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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Q&A: Marathon Capital

In a sector packed with project finance and M&A giants from Europe and Wall Street, Marathon Capital stands out as an independent advisory shop that continues to net business with power industry heavyweights.

"The way we go about our processes is with flexibility, and we're independent. We're not a bank that's gotten an assignment because the lending side or the bond side of our bank has a relationship so that we have to execute along a certain path. We look to execute in the way that's best for our client," says **Gregg Elesh**, principal and chief investment officer at the Chicago-based shop. *PFR* Managing Editor **Sara Rosner** sat down with Elesh, Principal and CEO **Ted Brandt**, and Managing Directors **Terry Grant** and **Wendy Carlson** to discuss Marathon's strategy for, and outlook on, power M&A and project finance mandates.

PFR: Tell me a little bit about Marathon Capital and the team.

Elesh: It's kind of hard to believe, but Marathon Capital is now a 14-year old company as of this past July. Over that time, we've developed our specialty, which is really investment banking focused on the power, energy and infrastructure markets. We came to that through some early assignments for the company and we saw the opportunity in the sector and we ran with it. In 14 years, we've grown from a

Gregg Elesh

(continued on page 10)

Tenaska Hunts Calif. Solar Funds

Tenaska Solar Ventures has started talking to banks about securing roughly $500 million in debt for its 150 MW Tenaska Imperial Solar Energy Center West in Imperial County, Calif.

Tenaska typically structures deals in-house without an advisor, before sending out a request for proposals to lenders to provide debt for the project, says a deal watcher. "Tenaska is a well-trusted developer," he says, adding that the company should be able to easily line up banks. A number of banks are looking at the deal, he notes. The exact amount of debt or a timeline for the current financing could not be learned by press time.

Tenaska landed its maiden debt package backing a solar facility last year, when **Bank of Tokyo Mitsubishi-UFJ** and **Union Bank** led a $500 million, 10-year deal for its Imperial Solar Energy Center South (*PI, 4/9*). The deal priced at roughly

(continued on page 12)

Wind Shops Scout Financing For Military Projects

Wind developers with initial contracts under the **U.S. Army**'s call for renewables are talking to lenders and tax equity investors. They're looking to line up financing for hundreds of megawatts of projects in the initial stages of development.

First Wind, **EverPower Wind Holdings** and **Ibedrola Renewables** are among the 17 players awarded multiple award task order contracts that give them clearance to bid into request for proposals hosted by the army and the U.S. **Department of Defense**. The RFPs are part of the U.S. military's initiative to comply with the congressional mandate to derive 25% production and consumption of energy from renewable sources by 2025. The military is set to contract roughly 3 GW of renewables under the initiative.

The army announced the MATOC awards last week. The first

(continued on page 9)

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Check out the latest news and trends in power project finance and M&A by following *PFR* on **Twitter** @power_intel. Also check out Senior Reporters @nicstone and @hollyfletcher.

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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IN THIS ISSUE

PROJECT FINANCE

5 | SunEdison Secures Debt For Chile Solar

5 | Pattern, Samsung Score Wind Deal

MERGERS & ACQUISITIONS

5 | Threshold Seeks Buyer After Nixing IPO

STRATEGIES

6 | Exelon Taps Bonds For Wind Refi

6 | Northland Hooks Bonds After COD

6 | Solar Securitization Pair Near Market

7 | MidAmerican Mines Hungry Utility Bond Market

CONFERENCE COVERAGE

8 | Regional Banks Increase Activity

8 | B Loan Pricing Tipped For Volatility

9 | Infra Investors Hunt For Yield

DEPARTMENTS

3 | Generation Auction & Sale Calendar

4 | Project Finance Deal Book

12 | Alternating Current

12 | Power Tweets

THE BUZZ

As part of its plan to derive 25% of its power from renewable sources by 2025, the **U.S. Army** announced a shortlist of 17 wind companies eligible to bid into upcoming requests for proposals (see story, page 1). The group includes industry stalwarts such as **First Wind** and **Duke Energy**. Developers have started parsing through the opportunities and have already approached financiers about debt and tax equity for potential projects, note observers. The army has now named the wind, solar and geothermal developers eligible to bid, with biomass still to come.

A couple of deals closed this week, with **Pattern Energy** and **Samsung Renewable Energy** wrapping up the financing of the next stage of their renewable build-out in Ontario (see story, page 5). The co-developers closed a C$400 ($388.3 million) deal, which priced at LIBOR plus 225 basis points. **SunEdison** also closed a $260.5 million debt package backing what will become Latin America's largest solar facility – a 100 MW photovoltaic plant in the Atacama Desert in Chile (see story, page 5). **Northland Power** looked to the bond market to refinance the bank debt on its 260 MW North Battleford gas-fired facility in Saskatchewan, which commenced commercial operation in June (see story, page 6).

The B loan market is tipped for sporadic activity this fall as a handful of refinancings surface. Several sponsors had begun to look at the institutional loan market as a viable option for their gas-fired greenfield projects, but investors' appetite for construction risk is limited, financiers said at *Project Finance's 8th Annual North America Energy & Infrastructure Finance Forum* in New York. Pricing can swing on political and macroeconomic news, factors that can be more perilous for time-sensitive deals such as greenfield financings (see story, page 8). Meanwhile refinancings, such as **LS Power**'s LSP Madison portfolio, can be shelved until pricing settles. The market expects **Panda Power Funds** to return with another combined cycle project in Pennsylvania, Moxie Patriot, as well as least one refinancing from LS (PI, *8/7* & *8/15*).

