

Power Finance & Risk

The weekly issue from **Power Intelligence**

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Allianz Scouts U.S., Canada Renewables

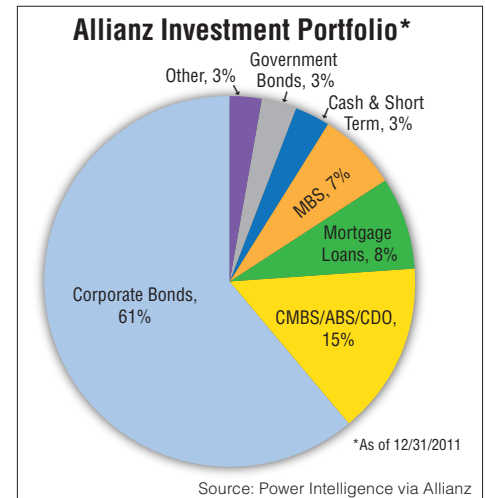
German insurance giant Allianz has held talks about potential investments in renewables assets in the U.S. and Canada. The discussions over the last few months have included looking at participating in wind tax equity deals in the U.S.

The company, which makes renewables investments in Europe under its **Allianz Capital Partners** unit, is working with an outside advisor whose identity could not be learned.

David Jones, managing director at ACP in London, told *PI* in an e-mail statement, "Our investment focus (for the time being at least) remains centred on the Euro currency zone." He referred additional inquiries to a spokeswoman, who did not address the specific question of Allianz's current interest in North America or the talks the firm has had.

The firm reportedly has engaged in talks as a lead investor in a consortium of players looking to buy solar assets in Ontario. Competition there is high, notes one financier, and in the end the talks were not successful. There have also been rumblings that Allianz might

(continued on page 12)



Financing U.S. Power

M&A Players Stalk Merchant Assets

Investors are looking to buy into in merchant facilities to take advantage of shrinking reserve margins and increasing power demand and prices, according to participants at the **Platts Financing U.S. Power** conference in New York on Oct. 18 and 19.

Despite nationwide reserve margins hovering around 20%, some areas are seeing that margin tighten, said **John Anderson**, head of corporate finance origination at **John Hancock Financial Services**. **ERCOT**, for example, is currently below its targeted reserve margin of 13.75% and has only 6,000 MW more than its peak demand level ([PI, 8/3](#)).

"We don't have plants where we want them and we don't have the type of generation we want," Anderson noted. This gap, coupled with a slight revival in power prices and demand, is causing investors to look for ways to position themselves via

(continued on page 10)

Pattern Hunts \$800M For Ontario Wind

Pattern Energy is looking to round up about \$800 million in debt and equity backing two wind projects in Ontario, Canada.

Samsung Renewable Energy is working with the San Francisco-based developer to build the 270 MW South Kent and 150 MW Grand projects, which will eventually be part of the world's largest renewable energy cluster.

"We plan to mandate banks this year," says Pattern ceo **Mike Garland**, who adds the company has not yet hired a lead arranger. "We expect to secure financing this year [too]."

Pattern has been talking with the Korean export credit agency—the **Korea EximBank**—which has come into the project on the back of Samsung's involvement. ECAs are increasingly approaching developers more proactively, says a deal watcher. ECA involvement provides an attractive buffer for

(continued on page 12)

PI On Twitter And LinkedIn

Stay up to date on the go with PI. Follow us on Twitter: @Power_Intel and join our LinkedIn group, Power Intelligence, for updates, discussions and timely tidbits.

New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale ■ DATABASE

Get the rundown on the latest asset trades in *PI's* weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

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THE BUZZ

The financing market is continuing its fall sizzle. **Riverstone Holdings** has tapped **UBS** to finance its acquisition of three coal-fired plants totaling 2.6 GW from **Exelon** in the institutional loan market. The \$150 million loan launched Oct. 22 (see story, page 6).

In the same week, investors okayed **EquiPower Resource Holdings'** proposal to cut pricing on a B loan by 75 basis points over LIBOR, bringing it to LIBOR plus 425 bps and lowering the LIBOR floor. **GenOn Energy** in the spring of 2011 was among the last sponsors to seek a re-pricing, which was unsuccessful, so the EquiPower deal has piqued other borrowers' interest, officials say. The market could see other issuers pitching revised pricing now that investors agreed to the proposal (see stories, page 11).

The tax equity market is bustling with activity as wind developers scramble to make sure contracts are in place on projects coming online over the next 10 weeks. The production tax credits have yet to be extended by the U.S. Congress so the rush is on to find capital before the funding source dries up. **First Wind** is in negotiations with **Cook Inlet Region, Inc.**, an Alaska native corporation, over a tax equity deal for its Palouse project in Washington state. The duo filed for approval with the U.S. **Federal Energy Regulatory Commission** prior to completing a term sheet to ensure a timely green light on the transaction (see story, page 5).

The sea-change effects of the shale gas boom on the U.S. power industry were center stage at **Platts Financing U.S. Power** conference in New York (see coverage, page 8). "Whenever you think about power, you have to think about natural gas from now on," said one panelist. Natural gas prices are pushing coal-fired retirements, fueling infrastructure spending and bringing back merchant facilities. For financing, this means mezzanine debt, term loan Bs and riskier capital placements. After **Panda Power Funds** secured two merchant financings and **Cheniere Energy** landed funds for a nearly \$6 billion LNG export facility, the structures are now viable options for developers, not merely litmus tests.

The emergence of new players in the market was also a big talking point at the event. Canadian banks, Asian banks, regional banks and export credit agencies have stepped in to fill the void left by restrained European and U.S. bank lending. This has resulted in shorter tenors, tighter pricing and increased competition.

