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Terra-Gen Acquisition Surprises Market

Global Infrastructure Partners' agreement to buy up to 40% of **Terra-Gen Power Holdings** is surprising because acquisitions have been slowed from the credit crisis.

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INFRASTRUCTURE FUND HITS MART WITH \$845 MLN PACKAGE

SteelRiver Infrastructure Fund North America has launched syndication of an \$845 million credit to finance the purchase and operation of two natural gas distribution units from **Dominion Resources**. The deal, which hit the market Friday, dwarfs most recent sector deals. The \$1.2 billion **Astoria Energy** financing backing a natural gas fired power plant is the only bigger deal to navigate the current market, a banker notes.

"It's big, but not as big as that," the banker says, comparing Steel River to Astoria Energy. "I think it will get syndicated, it's just a question of price." Price talk on the three tranches of the deal ranges from 300-600 basis points over LIBOR, which the banker says is about market rate. The Astoria Energy deal, which was easily oversubscribed, was priced at LIBOR

(continued on page 8)

NOBLE LOOKS TO LAND PARTNER, RAISE FUNDS

Noble Environmental Power may bring in a strategic partner or sell some of its generating assets to raise money. The Essex, Conn.-based developer has been hit with mechanic liens in Wyoming and Clinton counties in New York.

"They need cash. They're looking at everything," says one banker. Calls to **Christopher Lowe**, cfo, were not returned.

In May 2008 the company filed for a \$375 million IPO but pulled it this June. Noble landed a \$740.8 million club financing for three of its wind farms last year (PFR 8/15/08).

Noble operated with net losses in 2006 and 2007, which bankers say is not uncommon for a developer in early stages. The company indicated that losses would continue for some time.

—Holly Fletcher

WESTLB TAPS VETERAN ENERGY BANKER

WestLB has hired **Erik Savi**, formerly with **Merrill Lynch** and **MetLife**, for a new position focusing on power and oil and gas projects. Savi reports to **Tom Murray**, global head of energy, and **Manish Taneja**, global head of loan syndications and debt capital markets. The two **Credit Suisse** alums used to sell Savi project debt when he was at MetLife.

Savi left Merrill, where he was a managing director on the energy credit trading desk, in February after the **Bank of America** takeover. He briefly formed a boutique with **Frank Napolitano**, the ex-**Lehman Brothers** head of power, called **Viking Capital Advisors**, in New York before they closed it. Napolitano now works at **Lakeside Energy**.

For Savi's part, he says he joined the bank based on its reputation in energy financing. "[Energy] is the bread and butter of [WestLB]. When you think about, ok, what's

(continued on page 8)

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



At Press Time

Infrastructure Fund Purchase Of Terra-Gen Stumps Market

Global Infrastructure Partners' planned acquisition of up to 40% of Terra-Gen Power Holdings is a long time coming and surprised merger and acquisition advisors and deal makers across the board.

The ArcLight Capital Partners' affiliate has been seeking a capital infusion for more than a year. Both private equity and infrastructure funds have been slow to come to the table to negotiate on any purchases amid the credit squeeze, market participants say. "That was definitely a surprise," one deal watcher says. "I guess GIP had a realistic return expectation and could afford to invest. GIP wanted the assets and Terra-Gen investors wanted the equity."

The companies announced the purchase last Thursday and the transaction is expected to close by year's end, pending regulatory approvals. Citigroup was the financial advisor to ArcLight. Credit Suisse served as financial advisor to GIP.

"They needed someone to bring billions to that company for awhile now," says another deal watcher.

Terra-Gen Power declined comment on the amount that GIP offered for it and directed further requests for comment to ArcLight officials who did not return calls.

GIP and Citi officials also did not return calls. CS officials declined comment.

On Oct. 30 Terra-Gen closed a \$240 million deal that took out an 18-month-old bridge loan supporting the purchase of 831 MW of renewable assets (see story, page 3).