All signs point to the fourth quarter as the season for solar securitizations to make their market debut. There are two distributed generation deals, one residential and one commercial, on the desks of ratings agencies awaiting their credit stamp. The deals are hotly anticipated as developers, financiers, and securitization investors await details on how sponsors have balanced the securitization commitments with the first lien tax equity obligations (see story, page 6).

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

These are the current live generation asset sales and auctions, according to *Power Intelligence*'s database. A full listing of completed sales for the last 10 years is available at www.powerintelligence.com/AuctionSalesData.html

Seller	Assets	Location	Advisor	Status/Comment
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	TBA	Looking for equity (PI, 7/15).
Algonquin Power & Utilities	Various (29 MW Hydro)	New Hampshire and New York	None	Eagle Creek Renewable bought them for $27M (PI, 9/16).
Ameren	Elgin (460 MW Gas)	Cook County, Ill.	Barclays	In talks with select prospective buyers (PI, 8/26).
	Grand Tower (478 MW Gas)	Jackson County, Ill.		
	Gibson City (228 MW Gas)	Ford County, Ill.		
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
BP Wind Energy	Various (Wind portfolio)	Various	None	Pulled the sale (PI, 8/5).
Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Emera is buying the plants for $541M (PI, 9/2).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	An equity investor to precede financing of the coal-to-gas-fired project (PI, 6/24).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	Teasers are out (PI, 8/26).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Teasers are out (PI, 6/24).
	Red Oak (823 MW CCGT)	Sayreville, N.J.	TBA	A Carlyle fund is buying the plant (PI, 9/16).
Entegra Power Group	Union Power Station (2.2 GW Gas)	El Dorado, Ark.	Bank of America	The company is teeing up a sale (PI, 9/2).
	Stake (50% 2.2 GW Gila River Gas)	Gila Bend Ariz.		
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldman Sachs	LS Power is buying a portion (PI, 9/9).
First Columbia Energy Holdings	Banks Island (1 GW Wind)	British Columbia	None	Half dozen of entities are in due diligence (PI, 7/29).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Voltage Finance is buying the stake (PI, 8/26).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (PI, 8/26).
Hess Corp.	Stake (512 MW Gas)	Bayonne, N.J.	Goldman Sachs	Sale is said to be launching (PI, 9/9).
	Stake (655 MW Gas)	Newark, N.J.		
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Teasers went out in mid-April; includes a 171 MW peaker (PI, 5/6).
Longview Power	Longview (695 MW Supercritical Coal)	Maidsville, W.Va.	Lazard	Filed for Ch. 11 in Delaware (PI, 9/9).
Mesa Power Group	Stephens Ranch (377 MW Wind)	Lubbock, Texas	JPMorgan	Starwood has bought the project and will project finance it shortly (PI, 8/19).
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8).
▶ Southern Power	Oleander (800 MW Gas)	Cocoa, Fla.	TBA	Close to launching a sale.
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	Tenaska Capital is buying US Power Gen (PI, 9/16).
Wayzata Investment Partnes	Castleton (72 MW Cogen)	New York	Scotiabank	Teasers are out (PI, 8/19).

▶ **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter ***Holly Fletcher*** *at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at http://www.powerintelligence.com/projectfinancedeal.html

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	The company is in the market looking for equity, before finalizing the debt financing (PI, 4/29).
	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Sponsor ups the original bank loan to $4.4 billion and taps Korean entities for a further $1.5 billion (PI, 6/3).
Competitive Power Ventures	Shore (663 MW Gas)	Woodbridge, N.J.	GE EFS	Term Loan	$585M	TBA	A wrap on the deal is imminent, with a 1.5 times oversubscription (PI, 8/19).
Corona Power	Sunbury Generation Facility (900 MW Gas)	Shamokin Dam, Pa.	TBA	Term Loan A & B	TBA	TBA	The financing will be dictated by the equity investor the company is looking to secure (PI, 6/24).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
Energy Investors Funds	Pio Pico (300 MW Gas)	San Diego County, Calif.	SocGen	TBA	$300M	TBA	Sponsor is re-launching financing efforts (PI, 6/10).
Gauss Energia	Various (3 x 30MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsor is looking to finance another three projects after the succesful closing of the Aura Solar facility (PI, 7/1)
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Greenbriar Capital Corp.	Blue Mountain (80 MW Wind)	Monticello, Utah	Rabobank	Term + Tax Equity	$150M	TBA	Sponsor is looking for debt and a tax equity investor (PI, 9/2).
ICE	Reventazón (305.5 MW Hydro)	Limon Province, Costa Rica	TBA	TBA	TBA	TBA	Sponsor is eyeing a private placement alongside an IDB loan (PI, 8/19).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
ISA	Cardones to Polpaico Transmission	Chile	BBVA	TBA	TBA	TBA	The sponsor has tapped BBVA as advisor for the facility (PI, 8/19).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	$1B+	TBA	Ares will provide a mezzanine tranche for the deal (PI, 7/15).
Lake Charles Exports	Lake Charles LNG Export Facility	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially $11B project (PI, 8/26) .
▶ Pattern Energy/Samsung	Grand (150 MW Wind)	Haldimund County, Ontario	BTMU, Mizuho, Union	Construction/ Term	$388.3M	C+7	The deal wrapped with pricing of LIBOR plus 225 bps (see story, page 5).
Potentia Solar	Distributed Solar	Ontario, Canada	Brookfield	TBA	~$200M	TBA	The sponsor is looking to up-lever its rooftop activity in Ontario (Pi, 8/5).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	$990M	4-yr	The developer is looking to bring in an equity investor and club the bank deal (PI, 9/16).
Samsung Renewable Energy	Grand Renewable (100 MW Solar PV)	Haldimund County, Ontario	TBA	TBA	TBA	TBA	The sponsor is talking to banks looking for debt for the project (PI, 5/27).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	TBA	TBA	~$400M	TBA	The sponsor is looking to mandate a lead soon and close the deal by year-end (see story, page 1).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
▶ SunEdison	Amanecer (100 MW Solar PV)	Copiapo, Chile	TBA	TBA	$260.5M	TBA	IFC and OPIC commit debt to Latin America's largest solar facility (see story, page 5).
▶ Tenaska	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (see story, page 1).
True Green Capital	Northeast Solar Portfolio (39 MW Solar)	Northeast U.S.	Investec	Construction/ Term/Bridge	$64M	TBA	Sponsor mandates Investec to arrange a construction/term loan, bridge loan and LC (PI, 9/2).

