

Power Finance & Risk

The weekly issue from **Power Intelligence**

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North American Energy & Infrastructure Finance Forum

Private Placements, 144As Scoped To Take Up Loan Slack

Traditional private placements and 144A deals are being targeted by sponsors as the bank loan market continues to strain under financial troubles in Europe. Today's bond market is very competitive relative to bank pricing, **Ric Abel**, managing director of the energy and finance group, power, at **Prudential Financial**, said at an event focusing on the debt capital markets Monday.

Long tenors and coupons that are inexpensive relative to historical bond pricing are drawing in developers, observers said. "I've never seen, in the 14 years that I've been in the infrastructure market, borrowers be able to finance long-term below 4%," said a finance executive at a Canadian shop.

Private placements are attractive to sponsors because the

deal structure can allow for delayed or multiple draws and often opens up lines of communication between investors and borrowers that are useful if amendments need to be made down the road, a banker noted. "It's a much more involved and engaged process," he said, adding that private placement investors will buy and hold project paper.

Investors in 144A paper can trade their paper on a secondary market, making it a more liquid investment for investors. However, it's also more difficult for sponsors to track down the ultimate owner of the bonds in order to get consent to make changes to a deal. The pool of 144A investors, however, is also a lot

(continued on page 13)

FERC Orders NY-ISO Rework On Price Calculation

The U.S. **Federal Energy Regulatory Commission** has made what some observers say could be a landmark ruling: it has ordered NY-ISO to recalculate which plants participate in the capacity auction, or the mitigation exemption test. If a plant is mitigated then it does not bid into the New York capacity auction.

The significance of the decision lies in the fact the commission went to the heart of the complaint—that the mitigation mechanism was not equitable because it compared the price of contracted power to that of wholesale merchant—to find that a seemingly routine process may put existing generation at a disadvantage. Going forward, the decision puts grid operators on notice that complex equations could be successfully challenged.

U.S. Power Generating Co. and **TransCanada** brought a

(continued on page 16)

Lone Star Shops Hunt Solar Financing

OCI Solar Power and development partner **CPS Energy** are looking for financing backing their 400 MW Alamos solar project near San Antonio, Texas. OCI aims to secure roughly \$500 million in funding over the five phases of the project in the next several years.

Tony Darazio, president at OCI and former senior v.p. in renewable energy generation and solutions at **Duke Energy Renewables**, says the sponsor is in talks with several banks and will probably settle on a lead before month-end. "We are really close to agreeing on terms with an Asian bank to take the lead," he notes. "European banks have dried up with the crisis and the U.S. banks haven't fully stepped up to fill the void."

The identity of the Asian lender could not be learned.

Darazio, who started at the San Antonio, Texas-based shop

(continued on page 16)

Obama Vs. Romney

How do the two candidates stack up on power and energy? *PI* has an exclusive analysis of their two policy platforms from industry observer **Catharina Milostan**.



Catharina Milostan

See Special Report, 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

Power project financiers are looking for the next evolution in the market as they cope with financial crises on both sides of the Atlantic, expiring U.S. subsidies, Basel III and low gas and power prices. Trying to make sense of the new lay of the land was the key topic of conversation at the North American Energy and Infrastructure Finance Conference held this week in New York.

A key element in this dynamic market is maintaining and cultivating relationships. Project financiers from **Citigroup**, **Sumitomo Mitsui Banking Corp.** and **Crédit Agricole** as well as institutional investors and sponsors all stressed the importance of building connections to carry deals through the market. The emphasis points to the prevalence of club deals and the dominance of veteran sponsors (see story, page 13).

Despite serious headwinds, bankers and developers are proving resilient as they continue to hunt for innovative capital structures. In the face of a severely contracted bank loan market, bond components in project finance have risen from being part of roughly one in three projects to one in two with 144A transactions are being favored by large renewable financings (see story, page 1). Production tax credits for wind will either expire this year or next, but industry players are pegging hopes on incorporating master limited partnerships or real estate investment trusts (see story, page 12).

Around the country municipal and cooperative power districts are making a strong showing as buyers of gas-fired generation. This year **GDF Suez Energy North America**, **Tenaska Capital Management** and **Kelson Holdings** have all found municipal or co-ops to buy up, or into, gas-fired plants. These local utility districts are increasingly opting to own generation to ensure reliability and meet demand instead of inking power purchase agreements. Now, the grass roots sector is looking at buying stakes of wind farms, according to Senior Reporter **Nicholas Stone** (see story, page 13).

The costs of maintaining a municipal district are high because there is no economy of scale, say industry officials, noting that's where co-ops come into play, often linking smaller municipals. **Xcel Energy** estimates that it would cost about \$1 billion for Boulder, Colo., to establish a municipal and leave Xcel's service territory. And for some towns already in the power business, the price is too high. The City of Hercules, Calif., has just launched the sale of **Hercules Municipal Utility** because of the expensive of funding growth (see story, page 5).

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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/Comments
Agile Energy	Silverleaf (160 MW Solar PV)	Imperial County, Calif	None	Tenaska Solar Ventures has bought the project (PI, 9/3).
ArcLight, Olympus Power, John Hancock, Atlantic Power Corp.	Delta Person (140 MW Peaker)	Albuquerque, N.M.	Fieldstone Private Capital Group	Shortlist to emerge by October (PI, 9/10).
Bicent Power	BIV Generation (147 MW CCGT) Colorado Power Partners (90 MW CCGT)	Brush, Colo. Brush, Colo.		A unit of Xcel is buying the facilities (PI, 8/13).
► Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citi, Morgan Stanley	Teasers are expected soon (see story, page 5).
Duke Energy	Various (7.5 GW Coal, Gas, Oil)	Ill., Ohio, Pa.	Citigroup, Morgan Stanley	Tagged Citi, Morgan Stanley to run the sale.
EQT Infrastructure Fund, Fortistar	Midland (1.56 GW Gas Cogen)	Midland, Mich.	Credit Suisse, Royal Bank of Canada	Binding bids due for Sept. 21 (PI, 9/3).
Energy Investors Funds	Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater Gas)	Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis.	Scotiabank	Initial bids due by Sept. 12 (PI, 9/10).
Exelon	Stakes (140 MW Biomass, Coal)	California	No advisor	Japanese engineering firm IHI Corp. is buying Exelon's stakes totaling 70 MW in five plants (PI, 8/27).
Exelon	Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal)	Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md.	Citigroup, Goldman Sachs	Riverstone is buying the plants for \$400M, will look to finance (PI, 8/20)
GSO Capital, Starwood Energy, Tyr Energy	Vaca Dixon (49 MW Peaker) Panoche (49 MW Peaker) Border (49 MW Peaker) Enterprise (49 MW Peaker)	Vacaville, Calif. Firebaugh, Calif. San Diego, Calif. Escondido, Calif	Scotiabank	Teasers are out (PI, 7/3).
GSO Capital, Strategic Value Partners	San Joaquin (48 MW Peaker)	Lathrop, Calif.		San Joaquin, from Bicent, is part of the CalPeak sale (PI, 7/3).
Harbert Power	Hanford (95 MW Gas) Henrietta (97 MW Gas) Tracy (314 MW Gas)	Kings County, Calif. Kings County, Calif. Stockton, Calif.	Morgan Stanley, Merit Capital Advisors	July 13 pegged for first round bids (PI, 7/3).
IPR-GDF Suez Energy North America	Various (287 MW Wind)	Various, Canada	CIBC	The sale has entered the second round (PI, 9/3).
Iberdrola Renewables	Various (Wind, Solar)	Various	JPMorgan, Blackstone	The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16).
► Kelson Holdings	17% Stake (620 MW Dogwood CCGT)	Pleasant Hill, Mo.	TBA	Kansas City Board of Public Utilities is buying the stake for about \$65 million (see story, page 7).
Luminus Management, CarVal Investors, Fortress Investment Group	Bosque (507 MW Gas)	Laguna Park, Texas	Bank of America	Auction is extended to accommodate latecomer Calpine (PI, 9/3).
MACH Gen	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	The facility has drawn utility eyes (PI, 7/16).
Olympus Power, John Hancock	Stakes (123 MW Michigan Power Cogen)	Ludington, Mich.	TBA	ArcLight is buying out what it doesn't already own in the facility (PI, 8/20).
Olympus Power, Metalmark Capital	Brooklyn Navy Yard (Stake, 286 MW Gas)	Brooklyn, N.Y.	Credit Suisse	High competition for the facility as management presentations get underway (PI, 7/27).
Perennial Power	Mid-Georgia (300 MW Cogen)	Kathleen, Ga.	Fieldstone Private Capital Group	Consortium is set to ink the deal soon; Georgia Power declined first right of refusal (PI, 8/20).
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	Rockland has been listening to pitches from prospective advisors (PI, 8/13).
Sempra Energy	50% Stake (156 MW Wind development)	Baja California Norte, Mexico	TBA	BP Wind taking an equal stake as Sempra looks to finance the project (PI, 8/27).
Starwood Energy	Neptune (65-mile Transmission)	Sayreville, N.J. to Long Island, N.Y.	Barclays	Recently hired Barclays to run the sale (PI, 6/11).
► SunPower	AVSP 1 (325 MW Solar PV) AVSP 2 (276 MW Solar PV) South (130 MW Solar PV)	Rosamond, Calif.	Morgan Stanley	Teasers were recently released (see story, page 5). (PI, 6/4).
Western Wind Energy Corp.	Windstar (120 MW Wind) Windridge (4.5 MW Wind) Mesa (30 MW Wind) Kingman (10.5 MW Wind, Solar PV) Yabucoa (30 MW Solar PV)	California California California Arizona Puerto Rico	Rothschild, PI Financial	Recently mandated co-advisors to sell itself (PI, 8/20).

