Institutional Investor

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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

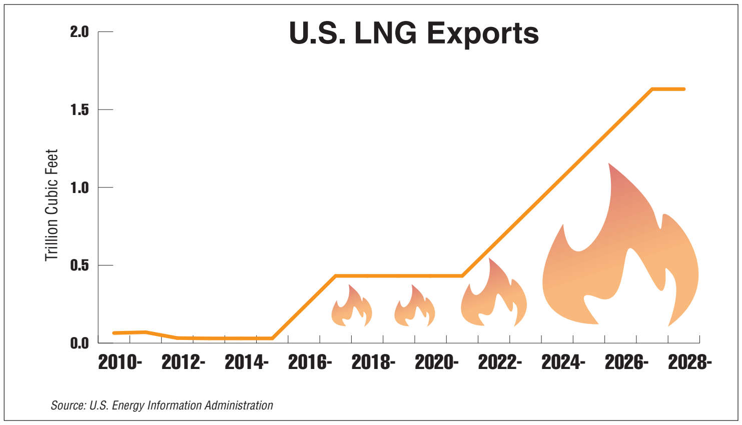
www.powerintelligence.com

Freeport LNG To Launch $4B Bank Debt

A debt package in the region of $4 billion backing **Freeport LNG**'s liquefied natural gas export facility is set to hit the market in mid-November. The company is aiming to close the deal in the second quarter next year and has mandated **Credit Suisse** as lead arranger. **Macquarie Capital** is also acting as financial advisor to Freeport.

"Banks will probably have to take on a lot of exposure with big loans and huge commitments. We will probably see ticket sizes pushing $400 million," says a deal watcher.

The first major bank deal backing an LNG export facility closed last year when **Cheniere Energy** secured $3.4 billion from around 20 lenders backing Sabine Pass in Louisiana (*PI, 7/19*). The ticket



(continued on page 11)

K Road Looks To Sell Solar Projects

K Road Power is looking to sell its solar development pipeline.

The portfolio includes two phases of Calico totaling 850 MW in California and the 25 MW McHenry solar projects, say observers. The process comes on the heels of K Road selling its 350 MW Moapa solar project in Nevada to **First Solar** (*PI, 9/27*). **K Road Sun**, a subsidiary of K Road Power, could have a development pipeline between 2.3-3 GW (*PI, 1/14/11* & *8/5/11*).

Founder **William Kriegel** and **Gerrit Nicholas**, managing director, have decided selling would maximize value versus developing and holding the assets for a future move, such as an initial public offering, say bankers. The duo is expected to emerge elsewhere in the energy and power space once the solar assets are sold, say observers.

The shop reportedly encountered obstacles while trying to line up tax equity investment for its Moapa project, say a banker and

(continued on page 11)

Tenaska Preps Push For Third Fund

Tenaska Capital Management is preparing to fundraise for a third fund, **Tenaska Power Fund III**. The private equity shop is in the pre-marketing phase for the latest fund that is pitched to draw in $2 billion, say observers.

Tenaska is expected to bring existing investors back on board as well as court new ones in the U.S. and abroad. **Lockheed Martin Corp**. was a repeat investor from the first to the second fund. Other investors in the second fund include, **Bakery & Confectionery Union and Industry International Pension Fund**, **Colorado Public Employees Retirement Association, Massachusetts State Pension Fund, New Jersey Division of Investments, TIAA-CREF**, and **University of Texas Investment Management Co**.

The shop has diversified its investment strategy since

(continued on page 12)

Industry Current: Securitizing Solar Assets

Check out this week's feature on solar securitization by attorneys at **Sullivan & Worcester**.

See feature, page 9

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

IN THIS ISSUE

PROJECT FINANCE

MERGERS & ACQUISITIONS

PEOPLE & FIRMS

STRATEGIES

DEPARTMENTS

THE BUZZ

Financiers are on the move. The path out of the Stamford, Conn.-based branch of **Royal Bank of Scotland** was trod again, this time by market stalwart **Richard Randall**, the head of project finance. He's off to a beacon for many bankers: **Infrastructure Funds Management** in New York (see story, page 7). A former **Citigroup** banker, **George Revock**, has headed over to **Capital One** to help kick-start the bank's project finance business (see story, page 7).

On the deal front, sponsors are in various stages of getting projects financed this week. At the early stage **Freeport LNG** will be out looking to round up around $4 billion in bank debt for its liquefied natural gas export facility in Texas in mid-November (see story, page 7). **First Wind** is also just starting out, as the Boston-based developer hunts around $300 million backing a wind facility in Maine (see story, page 5). The shop is also scoping a revival of the B loan with partner **Emera**. Observers say First Wind could ask a subset of the original arrangers to bring cornerstone debt buyers on board and then fill out the roster with usual institutional investor suspects (see story, page 8).

Sempra U.S. Gas & Power has mandated **Bank of Tokyo Mitsubishi-UFJ** and **Sumitomo Mitsui Banking Corporation** to lead the financing of the third phase of its Copper Mountain solar facility (see story, page 5). Meanwhile, an **Enel Green Power** subsidiary based in Brazil is nearing the final stages of financing, as it is slated to receive $420 million from the **International Finance Corp**. for a series of wind facilities in the country (see story, page 5).