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GENERATION AUCTION & SALE CALENDAR

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

| Seller | Assets | Location | Advisor | Status/Comments |
|--|--|---|--|---|
| ArcLight, Olympus Power, John Hancock, Atlantic Power Corp. | Delta Person (140 MW Peaker) | Albuquerque, N.M. | Fieldstone Private Capital Group | Shortlist to emerge by October (PI, 9/10). |
| Dominion | Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker) | Somerset, Mass. Kincaid, Ill. Chicago, Ill. | Citigroup, Morgan Stanley | Teasers are expected soon (PI, 9/17). |
| EQT Infrastructure Fund, Fortistar | Midland (1.56 GW Gas Cogen) | Midland, Mich. | Credit Suisse, Royal Bank of Canada | Borealis Infrastructure has agreed to buy it (PI, 10/8). |
| Edison Mission Energy | Homer City (1,884 MW Coal) | Indiana, Pa. | Barclays | GE Capital Corp. is taking over its sale leaseback agreement in bankruptcy court (PI, 10/22). |
| Energy Investors Funds | Stake (550 MW Astoria Energy II) | Queens, N.Y. | Barclays | EIF recently mandated Barclays to sell its stake--the largest of the co-owners (PI, 10/22). |
| Energy Investors Funds | Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater Gas) | Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis. | Scotiabank | Initial bids due by Sept. 12 (PI, 9/10). |
| Exelon | Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal) | Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md. | Citigroup, Goldman Sachs | UBS has floated a \$150M package to support Riverstone's acquisition (see story, page 6). |
| Harbert Power | Hanford (95 MW Gas) Henrietta (97 MW Gas) Tracy (314 MW Gas) | Kings County, Calif. Kings County, Calif. Stockton, Calif. | Morgan Stanley, Merit Capital Advisors | Highstar Capital is buying the fleet (PI, 10/22). |
| IPR-GDF Suez Energy North America | Various (287 MW Wind) | Various, Canada | CIBC | The sale has entered the second round (PI, 9/3). |
| Iberdrola Renewables | Various (Wind, Solar) | Various | JPMorgan, Blackstone | The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16). |
| Iberdrola Renewables | Klamath (636 MW Cogen) | Klamath Falls, Ore. | Royal Bank of Canada | First round bids are in (PI, 6/4). |
| Inland Energy, City of Palmdale, Calif. | Hybrid (570 MW Gas, Solar Project) | Palmdale, Calif. | None | Bids are due Dec. 3 (see story, page 6). |
| Luminus Management, CarVal Investors, Fortress Investment Group | Bosque (507 MW Gas) | Laguna Park, Texas | Bank of America | Calpine is buying it for \$432M (PI, 10/15). |
| MACH Gen | Harquahala (1 GW Gas) | Maricopa County, Ariz. | Goldman Sachs | Wayzata has agreed to buy it (PI, 10/15). |
| Olympus Power, Metalmark Capital | Brooklyn Navy Yard (Stake, 286 MW Gas) | Brooklyn, N.Y. | Credit Suisse | High competition for the facility as management presentations get underway (PI, 7/27). |
| Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp. | Gregory Power Partners (400 MW CCGT Cogen) | Gregory, Texas | TBA | Teasers are out (see story, page 5). |
| Sempra U.S. Gas & Power | Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas) Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar project) Mesquite 1 (150 MW Solar) | Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz. | TBA | The Sempra Energy unit is talking with prospective advisors (PI, 10/22). |
| SunPower | AVSP 1 (325 MW Solar PV) AVSP 2 (276 MW Solar PV) | Rosamond, Calif. | Morgan Stanley | Teasers were recently released (PI, 9/17). |
| Tenaska Energy, Energy Investors Funds, Diamond Generating | Ferndale (271 MW Gas) | Ferndale, Wash. | TBA | Puget Sound Energy is buying the plant to meet demand (PI, 10/15). |
| Tenaska Solar Ventures | Imperial Solar Energy Center South (130 MW Solar PV) | Imperial County, Calif. | Royal Bank of Canada | Tenaska is looking to bring in a minority owner that has tax appetite (PI, 6/4). |
| Western Wind Energy Corp. | Windstar (120 MW Wind) Windridge (4.5 MW Wind) Mesa (30 MW Wind) Kingman (10.5 MW Wind, Solar PV) Yabucoa (30 MW Solar PV) | California California Arizona Puerto Rico | Rothschild, PI Financial | Shareholders vote for current management in proxy; sale on track (PI, 10/1). |

