power finance & risk

The exclusive source for power financing and M&A news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

SEPTEMBER 20, 2010
VOL. XIII, NO. 37

Invenergy Hunts Buyer For Canadian Assets
Invenergy has put a trio of assets in Ontario and Quebec on the block.
See story, page 2

Offshore Group Scouts Funds
A consortium comprising **Great Lakes Ohio Wind** is talking to banks for financing a Lake Erie wind project.
See story, page 2

Project Finance
Eurus, NRG Solar Deal Nears 3
Geo. Co. Targets $300M 3
Cogentrix Eyes Q4 Coal Refi 3

Mergers & Acquisitions
Strategics Prep Gas Bids 4
Hudson Considers China Fund 4

Corporate Strategies
NV Energy Sub Scoops Low Rates 5

Infocast's Power & Dealmaking Summit
Staples, B Loans Reemerge 6
Uncertainty Dogs Gas M&A 6
M&A Cast Deepens 7

Departments
Industry Current 8
Generation Sales Database 11
Project Finance Deal Chart 15

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to $100,000 per infringement, costs and attorney's fees. Copyright 2010 Institutional Investor, Inc. All rights reserved.

ISSN# 1529-6652

MIRANT, RRI LOAN SET FOR PRICE BUMP?

Some loan investors were calling pricing on Mirant and **RRI Energy**'s $1.5 billion debt package too low to clear the market in the run up to the scheduled commitment deadline Friday, after *PFR* went to press. The deal, which underpins their merger into **GenOn Energy**, was pitched at LIBOR plus 450 basis points, but some think a bump to 550 is likely.

Observers point to **Calpine**'s experience earlier this year when it had to increase pricing by 200 bps to 550 bps for its $1.4 billion acquisition financing for **Conectiv Energy** after initial pricing drew soft demand (PFR, 6/25 & 7/9). "This is GenOn, Mirant, RRI. Who's going to go for this when they can get 550 [bps]?" says a potential investor.

The seven-year credit includes a $1 billion term loan and a $500 million revolver with an original issue discount of 98.5 and a LIBOR floor of 175 bps. **JPMorgan**, Mirant's advisor, and **Credit Suisse** are the lead arrangers for the seven-year loan.

(continued on page 16)

UNREGULATED POWER COS FACE $8-10B MATURITY CRUNCH

Unregulated power companies are facing roughly $8-10 billion in term loan B maturities over the next two years, a tall order in a market where the number of lenders and the demand of power has decreased. "There's a cliff coming up that we're driving toward," says a lender in New York.

Many companies took out five- to seven-year loans at the height of cheap credit during 2006 and 2007 to finance project acquisitions or development. Low power sales stemming from the decreased demand from the recession have meant that borrowers have been unable to pay

(continued on page 16)

Power & Dealmaking Summit

IPPs SCOUT POST-MERCHANT GROWTH

Independent power producers are hunting for alternative ways to grow given that the once bustling merchant generation market is showing no signs of reviving. Acquiring retail operations to backstop non-contracted assets, entering into utility requests for proposals and looking for consolidation opportunities are on the table. "The lesson on the merchant side was a pretty ugly lesson. I don't think a lot of people will step into that," **Thomas White**, president and ceo at **KGen Power**, said during a panel discussion at **Infocast**'s Power & Dealmaking Summit in New York last week.

Conversations about potential tie-ups like **Mirant** and **RRI Energy** are expected to remain active through the space as the need for scale and access to capital come into play, said **Paul Cavicchi**, executive v.p. at **GDF Suez**. His company is in the midst of acquiring

(continued on page 6)

At Press Time

Invenergy Shops Canadian Assets

Invenergy has put its trio of Canadian assets on the block. The Chicago-based company owns the 570 MW St. Clair combined-cycle facility in Ontario and is building the 78 MW Raleigh and 138 MW Le Plateau wind projects. **Credit Suisse** is tipped as the advisor.

Joe Condo, general counsel for Invenergy in Chicago, did not respond to an inquiry. A Credit Suisse spokesman declined to comment. The potential price tag on the assets could not be learned.

"They have a relatively small Canadian operation and are probably looking to free up some cash for projects down here," says one observer. The company has been on the hunt for solar photovoltaic acquisitions as it looks to establish a pipeline, M&A bankers say.

The 570 MW St. Clair combined-cycle facility came online last year. The Raleigh project in Chatham-Kent, Ontario, is slated to be spinning early next year. Both have 20-year offtake agreements with the **Ontario Power Authority**.

The Le Plateau project, in the Gaspesie region of Quebec, is expected to be online at the end of 2011. It has a 20-year power purchase agreement with **Hydro Quebec**.

Lake Erie Wind Developer Plots Funds

Great Lakes Ohio Wind will initiate talks with lenders early next year for financing backing its roughly $130-140 million, 20 MW offshore wind farm in Lake Erie.

KeyBanc Capital Markets has had informal discussions about the project and may be tapped as financial adviser, a bank official in Cleveland, Ohio, says. Great Lakes is also targeting **BNP Paribas**, **Dexia Crédit Local** and **Rabobank** due to their experience financing offshore wind in Europe, says **Sprague Cook**, manager of renewable power for **Bechtel Enterprises** in Washington, D.C. The developer is a consortium of **Bechtel Development Company**, **Cavallo Energy** affiliate **Cavallo Great Lakes Ohio Wind** and **Great Lakes Wind Energy**.

Phil Gennarelli, president of Cavallo Energy in Houston, says the immediate focus is developing the site five to 10 miles off the shore of Cleveland.

Bankers are split over the viability of financing offshore in the U.S. A wind banker notes that Europe, unlike the U.S., has an offshore market thanks to feed-in tariffs and less regulatory hurdles. "And you have to consider that it's difficult finding PPAs for onshore with gas prices being so low right now, let alone offshore," he says. Even if there is an appetite for financing offshore projects in the U.S., there would be few lenders playing in the space initially. "But as long as the economics are there, clearly there is a very nice wind resource offshore," says a Dexia official in New York. Officials at BNP and Rabobank didn't return calls seeking comment.

Lake Erie Energy Development Corporation selected Great Lakes Ohio to build an offshore farm ultimately generating up to 1 GW on Tuesday. The entity has been in discussions with **FirstEnergy**, **American Municipal Power Ohio** and **Cleveland Public Power** for a PPA for the project. A LEEDCo official in Cleveland didn't return a call.

power finance & risk

The exclusive source for power financing and M&A news

EDITORIAL

STEVE MURRAY
Editor

TOM LAMONT
General Editor

PETER THOMPSON
Executive Editor [Chicago]
(773) 439-1090

SARA ROSNER
Managing Editor
(212) 224-3165

BRIAN ECKHOUSE
Senior Reporter
(212) 224-3624

HOLLY FLETCHER
Senior Reporter
(212) 224-3293

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

KIERON BLACK
Sketch Artist

PRODUCTION

DANY PEÑA
Director

DEBORAH ZAKEN
Manager

MELISSA ENSMINGER, JAMES BAMBARA, DOUGLAS LEE
Associates

JENNY LO
Web Production & Design Director

ADVERTISING

PAT BERTUCCI
Associate Publisher
(212) 224-3890

ADRIENNE BILLS
Associate Publisher
(212) 224-3214

PUBLISHING

ALLISON ADAMS
Group Publisher

GAURI GOYAL
Business Director
(212) 224-3504

ISMAELA BEST
Senior Marketing Manager
(212) 224-3609

LAURA PAGLIARO
Marketing Manager
(212) 224-3896

VINCENT YESENOSKY
Head of US Fulfillment
(212) 224-3057

DAVID SILVA
Senior Fulfillment Manager
(212) 224-3573

SUBSCRIPTIONS/ ELECTRONIC LICENSES

One 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

GARY MUELLER
Chairman & CEO

STEVE 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 7779 8704
Hong Kong: 852 2842 6910
E-mail: customerservice@iinews.com

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

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

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

Power Finance & Risk *©2010 Institutional Investor, Inc.* ISSN# 1529-6652

Copying prohibited without the permission of the Publisher.

