

power finance & risk

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LS Lands NextEra Plants

LS Power has purchased the majority of **NextEra Energy Resources'** 2.7 GW gas-fired portfolio for \$1.05 billion.

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DeGhetto Exits Credit Suisse

Scott DeGhetto, co-head of Credit Suisse's power and renewable energy group, has left the bank.

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LENDERS DRAW UP DOUGH PLANS FOR CFE BIDDERS

Lenders are preparing financing proposals for developers' bids in response to Mexican state-owned utility **Comisión Federal de Electricidad's** calls for more than \$1 billion of projects. CFE is calling for proposals to develop a 622 MW combined-cycle project in Morelos and a pipeline that will connect to a station that will supply gas for the plant. The combined-cycle project likely will require \$600-700 million in debt, while the pipeline will need roughly \$300 million, says a senior originator in New York.

BBVA, BNP Paribas, Scotia Capital and Sumitomo Mitsui Banking Corp. are some of

(continued on page 8)



USRG LAUNCHES MAIDEN MEZZ FUND

U.S. Renewables Group has launched its debut mezzanine debt fund for solar and wind investments. The investment manager, based in Los Angeles and New York, aims to wrap fundraising for the \$200 million fund in the fourth quarter. "They expect to start doing transactions at the end of this year," says an attorney familiar with USRG.

USRG has met with representatives of 200 renewables companies and determined that a market exists for mezzanine investments to middle-market sponsors and small projects, a deal watcher says. "The finance market is very efficient for larger projects and larger sponsors, but less efficient as you go smaller," he explains.

The ideal USRG investment would be a \$5-25 million investment with a tenor of five to seven years, though it would be willing to offer deals as short as one year. Single-project or portfolio financings will be considered. Eligible wind projects would be under 20 MW, while

(continued on page 8)

WIND TURBINE GLUT, GREATER EFFICIENCY DRIVE DOWN PRICES

Wind turbine prices are nearing the \$1 million-per-MW mark as more efficient technologies and a supply glut push down prices. Turbine prices have hovered between \$1.5 and \$2 million in the past few years, depending on the project.

The glut of wind turbines stems from manufacturers expanding operations and increased production on expectations that the wind market would boom to 10-15 GW a year in the last decade. Instead, just 4-5 GW have gone online a year since the financial collapse of 2008, as project financing dried up and utilities cut back on signing power purchase agreements in the face of decreased power demand. Currently, total wind turbine manufacturing capacity exceeds annual installations in the U.S., says **David Rosenberg**, director of marketing of North America in Langhorne, Pa., for **Gamesa Technology Corp.**

(continued on page 7)

Check www.iipower.com during the week for breaking news and updates.

At Press Time

Credit Suisse Loses Banker, Reshuffles Ranks

Scott DeGhetto, managing director and co-head of Credit Suisse's power and renewable energy group, has left the bank. Ray Wood, formerly co-head along with DeGhetto, started running the global renewables group before DeGhetto left earlier this summer.

Jamie Welch remains the head of the global energy and power group, industry officials say. The relationship between the global energy and renewables groups, as well as Credit Suisse's plans for replacing Wood or DeGhetto could not be immediately learned.

DeGhetto joined Credit Suisse in 2008 from JPMorgan as the bank reshuffled its power lineup (PFR, 6/27/08). He worked at UBS prior to his stint at JPMorgan (PFR, 4/29/05).

Details surrounding DeGhetto's exit and his future plans could not be learned. He could not be immediately reached. A Credit Suisse spokesman and Welch confirmed DeGhetto's departure but declined further comment.

LS Lassos NextEra Gas-Fired Assets

LS Power has agreed to buy the majority of NextEra Energy Resources' 2.7 GW gas-fired portfolio for \$1.05 billion. The acquisition of three combine cycle facilities and one peaker totaling 2.1 GW is expected to close in the fourth quarter pending regulatory approval.

The transaction does not include the merchant 550 MW RISEC combined cycle facility in Johnston, R.I. NextEra plans to continue shopping that asset. NextEra had been selling five facilities via Citigroup and Credit Suisse.