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 hlfletcher@iintelligence.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 | Ten- or | Notes |
|------------------------------------|-----------------------------------|------------------------------|---|-----------|--------------|----------------|---|
| AES Gener | Cochrane (532 MW Coal) | Chile | TBA | TBA | \$1B+ | TBA | Sponsor taps HSBC as financial advisor ahead of deal and eyes equity (PI, 6/11). |
| | Alta Maipo (531 MW Hydro) | Chile | TBA | TBA | ~\$1B | TBA | IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2). |
| AES Solar, 8minutenergy Renewables | Mount Signal (200 MW Solar PV) | Imperial Valley, Calif. | TBA | TBA | \$700M | TBA | Mandates expected soon (PI, 5/21). |
| 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). |
| Astoria Generating | Various (Unknown) | New York, N.Y. | BofA, Goldman Sachs, Morgan Stanley | Refi | \$450M | 6-yr, 5-yr | The sponsor is looking for pricing at around LIBOR plus 550 (PI, 10/15)). |
| BP, Semptra | Flat Ridge 2 (419 MW Wind) | Wichita, Kan. | Banco Santander, Bank of Tokyo-Mitsubishi, Prudential Financial | TBA | \$500-600M | TBA | The deal will hit the market next month. Structure will include bonds (PI, 8/10) |
| BrightSource | Rio Mesa (500 MW Solar) | Riverside County, Calif. | TBA | TBA | TBA | TBA | Sponsor is tapping banks in New York and hopes to close by end of Q2 next year (PI, 9/3). |
| | Hidden Hills (500 MW Solar) | Hidden Hills, Calif. | TBA | TBA | TBA | TBA | Sponsor has an offtake agreement with Southern California Edison for both projects. |
| Competitive Power Ventures | St. Charles (660 MW Gas) | Charles County, Md. | TBA | TBA | \$500M | TBA | Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17). |
| Dalkia Canada, Fengate Capital | Ft. St. James (33 MW Biomass) | Ft. St. James, B.C. | TBA | TBA | ~\$175 | TBA | Sponsors seek roughly \$175 million financing for project (PI, 3/26). |
| | Merritt (33 MW Biomass) | Merritt, B.C. | TBA | TBA | ~\$175 | TBA | Sponsors seek roughly \$175 million financing for project (PI, 3/26). |
| Diamond Generating Corp. | Mariposa (200 MW Gas) | Alameda County, Calif. | SMBC, DZ, CoBank, Sumitomo Trust | TBA | \$150M | 10-yr | Sponsor mandates four lenders (PI, 5/14). |
| Duke Energy Renewables | Los Vientos (402 MW Wind) | Willacy County, Texas | BBVA, Citigroup | TBA | \$600-\$800M | 7-yr | BBVA and Citi tapped as leads (PI, 9/3). Sponsor looking for pricing below 250 bps over LIBOR. (PI, 8/17). |
| EmberClear Corp. | Good Spring (300 MW Gas) | Schuylkill County, Pa. | TBA | TBA | \$400M | TBA | The company is looking for debt and equity in a 70:30 ratio for its maiden project (PI, 10/1). |
| Energy Investors Funds | Pio Pico (300MW Gas) | San Diego County, Calif. | SocGen | TBA | \$300M | TBA | The sponsor has tapped Société Générale to lead the financing (PI, 10/1). |
| Greengate | Blackspring Ridge I (300 MW Wind) | Lethbridge, Alberta. | Citigroup | TBA | ~\$600M | TBA | Sponsor may be looking for financing or to sell (PI, 9/10). |
| Innergex Renewable Energy | Wildmare (77 MW Wind) | Peace River, B.C. | TBA | TBA | \$160M | TBA | Sponsor targets financing, likely from life insurance companies (PI, 4/2). Innergex buys project from Finavera Wind Energy (PI, 8/6). |
| InterGen | Unidentified (Gas Pipeline) | Zacatecas, Mexico | TBA | TBA | \$200M | TBA | Sponsor considering club deal (PI, 6/11). |
| Kruger Energy | Various (202 MW Wind) | Ontario, Canada | CIBC, Scotia Capital | Refi | \$400M | TBA | Both projects have long-term PPAs (PI, 9/3). |
| Moxie Energy | Moxie Liberty (850 MW Gas) | Bradford County, Pa. | TBA | TBA | \$800M | TBA | The plant may be financed merchant by the team, made up largely of AES Corp alum (PI, 10/22). |
| NextEra Energy Resources | Various (Wind) | U.S. | TBA | Refi | TBA | TBA | The sponsor has been talking with lenders to refinance a portfolio of about 10 wind projects (PI, 10/1). |
| OCI Solar Power, CPS Energy | Alamos I - V (400 MW Solar) | Texas | TBA | Term | ~\$500M | TBA | Sponsor is likely to decide on an Asian bank to lead the financing (PI, 9/17). |
| Odebrecht | Chaglia (406 MW Hydro) | Peru | BNP Paribas | Term | \$650M | 17.5-yr, 20-yr | Pricing set at roughly 350 over LIBOR (PI, 7/9). |
| Ocean Renewable Power Company | Maine Tidal Power (5 MW Tidal) | Eastport, Maine | TBA | TBA | \$25M | TBA | The company is looking for equity financing to complete its maiden project (PI, 9/3). |
| ► Pattern Energy | Ocotillo (315 MW Wind) | Imperial Valley, Calif. | Deutsche Bank, RBC | Mini-Perm | \$600M | C+ 7-yr | The deal wrapped with pricing around LIBOR + 250 (PI, 10/22). |
| | South Kent (270 MW Wind) | Haldimand County, Ontario | TBA | TBA | \$800M | TBA | Pattern is looking to round up funds for both projects at once (See story, page 1). |
| | Grand (150 MW Wind) | Haldimand County, Ontario | TBA | TBA | TBA | TBA | |
| Quantum Utility Generation | Various (Unknown) | U.S. | TBA | TBA | TBA | TBA | The sponsor is talking to lenders after the successful close of a roughly \$120 million refinancing last month (PI, 10/8). |
| Termotesajara | Norte de Santander (180 MW Coal) | Norte de Santander, Colombia | TBA | Expansion | \$330M | TBA | Bankers say that the plant's arrangement for the generation are attractive to investors (PI, 9/10). |

► New or updated listing

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PROJECT FINANCE

LADWP To Upsize RFP At Sponsors' Request

The **Los Angeles Department of Water and Power** is increasing the size of a request for solar proposals from 10 MW to 300 MW, after sponsors and developers urged it to open up the process to utility scale projects. The decision, which LADWP expects to make public in the coming weeks, will allow developers to build projects up to 150 MW.

During the original RFP process, a number of large developers approached the LADWP, requesting it open up the program so that they could bid, says an official at LADWP, declining to identify the companies. "The larger industry players wanted to come in on the original deal, but would only do it if we increased the megawatts available to bid for. A lot of what we heard was that they were wanting to build utility scale projects."

The initial trial program for 10 MW launched in April. It was slated to use a feed-in tariff system, where solar panels placed on rooftops and commercial buildings would sell back into the grid. If successful, the LADWP would increase the requested amount to 150 MW. It received 26 applications for a total of 7 MW of proposed solar projects as part of the trial request.

The revised RFP will now include a 150 MW portion under the original feed-in tariff model and a 150 MW segment for larger projects with a power purchase agreement. The revised RFP will go before the LADWP board of directors for approval soon and is expected to launch by year-end.

The LADWP is currently reviewing the applications it received as part of round one and finalizing contracts, as per the

original timeline. The RFP is part of LADWP's attempt to meet California's 33% renewable portfolio standard by 2020.