Institutional Investor NEWS
INTELLIGENCE FIRST

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.

Project Finance

Trio Circles Eurus, NRG Solar Deal

A trio of banks is circling a late September close of a $180-225 million financing backing **Eurus Energy** and **NRG Energy**'s 45 MW portfolio of photovoltaic projects in the U.S., deal watchers say. The portfolio comprises five projects with offtake agreements.

Mitsubishi UFJ Financial Group closed a $35 million non-recourse loan backing NRG's 21 MW PV plant in Blythe, Calif., in July (PFR, 8/20). Whether MUFJ is in the latest deal and the identity of the other banks in the deal couldn't be confirmed by press time. An MUFJ official didn't return a call.

Details such as pricing, tenor and the locations in the portfolio couldn't be learned. **Richard Grosdidier**, v.p. of finance for NRG subsidiary **NRG Solar** in Carlsbad, Calif., and **Mark Anderson**, president and ceo of **Eurus Energy America** in La Jolla, Calif., didn't return calls seeking comment.

Geo Co. To Hunt $300M For Projects

Nevada Geothermal Power expects to talk to **John Hancock Financial Services** about financing two 30 MW plants in Oregon and Nevada totaling roughly $300 million. The developer will look to use the U.S. **Department of Energy**'s loan guarantee program. Discussions with John Hancock are expected to commence before year-end, says **Paul Mitchell**, director of investor relations in Vancouver.

John Hancock closed a $98.5 million loan backing the Vancouver-based company's 49.5 MW Blue Mountain plant in Humboldt County, Nev., earlier this month (PFR, 9/8). "We had a positive experience on Blue Mountain," says **John Anderson**, John Hancock senior managing director of project finance in Boston. "We would love to do it again." John Hancock is the lone potential lender at this point, Mitchell says.

Nevada Geothermal will file applications for loan guarantees early next year to back financing for its Crump Geyser project in Lake County, Ore., and Pumpernickel Valley project in Humboldt County, Mitchell says. Under the Financial Institution Partnership Program, the DOE guarantees a loan that funds up to 80% of a project's costs.

Crump is expected to be operational in late 2012, with Pumpernickel to follow in 2013. Nevada Geothermal expects to ink power purchase agreements for the plants early next year. **NV Energy** is a potential offtaker for Pumpernickel, Mitchell says, while a utility hasn't yet been determined for Crump. An NV Energy spokeswoman in Las Vegas didn't return a call by press time.

First Wind Snags N.Y. Refi

First Wind has landed a refinancing backing its 125 MW Cohocton farm in Steuben County, N.Y., which uses **Clipper** Liberty wind turbines. **Commerzbank**, **Deutsche Bank**, **Mitsubishi UFJ Financial Group** and **NordLB** wrapped the term loan earlier this month.

The loan has a seven and one half-year tenor, a deal watcher says. The facility is the second refinancing on the farm, since early 2009. **HSH Nordbank** and NordLB closed a $95 million non-recourse term loan last year (PFR, 4/3/09). The size of the loan, pricing and why the company decided to refinance couldn't be learned by press time. A First Wind spokesman in Boston didn't return a call seeking comment.

Developers have struggled to secure loans for Clipper-equipped facilities, due to the technology's thin operating record. However, lenders' concern appears to be waning. "We spent a lot of time looking at Clipper. They've got a fantastic machine," says a banker who has helped finance a Clipper-equipped farm. "This machine gets more power for less wind."

The Cohocton farm is located in a region that experienced much lower than expected wind flows last year and First Wind didn't operate the Cohocton farm for a chunk of 2009 (PFR, 12/11). The farm now operates at or near capacity. The reasons behind Cohocton's halt in operations last year and whether the low wind had any impact on the company's decision to refinance debt could not be learned.

Bankers at Commerzbank, DB, HSH, MUFJ and NordLB either declined to comment or did not return calls.

Cogentrix Targets Q4 Coal Refi

Cogentrix Energy is aiming to wrap a $150-200 million refinancing of two coal-fired plants in Virginia with a combined 227 MW capacity before year-end. Teasers to take tickets in the deal were sent out late last month (PFR, 8/23).

The **Goldman Sachs** subsidiary is levering the assets after securing offtake agreements for the plants with the **Northern Virginia Electric Cooperative** through 2029. Desired pricing and tenor, as well as the identity of the banks circling the deal, couldn't be learned by press time. Relationship banks include **BNP Paribas**, **Crédit Agricole**, **GE Capital**, **Mitsubishi UFJ Financial Group** and **Scotia Capital**. Officials at these banks either declined to comment or didn't return calls. **Jeff Freeman**, Cogentrix v.p. of development in Charlotte, N.C., couldn't be reached for comment.

Financing coal-fired plants will be difficult as credit committees are loath to approve such deals in the face of state renewable energy standards and a possible national RES

coming as early as next year, observers note. The assets, which include the 117 MW Hopewell plant and the 110 MW Portsmouth plant, have a small amount of existing debt from MUFJ.

Ram Considers Private Placement For Orita

Ram Power is considering a private placement for a chunk of a financing backing its $250 million, 49.9 MW Orita geothermal plant in Imperial Valley, Calif., says a banker in New York.

Insurance companies, including **Manulife Financial**, are the likely buyers in a private placement, another financier says, given their history as institutional investors. Details, such as the size of the private placement, a timeline for the transaction or whether the company has initiated discussions with potential underwriters could not be learned. **Daniel Schochet**, Ram executive v.p. in Reno, Nev., declined to comment through an assistant. A Manulife official in Toronto didn't return a call by press time.

Ram wouldn't be the first developer to get a private placement this year. **Terra-Gen** wrapped a $580.2 million issue of pass-through certificates in a private offering for 570 MW of its Alta wind farm in Tehachapi, Calif. (PFR, 7/26).

Ram aims to wrap financing of the first phase of Orita by year-end (PFR, 8/10). **Southern California Edison** has a 20-year offtake agreement for up to 300 MW at the Orita site. Ram is targeting late 2013 as an operation date for phase one.

Mergers & Acquisitions

Strategics Eye PSEG Lone Star Gas Duo

Constellation Energy, **GDF Suez** and **NRG Energy** are said to be among the companies preparing bids for PSEG's pair of 2 GW gas-fired plants in Texas. Strategics with existing operations in the area are the likeliest bidders, observers say, adding that the trio fits the bill. Bids are due next month and PSEG aims to wrap the auction early next year, says a PSEG spokeswoman in Newark, N.J. **Goldman Sachs** is advising.

The facilities together could fetch around $700 million, bankers say. Both NRG and Constellation have agreed to buy gas-fired facilities in Texas. Constellation paid $365 million for two **Navasota Energy Partners** facilities totaling 1.1 GW and NRG is buying 1,279 MW Cottonwood from **Harbinger Capital Partners** for $525 million (PFR, 4/16 & 8/30).

The facilities include the 1 GW Guadalupe combined-cycle plant in Marion and the 1 GW Odessa combined-cycle plant in Ector County. They were developed as part of a joint venture with **Panda Energy**, which sold its ownership stake to PSEG a few years ago.

Whether potential bidders are using advisors could not be learned. Officials at Goldman did not return calls by press time. Oficial at GDF Suez, Constellation and NRG declined to comment.

Tyr Eyes Scouts GE Renewable Investments

Tyr Energy is in discussions with **GE Energy Financial Services** about making additional equity investments in renewable projects as its maiden deal nears the finish line. Its first renewable investment in **Competitive Power Venture**'s 152 MW Keenan II wind farm in Kansas is set to wrap next quarter. GE is selling 42% of its equity position in Keenan to Tyr. The amount of investment could not be learned. Several more deals are in the pipeline, says an observer. Details about the amount of investment or timeline for wrapping transactions could not be learned.