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PROJECT FINANCE

SunEdison Lands Chile Solar Funds

SunEdison has closed a $260.5 million debt package backing the 100 MW Amanecer solar project near Copiapo in the Atacama Desert in Chile.

The deal consists of $212.5 million non-recourse tranche from the **International Finance Corp.** and the U.S. government's development finance institution, the **Overseas Private Investment Corp**. The IFC provided $65 million of debt, while OPIC provided $147.5 million. **Rabobank** also lent a Chilean Peso VAT facility of $45 million. Bank officials either declined comment or did not respond to inquiries.

The photovoltaic project will sell its output to mining and steel company **CAP**, which is the largest steel producer in Chile. Construction began in August and is slated for completion by the end of the first quarter of 2014. When it begins operation, Amanecer will be the largest solar facility in Latin America.

SunEdison officials in Belmont, Calif., were not immediately available for comment. The length of the power purchase agreement and pricing on the debt could not be learned by press time.

MERGERS & ACQUISITIONS

Threshold Scouts Financial Buyer

Threshold Power is looking to raise capital in the wake of pulling its initial public offering on the **Toronto Stock Exchange**.

The company, backed by **AES**-founder **Roger Sant**, has been talking with financial players, including private equity and infrastructure shops, about a potential sale, observers say. Threshold had planned to use proceeds from the IPO to fund the purchase of stakes in the cash flow stream from a portfolio of wind farms from **JPMorgan Capital Corp**. (*PI, 8/29*).

The company could attract the attention of infrastructure investors looking for a cash stream—the company will receive the cash flow from the tax equity agreement while JPMCC retains the tax benefits—or private equity players that are interested in a new platform for growth and expansion, observers say. A Canadian deal watcher says that a sale to a privately funded entity is a more logical first step than an IPO where the company had to get Canadian investors comfortable with investing in a U.S. tax product and cash flow structure.

Threshold has agreed to buy into tax equity stakes in Texas, New Mexico, Colorado, Illinois, Oklahoma, New Jersey and Pennsylvania farms. The stake acquisitions have not closed as the deal is pending financing, say observers, noting that JPMCC is keen to close the deal soon. JPMCC had at least one deal involving tax equity stakes fall through on a set of stakes last fall when a foreign buyer was unable to raise the financing (*PI, 10/12*).

Under a successful public listing, Threshold would have had a first right of offer to bid on tax equity stakes in 76 wind farms totaling 10 GW that JPMCC may want to sell over the next two years, giving it access to a tax equity pipeline. Whether that arrangement is still in place could not be immediately learned.

Threshold agreed to buy the stakes in late 2012 (*PI, 1/4*).

A Threshold spokeswoman in Chicago did not immediately respond to an inquiry while a JPMCC spokesman declined to comment.

PEOPLE & FIRMS

Tyr Names Acting CEO

Tyr Energy has named **Garrick Venteicher**, cfo, as acting ceo on the departure of the **Karl Usami**, ceo. Usami left the Overland Park, Kan.-based investment shop in the last week.

Venteicher, who joined in 2003, will hold both roles for the time being, says an observer. He was also elected to the board of directors. Usami could not be reached for comment. A Tyr official declined to comment.

Tyr most recently bought majority interests in a portfolio of gas-fired plants totaling 997 MW from **Energy Investors Funds** along with co-investors **John Hancock Financial Services** and **Prudential Capital Group** (*PI, 3/5*).

Usami moved into the ceo role in 2006 from a position at **ITOCHU Corp.**, the Japanese parent of Tyr (*PI, 6/9/06*).

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STRATEGIES

Exelon Taps Bonds For Wind Refi

Exelon Corp. is in the market to refinance a portion of the wind portfolio it acquired three years ago with $635 million in bonds.

The senior secured notes are backed by a 13-farm portfolio totaling 667 MW called **Continental Wind, LLC**. The issuance will mature in 2033. The portfolio will carry a roughly 55:45 debt to equity ratio following the bond issuance and a $142 million of senior secured credit facilities that mature in 2020. The bonds sale has not yet closed.

Proceeds from the issuance will be used for an equity distribution to **Exelon Generation**, the Exelon subsidiary that owns the unregulated assets, and for general corporate purposes, according to a spokesman. **Barclays**, **Citigroup** and **Royal Bank of Scotland** are underwriters.

The portfolio has four farms totaling 283.3 MW in Michigan, four in Idaho totaling 128.1 MW, two in Kansas for 116.5 MW, and one each in New Mexico, Oregon and Texas. All but 4% of the portfolio is under power purchase agreement, according to an analyst report. Two of the Michigan projects were purchased in development and are now online. **Consumers Energy Co**. is the offtaker for 231 MW.