First Wind, Alaska Shop Talk Tax Equity

First Wind is in negotiations to sell **Cook Inlet Region, Inc.** a tax equity stake in a wind project in Washington. CIRI will receive all the tax benefits from the 105 MW Palouse wind farm in Whitman County, Wash.

This is the first solo tax equity deal for CIRI, an Anchorage, Alaska-based native corporation. It previously took a \$480 million preferred equity stake in two **Edison Mission Group** wind farms alongside **Teachers Insurance & Annuity Association of America** ([PI, 2/22](#)).

The two entities are working out the deal specifics, according to a Oct. 19 filing with the U.S. **Federal Energy Regulatory Commission**. The initial filing was submitted before the deal sheet was finalized so the transaction could receive FERC approval and close by the end of the year, says an industry official. The project is expected to be fully operational by year-end and will be eligible for production tax credits.

Palouse began generating test power in September. It has a 30-year power purchase agreement with **Avista Corp.** First Wind financed construction with a \$210 million financing with **Key Bank, NordLB, CoBank** and **Banco Santander** as joint lead arrangers ([PI, 1/3](#)).

A First Wind spokesman declined to comment, while a CIRI spokesman in Anchorage was not available by press time.

FAST FACT

➤ This is the first solo tax equity deal for CIRI, an Anchorage, Alaska-based native corporation.

MERGERS & ACQUISITIONS

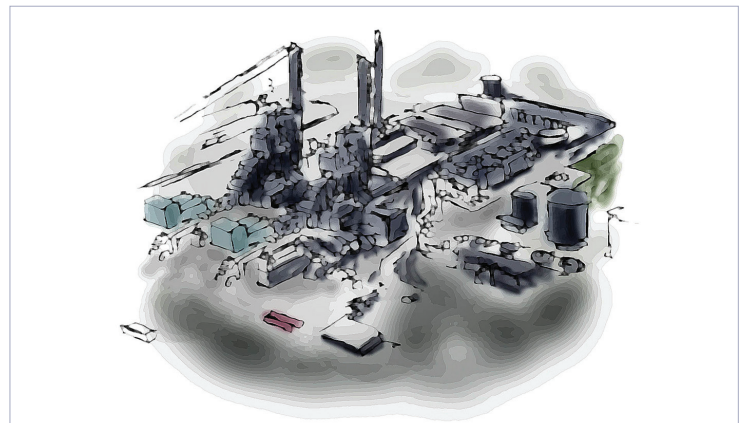
Rockland Gregory Teasers Floated

Barclays has launched the sale of **Rockland Capital's Gregory Power Partners** by sending out teasers recently.

Rockland is co-owner of the 400 MW Gregory gas-fired cogeneration plant near Corpus Christi, Texas, alongside **John Hancock Life Insurance** and **Atlantic Power Corp.** Barclays landed the mandate for the sale after the trio heard pitches from advisors this summer ([PI, 9/17](#)).

The owners are hoping to strike up investor interest in gas-fired ERCOT generation, says a banker. The facility has a five-year power purchase agreement maturing in 2013 with **Fortis Energy** for about 345 MW. **Sherwin Alumina** takes the facility's steam and also buys up to 33 MW under an agreement that extends until 2020 ([PI, 8/8](#)). The upcoming maturing of the PPA gives prospective buyers flexibility on selling capacity and will heighten the appetite of financial players, says the banker.

A Barclays spokesman declined to comment. **Scott Harlan**, managing partner at Rockland in Dallas, was not available.



UBS Launches Riverstone Coal Financing

UBS has launched an acquisition financing package backing **Riverstone Holdings'** purchase of three coal-fired plants totaling 2.648 GW from **Exelon**. The \$150 million term loan B hit the Street last Monday, bankers say.

Price talk on the six-year loan is LIBOR plus 650 basis points, says a banker.

Riverstone has agreed to pay about \$400 million, or an average \$150 per kW. The Maryland plants are being sold as part of Exelon's merger with **Constellation Energy** ([PI, 8/13](#)). The facilities—the 1,273 MW Brandon Shores in Anne Arundel Co., the 976 MW H.A. Wagner also in Anne Arundel Co., and the 399 MW

C.P. Crane in Baltimore County—will be owned by a Riverstone affiliate called **Raven Power**.

The acquisition, which has not closed yet, was not contingent upon financing and Riverstone did not want to highly lever the portfolio. The merchant plants are located within PJM so their forward pricing is known through the 2015-2016 cycle.

The deadline for commitments could not be immediately learned. A spokesman for Riverstone declined to comment while a UBS spokeswoman was not available.

FAST FACT

➤ Riverstone has agreed to pay about \$400 million, or an average \$150 per kW.

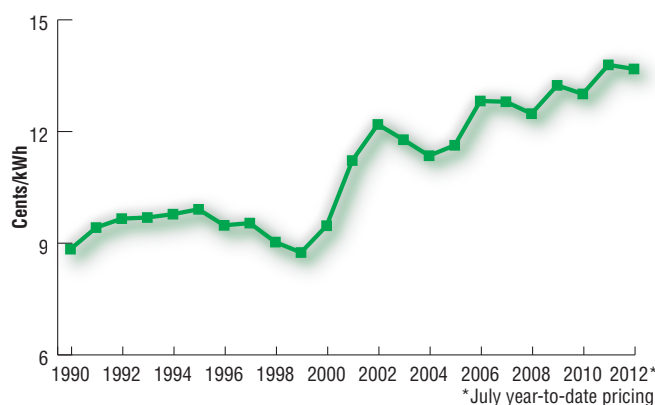
Calif. City Looks to Sell Gas/Solar Hybrid

The city of Palmdale, Calif., is looking to sell a 570 MW hybrid gas-fired and solar project. The City and **Inland Energy**, which helped Palmdale develop the project over the last six years, held a bidders conference last Tuesday at Palmdale City Hall and via conference call.

