

# Power Finance & Risk

The weekly issue from **Power Intelligence**

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

## Q&A: Michael Polsky & Jim Murphy, Invenergy – Part II

PJM has attracted a slew of attention in the past few years, as low power demand nationwide, low gas prices and a greater tolerance for merchant risk has made the region a hotspot for developers. “The capacity payment system in PJM is better than no capacity payment system. Unfortunately it’s a year-by-year auction...year-by-year means that if you’re trying to do a long-term project financing, you don’t have the revenue certainty that you may need,” said **Jim Murphy**, coo and cfo of **Invenergy** in the second installment



Michael Polsky

of a rare interview about the privately-held business. Murphy and **Michael Polsky**, founder, president and ceo, sat down with Executive Editor **Peter Thompson** to discuss the market, as well as Invenergy’s solar strategy and why an IPO is not in the cards.

**We’re heading toward another production tax credit expiry. Anything unusual or different you expect to see than we’ve seen in past expiries?**

**JM:** One thing that jumps out is that with past expiries there was a high degree of confidence that there would be a renewal and there would be a renewal close to expiry. Looking at the scenario we have right now, you have a different situation with the ‘start of  
(continued on page 10)

## Entegra Tees Up Gila River, Union Process

**Entegra Power Group** is looking to put its two combined cycle assets totaling 4.4 GW in Arizona and Arkansas on the block.

The company has been out talking with prospective advisors in recent weeks as it gears up for a sale, say observers. **Bank of America** is said to have landed the mandate.

Entegra owns the merchant 2.2 GW Union Power Station in El Dorado, Ark., and half of the 2.2 GW Gila River CCGT in Gila Bend, Ariz.

The company sold two of the four units of Gila River to **Wayzata Investment Partners** in a pair of transactions and held on to one contracted unit and one merchant unit ([PI, 6/10/11](#)). Entegra refinanced the remaining units with a six-year \$300 million package that brought a portion of Gila’s debt into the first lien ([PI, 8/15/11](#)).

**Michael Schuyler**, ceo and president of Entegra in Tampa, Fla., did not immediately respond to an inquiry.

—Holly Fletcher

## Texas Shop Tags Morgan Stanley For Gas Conversion Debt

**Zeep Management U.S.**, an Austin, Texas-based clean energy and fuel development shop has tapped **Morgan Stanley** to lead a debt package for a \$1.3 billion natural gas-to-methanol project in Louisiana. Financiers think it is the first greenfield methanol project to be built in the U.S. in over a decade.

South Louisiana Methanol in St. James Parish, La., will convert 163,000 MMBtu/day of natural gas into 5,000 metric tons per day of methanol.

Zeep is likely to chase a 70-75% debt ratio, says an observer, who sees the deal hitting syndication in the first quarter of 2014. The project, with a two-and-a-half to three-year construction timeline, is slated to be operational in 2016.

The Morgan Stanley team is being lead by **Michael Kumar**, managing director and global head of project, commodity and infrastructure, **Hamish Bunn**, managing director, and **Martin Torres**, executive director. The three also  
(continued on page 12)

## AMP Marks First Close On Infra Fund

**AMP Capital** has wrapped a \$300 million first close on its AMP Capital Infrastructure Debt Fund II.

See story, page 8

## 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

Initial public offerings continue to be hit-and-miss for power companies. **Threshold Power** withdrew its application to list on the **Toronto Stock Exchange** given weak market conditions, according to the CEO, and reports of investor discomfort with the tax equity cash flow structure (see story, page 6). The year has seen two IPOs pulled (Threshold and **Silver Ridge Power**), two yield companies list (**NRG Yield Co.** and **TransAlta Renewables**) and **Pattern Energy** file to list in both Toronto and New York.

**Emera** agreed to buy three merchant gas-fired plants in New England from **Capital Power** for \$541 million, tying up an auction that some bankers and investors had questioned from the outset. Emera called the acquisition a long-term play in its announcement, a nod to the fact that the New England power market has been muted in the two years since Capital Power bought the assets (see story, page 7). Two other gas-fired plants in Arizona and Arkansas, respectively, are poised to come to market for those interested in merchant generation. **Entegra Power Group** is readying a sale of its 50% stake in the 2.2 GW Gila River combined cycle plant in Arizona, as well as a sale of its 2.2 GW Union Power Station CCGT (see story, page 1).

This week was an interesting one for merchant power project financings in the U.S. The **Moxie Energy** and **Panda Power Funds** team closed the B loan package backing the 825 MW Liberty facility in Bradford County, Pa. (see story, page 5). Investor appetite allowed them to upsize the first-draw B loan and nix a mezzanine tranche, note observers. **Invenergy** is at the other end of the financing process for a merchant facility and is looking to line up bank debt for its 584 MW Nelson plant in Rock Falls, Ill. (see story, page 5). With more merchant facilities due to hit the market this year, **Standard & Poor's** has released a report that will provide interesting reading for financiers and developers alike (see story, page 5). The agency examines how power prices, abundant gas supply and some hedge arrangements are squeezing operating merchant facilities' cash flows.

