

# Power Finance & Risk

The weekly issue from **Power Intelligence**

[www.powerintelligence.com](http://www.powerintelligence.com)

## Q&A: Michael Polsky & Jim Murphy, Invenergy

Invenergy has become a mainstay of power project finance, regularly tapping lenders as it has built a 5.7 GW wind-centered operational portfolio. That has made the Chicago-based shop the largest independent wind generator in North America.

In a rare interview about the privately-held business, **Michael Polsky**, founder, president and ceo, and **Jim Murphy**, coo and cfo, sat down with PFR Executive Editor **Peter Thompson** to discuss a range of issues including debt structures,



Michael Polsky

lender relationships, the prospects for solar and wind and why an IPO is not in the cards.

### Where do you think we are in the market cycle on project finance bank debt?

**Jim Murphy:** I think we are in a demand lull from the side of the lenders. There is not a lot of product out there. If we are speaking about power, if you look at the major components of the space, you've got thermal projects—natural gas-fired projects—not too much being done. Most of what is being done is being done in the B loan market. With solar, there is some product there, but because solar is such a small segment, there is not a lot of

*(continued on page 10)*

## Ameren Floats Ill. Peaker Trio

**Ameren Corp.** is aiming to sell three merchant gas-fired peakers in Illinois totaling 1,166 MW as it moves away from unregulated generation.

First round bids have come in and the company is in talks with several entities, the bulk of which are private equity shops, say deal watchers. The plants are the 460 MW Elgin in Cook County, Ill.; the 228 MW Gibson City in Ford County, Ill.; and the 478 MW Grand Tower in Jackson County, Ill. **Barclays** is running the auction.

PJM, particularly the Land of Lincoln, is awash with assets on the market right now as **Edison Mission Energy** tees up a sale process of about 8 GW, including a 4.3 GW portfolio of coal-fired assets in Illinois (see story, page 6). **GDF Suez North America** is selling 1,836 MW of peakers, with one in Illinois ([PL 5/14](#)).

Ameren's unregulated generation has been impacted by rising fuel prices, low demand and low natural gas prices and

*(continued on page 12)*

## Lake Charles LNG Stirs Financier Interest

The Lake Charles liquefied natural gas export project, with a price tag of potentially \$11 billion, is being eyed by banks and lenders after receiving approval from the U.S. **Department of Energy**.

The Calcasieu Parish, La., project landed the green light from the DOE's **Office of Fossil Energy** to export to non-free trade agreement countries Aug. 7.

The terminal is backed by the U.K.'s **BG Group** and **Energy Transfer Partners'** subsidiary **Southern Union**. SU and BG have created **Lake Charles Exports**, a jointly-owned subsidiary, and will look to complete financing ahead of the start of construction in mid-2015, with an anticipated in-service date in 2019.

"This is definitely one that will attract a lot of attention," says a deal watcher. A spokeswoman for Lake Charles in Dallas says the company has commenced preliminary financing talks,

*(continued on page 12)*

## EME Releases Teasers For 8 GW

**Edison Mission Energy** has released teasers via **JPMorgan** for 8 GW of renewable and thermal capacity in the U.S.

*See story, page 6*

## 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

## Slew Of Assets Hit The M&amp;A Market

Shops hankering for a big wind play have an opportunity this summer to pony up an offer. **JPMorgan** has released teasers shopping **Edison Mission Energy's** wind unit, **Edison Mission Wind**, alongside its gas- and coal-fired generation and marketing arm. There's a chance the auction of 8 GW—in part or wholly—will serve as a guide to how the company will emerge from bankruptcy (see story, page 6).

**Midwest Generation**, a cluster of coal-fired assets in northeastern Illinois, joins a trio of **Ameren Corp.** peakers that are also on the market in the Land of Lincoln (see story, page 1). There is a bevy of merchant assets up for grabs in PJM, despite disappointing capacity auction results, including four peakers from **GDF Suez North America** ([PI, 5/14](#)).

Gas-fired M&A is skating along in other parts of the country. **Global Infrastructure Partners** has taken first round bids for its Channelview cogeneration facility near Houston (see story, page 7). And, **GE Energy Financial Services** has agreed to sell its stake in CPV Sentinel combined cycle plant in California to a Cayman Island-based entity (see story, page 6).

B loan investors are continuing to mark their boundaries this week, with news that **First Wind** has opted to nix a B loan after investors balked at pricing in the range of 450 basis points over LIBOR (see story, page 11). Despite robust appetite and activity in the B loan market in the past several months, bankers say that wind is still a difficult hurdle for investors. The cancellation follows on the heels of **Tenaska Capital Management's** move to downsize its B loan by \$75 million on investor pushback against a dividend recap, especially in light of merchant assets and commodity prices in that picture ([PI, 8/14](#)).

**Panda Power Funds** and **Moxie Energy**, meanwhile, are finding a different reception for their B loan package backing the 825 MW Liberty project in Pennsylvania. The sponsors upsized that facility to \$435 million from \$358 million due to strong investor appetite and also dropped a mezzanine tranche led by **Goldman Sachs** (see story, page 5).

