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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Dynegy Deal Pair Remakes IPP Field

Dynegy is set to acquire 12.5 GW of coal- and gas-fired generation from **Duke Energy** and **Energy Capital Partners** in a pair of deals that shuffles the ranking of independent power producers.

Dynegy has agreed to pay $2.8 billion for the Duke assets and $3.45 billion for ECP's portfolio. The acquisition will be financed with about $5 billion in unsecured notes and $1.25 billion in equity.

The deals put the size of Dynegy's portfolio in league with **Calpine Corp**.'s 26 GW. NRG Energy is the largest IPP with a 53 GW portfolio. **Talen Energy Corp**., the company that will hold assets from the merger of **PPL Generation** and **Riverstone Holdings**, will round out the list of largest IPPs in the U.S. with a 15.3 GW portfolio.

Dynegy's thirst for acquisitions is expected to be sated in the short-term as it looks to close these deals and integrate its new fleets. It could be in the market for the occasional opportunistic purchase but will not be out looking for the portfolio

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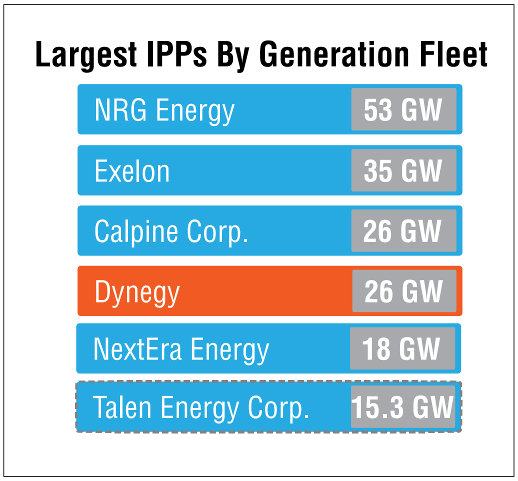


Source: Power Intelligence, Dynegy

THE BUZZ

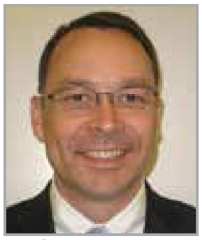
The Week Of The Comebacks

The summer doldrums are winding down and the market is revving for the post-Labor Day comeback once decision makers return to their desks. **Dynegy**, which filed for bankruptcy several years ago, is rising from the ashes with its pair of multi-billion dollar purchases of portfolios from **Duke Energy** and **Energy Capital Partners** (see story, page 1). The transaction, which almost doubles the IPP's generation to 26 GW, will be funded via $5 billion in unsecured debt. Issuances will likely begin next quarter, bankers say.

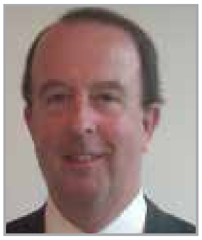
PI is seizing on this period of renewed activity as an opportunity to re-launch its legacy **Power Finance & Risk** brand. The switch brings with it a new, fresh look to the

(continued on page 2)

Q&A: Carl Peterson and Don Kyle, GE Energy Financial Services – Part II



Carl Peterson



Don Kyle

A slew of gas-fired projects are slated for development in the next 12-18 month, however, several factors which projects make it through financial close. "It will be decided on timing to market, allocation of capital based on deal structure, and the equity raise—critical in all structures," noted **Don Kyle**, senior managing director of **GE Capital Markets**. Kyle and **Carl Peterson**, managing director and head of energy lending at **GE Energy Financial Services**, spoke with *PFR* Editor **Sara Rosner**

(continued on page 9)

Calpine Woos Duke For Fla. Plant

Duke Energy Florida has agreed to buy a combined cycle facility in Auburndale, Fla., from **Calpine Corp**. after rebuffing previous offers.

See story, page 6

Innergex Scouts Hydro Funds

Innergex Renewable Energy is looking to arrange financing for hydro projects in British Columbia by the end of the quarter.

See story, page 8

Generation Sale DATABASE

Check out 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

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print and email editions that will be a fresh vehicle for the magazine's coverage, analysis and insight. Subscribers and power project finance industry professionals are invited to celebrate the re-launch of *PFR* at an exclusive gathering co-hosted by **Varagon Capital Partners** on Sept. 18. Details and RSVP are available ow.ly/AOPwi.

Up North, **Innergex** continues to flesh out financing for a $1.1 billion pipeline of hydro and wind projects, while a **TransCanada**-led consortium bows out of a transmission tender. The Quebec-based Innergex is looking to close a pair of deals before the end of next month backing hydro projects in British Columbia (see story, 8). TransCanada and **Elecnor** have exited Alberta's call to build and own the Fort McMurray transmission project (see story, page 8). Their departure leaves four bidders in the request for proposals, which is on schedule.

Calpine Corp. has been sitting at both sides of the negotiating table. It has agreed to buy the 809 MW Fore River facility in North Weymouth, Mass., from **Exelon Corp**. The Houston-based shop has also reached an agreement to sell is Osprey combined cycle facility in Auburndale, Fla., to **Duke Energy Florida**, although the deal must go through more negotiations before the parties reach a purchase price (see stories, pages 5 & 6).

Biotech shop **Prairie Plant Systems** has bought a 40 MW peaker in White Pine, Mich., from **Traxys Group**, in a deal that reminds all sellers that sales can happen with unexpected parties. Prairie Plant wants the facility to provide around the clock back-up power for its underground gardens that grow plants engineered to produce human enzymes for medical treatments (see story, page 5).

