

Power Finance & Risk

The weekly issue from **Power Intelligence**

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Q&A, Marathon Capital – Part III

Although interest rates are expected to start climbing, the relatively low cost of capital is keeping buyers hungry for assets. “If you are an owner of assets and you’ve owned those assets for a period of time and you’re not a strategic, long-term, 25-year owner, it’s been a good marketplace for you to sell and move those assets and take your gains off the table,” said **Gregg Elesh**, principal and chief information officer at Marathon Capital.

“Today, you clearly have some market demand and you want to be responsive to that,” adds **Terry Grant**, managing director at Marathon Capital, of potential sellers. *PFR* Managing Editor **Sara Rosner** sat down with Elesh, Grant, **Ted Brandt**, principal and chief executive officer and **Wendy Carlson**, managing director

to get the team’s perspective on buying and selling assets in today’s market.

PFR: Are there any other trends you’re seeing out there in renewable or non-renewable asset sales?



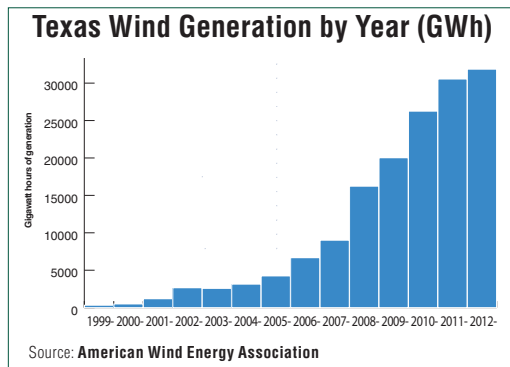
Terry Grant

Elesh: One point that’s kind of obvious, the industry has been talking about it since the beginning of the year and even last year, is that even though cost of capital may be creeping up a bit as interest rates start to move, cost of capital has been pretty low. If you are an owner of assets and you’ve owned

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Duke Hunts More Texas Wind Funds

Duke Energy Renewables is set to begin talking to lenders about securing around \$600 million for the next two phases of Los Vientos III and IV wind projects in Starr County, Texas.



“I imagine they will try to get it all done in the bank market,” says a deal watcher, noting that low deal flow has left lenders with plenty of available capital.

(continued on page 12)

Reboot

BP Wind Looks To Sell Developments Standalone

BP Alternative Energy has put its 3.7 GW development project portfolio back on the market, about two months after it iced the sale of its wind platform, **BP Wind**. The development projects were originally touted alongside operational assets but are being marketed standalone as the company tries to wind down its development process, deal watchers say. The company is expected to hold onto its operational assets in the short-term.

Of the portfolio, projects totaling 1.5 GW are near construction ready, according to the teaser that went out for the platform this summer. BP Alternative Energy shelved the platform sale in July after indicative bids came in low ([PI, 7/25](#)).

Projects in the portfolio include:

- 500 MW Mohave County wind project on federal land in

(continued on page 12)

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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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THE BUZZ

The stampede to put assets up for sale continues. The M&A market is hopping, with particular fervor in Texas, where **Energy Capital Partners** and **Global Infrastructure Partners** are selling. **Wayzata Investment Partners** is considering joining the ERCOT rodeo ([PI, 9/13](#)).

It's a mighty fine time to be sitting on dry powder, say investors, girding for a busy fourth quarter. The last two weeks brought teasers from **Tenaska Capital Management** and word that **Ontario Teachers' Pension Plan Board** has pinged **Citigroup** to hawk its stake in independent power producer **Northern Star Generation** ([PI, 9/27 & 9/26](#)). **BP Alternative Energy**, too, is back on the scene with a revamped wind portfolio. It's trying to offload its 3.7 GW wind development platform as it tries to wind down its development business. Observers say that it could go for milestone-linked payments, including an earn-out (see story, page 1). The **British Petroleum** unit tried selling its entire **BP Wind** division this summer but iced the sale after bids came in lower than expected ([PI, 7/25](#)).

In project finance, it was a busy week for closing deals. On the smaller side of things, **CIT Group** sealed a \$36 million credit facility on behalf of **Gestamp Wind** for a facility in Puerto Rico (see story, page 5). **First Wind** also wrapped a debt and tax equity package backing a portfolio of solar facilities in Massachusetts (see story, page 5). Chicago-based **Invenergy** also finalized a debt and tax equity package for its 200.6 MW **Prairie Breeze** facility in Nebraska (see story, page 5).