The portfolio is a subset of the wind farms and projects that Exelon bought from **John Deere** in 2010 (*PI, 8/31/10*).

Details on the coupon and pricing could not be immediately learned. Spokesmen for the banks could not immediately comment.

Northland Taps Bond Market For Refi

Canadian independent power producer **Northland Power** has tapped the bond market to refinance bank debt on its 260 MW North Battleford gas-fired facility near Saskatoon, Saskatchewan. **CIBC** is leading the $667.3 million private placement, which has priced at 4.958% and will mature in December 2032. The deal is expected to close on Sept. 20.

The dealer syndicate includes **BMO Nesbitt Burns**, **Casgrain & Company Limited**, **National Bank Financial**, **Scotia Capital** and **TD Securities**. North Battleford began commercial operation in June and has a 20-year power purchase agreement with **Saskatchewan Power Corporation**. Northland was looking to match the tenor of its debt obligations to be closer in length to the PPA, note observers.

BMO Capital Markets, CIBC and **Union Bank** were the leads on the original $580 million debt package backing the facility, which was oversubscribed (*PI, 8/31/2010*). That deal had a tenor of construction plus seven years, combining a $542 million construction/term loan and a $38 million letter of credit. Pricing started at 250 basis points over LIBOR.

DBRS provisionally rated the bonds A (low). Calls placed to **Adam Beaumont**, director of finance at Northland in Toronto, were not returned by press time. Bank officials either declined comment or did not respond to inquiries.

Solar Securitization Pair Poised For Rating

Two separate solar securitization deals are currently with the ratings agencies, vying to be the first in the asset-backed security class.

Kroll Bond Ratings Agency and **Standard & Poor's** are said to be reviewing a residential solar portfolio and a commercial distributed generation portfolio, say deal watchers. Each is on track to emerge as early as October, observers say. No solar securitization has been rated yet and sponsors are aiming for the A to AA mark, say observers.

The residential deal is a portfolio of solar installations sponsored by **SolarCity** and has been rumbling through the structuring process for at least a year. The portfolio has encountered headwinds about how to structure so that it does not conflict with tax equity investors. **Credit Suisse**, which provided tax equity to SolarCity, is arranger, say observers. **Chadbourne & Parke** is counsel. SolarCity began working on a securitization more than two years ago (*PI, 9/26/11*).

The commercial distributed generation portfolio has encountered fewer obstacles because the offtakers are corporate entities whose credit ratings are easier to identify, says another observer. **Kaye Scholer** is counsel on this deal. "There's optimism that at least one of these deals will get done this year," says a New York-based attorney who has been involved with working with the rating agencies on the issue over the last year.

Solar securitization advocates have been working on various methods to harmonize the commitments under a securitization with the obligations due tax equity investors (*PI, 5/6*). There are two methods in front of rating agencies as part of a mock rating process to identify what issues need to be resolved, says an attorney. One is to securitize the portfolio near the end of the tax equity agreement, or when majority ownership flips back to the sponsor. The other—and reportedly more akin to the SolarCity method—is to securitize the cash stream that comes to the sponsor after a portion goes to the tax equity investor.

Details such as size and the identities of arranger and sponsor of the commercial deal could not be immediately learned. Spokespeople amd officials at the banks, rating agencies and sponsors either declined to comment or did not respond to an inquiry.

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MidAmerican Taps Utility Bond Demand

MidAmerican Energy Co. has issued $950 million in first-mortgage bonds to take advantage of investor demand for utility paper. The deal is slated to close Sept. 19.

The utility sector is flush with institutional investor cash at the moment, notes a debt capital markets banker, who says companies are able to tighten pricing in most transactions by up to 20 basis points over commensurate Treasury bonds. Investors are typically attracted to the relative stability and risk/return ratio of utility paper, he adds.

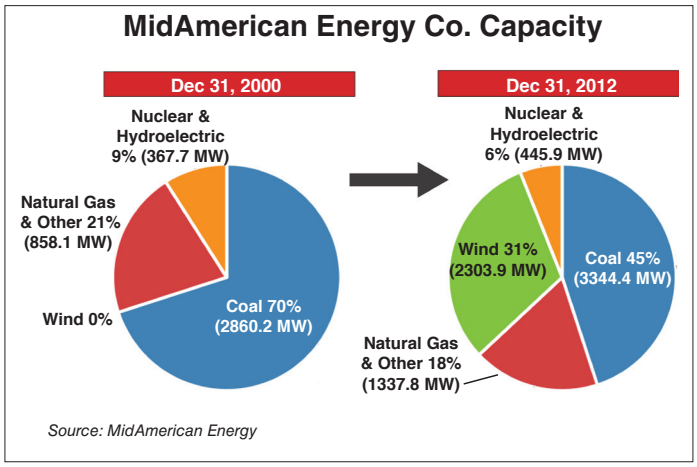
The bond will be secured by a first mortgage lien on almost all of MidAmerican's electric generating, transmission and distribution property within the state of Iowa. MidAmerican is currently developing 1,050 MW of wind generation in Iowa and plans to spend $550 million from 2014-2017 on MISO-approved transmission reliability projects.

The offering is split into three tranches: $350 million in 5.5-year notes, with a coupon of 2.4% and an issue price of 99.944; $250 million in 10-year notes, with a coupon of 3.7% and an issue prices of 99.67; and $350 million in 30-year notes, with a coupon of 4.8% and an issue price of 99.528.

