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E.ON Wins Airtricity NA

German utility E.ON has agreed to acquire the North American subsidiary of Irish wind developer Airtricity.

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Merrill To Auction Ravenswood

National Grid has retained Merrill Lynch to sell its 2,450 MW gas-fired Ravenswood plant in Queens, N.Y.

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CALIF. SOLAR PLATFORM NEARS STAKE SALES

Bethel Energy, an Alpine, Calif., solar developer (PFR, 1/22), is in talks with four parties about selling interests in six, 50 MW solar facilities it is planning to build in Imperial County, Calif. Martifer Solar, a unit of Portugal's Martifer Energy Systems, is about to invest in two units, expected to cost \$200 million each. Competing proposals for a further four will be submitted this week by Vantage Point Venture Partners and a consortium comprising Bank of America and energy private equity shop First Reserve Corp.

TXU Corp., Florida Power & Light, Goldman Sachs and Morgan Stanley had expressed

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KGEN PLAYING HARDBALL WITH COMPLETE

KGen Power Corp. has told Complete Energy Holdings it is not likely to buy the Houston shop's 1.8 GW generation portfolio for the agreed upon price of \$1.3 billion. "We have met all the conditions of closing and KGen did not pay the agreed price at the scheduled time of closing on Sept. 17," says Rhonda Hollier, Complete spokeswoman. She said the two parties are still in discussions and part of that relates to a \$50 million break-up fee in the contract, but she declined to comment on whether Complete is renegotiating the price. Daniel East, v.p. of strategic planning and development at KGen, declined to comment.

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U.S. WIND ASSET SALES SEEN STUTTERING

A cluster of wind M&A processes have come full circle or stalled and observers are pointing to a good old market issue: sellers want more than buyers will pay. "The bid and ask is so wide and people are asking for too much, so some of these deals are not going to clear," said one wind M&A official.

A bright spot is Airtricity's deal to sell its North American operation to German utility E.ON (see story, page 2). But observers suggest even that deal shows the wind M&A climate is cooling. "When they started talking to people, indications were \$2.5 billion, but they

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M&A Confab

VALUATIONS DIP, STRATEGIC MONEY EMERGES

Asset values are tailing off because financial players that had pushed prices up don't have the same access to leverage, but other strategic buyers are out there. That was the message from delegates at the Power Assets Acquisition & Divestiture Summit in New York last week.

"The hedge funds are withdrawing, but the money is coming in from strategics. As a result, the [M&A climate] is already improving," says James Metcalfe, newly minted global head of power and utilities at UBS. His cautious optimism was shared by Mark Voccola, v.p.

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



At Press Time

Leads Launch ECP Financing

Barclays Capital and Union Bank of California launched syndication last Wednesday of roughly \$500 million in debt funding Energy Capital Partners' planned 535 MW, gas-fired cogeneration plant on the site of a recycled newsprint manufacturing facility in Rensselaer, N.Y., (PFR, 4/5).

Being sold down mostly to commercial banks is an eight-year construction loan of nearly \$400 million and a \$100 million revolver. Pricing was pitched at 275 basis points over LIBOR, according to a banker. Calls to the leads were not returned.

Merrill Lynch auctioned the brownfield facility for Besicorp-Empire, a joint venture between Besicorp Development and Empire State Newsprint.

Barclays Lands Advisory Roles

Barclays Capital has been named financial advisor in upcoming project financings for Unigas' 30 Bcf natural gas storage facility in Okfuskee County, Okla., and Excelsior Energy's 603 MW Mesaba Energy IGCC project at a to-be-named site in Minnesota. In both roles, which Barclays assumed within the last month, it will be helping the companies seek equity partners and, subsequently, debt.

Unigas' storage facility, which will have 20 Bcf of working capacity, is expected to be financed with \$70 million in equity and \$150 million in debt. Excelsior's Masaba project is expected to cost around \$2.4 billion, financed with a ballpark figure of 80% debt and 20% equity, says a source, who explains that Barclays' experience in greenfield project financing and relationships with private equity helped them land the deals.

Airtricity Inks Sale With E.ON

German utility E.ON is set to become the seventh largest wind generator in the world, with 890 MW of operational capacity, having agreed to acquire the North American subsidiary of Irish wind developer Airtricity. Rumors of the German utility's interest were percolating last week (www.iipower.com, 10/4) ahead of the formal announcement.

Airtricity is making roughly four times its original investment in the \$1.37 billion sale, involving \$820 million in equity capital and the assumption of \$553 million in net debt and inter-company loans. The transaction is slated to close by year-end. Airtricity, which is owned 51% by NTR, 16% by Ecofin, 16% by management and 17% by private investors, has 1,164 MW of active projects.

Other suitors that reportedly made the final list were Iberdrola Renewable Energies USA and Acciona Energy North America, but the former's involvement would have delayed the IPO of its Iberdrola Renovables unit, expected later this quarter, and the latter has its hands full with the takeover of Spanish utility Endesa.

Senan Murphy, cfo of Airtricity in Dublin, declined to comment and North American CFO Ciaran O'Brien, who resigned Sept. 28, did not return calls. Officials at E.ON, its advisor JPMorgan, and Credit Suisse, which advised Airtricity, either declined to comment or did not return calls.

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**Institutional
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INTELLIGENCE FIRST

Fortis Lands Project Finance Director



Philippe Birebent

Fortis Capital has hired former Inter-American Development Bank senior investment officer **Philippe Birebent** as a director in its global export and project finance division in New York. "He comes from a background where he is accustomed to looking at big transactions that incorporate multilateral institutions, export credit

agencies and commercial banks," says **Kerri Fox**, managing director to whom Birebent reports as of Oct. 4. "With **Bill Harrison** [director in the same division], he gives us the ability to continue to grow into more lead arranger roles."

At IDB, Birebent structured the financing for the \$1.8 billion Peruvian Camisea pipeline and the ongoing \$3.8 billion Peru LNG project. Prior to joining IDB, he was senior v.p. in the project finance department at **Credit Lyonnais**, where he worked on European and Asian project finance transactions.