"There are finance people and equipment suppliers, but at the end of the day, we want an owner-operator," says **Tom Barnett**, executive v.p. at Inland in Newport Beach, Calif., of the types of entities that are expressing interest in the asset. The city is looking to recoup its development and land costs and also looking for a development fee to compensate it for the risk in developing the asset, according to a request for proposals document for acquiring the project. Palmdale has spent \$9,796,680 on the project and \$19,960,000 on a 600 acre site. Barnett declined to identify the number or identity of shops that will likely participate in the auction.

The city has considered offers that would have split the gas-fired asset from the 250-acre solar thermal portion over the years, but wasn't amenable to that arrangement at those times, Barnett says. However, the high volume of intermittent renewables coming online in California, coupled with the possible permanent shutdown of **Southern California Edison** and **San Diego Gas & Electric's** 2.3 GW San Onofre nuclear plant and an increase in power demand are driving the decision to come to market now and also their current amenability to splitting, Barnett says. The gas-fired

California Average Retail Electricity Price



Source: Power Intelligence via U.S. Energy Information Administration

portion would ideally be developed as a peaker in order to balance intermittency from wind and renewables, he adds.

The asset is fully permitted, but un-contracted, and bidders must submit a plan for obtaining a power purchase agreement as part of their proposals. Bids are due around Dec. 3 and will be evaluated by the city and Inland, which will choose two proposals by Jan. 7 to move forward in dual track negotiations. One preferred bid will be chosen by Jan. 21.

PEOPLE & FIRMS

Syndicator Exits RBS

Yen Hua, v.p. at the **Royal Bank of Scotland** working in syndications, is leaving the bank. Her last day at the Stamford, Conn., office was Oct. 23. Hua, an RBS official and an RBS spokesman did not return calls by press time. The reasons behind her departure, and whether the lender has plans to replace her, could not be learned.

Hua focused on structure finance for energy project finance and has worked at RBS since 2004 ([PI, 10/15/2004](#)). Prior to RBS, she was an associate at **CIBC World Markets**.

RBS' Recent Power PF Deals

| Sponsor | Project | Amount |
|-----------------------------|--|--------|
| Pattern Energy | Ocotillo (265 MW Wind) | \$600M |
| EverPower | Alta VI (150 MW Wind) | \$245M |
| MidAmerican Energy Holdings | Topaz (586 MW Solar) | \$850M |
| Bloom Energy | Red Lion & Brookside (30 MW Fuel Cell) | \$230M |

Source: Power Intelligence

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FINANCING U.S. POWER

Platts Financing U.S. Power Conference

Over 100 bankers, developers, lawyers and financiers attended **Platts** 14th annual Financing U.S. Power Conference Oct. 18-19 at the Marriott Marquis in New York City's Times Square. Talk focused on financing structures, including mezzanine debt and B loans, new markets bereft of production tax credits and government stimulus, the impact of low natural gas prices and new lenders from Asia and Canada arriving. Senior Reporter **Nicholas Stone** filed the following stories.

Natural Gas Prices Nibbles At Coal Plant Economics

Natural gas prices are pushing coal plants into early retirement and most pundits are predicting gas prices will remain around \$4/mmBtu long-term which will mean gas-fired plants will continue to gain on coal.

Paul Sotkiewicz, a senior economist for **PJM**, said gas-fired generation is having a noticeable impact on the coal-fired retirement. In PJM, gas-fired generation has now become profitable even at off-peak times.

Around 49 GW of coal-fired capacity will be retired through 2020 in the U.S., representing roughly one-sixth of the existing coal capacity in the country and 5% of total generation nationwide, according to a report released this June by the U.S. **Energy Information Administration**. Despite a declining share of the generation mix, coal will still have the highest share of total generation in 2035, according to the report.

Mark Voccola, a senior v.p. at **Energy Investors Funds**, predicted that gas would soon dethrone coal as the country's primary energy source. "King coal is falling off its throne," he said. "The economics of gas is driving it and it has already started to take place, in what will be a pretty quick migration. Anyone who needs a loan for coal can still get it, but coal is facing a bunch of challenges."

Developers and operators are increasingly cutting back on coal spending, instead preferring to put their money into

"Anyone who needs a loan for coal can still get it, but coal is facing a bunch of challenges."

— **Mark Voccola**, **Energy Investors Funds**

added, and investors want to be a part of it.

Alongside this migration to more gas-fired facilities will be the need for greater infrastructure (*PI*, 9/21). **Mark Florian**, managing



Mark Voccola

director at **First Reserve**, said that it is amazing how little gathering infrastructure exists. "There is a huge need for pipeline infrastructure in those parts of the world where shale gas exists," he said. "There is a huge opportunity for investment."

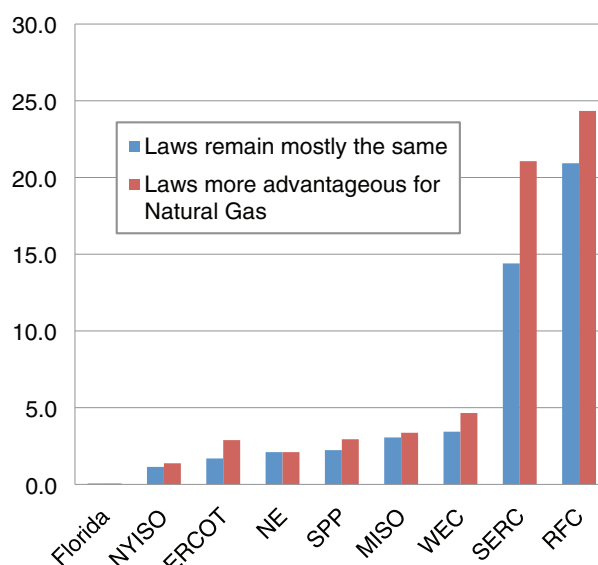
First Reserve is so bullish, said Florian, that it last year made a 100% equity investment in midstream assets in the Marcellus Shale region as part of a joint venture with **Energy Corporation of America**, under the moniker **ECA Midstream**. The company is now selling down stakes in the project as it develops.