Barclays, **JPMorgan**, **Royal Bank of Scotland**, **BNP Paribas**, **US Bancorp** and **Mitsubishi UFJ Securities** were joint lead managers on the deal. **Citigroup**, **Deutsche Bank**, **KeyBanc**, **Lloyds Securities**, **Mizuho**, **Royal Bank of Canada**, **SMBC Nikko Securities** and **Wells Fargo** were co-managers. Bank officials declined comment or could not be reached by press time.

Proceeds will be used to repay approximately $670 million in long-term debt, maturing Dec. 31, and the remainder for general corporate purposes. **Moody's Investors Service** rated the notes Aa3, **Standard & Poor's** rated them A, and **Fitch Ratings** assigned them an A+.

A spokeswoman for Des Moines, Iowa-based MidAmerican, did not respond to inquiries.



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Project Finance Deal Book

A matrix of project finance deals that we are tracking in the power sector.

Generation Call Calendar

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CONFERENCE COVERAGE

8th Annual North America Energy & Infrastructure Finance Forum

About 200 bankers, sponsors and attorneys flocked to the Westin in Times Square on Sept. 11-12, during the last heat wave of the summer, for **Project Finance**'s *8th Annual North America Energy & Infrastructure Finance Forum*. Attendees on Wednesday's energy infrastructure track talked about the fall landscape of B loans and the outlook for hedges, in addition to how infrastructure investors are showing up in new parts of the capital structures. Senior Reporter **Holly Fletcher** filed the following stories:

Regional Banks Bolster PF Bench

U.S. regional banks have emerged in the project finance market as supporting cast members behind the scenes in a number of deals.

The banks have started to queue for commitments, generally under $25 million, in project finance deals as a way to deploy capital while more traditional regional banking areas have stalled. "They have healthy capital positions and regional lending is still low," a financier told the crowd at the event in New York.

Banks, notably **Associated Bank** and **OneWest Bank,** are trying to create a footprint by hiring alum from larger firms and buying books on the secondary market. Associated committed $450-500 million in its first year of participation while OneWest has hired alum from **Union Bank** and **WestLB** (PI, *6/8/12* & *10/5*). OneWest has hired **Mandy Querio**, formerly of WestLB as its first v.p. of syndications (*PI, 8/13*), an indication its new leaders, including **Grant Ahearn**, executive v.p. and head of the specialized financial services group, wants to expand beyond taking small tickets.

In most cases the regional banks, such as Salt Lake City-based **Zions Bank**, are content to let the lead bank do the due diligence and come in for a piece of the loan, according to a financier who works with regionals. Project finance is being approached as a bolt-on rather than a long-term avenue for growth. As the macro economy and lending environments improve, the pool will probably shrink as they return to lending in core areas.

Banks leading a debt deal call up regional banks with which they have a relationship to sell down their ticket size once the deal is finalized. The move allows them to get some of the commitment off the books while not giving up space in the deal, bankers said.

Volatile B Loan Pricing Lurks For Greenfield Plays

Developers considering taking greenfield gas-fired projects down the term loan B path are expected to find volatility in pricing, panelists said at the event in New York.

The B loan frenzy of the last year has largely been driven by refinancing, which the lending community saw on the horizon. Now, with many of the portfolios that needed refinancing out of the way, the institutional loan market will be driven by the occasional M&A financing and sporadic refinancing. Greenfield developers will find volatility from investors although "at times the market is open to anything," said one financier. **LS Power** is expected to hit the street soon with a roughly $1 billion B loan for its Sandy Creek coal-fired plant in Texas (*PI, 8/15*). A handful of others could arise in the fourth quarter, deal watchers say.

Pricing on most B loans crept up in the second quarter and has stayed at those levels for much of the third so far, bankers said. The market has reacted to outside events such as the political concerns over Syria and economic factors.

Regular B loan investors—the funds behind the collateralized loan obligations—are skeptical of construction risk, the bankers said, and are not usually found taking pieces of those deals. There is a more limited pool of investors, namely value players, that dig into greenfield loans—such as **Panda Power Funds**' quartet— and if outside factors shake up the investor list then there are fewer non-CLO entities to pull in, said one banker, who has been involved with Panda's deals. "Every time we bring [a loan for a construction project] we think 'This time we'll be able to educate the CLOs.' By and large that doesn't happen," he said.

B loans for construction projects carry higher pricing than is available from commercial banks, with the primary advantage to the institutional market being that investors are willing to lend to merchant projects or those with merchant tails. Commercial banks approach merchant projects, including those with hedges, very carefully, said a financier who added "all hedges are not created equal."

Developers who find construction financing in the B loan market generally enter the arena knowing that they will take out the loan as soon as the facility is online, said an executive at a gas-fired development shop. B loan investors are unforgiving about construction delays and sponsors are aware a waiver is unlikely if a problem arises.

Bankers on the panel told attendees to not expect delayed draw as a burgeoning feature in the B loan market, that investors are not looking to commit to lending money down the road like holders of private placements are willing to do. The one-year, $150 million delayed draw in the most recent Panda deal, was an anomaly largely due to relationships (*PI, 8/26*). "Everybody gets paid to own assets. To get a fee for making a commitment without it turning into an asset (ticket)—it just doesn't work," said another banker.

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CONFERENCE COVERAGE

Infra Investors Broaden Investment Appetite

Sovereign wealth funds, insurance companies, pension funds, money managers and infrastructure funds are broadening their appetite as yields shrink and competition rises, investors from a range of companies said at the event in New York.