Merrill To Run Ravenswood Auction

National Grid has retained **Merrill Lynch** to sell the 2,450 MW gas-fired Ravenswood plant in Queens, N.Y., which powers 25% of New York City. The divestiture is one of the **New York Public Service Commission's** conditions for approving the company's merger with **KeySpan Energy**. Teasers are expected to go out within a few weeks.

The plant is worth about \$2.5 billion, according to one observer, or slightly north of \$1,000 per kW (PFR, 9/14). It consists of three oil- or gas-fired steam plants and a 250 MW cogeneration expansion. National Grid is aiming to reach a purchase and sale agreement for Ravenswood by the end of the first quarter, well ahead of the three-year period allowed by the PSC. "We have three years to sell, but we want to get on with this pretty quickly," notes **Chris Mostyn**, spokesman in Brooklyn, adding, "We are not going to comment or speculate about what we expect on value." An official at Merrill declined to comment.

If National Grid does not move ahead expeditiously, it faces certain financial penalties, metered out through the way Ravenswood's capacity is bid into the market. According to PSC filings, "A mechanism would be established to ensure electric ratepayers in Zone J would enjoy all profits from Ravenswood Station in excess of the cost of service for the facility. In other words, the revenues from the facility would be capped at its cost of service."

National Grid must enter into a forward contract for the output of Ravenswood for up to three years by Jan. 1. Additionally, it must take steps within three years to ensure it is indifferent to the profitability from the plant, in a manner consistent with the state's

1998 Statement of Policy Concerning Vertical Market Power. Any repowering would be the responsibility of the new owner.

Marathon Taps Cantor MD

Energy-focused investment bank **Marathon Capital** has hired **Cantor Fitzgerald** Managing Director **Brent Lewis**. He joins at the same level and will launch a private equity vehicle targeting renewable energy and clean fuel, among other duties. The fund, in which Marathon will be an investor but not sponsor, is still in the capital-raising phase, according to Lewis, who declined to reveal its name.

"We've known Brent for several years," says **Ted Brandt**, CEO of Marathon in Bannockburn, Ill. "We've worked with him on several deals that have not always come together, but you know a banker as much by deals that do come together as those that don't."

Brandt, who is in Quebec City this week for **CanWEA's** annual conference and trade show, anticipates that Lewis' hiring will translate into more clients and broader capabilities for Marathon. "We're sort of a weird animal anyway," says Brandt explaining Marathon's size. "We're bigger than most boutiques but smaller than most Wall Street firms."

Lewis started at Marathon's New York office Sept. 17. At Cantor, he was responsible for global energy and infrastructure investment banking business, encompassing equity capital markets, private equity, merchant banking, project finance and advisory. Prior to Cantor, he was a director in the structured capital markets group at **ABN Amro**.

NRG Hires Ex-Perennial Exec For PJM Push



David Davis

NRG Energy has hired **David Davis**, formerly an executive v.p. of corporate strategy and development at **Perennial Power Holdings**, as v.p. of project development and acquisitions for the PJM region. Davis, who started Friday and reports to **John Ragan**, executive v.p., in Princeton, N.J., could not be reached for comment.

Davis joined Perennial in August 2005 and since leaving late last year has been consulting for **EnergyCo.**, the joint venture between **PNM Resources** and **Cascade Investments**, out of his own business **Davis Enterprises**. Prior to Perennial, he was the director of strategic acquisitions for **Mirant Corp.** and worked on its circa \$5 billion acquisition of **Pepco Holdings' assets** in 1999.

Separately, the company has hired **Fran Sullivan** to the newly created position of v.p. of northeast plant operations and maintenance, reporting to **John Brewster**, executive v.p. of EPC.

Prior to joining NRG, Sullivan spent 10 years with **Public Service Enterprise Group**. Calls to an NRG spokeswoman were not returned.

CS Pitches Liberty Electric Debt To Packed House

Credit Suisse launched syndication of a \$410 million debt package tied to **LEP Holdings'** 568 MW Liberty Electric Power project in Eddystone, Pa., with a standing-room only bank meeting in Manhattan last Tuesday. About 65 people were in the room with another 75 on the phone representing both commercial banks and institutions, with an initially positive response to the pricing, according to a banker.

The deal comprises a seven-year, first-lien tranche consisting of a \$300 million operating company loan and \$35 million revolver, and a \$75 million holding company loan. The deal was scaled back from a targeted \$600 million, which was to consist of a \$400 million first lien and \$200 million mezzanine tranche that was dropped (PFR, 6/1).

Pricing was pitched at 300 basis points over LIBOR on the opco portion, with a 1% original issuer discount, and 900 over LIBOR on the holdco, with 2% offered upfront. The opco piece has no call premium, and the holdco is non-callable for two years, after which it is pre-payable in each subsequent year at 103, 102, 101 and par. Commercial banks were invited to commit to the opco portion, rated Ba3 by **Moody's Investors Service**, while institutions will be able to commit to the opco and the holdco, but the deal will be sold to them as a pro-rata strip, meaning they have to play in both pieces (PFR, 9/28).

Developer Weighs Ore. Geo Funds

Northwest Geothermal, a subsidiary of **Davenport Power** of Greenwich, Conn., is considering financing options for its scheduled Newberry Volcano Geothermal generation project near Bend, Ore. **Douglas Perry**, president of Davenport Power, says, "We haven't gotten to anything that would be a formal conversation [with potential financiers]."

Davenport will decide exactly how to finance the project in the next 12-18 months. "We will obviously seek a construction loan for the plant itself," Perry says, adding, "We expect to drill wells with a blend of debt and equity, but until we get some results from the [exploratory] wells, I am not sure when we will move into a blend."

The project is roughly scheduled to come online in late 2008 or 2009 and Northwest is talking to potential equity investors to invest around \$100 million, but no deals have been signed. **Ewing Bemiss** has been hired as an adviser for the project. "Some people in our company have known them for some time and we

talked to several people and decided that they seemed to be well suited for the process and we've been pleased with their assistance," Davenport says.