There is another power and energy investment fund in town, with news that **AMP Capital** has hit a first close on its second infrastructure fund (see story, page 8). The Australian investment manager reached the \$300 million mark with a slew of institutional investors from Europe, North America and Asia committing to the fund. AMP joins Panda and **I Squared Capital**, who are all out fund raising for infrastructure vehicles at the moment.

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

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Institutional Investor, LLC ISSN# 1529-6652

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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 (PI, 8/26).
	Grand Tower (478 MW Gas)	Jackson County, Ill.		
	Gibson City (228 MW Gas)	Ford County, Ill.		
ArcLight Capital Partners	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	Emera is buying the plants for \$541M (see story, page 7).
	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 (PI, 8/26).
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).
Entegra Power Group	Union Power Station (2.2 GW Gas)	El Dorado, Ark.	Bank of America	The company is teeing up a sale (see story, page 1).
	Stake (50% 2.2 GW Gila River Gas)	Gila Bend Ariz.		
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).
First Solar	ABW Solar (50 MW)	Various, Ontario		GE EFS and Alterra Power bought the facilities (see story, page 7).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Voltage Finance is buying the stake (PI, 8/26).
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 (PI, 8/26).
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).
Mesa 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)
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 Partnes	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 (LNG Export)	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).
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).
Gauss Energia	Various (3 x 30MW 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).
Greenbriar Capital Corp.	Blue Mountain (80 MW Wind)	Monticello, Utah	Rabobank	Term + Tax Equity	\$150M	TBA	Sponsor is looking for debt and a tax equity investor (see story, page 6).
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).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (see story, page 5).
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 (PI, 8/26).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	\$800M	TBA	Sponsor wraps with pricing at LIBOR plus 650 bps (see story, page 5).
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).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	\$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
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).
True Green Capital	Northeast Solar Portfolio (39 MW Solar)	Northeast U.S.	Investec	Construction/Term/Bridge	\$64M	TBA	Sponsor mandates Investec to arrange a construction/term loan, bridge loan and LC (see story, page 5).

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## PROJECT FINANCE

## Panda, Moxie Seal Liberty Financing

**Panda Power Funds** and **Moxie Liberty** have closed the \$585 million debt package backing the 829 MW gas-fired Moxie Liberty project in Bradford County, Pa. **Goldman Sachs** is lead left, while **Credit Suisse**, **Ares Capital Corporation** and **Union Bank** are the other lead arrangers. The deal wrapped late last week.

The B loan package includes a \$150 million delayed draw loan and a \$435 million first-draw term loan. Pricing is LIBOR plus 650 basis points with a 1% floor and a 99 original issue discount. There is also \$42 million letter of credit. The term loan Bs and LOC mature in 2020 and 2018, respectively. Bank officials either declined comment or did not respond to inquiries.

The sponsors and banks reworked the debt package,

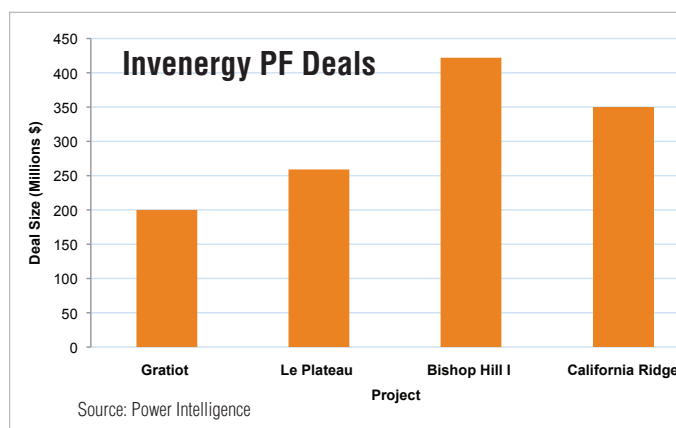
dropping a \$119 million mezzanine tranche, increasing the first-draw term loan to \$435 million and decreasing the delayed draw loan from \$200 million ([PI, 8/20](#)). Moxie and Panda are contributing \$363 million in equity to the project. The precise breakdown or source of equity from the sponsors could not be learned by press time.

**Standard & Poor's** assigns a B to the original secured first-draw loan, the delayed-draw loan and the LOC. The project cleared the 2016/2017 PJM auction at the clearing price for the Mid-Atlantic Area Council capacity market ([PI, 5/31](#)). **Gemma Power Systems**, a subsidiary of **Argan**, has been awarded the EPC agreement to design and build the plant.