► 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 hffletcher@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
AES Gener	Cochrane (532 MW Coal)	Chile	TBA	TBA	\$1B	TBA	Sponsor taps HSBC as financial advisor ahead of deal and eyes equity (PI, 6/11).
	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	TBA	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
Alterra	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	TBA	\$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
BP, Semptra	Flat Ridge 2 (419 MW Wind)	Wichita, Kan.	Banco Santander, Bank of Tokyo-Mitsubishi, Prudential Financial	TBA	\$500-600M	TBA	The deal will hit the market next month. Structure will include bonds (PI, 8/10)
	Mehoopany (141 MW Wind)	Wyoming County, Penn.	BTMU, CoBank, Mizuho	TBA	\$200M	18-yr	Project wraps in Q2.
BrightSource	Rio Mesa (500 MW Solar)	Riverside County, Calif.	TBA	TBA	TBA	TBA	Sponsor is tapping banks in New York and hopes to close by end of Q2 next year (PI, 9/3).
	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	Sponsor has an offtake agreement with Southern California Edison for both projects.
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound,	Barclays	TBA	TBA	TBA	Financing to be re-ignited (PI, 4/16).
Cogentrix	Portsmouth (110 MW Coal)	Portsmouth, Va.	RBC, Scotia	Refi	\$120M	5-yr	Sponsor tags RBC to lead refi, with Scotia as co-lead (PI, 5/7).
Competitive Power Ventures	St. Charles (650 MW Gas)	Charles County, Md.	TBA	TBA	\$500M		Sponsor considering bond component (see story, page 13).
Dalkia Canada, Fengate Capital	Ft. St. James (33 MW Biomass)	Ft. St. James, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly \$175 million financing for project (PI, 3/26).
	Merritt (33 MW Biomass)	Merritt, B.C.	TBA	TBA	TBA	TBA	Sponsors seek roughly \$175 million financing for project (PI, 3/26).
Diamond Generating Corp.	Mariposa (200 MW Gas)	Alameda County, Calif.	SMBC, DZ, CoBank, Sumitomo Trust	TBA	\$150M	10-yr	Sponsor mandates four lenders (PI, 5/14).
Duke Energy Renewables	Los Vientos (402 MW Wind)	Willacy County, Texas	BBVA, Citigroup	TBA	\$600-\$800M	7-yr	BBVA and Citi tapped as leads (PI, 9/3). Sponsor looking for pricing below 250 bps over LIBOR. (PI, 8/17).
Energy Investors Funds	Pio Pico (300MW Gas)	San Diego County, Calif.	TBA	TBA	\$300M	TBA	Sponsor has a favorable reputation with lenders (PI, 7/23)
GCL Solar	Various (77 MW PV)	Puerto Rico	Union Bank, WestLB	TBA	\$200M	TBA	Deal to wrap this week (PI, 5/28).
Greengate	Blackspring Ridge I (300 MW Wind)	Lethbridge, Alberta.	Citigroup	TBA	~\$600M	TBA	Sponsor may be looking for financing or to sell (PI, 9/10).
InterGen	Unidentified (Gas Pipeline)	Zacatecas, Mexico	TBA	TBA	\$200M	TBA	Sponsor considering club deal (PI, 6/11).
LS Power	Centinela (100 MW Solar)	Calexico, Calif.	Banco Santander, Prudential Financial Services	TBA	\$400M	TBA	Sponsor looking to recreate the 127 MW Arlington Valley deal (PI, 8/16).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~\$500M	TBA	Sponsor is likely to decide on an Asian bank to lead the financing (See story, page XXX).
Odebrecht	Chaglia (406 MW Hydro)	Peru	BNP Paribas	Term	\$650M	17.5-yr, 20-yr	Pricing set at roughly 350 over LIBOR (PI, 7/9).
Ocean Renewable Power Company	Maine Tidal Power (5 MW Tidal)	Eastport, Maine	TBA	TBA	\$25M	TBA	The company is looking for equity financing to complete its maiden project (PI, 9/3).
Panda Power Funds	Sherman (500 MW Gas)	Sherman, Texas	Goldman Sachs, Credit Suisse	Construction	\$520M	Const. + 4-yrs	The package is being floated at LIBOR + 800 bps with a floor of 150. (PI, 8/21).
Pattern Energy	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	RBS, RBC, OB	Mini-Perm	\$400M	C+ 7-yr	Project faces litigation as it aims for PTC, and the company scouts IPO (PI, 8/31).
Ridgeline Energy	Meadow Creek (120 MW Wind)	Bonneville County, Idaho	TBA	TBA	\$180-200M	TBA	Sponsor discusses financing with lenders, equity with Diamond Generating Corp. (PI, 5/28).
Semptra U.S. Gas & Power	Copper Mountain 2 (92 MW PV)	Boulder City, Nev.	TBA	TBA	\$130M	18-yr	Deal wraps, priced at LIBOR + 250 bps (PI, 7/2).
Standardkessel, Green Energy Team	Unidentified (6.7 MW Biomass)	Koloa, Hawaii	TBA	TBA	TBA	TBA	WestLB exits deal; sponsor tap another bank as lead (PI, 5/21).
Termotesajara	Norte de Santander (180 MW Coal)	Norte de Santander, Colombia	TBA	TBA	\$330M	TBA	Bankers say that the plant's arrangement for the generation are attractive to investors (PI, 9/10).