HSH Slices Project Finance Staff

HSH Nordbank downsized its project finance staff by four people last week. The people let go were involved with projects and businesses that the bank won't pursue. Among the departures was Rohan Singh, senior v.p., who was raising money for a clean energy fund, says a banker.

The project finance team has roughly 20 people left and is not looking to fill the four positions, says the banker. The bank expects to complete a wind financing deal in the next month, this banker adds.

Officials at HSH declined to comment or reveal the other names of the people who left.

Singh is headed for a start-up private equity firm in New York that will focus on clean technology and renewable energy. Details about the new firm could not be learned and Singh declined to comment.

HSH has most recently been in talks with Nextlight Renewable Power, a unit of Energy Capital Partners, to finance solar projects in California (PFR, 10/9). The bank has also provided financing for Cannon Power's 500 MW Windy Point farm in Klickitat County, Wash. (PFR, 8/15/08). HSH was one of eight lead banks in a \$740.8 million loan to Noble Environmental Power in August 2008 for three wind farms in New York state (PFR, 8/15/08).

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Institutional Investor NEWS
INTELLIGENCE FIRST

RBS Will Have To Find Its Own Sempra Replacement

Royal Bank of Scotland is obliged to find a company to replace itself in the commodities joint venture it has with **Sempra Energy**. The bank announced last week it is being forced to divest interests in the JV.

A Sempra spokesman says RBS is the party that needs to find another partner, though the energy company has certain rights to approve who its partner is in the business. An RBS spokesman could not comment on the matter.

One name that market watchers have thrown around is **Goldman Sachs'** commodities arm **J.Aron**. "They don't have a good physical business," says one source on why Aron's financial backing would compliment Sempra's physical gas and power assets. A Goldman spokesman declined comment.

RBS has to sell its stake to satisfy a **European Commission** mandate after the bank increased its take of government funds. RBS provided capital and credit to the JV and Sempra brought the physical assets for trading natural gas and power.

Terra-Gen Closes Bridge Refi

Terra-Gen Power completed a \$240 million loan Oct. 30 to refinance an 18 month-old acquisition bridge loan used to buy 831 MW of renewable assets.

BNP Paribas and **Citigroup** led the deal. The **ArcLight Capital** affiliate approached the market with the loan after pulling a planned B loan in July, which deal watchers say became too expensive for the company. The \$215 million loan included a \$25 million working capital facility. Pricing on the 2.5 year loan was LIBOR plus 500 bps with a 3% floor as earlier reported and upfront fees of between 250-300 bps (PFR, 9/22). Lenders included **Bank of Montreal**, **Barclays**, **Credit Suisse**, **Fortress**, **ING**, **Natixis**, **Union Bank of California**, and **UBS**.

"We're happy with the pricing," says **John O'Connor**, cfo of Terra-Gen in New York. "We have a strong bank group that realizes the strength of the contracted assets in our portfolio and realizes that we have a strong pipeline [of projects] ahead of us."

Investors evidently got the right pricing on the loan, which was upsized by \$15 million, says a deal watcher. "With the loan market rally, [investors] got the spread [they wanted]," says a market participant. The credit crunch forced prices so low that it set the market up for a giant rally which is being realized now. "Loan prices have rallied from a low last December of 65 cents on the dollar to an average of 85 cents today."

Citi officials declined comment. BNP officials did not return calls by press time.

BC Stalemate Over Old Plant Resolved

The British Columbia **Energy Ministry** issued a final ruling over the future use of a 50-year-old natural gas-fired plant at the center of a debate over the province's energy policy.

The 912 MW Burrard plant will not be considered in future planning, but will be kept online as an emergency generator. A decision by the **British Columbia Utilities Commission** over the summer to keep the plant running near full capacity for several years derailed a **BC Hydro** Clean Power Call, delaying the announcement of which bids were accepted (PFR, 10/26). "[Burrard's] efficiency is so low compared to modern combined cycle turbines that there is no reason to keep it on the books," says **David Austin**, a lawyer with **Tupper Jonsson Yeadon** in Vancouver.