LS Power is buying:

- -507 MW Blythe CCGT in Blythe, Calif., that has a 10-year power purchase agreement with Southern California Edison
- -668 MW Calhoun peaker in Eastaboga, Ala., has 11 years remaining on an Alabama Power Co. PPA
- -98 MW Cherokee CCGT in Gaffney, S.C., has two years remaining on a PPA with Duke Energy Carolinas
- -708 MW Doswell CCGT in Ashland, Va., has six years remaining on a Virginia Electric Power Co.; there is also a 171 MW merchant peaker.

Citi, Credit Suisse and Goldman Sachs had been offering a staple financing in the neighborhood of \$1 billion, including a term loan and working capital (PFR, 8/12). Whether LS Power is taking that package or used an advisor could not be immediately learned. Officials and spokesmen at the banks and LS Power were not immediately available for comment.

Tell Us What You Think!

Do you have questions, comments or criticisms about a story that appeared in PFR? Should we be covering more or less of a given area? The staff of PFR is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact Sara Rosner, managing editor, at (212) 224-3165 or srosner@iineews.com.

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EDITORIAL

STEVE MURRAY
EditorTOM LAMONT
General EditorPETER THOMPSON
Executive Editor [Chicago]
(773) 439-1090SARA ROSNER
Managing Editor
(212) 224-3165BRIAN ECKHOUSE
Senior Reporter
(212) 224-3624HOLLY FLETCHER
Senior Reporter
(212) 224-3293STANLEY WILSON
Washington Bureau Chief
(202) 393-0728KIERON BLACK
Sketch Artist

PRODUCTION

DANY PEÑA
DirectorDEBORAH ZAKEN
ManagerMELISSA FIGUEROA,
JAMES BAMBARA, DOUGLAS LEE
AssociatesJENNY LO
Web Production & Design Director

ADVERTISING

PAT BERTUCCI
Associate Publisher
(212) 224-3890ADRIENNE BILLS
Associate Publisher
(212) 224-3214

PUBLISHING

ALLISON ADAMS
Group PublisherGAURI GOYAL
Business Director
(212) 224-3504ANNA LEE
Marketing Director
(212) 224-3175ISMAELA BEST
Senior Marketing Manager
(212) 224-3609VINCENT YESENOSKY
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Senior Fulfillment Manager
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ELECTRONIC LICENSESOne year \$2,995 (in Canada add \$30
postage, others outside US add \$75)KEN LERNER
Account Executive
(212) 224-3043

REPRINTS

DEWEY PALMIERI
Reprint & Permission Manager
(212) 224-3675
dpalmieri@institutionalinvestor.com

CORPORATE

JANE WILKINSON
Chief Executive OfficerSTEVE KURTZ
Chief Operating Officer

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7778 8704
Hong Kong: 852 2842 6910
E-mail: customerservice@iineews.com

Editorial Offices: 225 Park Avenue
South, New York, NY 10003.
Tel: (773) 439-1090
Email: pthompson@iineews.com

Institutional Investor Hotline:
(212) 224-3570 and (1-800) 437-9997 or
hotline@institutionalinvestor.com

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**Institutional
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INTELLIGENCE FIRST

Project Finance

Geo. Developers Approach Lenders

Developers of a roughly \$400 million, 49.5 MW Hudson Ranch II geothermal project in Salton Sea, Calif., have initiated talks with at least two lenders about financing the project. “We’re looking at a lot of interesting [financing] structures,” says **Eric Spomer**, president of **Catalyst Renewables**, declining to elaborate. Catalyst is developing the project with **Hannon Armstrong** of Annapolis, Md.

Potential lenders of Hudson Ranch II are not limited to the bank group that backed the 49 MW Hudson Ranch I, Spomer says. **ING**, **Mitsubishi UFJ Financial Group** affiliate **Union Bank**, **Société Générale** and **WestLB** led the \$300 million financing backing phase one in May 2010 (PFR, 5/21/10).

The sponsors aim to nail down the financing by the third quarter of next year. They had originally sought to close the deal early next year, but they have yet to initiate a drilling program. Sponsors generally conduct drillings to demonstrate the availability of the geothermal resource to lenders and investors. Why the Hudson Ranch II drilling process was delayed and when it will be initiated couldn’t be learned.