ITOCHU, Tyr's Japanese trading house parent, agreed to make equity investments alongside GE earlier this year. A GE EFS spokesman and a Tyr official declined to comment.

Hudson Sniffs Out Renewable, China Fund

Hudson Clean Energy Partners is feeling out investor interest in a new fund focused on infrastructure in China or another renewable fund. Details on the fund's potential size or when fundraising would start could not be learned.

In efforts to bolster potential fundraising, the Teaneck, N.J.-based private equity shop is trying to juice returns on its initial $1 billion renewable energy fund by offloading **Wind To Power Systems**, a wind power control technology company, an observer says. **The Carlyle Group** and **TPG Capital** recently submitted first round bids that put a ballpark figure of $40 million on the company, he adds. **Goldman Sachs** is running the auction. The exact number of bids or whether the bidders are using advisors could not be learned.

Madrid-based W2PS was spun out of Hudson's original acquisition of **Helium Energy**, the Spanish developer that Hudson renamed **Element Power**, after the initial acquisition (PFR, 10/10/08). Hudson is also selling solar developer **Recurrent Energy** (PFR, 7/9).

Officials at Carlyle, Goldman and TPG declined comment. Hudson officials did not respond to an inquiry. A timeline for the W2PS auction could not be learned.

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.

Corporate Strategies

NV Energy Sub Snags Low Rates

Nevada Power Company issued $250 million in 30-year Series X general and refunding mortgage bonds to take advantage of record low rates for long-term debt. "The company would've needed to replace them in the near team," says **Kevin Beicke**, associate director of **Fitch Ratings** in New York. "It was a good time in the markets to do so now with rates being so low." The company closed the issue Tuesday.

The **NV Energy** subsidiary snagged a coupon of 5.375%. A portion of the proceeds will go toward redeeming roughly $226 million in unsecured tax-exempt local furnishing bonds and pollution control refunding revenue bonds. The balance will pay down roughly $300 million outstanding on the company's $600 million revolving credit facility maturing in 2013, says **Britta Carlson**, manager of investor relations in Las Vegas, Nev. Fitch rated the issuance BBB, while **Moody's Investors Service** rated it Baa3.

The bonds being redeemed had maturities between 2011 and 2030 and coupons between 5.3% and 5.9%.

Relationship banks **Barclays Capital** and **JPMorgan** were joint book-running managers, with **BNP Paribas**, **Mitsubishi UFJ Securities** and **SunTrust Robinson Humphrey** as co-managers. Bank officials or spokespeople didn't return calls seeking comment by press time.

Dominion Prefunds Debt With Notes

Dominion Resources has issued $250 million in Series A senior notes to prefund portions of $500 million in debt maturing in October and December. Debt maturing by year-end is comprised of $200 million of 6% debentures issued in 1998 that matures Oct. 15 and $300 million in 4.75% Series A senior notes due Dec. 15. Those notes were issued in 2005.

For the recent issuance, Dominion secured a 2.25% coupon for the five-year senior notes, continuing a trend of utilities scoring low rates. "There's strong investor appetite for strong, relatively safe types of investments," says **A.J. Sabatelle**, senior v.p. at **Moody's Investors Service** in New York. The issuance closed Sept. 1. **Standard & Poor's** rated it A-.

Analysts anticipate Dominion will issue more debt, probably by year-end, to fund the remaining debt. The company will use some proceeds from the most recent issue for general corporate purposes.

Deutsche Bank Securities, **Morgan Stanley** and **UBS** were joint book-running managers. **Mark F. McGettrick**, Dominion executive v.p. and cfo in Richmond, Va., and a spokesman didn't return calls seeking comment. A Morgan Stanley official declined to comment and officials at DB and UBS didn't return calls.

TRIAL ORDER FORM www.iipower.com

❑ **YES!** Please begin my no-risk free trial to **Power Finance & Risk** today!

NAME B400101

TITLE FIRM

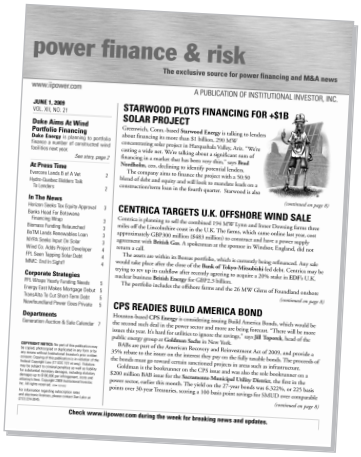
ADDRESS

CITY/STATE POSTAL CODE/ZIP COUNTRY

TEL FAX E-MAIL

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

( ) Please tick if you object to contact by telephone.
( ) Please tick if you object to contact by fax.
( ) Please tick if you object to contact by email.
( ) Please tick if you do not want us to share your information with other reputable businesses.


power finance & risk
The exclusive source for power financing and M&A news
www.iipower.com
A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.
JUNE 1, 2009
VOL. XII, NO. 21
Duke Aims At Wind Portfolio Financing
STARWOOD PLOTS FINANCING FOR +$1B SOLAR PROJECT
CENTRICA TARGETS U.K. OFFSHORE WIND SALE
CPS READIES BUILD AMERICA BOND
Check www.iipower.com during the week for breaking news and updates.

Tel: 1-212-224-3043
Fax: 1-615-377-0525
Email: customerservice@iinews.com

Mail: Institutional Investor News
P.O. Box 5016, Brentwood
TN 37024-5016

Institutional Investor NEWS
INTELLIGENCE FIRST

Power & Dealmaking Summit

*Growth for independent power producers, the cautious return of B loans and staple financings and uncertainties surrounding gas-fired generation created the most buzz at **Infocast**'s Power & Dealmaking summit. Dozens of bankers, investors and executives gathered at the Concierge Conference Center in New York City for the event on Sept 14-15. Managing Editor **Sara Rosner** and Senior Reporter **Holly Fletcher** filed the following stories:*

IPPS SCOUT

(continued from page 1)

International Power.

Widening the scope of activities is also in the cards, with strategies such as adding retail books and energy services units, said **Andrew Murphy**, executive v.p. and regional president of the northeast at **NRG Energy**. NRG is buying **Green Mountain Energy Co.** for $350 million in cash, while Cavicchi expects GDF to grow its retail business. Retail books can backstop merchant fleets by securing an outlet for a portion of the power.

There is increased interest in gaining exposure to regulated activities via RFPs and PPAs, said **Paul Stauder**, senior v.p. of business management at **Covanta Energy** affiliate **Covanta Americas**. He maintained, however, that IPPs are not seeking to morph into fully regulated entities. "IPPs have a place; they have the ability to be agile quickly," he said.

Generation building is still there—just on a much reduced scale. "We're really up here talking about onesies, twosies of projects when 10 years ago there were 4.5 GWs in several pipelines," White said. ***—Holly Fletcher***

Staples, B's Resurface

Staple financing and term loan Bs, which largely disappeared after the credit crunch, are back on the radar for asset buyers and some developers. But it's not a complete recovery: B loans are done largely on a best-efforts basis as investors push for juicy spreads. "You can get those things done—that doesn't mean the sponsor will love the price," said **Raymond Wood**, managing director at **Credit Suisse**, which is co-arranging a $500 million B loan for the **Mirant-RRI Energy** merger (see story, page 1).

For financing acquisitions, companies still need a lot of equity. Staple financings are slowly creeping back into the conversations that buyers have with financial advisors, said **Matt Gibson**, managing director at **Goldman Sachs**. "[Buyers] are just starting to ask, 'Would you be willing to put together a staple finance and what would the terms be?'" Both **LS Power**'s Arlington Valley and the **Infigen Energy** wind portfolio had staple financings on the table but the auctions were shelved this year (PFR, 3/19 & 3/17).