Duke Energy, meanwhile, is just firing up the financing for its Los Vientos III and IV facilities in Texas. The sponsor is expected to approach banks to raise debt for the two wind farms soon (see story, page 1). Financiers are expecting the bank market to be open and competition rife, with limited deal flow seeing banks offer favorable terms to developers to secure tickets.

TELL US WHAT YOU THINK!

Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of **PFR** is committed as ever to evolving with the markets and we welcome your feedback.

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GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	TBA	Looking for equity (PI, 7/15).
Ameren	Elgin (460 MW Gas)	Cook County, Ill.	Barclays	In talks with select prospective buyers (PI, 8/26).
	Grand Tower (478 MW Gas)	Jackson County, Ill.		
	Gibson City (228 MW Gas)	Ford County, Ill.		
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
BP Wind Energy	Various (3.7 GW Wind)	Various	TBA	Relaunched the sale of its development assets (see story, page 1).
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	Bids due the week of 9/30 (PI, 9/30).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Teasers are out (PI, 6/24).
Entegra Power Group	Union Power Station (2.2 GW Gas)	El Dorado, Ark.	Bank of America	Tucson Electric Power wants a stake in Gila (see story, page 6).
	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).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (PI, 8/26).
Green Energy Partners	Stake (750 MW Gas)	Loudoun County, Va.	TBA	Panda Power Funds has bought a majority stake (PI, 9/30).
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.		
K Road Power	Moapa (250 MW Solar)	Nevada	TBA	First Solar has bought it (PI, 9/30).
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).
Midwest Wind Energy	Broken Bow (XX MW Wind)	Nebraska	TBA	Sempra unit is buying it (see story, page 7).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	OTTPB has tapped Citi to sell its 50% stake (PI, 9/30).
PPL Corp.	Various (633 MW Hydro)	Various, Montana	UBS	NorthWestern is buying the assets for \$900M (see story, page 6).
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).
Southwest Generation	Valencia (145 MW Gas)	Belen, N.M.	None	PNM Resources is considering buying up to 50% of the plant (see story, page 6).
Tenaska Capital Management	Wolf Hills (250 MW Gas)	Bristol, Va.	Bank of America, Barclays	Teasers have gone out recently (PI, 9/30).
	Big Sandy (300 MW Gas)	Wayne County, W. Va.		
	High Desert (830 MW Gas)	Victorville, Calif.		
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 hffletcher@powerintelligence.com.

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AME/Austalis Power	Octopus LNG (LNG Re-gas)	Concepcion Bay, Chile	BNP, Credit Ag	TBA	TBA	TBA	The developers are set to mandate the French banks this week to lead the deal (PI, 9/30).
BrightSource	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).
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).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be \$800 million (PI, 3/11).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	\$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
First Wind	Mass. Solar (17 MW Solar)	Massachusetts	KeyBank	TBA	TBA	TBA	Sponsor wraps a debt and tax equity package for its maiden solar developments (see story, page 5).
Genesis Power	Keys Energy Center (750 MW Gas)	Brandywine, Md.	TBA	TBA	TBA	TBA	EIF is taking an equity stake in the project (PI, 3/4).
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).
Gestamp Wind	Punta Lima (23.4 MW Wind)	Naguabo, Puerto Rico	CIT Energy	TBA	\$36M	TBA	Sponsor wraps deal with CIT sole lead arranger and lender (see story, page 5).
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).
	Prairie Breeze (200.6 MW Wind)	Antelope County, Neb.	Sovereign, Prudential, Rabo	Construction/Term	TBA	TBA	Sponsor wraps a bank debt and tax equity deal (see story, page 5).
ISA	Cardones to Polpaico Transmission	Chile	BBVA	TBA	TBA	TBA	The sponsor has tapped BBVA as advisor for the facility (PI, 8/19).
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).
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).
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).
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 (PI, 9/23).
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

U.S. Geothermal Nets Refi

U.S. Geothermal has closed a \$30.74 million refinancing of the approximately 9 MW Phase I of the San Emidio geothermal project in Washoe County, Nev. **Prudential Capital Group** was the sole lender and arranger on the deal.

The loan has a 25-year tenor and a fixed interest rate of 6.75%. Proceeds will be used to repay a construction loan and fund project reserves. Around \$2.56 million from the refinancing will be available for general corporate purposes, including the further development of Phase II at San Emidio. The cost of phase II is estimated at approximately \$55 million. U.S. Geothermal expects that approximately 75% of the phase II development will be financed with debt, with the remainder funded through equity.