Catalyst and Hannon are close to landing an offtaker for Hudson Ranch II, says Spomer, declining to identify the utility. Whether **Salt River Project**, the offtaker for Hudson Ranch I, is considering offering a power purchase agreement for phase II couldn’t be learned. A spokeswoman in Phoenix didn’t immediately address an inquiry. **Brian Harenza**, the Hannon v.p. in San Francisco overseeing the financing of Hudson Ranch II, couldn’t be reached. Bank officials declined to comment or didn’t return calls.

Wind Capital Tags Two For Kan. Debt

Wind Capital Group has tapped relationship lenders **BayernLB** and **Rabobank** to lead a more than \$250 million financing backing its \$350 million, 201 MW Post Rock farm in Ellsworth and Lincoln counties, Kan. The St. Louis, Mo.-based developer also plans to tap tax equity for the project, says a deal watcher.

The financing will be priced between 225 and 250 basis points over LIBOR and will consist of a term loan and a one-year construction facility. Wind Capital Group is targeting financial

fast fact

► The financing will be priced between 225 and 250 basis points over LIBOR.

close this quarter. BayernLB and Rabo also are bookrunners on a more than \$200 million deal supporting Wind Capital’s 150 MW

wind project in Osage County, Okla. (PFR, 8/11).

Westar Energy is the offtaker for Post Rock. Construction is

expected to begin this month.

The tenor of the term loan and the sizes of the debt facilities couldn’t be learned. The identity of the potential tax equity investor also couldn’t be immediately determined. **Ciaran O’Brien**, Wind Capital ceo in Chicago, declined to comment, while bank officials declined to comment or didn’t return calls.

Recurrent Snags \$130M Financing

Recurrent Energy has wrapped a \$130 million deal backing 40 MW of solar photovoltaic projects in Northern California. **Bank of Tokyo-Mitsubishi UFJ**, **Lloyds TSB**, **Mizuho Corporate Bank** and **UniCredit** participated in the club deal, which wrapped last month. BoTM was the administrative agent.

The financing has a tenor of construction plus 18 years. Pricing starts between 200 and 225 basis points over LIBOR (PFR, 8/25). The size of the banks’ tickets couldn’t be learned. **Arno Harris**, Recurrent president in San Francisco, couldn’t be reached by press time. Bank officials declined to comment or didn’t return calls.

The financing backs a series of 5 MW projects near Galt and Elk Grove, Calif. **Sacramento Municipal Utility District** is the offtaker for the projects.

Gas Storage Co. Hunts \$160M Financing

Peregrine Midstream Partners is talking to banks for a roughly \$160 million club financing that would go toward developing at least 18 billion cubic feet of gas storage near the Opal Hub in Uinta County, Wyo. The **EQT Infrastructure Fund**-backed Peregrine aims to wrap the deal in October.

Peregrine plans to convert an existing partially-depleted oil and gas reservoir into the

fast fact

► Peregrine plans to convert an existing partially-depleted oil and gas reservoir into the Ryckman Creek gas storage facility.

Ryckman Creek facility, which would ultimately operate 35 bcf of storage. The financing would include a \$120 million term loan and \$40 million in letters of credit. **ING**, **Natixis**, **Royal Bank of Canada**, **Sumitomo Mitsui Banking Corp.**, **UniCredit** and **WestLB** are potential participants, deal watchers say. The U.S. **Federal Energy Regulatory Commission** approved the conversion in late July, according to Peregrine.

The initial 18 bcf phase of Ryckman Creek is contracted to undisclosed customers. The financing could be expanded if Peregrine can secure contracts for more than 18 bcf, says a deal

watcher. Operation of Ryckman Creek is expected next year. The facility will initially interconnect into four pipelines—Kern River, Questar, Overthrust and Northwest—and add an interconnection with El Paso Corp.'s Ruby Pipeline in 2013.

The founders of Falcon Gas Storage, John Hopper and Jeff Foutch, launched the Houston-based Peregrine in 2009. Luke Saban, former Falcon cfo, is Peregrine cfo. EQT took a 70% stake in Peregrine in early August. The purchase price could not be learned.