## Power Intelligence

## EDITORIAL

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

**Sara Rosner**  
Managing Editor  
(212) 224-3165

**Nicholas Stone**  
Senior Reporter  
(212) 224-3260

**Holly Fletcher**  
Senior Reporter  
(212) 224-3293

**Oliver West**  
Contributor (Bogota)

**Stuart Wise**  
Data Associate

**Andrea Innis**  
Data Associate

**Kieron Black**  
Sketch Artist

## PRODUCTION

**Dany Peña**  
Director

**Deborah Zaken**  
Manager

**Melissa Figueroa,**  
**James Bambara**  
Associates

**Jenny Lo**  
Web Production &  
Design Director

## ADVERTISING

**Patricia Bertucci**  
Associate Publisher  
(212) 224-3890

## PUBLISHING

**Emmanuelle Rathouis**  
Marketing Director

**Vincent Yesenosky**  
Head Of U.S. Fulfillment  
(212) 224-3057

**Nina Bonny**  
Customer Service Manager  
(212) 224-3433

SUBSCRIPTIONS/  
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**Ken Lerner**  
Account Executive  
(212) 224-3043

## REPRINTS

**Dewey Palmieri**  
Reprint & Permission  
Manager (New York)  
(212) 224-3675  
dpalmieri@institutional  
investor.com

## CORPORATE

**Richard Ensor**  
Chairman

**John Orchard**  
Managing Director,  
Capital Markets Group

## Customer Service

PO Box 4009, Chesterfield, MO 63006-4009, USA  
Tel: **1-800-715-9195**  
Overseas dial: **1-212-224-3451**  
Fax: **212-224-3886**  
UK: **44 20 7779 8704** Hong Kong: **852 2842 8011**  
E-Mail: customerservice@iintelligence.com

## Institutional Investor Hotline

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

## Editorial Offices 225 Park Avenue South, New York, NY 10003

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## GENERATION AUCTION &amp; 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](http://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).
Ameren	Elgin (460 MW Gas)	Cook County, Ill.	Barclays	In talks with select prospective buyers (see story, page 1).
	Grand Tower (478 MW Gas)	Jackson County, Ill.		
	Gibson City (228 MW Gas)	Ford County, Ill.		
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	Teasers are out (see story, page 6).
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	Voltage Finance is buying the stake (see story, page 6).
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		
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (see story, page 7).
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 potential 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 (PI, 8/19).
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).
PPL Corp.	Various (604 MW Hydro)	Various, Montana	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
	Colstrip (529 MW Coal)	Colstrip, Mont.		
	Corette (153 MW Coal)	Billings, Mont.		
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 Partners	Castleton (72 MW Cogen)	New York	Scotiabank	Teasers are out (PI, 8/19).

## New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail [hlfletcher@powerintelligence.com](mailto:hlfletcher@powerintelligence.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 (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	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	\$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
	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 (PI, 8/19).
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).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	\$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
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 County, 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 30 MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsor is looking to finance another three projects after the successful 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 (PI, 8/19).
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 (PI, 8/19).
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).
▶ Lake Charles Exports	Lake Charles LNG Export Facility	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially \$11B project (see story, page 1).
▶ Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	\$800M	TBA	Sponsor reworks debt package ahead of close, upping the term loan B (see story, page 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).
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.	Morgan Stanley	TBA	\$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (see story, page 5).
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).
▶ Transelec	Chile Transmission	Chile	SMBC, BTMU	TBA	\$150M	16-yr	Sponsor wraps a two bank deal (see story, page 5).

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**PROJECT FINANCE**

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## SolarReserve Taps Morgan Stanley For Rice

SolarReserve has appointed Morgan Stanley as advisor in its search for debt, tax equity and equity investment backing the 150 MW Rice solar thermal project in Blythe, Calif. The Santa Monica, Calif.-based developer is aiming to close the financing by the end of the first quarter next year.

SolarReserve has a good relationship with Morgan Stanley, says **Kevin Smith**, ceo of SolarReserve, adding that the company has upped efforts on its financing search for the \$750 million project in the past month. He declined to elaborate on why the sponsor chose Morgan Stanley. An official at Morgan Stanley did not respond to inquiries by press time.

The sponsor aims to finance the project with 50% debt, 20% to 30% tax equity and the rest in equity. "The tax equity market is not as robust as it used to be, or was, in the last couple of years. It is relatively tight on tax equity at the moment, but there are not a lot of

large-scale solar projects out there," says Smith.

A solar thermal project in the U.S. has yet to be financed without a U.S. **Department of Energy** loan guarantee. Financiers note that bank debt may have to be priced at roughly 25 basis points above market rates for other renewable technologies. Concentrated solar power's capacity to store energy is catching the eye of lenders, however, notes a deal watcher. "Right now there is increased focus on storage and this technology can do that," Smith adds.

The company began preliminary financing talks earlier this year after inking a 25-year power purchase agreement with **Pacific Gas & Electric** ([PI, 2/1](#)). The Rice facility has a concentrated solar power tower with a thermal energy storage unit and uses a molten salt system technology from **Pratt & Whitney Rocketdyne**. Construction is slated to begin early in 2014. It has secured all the necessary permits.

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## Panda, Moxie Rework Liberty Debt Package

**Panda Power Funds** and **Moxie Energy** have adjusted the debt package backing their 825 MW Liberty project, nixing the \$119 million mezzanine tranche and increasing the first-draw term loan B to \$435 million from \$358 million.