New or updated listing

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MERGERS & ACQUISITIONS

Calif. Town Puts Muni On Block

The City of Hercules, Calif., has retained **Bodington & Co.** to sell its municipal power district as it can not afford to fund growth of **Hercules Municipal Utility**. Teasers for the muni that serves the town of 24,200 about 26 miles northeast of San Francisco went out this week. Indicative offers are due by Oct. 31.

HMU has a peak load of about 4 MW. New community developments that are already approved will likely increase load by over 50%, according to the teaser. The muni buys power through a contract with **Noble Americas Energy Solutions**, which expires in 2016.

Pacific Gas & Electric is the regional utility and could be a

logical buyer although under California law, municipal utilities have to run a broad process, says an official.

Residents voted in June to sell because the utility had not grown in line with demand forecasts due to a slow economy and had not reached an economy of scale, making it expensive to operate. HMU was established in 2002 to cover new load and give residents local control.

The city plans to repay \$13.2 million in outstanding bonds so the muni can be sold without debt. According to the teaser **Jeff Bodington**, president at Bodington in San Francisco, is leading the sale. He declined to comment.

Citi, Morgan Stanley To Shop Dominion Plants

Dominion has tapped **Citigroup** and Morgan Stanley to sell three merchant fossil-fuel fired plants totaling 3.4 GW in Illinois and Massachusetts. Teasers are expected soon, deal watchers say.



Brayton

Dominion outright owns two facilities, Brayton and Kincaid, and has a 50% stake in Elwood.

- Brayton is a 1,536 MW facility with three coal-fired units and one oil or gas-fired unit in Somerset, Mass.
- Kincaid is a 1,158 MW facility with two coal-fired units in

Kincaid, Ill.

- Elwood is a 1,424 MW gas-fired peaker near Chicago.

J-POWER USA Development Co. bought 50% of the facility in 2007 for \$104 million from **Peoples Energy Corp.** ([PI, 1/19/07](#)).

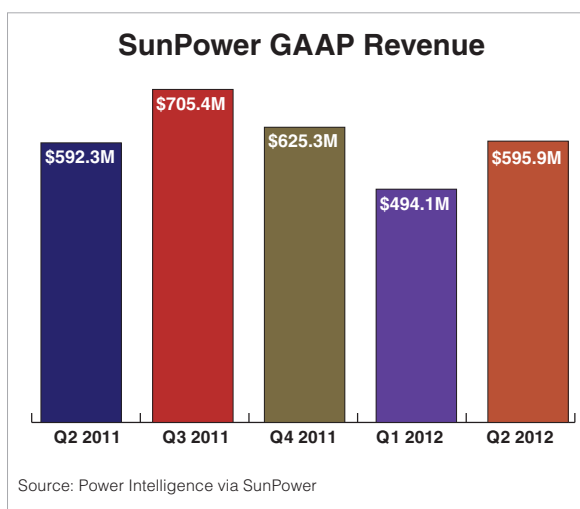
The Richmond, Va.-based company will use proceeds from the sale to reduce debt and invest in its regulated utilities, according to its web site. The sale is expected to wrap in the first half of next year.

Bank spokesmen declined to comment, while a Dominion spokesman didn't return a call.



Kincaid

SunPower Taps Morgan Stanley For Projects Sale



SunPower has retained Morgan Stanley to sell a pair of solar photovoltaic projects in California. The solar panel manufacturer is looking to sell two contracted projects that are slated to be online in 2016, deal watchers say. Teasers were recently released.

The projects are the 325 MW AVSP 1 and the 276 MW AVSP 2 in Rosamond, Calif. Each is contracted to **Southern California Edison** through a 20-year power purchase agreement that is slated to begin Oct. 31, 2016, according to a document from the **California Public Utilities Commission**.

The San Jose, Calif.-based company recently sold the 25 MW McHenry project in Modesto, Calif., to **K Road Power Holdings** ([PI, 5/14](#)). Previously it offloaded the 250 MW California Valley Solar Ranch project to **NRG Solar**.

SunPower is majority owned by French oil giant **Total**, which bought 60% of its shares in the spring of 2011 for about \$1.37 billion.

A Morgan Stanley spokesman declined to comment, while a SunPower spokeswoman was not immediately available.

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Kelson Offloads Gas Stake To Kansas Muni

Kelson Holdings is selling down its holdings in the 620 MW Dogwood combined cycle facility near Pleasant Hill, Mo., to the **Kansas City Board of Public Utilities**. The BPU is buying a 17% stake for about \$64.9 million, according to the purchase and sale agreement filed with the U.S. **Federal Energy Regulatory Commission**.

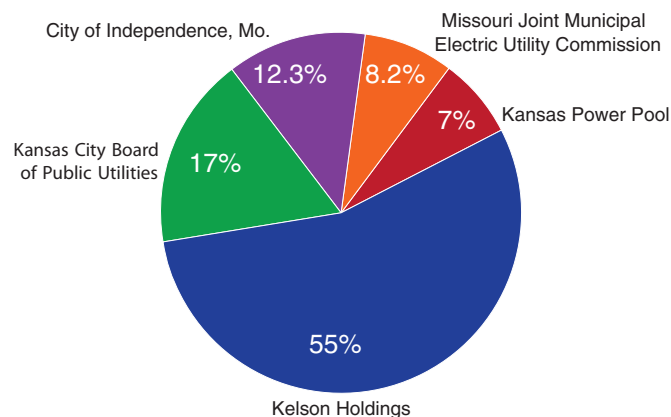
Kelson sold minority stakes totaling 27.5% to a trio of municipals earlier this year ([PI, 1/11](#)). The City of Independence of Missouri, **Kansas Power Pool** and **Missouri Joint Municipal Electric Utility Commission** would have paid about \$105 million based on the \$382 million reserve price listed in the agreement.

The Kansas City Board of Public Utilities serves Wyandotte County, Kan., and is a logical stake buyer, says one industry official, noting that munis like opportunities to add local generation when they can.

Kelson may look to sell down its remaining stake. The private equity shop-owned power company has been selling off plants over the last two years as its parent aims to exit holdings. Kelson is owned by two **Harbinger Capital Partner** affiliates, the **Harbinger Capital Partners Master Fund 1** (66.7%) and **Harbinger Capital Partners Special Situations Fund** (33.3%).

How the BPU will finance the acquisition could not be learned.

Dogwood Ownership Stakes



Source: Power Intelligence

An official was not reached while a Harbinger spokesman did not return a call.

N.J. Gas Parent Buys Into Wind Developer

A subsidiary of **New Jersey Resources** has bought into **OwnEnergy**, a Brooklyn, N.Y.-based community wind developer, in a deal that gives the company the option to acquire wind projects as they near completion.

NJR is the Wall, N.J.-based parent of gas distributor **New Jersey Natural Gas** as well as **NJR Clean Energy Ventures**, which took the OwnEnergy stake. The \$8.8 million investment for roughly 20% of OwnEnergy has been finalized. The companies handled the negotiations themselves.

Under the agreement, CEV will have the opportunity to acquire projects although it has not made any firm commitments about whether it will buy the projects, says a spokesman. OwnEnergy was attractive for its projects that range from 10-80 MW, he says, adding that a corporate stake was preferred to building a team from the ground up.

Each company has flexibility under the agreement to scout

FAST FACT

► The investment is CEV's first outside of its home state of New Jersey where it has invested about \$150 million in about 35 MW of residential and commercial solar projects.

for outside financing, says **Jacob Susman**, ceo and founder of OwnEnergy. CEV's parent has tax capacity and could provide both tax and cash equity to the projects, he says.