Attendees expect to see a busy 2013 and 2014 for the natural gas industry. "Whenever you think about power, you have to think about natural gas from now on," said **Matt O'Connor**, the managing director of the financial institutions group at **GE Energy Financial Services**, who added that renewable generation can't compete with gas prices.

FAST FACT

➤ **First Reserve** is so bullish, said Florian, that it last year made a 100% equity investment in midstream assets in the Marcellus Shale region as part of a joint venture with **Energy Corporation of America**.

Cumulative Retirements of Coal-Fired Generating Capacity By Region, 2011-2035 (GW)



Source: U.S. Energy Information Administration

FINANCING U.S. POWER

New Lenders Pick Up Euro Slack

Asian, Canadian and regional U.S. banks are filling the void left by restrained European bank lending in a new era of power and energy project financing, according to panelists. Export credit agencies are also becoming more active. The new players have increased competition, which has altered the size and tenors of many deals.

Asian banks are investing heavily in renewable deals and Canadian banks are crossing the border to replace fallen players like **WestLB** (*PI*, 2/9/11), said **Matt O'Connor**, a managing director at **GE Energy Financial Services**.

Low interest rates and increased competition for new business have driven down pricing. There is also a lot of cheap capital sitting and waiting to be deployed, said panelists. "We see the market

FAST FACT

▶ The impact of a shift to these smaller players may ultimately be higher pricing and shorter tenors.

evolving and pricing is going to get tough. But this will be good for borrowers," said O'Connor. "If you have a good project and find the right market of execution, you can get it done."

But Canadian and Asian banks don't have the capacity of some of the larger, more traditional lenders, said **Kevin Holmes**, the senior v.p. of the syndications department at **Mizuho Corporate Bank**. The impact of a shift to these smaller players may ultimately be higher pricing and shorter tenors. "The regional players and Canadian banks don't have the same capacity as the traditional lenders," he added.

Export credit agencies, or banks set up by governments to promote their companies abroad by giving them access to capital, are also stepping up. "ECAs are also becoming a larger part of transactions," said a deal watcher on the conference sidelines. These have seen an opportunity where other banks have stopped lending to approach sponsors looking for financing, he added.

European Lenders Re-Start Some Activity

European banks are taking steps again in North American project financing, attendees heard. "After the crisis, we had to rapidly restrict spending," said **James Guidera**, the group head of natural resources, infrastructure and power at **Crédit Agricole**. "But now we have opened up our doors and we are making credits again." The popularity of the **Cheniere Energy** Sabine Pass deal was an example of a deal that hit that sweet spot for European banks (*PI*, 7/19), with **Crédit Agricole** joining **Credit Suisse** and **Société Générale** on the A loan.

The typical length of merchant deals, with a seven-year tenor, was also mentioned as something that would attract European interest. **Jean-Pierre Boudrias**, the director of the energy group at **Credit Suisse**, said it had been an eye opening experience to be a part of merchant deals this year to see how they might fit in a more eager market. **Credit Suisse** led the financing of **Panda Power Funds'** Sherman gas-fired plant (*PI*, 8/21) and also sold the merchant Harquahala combined cycle facility it owned with

Merrill Lynch via **MACH Gen** (*PI*, 10/10).

Thomas Plagemann, the managing director, head of energy at **Banco Santander**, said the bank had started making tax equity investments in the U.S. market. It would keep looking to make tax equity investments and he expected a large pipeline of tax deals to be on the way for the bank.



James Guidera

More stringent regulations will impact future lending from European players. Macro issues like Basel III calling for banks to hold 4.5% of common equity among other restrictions and sovereign risk exposure are constraining European banks, said panelists.

Internal bank directions are having an impact too. An employee of a major European bank said on the sidelines of the conference that his team had been told to only invest in projects that had a connection to a company in its home country.

Reporter's Notebook

• A rainy start to Friday prompted conference chair **John Dingle** of **Thorndike Landing** to draw attention to the ornate, cloud-like chandeliers that hung above the conference hall, saying that they were appropriate for the weather.



Marriot Marquis Chandelier

• **Frank Napolitano**, managing director and group head of U.S. power and utilities at **Royal Bank of Canada**, arrived a little

late to his panel on the Friday after being held up talking. It was probably worth it though, as his arrival drew a cheer and a round of applause from the crowd.

• The snacks at the conference proved popular, with the morning parfait and the afternoon pretzel on Thursday bringing welcome relief to bellies.

• Conference attendees dined on chicken, asparagus and risotto for lunch on the first day, with seats near the windows at the **Marriott Marquis** 8th floor dining room peering over Times Square at a premium.

FINANCING U.S. POWER

M&A Players *(Continued from page 1)*

merchant generation.

"Equity returns and the demands for equity investors are also lower than they were in 2006," said **David Albert**, managing director of the **Carlyle Energy Mezzanine Fund**. He added that these changing thresholds are driving entities to consider buying, as opposed to building, more seriously. "People are excited longer term. They see merchant opportunities with the retirement of coal and an economy that will turn around. You will see more **Panda Power Funds**' deals and they will get the debt financings that they want," Albert said, pointing to a pair of project financings that Panda closed backing merchant plants in Texas.

The Panda deals were standouts for panelists, who said the transactions showed how bullish market outlooks and tightening reserve margins would drive financing activity for merchant assets in both project finance and M&A. "That came together a little difficult, but they got it done," said **Matt O'Connor**, managing director at **GE Energy Financial Services**. "It is about getting the right product to the right sponsor. That may mean using the institutional market. But now some of these are getting financed even while there is skepticism. You have to look at it more like an equity transaction to understand the risk and how to do it."

Following the financial crisis, merchant deals evaporated but now sponsors and financiers are looking at ways to bring financings to market ([PI, 9/12](#)) and merchant assets into their portfolios. Most recently in M&A, **Wayzata Investment Partners** bought the 1 GW Harquahala combined cycle facility in Maricopa County, Ariz., from **MACH Gen** ([PI, 10/10](#)). **Puget Sound Energy** acquired a 271 MW gas-fired cogeneration facility in Ferndale, Wash., from a consortium including **Tenaska Energy** and **Energy Investors Funds**, which has been merchant since the start of this year ([PI, 10/9](#)).