Terms of the deal have yet to be decided, says one financier, who notes that Peregrine hasn't scheduled a bank meeting. Whether Peregrine is planning one, as well as the deal's targeted pricing and tenor, couldn't be learned. Chuck Sawyer, Peregrine v.p. of development, didn't return a call, while Glen Matsumoto, EQT partner, declined to comment. Bank officials declined to comment or didn't return calls.

Invenergy Inputs Slim Equity

Invenergy aims to contribute 7.5-10% in equity to the construction costs of its 200 MW Bishop Hill I wind project in Henry County, Ill.—far less than the traditional 20-30% in project finance deals. The Chicago-based developer is hunting \$415 million in debt to build the project.

Senior bankers critical of the Bishop Hill financing say more equity would be needed for them to participate, but concede that Invenergy's plan is indicative of an experienced, shrewd sponsor that seeks to extract every potential concession from deal-hungry lenders. The source of the developer's equity funding could not be learned.

The dearth in large wind deals and a need to put capital to work before year-end has many banks still interested in the deal. BayernLB, Dexia Crédit Local and Rabobank are leading the deal, with CoBank, Helaba, Mitsubishi UFJ Financial Group affiliate Union Bank, Natixis and NordLB among the lenders mulling participation (PFR, 8/19).

Bishop Hill "has a really strong PPA... The project has enough value if it were to default. And Invenergy's projects are good. They've been doing this for a long time," an originator says. The Tennessee Valley Authority has a 20-year power purchase agreement for Bishop Hill I.

The financing is priced at 237.5 basis points over LIBOR,

which is slightly above most recent project deals that have margins between 200 bps and 225 bps and perhaps reflects Invenergy's slim equity investment. The debt has an 18-year tenor.

An Invenergy spokeswoman in Chicago didn't immediately address an inquiry. Bank officials declined to comment or didn't return calls.

Mergers & Acquisitions

First-Round ArcLight Bids Flutter In

First-round bids for ArcLight Capital Partners' 1.12 GW gas-fired and transmission portfolio came in late last month, bankers say. Citigroup and Barclays Capital are running the sale for the Boston-based private equity shop, which is aiming to wrap the deal by year-end.

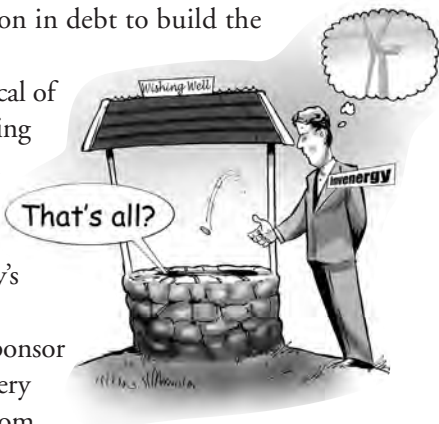
The identity or number of shops that submitted bids couldn't be immediately learned. Spokespeople for the banks declined to comment. An ArcLight spokeswoman couldn't be reached.

ArcLight is selling four contracted gas-fired plants as well as its stake in a fifth in Crockett, Calif. A majority equity stake, 59%, in the 391 MW, 65-mile Neptune transmission line that connects Sayreville, N.J., to Long Island, N.Y., is also up for grabs.

Teasers for the portfolio went out late last month (PFR, 7/22). Citi Managing Directors Jack Paris and Sara Schwerin are leading the deal for that bank. John Plaster, managing director at Barclays, is heading up its team.

fast fact

► Citi Managing Directors Jack Paris and Sara Schwerin are leading the deal for that bank.



Highstar Investor Takes Gas-Fired Stake

An investor in Highstar Capital's fund is taking a direct equity stake in Star West Generation, the independent power producer subsidiary of Highstar that owns the Arlington Valley and Griffith combined cycle facilities in Arizona.

Highstar is using the proceeds from the \$150 million co-investment process—when a fund investor takes a direct stake in an asset—to pay down a portion of an outstanding term loan used to finance the acquisition of the two facilities this spring, says a deal watcher. That transaction closed in August.