Rockland Capital has stepped up to buy three gas-fired peakers from **Ameren**, taking some PJM gas-fired assets off the table (see story, page 6). Prospective buyers still have the opportunity to buy some peakers from **Tenaska Capital Management** as it tidies up its portfolio in preparation for raising a third fund (see story, page 1).

Koch Industries is making a return appearance in the power space with the acquisition of the 1 GW Odessa combined cycle plant in Texas from **Energy Capital Partners**. Koch has not been active in power in almost a decade since it sold its power marketing joint venture with **Entergy Corp**. to **Merrill Lynch** (see story, page 6).

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	TBA	Looking for equity (PI, 7/15).
▶ Ameren	Elgin (460 MW Gas)	Cook County, Ill.	Barclays	Rockland is set to buy the facilities (see story, page 6).
	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 portfolio)	Various	TBA	Relaunched the sale of its development assets (PI, 10/7).
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).
Direct Energy	Portfolio (1.3 GW Gas)	Texas	Barclays	Portfolio went on the market recently (PI, 10/14).
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	Koch Energy Services is buying the plant (see story, page 6).
Entegra Power Group	Union Power Station (2.2 GW Gas)	El Dorado, Ark.	Bank of America	Tucson Electric Power wants a stake in Gila (PI, 10/7).
	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).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Details emerge on investors behind Voltage Finance (PI, 10/14).
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	Various (Solar Development Pipeline)	Various	TBA	Looking to wind down the solar development (see story, page 1).
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 (Wind)	Nebraska	TBA	Sempra unit is buying it (PI, 10/7).
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 (PI, 10/7).
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8).
Southern Power	Oleander (800 MW Peaker)	Cocoa, Fla.	TBA	In the second round with potential buyers (PI, 10/14).
Southwest Generation	Valencia (145 MW Gas)	Belen, N.M.	None	PNM Resources is considering buying up to 50% of the plant (PI, 10/7).

▶ **New or updated listing**

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

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Alterra	Dokie II (156 MW Wind)	Fort St. John, B.C.	TBA	Expansion	$300M	TBA	The sponsor is hoping to close the financing in the next few months (PI, 9/24).
	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	Expansion	$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
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).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
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).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	CCA Capital	TBA	$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
▶ Enel Wind Brazil	Various (342 MW Wind)	Brazil	IFC	TBA	$420M	TBA	The IFC will provide $200M and look to secure $220M more backing wind projects in Brazil (see story, page 5).
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).
▶ Freeport LNG	Freeport (LNG Export Termial)	Freeport, Texas	Credit Suisse	TBA	~$4B	TBA	The deal is slated to launch in mid-November (see story, page 1).
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).
Gauss Energia	Various (3 x 30MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsor is looking to finance another three projects after the succesful closing of the Aura Solar facility (PI, 7/1)
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
ICE	Reventazón (305.5 MW Hydro)	Limon Province, Costa Rica	TBA	TBA	TBA	TBA	Sponsor is eyeing a private placement alongside an IDB loan (PI, 8/19).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
ISA	Cardones to Polpaico Transmission	Chile	BBVA	TBA	TBA	TBA	The sponsor has tapped BBVA as advisor for the facility (PI, 8/19).
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	Pricing talk is coming in at under LIBOR + 200 bps (PI, 10/14).
▶ Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~$400M	TBA	The sponsor has tapped BTMU and SMBC as leads on the deal (see story, page 5).
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).

▶ **New or updated listing**

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PROJECT FINANCE

BTMU, SMBC Lead Copper Mountain III

Bank of Tokyo Mitsubishi and **Sumitomo Mitsui Banking Corp**. are joint lead bookrunners on **Sempra U.S. Gas & Power**'s approximately $400 million Copper Mountain III debt package.

Pricing talk on the deal is coming in at LIBOR plus 200 basis points, with a tenor of construction plus ten years. The tight pricing and tenor have pushed a number of lenders to stop considering the deal, notes an observer. Many banks are reluctant to lend longer than the five to seven-year range, bankers say. Some banks just couldn't meet the terms that Sempra was shooting for, the observer adds.

The leads will look to secure a club of banks to take large tickets, notes a deal watcher, who says that the deal is well structured.

Sempra most recently closed a $350 million financing for the second 150 MW phase of Copper Mountain, with **Union Bank** and **Société Générale** leading the deal. That bank loan carries a 10-year tenor and had pricing of LIBOR plus 237 bps (*PI, 5/23*).

Copper Mountain III is near Boulder City, Nev., and has a 20-year power purchase agreement with the **Southern California Public Power Authority**, a conglomerate of 11 municipal utilities formed in 1980. Construction of the phase is underway, with commercial operation expected in 2015.

Sempra is aiming to close the financing by year-end. Company officials in San Diego did not respond to inquiries by press time. Bank officials either declined comment or did not respond to inquiries.

IFC To Supply Brazil Wind Debt, Hunt More Lenders

Enel Wind Brazil is slated to secure up to $420 million from the **International Finance Corporation** backing 342 MW of wind farms in Brazil. The IFC plans to fund the development with a $200 million A loan and then mobilize up to an additional $220 million from banks.