HSBC Director Heads To PE Shop

Patrick Townsend, a director of power and energy project finance in Europe and the Middle East for **HSBC** in London, is leaving by the year-end to join **Instrata Capital**, a private equity infrastructure investment fund in Manama, Bahrain. He'll be sourcing and closing investment deals in the Middle East and North Africa and reporting to **Simon Monk** in a new position at the director level. Monk did not return calls.

Townsend has spent six years at HSBC, including several years in the United Arab Emirates working in a project finance and advisory capacity, including the advisory for **Qatar Electricity & Water Co.**'s \$600 million, 567 MW expansion of a power and water desalination project in Qatar known as Ras Abu Fontas B2 (PFR, 1/6/06). "I've lived in the Middle East before and I'm pleased to have the opportunity to return," he says. Calls to an HSBC spokesman on replacement plans were not returned.

Commitments Due On Kelson Canada Refi

Commitments were due last Wednesday in the **Union Bank of California**-led, C\$319 million (\$319 million) refinancing of the 300 MW Calgary Energy Center in Alberta. The package was originally slated to launch with a wrap from **Ambac Financial**, but owner **Harbinger Capital Partners** decided to bring the deal to market without the guarantee before the credit crunch deepened. Since UBoC relaunched the deal Sept. 14, **GE Energy Financial Services** took a C\$100 million slug and **Fortis Capital** is in for C\$50 million.

Calgary Energy Center was acquired by Harbinger when it bought **Calpine Power Income Fund** in February. **Credit Suisse** funded the acquisition with \$428 million of seven-year, senior secured first-lien bank debt, priced at 225 basis points over LIBOR, and \$171 million of eight-year second-lien bank debt, priced at 425 (PFR, 6/15).

A series of complementary financings have already been completed. They include debt tied to the portfolio Calgary belongs to—**Kelson Canada**, formerly **HCP Acquisition**; a C\$150 million, 15-year term loan refinancing of debt tied to 230 MW Island Cogeneration in Duncan Bay, B.C., acquired alongside Calgary; and a C\$190 million, five-year term loan priced at BA plus 225 basis points placed at an intermediate holding company that included Calgary, Island, 120 MW King City in California and a stake in 50 MW Whitby Cogeneration in Ontario.

USPowerGen Scopes Financing For Brooklyn Project

US Power Generating Co. is looking to debt finance its South Pier Improvement Project in Brooklyn, N.Y., with project or corporate level financing. Jay Worenklein, chairman and ceo, says the decision will be made around the middle of next year. "We have made no decision as to how this will be financed—whether on a corporate finance or project finance basis."

The project involves subsidiary Astoria Generating Co. adding 100-150 MW to the 560 MW Gowanus Generating Station. "The key issues would be the cost of capital under the two alternative approaches and the relatively small size of a project financing if we were to choose that alternative," Worenklein says, noting that debt financing would cover \$85-136 million, or about 70% of the total expected cost of \$120-180 million.

USPowerGen says the project will generate cleaner power for New York City and lower overall emissions of Astoria Generating plants in the Sunset Park area of Brooklyn.

WestLB Taps Five On Mexico Financing

Citibank/Banamex, HSBC, BBVA Bancomer, Grupo Santander and NordLB have joined WestLB as lead arrangers on the \$990 million construction financing for Empresas ICA's 750 MW La Yesca hydro project in Mexico. WestLB is already in discussions with three other banks regarding possible roles on the mid tier before retail syndication launches at the end of this month (PFR, 8/31).

The financing consists of a \$910 construction loan with a four-year, nine-month tenor, supported by a \$80 million revolver provided solely by WestLB. This allows the sponsor to fund construction in phases, and pay down borrowings on the revolver from the larger facility, isolating the risk, says Isaac Deutsch, executive director of Latin America structured and corporate finance at WestLB in New York. He adds all five co-leads are relationship banks ICA requested were brought into a high profiler role.

The deal, which is unrated, mirrors the WestLB and Citigroup-led, \$680 million financing for ICA's 750 MW El Cajon hydro project in Nayarit (PFR, 11/17/03). "We offered a good track record and some structural enhancements that made La Yesca that much more attractive," says Jared Brenner, executive director of capital markets for Latin America at WestLB, referring to the addition of the revolver, which was not a feature of El Cajon.

The syndication strategy is to target banks that are active in the project finance market in Latin America—primarily European firms—as well as U.S., Japanese, and local Mexican

banks. Deutsch and Brenner declined to reveal any they are in discussions with or price talk on the deal.

Sawtooth Powers Down In August

McOmber Energy Fund, the energy hedge fund run by Boise-based Sawtooth Investment Management, was down 3.45% in August following a downturn in the power generation sector, according to the firm's monthly performance report. Phone calls to the fund's manager Roger McOmber were not returned by press time.

"Power generation stocks are typically viewed as riskier than traditional utilities, and thus they were dumped as investors rapidly lost appetite for risk," the report states. The energy sector remains in a state of "above-average" volatility, due to aversion of risk and the liquidation of some large, levered funds, the report concludes.

Year-to-date, the portfolio is up 2.75%. The fund has been open since 2003.

Exelon Exec Heads To Navigant

Celia David, a former v.p. at Exelon Corp., joined Navigant Consulting in Washington, D.C., as a director in its energy practice covering litigation, regulatory issues and power market advisory work. She started last Monday and reports to Laurie Oppel, managing director.

David left Exelon in May. It could not be determined what she did in the meantime nor why she left. Her background is in operational optimization, as well as mergers, acquisitions and divestitures, securities issuance and compliance, both in energy and real estate. At Exelon, she helped develop a company strategy allowing for the ownership and operation of high voltage transmission assets by multiple companies.

PE Firm Hires For Global Expansion

Private equity firm Denham Capital Management has tapped former Nomura International executive Louis van Pletzen as a managing director to establish a London office in an effort to expand its international reach. "This means very exciting global opportunities for creating deal flow and placing investments internationally," says Riaz Siddiqi, senior managing director for investments in the power sector and co-head of the Houston office.