The repayment lowers the amount of debt on the assets to about \$479 per kW from \$567/kW, according to a report from Standard & Poor's. Of the \$150 million investment, \$100 million will go toward the term loan, while \$50 million will pay

down a subordinated note at the holding company, according to the report.

Highstar acquired 572 MW Griffith and 579 MW Arlington Valley from **LS Power** for \$906 million (PFR, 3/30). The financing package consisted of a seven-year, \$650 million term loan that priced at 450 basis points over LIBOR and a five-year, \$100 million revolver (PFR, 5/11). **Barclays Capital**, **Citigroup** and **Royal Bank of Canada** led the financing.

The identity of the investor and whether it will have a controlling stake in the assets could not be learned. **Scott Litman**, partner and coo at Highstar, didn't reply to an inquiry. Bank spokesmen declined to comment.

AES Eastern Inks Forbearance Agreement With Lender

AES Eastern Energy has signed a forbearance agreement with the lender and administrative agent on a working capital facility that delays a lender-forced bankruptcy until the fall. Financial results released Aug. 30 indicate that the **AES** subsidiary defaulted on a covenant last quarter by not repaying a \$30 million working capital facility from which it drew \$29 million, according to a deal watcher. **Calyon** was

the lender on the \$30 million facility.

The forbearance agreement staves off a lender-forced bankruptcy until Oct. 6. The identity of the administrative agent and the terms of the facility couldn't be immediately learned.

Parent **AES** has been in talks with prospective restructuring advisors for the coal-fired subsidiary, which is saddled with some \$557 million in debt, including pass-through certificates and the working capital facility (PFR, 7/29).

The Arlington, Va.-based parent tagged **Barclays Capital** to sell four coal-fired units in New York (PFR, 3/4). The facilities include the 306 MW Cayuga in Lansing; 675 MW Somerset in Barker; 105 MW Greenidge in Dresden; and the 83 MW Westover near Binghamton. Somerset has a sale leaseback in place until November 2027, while Cayuga has a leveraged lease until February 2033.

Whether a restructuring advisor has been mandated and the status of the sale could not be immediately learned. A **Barclays** spokesman couldn't immediately comment and calls to spokesmen at **AES** weren't returned. A **Crédit Agricole** spokeswoman didn't respond to a call.

fast fact

► The forbearance agreement staves off a lender-forced bankruptcy until Oct. 6.

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Corporate Strategies

Calpine Eyes Buybacks In Down Market



Swami
Venkataraman

Calpine Corp. is looking to repurchase up to \$300 million in the face of depressed stock prices. "Given the stock market's decline, it's an opportune time to do buybacks at a nice price," says **Swami Venkataraman**, an analyst in the utilities, infrastructure and ratings group at **Standard & Poor's** in San Francisco, pointing to a general decline in the equities

markets since S&P's downgrade of U.S. credit last month.

The repurchases may be made through open market purchases or privately negotiated transactions and Calpine will use cash on hand from operating revenues to fund the purchases. Calpine Corp. had 489,999,535 shares of common stock outstanding as of Aug. 22. The Houston-based independent power producer's stock opened at \$14.32 on Aug. 31, a 15% decline in price from its peak of \$16.85 on July 26. A lack of significant capital expenditures is buoying the company's buyback initiative, Venkataraman notes.

A timeline for the repurchase program and whether Calpine is working with an advisor or a bank on the program could not be learned. **Zamir Rauf**, cfo, did not return a call.

Generation Auction & Sale Calendar

Generation Sale DATABASE

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call **Holly Fletcher** at (212) 224-3293 or e-mail hlfletcher@iineews.com.*