The IFC, a member of the **World Bank Group**, plans to issue the debt in reais.

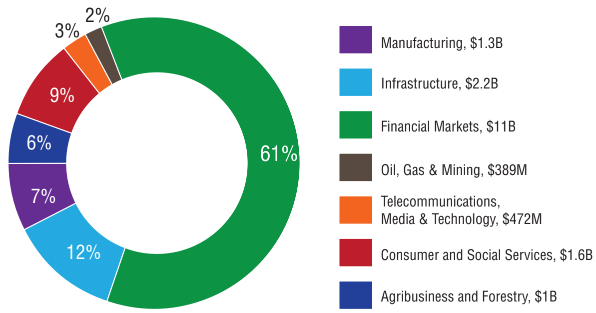
Enel Wind Brazil will develop, construct and operate the 12 facilities located across three states of northeastern Brazil. There will be 206.1 MW in Bahia, 79.9 MW in Pernambuco and 56.4 MW Rio Grande do Norte.

The company has secured a blend of 20-year regulated market contracts and medium-term free market contracts to sell the projects' generation. The regulated market contracts were awarded in Brazilian power auctions between 2010 and 2013. The offtakers in the regulated wholesale market are comprised of a pool of Brazilian distribution companies. Approximately one-third of the projects' generation is under contracts in Brazil's free market, where independent power producers contract with large industrial customers to supply power.

Brazilain development bank **Banco Nacional do Desenvolvimento** has dominated the project finance market in the country for years. However, BNDES is reportedly scaling back some of its lending, notes a project finance banker who focuses on Latin America, adding that this has opened up deals to foreign lenders. Potential lenders are becoming more comfortable with offtake agreements that involve pooled offtakers in Latin America, he says.

Inquiries made with the IFC in Washington and Enel in Rome were not returned by press time. Enel Wind Brazil is a subsidiary of Italian developer **Enel Green Power**.

IFC Commitments By Industry In 2013



Source: The International Finance Corp.

First Wind Shoots For Maine Debt Package

First Wind is talking to lenders about securing approximately $300 million in debt backing its 147 MW Oakfield wind project in Aroostook County, Maine.

First Wind will typically assess what it wants in a financing and send out a request for proposals for banks to try to meet its terms, notes an observer. The company will then tap banks based on the proposals' pricing, terms and amount, he adds.

"They normally like to do a construction loan and then take it out with back leverage and tax equity," says another banker of First Wind. The company most recently closed its maiden solar deal, when it secured debt and tax equity from **KeyBank** and **U.S. Bank** respectively (*PI, 10/1*). Details on the pricing and tenor sought on the loan backing Oakfield could not be learned by press time.

Oakfield has garnered a 15-year power purchase agreement with four Massachusetts utilities, through a state mandated solicitation. Construction of the Oakfield project is scheduled to start by the end of this year—in order to qualify for the production tax credit—and should be completed and online in 2015.

Calls placed to First Wind officials in Boston were not returned by press time.

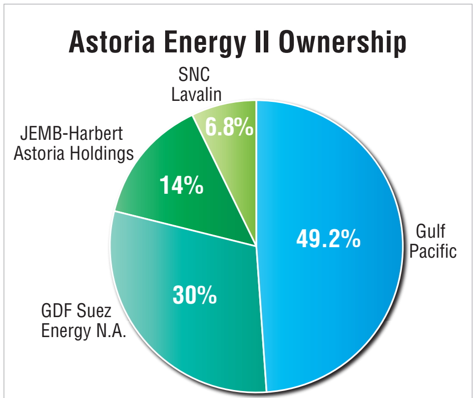
MERGERS & ACQUISITIONS

Harbert, CalPERS Circle Addt'l Astoria II Stake

Gulf Pacific Power, a subsidiary of **Harbert Management Corp.**, is buying out a portion of **SNC-Lavalin**'s stake in in Astoria Energy II, the 550 MW combined cycle facility, in New York.

Gulf Pacific will take on 13.2% of SNC's 20% stake in the facility, bringing its ownership to 49.2%. **CalPERS** is the majority investor in Gulf Pacific. Gulf Pacific will also get a seat on the board, according to a Wednesday filing with the U.S. **Federal Energy Regulatory Commission**.

CalPERS first entered the facility this summer when Harbert acted on its right of first refusal to **Energy Investors Funds**' stake (*PI, 7/15*). EIF was looking to exit via an auction run by **Barclays** (*PI, 12/10*).



Source: Power Intelligence

Gulf Pacific will own the facility alongside **GDF Suez Energy North America** (30%), **JEMB-Harbert Astoria Holdings** (14%) and SNC-Lavalin (6.8%).

Calls to spokesmen for Harbert and CalPERS were not immediately returned.

Greenleaf Buys Quebec Biomass From Enel N.A.

Greenleaf Power has bought a cogeneration facility in St-Felicien, Quebec, from **Enel Green Power North America**, marking the company's first acquisition outside of the U.S.