Van Pletzen began last Monday when the office officially opened and reports to Stuart Porter, managing partner. He will focus on Europe, Russia, Asia, the Middle East and Africa, where he has focused his career, according to Paul Winters, general counsel at Denham in Boston. "This is a huge stepping stone to be closer to the action," he adds. At Nomura, van Pletzen was managing director responsible for marketing, structured finance, asset finance and capital markets for the energy and commodities sectors.

Denham invests broadly in energy across natural resources,

infrastructure and power generation. The firm was formerly affiliated with hedge fund **Sowood Capital Management** but completed its separation in June.

WestLB Tees Up Debt For Turkish Geothermal

WestLB is lining up construction financing for a 47.7 MW geothermal facility being built at the site of the Germencik geothermal reservoir at Aydin in Turkey. The estimated \$125 million project is sponsored by Turkish contractor **Guris Construction and Engineering Co.** and will be funded with 70% debt.

Invitations will go out next week to local and international

banks, with commitments due mid-November. "The sponsor wants to strengthen relationships with local banks as it tries to move from being not just a builder but a developer," says one deal watcher. Potential participants include **Isbank**, **Akbank**, **Garanti Bank**, **VakifBank** and **YapiKredi Bank**, or European firms **Société Générale**, **Fortis** and **ABN Amro**.

The project, slated for completion in October next year, will benefit from the recently adopted Turkish Renewable Energy Law, approved in May 2005. "The law guarantees a minimum purchase of 5.5 Euro cents per kWh for the first 10 years of operation," says the source. "By next year, I think you'll see a lot of project finance projects take advantage of this framework."

Calls to **Musfik Yamanturk**, Guris general manager, were not returned by press time, and officials at West LB declined comment.

Corporate Strategies

CEZ Plots EUR2B MTN Issue, Eyes Regional Acquisitions

Czech utility CEZ is planning to sell EUR2 billion (\$2.8 billion) in medium-term notes within the next 12-18 months to finance continued expansion in central and southeastern Europe. "We have an active M&A strategy in the region and the further integration of our assets with other area distribution and generation facilities makes perfect sense for us," says **Jan Brozik**, executive finance director in Prague. "We are going on a road show throughout Europe to see what interest we get as we proceed towards an issue."

The utility has a total debt capacity of EUR4 billion but did not want to tap the market for the full amount at once so as to appear more considered. "We didn't want to create panic among investors in the current market climate," says Brozik. The tenor is yet to be determined, but **Citigroup** and **BNP Paribas**, which Brozik says have had long and productive relationships with Cez, will lead the sale.

CEZ owns 51% of local power distribution company **Electrica Oltenia**, giving it nearly 15% share of the domestic distribution market. It is also attempting to buy a 10% stake in Hungarian oil and gas company **MOL** as part of a joint venture that would see CEZ build gas-fired generation in Hungary and Slovakia, where MOL is a major energy consumer through its refining operations. CEZ is also interested in acquiring 1,575 MW Turceni and 1,320 MW Rovinari in the Oltenia region of southwest Romania, if the government proceeds with its planned privatization of the facilities. In addition, **CEZ Power Co.** is one of six candidates that qualified for the modernization of the country's 535 MW Galati plant, owned by **Termoelectrica**.

CEZ is rated A- by **Standard & Poor's** and A2 by **Moody's Investors Service**.

NYPA Doubles Up Financing

The New York Power Authority plans to issue up to \$675 million in three types of senior revenue bonds on Wednesday to repay debt coming due, complete a plant upgrade and pay for settlement agreements surrounding relicensing. "It makes sense to do one financing if you can," says **Brian McElroy**, treasurer at NYPA in White Plains, N.Y.

Citigroup is the lead underwriter, and **JPMorgan**, **Goldman Sachs** and **Merrill Lynch** are co-managers. The firms were chosen through a bid process and also on the basis of relationships with NYPA, structural ideas for the transaction, fees and knowledge of the market. "It's price. It's idea generation and it's really the support they have provided to power authority over the last few years," says McElroy, adding, "Part of these bonds are going to be taxable bonds, so it's really expertise in the municipal tax-exempt and taxable markets."

Two of the three types, the Series 2007 A and 2007 B bonds, will be used to pay for the relicensing and to refund debt tied to the 2.6 GW hydroelectric Niagara Power Project in Lewiston, N.Y. and complete the modernization of their 900 MW hydroelectric St. Lawrence-FDR Project in Massena, N.Y. A new 50-year license for the Niagara project went into effect on Sept. 1 that the NYPA garnered community support for through several settlement agreements requiring them to fund improving waterfront access and local recreational facilities in the area. The Niagara project also has \$116 million in outstanding commercial paper, which will be retired with new money from the 2007 A and B bonds, according to McElroy. Additionally, the NYPA will overhaul the eight of 16 turbines at the St. Lawrence-FDR Project that have not yet been modernized as part of the modernization program there to extend the life of the plant.

The third type, the Series 2007 C bonds, will refund a portion of an existing \$300 million of Series 2002 A revenue bonds.

Power Assets Acquisition & Divestiture Summit

Some 100 energy investment bankers, utility and IPP executives and private equity officials assembled at the Power Assets Acquisition & Divestiture Summit hosted by **Infocast** at the New York Marriott Financial Center Oct. 1-3. Among the topics discussed were the impact of the credit crunch on auctions and bidding strategies. Reporters **Mark Bonamo** & Managing Editor **Katy Burne** filed the following stories.

VALUATIONS DIP

(continued from page 1)

at **Energy Investors Funds**. “You are seeing more of the more traditional players. With valuations going down, traditional private equity firms have more of a chance.”

The issue for financial players is that the loan structures that were available in the first half of this year are no longer there, says **Patrick Eilers**, managing director at **Madison Dearborn**. “The B loan market will still be there, but PIK and toggle features [where interest can be rolled into principal], those appear unsyndicable. The mezzanine market—term loan C, if you will—is much more expensive to a point where it may not be economically attractive,” he says.