## Invenergy Shoots For Ill. Merchant Financing

Invenergy officials are talking with lenders about securing a debt package for the merchant 584 MW Nelson gas-fired facility in Rock Falls, Ill. **GE Energy Financial Services** is lead arranger on the deal.

Invenergy uses relationship lenders to secure debt for projects and this financing should be no different, notes a banker. "They are a pretty strong sponsor and have deep coverage in the market," he adds. "They may look to take the CPV Woodbridge approach, which GE also led," he adds, referencing the debt financing of **Competitive Power Ventures'** 725 MW Woodbridge gas-fired facility in New Jersey ([PI, 8/15](#)).



**Rabobank**, **Union Bank** and **Morgan Stanley** were involved in the Chicago-based developers most recent financings for merchant wind facilities in New York and Texas ([PI, 7/8](#)). Calls placed to bank officials were not returned by press time.

Invenergy bought the Nelson facility in the PJM region in 2006 from Princeton, N.J.-based developer **NRG Energy**. Details of the sale and the amount of the debt sought could not be learned.

GE officials declined comment on the financing.

The facility is currently under construction and slated for operation in 2015.

## True Green Taps Investec For Northeast Solar

Investment manager **True Green Capital Management** has tapped Investec to lead a \$64 million credit facility backing a 39 MW portfolio of solar photovoltaic facilities in the Northeast.

The debt package consists of a \$43 million construction and 7-year term loan, a \$16 million cash grant bridge facility and a \$5 million letter of credit. Pricing talk is coming in at LIBOR plus 250 basis points, note observers. The deal also includes a mezzanine tranche provided by Investec. Further details could not be learned by press time. The transaction is slated to close by the end of September.

Proceeds will be used to refinance existing credit facilities backing a 17 MW operational portfolio and to finance the construction and operation of 22 MW of installations that are either shovel-ready or under construction. The portfolio consists of eight rooftop projects and three ground-mount projects ranging in size

from 350 kW to 15.2 MW. The portfolio is fully contracted, with an average power purchase agreement length of 18 years.

The deal represents Investec's first lead arranger mandate since beefing up its operations earlier this year with the hiring of **WestLB** alum **Ralph Cho** and **Mike Panteloganis** as co-heads of power for North America ([PI, 3/18](#)).

**Panos Ninios**, **Jeffrey Brown** and **Bruce Wiegand** founded True Green in 2010. The New York-based team manages capital for institutional investors and high net-worth individuals and focuses investment on non-traditional power and energy assets. True Green has raised over \$112 million in equity, over \$45 million in project finance debt and over \$70 million in cash grant funding. Officials at True Green and Investec were not immediately available to comment.



## Greenbriar Mandates Rabo For Utah Wind

**Greenbriar Capital Corp.** has tapped **Rabobank** as lead arranger for \$150 million in debt and tax equity for its maiden project financing backing its 80 MW Blue Mountain wind facility near Monticello, Utah.

The Vancouver-based shop was founded in 2009 by **Jeff Ciachurski**, ceo and former ceo of **Western Wind Energy Corp.**

Blue Mountain has a 20-year power purchase agreement with **MidAmerican Energy Holdings** utility **PacifiCorp**. Greenbriar plans to spend 5% of the total project cost by year-end in order to qualify for the production tax credits under guidelines released by the U.S. **Internal Revenue Service** ([PI, 4/16](#)). Blue Mountain is slated for commercial operation as early as the third

quarter of 2014.

Plain vanilla deals, with solid offtake agreements, are pricing at around LIBOR plus 200 basis points, note project financiers. A lack of deal flow and competition among banks is making deals competitive, says an observer. Ciachurski and an official at Rabobank did not respond to inquiries by press time. Greenbriar is listed on the **Toronto Stock Exchange** as GRB.V. Details such as pricing and tenor could not be learned.

Greenbriar purchased the project from **Champlin-GEI Wind Holdings**, a firm backed by private equity shop **Good Energies**, earlier this year ([PI, 4/23](#)). The company used cash to fund the acquisition.

## MERGERS & ACQUISITIONS

## Philly To Take Pre-Bids For Gas Muni

The City of Philadelphia has kicked off the sale of its municipal **Philadelphia Gas Works**.

A number of notifications from prospective buyers, that they wish to participate, came in by the end of last week although bidders have until Aug. 30, say bankers. Submitting a notification—known as a qualification—is a pre-first round step. They will allow advisors **JPMorgan** and **Loop Capital Markets** and the city to assess which parties have the expertise and balance sheet to proceed.

First round bids are slated for a deadline in October. A date has not been set, says a deal watcher.