The co-leads are **Goldman Sachs**, **Credit Suisse**, **Ares Capital Corporation** and **Union Bank**. Goldman is lead left. The sponsors decided to drop the Goldman-led mezzanine tranche and increase the B loan due to strong investor appetite in the B loan market, notes a banker.

The debt package will now consist of the first-draw loan, a \$150 million delayed-draw loan, decreased from \$200 million, and a \$42 million letter of credit. The 12-month delayed-draw loan will carry a 2% commitment fee. Preliminary pricing talk on the B loan was LIBOR plus 650 basis points, with a 1% LIBOR floor and an original

issue discount of 99 ([PI, 8/1](#)). Commitments came in last week and allocations should be finalized by Friday, notes the banker. The deal launched July 30 in New York ([PI, 7/30](#)).

A further \$363 million in equity from the sponsors will be funded at the closing of the debt package. Bank officials either declined comment or did not respond to inquiries by press time and the breakdown of the equity could not be learned. Panda and Moxie officials declined comment.

**Standard & Poor's** rates the original secured first-draw loan, the delayed-draw loan and the \$42 million LOC facility B. The term loan Bs and letter of credit facility mature in 2020 and 2018, respectively.

The project in Bradford County, Pa., cleared the 2016/2017 PJM auction at the clearing price for the Mid-Atlantic Area Council capacity market ([PI, 5/31](#)).

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## Transelec Lands Maiden LatAm PF

Chilean transmission company Transelec, a subsidiary of **Brookfield Asset Management**, has closed a \$150 million debt financing for a 220kV transmission line linking the Caserones mine in Chile to generation facilities. The deal is Transelec's maiden project financing.

**Bank of Tokyo-Mitsubishi** and **Sumitomo Mitsui Banking Corp.** were joint lead arrangers on the 16-year deal, each taking \$75 million tickets. The overall project cost is \$187.2 million and Transelec will fund the remaining \$37.2 million in cost on balance sheet. Pricing on the loan could not be learned by press time. Bank officials either declined comment or did not respond to inquiries by press time.

Transelec's stature in the region was key in getting the lenders comfortable, notes a deal watcher. "It was a very typical project finance deal," he adds. "There are a lot of opportunities in that part of Chile with the mining sector." **Francisco Castro**, v.p. of finance at Transelec, handled the deal for the company. Transelec officials in Santiago were not immediately available for comment. Transelec is Chile's largest owner of transmission.

**JX Nippon Mining and Metals Corp.** and **Mitsui** own the Caserones copper mine, and construction on the mine is slated to be finished by year-end. Brookfield purchased Transelec in 2006 ([PI, 11/10/2006](#)).



## MERGERS &amp; ACQUISITIONS

## EME Teasers For 8 GW Hit Mart

**Edison Mission Energy** is marketing coal, gas and wind generation assets as part of its Chapter 11 bankruptcy proceedings.

The entire generation business is up for sale. The subsidiaries have 1.7 GW portfolio of operational wind farms; 1.48 GW of gas-fired assets; and 4.3 GW of coal-fired plants in PJM. **Edison Mission Marketing & Trading** is also on the block. Teasers were released by **JPMorgan** this month; first round bids have not yet come in.

Despite the circulating teasers, the company would like to emerge from bankruptcy intact, deal watchers say, noting that the creditors are keen to see how much the assets would fetch if broken up and sold. Given the divergent views on how the company should emerge from the bankruptcy proceedings—whole, à la **Dynegy** or **Calpine**, or broken up—the outcome of the process is uncertain, deal watchers say.

If bids, expected to be for individual pieces, do not hit the expectations of creditors, it's likely a deal would be struck for the creditors to take over the company. The smorgasbord of assets will appeal individually to a variety of buyers so it's unlikely a buyer will emerge for the fleet as a whole, bankers and investors say.

The 1.7 GW **Edison Mission Wind** portfolio consists of 29 operational farms in 11 states. Of those farms about 1,250 MW is contracted. The fleet will remain more than 50% contracted until the late 2020s, according to the teaser. **Edison International** is the primary tax equity investor in the farms and will hold its stake until

the end of 2014, when the transfer of EME to its creditors would be complete and the point at which a new tax equity investor will be needed to take over the tax benefits. The tax equity stakes could trade along with the sale of the wind farms if the buyer has tax

appetite or has entered a partnership where one entity has tax appetite.

Edison Mission Wind, widely considered the crown jewel of EME, was not included in the bankruptcy filing ([PI, 12/18](#)).

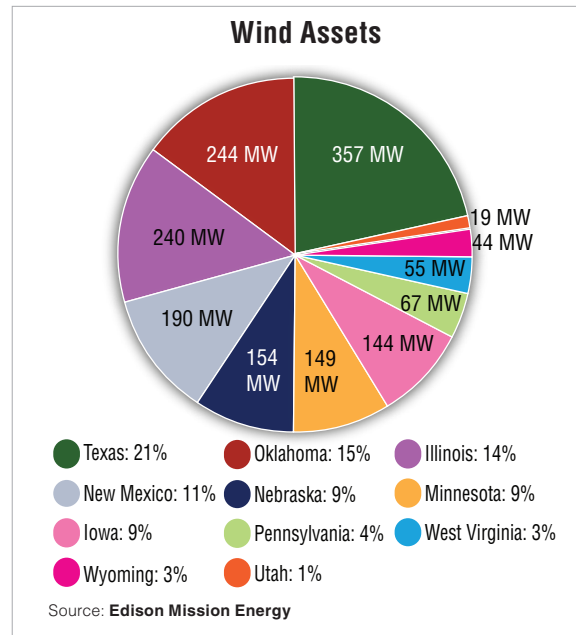
The **Edison Mission Gas** portfolio is clustered in central California. EME owns roughly half of all the 10 facilities, with the exception of the 500 MW Walnut Creek facility of which it is the full owner. The fleet is 80% contracted with an average life of seven years.