Science Applications International Corporation supplied the original \$29.5 million project loan for phase I as part of an EPC agreement with U.S. Geothermal. A \$7.5 million bridge loan provided by **Ares Capital Management**, which monetized the Section 1603 investment tax credit cash grant, was also part of the original debt package.

San Emidio has a 25-year power purchase agreement with **NV Energy**. The facility began commercial operation on May 25, 2012. Pending a successful drilling program and sufficient funding for its development, construction and operation, the phase II facility will be online in 2015. Phase II drilling is underway.

First Wind Wraps Deal For Mass. Solar

Renewable developer **First Wind** has closed a construction and term loan and a tax equity tranche backing 17 MW of solar facilities in Massachusetts. **KeyBank** provided the debt and **U.S. Bank** provided the tax equity.

"The size of the deal fit them perfectly and they had the debt and tax equity appetite to make it work," says a dealwatcher of KeyBank and U.S. Bank. Details on the size, pricing and tenor of the loan and the tax equity tranche could not be learned. Calls placed to bank officials were not returned by press time.

The facilities are First Wind's first solar photovoltaic projects as well as the company's first renewable projects in its home state. The projects comprise a 3 MW facility in the town of Millbury, Mass., and three sites totaling 14 MW in Warren, Mass.

The company acquired the projects from Miami-based developer **Victus Solar** earlier this year. First Wind has been considering getting into solar for a while, according to a company spokesman in Boston. Strong renewable portfolio standards and solar renewable energy credits were two of the factors that helped push the company into the space, and it saw an opportunity to expand the renewable technologies it develops, adds the spokesman.

Borrego Solar Systems Inc. has started building the

projects, which are slated to come online in June. The facilities have a 30-year power purchase agreement with the **University of Massachusetts**.

CIT Closes Debt For Puerto Rico Wind

CIT Group has closed a \$36 million senior secured credit facility for Spanish developer **Gestamp Wind**'s 23.4 MW Punta Lima wind facility near Naguabo, Puerto Rico.

CIT was the sole lead arranger and lender on the debt. The financing was structured through a sale and leaseback of the facility between **Banco Santander** subsidiary **Sovereign Bank**—owner of Punta Lima—and lessee Gestamp, the project developer. Gestamp will use revenues from the project to pay Sovereign as the lessor and Sovereign will service the debt with CIT.

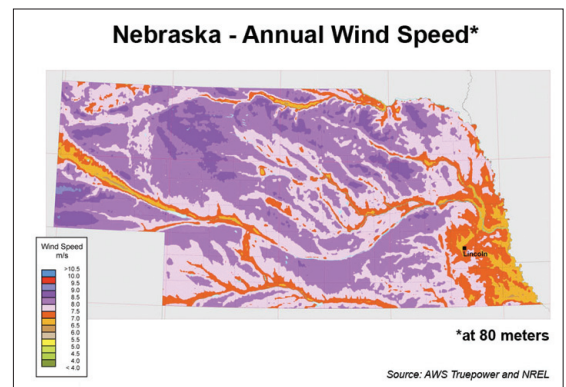
Puerto Rico's status as a U.S. territory makes lenders more comfortable with offering debt than in other Latin American countries, notes an observer. The \$90 million project uses 13 of **Vestas**' V100 1.8 MW turbines. The facility began commercial operation in April this year and has a 20-year power purchase agreement with the **Puerto Rico Electric Power Authority**.

Invenergy Seals Deal For Prairie Breeze Wind

Invenergy has closed a debt and tax equity package backing its 200.6 MW Prairie Breeze wind facility in Antelope, Boone and Madison Counties, Neb. The project has a development price tag of \$448 million.

Sovereign Bank, **Prudential Capital Group** and **Rabobank** were the joint lead arrangers and joint bookrunners on the construction and term loan. **GE Energy Financial Services**, **Bank of America Merrill Lynch** and **JPMorgan** committed tax equity to the facility.

Prairie Breeze will use 118 **GE** 1.7 MW turbines. Commercial operation is slated to begin later this year and the facility has a 25-year power purchase agreement with **Omaha Public Power District**. OPPD also has the option to purchase the project after 10 years when the tax credits, which publicly-owned OPPD is not eligible to use, expire.



MERGERS & ACQUISITIONS

PNM Mulls N.M. Gas-Fired Stake Purchase

PNM Resources is evaluating whether to buy a stake in a gas-fired plant with which it has a power purchase agreement.