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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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
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PI, 3/17).
ArcLight Capital Partners	Peakers (2 GW Gas)	Various, Georgia	TBA	Carved peakers out of Southeast PowerGen to sell (PI, 3/24).
ArcLight Capital Partners	Victoria (330 MW CCGT)	Victoria, Texas	UBS	Sale is near launch (PI, 4/7).
ArcLight Capital Partners	Sun Peak (222 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PI, 5/12).
ArcLight Capital Partners	Hamakua (60 MW CCGT)	Hawaii	Energy Advisory Partners	Teasers out (PI, 7/28).
Atlantic Power Corp.	Fleet (2.1 GW)	Various	Goldman Sachs, Greenhill	First round bids are in (PI, 6/30).
Burrows Paper Corp.	Lyonsdale Associates (19 MW Hydro)	New York		Burrows in final stages of selling (PI, 8/25)
▶ Calpine	Fore River (809 MW Gas-Fired)	Massachusetts	Citi, Morgan Stanley	This is Calpines first owned generation in Massachusetts (See story, page 5)
▶ Calpine	Osprey (550 MW CCGT)	Florida	TBA	Comes after Duke recently said it wanted to build not buy plants (See story, page 5)
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	First round offers due April 14 (PI, 3/31).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Harlingen, Texas	Blackstone	Looking for equity and debt (PI, 8/11).
▶ Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	Dynegy is buying it (see story, page 1).
▶ EDP Renewables	EDPR Wind (394.5MW of 1.1 GW Wind)	Various		This is the second asset rotation transaction made between the companies (see story, page 5)
▶ Energy Capital Partners	EquiPower (Portfolio)	Various	Goldman, Barclays	On a dual track to IPO or sale (see story, page 1).
Entegra Power Group	Portfolio	Arizona, Arkansas	Houlihan Lokey	Filed for Ch. 11 bankruptcy (PI, 8/11).
Exelon Corp.	Quail Run (488 MW)	Odessa, Texas	Morgan Stanley	First round teasers came in recently (PI, 7/7).
Exelon Corp.	Fore River (726 MW CCGT)	North Weymouth, Mass.	Citi	Process launched recently (PI, 6/16).
Exergy Development Group	Stake (Wind Portfolio)	Idaho		Macquarie Infrastructure Co. is buying it (PI, 8/11).
FGE Power	Portfolio (1.5 GW CCGT)	Texas	Fieldstone	Starwood has taken equity in two projects (PI, 7/28).
NTE Energy	Portfolio (1.3 GW CCGT)	Various	Whitehall	Capital Dynamics has taken equity stakes (PI, 728).
NaturEner USA	Portfolio (399 MW Wind)	Montana		Morgan Stanley fund is taking over the assets (PI, 8/25)
North Carolina Eastern Municipal Power Agency	Stakes (700 MW Portfolio)	North Carolina		Duke Energy is buying out the agency's stakes (PI, 8/4).
▶ Olympus Power	Grant County Wind Farm (20 MW Wind)	Minnesota	Ewing Bemiss	The deal power price is set at $69.10 per MWh for first ten years (See story, page 6)
Optim Energy	Portfolio (1.4 GW Coal, Gas)	Texas	Barclays	ArcLight, Blackstone face off for the coal-fired plant in court-run sale (PI, 7/28).
Riverstone Holdings	Sapphire Power (807 MW Gas)	Various	Barclays	On the market recently (PI, 8/25).
Stark Investments	Grays Harbor (723 MW Gas)	Grays Harbor County, Wash.	TBA	Invenergy is buying out Stark's stake (PI, 8/18).
SunShare	Portfolio (9.6 MW Solar)	Colorado	Infrastructure Finance Advisors	High interest; moved to second round (PI, 8/18).
Tenaska	Westmoreland (950 MW Gas)	Pittsburgh, Pa.	Whitehall	Looking for development capital (PI, 8/18).
▶ Traxys	White Pine (40 MW Gas-Fired)	Michigan	TBA	Biotech shop bought as backup generation for underground garden (See story, page 5)
Upstate New York Power Producers	Cayuga (306 MW Coal)	Lansing, N.Y.	Blackstone	Teasers recently went out (PI, 6/23).
	Somerset (675 MW Coal)	Barker, N.Y.		
Waste Management	Portfolio (Waste-To-Energy)	Various	Barclays, Centerview Partners	ECP is buying Wheelabrator for $1.94B (PI, 8/4).