Its 4.3 GW merchant coal-fired fleet, dubbed **Midwest Generation**, is in northern Illinois around Chicago. Two of the plants, the 1,334 MW Joliet and the 1,538 MW Powerton are under sale leaseback agreements with **Citigroup** and **PSEG Corp.** that are being renegotiated during the bankruptcy

process, parallel to the sale ([PI, 6/25](#)).

Edison Mission Energy hired JPMorgan to be sell-side advisor alongside restructuring advisor **Perella Weinberg** to reach a broader swath of prospective buyers ([PI, 6/27](#)). EME filed for bankruptcy in December in the U.S. Bankruptcy Court Northern District of Illinois. It has \$3.7 billion in debt.

A deadline for indicative bids could not be learned. A spokeswoman for JPMorgan declined to comment as did a spokesman for EME.



## GE EFS To Sell Sentinel Stake

**GE Energy Financial Services** has agreed to sell its stake in the 800 MW CPV Sentinel to **Voltage Finance**. The sale of the roughly quarter stake is expected to be complete in the coming months, pending regulatory approval.

GE EFS owns a quarter of the facility alongside **Competitive Power Ventures** (25%) and **Diamond Generating** (50%). The company is considering two different plans, one in which a GE EFS subsidiary would maintain a 1% stake and a full sale to Voltage, according to the filing with the U.S. **Federal Energy Regulatory Commission**.

Voltage Finance is a subsidiary of **Voltage Holdco**, an entity

based in the Cayman Islands. The identity of the parent could not be learned.

GE EFS launched the sale in the spring ([PI, 6/3](#)). Sentinel came online three months ahead of schedule and is running on a merchant basis until August when it will begin selling power to **Southern California Edison** under a 10-year contract. The facility is surrounded by wind turbines and is a quick start peaker, says an observer who has visited the plant. The facility can switch on quickly when the wind turbines stop generating.

A spokesman for GE EFS declined to comment on the identity of Voltage's parent or why the company might maintain a 1% stake.

## GIP Corrals Channelview Indicatives

First round bids for **Global Infrastructure Partners'** Channelview cogeneration facility near Houston have been submitted.

Investors and bankers with an eye for Texas power assets estimate that purchase prices for the two plants could land in the \$500-600 per kW, putting a possible price tag of \$432.5-519 million on the 865 MW cogen plant. The indicative offers are from a variety of entities and came into **Credit Suisse** the week of Aug. 12, deal watchers say. The sale launched in late June ([PI, 7/3](#)).

The sale of it and **Energy Capital Partners'** 1 GW Odessa combined cycle plant are being watched by other generation owners, say observers, noting that successful auctions could

trigger more assets coming to market. ECP is currently in the market with the 1 GW Odessa combined cycle plant in a sale run by **Goldman Sachs** ([PI, 6/21](#)).

GIP and co-owner **Fortistar**, with 10%, inked a \$375 million refinancing in May, locking in a seven-year term loan B at LIBOR plus 325 basis points ([PI, 5/8](#)). Proceeds were used to pay down about \$100 million in existing debt; the rest used for a dividend. Channelview is an 856 MW cogeneration facility near Houston that sells steam to **Equistar Chemicals** and has hedges in place for 56% of the power until 2017.

Spokesmen for GIP and Credit Suisse declined to comment.

## Leucadia Trades Calif. Biomass To Local Group

**Leucadia National Corp.** has sold its Imperial Valley Resource Recovery biomass-fired plant near El Centro, Calif., to **Mesquite Valley Water & Power**, a special purpose entity comprised of local business people.

The 16.5 MW wood-fired facility has been shutdown since 2010 from earthquake damage but it is slated to be brought back online by its new owners. Its power purchase agreement with **Southern California Edison** was terminated, says a deal watcher, noting that process slowed the sale. There are several options for a new PPA, including SoCalEd, **San Diego Gas & Electric** and **Imperial**

**Irrigation District**.

Leucadia has had the plant on the market over two years. San Francisco-based boutique advisory shop **Bodington & Co.** ran the sale ([PI, 3/28/11](#)).

Leucadia is the parent of **LNG Development Co.**, which is proposing a \$1.3 billion liquefied natural gas terminal and pipeline off the coast of Oregon.

Neither the purchase price nor a timeline for bring it back online could be learned. Officials for Mesquite Valley were not available by press time.

### PEOPLE & FIRMS

## Tenaska Taps Dynegy, PG&E Alum

**Tenaska Capital Management** has hired **Michael Flinn** as a senior v.p. in Houston as part of the private equity shop's strategy to expand its midstream investment business. Flinn, who has held positions concentrating on midstream operations at **Dynegy** and **Pacific Gas & Electric Corp.**, started at the beginning of August.