OwnEnergy will use the proceeds to fund growth of its development pipeline, says Susman. The company will look at both greenfield and acquisition opportunities around the country. The company has a trio of projects totaling 135 MW expected to be online next year; they are located in the Southwest Power Pool, MISO and ERCOT regions.

The investment is CEV's first outside of its home state of New Jersey where it has invested about \$150 million in about 35 MW of residential and commercial solar projects, says a spokesman. The unit was created two years ago to invest in a spectrum of renewables technologies.

EverPower and **NextEra Energy Resources** each bought a wind project scheduled to be online this year from OwnEnergy in December. OwnEnergy, founded in 2007, is backed by venture capital firms, Philadelphia-based **EnerTech Capital** and New York-based **Contour Venture Partners** ([PI, 12/11/09](#)).

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SPECIAL REPORT

The Energy Forecast: Obama Vs. Romney

By Catharina Milostan

As the presidential campaign heats up, details of each candidate's energy policies have emerged to shed light on potential impact on future energy investments and transactions. President Barack Obama and Republican candidate Mitt Romney tout reducing U.S. dependence on foreign oil by developing domestic energy and power sources, but they follow divergent paths. At the heart of both campaigns is a mandate to promote job growth by developing new oil and gas fields, midstream infrastructure and a broad range of power generation projects. However, where funds will be allocated separates the two candidates.

Obama's All-of-the-Above approach to developing energy resources continues plans set by his 2011 "Blueprint for a Secure Energy Future" to provide incentives to develop renewable energy options while boosting domestic production of fossil fuels and nuclear energy. This could foster a broad array of renewable energy projects and power financing opportunities should the Obama administration succeed with initiatives in Congress.

Romney's Believe in America energy policies are more targeted, focused on promoting domestic fossil fuel production and generation using oil, natural gas, coal and nuclear energy. His energy plan relegates renewable energy development to basic research funding and is not in favor of offering funding incentives to develop non-economic clean energy options. This could dampen the development of new wind, solar, biomass and other alternative energy projects that are dependent on current tax and funding incentives.

New Domestic Oil Frontiers

To reduce dependence on foreign oil, both Obama and Romney support growth in domestic oil and gas production with some variances in scale and scope. Under the Obama administration, approvals for new offshore Gulf of Mexico drilling permits have resumed after the moratorium imposed following the headline-grabbing Gulf of Mexico oil spill in the summer of 2010. The administration is also permitting drilling in Arctic Ocean and supports environmental studies of the Mid- and South-Atlantic planning areas.

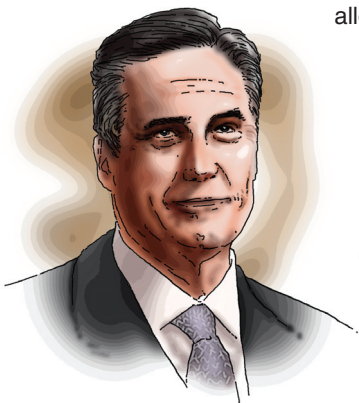
Romney supports a broader mandate, allowing drilling in several regions from offshore Gulf of Mexico, Western U.S., Atlantic and Pacific Outer Continental Shelves and offshore Arctic coast. Both Obama and Romney want to streamline the development of new domestic oil and gas fields. The Obama administration is reviewing plans to provide incentives to develop drilling leases by shortening lease terms and then rewarding rapid development

with lease extensions. Romney suggests he would streamline the permitting process by shortening the review process for new wells in pre-approved regions. Growth in new oil producing frontiers would support the need for more midstream infrastructure development projects and funding opportunities, such as building pipelines and facilities to transport new Bakken oil shale production in North Dakota and new offshore production back onshore to the U.S.

Backing Clean Coal

In coal, Obama continues his support for clean coal technology for coal-fired facilities as a way to tap into abundant U.S. coal reserves while limiting carbon dioxide emissions. After Congress denied the President's cap-and-trade program to regulate/moderate carbon dioxide emissions from plants, a new effort to amend the Clean Air Act with carbon dioxide guidelines is under way. Romney has firmly placed his policies in support of the coal industry and opposes inserting carbon dioxide regulations in the Clean Air Act. The Republican candidate also wants to support construction of new coal-fired power generation.

While pressure remains on reducing emissions from coal-fired power plants, support from both candidates for clean coal technologies bodes well for projects under way. The **Edison Electric Institute's** second quarter 2012 Construction Update indicated that coal accounts for 1,400 MW of the over 6,000 MW of generation capacity that is currently under construction and expected to be on line by the end of this year. In July 2012, **Dominion Resources**



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started up its 585 MW clean coal-fired Virginia City Hybrid Energy Center in Southwest Virginia. The company believes this \$1.8 billion circulating fluidized bed project using coal, waste coal and waste wood is among the cleanest U.S. coal-fired stations in terms of air emissions. **Duke Energy** plans to commence operations of its 618 MW IGCC plant at Edwardsport, Ind., this year. Construction continues at **Southern Co.**'s Ratcliffe site with a target completion date of May 2014 for an estimated cost of \$2.88 billion, including a \$62 million contingency.

However, improving economics for competing fuels for generation such as natural gas and nuclear power may dampen new project activity for coal-fired plants. Planned new coal-fired generating capacity drops off after 2012 with EEI projecting only 3,375 MW of capacity online from 2012 to 2020 versus a total estimate of 69,795 MW for all fuels. The trend of favoring other fuels over coal-fired generation could limit financing for new coal-fired projects, but may boost financing for buyers of divested coal-fired assets. **Exelon** recently announced completion of the sale of power plants in California and an agreement to sell three Maryland coal-fired plants. An Exelon spokesman indicates that "Exelon divested its stake in five California facilities, which included 35 MW of coal-fired capacity, because the structure of the projects did not support the company's long-term growth strategy. An Exelon is selling its three Maryland coal-fired generating facilities to fulfill its commitment to **FERC**, the U.S. **Department of Justice** and the **Maryland Public Service Commission** to divest plants as part of its merger agreement." Other coal-fired plants up for sale include **Westmoreland Coal's** 230 MW Roanoke Valley, N.C., facility and **Duquesne Light Holdings'** stakes in the Pennsylvania-based 1711 MW Keystone facility and 1711 MW Conemaugh facility, according to *PI's* Generation Database. As firms evaluate their long-term generation mix, more decisions to divest coal-fired assets could be on the horizon.

Expanding Nuclear Facilities

The nuclear power industry has support from both camps with the desire to approve new facilities on or adjacent to existing sites. Construction of new nuclear facilities took a major step forward with the February 2012 approval by the U.S. **Nuclear Regulatory Commission** for the first new nuclear

facility in the U.S. in 34 years. The NRC approved construction of two new units to Southern Co.'s existing two-unit Vogtle site near Augusta, Ga. The Obama administration issued a conditional loan guarantee for a nuclear plant at the Vogtle site to help restart the domestic nuclear industry. Romney seeks to streamline the NRC to have licensing decisions completed within two years for any reactors to be built with an approved design on or adjacent to existing site. Romney plans to expand NRC capabilities to facilitate this process and approve several types of certified reactor designs in a way that ensures safety and reliability.