Seller	Assets	Location	Advisor	Status/Comments
AES	Cayuga (306 MW Coal) Greenidge (105 MW Coal) Somerset (675 MW Coal) Westover (83 MW Coal)	Lansing, N.Y. Dresden, N.Y. Barker, N.Y. Binghamton, N.Y.	Barclays Capital	Signed a forbearance agreement with lenders that is in place until October (see story, page 5).
AES Thames	Thames (208 MW Coal-fired)	Montville, Conn.	Houlihan Lokey	AES is looking to line up a stalking horse bid in preparation for a fall bankruptcy auction (PFR, 8/29).
ArcLight Capital Partners	Waterside (72 MW peaker) Crockett (162 MW Cogen) Hobbs (604 MW CCGT) Hamakua (60 MW CCGT) Borger (230 MW Cogen) Neptune (391 MW, 65-mile transmission line)	Stamford, Conn. Crockett, Calif. Hobbs, N.M. Honokaa, Hawaii Borger, Texas Sayreville, N.J., to Long Island, N.Y.	Citigroup, Barclays Capital	First round bids were said to come in the week of Aug. 22 (see story, page 4).
Black Hills Corp.	Stake (29 MW Wind project)	Huerfano County, Colo.	None	Utility sub is looking to bring in an outside owner for 50% (PFR, 8/22).
Capital Power	K2 (270 MW Wind)	Township of Ashfield-Colborne-Wawanosh, Ontario		Samsung Renewables and Pattern Energy Group are joining Capital Power as developers (PFR, 8/15).
Cal Peak Power	El Cajon (49.9 MW Simple Cycle)	El Cajon, Calif.	TBA	San Diego Gas & Electric will buy the facility when its land lease agreement ends on Jan. 1 (PFR, 8/15).
Calpine	Mankato (375 MW CCGT) Broad River (847 MW Simple cycle)	Mankato, Minn. Gaffney, S.C.	Barclays Capital	Shelved the auction after bids came in low (PFR, 8/8).
Cogentrix Energy	50% Stake (115 MW Portsmouth coal-fired) 50% Stake (135 MW James River coal-fired)	Portsmouth, Va. Hopewell, Va.	TBA	Quantum Utility Generation is buying half of each facility (PFR, 8/29).
Coram Energy	Stake (102 MW Wind project)	Tehachapi, Calif.	Marathon Capital	Coram is selling a 50% stake in a wind project co-owned by Brookfield Renewable Power (PFR, 8/22).
Energy Investors Funds	Mojave (55 MW gas-fired)	Boron, Calif.	None	A pair of investors have bought the facility (PFR, 8/22).
FirstEnergy	Richland (432 MW gas-, diesel-fired) Stryker (18 MW gas-fired)	Defiance County, Ohio	TBA	A unit of Quintana Capital has agreed to buy them (PFR, 8/22).
NextEra Energy Resources	Blythe (507 MW Combined-cycle) Calhoun (668 MW Peaker) Doswell (708 MW CCGT & 171 MW Peaker) Cherokee (98 MW CCGT) Risee (550 MW CCGT)	Blythe, Calif. Eastaboga, Ala. Ashland, Va. Gaffney, S.C. Johnston, R.I.	Credit Suisse, Citigroup	Second round bids have been pushed to September given market volatility (PFR, 8/15).
Strategic Value Partners, JPMorgan, Cargill	Liberty Electric Power (586 MW CCGT)	Eddystone, Pa.	JPMorgan	Energy Capital Partners is buying the facility for a price just under \$1,000/kW (PFR, 8/29).
Tenaska	High Desert (800 MW CCGT) Rio Nogales (800 MW CCGT)	Victorville, Calif. Seguin, Texas	TBA	Looking to mandate an advisor (PFR, 8/29).

Shaded items indicate latest entries.

Project Finance Deal Book

*Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. The entries below are of new deals or deals where there has been change in their parameters or status. To report updates or provide additional information on the status of financings, please call Senior Reporter **Brian Eckhouse** at (212) 224-3624 or e-mail beckhouse@iinews.com.*

Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
American Renewables	Gainesville (100 MW Biomass)	Gainesville, Fla.	BoTM, Crédit Agricole, ING, Natixis, Rabo, SocGen	TBA	\$500M	TBA	CIT joins retail syndication (PFR, 8/29).
Brookfield Asset Management, T Isolux Corsan	CREZ (378 Miles transmission)	West Texas Scotia, SocGen	BOTM, DB,	TBA	\$560M	TBA	Deal wraps (PFR, 8/29).
Calpine Corp.	Los Esteros (300 MW Retrofit)	San Jose, Calif.	BBVA, BLB, CA, WestLB	Term	\$373M	10-yr	Deal wraps (PFR, 8/29).
Cirque Energy	Midland Biomass (35 MW Biomass)	Midland, Mich.	TBA	TBA	\$70M	TBA	Sponsor targets debt, equity (PFR, 8/29).
First Wind	Palouse (100 MW Wind)	Whitman County, Wash.	TBA	TBA	\$180M	20+-yr	Sponsor targets tenor longer than 20 years (PFR, 8/29).
Hannon Armstrong, Catalyst Renewables	Hudson Ranch II (49.5 MW Geothermal)	Salton Sea, Calif.	TBA	TBA	TBA	TBA	Sponsors initiate talks with lenders (see story, page 3).
Invenergy	Bishop Hill I (200 MW Wind)	Henry County, Ill.	BLB, Dexia, Rabo	Term/Bridge	\$415M	TBA	Sponsor plans to contribute 7.5-10% equity (see story, page 4).
NextEra Energy Resources	White Oak (150 MW Wind)	McLean County, Ill.	Lloyds, UniCredit	TBA	\$70M	TBA	Deal wraps (PFR, 8/22).
Northland Power	Manitoulin Island (60 MW Wind)	Maitoulin Island, Ontario	Manulife	TBA	TBA	TBA	Northland taps Manulife to lead financing (PFR, 8/29).
NRG	El Segundo (550 MW Gas)	El Segundo, Calif.	Crédit Agricole, Mizuho, ING, MUFG, RBS	TBA	\$688M	10-yr	Deal wraps (PFR, 8/29).
Peregrine Midstream Partners	Ryckman Creek (18-35 bcf Gas Storage)	Uinta County, Wyo.	TBA	TBA	\$160M	TBA	Sponsor hunts financing for gas storage facility (see story, page 3).
Recurrent Energy	Unidentified (40 MW Solar PV)	Near Sacramento, Calif.	BoTM, Lloyds, Mizuho, UniCredit	TBA	\$130M	C+18	Deal wraps (see story, page 3).
Tenaska Solar Ventures	Imperial Solar Energy Center	Imperial Valley, Calif. South (130 MW Solar PV)	TBA	TBA	TBA	TBA	Banks pitch for mandate (PFR, 8/22).
Wind Capital Group	Unidentified (150 MW Wind)	Osage County, Okla.	BLB, Rabo	TBA	TBA	TBA	Sponsor mandates BLB, Rabo (PFR, 8/15).
	Post Rock (201 MW Wind)	Lincoln and Ellsworth, Kan.	BLB, Rabo	Term/ Construction	\$250M	TBA	BLB, Rabo picked to lead deal (see story, page 3).

Shaded items indicate latest entries.

WIND TURBINE

(continued from page 1)

He declined to comment on the pricing of Gamesa turbines, citing competitive information.

Greater efficiency in the form of turbines with longer blades and higher capacity has also lowered production costs. **Clipper Windpower's** Liberty C96 and C99 models along with Gamesa's G97, **GE Energy's** 1.6-100 models and **Vestas' V100-1.8 MW** all have larger rotor diameters and higher capacity than older models. These larger turbines can cost under \$1 million per MW, though the total cost of a having a turbine delivered to the project site is still over the \$1 million mark, observers say. Newer models that have rotor diameters in the 97-100 meter range can boost wind regime capture up to 34-35% of regions like Ohio that have traditionally captured 26-27% of a wind regime.

In some cases, lower turbine prices have allowed developers to

land power purchase agreements for projects that had stalled in offtake negotiations in the past, renewable bankers say. A developer recently signed a PPA in revived talks with a Midwest utility for a 20-year PPA in the low-\$30s per MWh, says one banker, noting that the decreased pricing on turbines allowed the developer to hit internal return targets. The 131 MW Cimarron II project in Kansas that **Duke Energy** bought from **Competitive Power Ventures** has a PPA with **Kansas City Power & Light** at \$38 per MWh, says a deal watcher.

Big developers with better economies of scale will benefit the most from decreased turbine costs, industry observers say. Competition against cheaper forms of generation, a paucity of PPAs and uncertain clean energy policy on the national stage, will likely continue to stunt industry growth.

"It's not all supply and demand. Uncertain government policies play a large role. The lack of long-term policy at the

federal level hurts investments,” says Rosenberg, referencing the sunset of production and investment tax credits and lack of a national clean energy standard.