The 145 MW Valencia simple cycle plant near Belen, N.M., is owned by **Southwest Generation** and currently sells all power to PNM, which has the right to buy up to 50% of the plant as part of that agreement, according to a recent filing with the U.S. **Securities and Exchange Commission**. Southwest Generation approached the utility regarding whether it wanted to act on its option, according to the filing. The PPA runs through May 2028.

PNM is considering the facility as part of its long-term integrated resources plan.

Southwest Generation, an independent power producer

based in Denver, owns a seven-plant portfolio totaling 979 MW in the Southwest. It bought Valencia in 2008 as part of a portfolio acquisition from **Black Hills Corp.** for \$840 million ([PI, 5/2/08](#)).

Southwest Generation is backed by two funds managed by Australia investment manager **Hastings Funds Management Limited** and **IIF BH Investments**, which is advised by **JPMorgan Asset Management**.

David Rhodes, v.p. of asset management and business development at Southwest Generation in Denver, did not reply to an inquiry on whether the shop is considering a broader sale of the plant. A PNM Resources spokesman did not immediately respond to an inquiry.

Ariz. Utility Eyes Gila River Stake

Tucson Electric Power is in talks with **Entegra Power Group** to buy a unit of the 2.2 GW Gila River combined cycle in Gila Bend, Ariz.

The utility selected the 550 MW unit from a request for proposals as it looks to reduce the amount of coal-fired generation in its portfolio, according to a company filing.

Generation auctions in Arizona have been uninspiring to investors in the last year as utilities plan to rely on more energy efficiency to meet demand over the next 15 years. Tucson Electric Power anticipates energy efficiency measures will increase from 1.5% of its generation portfolio in 2012 to 15.2% by 2027, a larger percentage than its natural gas-fired generation (9.3%), according to its 2012 integrated resource plan.

Rockland Capital's sale of the 1 GW Harquahala combined cycle drew mostly utility eyes before **Wayzata Investment**

Partners agreed to buy the facility. That sale was rejected by the U.S. **Federal Energy Regulatory Commission** over concerns that Wayzata would be able to manipulate the power market because it also owns half of the Gila River facility ([PI, 3/13](#)). Harquahala has not been put back on the market.

Entegra has been selling down its stakes in Gila River—Wayzata owns two of the four 550 MW units—and is interested in selling the rest ([PI, 8/30](#)). If the deal with Tucson Electric goes through, then Entegra will own 550 MW of Gila River and the 2.2 GW Union Station CCGT in El Dorado, Ark. Entegra is working with **Bank of America** to evaluate a potential sale of its stakes in both plants.

The proposed purchase price could not be learned. **Michael Schuyler**, ceo and president of Entegra in Tampa, Fla., did not immediately respond to an inquiry.

NorthWestern Nets Hydro From PPL Unit

NorthWestern Energy has agreed to buy the hydro portion of a hydro and coal-fired portfolio being sold by a subsidiary of **PPL Corp.** NorthWestern, the utility subsidiary of Sioux Falls, S.D.-based **NorthWestern Corp.**, is paying about \$900 million for 11 hydro assets on five rivers totaling 633 MW.

Credit Suisse and **Bank of America** advised NorthWestern on the purchase while **UBS** ran the auction.

The company expects to issue about \$450-500 million in notes and the inverse amount in equity to fund the acquisition, **Daniel Rausch**, treasurer, told *PFR*. NorthWestern will issue notes around when the acquisition closes, which is targeted to be in the third or fourth quarter of 2014.

FAST FACT

► The company expects to issue about \$450-500 million in notes and the inverse amount in equity to fund the acquisition.

The deal has to be approved by state and federal officials so the company will not look to put longer-term financing in place until there is more insight into whether the **Montana Public Service Commission** will approve the proposal to put the assets into ratebase, says Rausch. "Otherwise we'd be sitting on a lot of capital in relation to our company size," he says. The MPSC has 270 days to issue its decision.

NorthWestern has lined up a \$900 million bridge loan from lead advisor Credit Suisse and co-advisor Bank of America. The 364-day private loan will be syndicated out first to banks that have a piece of the company's revolver before other lenders are brought in, Rausch says. As part of the initial financing, the company has extended its \$300 million credit facility from a 2016 maturity to 2018.

PPL put its **PPL Montana** subsidiary on the market in November 2012 as it moved toward being a more regulated company ([PI, 11/7](#)).

MERGERS & ACQUISITIONS

Sempra Pockets Neb. Wind Project

Sempra U.S. Gas & Power has bought a wind project in Nebraska from **Midwest Wind Energy**, observers say.