▶ **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
Alterra, Fierra Axium	Jimmie Creek (62 MW Hydro)	British Columbia, Canada	TBA	TBA	TBA	TBA	Sponsor will likely tap LifeCos for the debt (PI, 5/5).
BluEarth Renewables	Bow Lake (58.23 MW Wind)	Sault Ste. Marie, OntarioOntario	BMO Capital	Term	C$203M	7-yr	Four banks participated (PI, 8/4).
Cape Wind Associates	Cape Wind (468 MW Wind)	Cape Cod, Mass.	BTMU, Natixis, Rabobank	Conditional Loan Guarantee	$150 M	TBA	Conditional loan guarantee came from the Department of Energy (PI, 7/1).
▶ Cobra Energia	Peru Portfolio (122 MW Wind)	Peru	U.S Ex-Im	TBA	$65M	17-yr	The Cobra projects have 20-year offtaker contracts with Peruvian government (see story, page 7).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Cameron County, Texas	Blackstone	TBA	TBA	TBA	Debt and capital raise has had several setbacks (PI, 8/11).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
Dominion Energy	Cove Point (LNG Export)	Calvert County, Md.	Barclays, Citi, JPM	TBA	TBA	TBA	Dominion plans to IPO an MLP to partially fundy (PI, 8/4).
Energy Investors Funds	Newark (705 MW Gas)	Newark, N.J.	Credit Ag, GE EFS, MUFJ	TBA	$590M	TBA	Deal closed on strong interest (PI, 6/30).
Energy Investors Funds	Oregon (800 MW Gas)	Oregon, ohio	BNP, Credit Ag	TBA	TBA	TBA	Deal is about to launch at L+325 (PI, 8/18).
Exmar NV	Floating Liquefaction Project	Colombia	TBA	B Loan	$170M	TBA	Sponsor looking to land a B loan for the debt on the project (PI, 5/5).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	$1B	TBA	Has opted for project finance loan over B loan (PI, 7/28).
Firelight Infrastructure Partners, SunEdison	Bruining (18 MW Solar)	Ontario	NordLB	Construction, Term	C$113.5 M	TBA	NordLB has also agreed to a C$63 million loan that will set at the project level once it's operating (PI, 8/11).
GDF Suez, Pemex	Los Ramones II Sur (178-mile Pipeline)	Mexico	Santander	TBA	TBA	TBA	BNP Paribas is also advising on the $1B project (PI, 8/11).
NextEra Energy Resources	Bluewater (60 MW Wind)	Lake Huron, Ontario	TBA	TBA	TBA	TBA	Sponsor is talking to lenders in the U.S. to finance the project (PI, 5/19).
New Generation Power	NGP Texas (400 MW Wind)	Haskell County, Texas	TBA	Construction/ Term/Tax Equity	~$700M	TBA	This is the sponsor's largest deal to date (PI, 4/14).
NTE Energy	Multiple (Gas)	U.S.	Whitehall	TBA	TBA	TBA	Looking to arrange PPAs for a portion of gas-fired trio (PI, 8.4).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	TBA	TBA	TBA	TBA	Sponsor is looking for tighter pricing than its K2 financing (PI, 5/26).
Samsung Renewable Energy	Kingston (100 MW Solar)	Connecticut, Massachusetts, New Jersey, New York	RBC, Connor Clark & Lunn	TBA	$500M	TBA	Lenders are beginning to circle up (PI, 7/21).
D.E. Shaw	Red Horse 2 (51MW Wind)	Arizona	Santander, Sabadell	TBA	$170M	20-yr	Near financial close (PI, 8/25).
Starwood Energy Global Group	Stephens Ranch II (165MW Wind)	Texas	Citi, Morgan, MUFG	Construction	$207M	TBA	Firms will also make tax equity investments in the project (PI, 8/25).
Sempra U.S. Gas & Power	Energía Sierra Juárez (156 MW Wind)	Baja California, Mexico	BTMU	TBA	~$250M	TBA	On track to close within two weeks (PI, 6/2).
Tenaska	Brownsville (800 MW CCGT)	Brownsville, Texas	TBA	TBA	TBA	TBA	Tenaska is in early stages of talks, plans to wrap by year-end (PI, 6/30).
Tenaska	Westmoreland (950 MW CCGT)	Pittsburgh, Pa.	Whitehall	TBA	TBA	TBA	Looking for development capital (PI, 8/18).
Transmission Developers	Champlain Hundson (Transmission)	New York	RBC	TBA	~$1.6B	TBA	Sponsor is aiming to line up the debt by year-end (PI, 3/3).

▶ **New or updated listing**

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MERGERS & ACQUISITIONS

Biotech Shop Buys Mich. Gas-Fired Plant

Prairie Plant Systems, a biotechnology company out of Saskatoon, Saskatchewan, has bought a 40 MW gas-fired facility in Michigan from **Traxys Group**, a commodity trading and lending firm.

Prairie Plant Systems bought the 40 MW White Pine facility in White Pine, Mich., because it wants to secure a power supply for its **SubTerra LLC** subsidiary, which grows biopharmaceutical plants in underground chambers. Prairie Plant Systems paid for White Pine with cash and a small equity stake in the company, says **Brent Zettl**, ceo of Prairie Plant, who declined to comment on the purchase price or the size of the equity stake.

Prairie Plant Systems plans on buying power from the grid for the bulk of its power demand but needs a back-up generator that can keep its plants alive in any situation, says **Zettl**, pointing to how an ice storm knocked out power to parts of the region for up to three weeks. "We bought it for insurance and security," he says, noting that the plants grown in underground chambers can survive for three days without light but at that point begin to decay. Prairie Plant will also use White Pine as a peaker; the facility is currently on a peaking contract with MISO.

The company needs 2 MW but will soon need 5 MW due to an expansion. Prairie Plant Systems expects to eventually need 25-30 MW to keep its underground gardens alive, says Zettl. White Pine is 300 yards from the entrance to the SubTerra facilities.

The company is growing tarwi, a legume called lupinus mutabilis, that has the human enzyme ADA in its seeds. ADA can be used as a treatment for severe combined immunodeficiency syndrome, known as SCID or colloquially as bubble boy disease, says Zettl. The enzyme treatment is headed toward clinical trials.

Tarwi plant in the SubTerra chamber in Michigan. Courtesy: Prairie Plant Systems

Traxys Group subsidiary **Traxys Power Group** owns the project. The subsidiary also owns **Upper Peninsula Power Marketing**, a power broker, and the White Pine Copper Refinery. Prairie Plant will rename the subsidiary **P.M. Power Group**. Traxys Group focuses on metals and natural resources.

The Carlyle Group and **Louis Bacon**, founder of **Moore Capital Management**, are buying a majority stake in Traxys from private equity shops **Pegasus Capital Advisors**, **Kelso & Co**. and **Resource Capital Funds**. Traxys is based in Luxembourg. Zettl says the company will look to buy another power plant if it opens up operations in another part of the country.

A spokesperson for Traxys was not immediately reached.

Calpine Lands Fore River

Calpine Corp. has agreed to buy the 809 MW Fore River gas-fired plant in Massachusetts from **Exelon Corp**.

Calpine is paying $530 million, or about $655 per kW, for the facility in North Weymouth, Mass. Calpine is planning to finance the acquisition with cash on hand. The deal is expected to close in the fourth quarter.

Calpine owns generation in Maine, New York and Ontario. It issued $2.8 billion in unsecured notes in July (PI, 7/11).

Fore River

Exelon has been working with **Citigroup** to sell Fore River, which was formerly part of the **Boston Generating Co**. fleet (PI, 6/13). Exelon is also in the market with the 488 MW Quail Run combined cycle in Texas, which is being sold by **Morgan Stanley**.