Officials and spokespeople at manufacturers including Clipper, GE Energy and Vestas either did not respond to messages or could not immediately comment.

—Holly Fletcher

USRG LAUNCHES

(continued from page 1)

solar projects would be less than 5 MW. Industry observers expect USRG to score roughly 15% interest on its principal investments from the fund. Original issue discounts and loans paid at the end in one swoop are common in mezz financings.

Solar distributed generation companies are potential mezzanine borrowers given the companies' limited clout and the small output of their projects, observers say. Also, solar DG portfolio financings often feature multiple offtakers, a complication credit committees of commercial lenders tend to avoid. Investors of mezz debt are historically comfortable with the risk, given the high returns versus that of senior debt, says a financier in New York.

USRG is the latest entity to enter the mezzanine debt market. The **Carlyle Group** is building a mezzanine fund, citing demand for financings below threshold amounts for traditional bank and capital markets deals (PFR, 7/22). **Ares Management** is also looking at offering mezz debt at the project or corporate level (PFR, 7/8).

A USRG official declined to comment.

—B.E.

LENDERS DRAW

(continued from page 1)

the lenders looking at the tenders, says a deal watcher. “Banks have confidence in the contracts, in CFE,” says the senior originator. **Standard & Poor's** assigns an mxAAA rating to CFE on a national scale.

Bids for the pipeline project are due Tuesday, while pitches for the combined-cycle project are due Sept. 22. CFE is expected to select winning bidders by October. Observers anticipate financing to wrap by mid-2012.

French, Japanese, Korean and Spanish developers are expected to bid; **Abengoa**, **Marubeni** and **Unión Fenosa** are among the developers that have won previous CFE calls for new thermal projects in Mexico. “These developers have to come up with financing schemes,” says **Raquel Bierzwinsky**, associate at **Chadbourne & Parke** in Washington, D.C. “They’ve been approaching banks to build syndicates or clubs.”

CFE plans to buy the combined-cycle project roughly three



Raquel
Bierzwinsky

Alternating Current

Twilight Zone

Jellyfish Invade Nuclear Plant



While last month's earthquake left most East Coast nuclear plants relatively intact, a pair of reactors in Scotland fell victim to a far more elusive natural phenomenon: jellyfish. **EDF Energy** was forced to shut down the reactors at

its 1.2 GW Torness nuclear plant near Dunbar for at least three days this summer after the translucent creatures overwhelmed the plant's water filters and clogged its cooling system.

Higher-than-average temperatures in the North Sea, where the plant draws water for its cooling systems, has caused a surge in *Aurelia aurita*, or the common jellyfish, some scientists say. “They’re a damn pest, as far as I’m concerned. Constantly busting up my nets,” says a scientist at the Marine Scotland Science laboratory in Aberdeen. He declined to comment on the incident at Torness.

The plant, which supplies power to 2.5 million homes, has resumed operations, says a spokeswoman for EDF Energy. None of the EDF's customers lost power during the incident.

years after it's built, the senior originator says. The utility will offer a 25-year contract to the owner of the pipeline, according to CFE's web site. The gas pipeline will have a transportation capacity of up to 320 million cubic feet per day.

The identity of the bidders into the latest CFE gas tenders couldn't be learned. CFE officials didn't immediately reply to an email, while bank officials declined to comment or didn't return calls.

—Brian Eckhouse

Quote Of The Week

“It's not all supply and demand. Uncertain government policies play a large role. The lack of long-term policy at the federal level hurts investments.” —**David Rosenberg**, director of marketing of North America for **Gamesa Technology Corp.**, in Langhorne, Pa., on factors that affect wind turbine pricing (see story, page 1).

One Year Ago In Power Finance & Risk

Noble Environmental Power was working with **MSD Capital**, the family wealth investment vehicle of **Michael Dell** of **Dell** computers, to restructure a \$227 million turbine loan, and with lenders to pay down a \$480 million non-recourse loan that it defaulted on. [The Essex, Conn.-based Noble and lender **Paragon Noble** agreed to restructure \$305 million in debt (PFR, 10/6/10).]