The 75 MW Broken Bow II project in Custer County, Neb., has a 25-year power purchase agreement with **Nebraska Public Power District**. It's slated to go into construction in December and be online by the end of 2014, according to a Sempra statement.

Midwest Wind Energy is a development partner of **Edison Mission Energy**. The company began trying to sell its wind

projects after EME pulled away out of the wind development business when it filed for Chapter 11 bankruptcy for itself and several subsidiaries, say observers who work with projects in Nebraska. Midwest Wind Energy is not owned by EME. It sold a pipeline of projects to **Geronimo Energy** this spring.

A spokesman did not reply to an inquiry to comment on how the project will be financed or whether Midwest Wind Energy is the seller. **Stefan Noe**, president of Midwest Wind Energy in Chicago, did not respond to an email confirming the sale of the project.

PEOPLE & FIRMS

Harenza Exits Hannon Armstrong

Brian Harenza, senior v.p. of **Hannon Armstrong Sustainable Infrastructure Capital**, has left the firm.

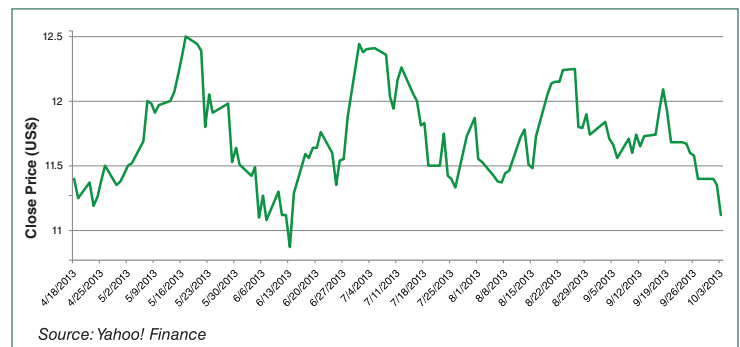
He departed within the last week and a half, says an observer. He worked on syndicating the financings for sustainable infrastructure projects. Harenza oversaw the financing of the 49.5 MW Hudson Ranch II geothermal project in Salton Sea, Calif. ([PI, 9/1/11](#)).

Harenza had been with Annapolis, Md.-based **Hannon Armstrong** as a managing director since 2009, according to a filing with U.S. **Securities and Exchange Commission** related to HASIC's initial public offering. He previously worked for **PG&E Corp.** and **Calpine** ([PI, 2/15/08](#)).

Hannon Armstrong took HASIC, a mortgage real estate investment trust backing buildings with sustainable and clean energy components, public in April ([PI, 4/19](#)).

A spokeswoman for Hannon Armstrong did not immediately respond to an inquiry and Harenza could not be immediately reached.

HASI Common Share Price



STRATEGY

Sungevity Taps Advisor For Capital Hunt

Sungevity, a residential solar leasing company, has retained **Infrastructure Finance Advisors**, a boutique advisory shop headed by **Richard Ashby**, to help raise capital.

Ashby will assist the Oakland, Calif.-based company in targeting different types of capital, including equity, tax equity, back leverage, credit facilities and construction financing, says a deal watcher. "The worst thing you can have is not enough capital," says another deal watcher, noting that building a solar distributed generation portfolio is costly.

Lining up tax equity is expected to be a priority for the company, say observers, explaining that it's an important type of capital for long-term success. Tax equity investors have shown interest in distributed solar generation, as illustrated by deals with **Credit Suisse**, **JPMorgan Capital Corp.** and **U.S. Bank** landed by

competitors **SolarCity** and **SunRun** ([PI, 9/18 & 7/24](#)).

The company landed \$125 million in January from a variety of sources, including a \$50 million mezzanine financing from **Energy Capital Partners** in January and \$35 million from **U.S. Bank**. Equity backers in the January round of fundraising include existing investors **Brightpath Capital Partners**, **Lowe's Cos.**, as well as newcomers, **Craton Equity Partners**, **Eastern Sun Capital Partners** and **Vision Ridge Partners**.

Mac Irvin, cfo, left the company in September. He joined in 2011 from **SunPower Corp.**, according to the company's site. **Ken Schwarz** started as cfo Monday, according to an observer. Schwarz joins from stints as cfo at **TSS, Inc.**, formerly known as **Fortress International Group** and telecommunications firm **PTGi**.

A spokesman did not respond to an inquiry.

Q&A, Marathon *(continued from page 1)*

those assets for a period of time and you're not a strategic, long-term, 25-year owner, it's been a good marketplace for you to sell and move those assets and take your gains off the table. We've seen a continuation of that, as one of the factors behind the asset trades.