Recent auctions of **New Mexico Gas Co.** and **SourceGas** have shown buyer interest in smaller utilities but the circumstances around PGW could muddy the process ([PI, 3/29](#) & [3/27](#)). Bankers who have spoken with interested parties say that concerns about whether the city is committed to selling and target valuation are factors. The city received a third-party valuation of about \$1.8 billion from financial advisor **Lazard**.

Philadelphia considered selling the utility in the early 2000s, but buyer interest wasn't deep enough to support a valuation that would fetch more than the debt on the utility at the time ([PI, 5/10](#)).

Additionally, the utility's outstanding debt, coupled with provisions about when utility staff could be restructured and a rate freeze through August 2016 mean buyers may not see room for near-term cost savings, bankers say. The utility had about \$1.12 billion in debt at the end of its 2012 fiscal year in August. The debt is rated Baa2 by **Moody's Investors Service**, BBB+ by **Standard & Poor's** and BBB by **Fitch Ratings**.

Philadelphia Gas Works serves about 503,000 customers, of which 477,000 are residential and 25,000 are commercial. The remainder is industrial. The utility owns about 3,027 miles of gas mains.

**Paul Dabbar**, managing director at JPMorgan, and **Thomas Rosén** and **Derek McNeil**, managing directors at Loop Capital, are running the sale. Dabbar was traveling and not available to comment.

## Threshold Yanks Filing For TSX Listing

**Threshold Power** has pulled its CAD\$120 million (\$114 million) initial public offering registration filings for its income trust company backed by tax equity stakes. "The IPO was withdrawn due to market conditions. The yield market on the **Toronto Stock Exchange** was weak during this period. Threshold is pursuing other alternatives," CEO **Susan Nickey** told *PI* in a statement.

The company withdrew the application Aug. 28, according to filings with **Ontario Securities Commission**. It was targeting a share price of C\$10 (\$9.45) ([PI, 7/8](#)).

Chicago-based Threshold encountered headwinds, observers in Canada and the U.S. say, when it tried to get Canadian investors comfortable with its "complicated story" involving the cash flows associated with tax equity, which one U.S.-based deal watcher characterizes as "exotic" to Canadian investors.

**CIBC World Markets**, **Scotia Capital** and **National Bank**

**Financial** were the lead underwriters. **Stifel Nicolaus Canada**, **Canaccord Genuity Corp.**, **Desjardins Securities**, **GMP Securities**, and **Raymond James** were co-managers. The withdrawal is the second U.S.-based company to pull its proposed listing on the TSX. "These are new markets and people are feeling their way. The few that have gone really illustrate where boundaries are in Canada," says one lawyer to renewables shops.

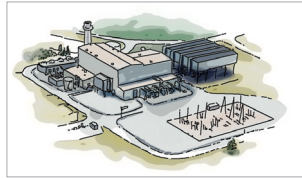
Threshold had agreed to buy the tax equity stakes in Texas, New Mexico, Colorado, Illinois, Oklahoma, New Jersey and Pennsylvania projects from **JPMorgan Capital Corp.** in late in 2012, as first reported by *PI* ([PI, 1/4](#)). The acquisitions have not been finalized yet and it is unclear whether the shelving of the IPO—proceeds of which were slated to fund the purchase—will impact the deal. Nickey did not address the question.

## Emera Ropes New England Trio

Emera has agreed to buy **Capital Power's** trio of merchant gas-fired plants totaling 1,050 MW in New England for \$541 million.

The purchase price—which works out at \$520 per kW—comes in a notch above Capital Power's threshold for a sale, \$535 million ([PI, 7/29](#)). Emera will use cash on hand and existing credit facilities to finance the purchase initially. Later, the company will look to put long-term debt and equity in place. The acquisition is expected to close by year-end.

The plants are the 265 MW Tiverton and 265 MW Rumford CCGTs in Tiverton, R.I., and Rumford, Maine, respectively, as well



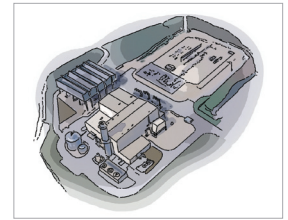
Tiverton

as the 520 MW Bridgeport CCGT in Bridgeport, Conn. ([PI, 6/10](#)). **Morgan Stanley** advised Capital Power.

Capital Power bought the New England facilities from **Brick Power** and **LS Power** for a combined \$670 million in early 2011 in two transactions and took a \$74 million impairment at the end of 2012.

Emera has been looking to expand its presence in New England, where it owns 49% of **Northeast Wind Partners**, a joint venture with **First Wind**.

An Emera spokeswoman was not immediately available.



Rumford

## GE EFS, Alterra Close Ontario Solar Acquisition

**GE Energy Financial Services** and **Alterra Power Corp.** have bought a trio of solar assets totaling 50 MW in Ontario from First Solar.