Some are trying to join lifecos such as **MetLife** and **Prudential Capital** in putting on senior debt, which reflects the evolving market, says an executive at an Australia-based fund manager. Prudential has teamed with **Banco Santander** recently to jointly put on bank debt and bonds, including for **K Road Power**'s Moapa solar project in Nevada (*PI, 7/10*).

Privately placing bonds with an infrastructure investor also removes the sponsor's refinancing risk as the tenor usually shadows the maturity of the offtake agreement. Many infrastructure investors want debt dating out 20-25 years although some are willing to drop to 10-15 years, which is still longer than the 5-7 years on bank deals, said one New York-based investor. In a post-financial crisis market, some sponsors prefer the longer-dated debt route even if it carries a slightly higher cost to avoid coming up on volatile markets or stringent credit committees in the future, a financier at a New York-based investment bank said.

Pension funds have begun emerging in places in the U.S. that were typical of private equity or risk-seeking shops over the last 18 months. **CalPERS** has bought a stake in the Neptune transmission line alongside **ArcLight Capital Partners** and invested alongside **Harbert Capital Management** in Astoria Energy II (PI, *12/14/11* & *7/15*). Meanwhile, **3M Employee Retirement Income Plan** is the counterparty on a revenue-based hedge for one of **Panda Power Funds**' natural gas combined cycle projects in Texas (*PI, 2/13*).

Most infrastructure investors still shy away from development risk but more are increasingly open to construction risk if project boasts solid sponsors and has a contract with an investment grade offtaker. "Good quality, reasonable projects at any stage, there are infrastructure investors willing to take it on," said one U.S.-based investor, who added her limited partners are asking for money to be deployed in new places.

Some are trying to dig into niche sectors such as biomass and landfill gas-to-energy assets where there are smaller stake sizes and fewer competitors, said an investor at New York-based pension fund that has a stake in a wind portfolio.

Wind Shops *(continued from page 1)*

two groups of MATOCs were for geothermal and solar developers and the last will be biomass (*PI, 5/20*). Army officials could not be reached by press time.

"Fundamentally there will be no difference in the financing process and it will be very similar to other projects we have financed in the past," says **Kevin Johnson**, business development manager at **Acciona Energy North America Corporation**, which also landed a contract. "What makes them attractive investments is that you have up to 30-year PPAs with private developers. You will need to tap all the traditional sources of capital; sponsor equity, tax equity and bank debt. We have been in touch with many of the tax equity partners already about this."

Developers expect the first RFPs to materialize before year-end. The DoD will work with private sector companies to develop, finance and construct facilities on government land.

"The financing of these facilities presents it challenges, but we've been working on them for a long time with the energy initiative task force to iron them out," says **Harry Benson**, senior director of development at EverPower in Pittsburgh. For example, companies are working through terms in contracts to receive adequate compensation if the Army suspends a project due to unforeseen issues at a base, Benson says. Whether the Army has indicated that it would suspend a project and which factors would lead it to do so, could not be learned.

The MATOC Winners

Acciona Energy North America Corporation, Chicago, Ill.
Cobra Industrial Services, Houston, Texas.
Dominion Energy, Richmond, Va.
Duke Energy, Charlotte, N.C.
EDF Renewable Energy, San Diego, Calif.
Emerald Infrastructure, San Antonio, Texas.
Enel Green Power North America, Andover, Mass.
EverPower Wind Holdings, Pittsburgh, Pa.
First Wind, Boston, Mass.
Iberdrola Renewables, Portland, Ore.
LTC Federal, Detroit, Mich.
Northland Power, Toronto, Ontario.
Siemens Government Technologies, Arlington, Va.
Stronghold Engineering, Riverside, Calif.
Turn Key Power Consortium, Orlando, Fla.
VERT Investment Group, Houston, Texas.
West Texas Power Company, San Angelo, Texas.

The U.S. government's position as the counterparty in PPAs and the large pipeline of projects under the initiative have already piqued the interest of banks, says one project financier. Many are awaiting the first opportunities to hit the market, but have not formulated any material yet. ***—Nicholas Stone***

Q&A: Marathon Capital

(continued from page 1)

3-person company to a 23-person company as of today. We're headquartered in Chicago and seventeen people are located there. We also have three people out East, two in New York, one in South Florida, and we have three people in California, two in San Francisco and one in San Diego. We cover the country in that way.

Generally, new business origination is handled in all of those locations. The market widely knows us as an M&A advisory firm, particularly in the renewables space. We've certainly had a tremendous amount of success around renewables and a lot of our earlier transactions were renewable transactions.

As a firm, Marathon Capital does not just do M&A advisory work. We're a very active firm in raising and structuring private capital and structured equity. We have a growing presence in tax equity advisory, in both advising tax equity investors and raising tax equity for our clients. By nature of the kind of projects we get involved with, we can certainly assist with, and advise on, raising construction and term debt. We view ourselves as being able to provide assistance across the spectrum of our clients' need. Whether it's raising capital, financing projects or selling projects, that's something we're able to do.

PFR: Can you talk a bit about some of the hires you've made this year?

Elesh: Our firm is always trying to grow and expand. It's not just that we want to expand our revenues base, although that's always a key objective of any company. We're trying to expand into new sectors or push further into existing sectors. So this year we have added to our distribution and execution side when we hired **Tim Meyer**. Tim has a background that relates well to ours. He also gives us more reach into the venture capital side so we can look at some of the emerging technologies around power and energy.