James Guidera, a group head at **Credit**

Agricole, said that memories of a merchant overbuild at the beginning of the century were keeping the market in check, with lenders wary of a repeat situation. "There are a lot of banks that won't do merchant," said Guidera. "When we finance a merchant plant we now look for a liquidity facility, which has traditionally been a hedge, but maybe a developer can begin with sizeable capital reserve or use other techniques like that."

The leverage in the bank market and the term loan B market is there for merchant coal plants, said one banker on the sidelines of the conference. PJM is using capacity auctions to secure future prices, while ERCOT is steadily raising its price caps ([PI, 8/3](#)), driving merchant activity in both markets.

—**Nicholas Stone**

Risk, Yield Open Up Mezz, B Debt

Demand for what financiers are calling riskier capital is on the increase. The result is the firing up of the dormant B loan market and also mezzanine financing.

"Demand for capital is now needed in places where it is more risky," **James Guidera**, group head of natural resources, infrastructure and power at **Credit Agricole**, told the conference, referring to merchant activity and new technology. Riskier capital means higher pricing, which B loans targeted at institutional investors and mezzanine debt typically provide. Investors looking for yield in the low interest rate environment are also keen to deploy money into this sort of debt, said bankers.

"Momentum helps, like in all capital markets," said **Jean-Pierre Boudrias**, the director of the energy group at **Credit Suisse**. "Term loan Bs have the wind at their sails right now." About \$2 billion of B loans deals have been completed this year, said bankers at the conference. Among them, **Panda Power Funds** have closed sizeable financings with a term loan B portion, namely its two gas-fired plants in Temple ([PI, 7/23](#)) and Sherman ([PI, 9/20](#)), both in Texas.

David Albert, a managing director at **Carlyle Energy Mezzanine Group**, said his fund would invest where banks and institutional investors won't go, especially when deals look a "bit hairy." Carlyle took a portion of the mezzanine debt in the Temple transaction, which **Ares Management** led. Albert added a 45-50% equity cushion will also make most lenders comfortable. For Sherman, Panda had \$360 million in equity and \$342 million in the term loan. "If you can structure a good deal today, in a decent market, with decent commodity hedges and with an engineering, procurement and construction contract that is good, people will be falling over each other to give you their money," added Albert.

The equity cushion is also one of the most critical factors, according to **Raya Prabhu**, a managing director at **Goldman Sachs**. "In deals with a very strong structural foundation, you can get over a few risks that the term loan B has," he said.

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STRATEGIES

EFH Taps Notes To Pay Intercompany Debt

A pair of **Energy Future Holdings Corp.** subsidiaries has issued \$250 million senior secured notes in a private placement that will be used to repay intercompany debt.

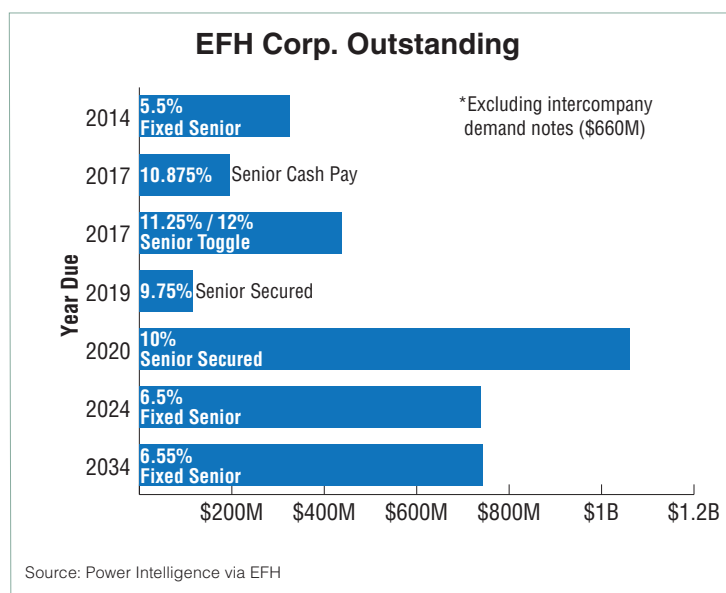
The first lien, five-year issuance by **Energy Future Intermediate Holdings** and **EFIH Finance** settled Oct. 23 and is a follow-on to another \$250 million issuance from August that carried the same coupon of 6.875%. Lead arrangers were **Citigroup**, lead left, **Credit Suisse** and **Goldman Sachs**. The pricing level over U.S. **Treasuries** could not be determined.

Senior secured notes at subsidiaries EFIH and EFIH Finance carry a Caa3 rating by **Moody's Investors Service** and CCC by **Fitch Ratings**. The senior secured notes are backed by interests in **Oncor Electric Holdings**, which owns 80% of **Oncor Electric Delivery Co.**

EFIH and EFIH Finance also sold \$600 million in senior secured second lien notes in August that carried an 11.75% coupon and mature in 2022. Proceeds from the aggregate \$1.1 billion notes will pay a dividend up to EFH Corp., which will be used to repay intercompany notes at another subsidiary, **Texas Competitive Electric Holdings Co.** EFH has about \$660 million of intercompany notes that mature at the end of year, according to an

analyst report.

Banks spokesmen declined to comment. An EFH spokeswoman in Dallas could not immediately comment.



EquiPower Lands B Loan Re-Pricing

EquiPower Resource Holdings has scored a re-pricing on a \$685 million term loan B at the low end of its targeted range. The changes push pricing on the seven-year loan—originally set up in June—to LIBOR plus 425 basis points from LIBOR plus 500 bps and shave 25bps off the original 150 bps LIBOR floor. The changes were set to be in place Friday as *PI* went to press.