There's certainly a bit of talk out there that these increasing yields in the marketplace are going to put a bit of a damper on that. That's given some people an incentive to move assets this year, whereas maybe a year ago they would have said to hold on to them for a few more years.



Wendy Carlson

Carlson: On the non-renewables side, for a long time there haven't been the price signals that have really spurred people to do traditional gas development. Now, as people are looking forward with planned coal-fired plant retirements and with a little bit of load growth, there is more activity in certain areas of gas development and we're seeing a lot of projects

under construction or planning to go into construction in the next couple of years to be ready for that 2016-2018 period when the price signals should be there to make the gap in investment work. That's particularly in markets where there are planned coal-fired retirements because that's certainly helping to drive those tighter reserve margin forecasts.

Also, it's the IPPs and the utility affiliates that are pursuing most of the gas-fired development. There are some smaller developers working in certain areas but the bulk of the development work is by the IPPs and the utilities. It's in liquid markets, or the markets where there are the coal-fired retirements for the most part. We expect to see a lot of activity in those areas—people looking for the construction and term financing and looking for those assets to change hands, from the developers to the long-term owners, as the development continues to advance.

PFR: What would your advice be to a potential seller of a renewable asset or a non-renewable asset?

Grant: Sell high (laughter). This is sort of simple, but as a starting point we like to ask: What are your transaction goals? Are you exiting? Are you looking for a development or investment partner? Are you willing to stay in? How much more development risk are you willing to tolerate? Are you looking for something other than money? Are you looking for strategy or strategic lift in something that gives you better positioning?

We'll often see ownership and entrepreneurs who aren't always aligned. So, it's pretty important to get that sorted quickly when you're going to the market. The first thing we're generally saying is timing and calendar. Timing is really, really important. Firstly, most buyers come out of the gate in January looking to make their plan for the year. So you'll see a lot of focus in late December,

early January, with people looking for what deals are in the market, which strategies? Is this going to be a busy year or not? What are going to be the bellwether deals? We also see that effect right after the summertime. People come back in September and looking to get things either wrapped up or play catch-up before year-end.

Today, you clearly have some market demand and you want to be responsive to that. That sense of timing in the big picture is important, but you've also got to address your own timing. Is the asset ready for the market? Is it time to monetize the asset? Has it been de-risked or not? If not, what role should the seller play in the further development of the asset or the business model? To what extent are they willing to rely on cash consideration upfront versus cash over time?

The idea of where we are in the year and where the asset is in its lifecycle and where the individual investor is in their lifecycle and the company and the business's lifecycle, are all really important. That sets you up for a very clear transactional direction. Once you've got that done, drill into the actual execution side of the equation. I always like to be really clear about setting up a process to be on the offensive. In other words, manage the negotiation and the disclosure from the beginning with a 'no surprises' approach. You want to put it all out there. It's Marathon Capital's job as the advisor to make sure that bidders are aware of what they're walking into because all things will be found in time. What you want to do is match the best buyer to the circumstance and the asset you're selling.

If I think back, if you look at the solar business, the maturation of transactions and in the very beginning, we were dealing with very high-level EPC contract issues. We were starting with contracts with structures that came out of the wind business and they had to do with warranties and performance guarantees that were reflective of a different technology. We've seen EPC contracts mature in the bidding process in the last several years. We've seen the O&M strategies evolve in terms of how assets are staffed and how people view operating risks. How attentive do you have to be to a set of solar assets? What level of monitoring is required?

We've seen contract structures with a curtailment from the California utilities becoming an important issue to structure around. We've seen aggressive design response to the time-of-use tariffs in the California market and particularly where people have created a great value by building the DC footprint in a way to maximize the tariffs given that you have a constant of fixed AC interconnection. We've watched that evolution and we've seen a lot more of that in the later years than we did in the early years of the industry.

Degradation is another great point. In the beginning we were dealing with the rating agencies looking at the wind experience and looking at default rates and performance rates. There was a conservative view of degradation that was financeable and we've now seen manufacturers tighten up their product specifications and actually put those product sheets in front of the independent engineers, which drives for a tighter financing standard and therefore greater output because of lower degradation expectations.

Degradation goes beyond the financing. It gets into the equity

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return. We're seeing developers looking at overbuilding the resource to take into account degradation in the early years of the asset life given the importance of those cash flows. And whether or not you have an escalating PPA or not, it can influence the asset present value.