On the project finance side, tenors are back to the 2007 period, said **Ralph Cho**, executive director at **WestLB**, noting some have stretched 17 years. The terms are still tight, he says, in the range of 250-300 basis points over LIBOR.

Uncertainty Plagues Gas M&A, Development

Developers and potential investors are facing a plethora of uncertainty as they look to develop, sell or purchase gas-fired generation. "Uncertainty is greater today then ever before," said **Art Holland**, v.p. of utility & risk services from consultant **Pace Global**.

Impending carbon legislation, low gas prices, low power demand and transmission backlog are all factors posing a significant amount of risk, says **Robert Mudge**, partner at advisory shop the **Brattle Group**. "We're talking about a huge volume of dollars should any of these issues come to fruition," he said, adding that in the worst-case scenario, these factors could result in a capital requirement of up to $1.4 trillion.

Gas prices in the range of $4-5 per million BTU and the anticipated onslaught of huge new reserves of shale gas are boosting demand for the cheap generation that is also relatively cleaner than coal, Holland noted. Adding to gas popularity is the possibility of carbon legislation that could force the retirement of hundreds of gigawatts of coal-fired assets and a need to fill in the intermittent capacity of renewables such as wind and solar. Also, rules being proposed by the U.S. **Environmental Protection Agency** could easily double and triple the cost of coal-fired generation per kW, Mudge said, adding that new-build could become cheaper than implementing all of the environmental control equipment necessary to meet the EPA's proposals.

However, building hundreds of gigawatts of new gas-fired generation could create a huge demand for gas, putting upward pressure on gas prices. "The $4.55 gas reality does not persist," Mudge said, adding that the price of gas could easily double if that much new capacity is placed in service in the coming years.

Adding to these factors is the persistence of a negative demand for electricity, meaning that the demand for power is less than the supply that's available on the market. The **International Energy Agency** has reported that global demand for electricity has been -0.9% for several quarters since 2008, a

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.

first since the demand has been recorded in the 1960s, said **Tanya Bodell**, managing director of **FTI Consulting**. "I was utterly shocked when someone asked, 'Are we selling a product that people really need?'" she said, referring to power generation.

Such an environment makes it difficult to determine the value of an asset long-term, several attendees said, and it also makes it difficult to finance the purchase or development of such facilities as the risks remain so unclear. "Uncertainty is here to stay and uncertainty is risk," Holland said.

M&A Cast Gets Broader Than 2008

Matt Gibson

The pool of companies looking to execute acquisitions is more diverse and deeper than it's been since early 2008. Multinationals, private equity and infrastructure funds as well as strategics and corporations are all looking to get a slice of the assets on the market. Investment banks running the auctions are pulling more names from the rolodexes, said **Matt Gibson**, managing director at **Goldman Sachs**. He noted on a recent launch Goldman reached out to about a hundred potential buyers instead of a half dozen strategics it used to solicit.

Jim Metcalfe

The strongest bidders are those with the biggest balance sheets to finance the bulk of purchases with cash, said **Jim Metcalfe**, managing director and co-head of global utilities at **UBS**. Multinationals looking to enter a new region or industry that can pay from cash reserves or buyers that can plunk down cash are most likely to be successful in auctions. It's likely to be a while before highly-levered acquisitions are back in full force, said Gibson.

Constellation Energy paid cash for the **Navasota Energy Partners** portfolio. **First Solar** and **Energy Capital Partners** paid cash for **NextLight Renewable Energy** and the **BG Group** portfolio, respectively.

Natural gas-fired assets and solar pipelines are expected to continue to be hot items as generation owners look to position themselves for demand growth recovery. The decreasing prices of solar development, stemming from solar panel manufacturers having excess panels to sell is making that renewable more attractive than other resources.

The deal flow is expected to continue as more companies, such as **Ameren** and **PSEG** selling their merchant portfolios, examine whether they need to pare back to core services or diversify as a way to prepare for future carbon legislation, said **Jack Paris**, managing director at **Citigroup**. **Exelon**'s purchase of **John Deere Renewables** typifies that dichotomy: Exelon wants to increase its green footprint while **Deere & Co.** wanted to get back to basics.

Investec Wraps $105M Landfill Gas Deal

Investec North America, a subsidiary of South African private equity shop and asset manager **Investec**, has wrapped a $105 million financing with a club of lenders backing a developer's portfolio of landfill gas-fired projects.

Pricing on the mini-perm facility, which converts from a construction loan to a five-year term loan, is in the range of 300 basis points over LIBOR, said **Jamie Manson**, head of power for Investec North America, on a panel at the conference. The identity of other lenders in the club deal and the developer on the projects could not be learned, though Manson notes the sponsor "has a track record of getting in and turning projects around."

The portfolio consists of six assets in operation and 13 assets set for construction. The plants are located throughout the U.S. Northeast, with one asset in Texas. Investec also participated in a $300 million loan backing **Hannon Armstrong** and **Catalyst Renewables** 49 MW Hudson Ranch I in Salton Sea, Calif. (PFR, 5/21).

Reporter's Notebook

- To the power cave! The conference took place two floors below street level with low ceilings, no windows and a maze of conference rooms beyond the lecture podium. "In the bunker, we're safe from everything but floods," said one attendee.

- The projector in the conference's lecture room caused some concern among panelists and speakers as the equipment was suspended beneath a missing ceiling tile. "Does that look like a potential liability to you?" asked a project finance attorney.

- Technical difficulties led to a **Britney Spears** impersonation as **Jamie Manson**, the head of power at a private equity shop **Investec North America**, exclaimed "Oops, I did it again!" after losing his microphone during a panel. "Oh Britney," scoffed fellow panelist, **Stephen Petricone**, managing director at **Fortress Investment Group**.

INDUSTRY CURRENT

Industry Current is a new feature, written by industry professionals, that highlights and clarifies key issues in the power sector. Power Finance & Risk will run the feature periodically.

FiTs in the U.S.—Part II

Feed-in tariffs are widely regarded as a key component of European renewables generation economics. Last week's Industry Current examined legal hurdles that need to be cleared in the U.S. for FiT implementation. This week's piece focuses on how FiTs are fairing in California.

Recent California FiT Challenges

California, which has become the battleground for the constitutionality of state FiT programs, had it's FiT challenged at U.S. Federal Energy Regulatory Commission in May 2010. Introduced at the end of 2008, California's FiT pays $0.096/kWh for combined heat and power generating facilities of 20MW or less installed in 2010. This price is based on the Market Price Referent (MPR), set at the avoided cost of a natural gas-fired plant and includes a greenhouse gas adder to reflect the anticipated cost of carbon mitigation. Specifically, the MPR assumes the opportunity cost for wholesale power mirrors the hypothetical cost of operating a base-load combined-cycle gas turbine (CCGT) unit over a 10, 15, 20 or 25 year period. The MRT also incorporates the likely future cost of greenhouse gas emissions-control efforts, such as a carbon tax. The MPR is also used under the state's accelerated RPS, adopted in 2006.

Because the total FiT ends up above avoided costs, the three major retail utilities, **Southern California Edison**, **Pacific Gas & Electric**, and **San Diego Gas & Electric**, filed a complaint with the U.S. **FERC** alleging the FiT amounts to unconstitutional state regulation of interstate power at wholesale. In their complaint, they based their claims on previous FERC rejections of state pricing above avoided costs inside of the Public Utility Regulatory Policy Act and made the policy argument that inconsistent pricing across states could impose a significant burden on investor-owned utilities, giving rise to prohibitively high wholesale renewable energy prices that destroy their competitive advantage.