With support from both candidates for nuclear power and 18 proposed projects under different stages of review by the NRC, the future for new nuclear power plants remains on an upward swing. EEI projects new nuclear generating capacity expected online from 2012 to 2020 of 17,461 MW, or about 25% of a total of 69,795 MW of projected capacity additions. In addition to new facilities,

Energy Policy	President Barack Obama "All of the Above"	Mitt Romney "Believe in America"
New Domestic Oil Frontiers		
Offshore Gulf of Mexico	Yes	Yes
Western U.S.	Yes	Yes
Arctic Ocean	Yes	Yes
Mid-Atlantic Outer Continental Shelf	Environmental Study	Yes
South-Atlantic Outer Continental Shelf	Environmental Study	Yes
Backing Clean Coal		
Clean coal technologies	Yes	Yes
Supports new coal-fired power plants	Clean coal power plants	Coal-fired power plants
Amend Clean Air Act to limit CO2 emissions	Yes	No
Expanding Nuclear Facilities		
Supports new nuclear power facilities	Yes	Yes
Supports NRC regulatory streamlining	Yes	Yes
Licensing decisions within 2 years for reactors built with approved designs on existing sites	N/A	Yes
Tapping Extensive U.S. Natural Gas Reserves		
Supports U.S. natural gas production	Yes	Yes
Supports Hydraulic Fracturing	Needs study	Yes
Regulatory oversight	N/A	State priority on well & water management
Ensuring Sufficient Midstream Infrastructure		
Supports midstream infrastructure projects	Yes	Yes
Supports Keystone XL Pipeline	Needs environmental review	Yes
Diverging Support for Renewable Energy		
Supports tax credits, loans & incentives for not-yet-economic projects	Yes	No
Supports R&D via ARPA-E projects	Yes	Yes

Source: Power Intelligence

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these nuclear capacity additions include plant uprate projects. Exelon, which estimates it generates about 20% of the U.S. nuclear industry's power capacity with 10 power plants, started a new \$3.3 billion fleet-wide uprate program in 2009 that is expected to add up to 1,300 MW of clean nuclear power through 2017. The firm estimates that planned new capacity is roughly equivalent to a new nuclear reactor at about half the cost of building one. The Exelon spokesman said, "Nuclear uprates are an important part of Exelon's sustainable growth strategy because they allow us to introduce additional clean energy as it is needed at a much lower cost and with far less risk than building a new nuclear power plant. In addition, increasing the output of existing nuclear units through uprates results in fewer siting issues and lower operating costs than new build and does not require loan guarantees to be economic." With multiple avenues for nuclear expansion projects, announcements of new projects and the need for project funding may continue.

Support from the candidates to streamline regulatory process for nuclear plants also bodes well for the sector. Several initiatives to streamline the regulatory approval process for new nuclear power facilities have been under way, paving the way for the current new wave of nuclear projects seeking approvals. In a June 2007 press release, the NRC revealed that it "approved recommendations that could lead to more efficient review of applications for new nuclear reactor licenses while maintaining a paramount focus on safety." This included recommendations for the combined license or COL application process, which places a construction permit and operating license under one license application. The NRC states that in a COL application, the "NRC staff reviews the applicant's qualifications, design safety, environmental impacts, operational programs, site safety, and verification of construction." The NRC now has 18 COL applications using five different design classifications for 1-2 units that are predominantly at existing sites. With support from both campaigns for nuclear power expansions and regulatory streamlining, and multiple projects underway, demand for future financing opportunities may continue to grow.

Tapping Extensive U.S. Natural Gas Resources

Both Obama and Romney tout the benefits of natural gas as the cleanest-burning fossil fuel, especially given the nearly 100 years of natural gas resources in the U.S. Romney supports the practice of hydraulic fracturing (or fracking), which uses high pressure liquids to fracture underground structures and suggests that state regulation takes precedence in regulating well and water management. The Obama administration supports initiatives to review hydraulic fracturing concerns with disclosure of fracking chemicals, research to examine impacts of fracking on water resources and forming a subcommittee to recommend steps to improve the safety and environmental performance of fracking.

Consensus among the candidates on the benefits of natural gas bodes well for future gas-fired generation facilities and other applications. Industry support for new gas-fired generation and

other uses for natural gas continues to grow. **Integrys Energy Group's** President and COO **Larry Borgard**, says, "Natural gas can be developed in this country in a way that safeguards the environment, creates jobs and produces an abundant supply of fuel and power for our citizens." Not surprisingly, natural gas-fired projects dominate over other fuels with EEI estimates of 27,169 MW of projected capacity additions expected online from 2012 to 2020, or 39% of projected 69,795 MW of total capacity additions. EEI states in its second quarter 2012 Construction Update that "natural gas-fired capacity continues to dominate capacity additions due to its ability to support renewables and peak loads, its lower up-front costs compared to coal and nuclear, and low natural gas prices." EEI estimates that of the 5,738 MW of new capacity plans announced by shareholder-owned electric utilities during the first six months of 2012, natural gas capacity accounts for 4,731 MW or 82%.

In addition to natural gas-fired generation, companies are developing businesses to boost demand for natural gas. Borgard also believes that "natural gas has the potential to be not only a fuel source for power generation, but also a fuel for transportation." He adds Integrys "created a subsidiary called **Trillium CNG** that will deploy additional compressed natural gas infrastructure with an eye toward CNG becoming a major transportation fuel source." Multiple utilities and industry groups are promoting CNG as a transportation fuel and are also looking into converting existing LNG import terminals into export terminals. Thanks to candidate support for natural gas and multiple avenues to boost usage of the fuel, prospects for new natural gas projects and financing opportunities remain positive.

Ensuring Sufficient Midstream Infrastructure

In recent months, construction of the Keystone XL Pipeline has become a political hot button as this pipeline would transport more Canadian oil from Alberta to the lower 48 states. While President Obama shifted gears by calling for a delay in approving the pipeline citing the need for more environmental review, Romney supports this pipeline project whole-heartedly. More pipeline projects transporting Canadian oil to the U.S. could garner support from either candidate. Both candidates have supported the need to ensure sufficient development of midstream pipelines and other infrastructure to transport much-needed domestic oil and gas to consumers. This should boost financing opportunities for major interstate and intrastate pipeline and midstream projects. An **Interstate Natural Gas Association of America** spokeswoman concurs, stating, "The prospects for investment in midstream expansion in coming years are excellent. This is being driven by two factors: the surge in shale gas production, which is necessitating new pipeline construction to access supplies, and increased natural gas demand growth for gas-fired electric generation and also in the industrial sector. While historically low natural gas prices have slowed drilling in certain areas, it's become apparent that the natural gas supply boom and the demand growth

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is for real, and that pipelines and other midstream infrastructure is necessary for Americans to realize the benefits of this abundant domestic resource.”

INGAA estimates an average \$10 billion per year of midstream infrastructure capital expenditures from 2011 to 2035, of which \$5.7 billion per year would be for natural gas transmission infrastructure, \$2.6 billion for gas gathering and processing, \$0.6 billion for natural gas liquids (NGL) pipeline expenditures and \$1.3 billion per year for oil pipelines, according to its North American Natural Gas Midstream Infrastructure Through 2035 study. Several companies have major projects under way to boost pipeline transportation and midstream facilities in fast-growing Marcellus Shale basin in Pennsylvania, offshore Gulf of Mexico and Bakken oil shale in North Dakota. For example, **Williams Partners LP** estimates about \$12.7 billion of pipeline and midstream infrastructure growth capital investments in earnings guidance or under negotiation from 2012 to 2017 with approximately 60% in the Marcellus Shale and about 15% to transport new offshore Gulf of Mexico production back onshore. While the Keystone XL pipeline has drawn attention, many other pipeline and midstream infrastructure projects have forged ahead and promoted new financing opportunities.