Flinn reports to **John O'Shea**, managing director. Tenaska's midstream assets include **Caledonia Energy Partners**, **Frontier Gas Services**, **TPF II East Texas Gathering** and **TPF Gas Services**. Calls to Tenaska officials in Omaha, Neb., were not returned by press time. Flinn was not immediately available

for comment. Details of Tenaska's potential project pipeline in midstream could not be learned.

Until earlier this month, Flinn was a principal at Houston-based midstream developer and advisor **Flenergy Group**, which he founded in 2003. He was at Dynegy until 2003 and PG&E until 2000. An official at Flenergy did not respond to inquiries and plans for replacing Flinn could not be learned.

Formed in 2003, Tenaska has assets under management of approximately \$3.5 billion and it has over 100 U.S. and international investors.

## TELL US WHAT YOU THINK!

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

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

## INDUSTRY CURRENT

## The Market For Portfolio Sales and Consolidation

THE SECOND INSTALLMENT OF THIS INDUSTRY CURRENT continues a transcript of a panel of industry officials focused on the market for portfolio sales of generating assets and consolidation in the power industry. This week they discuss a shift in the types of buyers and discount rates for wind, utility-scale solar and distributed generation assets.

**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.*

## Shift in Buyers

**KATZ:** Jon Fouts, you had some interesting statistics about what happened in 2012.

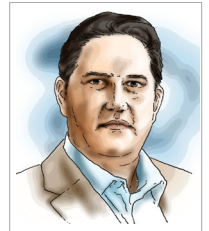
**FOUTS:** In 2010, most buyers of U.S. renewable energy projects were Asians. It was strategic driven. The Chinese were interested in getting into the U.S. and putting their equipment here. That has shifted so that the majority of buyers of renewable assets today are Canadian infrastructure funds. They account for two thirds of the market, and they have been very, very aggressive. The story is different on the conventional side. In 2010, we saw Japanese, Korean and Chinese bidding aggressively for conventional contracted assets. Today the bidders are more likely to be private equity funds. They have a higher cost of capital, but many private equity guys are betting on gas prices. There is a growing view that gas prices are going to recover, replacement values are improving or reserve margins are getting better. We are seeing people take selective bets on conventional assets in very specific markets. It is counter-intuitive that private equity funds should be able to win given their costs of capital. They are winning in a different way on the conventional side.

**BRANDT:** If you have a utility-scale solar project under 150 MW, tax equity is efficient and we see a lot of people who have been able to compete very nicely with the strategics. The larger deals have had very short bidder lists because they exceed the capacity of the tax equity guys to do them. They come down to a pure cost of capital bid among four to five utilities. As you move into distributed generation, it is a completely different world, and we have not seen the strategics take an interest.

**KATZ:** Drew Murphy, before joining Macquarie, you were at NRG, which is probably focused on its stock price and earnings per share. Does that influence acquisition strategy?

**MURPHY:** Any public company must look at an acquisition through a couple of different lenses. We always focused on showing our shareholders that the acquisition was a wise way to spend their money. We wanted to show a long-term return. The acquisition also had to be accretive to earnings. If you compare that to how a fund like ours looks at assets, the fund has different metrics. We look for yield and some growth. All of that said, often it just comes down to what your actual cost of capital is regardless of other metrics.

**KATZ:** Private equity funds have put money into portfolio companies that develop wind, solar and even conventional power plants. At some point they want to exit or give the money back to their limited partners. There was a point in time when it looked like they might be able to go the IPO route, but that appears mostly blocked now. Maybe there are some yield co opportunities, but do these people now become sellers in the sense that they have to get money back to their investors? How does this figure into the M&A markets?



Eli Katz

**MURPHY:** You have just described several major players in the renewable energy business. All of the well-run companies are hiring banks and exploring options. They are looking at private and public yield cos. They are looking at realizing shareholder value while trying to balance that against overhead and maintaining organic growth.

**FOUTS:** This is just the natural rotation of funds by private equity. Assets, whether renewable or conventional, are owned by private equity funds and, at some point, the assets will be put on the market to be monetized. That is how it works.

**FLANAGAN:** The key point is that sellers are motivated by trends, and the current trend is to reach scale. Over the next five or 10 years, you should be looking to be a 10,000 MW operator. There are material benefits potentially on operations and maintenance as you reach such scale. There are a large number of sub-optimally small operators today. The rise of these yield co entities is a move toward groups of 1,000



Declan Flanagan



MW portfolios. Eventually, they are going to have to move toward greater economies of scale.

We are only at the beginning of major consolidation. Owners of wind assets will be focused on what they own. The strategies who own wind assets have not been motivated particularly by earnings. That is about to change, and you will see people more dispassionately viewing issues of economy of scale and of spares and inventory management, and this will drive aggregation. I would put the new goal around 10,000 megawatts. I know for certain that 1,000 megawatts is still way too small.

**BRANDT:** Owning one power plant and one wind project in a couple of places is not optimal because it represents too much concentration in single markets and single assets. Buyers will be most interested in trying to buy portfolios that have different yield profiles across the assets and different contract terms so that they can manage residual values and risk.

### Discount Rates

**KATZ:** Say you have a fully contracted asset, with a BB or stronger offtaker. At what discount rates do those assets trade in the current market?