Calpine did not use an advisor.

Fiera Axium Takes Wind Stake From EDPR

Fiera Axium Infrastructure U.S. has agreed to take a minority stake in a portfolio comprised of 1.1 GW of operating wind farms and two development projects in the U.S. owned by **EDP Renewables**.

Fiera Axium is taking a roughly 43% stake in the seven farms and two projects, which are slated to come online this year. All the farms and projects have long-term power purchase agreements.

The only two projects that EDPR has under construction is the 200 Headwaters wind project in Winchester, Ind., and the Rising Tree wind project in Mojave, Calif., according to the company's website. **Indiana Michigan Power Co**. is the offtaker for Headwaters.

An affiliate of **Bank of America** is taking a tax equity stake in Headwaters, according to filing with the U.S. **Federal Energy Regulatory Commission**. That transaction could close in early

(Continued on page 6)

MERGERS & ACQUISITIONS

(continued from page 5)

September. Bank of America is planning to bring in other tax equity investors into the deal, according to the filing.

EDPR has been on the hunt for a minority investor several times in recent years. It primarily holds the talks itself and does not use a financial advisor, says a banker. In the previous deal with Fiera Axium, **Orrick Herrick & Sutcliffe** advised EDPR while **Morrison & Foerster** advised Fiera Axium.

EDPR is trying to sell minority stakes totaling EUR700 million ($923.4 million) from 2014-2017 as it tries to fund growth plans. This is the second transaction that Fiera Axium and EDPR have done together. In the first instance, Fiera Axium took a 49% stake in the 97 MW Wheat Field wind farm in Gillam County, Ore.

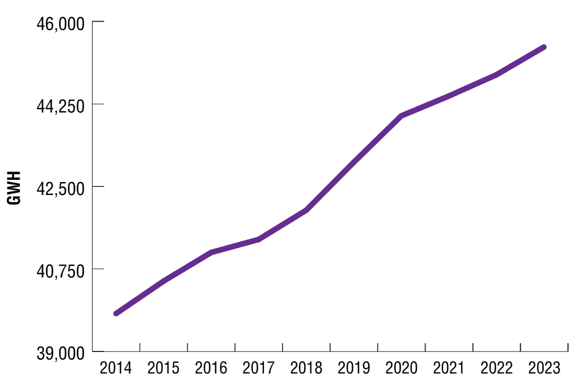
The identity of the operating wind farms included in the deal could not be immediately learned. An official for Fiera Axium in New York did not immediately respond to a message. Spokespeople for EDPR and Bank of America did not respond to inquiries.

Duke Florida Circles Calpine CCGT

Duke Energy Florida has opted to buy a combined cycle facility in Polk County, Fla., from **Calpine Corp**. instead of building a pair of peakers.

Duke Energy originally planned to build three gas-fired projects with costs totaling about $1.7 billion to replace retiring generation and to meet load growth. The utility subsidiary of

Duke Energy Florida Load Forecast



Source: Duke Energy Florida

Duke Energy changed course after Calpine and **NRG Energy** petitioned the **Florida Public Service Commission** with acquisition proposals that the two companies contended were more economic for ratepayers.

Calpine offered its 515 MW Osprey CCGT in Auburndale, Fla., as an alternative to Duke Energy Florida implementing $190 million in upgrades to the Suwannee and Hines Chillers peakers, according to filings with the state PSC. Duke Energy Florida initially contended that an acquisition of Osprey would be blocked by the U.S. **Federal Energy Regulatory Commission** due to market power concerns.

Duke Energy Florida has shelved a portion of its peaker upgrade plans in favor of the Osprey acquisition from Calpine. The proposal is being heard by the PSC on Aug. 27. The utility is still proposing to the build the $1.5 billion, 1,640 MW CitrusCounty combined cycle project on the site of its Crystal River coal-fired facility in Citrus County, Fla.

FAST FACT

Calpine has been trying to exit the Southeast to focus on other regions including the West, ERCOT and New England.

Calpine and Duke Energy Florida reached a tentative agreement on Aug. 26 before a PSC hearing began at 9:30 a.m., according to a utility spokesman, who added that Calpine's recent offer was cheaper than the upgrades.

The companies will engage in "a lot more negotiations" before a final purchase and sale agreement is reached, says the spokesman, noting that the utility would file with the PSC at the time of the final agreement for approval. The purchase price is confidential at this point, he says.

Calpine has been trying to exit the Southeast to focus on other regions including the West, ERCOT and New England. It recently sold a 3.5 GW portfolio to **LS Power** for $1.57 billion (PI, 6/10). Calpine owns another plant in Florida, the 117 MW Auburndale peaker, which is in the same town as Osprey.

NRG initially offered its 465 MW Osceola facility in Saint Cloud, Fla., but later pulled out of the PSC hearing process.

Details such as purchase price or a timeline for the acquisition of Osprey could not be immediately learned. A Calpine spokesman declined to comment.

Olympus Puts Up Minn. Wind Farm

Olympus Power has put a 20 MW wind farm in Minnesota on the market.

The Grant County wind farm in Hoffman, Minn., went online in 2010 and has a 20-year power purchase agreement with **Northern States Power**. Boutique investment bank **Ewing Bemiss**, based in Richmond, Va., is running the sale.

The power price is set at $69.10 per MWh during years one through 10 and steps down to $68.00/MWh during years 11 through 20, according to the teaser. The farm has a 20-year, $20 million project level financing that is transferable.

The farm uses 10 of **Suzlon Energy Corp**.'s S88 V3A 2.1 MW wind turbines. Grant County has had a recorded average wind speed of 7.32 m/s and a capacity factor of 36.2% since it went online in the summer of 2010.

Olympus, based in Morristown, N.J., bought the farm three years ago from developers **Juhl Energy** and **Suzlon Wind Energy**.