Speakers also cited some regional hotspots. For instance, those who invested in the forward capacity markets in the Northeast and the PJM market have largely been rewarded, according to **Raymond Wood**, managing director at **Credit Suisse**. “There’s a lot of guarded language, but underneath that there is bullishness,” he says. Buyers and sellers alike now need to regroup, says **John Matovich**, managing director and head of power and infrastructure at **Scotia Capital**. “All the financing and M&A activity got way ahead of itself.” —**Mark Bonamo, K.B.**

Canadian Income Funds Down, Not Out

Canadian power income funds are hurt after the federal government said it would close a special tax break, but they are far from extinct, according to **Buz Barclay**, partner at **Torlys** law firm. Many believe the funds are no longer natural owners of power assets after the government announced last October it would subject distributions to double taxation from 2011. But Barclay says this is not universally the case.

“There is a misrepresentation in the U.S. market that these funds are over,” he told *PFR* on the sidelines of the conference. “In fact, there are still several income fund structures not affected at all by last’s year legislation. For small and mid-size U.S. power portfolios that want to get involved, they can see up to six to nine times their cash flow in return. Plus, Canadian income funds pay dividends every month.”

John Matovich, managing director and industry head for power and infrastructure at **Scotia Capital**, also sees positives. “There are still some tax advantages with these funds, although getting past

certain tax shocks for certain companies provides access to the equity market forever,” he says. “It may not be business as usual for these funds, but it’s not quite the death knell yet.”

Boralex Power Income Fund recently terminated its **Genuity Capital Markets**-led sale process, blaming the credit crunch. But two examples of funds that are unaffected are **Primary Energy Recycling Corp.** and **Atlantic Power Income Fund**, says Barclay.

Ex-White House Staffer Bets On Cap & Trade

Roger Ballentine, president of energy and environmental consulting firm **Green Strategies** and former chairman of the White House Climate Change Task Force under President **Bill Clinton**, predicted the U.S. would see mandatory carbon controls at the federal level within the next two to five years. “It’s probably going to be a cap and trade system [instead of a tax],” he said in a keynote address.

While the general trend is moving away from coal, the success of renewables will depend on four factors, he added: the expansion of renewable portfolios throughout the U.S. and the enforcement of those standards; a continued rise in oil and natural gas prices; the approval of the long-term extension of production tax credits and the results of the upcoming presidential election.

IPP officials said while alternative energy may be the wave of the future, it is still early days. “We love biofuels and renewables. However, these types of assets still aren’t big enough to solve market problems,” said **Bill Johnson**, ceo and director of **Lakeside Energy**.

Nuclear Merits Touted

Attendees broadly agreed that emissions-free generation holds the key to the most sustainable and sensible source of power over the long term. “We think nuclear is a big part of the future—we have to prepare for a de-carbonized world,” said **Mark Mulhern**, president of **Progress Ventures**, a subsidiary of **Progress Energy**, arguing the effects of climate change have led to a series of devastating hurricanes in southern states, giving consumers a reason to embrace the concept of nuclear energy.

Nuclear is also cost-effective over time in the right hands, according to **Gary Taylor**, group president of utility operations

Power Assets Acquisition & Divestiture Summit (cont'd)

at **Entergy**. "There is a lot of volatility in natural gas pricing and we have some of the poorest customers in America. The nuclear option would help lessen that volatility in the long run," he said.

Concerns were raised, however, about the human capital necessary to build new generation—especially nuclear, where there is a dearth of engineers. "The only question in my mind is not if nuclear facilities will get built, but who is going to build them?" said **Michael Schwartz**, senior v.p. at **Duke Energy Generation Services**. "The aging workforce in this industry is really starting to take its toll," agreed **Jeff Hunter**, executive v.p. in mergers and acquisitions for **US Power Generating**. "Some 10-15% of our workforce is over 50 years old. We have to bring in younger people at all levels, including management."



Reporter's Notebook

- **John Prunki**, president of **Primary Energy Ventures**, had clearly come to terms with not bagging **MDU Resources'** IPP business, which sold to industry vet **Paul Prager** and **Natural Gas Partners** for \$636 million. "When the price for **Centennial Power** came out, we just shook our heads. This is liar's poker, and we couldn't even lie well enough to get through the first round. We couldn't hit it with a seven-foot baseball bat."
- "Well as you know, Texas isn't in the U.S. They do what they want there,"—**Charles Costenbader**, senior manager of **Macquarie Cook Power**, quipped about **NRG Energy's** application to build a 2.7 GW nuclear facility in South Texas.

Weekly Recap

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

Americas

- **E.ON** is taking its first step into the U.S. renewable market by agreeing to acquire the North American business of Ireland's **Airtricity**, see story page 2 (*Reuters*, 10/4).
- **American Electric Power** reached an agreement with **GE Energy** to develop advanced metering and infrastructure technologies to improve efficiency and reduce electricity costs (*Associated Press*, 10/4).
- **Wisconsin Energy** subsidiary **We Energies** has completed the \$924 million sale of its Point Beach nuclear plant to **FPL Energy** (*Associated Press*, 10/1).
- Federal designation of Arizona and Southern California as a critical electric transmission corridor could open the door for **Southern California Edison** to build a major cross-desert power line, which Arizona has so far rejected (*Associated Press*, 10/3).
- **Nevada Power** and **Sierra Pacific Power**, both subsidiaries of **Sierra Pacific Resources**, have issued a request for proposals for solar, wind, geothermal, biomass and other resources eligible for portfolio energy credits under the state Nevada renewable portfolio standard (*NorthAmericanWindPower.com*, 10/3).
- San Rafael, Calif., wind turbine manufacturer **Nordic Windpower** said **Goldman Sachs** has made a significant investment in the company (*San Francisco Business Times*, 10/1).
- **Exelon Corp.** Chairman and CEO **John Rowe** was elected to the additional position of president of subsidiary **Exelon Generation Co.** (*Reuters*, 9/27).
- **Florida Power & Light** has sold \$300 million in 10-year notes

bearing interest at 5.55% and maturing Nov. 1, 2017. Proceeds will be used for general corporate purposes and to repay short-term borrowings (*bizjournals.com*, 10/3).