We've witnessed all of this in our practice. We've got relatively senior people on the ground. We've all been in the energy business for a long time. We've seen structures evolve and, particularly in solar, we've seen a market that's been evolving through an early consolidation period. We've been able to take that latest trend in deals and bring that to the seller of an asset and position them relative to the market expectations so that we can put the best foot forward.

I've drilled down specifically in solar because it's something that I see a lot. Regarding the non-renewable assets, it's not been as much of a one-way trend. We've seen a lot of the issues recycle, having to do with being clear about transaction expectations and understanding the balance between buyers and sellers in any given market. Know who has done the last transactions and who was left at the table without an asset and who needs to get the next deal done.

PFR: What would your advice be to a buyer of a renewable or non-renewable asset?

Grant: I always say to bidders 'Be the best bidder you can be. Emphasize your strength.' Buyers come to us and say 'Where is this deal going to clear? What do I have to do?'

You can never play favorites in a process, but what you can say to a buyer is 'Let's look at how you are differentiated relative to your business plan, your cost of capital, your business goals, your alliances, your business interests to make sure you're emphasizing and differentiating your bid in an optimal way.' That way you can carry a consistent tone to buyers because we have the unfortunate circumstance of seeing many buyers in multiple processes and there can only be one winner in any given process. It's important for us to

be consistent and treat the market in a fair and uniform manner.

The other quip I like to offer is to have a high 'do-say' ratio. Build a pattern of doing what you say you're doing, being as thorough as you can be in the due diligence, being explicit and very direct in your intentions and the Letter of Intent. Ensure that all of the conversations show a firm, but a very direct and knowledgeable point of view. Being taken seriously is an important way to differentiate yourself and nothing does that better than a high 'do-say' ratio, where you have a consistent, focused tone in the negotiations.



Gregg Elesh

Elesh: As someone who has taken a lot of these transactions out to the marketplace, what the seller wants at the end of the day is certainty. Certainty around execution, certainty that pricing holds up, particularly in an auction process. Nobody likes the bid high, and then change dramatically in the second round because you haven't done any work.

As a buyer, doing the work upfront, spending the time, demonstrating why you can have pricing, timing, approval and execution certainty is always a serious discussion with our clients. When we get down to it, and we have proposals from a number of parties, along with price, we look very hard at the options and our clients ask who's going to be able to execute here and why? Who's done the work upfront? Who's got the right team? Who's got the track record to execute? In a lot of instances, they're asking about companies that we've already transacted with, which gives us a leg-up in those conversations. I think that's what sellers are looking for.

Believe it or not, we've had clients take lower bids in order to have certainty of timing and execution and that's mattered to them.

Check back next week for the Marathon team's take on asset-based project finance and M&A in Latin America in the final installment of this Q&A.

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The Liquefied Natural Gas Export Facility Report

The Liquefied Natural Gas Export Facility Report brings you the latest developments in the financings of LNG export facilities in the U.S. Roughly \$50 billion of investment will be needed to build out proposed export projects in the country. The sheer size of each of these facilities, as well as the host of experienced, well-banked sponsors and Asian offtakers has made the LNG export sector a compelling space for project financiers, energy companies, advisors, large corporate law firms and equipment suppliers. The report will focus on trends in structuring deals backing these multi-billion dollar facilities in the bank and debt capital markets. Topics will include the lender's perspective on geographical and commodity risks associated with projects, investor and lender appetite and response, as well as potential for new or innovative structures. The report will aim to identify key drivers for investors, lenders and sponsors, imminent transactions and also examine lessons learned from **Cheniere Energy's** Sabine Pass deal.

Draft Contents & Topics

- Foreword from the editor on the opportunities and developments in financings backing U.S. LNG export projects.
- Feature on the financing of LNG export facilities written by PFR staff examining trends, challenges and potential innovations in these deals.
- Roundtable with senior project financiers, sponsor executives and CEOs, investors and regulators.
- Experience in permitting and working with the U.S. **Department of Energy** from the DOE perspective and the sponsor perspective.
- Challenges in financing these facilities from the sponsor perspective with a focus on how lenders respond to different components of the project and risk and how the sponsor manage financings where there are upwards of 50 lenders.
- Challenges in financing these facilities from the lender perspective with a focus on how they deal with exposure to these assets, given commitment sizes and geographical concentration.
- The role of ECAs and foreign investors.
- Possible new or innovative structures for financing.
- Investment opportunities or exit strategies from these facilities.
- Illuminating graphics visually depicting domestic and international trends in LNG production, pricing and consumption.