**BRANDT:** Is it a not-yet-constructed asset with a PPA? Is it an asset under construction or is it an asset that is actually operating? Is it a project that will qualify for an investment tax credit, a section 1603 grant or production tax credits over time? Not to dodge the question, but I think wind is still an 8.5% to 9.5% market using unleveraged, after-tax P50 numbers. Solar is well below 7.5% with a few deals below 7%.



Ted Brandt

Nobody really has a handle on where wind turbine prices are headed. The bigger guys think that there may be more flexibility than what some of the smaller guys are seeing. We are telling sellers not to rush to procure turbines. Let the buyer procure the turbines. That has been a phenomenon for a couple of years with

solar projects, where buyers may have a more optimistic view than the seller about where solar panel prices are headed.

**KATZ:** We have seen some bidders offer capital that is 100 bps cheaper for a 49% interest in a project, but it may not be wise to take the money because a 49% owner can block the 51% owner from exiting the rest of the portfolio.

**FLANAGAN:** I agree with Ted's numbers. The solar number is materially lower than wind, but unjustifiably so. It is not that I think solar should be more expensive, I just do not think there should be as big a risk premium attached to wind.

**KATZ:** In the distributed market, the sense is that maybe five players have consolidated and are dominating. Are they just aggregating a portfolio and trying to sell it later? Where do you see distributed solar portfolios trading?

**BRANDT:** The discount rate is clearly higher.

**FLANAGAN:** I think distributed generation is a great space. It is a space in which we are not active. It is so vastly different than utility scale. It is nearly impossible to do utility scale and distributed generation in the same business. It is a very different type of business. That being said, I really struggle with how to value the equity in a distributed generation business. I am not sure how to factor in credit and counterparty risk. A lot of very interesting stuff is being done, but I have no idea of how to value the equity, and I do not think anyone else does either.

**BRANDT:** You have to distinguish between the commercial and industrial side and the residential side. The residential side is clearly mature and has found scale. The commercial and industrial side has been struggling to find scale and make the business work. A number of private equity guys have broken their picks in the business. Some companies have done well on a regional basis, but there is not yet a dominant national player.

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## Q&A: Michael Polsky *(Continued from page 1)*

activity for the banks. Wind is pretty quiet right now. Most of the wind projects, as we have come out of the grant period, have shifted back to single investor PTC deals and that's crowded the banks out again. And so, where I think there is product available for the banks in wind, there is a lot competition.

### How is that manifesting itself in terms of what you're seeing—the terms that are on offer?

**JM:** Where we are using bank debt in our project financing, we are seeing a lot of interest. We are seeing expansion of tenors and compression of spreads.

### What are spreads for plain vanilla, contracted assets?

**JM:** It's a little bit elusive when you talk about spreads and where we are. A few years ago we were looking at post-financial crisis spreads having blown out to sort of the 3% range. And now we are seeing numbers that are more in the twos. But, you have to be careful to compare apples and apples, because tenors are shorter now. As the costs of funding has gone up for banks—especially on the long end—we're seeing more mini-perms. We're seeing more abbreviated structures. So comparing a 3% margin on an 18-year deal to a 250-275 you just have to make sure you are comparing the right periodicity there.

### So you are seeing prices going down and tenors coming in.

**JM:** Well, prices are not necessarily going down because if you look at the underlying rate, 10-year Treasuries have gone up 100 basis points in 100 days. So we're seeing the underlying going up and maybe the spreads coming in a little bit to compensate for that. But, again some of that is truly spread compression and some of that is difference in tenor.

### What is your take on what is going on in the B loan market?



Jim Murphy

**JM:** We have traditionally used the bank market. We've been a long-term PPA shop looking to do a single asset, risk siloing approach. The B loan market has not been the ideal place to do that. The bank market has been very efficient for doing that historically. In 2011, we did a B loan as a holdco deal.

So we took a portfolio of levered deals and we did an upstream holdco financing in the B loan market. We found it to be a good market for that product. The rating agency process is a bit daunting, time-consuming. The ability to use that market to get shorter tenor deals done—it does provide a good opportunity there. But, again for long-term PPA deals we've seen the bank market or the institutional market as a better landing spot for those.

### What is your interest level in bond financing?

**JM:** If I'm a large utility—or large other player in the space—using

my balance sheet to build projects and then looking for a long-term takeout financing, the bond market can be attractive, especially for portfolio deals. And that's how it was used when **NextEra** did deals years ago and people are looking at it in that context again. I think that's the right use of the bond market.

For a player like Invenenergy, we're not balance sheet financing our construction projects. It really isn't a viable option because to get there you would be taking projects that have already been financed—probably with construction loans converting to term loans—and replacing those term loans with a portfolio deal, hoping to get savings through the portfolio effect. And there are downsides to that too: you start mixing your risk together and you start running into the potential for contaminating good assets with bad assets.

Also, a bond deal is a lot less flexible than a bank deal. Even for projects that seem to be very straightforward, easily locked away for the long-term, there are always issues and there are always needs to re-examine the deal. So flexibility is important. You lose a little bit of that in the bond market—you don't lose all of it. The last point would be pre-payment penalties, which we don't face in the bank market as well.