The plants, 10 MW Amherstburg, 20 MW Belmont and 20 MW Walpole, are newly online. Each has a 20-year power purchase agreement with **Ontario Power Authority**. Alterra committed about CAD\$7.2 million (\$6.84 million) for a 10% stake the assets, according to its second quarter financial filing. It is the managing partner.

GE EFS and Alterra lined up acquisition financing for the assets

from lead arranger **The Manufacturers Life Insurance Company**, **The Great-West Life Assurance Company**, **Sun Life Assurance Company of Canada** and **Caisse de dépôt et placement du Québec** participated in the financing.

GE EFS and Alterra, née **Plutonic Power Corp.**, agreed to buy the projects in 2011.

Details on the financing, such as tenor and debt-to-equity ratio, could not be immediately learned. A GE EFS spokesman declined to comment while an Alterra spokesman in Vancouver, B.C., was not available by press time.

## STRATEGIES

## American Wind Nears Land Lease Loan Close

**American Wind Capital** is nearing the close of its \$100 million loan backed by renewable land leases.

The company has amassed 7,000 acres of solar alone, says **Chuck Hinckley**, CEO of American Wind Capital in Old Saybrook, Conn. The number of wind acres is much larger, he adds, noting he could not immediately recall it.

The loan, backed by about 100 leases on land under both wind and solar facilities, is expected to carry pricing of LIBOR plus 400 basis points, say financiers, who indicate the package could close Wednesday. Hinckley declined to comment on the specifics of the loan.

The pool of leases will be leveraged with around 80% debt, an amount that is supported by the long-term cash flows coming from the contracted assets. Lenders like the assets because land leases are an operating cost of the renewable project, which means the loan repayment costs is considered an operating cost, say financiers.

**CIT Group** launched the loan in July ([PI, 7/11](#)). **Investec** and **Siemens Financial Services** have joined.

Buying leases is a long process and the company doesn't expect 100% of those approached to say yes, Hinckley says, adding "like it or not it's just a long sell cycle." Larger transactions are often easier to negotiate because the economic benefits are clearer to the landowner, he says.

Hinckley saw the potential for amassing the royalties from the leases into a financing vehicle when he was working as a developer—he founded wind shop **Noble Environmental Power**—and saw that many landowners could benefit from a lump sum payment instead of rent.

The possibility of securitization is on the table for when the company has reached scale. American Wind Capital has been amassing royalties over the last several years ([PI, 9/16/11](#)). Hinckley says that bankers from real estate finance teams as well as securitization teams have been in the room when the company has talked about its options. "We decided that as long as we are continuing to collect [leases] then let's continue to both grow, and overtime refinance," he says, referencing the time it takes to hit scale when trying to buy land.

## Southern Co. Upsizes Bond Issuance

Southern Co. increased a five-year bond issuance to \$500 million from \$400 million upon finding a market flush with cash and little deal flow. The issuance of 2.45% notes was five times oversubscribed, according to financiers.

"The deal priced really well," notes a debt capital markets banker, adding that the company had initially approached the market looking for pricing of 110 basis points over Treasuries, which tightened to 93 bps due to investor demand. "There is a lot of cash in the market chasing very little supply," he adds.

**JPMorgan, Morgan Stanley, U.S. Bancorp and Wells Fargo**

**Securities** were joint lead book managers on the deal, which priced last Wednesday. The bonds have an issue price of 99.798 and the company will use the proceeds to refinance debt and for general corporate purposes. Bank officials either declined comment or did not respond to inquiries by press time.

The net proceeds from the offering will be used to repay a portion of Southern Company's outstanding commercial paper, which totaled approximately \$739 million as of Aug. 20, 2013. **Moody's Investors Service** has rated the offering Baa1 and **Fitch Ratings** has assigned an A. Southern officials in Atlanta declined comment.

## S&P: Gas, Power Prices Squeeze Merchant

Cash flows from U.S. merchant power generators are coming under pressure due to lower power and gas prices and expiring hedges, according to a report by **Standard & Poor's**. Lenders and investors in merchant facilities may need to re-work capital structures on operating assets as a result.

While many merchant generators had used hedges to insulate against market forces, these hedges are now expiring amid substantially lower realized power prices, resulting in significantly lower cash flows, according to the report. "Investment grade companies that have hedged three years out are finding themselves in a new paradigm," says **Aneesh Prabhu**, an analyst at S&P and one of the authors.

The continued expansion of the Marcellus and Utica shales has kept gas prices low and pushed power prices down. Coupled with lower than expected demand and energy efficiency measures, three year-old hedges that secured pricing of \$68/MWh do not match the current market rates, which have dropped as low as \$43/MWh in PJM, says Prabhu. "It means many companies are needing to recapitalize to that cheaper gas environment," Prabhu notes.