We added our Florida office around expertise in the wind and gas businesses, both M&A and transactional, when we hired **Bryan Fennell** from **NextEra** this year. Then out West, when we hired **Dave Kirkpatrick**, it was again an expansion of our knowledge base. Dave comes from a background with **GE, enXco,** and **NRG** in the technology, wind development, and solar development areas.

Each instance was a good fit for Marathon Capital to be able to add those people and grow. The objective with that is to both expand our knowledge in sectors in which we want to be active and to bring further relationships to the company.

When you look at our team of 23 at this point, it consists of a group of very experienced investment bankers. Our team's experience has partially been on the job training over the last 14 years around M&A and capital raising as well as people that have come on over time that bring project financing and tax equity experience.

Ted Brandt and I came out of the leveraged lease and tax leasing business prior to Marathon Capital, if we go back far enough in our history. We understood that business and we saw the opportunity over three years ago to bring on **Matt Shanahan**, who we knew over the years, and who has specific tax equity expertise**.** We did this to further our reach into the tax equity placement and advisory market taking advantage of Matt's 20 years of experience in tax affected transactions.

We look at our senior level people as having very strong experience in the M&A, capital financing and arranging side. That effort is supported by a team of, what we think at this point are, the most experienced associates and v.p.-level folks out there in the marketplace doing these kinds of transactions.

One of the differences in a firm like Marathon Capital is that we have a better ability to retain and promote some of those people and give them more responsibility versus how some of the bigger banks bring in associates and analysts and the turnover that occurs there. We're supported by a very strong team of people that do the models and analytical work, presentations, and offering materials that are necessary for us to be successful when we work with our clients and take opportunities out into the marketplace.

PFR: How does Marathon Capital differentiate itself from its competitors in terms of gathering mandates for advisory roles or for asset sales?

Elesh: We compete with some pretty big folks out there in the marketplace these days for assignments. It is a very competitive marketplace.

We do a lot of introspective thinking about this and we also do a lot of talking with our clients as to why we get hired. A lot of it comes down to a few factors. We believe, and hopefully the market believes, that we bring the most in-depth, current, marketplace knowledge to our clients and our assignments. We gain that knowledge because we're constantly in the market with assets that are for sale or projects that need financing or companies that need capital or are going to be for sale.

Because we're constantly in the marketplace, we're very aware of the factors that drive these sales, drive the purchases and drive the financings. Some of these factors are obvious things that you would gain by being out in the marketplace. Something like the current yields at which assets are trading or the pricing that's currently in the marketplace.

On the other hand, some of it is less obvious. That may be knowledge about which companies need a particular asset located in certain geographies or if an asset fits them because they like to cluster in order to leverage service organizations. It may be surprising, but that really does have an effect on how assets get traded in this marketplace. We've seen a lot of that, where someone is rather non-competitive in an asset located in one place, but you bring them a similar asset in another state where they already have multiple sites and suddenly they're much more

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competitively priced. Because we're constantly in touch with them and working on these things, we understand who is likely to have the strongest interest and we're able to focus and target a bit.

There are also other things that go on that seem less obvious. Somebody was advancing a project that they were counting on for 2013 megawatts in their development build. They needed to be able to announce a certain amount of megawatts for their momentum but they were delayed because of some permit or approval or some other factor came up. Because we're in the marketplace routinely, we know about that. We hear about that, we see it and we're able to go to them with a particular asset and say 'Hey, we've got something that can fill that need. Here's what it's going to take to do it,' and start to negotiate a transaction around that.

That knowledge of what's going on in the marketplace comes with routinely being out there. We think it is very beneficial to our clients. There's a lot of talk about what people pay for assets and what they're trading at and it can be very deceptive. The real truth comes from having enough of a collection of assignments, current and completed, that lets you bracket and formulate a pretty accurate view of what the marketplace is thinking.

PFR: How does Marathon Capital's internal structure and make-up influence the way the company differentiates against competitors?

Elesh: How we differentiate really comes from how we're built here. People, in a way, view Marathon Capital as a top-heavy organization. We're staffed disproportionately on the managing director level of the company. It's not by accident, however, because we believe that along with our market knowledge that comes from our transaction list, we trade in knowledge and expertise and the track record of our senior people.

When we're pitching assignments, or executing on our assignments, we always have very senior people involved in the transactions. That's not just when we get hired. That continues on through the work with that client, through the execution of that transaction and how that's going to be done. We think that's a bit different from how some of the rest of the marketplace operates, but we know that we trade on our knowledge.

That goes back to the hires we've made this year. With someone like Bryan Fennell, who has the expertise and background having served in his roles at **NextEra Energy Resources**, both on the acquisition side and the disposition of assets across renewables and gas assets. That builds our knowledge base and enables us to, even more so, stand in front of customers and talk about our expertise and why we understand their business, their assets and their objectives. We try and hire around that.

If you look at the underlying team, we believe it's an experienced group of people. It's kind of surprising when we look at it. We did that intentionally, initially, because Ted and I knew finance and project finance. But, when we started out and got our first assignments, we really didn't know anything about power and energy other than what we would read in a particular piece of information.

A couple of our early hires had engineering backgrounds. They were mechanical engineers, electrical engineers, and chemical engineers who then went on and got their MBAs and decided they wanted to be in the power and investment banking business. And we were lucky enough to bring them to Marathon Capital.

Today, that still holds true when you look at our underlying team. Three or four engineers who went on with MBAs and bring a certain level of knowledge and expertise to our assignments and our analytics that is hard to find just by training up an analyst and moving them through the organization. When we pull together our teams that work around deals, you have experienced managing directors and experienced supporting team members who stay with that assignment and are responsible for execution.