- **ENMAX's** Taber wind farm, Alberta's largest wind energy operation, opened yesterday (*Canada NewsWire*, 10/3).

Europe

- Norwegian utility **Statkraft** said it will build the world's first generating plant to be powered by osmosis (*Reuters*, 10/3).
- Hungarian oil and gas company **MOL** is experiencing pressure from investors to enter talks with Austrian energy company **OMV**, which bid to buy **MOL** for \$20 billion (*Wall Street Journal*, 10/1).
- Plans for **ScottishPower's** GDP 10 million (\$20.4 million) wave farm off Orkney were approved (*The Scotsman*, 9/29).
- **International Power** has bought the 27.6 MW Schkortleben wind farm in Germany for £6.5 million (\$13.2 million) (*Thomson Financial*, 9/28).

Asia/Pacific

- India's **Reliance Energy** is planning a \$3 billion initial public offering for its **Reliance Power** unit (*Forbes*, 10/1).
- **Nuclear Power Corporation of India** is reportedly planning to buy six nuclear power reactors from France (*BBC*, 9/28).
- **Hydropower Engineering** is looking to participate in the construction of a wind farm in Dongfang City in the province of Hainan in China (*SinoCast*, 10/3).

Project Finance Deal Book

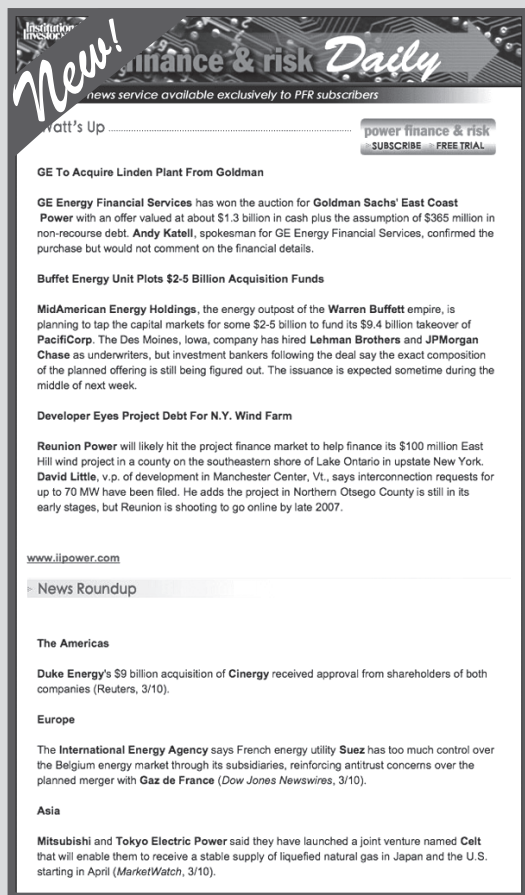
Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Katy Burne, Managing Editor, at (212) 224-3165 or e-mail kburne@iineews.com.

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Amount	Tenor	Notes
Airtricity	2008 Turbine Supply	Various	HVB, Mizuho	\$325M			Timeline unclear.
Empresas ICA	Champion (126.5 MW Wind)	Central New York	HVB, NordLB, BayernLB	Construction Loan			Financing to be arranged.
	La Yesca (750 MW Hydro)	Nayarit, Mexico	WestLB, Citibank/Banamex, HSBC, BBVA Bancomer, Grupo Santander, NordLB	Construction Loan	\$910M	4-yr, 9m	Syndication to launch at end of Oct.
Third Planet Windpower	Name unknown (325 MW Wind)	Loraine, Texas	TBA	TBA	TBA	TBA	Selecting lenders.
Northland Power	Thorold CoGen (265 MW Gas)	Thorold, Ontario	BMO, Manulife, Sun Life	Construction Loan	C\$415M	20-yr	Sept. syndication expected.
SUEZ Energy International	Central Termoeléctrica	Northern Chile	TBA	TBA			Looking for banks for \$500M.
LS Power	Sandy Creek (800 MW Coal)	Riesel, Texas	Credit Suisse, RBS	Term Loan	\$1.2B	8-yr	Commitments due 10/2.
Carlyle/Riverstone	Portfolio (1.5 GW Gas)	Various, Texas	TBA	TBA	\$900M		RFP sent out 7/23.
Granite Ridge	Granite Ridge (720 MW Gas)	Londonderry, N.H.	TBA	TBA	\$500-\$600M		Choosing lead banks.
AES	Termoeléctrico de Penoles (230 MW Petcoke)	Tamuin, Mexico	TBA	TBA	TBA	TBA	Timeline unclear.
RES	Hackberry Wind (165 MW Wind)	Shackelford Co., Texas	WestLB	Construction Loan	\$352M	17-yr	Syndication launched 9/19.
Borealis Infrastructure	Bruce Power (4.6 GW)	Tiverton, Ontario	Scotia, Dexia	TBA	C\$750M (\$710M)	TBA	Syndication launched 7/3.
LEP Holdings	Liberty Electric Power (568 MW Gas)	Eddystone, Pa.	Credit Suisse, JPMorgan, Deutsche Bank	OpCo loan Revolver HoldCo Loan	\$300M \$35M \$75M	7-yr	Syndication launched 10/2.
Nacogdoches Power	Nacogdoches (100 MW Biomass, 300 MW Gas)	Sacul, Texas	TBA	TBA			Looking for debt/equity for \$600M project.
J-Power USA	Pala (86.5 MW Gas)	San Diego Co., Calif.	TBA	TBA			Looking for lead bank.
	Orange Grove (95 MN Gas)	Orange Grove, Calif.	Royal Bank of Scotland	Construction Loan	\$70M	25-yr	Syndication launched 9/25.
				LC Facility	\$25M		
				Equity Bridge Loan	\$30M		
MACH Gen	Portfolio (800 MW Coal)	Various	Credit Suisse	TBA	\$850M	TBA	Refinancing of \$850M second lien.
Acciona Solar Power	Nevada Solar One (64 MW)	Boulder City, Nev.	Santander, BBVA, La Caixa	Term Loan	\$140M		Syndication expected in Sept.
Shell, Dominion	Mt. Storm (264 MW, Wind)	Grant Co., W.Va.	TBA	Construction Loan	\$288M	TBA	Fortis tipped as sole lead.
Invenergy	St. Clair Power Station (570 MW Gas)	Sarnia, Ontario, Canada	RBC	Construction Loan	\$383M	5-yr	Syndication re-launched 7/2.
				LC facility	\$96M		
Perennial Power	Hermiston (474 MW Gas)	Hermiston, Ore.	TBA	TBA	\$130M	10-yr	Status unclear.
Noble Environmental Power	Altona, Ellenberg, Clinton and Bliss (339 MW Wind)	Altona, Ellenberg, Clinton and Bliss, N.Y.	HSH Nordbank, Dexia	Non-recourse loan	\$445M	10-year	Commitments due 9/27.
Guacolda	Maitencillo (152 MW Thermo)	Maitencillo, Chile	Calyon	Construction Loan	\$260M	15-year	Chose Calyon to lead.
Energy Capital Partners	Rensselaer (535 MW Gas)	Rensselaer, N.Y.	Barclays, UBoC	Construction Loan	\$400M	8-yr	Syndication launched 10/3.
				Revolver	\$100M		
Terrawinds Resources	Riviere-Du-loop (201 MW Wind)	Riviere-Du-loop, Quebec	HSH Nordbank	Construction and term loan	C\$300M (\$300M)		Syndication Launched 9/18.
Plutonic Power, GE Energy Financial	Toba Montrose (196 MW Hydro)	British Columbia	Manulife, Standard Life, Canada Life, SunLife, Industrial Alliance	Construction Loan	\$500M		Financing to close mid-Oct.
Harbinger Capital Partners	Calgary Energy (300 MW Gas)	Alberta, Canada	UBoC	Refinancing	C\$319M (\$319M)		Commitments due 9/26.