EquiPower, backed by **Energy Capital Partners**, pitched a 50-75 bps reduction last week (*PI*, 10/18). **Barclays**, which arranged the original term loan, is lead left. The loan carries the same ratings—Ba3 by **Moody's Investors Service** and BB by **Standard & Poor's**. **Deutsche Bank**, **Goldman Sachs** and **Morgan Stanley** are participating.

Re-pricings have been scarce in the last couple of years due to the volatility in the debt markets. "Every issuer is looking at EquiPower" as a gauge of investor willingness to modify terms, says the financier. More issuers could fish for changes now. **GenOn Energy** attempted a re-pricing in March of 2011 although that bid was not successful, the financier says.

Shops that signed loans with a 102 bps first year call premium, or higher, are probably not going to re-pricing because the call cost would erase much of the gains from lower pricing. The EquiPower B loan carried a 101 first year call.

LS Power was also in the market around the time of EquiPower over the summer but will likely not be re-pricing, industry officials

say. That B loan was signed at L+450 bps and LIBOR floor at 125 bps (*PI*, 6/18), close to the level EquiPower just landed. Additionally, the **LSP Madison** carried at 102 first year call premium.

EquiPower owns four gas-fired plants—812 MW MassPower, 548 MW Milford Power, 812 MW Lake Road and the 168 MW Dighton—in New England. A more recent acquisition, the 575 MW Liberty Power gas-fired in Eddystone, Pa., is also included in the portfolio backing the debt.

Bank spokespeople either declined to comment while an ECP spokesman did not immediately reply to an inquiry.

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Feel free to contact **Sara Rosner**, managing editor, at (212) 224-3165 or srosner@iintelligence.com.

Pattern Hunts *(Continued from page 1)*

banks, as they guarantee a portion of the debt.

Pattern is talking with **Manulife Financial** to shore up a tranche with a longer tenor. It has emerged that Pattern has also started talking with banks to attempt to secure a loan with a longer tenor, according to deal watchers. A representative from Manulife declined to comment on the deal.

Securing a bank loan with a typical institutional length tenor at about 15 years will be difficult, says a deal watcher, particularly for this size. "With a deal of around \$800 million, you will need a club of around 10 banks. To get them to offer the same tenor as an institutional investor will be hard," he adds.

Pattern's most recent financing was \$600 million for its Ocotillo wind project in Imperial Valley, Calif. (*PI*, 10/15). That deal was structured with a construction loan with a seven-year bank tranche, co-led by **Deutsche Bank** and **RBC Capital Markets**, and a longer 20-year tranche funded by the **North American Development Bank**. The bank tranche included **The Royal Bank of Scotland**, **Société Générale**, **NordLB** and **KeyBank**. Bank officials declined to comment on the specifics of that deal.

The South Kent and Grand projects have an agreement with the **Six Nations of the Grand River**, a Canadian First Nation group, which has the option to choose to participate in the project with an equity holding or royalty for each of the wind and further solar developments.

The projects both have 20-year power purchase agreements with the **Ontario Power Authority**. Pattern expects to start construction early next year for South Kent and later in the year for Grand.

—**Nicholas Stone**

Allianz Scouts *(Continued from page 1)*

work with an infrastructure fund on investments but no details could be learned.

The interest of Allianz, as well as other German investors turning an eye westward, is attributable to a confluence of events including the financial market volatility in Europe as well as a slowdown of new build in countries such as France, Germany and Italy—all places where Allianz has bought assets.

Germany's solar and wind markets, once driven by feed-in tariffs that facilitated long-term contracts and bond issuances, are now seeing a slowdown in new build. The solar market has slowed to a point where returns have dropped to 6-7%, says one renewables banker in New York.

Entities scoping North America are looking for non-euro denominated assets that have a return of 8-9%, say renewables bankers and lawyers who have spoken with prospective German investors. Contracted solar assets, late stage development to construction-ready and operational all fit the bill. They are comfortable with wind as an asset class but the slowdown in new build in the U.S. given political uncertainty over the

ALTERNATING CURRENT

What's In A Name: Western Wind's Doppelgangers



If you're in power project finance or M&A and you have a pulse, then you're probably familiar with **Western Wind Energy**, the Vancouver, B.C.-based developer that's going through a rather complex sale process. You may have even Googled them, in which case you might be aware of the *other* Western Winds, albeit the ones with more musical and literary inclinations.

There's the New York-based vocal sextet that was created in 1969 and specializes in a capella music, from Renaissance motets to '50s rock and roll to medieval carols and **Duke Ellington**. In addition to performing at venues such as Lincoln Center and Carnegie Hall, the ensemble also conducts workshops.

David Mason and **John Fredrick Nims'** *Western Wind: An Introduction to Poetry* may be only slightly more familiar. The tome is an introduction to poetry and contains classic and contemporary material as well as exercises, illustrations and games (perfect for when deal flow slows to a trickle before the U.S. presidential election).

One of the earliest mentions of western wind is a 16th century English song by composers **John Taverner**, **Christopher Tye** and **John Sheppard**. This *Westron Wynde* first appeared in a partbook around 1530, but historians believe it originated during the Medieval period several hundred years earlier. The tune's refrain "*Westron wynde, when wilt thou blow,*" has clearly managed to transcend centuries.

production tax credits has focused the most interest on solar assets, industry officials say.

Allianz has amassed about EUR1 billion (\$1.3 billion) of solar and wind assets in Europe, including assets from **SunPower** and **Nordex**.

—**Holly Fletcher**

QUOTE OF THE WEEK

"Momentum helps, like in all capital markets. Term loan Bs have the wind at their sails right now." —**Jean-Pierre Boudrias**, the director of the energy group at **Credit Suisse** at a conference in New York, talking about the prevalence of term loan Bs and mezzanine debt in project financings (see story, page 9).

ONE YEAR AGO

Barclays and **Citigroup** released teasers for two **Tenaska Capital Management** merchant plants, the 800 MW Rio Nogales in Seguin, Texas, and the 830 MW High Desert in Victorville, Calif. [**CPS Energy** agreed to buy Rio Nogales while the sale of High Desert was shelved (*PI*, 3/14).]