### The bond market does not make it cheaper enough to overcome those reservations?

**JM:** It could. If you want to pool your assets and provide a portfolio play for the investors. You are going to drive your rate down and that market could be attractive in that regard. It's just, what are your other objectives, and does that run counter to them? Again, I would go back to, if you're building them on the balance sheet it could be a very good takeout vehicle.

### You're known as a shop that gets good prices on your deals.

### At the same time, there seems to be a good relationship with banks. How do you foster that?

**JM:** We have really focused on building strong relationships with key players. Folks who we know we can go to and get execution. Parties that have proven over time to be pragmatic and to be problem-solvers. While it's not an exceptionally small group, it is a fairly consistent group, and we don't *per se* run auctions to try to drive the price to the lowest level. We get to that by knowing what we want, and going to the lending community and telling them what we want, and being confident that we can get it there. It's worked very well.

**"Flexibility is important. You lose a little bit of that in the bond market—you don't lose all of it."**

**—Jim Murphy**

**"While [our lender roster is] not an exceptionally small group, it is a fairly consistent group, and we don't *per se* run auctions to try to drive the price to the lowest level."**

**—Jim Murphy**

**Michael Polsky:** There is one more thing. I think at the end of the day we have good product. We know what we are doing as far as putting projects together. And lenders obviously respect that and recognize this. It's one thing when they are told, "This is my project. How does it look?" And then they start doing the due diligence and then they find all sorts of issues there and so they try to grapple after-the-fact with how to deal with those issues. I think it starts with good projects. I think they know that when they go to Invenery generally we try to minimize surprises. They know Jim and his team. They tell them upfront how it is and how it is structured.

Our team—under Jim—with our experience, we know what is financeable, what's not financeable. We try not to use lenders to take risks that lenders are not equipped to take. That's where a lot of problems come in, because I'm sure some people ask lenders to sort of take the issues and take the risk that they are really not prepared for. So, I think because of our experience we try to solve all these issues and put it in a package and a framework that we believe is financeable upfront.

*Check back next week for Invenery's take on production tax credits, asset-based M&A and the solar market.*

## Is there anything new you are looking at in your financing mix?

**JM:** We're always looking for something that brings greater efficiency, or better pricing. If you look across the capital stack you've got obviously the bank and B loan market and institutional investors. One thing that we have done recently is we married up in a couple of financings a bank piece with an institutional piece. That's been very successful for us in a number of ways. One in particular has been minimizing the number of parties that need to be in the deal, because in this post-underwrite and syndicate period that we're in, having to club up four to six banks is very difficult. And bringing in the institutional investor who can take a very large piece is very helpful.

## That was the Prudential/Santander structure?

**JM:** Yes. That was another example where the three parties sat down together and developed the structure jointly, tried to determine what was going to work for everybody.

### Invenery At-A-Glance

Formed: 2001

Operational assets: 5.7 GW

Operational, under construction, under contract assets: 7.1 GW

Technologies: Wind, solar, thermal

Year Polsky and Murphy Started Working Together: 1993

## STRATEGIES

# Chilean Generator Colbún Delays Bond Plans

Chilean generator Colbún has postponed plans for a 144A bond issue, pointing to secondary market conditions. Bankers expect the company to re-assess the market in September.

Colbún officials met debt investors in Europe and the U.S. alongside deal managers **Citigroup**, **HSBC** and **Scotiabank** Aug. 5-7 to discuss the possibility and size of a bond issue. Some \$4.85 billion of bonds were sold by Latin American issuers on those two days—more than in any previous August week ever. However, the tone turned negative towards the end of the week, as the deals—including \$2 billion for the government of Uruguay and \$1 billion for Mexican cement company **Cemex**—traded down

in the secondary market.

"After the appropriate analysis, Colbún believed that market conditions are not adequate, mainly due to high volatility in base rates. Furthermore, the company has no short-term debt maturities that require refinancing," according to a company statement.

"I think Colbún choosing to postpone its bond is evidence that the LatAm debt market lacks some of the bounce back of other capital markets," says one deal watcher. "Confidence is still fragile."

**Standard & Poor's** rates Colbún BBB-. The company owns 2,962 MW of capacity across 15 hydro plants and seven thermal plants that run on petroleum, natural gas and coal.

# First Wind Nixes Northeast B Loan

First Wind has shelved its \$325 million B loan to refinance assets in the Northeast, as it was unable to lock in pricing in the range of LIBOR plus 425-450 basis points.

The loan was launched with a 100 bps floor and a 99 original issue discount. **Goldman Sachs** and **Morgan Stanley** were the lead arrangers on the deal with **BNP Paribas**, **Keybank** and **Union Bank** as co-leads ([PI, 7/31](#)).

"They had to pull it because they couldn't line up the investors at the price they wanted," notes a deal watcher, adding that B loan investors were still uneasy about wind. The company had a full order book at a higher pricing than its target range, but didn't want to flex, says another observer. The B loan was an opportunistic play to try to lock in low rates.

**Invenery** is the only player to land a B loan for wind assets in the past few years, with its oversubscribed \$200 million deal in 2011 ([PI, 10/31/2011](#)). **Credit Suisse** and **Bank of America** led that deal, which priced at LIBOR plus 750 bps.