The timeline of the auction could not be immediately learned. Officials for Olympus could not immediately comment.

PROJECT FINANCE

Peru Wind Projects Snare U.S. Funds

The U.S. **Export-Import Bank** has sealed $65 million across two loans backing **Cobra Energia**'s 32 MW Marcona and 90 MW Tres Hermanas wind projects in Nazca, Peru. The transaction marks the bank's first renewables deal in Peru.

The loans have tenors of 17.3 years and 16.6 years. The projects, which carry a combined development cost of about $335 million, have 20-year offtaker contracts with the Peruvian government. **Siemens Energy Inc**. has a contract to supply turbines to the projects via manufacturing facilities in Kansas and Iowa.

The **Inter-American Development Bank** and the **Canadian Climate Fund** are also considering lending to the projects, which will have a combined $232 million in senior debt and $103 million in subordinated debt and equity, according to the IDB website.

The IDB's Board of Directors is tentatively scheduled to consider the loans for approval before year-end, according to spokesmen for the IDB in Washington D.C. Spokesmen for Ex-Im in Washington D.C., and an official at Cobra in Lima did not respond to inquiries by press time. Details, such as pricing on the Ex-Im loans, could not be learned by press time.

Innergex Stalks Large Hydro Funds

Innergex is reportedly talking to prospective lenders for financing backing one of its larger hydro projects in Canada.

The Longueuil, Quebec-based developer has the following hydro assets under development, all in British Columbia:

-The $210 million, 81.4 MW Upper Lilooet project
-The $79.5 million, 25.3 MW Boulder Creek project
-the $216 million, 40.6 MW Big Silver Creek project and
-the 23.3 MW Trethaway Creek project.

Innergex generally looks to fund about 75% to 85% of hydro project costs with debt. Each of the projects has 40-year offtake contracts with **BC Hydro** and are slated for financing in the next 18-24 months. The developer has mandated a lender to lead the financing for the $102.9 million Trethaway Creek project, a banker in Toronto notes (PI, 5/16).

Jean Trudel, chief investment officer, notes that the project financings will likely close before Sept. 30. He declined further comment.

The identity of that lender and details of the latest financing, including which project it will support, could not be learned.

STRATEGIES

TransCanada, Elecnor Quit Alberta Transmission RFP

TransCanada and **Elecnor** have dropped out of a request for proposals to build and own the 310-mile Fort McMurray transmission project in Alberta.

The companies were bidding together as a consortium and exited the process recently, says a spokeswoman for the **Alberta Electric System Operator** in Calgary. She directed further inquiries to TransCanada and Elecnor. Spokespeople for the companies did not respond to inquiries by press time and their reason for dropping out of the RFP could not be learned.

FAST FACT

Each consortium has recently tagged Canadian banks as financial advisors, a project financier notes, adding that **Royal Bank of Canada** and **CIBC** are each working with a group.

Four consortiums remain in the RFP, which is on schedule, the AESO spokeswoman adds. AESO expects to choose a winning proposal by December or January. The bidders are:

-**TAMA Transmission**, which is backed by **Berkshire Hathaway Energy** and **TransAlta**;
-**Athabasca Transmission**, which is backed by **AltaLink**, **AEP Transmission Holding Co**., **Burns** and **McDonnell Canada** and **SNC Lavalin** T&D;
-**NorSpan Partners**, which is backed by **EPCOR Utilities** and **LS Power**, **Kiewit Energy Canada** and **Sargent & Lundy**; and
-**Alberta PowerLine**, which is backed by **Canadian Utilities Limited**, **Quanta Capital Solutions**, **Valard Construction** and **ATCO Electric**.

Each consortium has recently tagged Canadian banks as financial advisors, a project financier notes, adding that **Royal Bank of Canada** and **CIBC** are each working with a group (PI, 5/9). Bank officials and spokespeople did not respond to inquiries.

The $1.5 billion line would run between the 1,212 MW coal-fired Genesee station in Genesee, Alberta to a new substation in Fort McMurray. The line is slated for operation in 2019 and will serve load growth fostered by development of the oil sands industry.

El Paso Launches RFP For Solar Pair

El Paso Electric has issued two request for proposals for solar projects that total up to 25 MW.

El Paso is looking for companies to develop a 20 MW project at the U.S. **Army**'s Fort Bliss base in Texas as well as a 3-5 MW project next to the utility's 88 MW Montana gas-fired project in El Paso County. The Montana project is expected to be online in the summer of 2015.

El Paso will own both solar installations, which it wants to be operational by the end of 2016. Whether a single company wins both mandates or it is divided between two bidders will depend on the economics of the bids, according to RFP documents.

Notices of intent to bid are due on Sept. 9 with meetings and site visits scheduled for the following week. Final proposals are due by Nov. 24. El Paso is aiming to announce a winner around the middle of December.

Q&A: CARL PETERSON & DON KYLE, GE ENERGY FINANCIAL SERVICES

(Continued from page 1)
about the impact of the natural gas boom and GE EFS' strategy for deploying capital in the near-term.

PFR: ***How is the boom in natural gas discovery going to affect the deals that we see coming to market in the near- and mid-term?***

Peterson: The boom in natural gas production has driven low gas prices and is making, some coal plants uncompetitive, leading to a number of announcements about impending coal retirement. This has kind of fed upon itself such that you have more gas plants being announced for development and construction than will probably get done. But this won't last forever. Gas prices will eventually go up, which is why, whether you're a lender or investor in energy markets with long lived assets, you always want to make sure you have a balanced portfolio from a fuel perspective. When gas prices eventually rise again, coal plants strategically positioned will once again be very valuable.

PFR: ***In terms of GE EFS and its strategy, what is on tap for the next 12-18 months in terms of power investment? Has strategy in power investment evolved in the last year? If so,*** **how?**

Peterson: The partial merchant transactions we've been talking about--that is the recent evolution. But tactically and strategically, we like to keep it simple. We want to stay close to our customers, successfully execute for them, hear where they think markets are going, and try to help them be successful in those markets.