The 21 MW St-Felicien biomass-fired facility has a 25-year power purchase agreement with Hydro-Quebec. The $63 million asset was developed by Enel Green Power N.A. and come online 2001. The acquisition has closed.

Greenleaf, backed by **Denham Capital**, most recently bought the 21 MW Tracy biomass-fired facility in Tracy, Calif., from **U.S. Renewables Group** (*PI, 6/6*). The Quebec acquisition brings the Sacramento, Calif.-based company's portfolio to 145 MW.

A spokesman for Greenleaf could not immediately comment on whether the company used a financial advisor or how the acquisition was financed.

Rockland Snares Ameren Gas-Fired Trio

Rockland Capital has agreed to buy a set of three gas-fired plants in Illinois from Ameren.

Rockland is not expected to immediately arrange financing to back the acquisition for the merchant portfolio totaling 1,166 MW, says a banker. Ameren's second quarter earnings filing estimated the fair value of the plants to be $133 million. The purchase price could not be learned.

The 460 MW Elgin in Cook County, Ill., the 228 MW Gibson City in Ford County, Ill., and the 478 MW Grand Tower in Jackson County, Ill., are being transferred internally from one Ameren unit to another for $137.5 million before being sold to Rockland. The sale is expected to close in the fourth quarter.

Rockland emerged as the frontrunner for the assets as it looks to put to work fresh capital raised in its second fund (*PI, 10/9*).

The plants are being divested as part of Ameren's plan to become more regulated. The sale is related to a larger deal in which **Dynegy** is buying 4.1 GW of coal-fired generation through the assumption of $825 million (*PI, 3/14*).

Barclays is running the auction for Ameren.

Whether Rockland used an advisor could not be learned. **Scott Harlan**, managing partner of Rockland in Houston, was not immediately available to comment.

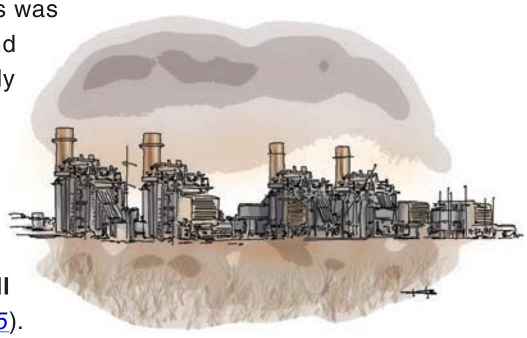
Koch Sub Ropes ECP's Odessa

Energy Capital Partners has agreed to sell its 1 GW Odessa combined cycle plant in Texas to a subsidiary of **Koch Industries**.

The merchant facility will be owned by **Koch Energy Services**. The acquisition is expected to close late in the fourth quarter or early in 2014. **Joel Staib** is senior v.p. of business development for Koch Energy Services in Houston, according to **LinkedIn**.

ECP bought the plant two years ago from **PSEG Power** for $335 million after a municipal utility couldn't arrange the financing. **Goldman Sachs** is advising ECP (*PI, 6/21*).

Koch Industries was involved in gas and power trading early in the 2000s in a joint venture with **Entergy Corp.**, **Entergy-Koch Trading**, which was sold to **Merrill Lynch** (*PI, 6/17/05*).


Odessa

A Koch spokesman in Wichita, Kan., did not immediately respond to an inquiry about financing details of the acquisition or how the power will be used. Staib could not be reached.

PEOPLE & FIRMS

IFM Nets RBS Banker

Richard Randall, managing director and head of project finance and independent power producer coverage at **Royal Bank of Scotland**, has left to join **Industry Funds Management**. Randall resigned from Stamford, Conn.-based RBS earlier this month and is on gardening leave, says an RBS spokesman.

Randall will be based in New York. A spokeswoman for IFM in Sydney did not respond to inquiries. His role and responsibilities could not be learned. Randall joined RBS in 2004.

In the U.S., IFM owns:

- **Essential Power**, which owns and operates a 1,755 MW portfolio of gas-fired and hydro in the Northeast,
- **Duquesne Light Holdings**, a transmission and distribution entity in southwestern Pennsylvania, and
- **Colonial Pipeline**, a 5,500-mile pipeline system that delivers refined products from the Gulf Coast to the East Coast.

Randall joins a pair of RBS alumnae at IFM in New York. **Alec Montgomery**, head of infrastructure in North America at IFM, held a similar title at RBS before moving to IFM (*PI, 10/31/2008*). **Anthony Edwards**, investment director at IFM, was a senior v.p. at RBS for 11 years before moving to IFM in 2011.

Chester Exits Kaye Scholer For MoFo

Jeffrey Chester, partner at Kaye Scholer, has joined **Morrison & Foerster** as the law firm looks to build out its energy group.

He started as a partner today in the Los Angeles office, reporting to **Michael Graffagna**, head of the project finance and development practice. He is also be part of the energy group. His hiring is a part of an initiative to build out the energy group, says a spokeswoman.

Joining him in the move are **Elizabeth Sluder** and **Julia Schiesel**, both associates at Kaye Scholer in L.A.