First Wind owns 51% of about 400 MW of wind farms under **Northeast Wind Partners**, a joint venture it has with **Emera**. The Boston-based developer added the 34.5 MW Blue Sky East in Maine and the 15 MW Steel Winds II in Lackawanna, N.Y. to the JV last year upon COD ([PI, 11/5](#) & [5/21/12](#)).

**Moody's Investors Service** and **Standard & Poor's** issued preliminary ratings around BB and BA3, according to an observer. Spokesmen for First Wind, Goldman and Morgan Stanley either declined to comment or did not immediately respond to inquiries.

## Ameren Floats *(Continued from page 1)*

was tipped to be headed for a restructuring until **Dynegy** agreed to buy the coal-fired generation ([PL 1/18](#) & [3/14](#)). Dynegy is assuming the \$825 million in debt on the 4.1 GW merchant coal-fired fleet.

Ameren tried selling the gas-fired plants as part of a larger portfolio that included its coal-fired fleet and two more gas-fired plants in 2010 in a sale process run by **JPMorgan** ([PL 8/27/10](#)).

—**Holly Fletcher**

## Lake Charles *(Continued from page 1)*

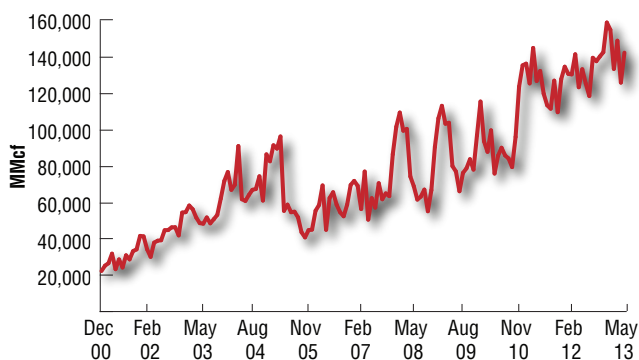
declining to add any further details.

"BG Group is obviously a large, multi-national corporation, so I would expect them to have a strong following," says a deal watcher. "They will probably be able to call on strategic relationships with banks and some of those banks will need to step up and provide large tickets upward of \$250 million, like they did with Sabine Pass." The company also has a memorandum of understanding, signed in 2011, with the **Bank of China** to provide it with \$1.5 billion to assist in global expansion.

The sponsors will likely need to tap multiple financing structures due to the size of the project, note observers, pointing to bank loans, bonds and export credit agency debt as possibilities.

"I'd remind you that's only the first stage in the process, once you have a DOE ruling you have to go to a tremendous amount of work, maybe somewhere between \$100 million and \$200 million

### U.S. Natural Gas Exports



Source: U.S. Energy Information Administration

worth of pre-FEED [front end engineering and design] and FEED work to allow your [**Federal Energy Regulatory Commission**] application, the environmental application to be processed and approved," said **Chris Finlayson**, ceo at BG, during a second quarter earnings call in July.

Dallas-based Southern Union has been participating in the U.S. FERC's mandatory pre-filing process for Lake Charles and expects to file a formal application before the first quarter of 2014. While the DOE assesses the broader economic implications, the FERC approval looks more closely at the construction of the facility and its environmental impacts. That process takes around one year,

## ALTERNATING CURRENT

### Baby, When The Lights Go Out...



Ten years ago this week, the eight states in the U.S. and parts of Ontario experienced the worst blackout in North American history. Around 55 million people were without power, following a series of events triggered largely by a software bug in **FirstEnergy Corp.**'s alarm system in Ohio.

We've been reminded of this huge event with recent re-runs of images of a dark Manhattan skyline and of people walking



iStockphoto/Thinkstock

around getting information on hand-held radios (oh, how times have changed). But, all drama aside, where does this blackout stand in the annals of blackout history?

At the time, it was the second biggest blackout ever, behind the southern Brazilian blackout of 1999, which affected 97 million people.

But India, taking its cue from **Crocodile Dundee** when [confronted](#) by a knife-wielding thief, took a look at the Northeast blackout and said, "Blackout? That's not a blackout. That's a blackout." A power failure in the south Asian nation in July last year plunged 670 million people into darkness. To get a bit of perspective, that is more than twice the population of the U.S. It also means that one-tenth of the world's population experienced the blackout, which was by far the largest power outage in history.

And if you thought there was hell to pay after the U.S.' 2003 blackout, spare a thought for **Marpadi Veerappa Moily**. He was appointed Indian Power Minister on Aug. 1, 2012 – two days after the Indian blackout started. Talk about a tough gig.

notes a spokeswoman at the agency in Washington.

The proposed project consists of three liquefaction trains. Each is capable of producing 5 million metric tons of LNG per year. As part of the project, **Trunkline Gas Company** will extend its interstate natural gas pipeline to the facility to provide natural gas for liquefaction. The DOE approved the facility to export at a rate of up to 2.0 billion cubic feet of natural gas a day for a period of 20 years. BG Group will have exclusive rights to the full export capacity on a tolling basis and oversee the design and construction management of the project. The company will negotiate contracts for the sale of the gas, notes a deal watcher.

—**Nic Stone**

## ONE YEAR AGO

**Panda Power Funds** floated its second term loan B for its Sherman project in Texas, at LIBOR plus 800 basis points. [Panda priced its third B loan in a year for the Liberty CCGT project in Pennsylvania at L+650 bps (see story, page 5).]