Live Deals: Europe/Middle East/Africa

Sponsor	Project	Location	Lead(s)	Loan	Amount	Tenor	Notes
EdF Energies Nouvelles	C-Power (30 MW Wind)	Zeebrugge, Belgium	Dexia, Rabobank	Construction Loan	EUR126M	15-year	Preparing retail syndication.
Eolicas de Portugal	(1.2 GW Wind)	Porto, Portugal	TBA	TBA	TBA		Selecting lenders.
Cobra, ACS Group	La Boga II (355 MW Wind)	Andalucia, Spain	Natixis, La Caixa	Term loan	EUR205M (\$283M)		Debt slated to close 7/20.
Abaste	El Bonillo (20 MW Solar)	El Bonillo, Spain	Deutsche Bank	Bond Offering	\$207M	24.5 yr	Iberdrola offtake.
Industrial Promotion Services, Sithe Global	Bujagali (250 MW Hydro)	Southern Uganda	International France Corp., Absa Capital, EIB, Standard Chartered	Term loan	\$630M	TBA	Uganda Electricity Transmission Co. offtake.
Spanish Egyptian Gas Co.	Damietta LNG	Damietta, Egypt	TBA	Term loan	\$600M	15 yr	25-year tolling agreement.
				Bank Facility	\$250M		
Solucar Energia	SolNova (100 MW, Solar)	Sanlucar La Major, Spain	Caja Madrid, SocGen, Calyon	TBA	EUR450-500M	(-)	Sept. syndication expected.
			Natixis, Santander				
Botswana Power Corp.	Morpule (1.2 GW Coal)	Palapye, Botswana	TBA	TBA			Project Financing Solutions advising.
InterGen	Rijnmond Energie Center (820 MW, Cogen)	Rotterdam, Netherlands	TBA	TBA			Accepting financing options.
Dhofar Power Co.	Salalah (192 MW Gas Refi)	Salalah, Oman	Calyon	TBA	\$340M	TBA	Advizorum is advising.
Tanjong Broup	Port Said East (683 MW Gas)	Port Said, Egypt	Calyon	TBA	\$500-675M	TBA	Timeline unclear.
Ras Laffan Power Co. (AES)	Ras Laffan A (750 MW IWPP)	Doha, Qatar	TBA	TBA	\$572M		Timeline unclear.
AES Oasis, Mitsui & Co.	Almanakher (370 MW Gas)	Almanakher, Jordan	Sumitomi Mitsui, Overseas Private Investment Corp., JIBC	Senior facility	\$255M		Looking for lead banks.
				Equity tranche	\$75M		Near close. National Electric Power Co. offtake.
Electricite de France, Delta	Sloe (820 MW Gas)	Vlissingen, Netherlands	TBA	TBA			Proposals due from banks 9/1.
Eclipse Energy	Ormonde (200 MW Wind/Gas)	Irish Sea	TBA	TBA	Apr. GBP200M		Choosing Banks.
Carron Energy	Seyern Power (850 MW Gas)	South Wales	TBA	TBA			Choosing Banks.
Greentech Energy Systems	Sardinia and Sicily wind (140 MW)	Sardinia and Sicily, Italy	TBA	TBA	EUR200M		In discussion with banks.
Conergy	Epuron (8 MW Solar Thermal)	Southern Spain	WestLB		\$113.3M		Syndication launched 9/21.
Guris	Germencik (47.7 MW Geothermal)	Aydin, Turkey	WestLB				Commitments due mid-Nov.



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U.S. WIND

(continued from page 1)

accepted \$1.4 [billion]—and that was the enterprise value not just the equity,” says one.