Diverging Support For Renewable Energy

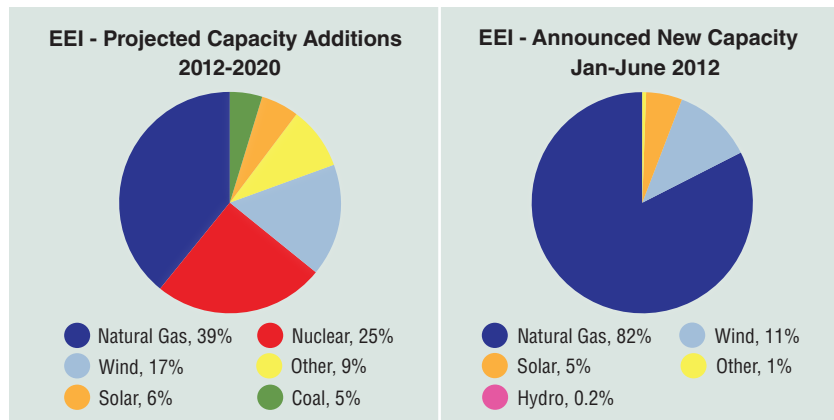
President Obama and Romney differ most significantly on renewable energy initiatives. President Obama remains committed to support the development of new wind, solar, biofuel and other alternative energy projects with a mix of tax incentives, loans and other financial incentives. Romney wants to support clean energy projects that will be economically viable without incentives. The Romney team suggests research funding to focus on basic research and to determine the viability of new technologies. This suggests that a Romney administration could lead to expiration of current tax credits for new wind, solar and biomass projects, dampening the pace of new alternative energy projects. Under this scenario, the private sector would be asked to step up to fund alternative energy projects. However, both the Obama and Romney support clean energy R&D via the Advanced Research Projects Agency-Energy (ARPA-E). The Recovery Act already funded ARPA-E projects, which now number more than 100 projects under way in areas ranging from smart grid technology, to carbon capture, to battery technology for electric

vehicles. With both campaigns on board with ARPA-E, the outlook for new renewable energy projects under the guise of ARPA-E projects remains positive.

Recent announcements suggest that renewables along with natural gas are currently the fuel of choice for new generation capacity, according to EEI's second quarter 2012 Construction Update. EEI estimated that renewables accounted for 17% (or 1,007 MW) of new generating capacity plans announced during the first half of this year by shareholder-owned electric utilities. However, the pace of announced renewable plans is slowing relative to recent years in response to the scheduled expiration of production

tax credits at year-end.

EEI believes the projects announced this year are not expected online until 2013-2015 and would not qualify for the expiring PTC. EEI notes that the expansion of the Wildcat Wind Farm in Indiana accounted for the bulk of the 420 MW of announced new wind capacity this year. Wind power deals surged during the second quarter of this year as projects shifted from



Source: Power Intelligence via Edison Electric Institute

cash-strapped to more liquid developers with construction teams ready to beat the year-end deadline for PTCs.

On the flip side, EEI estimates that solar plants dominated the projects canceled by shareholder-owned electric utilities during the first half of this year. More than 75% of the 8,502 MW of canceled capacity was in solar with 5,200 MW from the cancellation of five large solar facilities in the western U.S. According to *PI*'s Q2 2012 Generation Sale Report, (*PI*, 7/27) a surge in solar development trades during the second quarter of 2012 may have been driven by efforts of cash-strapped developers to get projects into the hands of developers that can have them online by the end of 2016. Since the solar development cycle is typically five years to secure permitting, environmental studies, power purchase agreements and approvals for construction, many developers are now evaluating their project portfolios. Project and asset sale activity may continue to surge going forward as developers try to anticipate future project economics and legislative treatment of renewable energy projects.

With divergent support for renewables from the candidates, the uncertain make-up of the new Congress and potential for expiring PTCs, the pace of new renewable projects and related financing opportunities could slow even further in the near term. However, state mandates to require greater generation from renewable sources may continue to support capital projects by electric utilities and other companies in the long term.

CONFERENCE COVERAGE

North American Energy & Infrastructure Finance Forum

Dozens of bankers, developers and institutional investors gathered for **Euromoney Seminar's** 7th Annual North American Energy & Infrastructure Finance Forum at the **Westin New York at Times Square** Sept. 11-12. The role of the debt capital markets in project finance, expiring subsidies and the importance of lender relationships created the most buzz at the event. Managing Editor **Sara Rosner** and Senior Reporter **Nicholas Stone** filed the following stories:

Industry Looks Beyond PTC

While several wind industry players say production tax credits will be extended for another year, many are looking at other financing options. Sponsors and bankers suggested there is a need for developing a viable phase-out plan of PTCs that incorporates the development of master limited partnership or real estate investment trust markets.

Tim Rosenzweig, ceo of turbine manufacturer **Goldwind USA**, said a linear phase-out of the PTC would be optimal. This would allow continued investment while the MLP market is developed for renewable generation assets. Senator **Chris Coons** (D-Del.) proposed the Master Limited Partnership Act, which would allow MLPs to own renewables assets, in June ([PI, 6/22](#)). The cliff created by the full expiration of the PTC, stymies investment and breaks down usual business cycles that take time to rebuild, Rosenzweig said, adding that GoldWind is increasing its focus in

Latin America to compensate for the slowdown in the U.S.

Ray Henger, cfo of Brooklyn, N.Y.-based developer **OwnEnergy**, also said while he believed there would be a PTC extension, sponsors are hesitating to move forward with development pipelines. The MLP market is still a few years away from having the required depth to help drive investment, he added. OwnEnergy, which sold a stake to **New Jersey Resources** (see story, page 7), has just completed a capital raise in order to ride out the next 24 months, Henger added.

This year could be the biggest on record in the U.S. in terms of new wind installations, as sponsors hurry to take advantage of the PTCs proposed ending, according to **William Marder**, director and global product manager of project finance at **Deutsche Bank**. The industry has installed 3 GW of capacity thus far, Marder said, adding that another 6 GW could go up before year-end.

Bankers Spy Merchant Comeback

Financiers are forecasting more merchant power deals in project finance, citing the appeal of markets such as ERCOT and PJM, low gas prices and the resurgence of term B loans to support the deals. "For the first time in three years, we have clients that are developing new merchant power plants or talking to banks about expansions," said a financier from a European bank.

Merchant deals have been scarce since the 2008 financial collapse, when power prices plummeted and lenders flocked to plain vanilla deals with solid offtakers. Less than a handful of deals have managed to squeeze through the market since then; for instance, **LS Power** managed to wrangle a \$300 million deal via **Citigroup**, **Credit Suisse**, **ING** and **Morgan Stanley** for its West Deptford plant in New Jersey ([PI, 12/7/2011](#)).

There are enough banks ready to do merchant deals between \$200-300 million, while any transactions over that would require a term B loan, said **James Guidera**, the managing director and group head of natural resources, infrastructure and power at **Crédit Agricole**. He adds that hedges with a utility or a financial entity are required to get



James Guidera

merchant deals done. The PJM region's recent move to 10-year capacity auctions and an increase in capacity pricing in ERCOT ([PI, 8/3](#)) and the need for new-build in both of those regions are driving attention to merchant development, bankers said.

The pricing premium could deter some developers from doing merchant deals, however. **Gaetan Frotte**, v.p. and assistant treasurer at **NRG Energy**, said that his company had been looking into the merchant power market in the ERCOT region but that he was wary of the pricing from the most recent merchant deal to clear the market under **Panda Power Funds**. PPF's financing of its gas-fired project in Temple, Texas, utilized a \$255 million B loan priced at LIBOR plus 1,000 basis points ([PI, 7/23](#)).

Nasser Malik, the managing director and global head of project and infrastructure finance at **Citigroup**, said banks are still not very comfortable with merchant risk and that those type of deals would rely heavily upon solid and existing relationships. "It's very determined by the client," a banker noted of lenders doing merchant deals. **Jonathan Kim**, the executive director of project finance and infrastructure at **CIBC World Markets**, said that the risk inherent in merchant projects deters his firm from participating.