Power price instability and volatility in the natural gas sector is also making it more difficult for developers to model predictable cash flows, according to the report. For the most part, sponsors planning merchant projects were not too concerned about the outlook for merchant generation, notes one developer, adding that the merchant market depends on a number of factors aside from hedge terms. However there may be some impact on lender terms, he says, such as how much leverage sponsors might be able to secure on a project.

Prabhu notes gas prices should stay below \$5/MMBtu at Henry Hub for the foreseeable future and keep power prices down. However, lower than expected capacity auction results out of PJM have also tempered that region's merchant outlook, according to deal watchers ([PI, 5/31](#)).

The impact on some companies with merchant fleets has been pronounced, according to the report, with a number of downgrades in the power sector. **Ameren Energy Generating** was downgraded to 'CCC+' from 'BB-' on its continued diminishing competitive position and merchant exposure. **Dynegy** agreed to buy a 4.1 MW merchant coal-fired fleet from Ameren earlier this year ([PI, 3/14](#)).

## AMP Hits First Close On \$1B Fund

Australian investment manager **AMP Capital** has completed a \$300 million first close on its AMP Capital Infrastructure Debt Fund II from 17 institutional investors. The firm is targeting \$1 billion.

The fund will consider investments in Australia, Europe and North America and will invest in the subordinated debt, most likely at the holding company level, of power and energy projects, note observers. Its sweet spot for commitment size will be \$30-\$150 million, with tenors around the 10-year mark.

The transaction represents the first fund concentrating on infrastructure that AMP's business partner **Mitsubishi UFJ Trust and Banking Corp.** has marketed to its clients. MUTB acquired 15% in **AMP Capital Holdings Limited**, the parent of AMP Capital, for \$425 million in 2011 and agreed to distribute AMP's products to Japanese institutional investors as part of the deal. The institutional

investors participating in the fund are based in Japan, the U.K., South Korea, Switzerland and Australia.

IDF II follows AMP Capital's first Infrastructure Debt Fund, which closed in June 2012 after raising \$503 million from a group of 30 institutional investors. **Patrick Trears**, a director at AMP in New York, heads North American operations. Trears did not respond to inquiries by press time and the identities of the investors could not be learned.

A number of infrastructure funds have been successful in lining up investment from institutional investors, as a thirst for yield pushes these investors into the power space. **Panda Power Funds** is nearing a first close on its second fund ([PI, 8/7](#)). While a group of ex-**Morgan Stanley** bankers now at **I Squared Capital** is aiming to raise up to \$2 billion for their maiden infrastructure debt fund ([PI, 7/23](#)).



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## Q&A *(Continued from page 1)*

construction' versus 'in service.' So, it's less of a bright line at the end of this year. But, also we're going to get to that end-of-the-year cliff and we're not going to have a renewal likely right there. Most of those who are predicting this are saying that the likely date for renewal—if renewed—would be the lame duck session in 2014.



Jim Murphy

### **What does it mean for you to not have the PTCs in place?**

**JM:** Well initially the focus is doing all of the projects that we can that are going to qualify. We have a number of them that will get done this year. We'll get started with construction comfortably this year and be placed in service either this year or next. Going in to 2014, it'll be less clear. I think there will be demand for wind projects with or without PTC. There are some who believe that the renewal is coming and so maybe will slowly develop some of them and wait for that. There are others that are going to make sense without.

**MP:** This is something that has to play itself out. It is one of those things that is very hard to speculate. Obviously, in a lot of ways wind competes with natural gas and it depends where gas would be at the time. PTC does reduce the costs of wind power. On the other hand some players benefit more from PTC than others, like corporations that have a substantial tax base, they can do it without a lot of time and effort to monetize these PTCs. So obviously, in some ways for Invenergy and many other people, there is something to be said for equalizing the playing field where there is some mechanism that would not benefit one at the expense of others. So maybe something would happen that would equalize players—not those that had tax appetite versus those that don't have it.

### **Flipping from financing to M&A. What is your strategy in terms of acquiring and selling assets on the wind side?**

**JM:** Our strategy is to be opportunistic. We're developers and that is where the highest value is that we see. So, typically we're not active in acquisitions of operating assets. We're not active in acquisitions of construction assets. Maybe early to mid-stage development can provide some opportunity if you have a developer who needs a relationship with a turbine supplier or needs the capability to get the PPA. That's always been a strength of ours and an area where acquisitions can make sense. We've done a number of those over the years in our wind business and in our other businesses.

As far as the divestiture side of that question, again we are opportunistic always. If someone has a higher value on the asset than we have as a hold, we are open to discuss.