Former California Governor and current Attorney General (and aspiring Gubernatorial candidate) **Jerry Brown** responded to the complaints by claiming that California is not setting rates for the wholesale generator. Instead, it is establishing a price that utilities must offer to generators in order to comply with state law; the generator retains discretion to sell (or not) at the offered rate. A January 2010 report by the **National Renewable Energy Lab** lent support to Brown's position, claiming that a state FiT would not violate the FPA if designed as the utility's offer to buy at a state-specified price. The NREL based its conclusion on the 1997 ruling in *Midwest Power Systems, Inc.* (Docket EL95-51, 78 FERC ¶61067). In that case, FERC ruled that Iowa's 6 cent FiT (versus 1.5 cent avoided-cost rate) was pre-empted as unlawful because it fell outside of PURPA.

Yet while California took care to ensure its FiT would fall outside of PURPA, it is unclear whether it is indeed the case. Most of the generation facilities meeting the state's efficiency standard could have qualified as Qualifying Facilities (QF) under the PURPA standard in any event, meaning there may not be federal preemption. But California doesn't require eligible generators to obtain QF status, so it can disclaim any intent to act under PURPA.

Attorney General Brown also defended the FiT under the state's police power, as a public health and safety law. As a result, it should be presumed lawful and not preempted absent "a clear and manifest purpose" by Congress. See *Chae v. SLM Corp.*, 593 F. 3d 936, 944 (9th Cir. 2010). According to Brown, due to the impending threat of global warming, PURPA and FERC should be interpreted liberally to give states flexibility in avoided-cost rate setting to accommodate important state environmental objectives. And since the California MPR has been deemed to be *de facto* reasonable in the context of the RPS, the same standard should carry over to a FiT.

But FERC was not persuaded by Brown or the California **Public Utilites Commission** (CPUC), the California agency responsible for implementing the FiT. In a July 15, 2010 order (132 FERC ¶ 61,047 (2010)), it found that certain CPUC decisions are preempted by federal law, except in limited circumstances. While California was relying on the fact that its FiT controlled power purchases, not power sales, FERC elevated substance over form, holding that the California FiT attempted to establish wholesale prices above the avoided cost of the purchasing utility. As FERC has exclusive authority to regulate wholesale power sales, it held the California FiT to be preempted under the Supremacy Clause of the United States Constitution. This means the FiT must comply with the FPA and PURPA, which requires that eligible facilities are QFs and the established "offer" price does not exceed avoided cost. This victory for the retail utilities has broad implications for other California FiT programs and all states that currently have, or are considering, FiTs.

Based on the FERC order, states must now find an alternative

Power Finance & Risk is now accepting submissions from industry professionals for the Industry Current® section. For details and guidelines on writing an Industry Current®, please call **Sara Rosner** at (212) 224-3165 or email srosner@iinews.com.

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.

method for setting total payments, or equivalent feed-in tariffs, above avoided costs, to avoid triggering federal preemption under the FPA. We believe this can effectively be done under PURPA by providing supplemental payment mechanisms to generators of power rather than directly addressing the price of power, which as we have seen is problematic. Such supplemental payments mechanisms are generally outside of FERC's jurisdiction and might take the form of: (1) renewable energy credits/certificates, which generators would sell to purchasers needing to comply with RPS or other state-law mandates; (2) subsidies/cash grants directly to generators from states; (3) utility tax credits for purchasers of renewable energy equivalent to the amount of the additional payment required for the renewable source, effectively offsetting the economic impact of such additional charge; or (4) standard offer contracts implemented through state RPS, with sellers either exempt from FPA rate requirements or authorized to charge market-based rates. These payments legally "top-up" the avoided cost, so that the total tariff received by generators can more closely reflect the cost of generation.

The German FiT program is widely viewed as one of the most successful in Europe, in terms of stimulating renewable energy production. The German FiT program, which includes a top-up payment which comes from a pool known as the Systems Benefit Charge, collected from ratepayers. In contrast to the Swiss program, where the pool is fixed and collected in advance, in Germany, the pool is flexible and applied to ratepayers after-the-fact. So, as more renewable energy production is added to the system, the pool expands and charges ratepayers proportionally (including a reasonable return on investment).

A similar program adopted in the U.S. would not only give states legal cover under PURPA, but, as long as the top-up payments are made to utilities to offset higher purchase prices (rather than being made to generators directly) would also help shift the investment risk of renewable energy, as a public good, to the utility ratepayers. Utilities would then be faced with identifying the optimal method of financing these additional costs. [We believe that in particular, stranded-cost securitization could then be used to finance renewable energy development, by monetizing the FiT charges, transferring the production risk to the capital markets, with low transaction costs and capital markets efficiencies. We intend to explore the application of stranded cost securitizations to state FiT programs in a subsequent piece.]

States To Proceed With Caution For FiTs

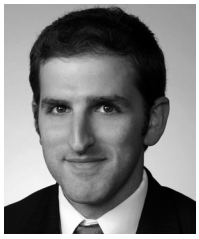
Feed-in-tariffs can be used by states to stimulate renewable energy development, where RPS alone have fallen short. As Europe has seen renewable energy use swell on account of FiTs, we believe the ten states contemplating the adoption of above-wholesale-cost FiTs for state-regulated investor-owned utilities should continue doing so if they desire realistically to encourage greater renewable energy generation. Yet the legal obstacles require great care in structuring the FiT. While a state FiT cannot exceed avoided costs, supplementary payments under PURPA can be used legally to avoid federal preemption, encouraging desired levels of generation, while allowing developers and investors and to earn a reasonable profit.

While the supplemental payment approach should avoid federal preemption, there is still the lingering problem that U.S. energy law treats renewables as a supplement to the existing utility system. While states could attempt to level the playing field through uncapped FiTs, while allowing for a diversity of energy sources, federal energy law continues to be a major hindrance, as most wind farms and large scale solar projects are too large to qualify as qualifying facilities under PURPA. This explains why California has seen no significant increase in in-state renewable energy production, while foreign countries with FiTs, where there are no size restrictions, have seen demand for renewables surge in recent years.

But California and other states can use supplemental payments under PURPA to provide push aggregate prices above avoided costs, providing incentives for producers, while sidestepping the FPA. Eliminating any uncertainty that surrounds state implementation of FiTs through supplemental payments will allow the U.S. to follow Europe's lead and see a major expansion in renewable energy production.

Paul Forrester

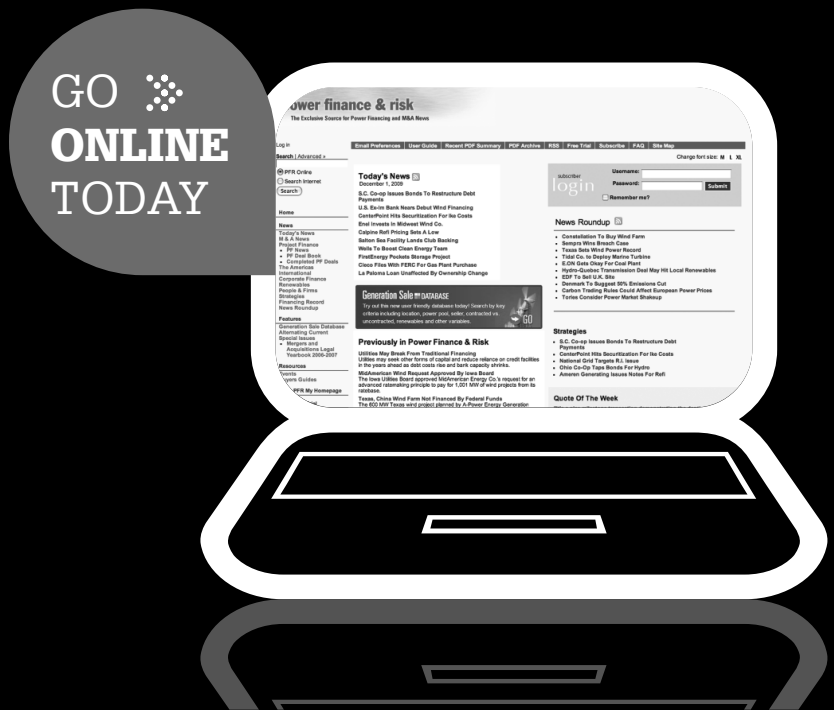
This week's Industry Current was written by ***Paul Forrester****, partner, and* ***Nadav Klugman****, associate, at Mayer Brown.*


Nadav Klugman

PRINT IT OUT. DOWNLOAD IT. YOUR CHOICE.