One of the good things about GE EFS is that we're able to look at a fully contracted deal, a partial-merchant deal, or even a full merchant deal—in fact, we have financed all three types in the last 12 months. Our expertise and flexibility positions us well to help our customers execute in their markets.

The other thing on our radar screen, is the new technology coming through on the GE systems side. The new GE H System™ machine is going to have a significantly lower heat rate than existing technology. We are constantly thinking about how we help GE and our customers implement this new technology. As an example, we discussed how the shale boom has made coal less competitive. As a result, we have had discussions with utilities that are interested in replacing those older coal plants with new H machine technology. Some of these utilities are considering non-recourse financing. Not sure where that will lead but we find it to be an interesting development.

Kyle: On Woodbridge, it was a similar situation in that we were rolling out our most current .05 turbine. With a deal of that size, which is more desirable to do in the bank market, we stepped up to anchor. We really wanted to stand behind the financing of reliable turbine technology. Similarly on the H technology, GE will step up and stand behind its technology but to the extent that we can take the lead on putting the debt together, it's very strategic for us. We'll want to replicate the success we had on Woodbridge and the .05 with the H.

PFR: ***Do you have an idea of what kind of volume you're expecting in terms of capital to deploy in the next 18 months, or a number of deals or any way of quantifying that?***

Peterson: We want to deploy as much capital as possible that meets our risk-return hurdles. We're somewhat flexible on those hurdles. We have the ability to do fully contracted deals, partially merchant deals, and fully merchant deals, and we have appropriate risk-return criteria for the entire spectrum.

Kyle: I think that off of that lengthy list of greenfield quasi-merchants that *PFR* has put together, I'd say six of them get done over the next 12-18 months. It will be decided based on timing to market, allocation of capital based on deal structure, and the equity raise—critical in all structures.

For the PF guys who are not doing just power, a lot of their dance card has been filled with very sizable LNG projects. We've invested in two of them ourselves, but I think that's taking up a lot of time. And out of the New York offices, we're seeing a fair number of folks active in Latin America. It's been much more limited to equity in LatAm, but I think we may take a fresh look down at Latin America on the debt side, too. Pricing's been pretty tight down there, so we'll have to see.

Check www.powerintel¬ligence.com for the first installment of this Q&A, when Kyle and Peterson discuss the market for structuring and GE EFS' experience with the transaction backing Competitive Power Ventures' St. Charles project in Maryland.

Gas-Fired Projects On The Horizon

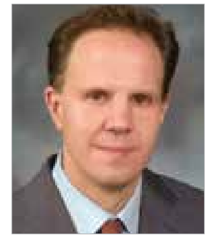
Developer	Project and Size	Location	Cost
Advanced Power	1,000 MW Cricket Valley	Dover, N.Y.	$1.4B
Advanced Power	700 MW Carroll County	Carroll County, Ohio	$800M
Calpine	309 MW Garrison	Garrison, Del.	TBA
Competitive Power Ventures	725 MW CPV Valley	Wawayanda, N.Y.	$900M
Corona Power	900 MW Sunbury	Shamokin Dam, Pa.	$630M
Coronado Power Ventures	690 MW La Paloma	Harlingen, Texas	$727M
EmberClear, Tyr Energy	337 MW Good Spring I	Good Spring, Pa.	$400M
EmberClear, Tyr Energy	337 MW Good Spring II	Good Spring, Pa.	$400M
Energy Investors Funds	900 MW Oregon Clean Energy	Oregon, Ohio	$900M
Energy Investors Funds	735 MW Keys Energy	Prince George's County, Md.	$1.7B
Energy Investors Funds	300 MW Pio Pico	Otay Mesa, Calif.	TBA
FGE Power, Starwood	747 MW Westbrook	Westbrook, Texas	$500M
FGE Power, Starwood	747 MW Colorado City	Colorado City, Texas	$500M
Footprint Power	674 MW Salem Harbor	Salem Harbor, Mass.	$1B
Navasota Energy Generation Holdings	543 MW Clear Springs	Guadalupe County, Texas	$200M
Navasota Energy Generation Holdings	543 MW Union Valley	Wilson County, Texas	$200M
Navasota Energy Generation Holdings	543 MW Van Alstyne	Grayson County, Texas	$200M
NTE Energy, Capital Dynamics	475 MW Kings Mountain	Kings Mountain, N.C.	$450M
NTE Energy, Capital Dynamics	525 MW Middletown	Middletown, Ohio	$500M
NTE Energy, Capital Dynamics	237 MW Pecan Creek	Pecan Creek, Texas	$200M
Panda Power Funds	750 MW Stonewall	Leesburg, Va.	$500M
Panda Power Funds	859 MW Mattawoman/Brandywine	Brandywine, Md.	$800-900M
Tenaska, Brownsville Public Utilities District	800 MW Brownsville	Brownsville, Texas	$550M

Source: Power Intelligence

INDUSTRY CURRENT

IRS Comments on its PTC Start of Construction Guidance

THIS WEEK'S INDUSTRY CURRENT *is written by* **David Burton**, *partner at* **Akin Gump Strauss Hauer & Feld in New York**.



David Burton

On Aug. 20, the **American Wind Energy Association** held a webinar to discuss U.S. **Internal Revenue Service** Notice 2014-46 that clarified the rules for wind projects to be grandfathered for production tax credit eligibility purposes as having started construction in 2013.

The highlight of the panel was that it included representatives of the IRS who commented on Notice 2014-46 and answered questions from the other panelists. The IRS's primary representative was **Christopher Kelley**, who recently re-joined the IRS after a stint at the U.S. **Department of Treasury**. Mr. Kelley was joined by his IRS colleagues **Jamie Park**, **Philip Tiegerman** and **Jennifer Bernardini**.