### **How would you characterize the market at the moment for wind assets?**

**JM:** I think for projects with PPAs or other long-term price certainty arrangements, the market is exceptionally strong. We've seen over the last few years a migration. First it was the strategics buying into these portfolios. Then it went to the infrastructure funds and now we are seeing the retail investors through the yieldcos, the Canadian IPOs etc. So I think the market has been very efficient in finding homes for long-term contracted assets, especially in portfolios. That's been a great opportunity.

### **What are the most attractive wind markets to you at the moment in the U.S. and Canada?**

**MP:** I think for us—relying on long-term arrangements—we see markets where you can really be a low-cost producer and where people are buying wind because it's a low-cost resource. Texas, Oklahoma, Kansas, Iowa. Places where there is very strong wind. Nowadays you can buy wind for less than \$30 per MWh, including PTCs. So that seems a very attractive market.

It's not a secret market where you can escape competition. People are everywhere. It's the quality of sites we have and other people have that could make a difference. Access to transmission [is a factor].

So I think it's a well known fact where the wind is and where the opportunities are nowadays.

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*"It's not a secret market where you can escape competition. People are everywhere. It's the quality of sites we have and other people have that could make a difference."*

---

**—Michael Polsky**

### **So it's a fairly static picture in some ways?**

**MP:** No. It's static but there are some dynamic issues here. State RPS come in to play. Like I said, gas price variations. Also financial markets—a few years ago during the financial crisis, nobody would touch hedges. Now people seem to be more comfortable with hedges again. So there is some dynamic element, obviously wind is where the wind is.

### **What is your outlook on solar? What are your plans?**

**MP:** Obviously we were a little late coming to solar. We also have not been in the retail solar business—rooftops. Primarily we are doing ground-mounted systems. We try also to be opportunistic with solar. We have solar installations in the U.S. and Canada. And we're trying to do more.

The solar market has been very unique and different. A lot of manufacturers play the vertical integrated model where they secure the sites, build the project and flip it later. That was very different from any other business because they knew their costs curve. They knew how they could monitor the market. They could play how busy they are at the factory and decide how they are going to price to themselves. I think the market had been dominated by many players like that.

I think some rooftops in some states where given an unfair advantage compared to ground-mounted systems because they were receiving full retail rates, sometimes even more for putting solar on the roof. Which sometimes is a questionable model in some cases, versus ground mounted systems that were paid a fraction of the price.

We think there is a great future for solar, but there are some issues related to solar as well.

#### What percentage of Invenergy's efforts would solar account for now?

**JM:** Ballpark about 10%.

#### Which parts of the solar market interest you?

**MP:** We're primarily interested so far in ground mounted, which are in most cases utility scale systems that you sell into the grid...into the transmission system, rather than rooftop. That's been our model. That's what we are doing now and what we plan to do in the future.

#### What drives that interest versus the rooftop?

**MP:** I think it's a different business to deal with individual owners of the homes of the facilities. We just felt it was a different business model. Not that it's a bad model. It's just different. Historically, Invenergy was doing more utility systems and that's what we felt our expertise has been in.

The big advantage for rooftops has been that they are displacing full retail rate. So they were receiving 20-25 cents per kwh for solar in California, versus on the ground people were selling for at 7-8 cents a kwh. So it's a very uneven game here.

#### What is your take on the capacity payment system in PJM? What is your exposure there?

**JM:** We're active in the PJM market. The capacity payment system in PJM is better than no capacity payment system. Unfortunately it's a year-by-year auction...year-by-year means that if you're trying to do a long-term project financing, you don't have the revenue certainty that you may need. There may be ways to structure around it. There may be ways to bring in intermediaries who are comfortable bidding year-by-year and would go long for you so that you can project finance. But, as opposed to markets that don't have a viable capacity component altogether, we see it as favorable.

#### What other generation technologies are you looking at?

**MP:** We are constantly looking at everything. We look at thermal, including co-gens, wind and solar and batteries. We look at

everything because of technology improvements, the market conditions, acceptance of certain technologies so you have to be really plugged in. We can't say right now what would make sense some years from now. We try to stay tuned in.

**JM:** I think geographically you'll also see some expansion from us. We started in the U.S. and Canada. We've got projects operating in two European countries right now. We're looking at other places that make sense and we've taken a slow-go approach there. We do see some good opportunities and have teams working on developments in other places.

#### You mentioned yieldcos and IPOs. It sounds like this is not something you feel the need to do?

**JM:** We're feeling like we're able to get a competitive product without going that route. There are a lot of administrative and other infrastructure requirements that go with a public offering that we are not particularly interested in.

#### Competitive product in the sense of delivering power?

**JM:** No, competitive product in the sense of if we are looking for equity investment in our projects, I think that we have enough relationships to be able bring that.