The other key to the merchant market will be building out the required infrastructure to help drive the natural gas boon, panelists said. Midstream gas assets could be a major area of increasing finance activity in the market, Guidera noted.

CONFERENCE COVERAGE

Private Placements *(Continued from page 1)*

deeper as it includes pension funds, money managers and mutual fund managers, in addition to life insurance companies. Thus, 144a deals can be much larger than private placements.

Ruthard Murphy, the director of the private finance group at NY Life Investments, said that it is this depth to the 144A market transactions that makes them attractive.

James Brodt, executive director of U.S. debt capital markets at **BBVA**, said that 144A deals could be in the range of \$1 billion or more while traditional private placements are in the more likely to stick around \$500 million. **MidAmerican Energy's** 500 MW Topaz Solar project near Los Angeles, incorporated \$850 million of 144A bonds with a 5.75% coupon and 15.5-year tenor after booking more than \$1 billion in orders, said **Christopher Yonan**, director of project finance at **Barclays**, who worked on the deal.

144A transactions, which have due diligence and disclosure requirements under the U.S. **Securities and Exchange Commission**, generally also require credit ratings for a project. This can require four to eight weeks of work with an agency and also leads to a set of investors that tend to buy bonds based on the ratings instead of the underlying merits of the sector or project. **Meghan Schultz**, director of finance for **Invenenergy**, said it took six to nine months to get ratings for a 19-project wind portfolio that was part of a

144a Vs. Private Placements

	144a	Private Placement
Investors	Limited to Qualified Institutional Buyers, that can include pension funds, mutual fund managers and money managers in addition to insurance cos.	Dominated by a small universe of insurance cos.
Registration/Oversight	Some due diligence and disclosure requirements under the SEC.	None. Investors do their own due diligence.
Ratings	Paper usually carries two ratings	Ratings not required, but I-grade quality recommended.
Transaction Sizes	In the \$1B range.	In the \$500M range
Trading	There is a secondary market, but only with other QIBs.	Investors buy and hold.
Funding	All funding taken down at once	Can have delayed draw or multiple draws.
Process	Transactions price and close in about three days.	Investors negotiate and communicate with the borrower over several days or weeks to come to agreed terms.
Amendments	Often difficult to make because of challenge finding ultimate bond holders due to secondary trading.	Investors and borrowers often develop relationships that allow for approvals or rejections process in a few weeks.

Source: Power Intelligence

private placement last year.

"There's no way some of the investors have read this stuff, they just invest based on ratings," said an official from a life insurance company.

Such behavior poses a hurdle if amendments, such as a change of an offtaker's credit rating, need to be made to the debt, **Greg Van Dyke**, the cfo of Tenaska, said.

Munis, Co-Ops Stalk Wind Stakes

Municipal utilities and co-ops are hunting 30-40 MW stakes in wind projects as they look to balance generation portfolios. Developers at the conference in New York said the buyers see the stakes as hedges against gas-fired assets and their related fuel costs.

Ray Henger, cfo of **OwnEnergy**, said more investment in wind is needed for utilities seeking a diversified fuel mix. He added that achieving grid parity—or the ability of renewable energy to cost equal to or less than purchasing power from the grid—is going to be tough, but in the instances when munis and co-ops had bought into wind farms, it had the effect of bringing prices of wind closer to those from gas-fired plants.

Earlier this year, the **Sacramento Municipal Utility District** began operating the 128 MW Solano Phase 3 wind farm near the Sacramento River. The **Los Angeles Department of Water and Power** also owns wind assets as part of its aim to get 33% of power from renewable sources by 2020.

Golden Spread Electric Cooperative agreed to buy its first wind project in 2010—the 78.2 MW Wildorado II project in Texas from **Cielo Wind Power**. Golden Spread said at the time it planned to balance the intermittency in production of its wind asset with its 170 MW Antelope Station natural gas-fired project that came online within a few months of the wind project in 2011 ([PI, 7/9/10](#)).

Adam Sherman, the group head of public and infrastructure

finance at **Sumitomo Mitsui Banking Corporation**, also said there is an influx of money into munis at the moment as the entities took advantage of record-low borrowing rates. Munis' acquisition of wind assets is part of the wider trend of buying assets from sellers that need to exit markets, such as **Oglethorpe Power** snapping up two **KGen Power** plants last year ([PI, 2/2/11](#)).

Bond Deal On The Horizon For Non-Renewables

Financiers say that a bond deal backing a gas-fired project will likely happen before year-end. "There have been so many renewable energy deals that there's actually appetite for non-renewables deals," says an executive at a life insurance company at the forum.

Competitive Power Ventures is reportedly considering a bond component for a gas-fired project in PJM, with **Paul Buckovich**, senior v.p. of finance, heading up the efforts. The Braintree, Mass.-based company had been looking for a club to finance its 660 MW, natural gas-fired combined cycle plant in Charles County, Md. ([PI, 7/2](#)). Buckovich and a spokesman did not return calls by press time.

Deals in debt capital markets have been dominated by wind, solar and transmission projects in the past two years. Most recently, **EverPower** priced \$245 million of 23-year private placement notes at a 5.15% ([PI, 9/6](#)). **LS Power**, **BP Energy** and **Sempra U.S. Gas & Power** are also considering bond tranches for respective solar and wind projects ([PI, 8/16](#) & [8/7](#)).

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CONFERENCE COVERAGE

White House To Host Tax Equity Meeting

The White House is planning to host another meeting to educate and entice potential tax equity investors in renewable energy deals in the beginning of winter. **Richard Kauffman**, the senior advisor to the secretary of the U.S. **Department of Energy**, said the meeting will target smaller financial institutions.

The event is expected to have a similar structure to the meeting the White House hosted in March, when it invited roughly 50 of companies to discuss the possibilities of tax equity investments (*PI*, 8/10). **Chevron**, **Google**, **Intel** and **John Deere** attended that meeting. Of those invited, one undisclosed entity has decided to participate in tax equity investment in renewable deals, Kauffman noted at the conference.

The DOE was discussing a number of ideas in order to promote further tax equity investment in renewables, Kauffman said, declining to disclose any information about it. Kauffman described tax equity investment as the elephant in the room for renewable project financing. For every dollar of cash equity in a project, there are normally three or four dollars of tax equity, said bankers at the conference. But they also described it as the most difficult and costly tranche of the capital structure to get involved in.

Sponsor, Lender Links Seen As Key

Relationships between developers and lenders are becoming paramount in project finance as sponsors look to club deals to get transactions through a constrained bank market. "Relationships are driving the equation," said the head of project and infrastructure finance at a U.S. bank.

The club trend has emphasized the need for sponsors to develop strong ties to complete deals and also for banks to maintain deal flow. **Adam Sherman**, deputy general manager and group head of public and infrastructure finance at **Sumitomo Mitsui Banking Corp.**, said sustaining a pipeline of deals through year-end is one of the biggest challenges facing project finance banks. Sponsors have become more confident in their ability to club up banks, which have had very limited underwriting capacity in the past several years. "Sponsors have learned to syndicate their own deals. Many lenders would offer to underwrite now, but sponsors don't want to pay for it," says the head of infrastructure at a European bank.

The seasoned developer with a seasoned offtaker is going to get the best terms, said **Jonathan Kim**, executive director of project finance and infrastructure at **CIBC**. He adds that new borrowers in project finance are going to have the most difficult time securing bank loan financing.

NEWS IN BRIEF

News In Brief is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but **PFR** does not guarantee its completeness or accuracy.