Chester works on a variety of project finance and M&A deals in the renewable space, ranging from advising on power purchase agreements, tax equity transactions and equity stakes. He was part of the team that advised **Caisse de dépôt et placement du Québec** on its $500 million equity investment in a portfolio of 13 **Invenergy** wind farms in the U.S. and Canada (*PI, 1/9*). He advised **RPM Access**, a wind developer in West Des Moines, Iowa, on its $75 million equity agreement with **Google**.

Citi Banker To Fire Up PF At Capital One

George Revock, formerly a director at **Citigroup**, has joined **Capital One** as a managing director as the bank looks to start an alternative energy and project finance business. Revock started in September and will be based in New York.

Revock joined Citi in 2000, following a stint at **Deloitte**. He was involved in tax equity deals during his time at Citi and led the bank's sale leaseback of the fifth phase of **Terra-Gen Power**'s Alta wind project in 2011 (*PI, 6/23*). Further details of the job could not be learned by press time.

Founded in 1988 and headquartered in McLean, Va., Capital One has total assets in excess of $280 billion and is one of the top ten largest banks in the U.S., based on deposits.

Spokespeople for Citi and Capital One did not respond to inquiries.

STRATEGIES

SolarCity Issues Bonds, Stock For Acquisition

Rooftop and distributed solar generation company **SolarCity** has issued $230 million in convertible bonds, and priced over $158 million in common shares. A portion of the proceeds will fund the company's $158 million acquisition of residential photovoltaic module mounting system company **Zep Solar**. Both the bond and stock deals are slated to close on Oct. 21.

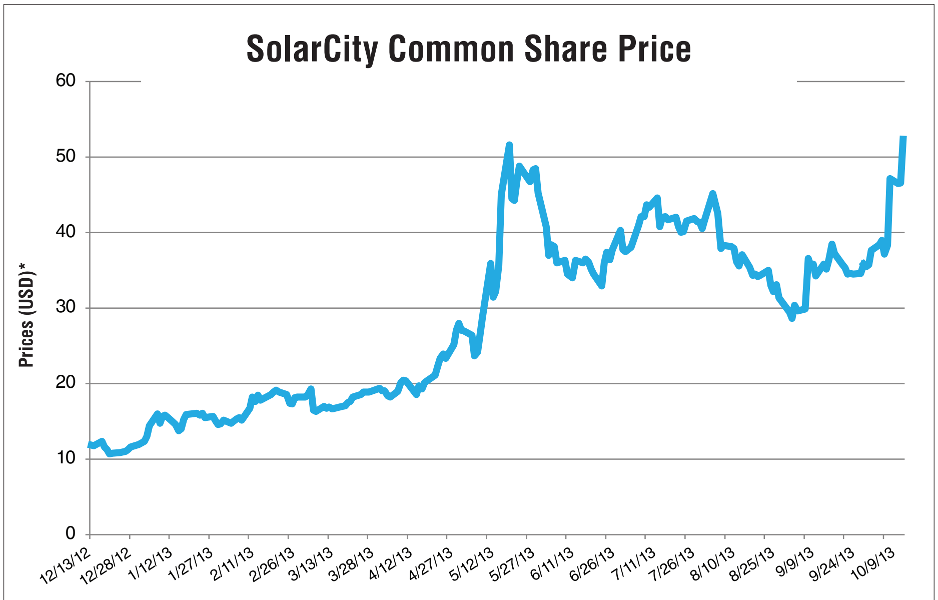
The issuance of five-year, senior unsecured bonds will carry a coupon of 2.75%. **Credit Suisse**, **Goldman Sachs** and **Merrill Lynch, Pierce, Fenner & Smith** are joint lead bookrunning managers. **JPMorgan Securities** is a co-manager. The underwriters exercised a 30-day option to purchase an additional $30 million of bonds on top of the original $200 million issuance.

The notes can be converted to equity at any time until maturity at an initial conversion price of approximately $61.67 per share. Convertible bonds often have lower coupons than non-convertible bonds, which translates to lower cost of capital for the issuer and less dilution of shares for existing investors, a banker notes. Investors are becoming more comfortable with the cash flows and business models of distributed solar companies, notes another deal watcher.

Officials at SolarCity in San Mateo, Calif., and at banks did not respond to inquiries by press time and why they chose to issue convertible bonds could not be learned.

The company issued 3.4 million shares of common stock at a price of $46.54 per share. The same banks are acting as joint book-running managers for the stock offering and have an option to purchase up to an additional 510,000 shares.

Remaining proceeds will go toward general corporate purposes. SolarCity anticipates installing 80% more systems in 2014 than it did in 2013.



Source: Yahoo! Finance *Close price

First Wind Targets JV Refi Revival

First Wind is talking to banks about relighting the term loan B it took to market in the summer and pulled over pricing.

The $325 million B loan was to refinance **Northeast Wind Partners**, its joint venture with **Emera**. Brought to market in July, it was nixed when pricing indications were above its target of LIBOR plus 425-450 (*PI, 8/21*).

Now, the Boston-based developer is talking with banks on the original deal about reviving it, deal watchers say. **Goldman Sachs** and **Morgan Stanley** were lead arrangers with **BNP Paribas**, **Keybank** and **Union Bank** as co-leads. First Wind owns 51% of 420 MW of wind farms under Northeast Wind Partners. The original B loan was launched with a 100 bps floor and a 99 original issue discount.