Below are highlights of Kelley's remarks. Many remarks provide helpful clarifications of the rules or insight into the policy rationales for the rules. This post was prepared without the benefit of a transcript or a recording. Please feel free to contact the author to request corrections. Also, it is important to note that these remarks were informal and are not binding on the IRS.

As background, Notice 2014-46 primarily clarified three points:

1. For projects that did not meet the safe harbor of spending 5% of their cost in 2013 and instead undertook "significant physical work" in 2013, there is no minimum threshold of work required as long as the work performed in 2013 was significant as provided for in the IRS notices.
2. Transfers of grandfathered projects are permissible, so long as either (a) the transfer includes contracts or land rights or (b) the transferee and transferor are more than 20% related.
3. If a project fell short of the 5% safe harbor but at least 3% was spent in 2013, then the number of turbines included in the project that are tax credit eligible may be prorated accordingly.

Significant Physical Work

Kelley confirmed that the wind industry's reading of the physical work requirement in Notice 2014-46 was accurate: "The significant physical work standard is a qualitative standard, rather than quantitative. There is no minimum amount of work that must have been done in 2013. There is no bright line. The test is somewhat nebulous. A lot of the test comes from the 1603 start of construction FAQs.

Kelley was asked if the level of "physical work" required increased proportionately with the size of the project. He responded, "The size of the project does not matter. The work must be significant and done in 2013."

Kelley was asked if excavating a single turbine site was sufficient. He responded, "I don't want to speculate about specific fact patterns. You get some comfort from the language in the two notices."

Kelley was asked if it was necessary to excavate, pour concrete and install bolts for one or more turbine sites in 2013 to achieve significant physical work in 2013. He said, "It is fair reading that just starting excavation is enough without pouring concrete or installing bolts. The language says 'or,' rather than 'and'.[1] Any one activity is sufficient."

Kelley was asked has "excavation begun," if, at the end of 2013, a project owner started excavating a turbine site but did not "finish off" the excavation due to the pending winter being likely to damage the finishing work? His response was "sounds like excavation has begun and is significant."

Kelley was asked why examples were not included in Notice 2104-46. He said, "Additional examples might perhaps cause more confusion than they help."

No Binding Written Contract Requirement for On-Site Work

Kelley was asked if a "binding written contract" was required for physical work that was conducted on the project site. After an apparent sidebar with his IRS colleagues, he responded, "I don't think so, if the work is done on-site and is significant." This interpretation is helpful because section 4.02 of Notice 2013-29 provides "Both on-site and off-site work (performed either by the taxpayer or by another person under a binding written contract) may be taken into account for purposes of demonstrating that physical work of a significant nature has begun." Based on Kelley's comment, the parenthetical clause is intended to only modify "off-site work."

Changes in the Location of the Project in which Safe Harbored Equipment will be used

Kelley was asked whether if a developer has a master turbine contract with a manufacturer that was entered into 2013 and the 5% cost was incurred under that contract in 2013, whether the 5% safe harbor was met even if the developer did not know at what project site the turbines would be deployed. He responded, "You do not have to know the address of the project in 2013. That's the point of the relocation provision of the notice."[2]

He added it is permissible to have purchased equipment for the 5% safe harbor and had "multiple projects in mind" for the same equipment. Further, he was asked if the reference in section 4.03 of Notice 2014-46 to a "taxpayer also may begin construction of a facility in 2013 with the intent to develop the facility at a certain site" requires a developer to be able to demonstrate that in 2013 it had an intent to develop a particular site. His response was that the reference did not require that.

INDUSTRY CURRENT

Transfers

Kelley made it clear that it is possible for one taxpayer to transfer only safe harbored equipment to a transferee that is more than 20% related to the transferor. The transferee can then undertake additional development work, like obtaining land rights, permits, inter-connection agreements or a power purchase agreement and then transfer the safe-harbored equipment plus those rights or agreements to an unrelated party. That unrelated party could then claim tax credits based on its ownership of the safe harbored equipment.

Kelley was asked for detail with respect to the requirement in section 4.03 of Notice 2014-46 that a transfer to an unrelated party include more than merely "tangible personal property" (i.e., equipment). He replied, "The right way to look at it is to include land, a land lease, a power purchase agreement or an inter-connection agreement. This rule is following the 1603 start of construction FAQs."

The "master contract" rules in section 4.03(2) of Notice 2013-29 refer to transferring safe harbored equipment to "an affiliated special purpose vehicle." Kelley was asked what the relationship is between "an affiliated special purpose vehicle" and the 20% related party standard with respect to transferees in section 4.03 of Notice 2014-46. He responded, "The affiliated special purpose vehicle language is borrowed from the 1603 start of construction FAQs. I don't have a comment on how to tie it to the related party rules."

3% Standard for Pro Rating Tax Credits

Kelley was asked for the policy rationale for including section 5.01 of Notice 2014-46 that provides rules with respect to projects that are unable to meet either (a) the 5% spend in 2013 safe harbor or (b) the significant physical work requirement but for which at least 3% was spent in 2013. He noted that some project owners had explained to the IRS that they were building extremely large projects for which the 5% spend was not feasible; however, for reasons he did not specify the projects were unable to meet the significant physical work standard. He explained that the government was persuaded that it was unreasonably harsh for such projects to be eligible for zero tax credits, while a project for which "excavation of a single turbine site" occurred in 2013 would be eligible for full tax credits under the significant physical work standard. Thus, the IRS made a "policy call to provide some relief but put in a three percent floor."

A tangential ramification of this statement is that Kelley appears to have implicitly endorsed excavating a single turbine site as being sufficient for start of significant physical work; although, he sidestepped that question the first time it was asked.