- South Carolina is the latest state to look into the possibility of developing offshore wind. A new U.S. **National Wildlife Federation** report on developing the technology has prompted a meeting between government leaders, researchers, environmentalists and the press Sept. 13 in Charleston, S.C. (*Carolina Live*, 9/13).

- Low gas prices and its excess availability may hamper efforts to switch to renewable energy sources, as debt-ridden governments seek a cheaper option, the **International Energy Agency's** chief economist **Fatih Birol** says. Government subsidies designed to promote renewable energy amount to around \$70 billion globally, he says, but they may be dropped as new shale gas and export facilities of liquefied natural gas push gas prices even lower (*Reuters*, 9/13).

- **Energy Investors Funds'** proposed 300 MW natural gas-fired Pico plant near the U.S.-Mexico border was unanimously approved on Wednesday by the **California Energy Commission**. The committee ruled that the peaker would have no significant impact on the environment and would comply with all applicable regulations. Construction is set to begin next year on the plant (*Patch.com*, 9/12).

- Unexpected electrical problems forced two nuclear plants in

Tennessee to shut down reactors last month. Units at **Tennessee Valley Authority's** Watts Bar and Sequoyah nuclear facilities shut down for two days each due to the issues (*The Times Free Press*, 9/11).

- The state-owned **Export-Import Bank of China**, which had been expected to lend part of the money needed for **Summit Power Group's** \$2.5 billion clean coal power plant in Texas, will now be the plant's sole lender. Another Chinese company, **Sinopec**, will manage a critical portion of the plant's construction (*The Wall Street Journal*, 9/12).

- South Dakota's congressional representatives have thrown their support behind the extension of the federal production tax credit for wind energy, following the layoff of 92 workers at the **Molded Fiber Glass** plant in Aberdeen, S.D. Uncertainty about the tax credit, which expires at the end of the year, has led to a reduction in orders for wind turbine blades, officials from Molded Fiber Glass say (*Aberdeen News*, 9/12).

- Wind could provide up to 100 times the current global power demand, according to a new study published this week in **Nature Climate Change**. But the installation of so many turbines may not be desirable or feasible, says **Ken Caldeira**, the author of the report from **Stanford University's Carnegie Institute** (*The Guardian*, 9/12).

FERC Orders *(Continued from page 1)*

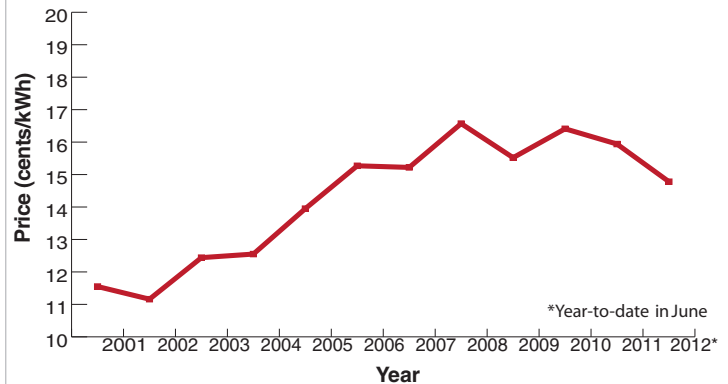
complaint against NY-ISO regarding the capacity market pricing scheme. They argued capacity pricing was depressed by Astoria Energy II because the plant has a power purchase agreement with the **New York Power Authority**, leading to a lower cost of capital for the 550 MW AE II and allowing it to bid into the market with a lower power price bid. The complaint contended that NY-ISO should have mitigated the contracted AE II, meaning it would not be allowed to bid into the wholesale capacity auction.

Although the ruling on docket number EL11-50 is favorable for merchant plants, the process will continue to drag depending on whether there are petitions for a rehearing. Typically, FERC decisions come with 30-day deadlines, but in this instance the commission did not set a deadline. This leaves open the possibility that NY-ISO could petition for a clarification or petition for a rehearing before releasing the determination, says one lawyer. An industry analyst speculates that NY-ISO has likely already run the exemption test internally since the complaint was filed, but that its release will be determined by whether the agency takes further action. A NY-ISO spokesman points to a file submitted to FERC in a related case indicating that the agency anticipates re-determining the mitigation by mid-December.

Many officials are already running their own calculations about whether the 512 MW Bayonne plant and AE II will be mitigated but they're hypothetical because the data used in the scheme will remain confidential. NY-ISO will have to publish how it reached its re-determination.

Analysts and lawyers forecast that Bayonne, which is owned by **ArcLight Capital Partners** and **Hess Corp.**, will likely remain unmitigated in a recalculation although it's widely anticipated that the AE II facility will be bumped from exemption—meaning it won't set the capacity price. If this is the ultimate outcome of a

N.Y. Historical Retail Power Prices



Source: U.S. Energy Information Administration

redetermination, then **Energy Investors Funds** and **IPR-GDF Suez**, the majority owners of AE II could file for harm, says one attorney, explaining this avenue wouldn't be open until after a NY-ISO release.

While it appears certain that a redetermination will raise the capacity prices—meaning revenue goes up—the measure may be too late to do material good for U.S. PowerGen, which foretold of a bankruptcy filing for its **Astoria Generating** subsidiary in the complaint ([PI, 8/5/11](#)). The FERC ruling does not allow for retroactive relief, or payments, dating back to July 2011. U.S. PowerGen was working with **Perella Weinberg Partners** to restructure some \$500 million in debt ([PI, 1/6](#)).

U.S. PowerGen is expected to continue with its sale of the Gowanus barges, which were mothballed from the market following the capacity pricing, says a deal watcher.

U.S. PowerGen and TransCanada officials did not respond to messages, while spokespeople for the owners of AE II were not immediately reached or declined to comment. —**Holly Fletcher**

Lone Star *(Continued from page 1)*

in July, is looking to push through the financing of the first 50 MW phase of Alamos by year-end and will likely opt for a term debt structure that is "pretty straight down the fairway." OCI did not want to wait for credit ratings to add a bond component and risk falling behind on its timeline. The financing for the later stages of Alamos may be lumped together and will probably incorporate a bond component and tax equity.

"We will give ourselves a whole year to work on the stage two financing, so it might take on a bond component with a year of bridge financing, or something like that. If we group stages two and three together, it will be well over \$100 million and then we will start looking at bonds," Darazio says. OCI has traditionally built projects ranging from 2 to 20 MW.

The first phase of the project is slated for construction by July 2013. The next four phases are divided into a 35 MW phase and three 105 MW phases and OCI hopes to complete all phases by 2016.

All phases of the project have identical 25-year power purchase agreements with CPS. Darazio says that this provides an ideal

situation to build a relationship with a lender and that OCI will be looking at obvious factors, such as how much banks can allow them to leverage and repayment terms. —**Nicholas Stone**

CONFERENCE CALENDAR

- **Platts** will host the 14th Annual Financing U.S. Power Conference Oct. 18-19 at the Marriott Marquis in New York.
- **Euromoney Seminars** and **Project Finance Magazine** will host the 5th annual Brazilian Energy and Infrastructure Finance Forum Nov. 6-7 at the Tivoli São Paulo in Mofarrej, São Paulo, Brazil.

ONE YEAR AGO

NRG Solar began looking for about \$300 million to finance its 66 MW Alpine solar project in Lancaster, Calif. [The deal closed in March, after a delay, at 250 basis points over LIBOR, with **Banco Santander**, **Key Bank**, **Mizuho Corporate Bank** and **Mitsubishi UFJ Financial Group** affiliate **Union Bank** participating ([PI, 3/29](#)).]