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BP Wind *(continued from page 1)*

Arizona

- 200 MW Prairie Creek wind project in Van Wert County, Ohio, which is slated for construction by year end
- 200-285 MW Cape Vincent wind project in New York
- 150 MW Ninnescah wind project in Pratt County, Kansas.

While projects have not fetched top dollar in recent years the company is set on winding down its wind business, observers say. In this case, the decision is not based on "what you spend. It's what you don't spend," says an observer, adding that BP could go for a deal that could include an earn-out that is paid to it when the projects hit certain milestones.

—Holly Fletcher

Duke Hunts *(continued from page 1)*

Lenders are putting downward pressure on pricing as they compete for the few deals in the market this year, adds another deal watcher, with some financings pushing LIBOR plus 200 basis points.

Each phase would be 200 MW and once operational, the output and renewable energy credits will be sold to **Austin Energy** under two, 25-year power purchase agreements worth \$500 million each. The company expects to begin construction in the fourth quarter. An in-service date for Los Vientos III is expected in early 2015 with Los Vientos IV slated for mid-2016. The first two phases of Los Vientos came online earlier this year.

The **North American Development Bank** made a \$220 million investment in the first two phases of Los Vientos ([PI, 5/23/2012](#)). Duke relationship lenders include **Banco Santander, Bank of Tokyo-Mitsubishi UFJ, CoBank, Crédit Agricole, Lloyds Bank Corporate Markets, Mizuho Corporate Bank** and **Sumitomo Mitsui Banking Corp.** BTMU, Mizuho and SMBC led a \$353 million financing backing two Duke wind projects in Kansas ([PI, 4/30/2012](#)). Bank officials either declined to comment or did not respond to inquiries. NADB officials also did not return calls.

Austin has set a goal of getting 35% of its power from renewable sources by 2020, with Los Vientos III and IV bringing its renewable capacity up to 27%. Danish wind turbine maker **Vestas Wind Systems** will supply 200 V110-2.0 MW turbines for the proposed projects.

Duke Energy officials declined to discuss project cost or financing details.

—Nicholas Stone

CONFERENCE CALENDAR

- **SNL Energy** will host the 2nd Annual Electric Generation Landscape Conference October 10-11 at the Houstonian Hotel in Houston.
- **Global Financial Markets Intelligence** will host the inaugural Intelligent Hedging and Portfolio Optimization for the Energy Markets Conference October 24-25 at a venue TBA in Houston, Texas.

ALTERNATING CURRENT

Not A Drill

Rooftop Solar Panels Add Challenge To Fighting Blazes



There's a darkside to putting solar panels on rooftops that has nothing to do when the sun doesn't shine and is more sinister than waging a small grid war with the local utility. No, in the event of a fire the panels can ensnare the firefighters called to extinguish the blaze.



Putting panels atop buildings hinders roof access; raises the chances of electrical shocks; and in higher star alarm fires increase the likelihood that the roof will collapse from the added weight, according

to fire chiefs in California and New Jersey whose crews have battled blazes in buildings with rooftop installations.

The acting fire marshal of New Jersey told the [Star Ledger](#) "We may very well not be able to save buildings that have alternative energy." One fire chief refused to send his crew to the roof of a 300,000 square foot **Dietz & Watson** warehouse in New Jersey in a fire.

The panels continue to generate power in low light environments so even at night there is some amount of voltage running through the wires increasing the risk of electric shock to those there to extinguish the blaze, according to a spokesman for the **National Fire Protection Association**, who spoke with [FoxNews.com](#).

And with solar panels now being sold in **IKEA**, the number of homes decked out with panels is likely to rise. **Solar Energy Industries Association** is working with firefighting chapters in California to educate firefighters about the product.

QUOTE OF THE WEEK

"Otherwise we'd be sitting on a lot of capital in relation to our company size."—**Daniel Rausch**, treasurer of **NorthWestern Corp.**, on the company's decision to wait to issue about \$900 million of debt and equity until its planned acquisition of 633 MW of hydro assets from **PPL Corp.** gets closer to state regulatory approval (see story, page 6).

ONE YEAR AGO

A team from **Union Bank** moved over to Pasadena, Calif.-based **OneWest Bank** to establish a power and project finance operation under **Grant Ahearn**, executive v.p. and head of the specialized financial services group. [The bank added more staff this year, notably **WestLB's Mandy Querio**, who joined as OneWest's first v.p. of syndications as it looked to expand its offerings in power project finance ([PI, 8/13](#)).]