Subscribers can access their copy of **Power Finance & Risk** on Friday afternoons at www.iipower.com.

To set up your subscriber password, contact customerservice@iinews.com or call (800) 715-9195 between 8:00 a.m. and 6 p.m.



Power Finance & Risk

power finance & risk

Power Finance & Risk is a powerful portfolio of decision-support information

Are you getting the most out of your subscription?

24/7 live news updates via the website – news is posted as it happens

A daily email, highlighting the day's breaking news from around the market

Breaking news alerts, reporting on the most up-to-date information from within the power industry

Tailored RSS feeds to suit your information needs

Fully searchable PDF archive of past issues, going back to 2004

Generation Sale Database - a must-have information source for buyers and sellers of what plants were sold, when and where. This new user friendly database enables you to search by all the key criteria such as location, power pool, seller, contracted vs. uncontracted, renewables and more

---

www.iipower.com

Login now* to make the most of your Power Finance & Risk subscription today!

To login you will require your username and password. If you have forgotten your username and password, simply call 1-800-715-9195.

Generation Sales Database

Following is a listing of ongoing generation asset sales from PFR's Generation Sales Database. The entries below are of new sales and auctions or of sales and auctions that have changed in their parameters or status. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new sales and auctions or changes in the status of a sale or auction, please call Senior Reporter ***Holly Fletcher*** *at 212.224.3293 or e-mail hfletcher@iinews.com. The full database is available at http://www.iipower.com/GenerationSalePage.aspx*

Seller	Assets	Location	Advisor	Status/Comments
Ameren	Coffeen Power Station (950 MW Coal) Electric Energy (800 MW Coal) Hutsonville Power Station (156 MW Coal) Meredosia Power Station (513 MW Coal) Newton Power Plant (1.15 GW Coal) Columbia Energy Center (140 MW Gas) Elgin Energy Center (460 MW Gas) Gibson City Power Plant (228 MW Gas) Grand Tower Power Plant (511 MW Gas) Joppa (165 MW Gas)	Coffeen, Ill. Joppa, Ill. Hutsonville, Ill. Meredosia, Ill. Newton, Ill. Columbia, Mo. Elgin, Ill. Gibson City, Ill. Grand Tower, Ill. Joppa, Ill.	JPMorgan	Ameren is quietly selling its unregulated generation facilities (PFR, 8/30).
BlackRock Subsidiary and investor group	Milford Power (559 MW CCGT)	Milford, Conn.	JPMorgan	Teasers for the facility went out late last month (PFR, 8/30).
Brick Power	Tiverton (265 MW Natural Gas) Rumford (265 MW Natural Gas)	Tiverton, R.I. Rumford, Me.	Deutsche Bank	First Reserve, Capital Power, Centrica, Energy Capital Partners and Constellation Energy submit bids (PFR, 8/16).
Centaurus Energy	Tres Palacios (27 bcf gas storage)	Texas	Barclays Capital	Inergy expects its $725 million purchase to close by year end (PFR, 9/13).
Covanta Holding	Quezon (440 MW Coal-fired) Samalpatti (106 MW Heavy fuel oil-fired) Madurai (105 MW Heavy fuel oil-fired) Haipru (120 MW Natural gas-fired)	Philipines India India Bangladesh	Citigroup	Covanta is looking to exit its facilities in Bangladesh, India and the Philippines (PFR, 8/2).
Entergy Power Ventures	Stake in 550 MW CCGT	Texas	N/A	A pair of Texas co-ops are buying the stake for $219 million (PFR, 9/13).
Deere & Co.	John Deere Renewables (735 MW Wind)	Various in U.S.	Goldman Sachs	Exelon is buying the unit for $860 million with the option of a $40 million earn-out (PFR, 9/6)).
Goldman Sachs	20% stake Cogentrix Energy (IPP)	Various in U.S.	Goldman Sachs	Wants to exit the 2.3 GW portfolio that consists of coal, gas, hydro and solar facilities (PFR, 8/2).
Harbinger Capital Partners	Cottonwood (1,279 MW CCGT)	Deweyville, Texas		NRG Energy is buying the facility for $525 million (PFR, 9/6)).
Invenergy	St. Clair (570 MW, CCGT) Raleigh (78 MW wind project)	Ontario Ontario		Divesting Canadian assets to focus on development in the U.S. (see story, page 2).
Juhl Wind	Grant County (20 MW Wind)	Grant County, Minn.	Marathon Capital	Lienholders want the farm sold to pay down debt (PFR, 8/16).
Kinder Morgan/CIT Group	Triton (550 MW NatGas)	Jackson, Mich.	TBA	JPMorgan through its investment unit Arroyo Energy Investors is buying out both the lessor and the lessee of the facility (PFR, 9/6)).
Omya Industries	Four hydropower facilities (18.5 MW)	Vermont	N/A	Central Vermont Public Service is buying the assets for $32 million (PFR, 9/6).
PPL Corp.	540 MW natural gas-fired peaker 243 MW natural gas-fired peaker Hydropower facility	University Park, Ill. Wallingford, Conn Pennsylvania	Bank of America, Credit Suisse	Selling the assets to LS Power.
PSEG	Guadalupe (1 GW, CCGT) Odessa (1 GW, CCGT)	Marion, Texas Ector County, Texas	Goldman Sachs	Strategics with existing operations in the area are said to be considering bids (see story, page 4).
Ridgewood Renewable Power	Brea (5 MW landfill gas-to-energy) Providence (20 MW landfill gas-to-energy)	Brea, Calif. Providence, R.I.	Ewing Bemiss & Co.	Macquarie Infrastructure Partners is buying for $25 million and will look to finance expansions (PFR, 9/13).
Royal Dutch Shell	Shell Wind Energy (stakes in 1.1 GW) 50% Rock River (50 MW) 50% White Deer (80 MW) 50% Top of Iowa (80 MW) 50% Cabazon (41 MW) 50% Whitewater Hill (60 MW) 50% Brazos (160 MW) 50% Colorado Green (162 MW) 50% NedPower Mount Storm (264 MW) European wind (200 MW)	U.S. and Europe Wyoming Amarillo, Texas Joice, Iowa Palm Spring, Calif. Palm Spring, Calif. Lubbock, Texas Lamar, Colo. Grant County, W.Va. Various	Morgan Stanley	Selling its wind development unit; teasers out last week (PFR, 9/6).
Stark Investments	Wolf's Hollow (730 MW Gas)	Hood County, Texas	JPMorgan	The hedge fund looks to exit non-core assets (PFR, 8/16).
Tenaska	35% of 70% Alabama II (885 MW Gas) 35% of 70% Virginia (885 MW Gas) 35% of 20% Kiowa (1.222 GW Gas) 22% of 32% Gateway (845 MW Gas) 35% of 70% Georgia (944 MW Peaker)	Billingsley, Ala. Scottsville, Va. Kiowa, Okla. Mt. Enterprise, Texas Frankling, Ga.	Citigroup	Tenaska wants to wrap the sale of a portion of its stakes in the portfolio by Dec. 1 (PFR, 8/9).
U.S. Power Generating Co.	Boston Generating Mystic 8 (801 MW Gas fired) Mystic 9 (801 MW Gas fired) Fore River (801 MW Gas fired) Mystic 7 (560 MW Gas fired)	Greater Boston area	JPMorgan	Constellation Energy is the stalking horse, $1.1B bid to beat in a bankruptcy process (PFR, 8/16).
	Astoria Generating (1.28 GW Natural Gas) Gowanus (542 MW Fuel, oil and gas-fired_ Narrows (276 MW Fuel oil and gas-fired)	New York City New York City New York City	Goldman Sachs	The portfolio in Queens and Brooklyn, N.Y., is on the market in addition to two development projects (PFR, 8/2).