One route the company could take is going back to Goldman and the co-leads to come up with club deal that would be syndicated out, says one observer. The banks spent a lot of time getting investors comfortable with a wind portfolio backing the loan, says the observer, adding that several of the institutional investors are willing to come back on. "There would be a couple of cornerstones and then they would fill in with some of the usual suspects," says a banker, noting that the loan size is doable under that structure.

First Wind is reportedly doing most of the work itself with some input from backer **D.E. Shaw**. "It's unusual but definitely unheard of for a company to try to arrange it. It's more of a private placement in that they know who will come in," says another deal watcher, adding that it's already been in the market so investors understand the deal.

Invenergy is the only player to land a B loan for wind assets in the past few years, with its oversubscribed $200 million deal in 2011 (*PI, 10/31/2011*). **Credit Suisse** and **Bank of America** led that deal, which priced at L+750 bps.

One factor behind reviving the B loan is that Emera would like to refinance a note it has with Northeast Wind, say bankers. Emera signed a $150 million credit agreement with the JV in June 2012. The loan carries 8% interest and is set to mature in June 2017 or when Emera exits the JV. The loan had $157 million outstanding at the end of June 2013, according to a second quarter filing from Emera.

A First Wind spokesman declined to comment.

INDUSTRY CURRENT

Securitizations for the Solar Asset Class – Part I

THIS WEEK'S INDUSTRY CURRENT *is written by* ***Elias Hinckley****, head of energy finance and* ***David John Frenkil****, an attorney in energy finance at* ***Sullivan & Worcester*** *in New York.*

Elias Hinckley

David John Frenkil

The introduction of solar asset-backed securities, commonly referred to as "solar securitization," has been "the next big thing" in energy finance for the past three to four years. Whether the first real solar securitization happens this year or in the near future, securitization is coming to solar finance.

This article provides an understanding for how these deals will come together, what some unique challenges are to solar securitizations, and what to expect on the horizon after the first securitization is issued. In the second installment of this *Industry Current*, we will address issues surrounding harmonization of tax equity investor limitations with solar securitization.

Why Securitize?

As state and federal support for renewables shrinks, the industry must find ways to continue to reduce costs, and access to less expensive capital will be a vital piece of this process. The use of solar ABS will enable the solar industry to access a much larger and more diverse investor base, which will eventually help to reduce the long-term cost of capital to a likely range of 3% to 7%, compared with the 8% to 20% rate required by some project finance equity and tax equity investors in the current market.

The U.S. **Department of Energy** estimates that securitization will lower the levelized cost of energy by between 8% to 16%. For investors who seek to exit portfolios of solar assets or remove the assets and accompanying risk from their balance sheets, securitization will increase liquidity for solar projects and free-up cash to make additional investments.

How Securitization Works

Securitization gained popularity in the 1970s with home mortgages in the U.S. and has since expanded to other income-producing assets, including credit cards, shipping containers, and aircraft.

In the most basic form of a solar securitization, the holder, or "originator," of a portfolio of solar assets identifies and isolates contracted revenues from a series of solar projects. The originator then bundles the contracted revenues into a "reference portfolio," and sells the revenue stream (but not the physical solar asset itself) to an issuer, typically a special purpose vehicle. The SPV then issues a tradable, interest-bearing security to investors in the capital markets. The revenues generated by the reference portfolio fund a trustee account that passes through payments, either fixed or floating, to the investors in the new security. These investors are senior to equity investments and for stable income producing assets like solar projects represent a relatively low risk investment.

In order to obtain an investment-grade rating for the securitization, as required by the investors best positioned to buy long tenor fixed-rate securities, such as pensions and insurance funds, the sponsor will need to develop a large enough portfolio with geographical diversity and a credit worthy source of underlying revenue (the buyers of the solar electricity).

Key Challenges

The solar industry will need to manage several challenges before entering the market with ratings high enough to attract the lowest cost capital (ideally higher than the A to AA range expected of the initial solar securitizations).

- **Scale and Geographic Diversity.** For securitization to work, assets must hit a critical mass and must be pooled from over a geographically-diverse area, such as numerous states in different regions. This reduces the risk that regulatory regimes and market forces will materially effect the value of solar assets in the pool.

- **Standardization of Asset Structures and Documentation.** It will be absolutely vital to manage the structure and supporting documentation of assets in a far more consistent manner than has historically been done in the industry (with the notable exception of certain retail aggregators over the past couple of years). Pools will need to be standardized in order for underwriters and investors to have comfort in the underlying revenue streams without needing to consider a diverse range ownership structures and contractual terms.

- **Off-take Risk.** Most residential solar sponsors manage off-take risk by limiting their eligible pool of potential customers to homeowners with a minimum FICO score.

For sponsors selling power to commercial and industrial customers, off-take risk is managed in a less standardized way, which makes the C&I solar asset more difficult to securitize. A recent report shows that 25 leading corporations in the U.S. have installed a total of 445 MW of solar facilities, so sponsors are managing of off-take risk by installing solar on multiple sites of large rated and creditworthy counterparties.