The market sees the difference and really responds to the fact that we bring that kind of expertise. It's to the point where, the people sitting around this table have had clients, when they went to hire Marathon Capital, go so far as to specify in agreements that Terry Grant was going to stay actively involved in the transaction. Or Ted was, or I was, or Wendy was, because they want the expertise, not just when we're getting hired, but when we're doing the work.

PFR: Can you describe your process when going for mandates and when you're executing a deal?

Elesh: The way we go about our processes is with flexibility and we're independence. We're not a bank that's gotten an assignment because the lending side or the bond side of our bank has a relationship so that we have to execute along a certain path. We look to execute in the way that's best for our client.

It means that at times we want to auction on individual assets or groups of assets, at times we do a negotiated process because certain kinds of transactions don't lend themselves well to auction. If you're raising capital for a company that's developing a team and an idea, that's not something that's well suited to an auction. When we raise preferred equity, such as for **Edison Mission Energy** under the Capistrano transaction, that wasn't something you could auction in the marketplace. We negotiated with investors over a long period of time.

We're not married to a particular method of execution. I think a lot of our clients respond to the fact that our objective is aligned with theirs. We're going to go out into the marketplace on their behalf, and with them, to try to find the best solution to whatever they're trying to accomplish. We're not married to anyone going in to it. We're going to determine what the best one is, they're going to make a decision, and we'll go forward.

There's one other thing that helps us get hired in the marketplace, and that's our list of successfully completed transactions. When it comes down to it, we can talk all we want, pound our chests and say how good we are, but it's pretty compelling when we can put together a list. We've done 70 or

80 transactions and if it's wind, it's 25 and so forth. That's pretty compelling because, frankly, no one else in the marketplace can do that. And that ties back to all of the things we're talking about: market knowledge, reach and capability, and the market responds well to that.

Check back next week, when Marathon officials discuss trends in wind, solar and natural gas asset trades in the second installment of this Q&A.

Tenaska Hunts *(continued from page 1)*

LIBOR plus 250 basis points.

The Tenaska Imperial Solar Energy Center West will use **Soitec**'s ConcentrixTM ground-mounted concentrated photovoltaic solar technology, which differs from the PV modules in the South facility. The project would connect with the **California Independent System Operator** at the existing Imperial Valley electric transmission substation on U.S. **Bureau of Land Management** land in the Yuha Desert. The facility, which is slated to begin construction this year and will be complete in 2016, has a power purchase agreement with **San Diego Gas & Electric**.

A Tenaska spokeswoman in Omaha, Neb., declined comment on the deal. ***—Nicholas Stone***

ONE YEAR AGO

Duke Energy shelved the strategic evaluation of its 7.5 GW Midwest generating fleet as it goes through a rate increase request with the Ohio **Public Utilities Commission**. [The company expects Ohio regulators to come to a ruling this fall, with the company making a decision about the future of the subsidiary in the first quarter (*PI, 8/9*).]

ALTERNATING CURRENT

Wine: An Electric Vintage

News from the tech gurus out in Silicon Valley this week may have oenophiles on edge. At **Intel**'s annual developers conference, Dr. **Genevieve Bell** charged up a low-powered computer using only a glass of wine.

"Some people turn water into wine," said Dr. Bell, "here at Intel we're turning wine into electricity." Referring to the old school lemon copper trick, an Intel staffer took a big bottle of red, poured a little wine into a glass, attached some copper and some zinc and watched as a computer powered up.

If you're someone who enjoys a tipple, you could immediately conjure the utility-scale risks. Solar panels lose efficiency over time and a field full of bottles of red wine could also lose efficiency, as workers slowly make their way through the 200 MW Cabernet Sauvignon Hills facility.

Of course, the financing of these projects would fluctuate depending on the manufacturers. Apparently, there are some great, legacy manufacturers in the south of France, while Napa Valley in California has some up-and-comers. The Latin American boom is being headed by a fantastic new vintage of Chilean Malbec, which works particularly well in the warmer months.

So next blackout, if the industry can get the technology together, you'll probably be able to find your project financier in a wine cellar. Actually, he or she will probably be there without the technology, or the blackout, too.

POWER TWEETS

The #Power Tweet feature tracks trends in power project finance and M&A in the Americas on **Twitter**. This week's installment showcases tweets across a broad spectrum, from wind turbine efficiency to the Ivanpah solar project. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

@Silvio_Marcacci US DOE still seeking recipient for $226 million grant to use small modular nuclear reactors http://ow.ly/p1bZi

@MS_Power "The key thing here is that the ratepayers are protected." -Ed Holland speaking on the Kemper Co. energy facility. @paulgalloshow #KemperCCS

@Doyle_Beneby Reducing @cpsenergy performance incentive payout by 25% for both 2014&2015 http://blog.cpsenergy.com/bonus-system

@NRGsolar Q: "@benstracy Why have 170,000 mirrors the size of garage doors been installed in the Mojave desert?" A: http://nrgsolarsocial.com/uepf #Ivanpah

@pwdavidson Many good thinkers and doers here at conference. Private sector working with state and fed. government for change is happening. #REFFwest

@FrenkilEnergyDOE: Since 1999, the average #wind turbine has increased electrical output by 260 percent #reffwest

@WhiteHouse: FACT: In 2012, U.S. carbon pollution fell to its lowest level in nearly 20 years #ActOnClimate

@AWEA: Platte River Power Authority 2 buy $100M in #windpower: #windenergy #Colorado #windworks

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