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.

Americas

- **NRG Energy** has agreed to buy commercial power retailer **Green Mountain Energy Co.** for $350 million in cash. The deal is expected to close in November (*Reuters*, 9/16).

- **American Municipal Power** and **Kentucky Municipal** have withdrawn their protests to **PPL**'s purchase of **E.ON**'s U.S. utility. PPL expects to receive federal approval for the deal in a month (*Business First of Louisville*, 9/16).

- **Solar Millennium** and **Ferrostaal** have received approval for the $6 billion, 1 GW Blythe solar project from the **California Energy Commission**. The project would be built in four, 250 MW phases; the first would be online in 2013 (*Reuters*, 9/16).

- Utilities will build gas-fired plants in the U.S. if gas prices stay in the $4 to $7 range, says **James Rogers**, ceo of **Duke Energy Corp**. Gas prices have fallen 21% since the end of July (*Bloomberg*, 9/15).

- The province of Ontario has directed the **Ontario Power Authority** to begin negotiating with **Ontario Power Generation** for power generated from the 211 MW Atikokan Generation Station, which is expected to be converted to burn biomass instead of coal by 2014. Ontario aims to eliminate coal-fired generation by the end of 2014 (*Biomass Magazine*, 9/15).

- **Calpine** will buy excess wind power from the **Bonneville Power Administration** and reduce its generation at the 616 MW combined-cycle Hermiston facility in Oregon in order to balance power supply (*Brighter Energy*, 9/14).

- The U.S. **Energy Information Administration** anticipates gas-fired plants to surge to 82% of new capacity in 2013, up from 42% in 2009, while coal-fired facilities are expected to account for just 10% of new capacity in the U.S. in 2013. Former coal-fired plants are increasingly being fueled by natural gas, thanks to low prices and an expectation that the U.S. government will ultimately cap carbon emissions (*The Wall Street Journal*, 9/13).

- West Texas lacks sufficient transmission lines to the state's big cities in the east for its surging wind portfolio. Texas has more turbines than any U.S. state and generates almost three times as much wind capacity as Iowa, which ranks second nationally (*The New York Times*, 9/13).

- **Ormat Technologies** has received roughly $12 million of $340 million in federal geothermal grants to test aerial imaging technologies in Oregon and Hawaii. The U.S. **Geological Survey** estimates that the Western U.S. has about 30 GW of untapped conventional geothermal capacity (*Dow Jones Newswires*, 9/13).

- **Ram Power** has hired **John O'Neill** as cfo, replacing **Paul Zavesov**, who will shift to a senior role in business development. O'Neill worked at EGB Consulting and was previously cfo at **Homeland Renewable Energy** and **Environmental Power Corporation** (*MarketWatch*, 9/13).

- **American Transmission Co.** is planning to spend $3.4 billion on new projects and upgrades over the next 10 years, including regional projects. ATC is planning two projects that would move wind power out of Iowa (*The Wisconsin State Journal*, 9/10).

- **Blackstone Group**'s $542.7 million purchase of **Dynegy** has been approved by the U.S. **Department of Justice** and the **Federal Trade Commission**. The buyout, which has Blackstone assuming more than $4 billion in debt, still needs to be cleared by shareholders and other regulators (*Bloomberg BusinessWeek*, 9/10).

Europe

- Finland is planning to introduce feed-in tariffs for wind and biogas as the country looks to meet the **European Union**'s renewable energy standards. The government is aiming for a EUR83.50 ($109) per MWh that will extend for 12 years (*Bloomberg*, 9/16).

- **Iberdrola** is planning to spend EUR4.8 billion ($6.1 billion) on wind and transmission projects in the U.K. over the next two years (*Bloomberg*, 9/14).

- **Gamesa** has sold six German wind farms totaling 45 MW to **Ikea** as the Swedish furniture retailer looks to reduce its carbon emissions. Ikea plans to make additional solar and wind acquisitions (*The Financial Times*, 9/14).

- **GDF Suez** sold its 5% stake in **Gas Natural** for EUR540 million ($687 million). **Citigroup** and **Goldman Sachs** were joint book-runners on the offering that sold GDF's 46.2 million shares at EUR11.70 ($14.86) each (*Bloomberg*, 9/10).

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.

- **Meet over 400 senior investors and financiers** and ensure you make the right connections to move your projects forward
- **Hear from over 50 leading speakers** as they address the most pressing issues affecting the financing of renewable energy today
- **Get the buzz from Wall Street** at the only west coast renewable energy event to bring you up-to-the minute commentary from Wall Street's banking leaders
- **Identify key elements for success** in your renewable business with insights from pioneering CEOs in our special CEO panel discussion

Co-Organizers: euromoney energy events www.euromoneyenergy.com ACORE American Council On Renewable Energy

The premier west coast renewable energy finance event returns to San Francisco

3rd annual reff West

renewable energy finance forum

Over 400 participants in 2009

September 29-30, 2010 | The Ritz Carlton, San Francisco

Platinum Sponsor
WSGR Wilson Sonsini Goodrich & Rosati PROFESSIONAL CORPORATION

Gold Sponsor
TROUTMAN SANDERS

Silver Sponsors
NTR Securing a Greener Future
STOEL RIVES LLP ATTORNEYS AT LAW

Evening Reception Sponsor
Milbank

Networking Breakfast Sponsor
DUFF & PHELPS

Sponsor
Reznick Group ACCOUNTING • TAX • BUSINESS ADVISORY

Official Research Partner
Bloomberg NEW ENERGY FINANCE

Strategic Communication Partner
WEBER SHANDWICK | CLEANTECH

Visit: **www.reffwest.com**
Call: +1 212 224 3570 Email: energyevents@euromoneyplc.com

power finance & risk

Welcome to the New and Improved

iipower.com

The exclusive web site for power financing and M&A news

We've revamped our website so it's easier for you to access our exclusive content whether you're at your desk or on the go!

Log on and check out our NEW features:

The NEW Generation Sale Database

The only database of its kind! Search by key criteria including location, power pool, seller, contracted vs. uncontracted, renewables and other variables

The NEW Power Finance & Risk Daily Email

Get a comprehensive round up of the day's top news – every day

www.iipower.com is still THE source for...

Exclusive news of changing corporate strategies, impending acquisitions or construction plans

Project Finance News and Deal Book - matrix of energy project finance deals

Real time breaking news email alerts

Check Out www.iipower.com Today!