1 See Notice 2014-46, § 3; Notice 2013-29, § 4.02.
2 See Notice 2014-46, § 4.02.

Dynegy Deal Pair *(Continued from page 1)*

re-shaping deals, say observers. Talen, however, is expected to be acquisitive once it has listed as a way to secure its place in the market, say deal watchers.

Dynegy had been a takeover target since it emerged from bankruptcy and has been on the hunt for assets to amass a sizeable portfolio. "It would be a much bigger bite for someone now than it was with its smaller portfolio," says a banker. Being an M&A target wasn't the company's top motivating factor to the deal but it is one advantage to doing these deals, says the banker.

Houston-based Dynegy has put a bridge facility in place that will cover the purchase prices of the two transactions and $950 million in revolvers. It will look to secure longer term financing via issuances of $5 billion of unsecured notes and $1.25 billion of equity. "There will be depth for that given the transformative nature of the transaction," says a banker, talking about investor appetite for that amount of unsecured paper from a single issuer.

Dynegy will likely begin issuing the equity and then debt early in the fourth quarter, pending market conditions. The equity issuance will include $200,000 in common stock issued to ECP. Both transactions are set to close in the first quarter of next year.

The deal involved half a dozen investment banks. **Lazard** and **Credit Suisse** advised Dynegy on both of the purchases. **Morgan Stanley** worked with Lazard and CS as the lead financial advisor on behalf of Dynegy for the ECP purchase. For the Duke deal, **Goldman Sachs** worked with Lazard and CS on behalf of Dynegy as the lead financial advisor for the Duke purchase.

On the sell-side, Morgan Stanley advised Duke alongside Citigroup. Goldman advised ECP on the sale of EquiPower Resources Corp., alongside Barclays. ECP was on a dual track for EquiPower but opted for the deal with Dynegy over an initial public offering because of the given valuation of the assets (PI, 6/23).

At Goldman, **Brian Bolster**, managing director in investment banking, worked for Dynegy on the Duke purchase while **Matt Gibson**, managing director and co-head of investment banking for the Midwest, and **Jeff Pollard**, managing director, at Goldman worked for ECP on its sale to Dynegy.

George Bilicic, head of U.S./Midwest investment banking business, and **Jonathan Mir**, head of North American power and utilities, handled the deal at Lazard.

Christopher Radtke, director in the power and renewables group, **Ahmad Masud**, co-head of the power and utilities group in the Americas region, and **Max Lipkind**, director in the leveraged finance origination and restructuring group worked on the deal for Credit Suisse.

The Duke purchase includes its retail business and stakes in:
-the 600 MW coal-fired Killen plant in Wrightsville, Ohio,
-the 2,300 MW coal-fired Stuart plant in Aberdeen, Ohio
-the 780 MW coal-fired Conesville plant in Conesville, Ohio
-the gas-fired Miami Fort plant in North Bend, Ohio
-the 1,300 MW gas-fired Zimmer plant in Moscow, Ohio
-the 1,226 MW gas-fired Hanging Rock project in Irontown, Ohio
-the 617 MW gas-fired Washington project in Beverly, Ohio
-the 614 MW gas-fired Fayette project in Masontown, Pa.,
-the 568 MW gas-fired Lee project in Dixon, Ill., and
-the 136 MW gas-fired Dicks Creek project in Middletown, Ohio.

A Dynegy spokeswoman did not respond to inquiries by press time. The identity of the lead bankers at Citi and Morgan Stanley could not be immediately learned. Bank officials and spokespeople declined to comment or did not return calls.

– Holly Fletcher & Sara Rosner

EquiPower Resources Corp. Portfolio

Name	Size /Fuel Type	Location	Status
Richland Stryker	450 MW Simple Cycle	Various, Ohio	Owner
Kincaid	1,093 MW Coal-Fired	Kincaid, Ill.	Owner
Elwood	1,532 MW CCGT	Elwood, Ill.	Owner
Liberty	583 MW CCGT	Eddystone, Pa.	Owner
Milford	555 MW CCGT	Milford, Conn.	Owner
Lake Road	812 MW CCGT	Killingly, Conn.	Owner
Masspower	265 MW CCGT	Orchard, Mass.	Owner
Dighton	178 MW CCGT	Dighton, Mass.	Owner
Empire Generating	645 MW CCGT	Albany, N.Y.	Manager
Bratyon Point	1,557 MW Coal, Gas and Oil	Brayton, Mass.	Manager
Broad River	881 MW CCGT	Gaffney, S.C.	Manager

Source: EquiPower

ALTERNATING CURRENT

NASA Unfurls Celestial Solar Flowers

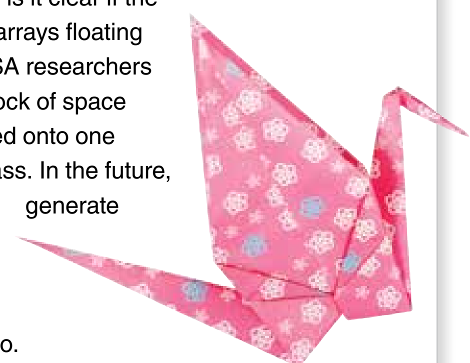
NASA is working on a solar array that will make connoisseurs of origami paper cranes swoon.

The agency is working on a "space flower" program that launches folded solar modules into orbit, at which point they unfurl. A module that is 8.9-feet when folded, blossoms into an 82-foot float solar panel in space.

The arrays are folded in what's called Miura fold, which resembles a "checkerboard of parallelograms," according to NASA. The fold is named for its astrophysicist inventor, **Koryo Miura**.

It's not likely that the origami arrays will be eligible for the investment tax credit (nor is it clear if the ITC would even apply to arrays floating above the Earth) but NASA researchers are thinking of scale. A flock of space flowers could be packaged onto one rocket and unfurled in mass. In the future, the origami arrays could generate power that is beamed to earth via microwaves.

See a video of the unfurling: https://vimeo.com/103446030.



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