#### What is the forward story for Invenergy? What are you looking to do over the next 5-10 years?

**MP:** I think Invenergy will be known as a very diversified developer. We do thermal, we do wind, we do solar, we're looking at some other development opportunities. So we feel the future will bring opportunities. Like Jim mentioned, this business has been a very opportunistic from day one—from the old co-gen days in the 1980s. Markets were rotating, the rules were changing, the opportunities were new and some were disappearing. So power development

has historically been a very opportunistic business. So if you make long-term plans saying I'm going to do so many megawatts in so many years you can make the megawatts, but for us this model has not been good because we are an independent company, a self-sustaining company. We have to rely on our own revenue stream to support ourselves so we have to do projects that make sense.

How many megawatts we can put in each year I don't think we can tell anyone, but I'm sure there will be a lot of megawatts and they will be good quality megawatts.

We feel with our experience, expertise, and track record, there will be business opportunities for us.

#### INVENERGY 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

"We look at thermal, including co-gens, wind and solar and batteries. We look at everything because of technology improvements, the market conditions, acceptance of certain technologies so you have to be really plugged in."

—Michael Polsky



## Texas Shop (Continued from page 1)

led Morgan Stanley's role in the \$636 million debt package for **Silver Ridge Power's** 266 MW Mt. Signal solar project ([PI, 3/15](#)).

**Angel Fierro**, v.p. of finance for Zeep, is said to be the company's point person on the debt. He declined to comment. Zeep is backed by individuals and small family offices. **Todd Corp.**, a diversified company with energy experience based out of Wellington, New Zealand, has committed the equity to the project.

The methanol from South Louisiana will be marketed to petrochemical manufacturers of compounds such as formaldehyde, acetic acids and Dimethyl ether, which has energy applications, including a gasoline blending agent. Zeep does not have an offtake contract yet but is in conversations with potential buyers. The plant does not need one to sell the methanol although a contract eases the project finance negotiations as power purchase agreements do for generation projects.

**Cheniere Energy's** Sabine Pass financing demonstrated the appeal of large deals to lenders, say bankers, who note traditionally power focused teams are looking for alternate avenues to deploy cash. A similar conversion project in Iowa, that will convert natural gas to urea for fertilizer for export, is also gearing up to hit the market and will likely be a mix of bonds and bank debt, says an observer. Investors, too, are spending more time delving into upstream energy opportunities given the paucity of generation and transmission projects, says a mezzanine lender.

The gas-to-methanol conversion plants went idle in the 1990s in large part due to the preference to blend ethanol with gasoline for cleaner car fuels. Two plants in the U.S. have been repowered in the last two years, says an observer.

—**Holly Fletcher**

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## ALTERNATING CURRENT

### How A Panda Got In Your Portfolio

You've likely got a piece of **Panda Power Funds'** B loans—there has been \$1.69 billion to hook into since July 2012—but do you know how the shop got its name?

In 1982, Robert and Janice Carter wanted a symbol for their newly-founded independent power producer that people readily connected with environmental issues, says Bill Pentak, v.p. of investor relations in Dallas, noting the family's commitment to conservation. Janice suggested the bamboo-loving panda bear and in 1982, the *Ailuropoda melanoleuca* became the face of **Panda Energy**. The endangered bear, beloved by millions of children, is also the logo of the **Worldwide Wildlife Fund**.

Panda Power Funds has gotten cuddly with the institutional loan markets as it financed four gas-fired combined cycles in Texas and Pennsylvania in the last 18 months. The projects, Temple, Sherman, Temple II and Moxie Liberty, call for used water in its process, not drinkable, according to the website, as a way to limit taxing the water supply.

**Bob Carter**, ceo of Panda Power Funds, was recipient of the T. Boone Pickens' Lifetime Sportsman Award in 2010 for his work to help restore the Bobwhite Quail population in West Texas. The game bird is known for its chirp that sounds like it is whistling 'bob white' and has been in decline over the last 100 years due to changes in land use.

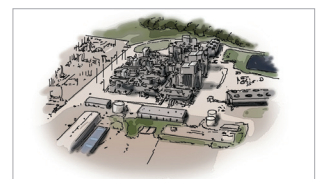


## QUOTE OF THE WEEK

"It's not a secret market where you can escape competition. People are everywhere. It's the quality of sites we have and other people have that could make a difference." — **Michael Polsky**, ceo and founder of **Invenergy** in Chicago, on attractive markets for wind development (see Q&A, page 1).

## ONE YEAR AGO

**Luminus Management, CarVal Investors and Fortress Investment Group** extended the timeline for selling their 800 MW Bosque gas-fired plant in Texas to accommodate **Calpine**, which entered the auction late. [Calpine agreed to buy Bosque for \$432 million, or about \$540 per kW ([PI, 10/8](#)).]



Bosque