- **Technology Risk.** Distributed solar asset revenue streams have tenors of 15 to 20 years, but there is currently less than 10 years of historical data upon which to rate the performance of most solar panels. Passage of time and improved operating data will enable further de-risking of solar securities.

- **Sponsor Risk.** Sponsors are still relatively new to the market. Even leading sponsors who are likely to securitize their assets such as **Solar City**, **SunRun**, **Sungevity**, and **Viridity** have been operational for less than a decade. One way to overcome sponsor risk is to take the approach that Solar City is pursuing as it prepares an initial securitization – i.e., put in place a backup service agreement to ensure that if the sponsor is not able to service its agreements, there will be a well-rated, larger company to take over.

- **Market Risk.** There is also the risk that solar energy might be less economical than traditional energy sources during the tenor of the asset. Sponsors will need to find ways to convince the capital markets that their solar assets will continue to generate electricity at a price that is competitive to traditional energy, or find other ways to ensure that market risk won't jeopardize the value of the asset. While hedges on the aggregated pool of assets may offer a short-term solution, the duration of any available hedge (generally three to seven years) will typically be much shorter than the tenor of the asset.

- **Regulatory Risk.** In order to facilitate the growth of solar securitizations, government agencies will need to update regulations, such as disclosure and liability rules. Also, assignee rights under government energy programs such as net metering rules may need to be updated to ensure that investors in solar securitizations are protected against risk of obligor default. The government may also provide credit enhancement through various methods, including loss reserves, or investments through entities like a government backed "green bank" program.

What to Expect After the First Securitization

Once the issues discussed immediately above are resolved to an extent that allows the capital markets to feel comfortable with the risks associated with solar securitizations, many issuances will follow. In the residential solar space, with less than 1% market penetration among credit-worthy homeowners, there is significant room for growth in the industry.

Also, after overcoming the challenges centered on standardization of agreements, commercial solar assets will also be securitized. Eventually, securitizations might also include a mixed pool of residential and commercial assets, particularly for companies like **SunEdison** and **Sunpower** with a diverse portfolio of both types of solar assets.

Securitizations may also follow among loans provided by the Property Assessed Clean Energy program, which facilitates the financing of clean energy retrofitting in municipalities. In the PACE program, property owners repay their loans as part of their real estate tax bill. Because PACE obligations are senior to mortgage liens, the Federal Housing Finance Agency has put a hold on the residential PACE program pending further review. However, commercial PACE programs are increasingly funding energy efficiency improvements around the U.S. in cities such as San Francisco and Washington, D.C. Once sponsors achieve the same level of standardization, geographic diversity and scale as their solar counterparts, these too may be good candidates for securitization.

Further, the U.S. military will likely enable some risk reduction facilitating solar securitization. The **Army** is preparing to buy up to $7 billion of energy from projects that private sponsors build and finance, part of a goal to add 1,000 MW of renewable-electricity capacity by 2025. The agreements for these projects will be standardized, and games over government default notwithstanding, the U.S. **Department of Defense** is a very creditworthy counterparty. Sponsors of solar facilities at Army installations will be well positioned to securitize a large portfolio of assets.

The capital added to the market by securitization will accelerate growth, geographic diversity, and standardization across the solar industry and this will in turn drive significant consolidation among players old and new at all levels of the solar industry's supply chain. This securitization process and impact will not be restricted to the U.S. and will expand to markets abroad.

In the next installment of this Industry Current, the authors will examine the role for tax equity in the solar securitization, and we will also examine some structures for harmonizing tax equity investor obligations with securitization commitments.

Freeport LNG *(Continued from page 1)*

sizes are a concern for some lenders, note observers, who say that some banks tried to sell down their exposure to Sabine Pass on the secondary market (*PI, 2/22*). But, Freeport is expected to go the big ticket route.

The Freeport facility has 20-year tolling agreements with **Osaka Gas Co**. and **Chubu Electric Power Co**. each for 2.2 million tons per annum from the first train and with **BP** for 4.4 mtpa from the second. It recently locked in two more contracts for the third train, with South Korean conglomerate **SK E&S LNG** and Japanese electronics company **Toshiba Corp.** both signing 20-year agreements for 2.2 mtpa from the third train. The tolling agreements are key in getting lenders comfortable as it provides some clarity on cash flows, note observers.

ConocoPhillips has a 50% stake in Freeport LNG, the upstream owner of the existing Quintana Island terminal. **Michael Smith**, who is chairman and ceo of **Freeport LNG Development**, owns the other 50% of Freeport LNG. Freeport is trying to bring in an equity investor into the second train of the facility on Quintana Island, Texas. Credit Suisse and Macquarie Capital are running that sale too (*PI, 6/14*). First round bidders were more numerous than expected, say observers.

Commencement of construction of Freeport LNG's liquefaction project is subject to receipt of authorization from the U.S. **Federal Energy Regulatory Commission** and a final investment decision by Freeport LNG. Freeport expects to receive FERC approval to commence construction of the first three liquefaction trains in the first quarter of 2014. The first train is anticipated to commence operations 42-48 months from start of construction, with the second train in operation six to nine months after the first train. Construction of the third train is anticipated to begin in late 2014, and to commence operations six to nine months after the second train.

