE's credit rating, says a project financier focusing on Latin America. Recent government stipulations about renewable energy quotas and ICE's breach of covenants on certain loan agreements could lead to ratings instability, notes an analyst at a rating agency that works on the credit. Moody's rates the company Baa3 with a stable outlook.

The Reventazón facility will be comprised of a 426-foot high dam, a reservoir and a 2.6-mile river diversion between the dam and powerhouse. The construction process has started and commercial operation is expected in August 2016. ICE, the largest electric utility in Costa Rica, will use the power from the facility.

ICE manages the vast majority of the country's transmission assets as well as over 75% of the installed capacity and electricity generation. Costa Rica is seeking to add 1.06 GW of hydro generation by 2020. ICE officials in San José did not respond to inquiries by press time.

—Nicholas Stone

QUOTE OF THE WEEK

*"**Warren Buffett**'s money is pretty attractive. **MidAmerican** can write a big check, and it has been smart about not leaving much money on the table. Clearly it has more room to increase the price if it has to do so to win."*—**Jon Fouts**, managing director of the global power and utilities group at **Morgan Stanley**, on successful bidders in power asset sales (see Industry Current, page 9).

ONE YEAR AGO

Georgia Power waived its right of first refusal for **Perennial Power**'s Mid-Georgia cogeneration facility, paving the way for a consortium led by **ArcLight Capital Partners** to buy the facility. [ArcLight put the plant up for sale in March as part of **Southeast PowerGen** but the auction was pulled due to low bids (PI, 3/1 & 8/1).]

POWER TWEETS

The #Power Tweet feature tracks trends in power project finance and M&A in the Americas on **Twitter**. This week's installment showcases tweets across a broad spectrum, from the 10th anniversary of the 2003 blackout to wind in PJM and MISO. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

@EliasHinckley: Just saw commercial for @dodge trucks featuring working on a windfarm - how the world has changed...

@FrenkilEnergy: With razor-thin margins and lack of volatility in the #gas markets, trading desks are dropping like flies in the gas sector. Implications?

@genscape: #GenscapeWX - #Wind has taken a vacation and won't return to #MISO or #PJM over the next week at least gensca.pe/13CSnz3 #trading

@JimHarris: #Solar #energy up 58% in 2012, to 93TWh globally; #wind 18%, to 521TWh. While $ down, capacity way up http://twitpic.com/d6go1y

@NRGsolar: Apple is building its 2nd #solar farm to power its Reno data center. One step closer to its #clean #energy goal: nrgsolarsocial.com/wkye

@SolarIndustry: Interior Dept. designates public lands in CA for #solar and #geothermal development - bit.ly/1cG9l8S

@Silvio_Marcacci: Interesting - average US household spends around $2,000 on electricity per year, says @EIAgov ow.ly/nXpx6

@JigarShahDC: 10 years after the 2003 Northeast blackout, very little has improved and the blackout would probably happen again bit.ly/1eHCX1u