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
ArcLight Capital Partners, SGR Holdings	Southern Pines Energy Center (Gas Storage)	Greene County, Miss.	TBA	TBA	$365M	TBA	Deal wraps (PFR, 8/30).
Brookfield Renewable Power	Comber (166 MW)	Essex County, Ontario	Scotia	TBA	TBA	TBA	Sponsor circles September closing (PFR, 8/23).
	St. Anthony Falls (10 MW Hydro)	Minneapolis, Minn.	TBA	$20.76M	TBA	TBA	Sponsor will hunt financing next year (PFR, 9/6).
Cavallo Energy	Cross Hudson Transmission	Ridgefield, N.J.-to-New York	TBA	TBA	$400-$450M	TBA	Mid-2011 financing eyed (PFR, 8/30).
Cogentrix	Various (110-130 MW)	Colo., Puerto Rico, Calif.	TBA	TBA	TBA	TBA	Sponsor seeks roughly 80% debt for $700M portfolio (PFR, 9/13).
enXco	Lakefield (201 MW Wind)	Minnesota	Dexia, SocGen	TBA	TBA	TBA	At least five banks pre-subscribe (PFR, 9/13).
Eurus Energy, NRG Energy	Various (45 MW Solar)	TBA	TBA	TBA	TBA	TBA	Trio of banks circle late September closing (see story, page 3).
Exergy Development Group	Various (183 MW Wind)	Idaho	TBA	TBA	$350M	TBA	GE, Exergy scope lenders (PFR, 8/23).
First Solar	Desert Sunlight (550 MW Solar PV)	Desert Center, Calif.	TBA	TBA	TBA	TBA	Sponsor hopes to begin construction in 2011 (PFR, 8/16).
First Wind	Cohocton (125 MW)	Steuben County, N.Y.	Commerzbank, Deutsche Bank, MUFJ and NordLB	TBA	TBA	TBA	First Wind lands refinance of wind farm (see story, page 3).
	Milford II (100 MW Wind)	Milford, Utah	TBA	TBA	$220M	TBA	October closing eyed (PFR, 8/23).
Mirant	Marsh Landing (760 MW Gas-Fired)	Antioch, Calif.	WestLB, RBS, RBC	TBA	$630M	TBA	Leads looking to wrap $630 million loan in October (PFR, 9/13).
Nevada Geothermal	Blue Mountain (49.5 MW Geothermal)	Humboldt County, Nev.	John Hancock	TBA	$98.5M	20-yr	John Hancock Financial Services closes a $98.5 million loan (PFR, 9/13).
	Various (60 MW Geothermal)	Nevada and Oregon	TBA	TBA	TBA	TBA	Sponsor to seek DOE loan guarantees (see story, page 3).
Northland Power	Saskatchewan (265 MW Combined-Cycle)	North Battleford, Saskatchewan	CIBC, BMO, Union Bank	Mini-Perm	$580M plus construction	7-yr	Deal wraps as Natixis takes final ticket (PFR, 9/6).
Pristine Power	York Energy Centre (393 MW Gas)	King, Ontario	ING, Union Bank, RBC	Mini-Perm	$330M	5-yr plus construction	Deal wraps without Crédit Agricole (PFR, 8/30).
	Grand Valley (20.3 MW)	Grand Valley, Ontario	TBA	TBA	$37.9M	20-yr	Sponsor will seek financing next year (PFR, 9/6).
Ram Power	Orita I (49.9 MW Geothermal)	Imperial Valley, Calif.	TBA	TBA	$170-180M	TBA	Sponsor considering a private placement (see story, page 4).
Rollcast Energy	Piedmont Green Power (50MW Biomass)	Barnesville, Ga.	Mitsubishi Financial UFJ Group	$100M	TBA	TBA	Deal to launch in September (PFR, 8/23).
Solar Power Partners	Various (600 MW Solar)	TBA	TBA	TBA	TBA	TBA	Early 2011 targeted for closing of first chunk of debt financing (PFR, 8/2).

For a complete listing of the Project Finance Deal Book, please go to iipower.com.

MIRANT, RRI LOAN

(continued from page 1)

Commitments were due Sept. 17.

Several banks have already taken pieces of the revolver, an observer says. **Goldman Sachs** and **Morgan Stanley**—RRI's advisors—are expected to be ticket takers. Both the term loan and revolver are rated B2 by **Moody's Investors Service** and BB- by **Standard & Poor's**.

A 144A $1.4 billion senior unsecured bond offering is also in the works. Details, such as a timeline and expected pricing, could not be learned. The bond offering is rated B3 by Moody's and B by S&P.

Proceeds will be used to refinance a combined $1.8 billion in debt as they merge into an independent power producer with 24.7 GW. JPMorgan and Credit Suisse officials declined to comment. Calls to officials at Mirant, RRI, Goldman and Morgan Stanley were not returned. —***Holly Fletcher***

UNREGULATED POWER

(continued from page 1)

down much debt and left them with far more outstanding debt at maturity than expected, says **A.J. Sabatelle**, senior v.p. at **Moody's Investors Service**.

Project power hedges have allowed most of these companies to stay current on the debt and pay off interest, but the incremental revenues from power sales that never fully materialized has generally stopped borrowers from paying down the principal on the loans. "The real issue here is that a lot of these guys are going to breach their covenants," says a banker, pointing to leverage ratios and debt service coverage as areas where borrowers might violate covenants, especially as power hedges start to expire.

The wave of amend-and-extend deals in corporate credits does not pertain to these loans because most of the lenders don't have relationships with the sponsors and these loans have been trading below par, meaning they would have to be made whole in order to do an amend-and-extend. Moreover, the assets don't have the cash flow to support such a deal, a financier notes.

U.S. PowerGenerating Co. filed for bankruptcy for subsidiary **BostonGen** as it was unable to amend covenants on its $1.1 billion B loan in the face of inadequate cash flow. U.S. PowerGen put the company on the block, a move gaining popularity for many of these owners, bankers say. Hedge fund **Stark Investments** sale of its 730 MW gas-fired Wolf Hollow project, is an example (PFR, 8/13).

Struggling borrowers do present opportunities for distressed equity buyers, says a lender. **ArcLight Capital Partners**, **Energy Capital Partners**, **Blackstone Group** and **Carlyle/Riverstone** have all been sniffing around projects. But uncertainty surrounding gas and power prices can make some of these assets difficult to value, observers note. Regarding the Wolf Hollow sale a banker says, "It's got about $300 million in debt on it. But is it worth that much? I don't know."

The decreased number of institutional investors and the greater risk associated with B loans that back a concentrated set of assets compared to B loans for general corporate purposes will be obstacles for refinancing, Sabatelle notes. Borrowers will also have to swallow debt that's more than twice as expensive as the loans they borrowed in 2006 and 2007. **NRG Energy** had to double pricing to 325 basis points over LIBOR on an extension of its $1 billion term loan it borrowed in 2006 (PFR, 7/30). But pricing on refinancings backing assets will likely be more in the neighborhood of the 550 bps over LIBOR **Calpine** paid on its $1.4 billion acquisition financing for **Conectiv Energy**, observers say (PFR, 7/2).

Covanta took out a seven-year, $250 million B Loan as part of a $1.2 billion financing backing its acquisition of **DLJ Merchant Banking Partners** and its waste-to-energy facilities (PFR, 3/25/05) and it added a $140 million tack-on in 2006. **AES** took out a $130 million B loan and a $110 million second lien facility for the Wolf Hollow plant in Wood County, Texas before it sold the plant to Stark for $250-300 million (PFR, 12/16/05). **Tenaska Energy** borrowed a $180 million B Loan to fund the acquisition of two gas-fired plants in Illinois (PFR, 9/21/2007). **Bicent Power** borrowed a $330 million B loan to finance its purchase of 603 MW of capacity under **MDU Resources**. **FirstLight** borrowed a $550 million B loan, but details on the use of proceeds for that facility could not be learned. **GDF Suez** acquired FirstLight in 2008.

—***Sara Rosner & Brian Eckhouse***

Quote Of The Week

"We're really up here talking about onesies, twosies of projects when 10 years ago there were 4.5 GWs in several pipelines."—**Thomas White**, *president and ceo of* ***KGen Power*** *at Infocast's Power & Dealmaking Summit in New York, on the trickle of new generation in the independent power producer space (see story, page 1).*

One Year Ago In Power Finance & Risk

The U.S. **Department of Energy** was expected to release a request for proposals for the debut of its Financial Institution Partnership Program. [**Nevada Geothermal** snagged a $98.5 million loan guarantee under FIPP with **John Hancock Financial Services** providing the loan (PFR, 9/13). The company aims to partner with Hancock to secure more guarantees under the program (see story, page 3).]

©Institutional Investor News 2010. Reproduction requires publisher's prior permission.