Many that hoped to sell are now pinning their hopes to the private or capital markets. **UPC Wind**, for one, did a price test with select buyers, but decided to go back to the drawing board when the offers did not meet its expectations. The company is now reportedly leaning towards an initial public offering.

“With \$500 million to \$1 billion in equity and debt we have to raise annually, it’s our fiduciary obligation to look at these financing needs and do it on the most economic terms we can,” says **Patrick Eilers**, managing director at **Madison Dearborn Partners**, which backs UPC alongside **DE Shaw**. He declined to comment on plans for an IPO.

Other deals that would appear stuck are **Foresight Wind Energy**, advised by **CP Energy** (PFR, 6/22), which is delayed, and **Ridgeline Energy**, being advised by **Marathon Capital** (PFR, 4/5). The latter was reportedly in discussions with a major southern U.S. utility but is now back in play after the parties mutually terminated talks. **Diamond Castle**-backed developer, **Catamount Energy**, is also back in the market, advised by **Goldman Sachs**, after receiving a number of

unsolicited approaches (PFR, 8/31).

Part of the problem has been how buyers and sellers are valuing development pipelines versus iron in the ground. More data points are needed to determine the best way to value projects in different stages of development. The deals do not appear to have been impacted by the debt markets, bankers say, noting that it could be a factor if completion of a purchase demanded a large acquisition bridge loan.

—K.B.

KGEN PLAYING

(continued from page 1)

With no other buyers for the assets on the horizon, KGen may well feel Complete has no option but to accede to the better terms it is seeking in light of the recent credit market woes.

KGen is reportedly looking to shave up to \$200 million off the offer price or at the very least cut the termination fee. “We don’t have a lot of information from KGen at this time. Hearing more from them will help to clarify some of the options,” says **Hollier**, who declined to say whether the company was in talks with other parties.

KGen has a fully underwritten commitment on the financing from **Morgan Stanley**.

—K.B.

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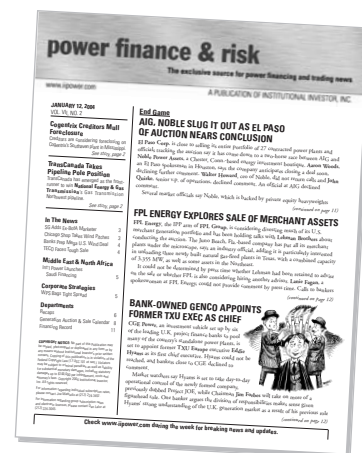
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CALIF. SOLAR

(continued from page 1)

an early interest in the six projects, but over the time decided to go a different direction. "TXU in particular made a very low ball offer that we turned down," says **Len Daniel**, who formed Bethel with two co-founders in April last year, and was formerly a v.p. of engineering and construction at solar pioneer **Luz International** (PFR, 1/19).

San Diego consultancy **Competitive Energy Insights** is advising Bethel. The developer has eight 50 MW units to bring online but is soliciting interest in only six because it already has development financing for two from Baton Rouge, La., construction company **MMR Power Solutions**. "A 65:35 debt to equity ratio is what we had modeled, but we are outside the box right now. It's about \$1.5 billion in development and we need owners," says Daniel.

Units three, four, five and six will be contracted for 20 years to **Sempra Energy** subsidiary **San Diego Gas & Electric**. Units seven and eight will be contracted for the same period to **Pacific Gas & Electric**.

Martifer's interest was the product of a recommendation from PG&E. Neither of the financial players had a history with Bethel. Vantage, the largest clean technology venture capital firm with \$4 billion under management, already backs **BrightSource**



Energy, a company that designs and builds large-scale solar plants for industrial and utility customers, and **SolarCentury**, a U.K.-based solar photovoltaic specialist, among others.

—Katy Burne

Quote Of The Week

"We have met all the conditions of closing and KGen did not pay the agreed price at the scheduled time of closing on Sept. 17,"—

Rhonda Hollier, spokeswoman at **Complete Energy Holdings**, referring to the company's stalemate with **KGen Power Corp.** over their proposed \$1.3 billion sale of a 1.8 GW generation portfolio.

One Year Ago In Power Finance & Risk

United Utilities, the U.K. water-focused utility which also runs the local power distribution network in the northwest of England, had zeroed in on a handful of prospective buyers for the purchase of **Vertex Data Science**, its business process outsourcing arm, advised by **Merrill Lynch**. [United Utilities announced the sale of Vertex to a private equity consortium led by **Oak Hill Capital Partners** and also including **GenNx360** and **Knox Lawrence International** for GBP217.5 million (\$443.1 million) (PFR, 1/19).]

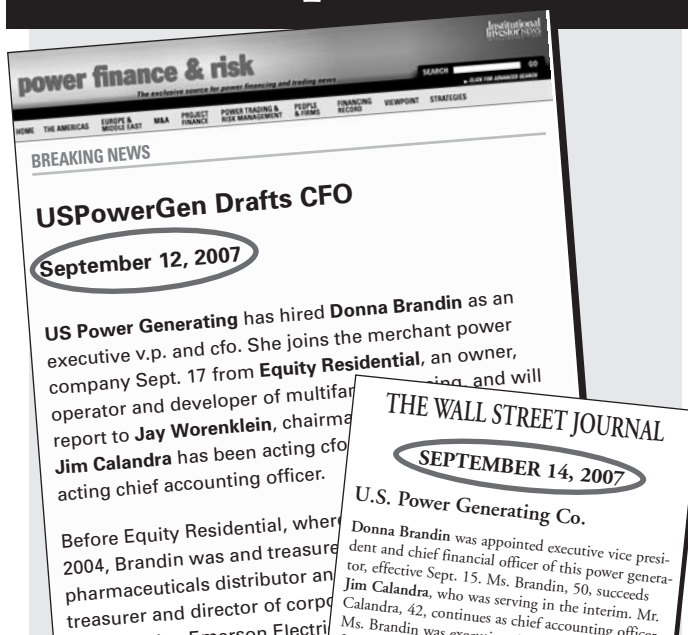
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