Credit Suisse officials and Macquarie officials declined comment on the deal or did not respond to inquiries by press time. A spokeswoman for Freeport in Dallas did not respond to inquiries by press time. ***—Nicholas Stone***

K Road Looks *(Continued from page 1)*

investor. **Banco Santander** and **Prudential Capital Corp.** had been tapped in the spring to raise $550 million in debt (*PI, 4/19*).

Jay McKenna, formerly director of business development, has been appointed cfo as of this month, according to LinkedIn, filling a post previously held by **Carl Weatherley-White**. McKenna declined to comment citing company policy and directed inquiries to **Sean Gallagher**, managing director of government and regulatory affairs in San Francisco. A message left at the San Francisco office for Gallagher was not immediately returned

Weatherley-White joined K Road Power from **Barclays** where he was managing director in managing director of the energy structured finance group (*PI, 9/15/11*).

Neither Kriegel nor Nicholas immediately responded to inquiries about the recent staff changes, pipeline sell or what's next for the company. A message left for Weatherley-White at his K Road number was not returned. ***—Holly Fletcher***

Tenaska Preps *(Continued from page 1)*

closing the first $836.7 million fund in 2005, which focused heavily on generation. The second fund has played significantly in the gas gathering, storage and services spaces as the power landscape has evolved over the last few years. The investment strategy guiding TPF III is expected to be closer to the second fund, meaning it will look to deploy cash in various areas around the natural gas space in addition to power. "Doing straight power is really tough," says one investor who looks at other spaces in the energy spectrum. He adds generation has an increasing number of investors—including burgeoning direct investors who show up as limited partners—vying for fewer assets

The Omaha, Neb.-based shop recently agreed to buy **U.S. Power Generating Co.**, in a deal that will reportedly use most of the remaining cash in its second fund, says a banker. **Tenaska Power Fund II** was targeted to hit $1.5 billion but came in at $2.4 billion in 2008.

Tenaska is currently in the market to sell the remaining peakers from its first fund, including the 250 MW Wolf Hills peaker in Bristol, Va., the 830 MW High Desert in Victorville, Calif., and the Big Sandy, a 300 MW plant in Wayne County, W. Va. **Bank of America** and **Barclays** are co-advisors (*PI, 9/26*).

Greenhill & Co. was the placement agent on the second fund.

A registration with the U.S. **Securities and Exchange Commission** could not be found. A Tenaska spokeswoman declined to comment.

—Holly Fletcher

ALTERNATING CURRENT

I'll Be Back: Solar Goes Robotic

A robotic assassin from a post-apocalyptic future is sent back in time. Instead of trying to eliminate a woman, who will later give birth to the man who will lead the uprising against the sentient robots, this robot will install solar panels.

OK. It may be a little far-fetched. And *Terminator 5: The Installer of Panels* doesn't really have a ring to it. But robots are now installing solar panels in California! A small start-up company based in Richmond, Calif., is using automated robots to install and maintain large-scale solar facilities. **Alion Energy** will use the machines in three projects in the coming months, one of which is in California.

The two robots—Rover and Spot—both play different roles. Rover is the installer. Faithful and friendly, Rover replaces manual labor for rack assembly and panel placement. Spot is the cleaner. Trustworthy and kind, it provides simple and automated solar hygiene to prevent double-digit performance loss due to soiling. The aim is to lower the costs associated with building and maintaining utility scale solar plants and bring the technology to a pricing par with natural gas-fired facilities. Swiss company **Serbot** and California-based **QBotix** also offer similar services.

Let's just hope that Rover and Spot don't develop minds of their own. Otherwise we may have to sit through another **Arnold Schwarzenegger** performance.

POWER TWEETS

The #Power Tweets feature tracks trends in power project finance and M&A in the Americas on **Twitter**. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

@FrenkilEnergy
Only 9 new #wind facilities (961 MW) have been installed since Jan 1. Nine. Compare to the 87 built in 1st 3 quarters of 2012 for 5,043 MW

@scotthomasson
TVA is taking proposals for community solar projects, so get some ideas for TN/AL/GA projects in by Nov. 7! http://bit.ly/19V42ip

@kkaufmann
NextEra Energy moves forward with McCoy and Blythe solar projects near city of Blythe @mydesert http://mydesert.co/15Kc7oP

@zshahan3
Solar Sidewalk — A World First
http://dlvr.it/48ZL4k @solarloveorg #solar

@Silvio_Marcacci
$120 million Maine offshore wind project cancelled after denier Gov. LePage reopens bidding process http://ow.ly/pSIjd

@BSE_JohnM
Despite #Climate Concern, Global Study Finds Fewer #CarbonCapture Projects http://nyti.ms/17pSoak

@FirstWind
AWEA counters a piece from a Koch-brothers-funded anti-wind piece. http://fb.me/2QtTSlCIk

@jms2841
@zshahan3 @solarloveorg Actually, really big deal.If #solarpanels can wstand wear&tear,sidewalks,roads,parking lots,etc become rooftops.