With the fate of Burrard determined, BC Hydro can now commission 5,000 GWh, roughly about 570 MW, from the 68 submitted bids. The company will announce which developers will be able to negotiate and re-evaluate their proposals for final submission although timeline has been established.

Centrica To Raise Cash With Wind Sale

The U.K.'s **Centrica** will free up cash and realize investments with its plans to sell a 50% stake in three wind projects to an institutional investor. "They are freeing up cash and keeping access to electricity whose cost is not linked to gas," says **Lakis Athanasiou**, utilities analyst with **Evolution Securities** in London.

The company announced Oct. 28 that it plans to sell 50% of the equity in its Lynn, Inner Dowsing and Glens of Foundland wind farms to U.S.-based **TCW**, a subsidiary of **Société Générale Asset Management** for GBP84 million (USD137 million). The transaction is expected to close at month's end. Centrica has also raised GBP340 million (USD556 million) in non-recourse loans for the assets. Pricing and tenor on the debt could not be immediately learned. The company with the three collective wind farms is called **GLID Wind Farms Topco**.

Centrica also announced last week that it was close to making a final investment decision on its 270 MW Lincs offshore wind farm with construction slated to begin next year.

"The transaction enables us to accelerate our investment in energy projects by recouping at an early date some of our investment in these projects and the concomitant investment decision for the much larger Lincs project," says a Centrica spokesman in London.

Officials at TCW did not return calls.

Canadian Wind Developer Closes In On Partner

Éolectric expects to ink a strategic partnership to help finance the wind developer's project pipeline by year-end. It is in late stage discussions, says **Philippe Jünger**, v.p. of project development in Brossard, Québec, declining to name the intended party.

Several players showed interest in Éolectric since the developer went on the hunt in March, says Jünger. The company is also in early talks with banks about financing several of its projects that are slated for construction in the next several years but doesn't expect details regarding specific projects to be worked out until later in 2010, he adds (PFR, 3/27). Jünger declined to name the banks the company is talking with.

Éolectric expected to secure financing for its 10 MW Honeywood project in Ontario this quarter but is now evaluating how feed-in tariffs under the province's new Green Energy Act will affect project costs, Jünger says.

Éolectric has a roughly 3 GW pipeline in Canada and Mexico, says Jünger. The company's priorities are a 100 MW Vents du Kempt project in Quebec, an 80 MW project in Alberta and projects in Mexico set to come online in 2012 and 2013.

Horizon Lines Up GE Tax Equity

Horizon Wind Energy is expecting to secure tax equity investments from **General Electric Energy Financial Services** for two wind projects, according to documents filed with the U.S. **Federal Energy Regulatory Commission** last week.

GE EFS will take 100% of the Class B stock in its 99 MW Blue Canyon V wind project, and up to a 22% tax equity investment in Horizon's 103 MW Arlington wind project in Gilliam County, Ore. GE EFS plans to provide additional debt financing to Horizon for Blue Canyon, according to the documents. **Andy Katell**, spokesman for GE EFS in Stamford, Conn., declined to comment on the investment details. Both deals are expected to close by month's end.

Blue Canyon V and Arlington will roughly cost \$247.5 million and \$257.5 million, respectively, based on a \$2 million per MW wind development costs.

Officials at Horizon did not return calls.

GE EFS also gave Blue Canyon some limited debt financing for the project near Slick Hills, Okla., according to the filings. The size of the investment could not be immediately learned.

Horizon Wind Energy, a subsidiary of **EDP Renováveis**, was seeking tax equity for five of its wind projects in order to complete its cash grant applications to the U.S. **Department of Energy** and will tap debt from its parent company as well (PFR, 9/4).

Southern, AEP, Duke Named As Carbon Reg Losers

Southern Co., American Electric Power and Duke Energy will be among the biggest losers under the U.S. Senate Kerry-Boxer carbon bill, according to a report "Carbon Exposure: Winners and Losers in a U.S. Carbon Market" written by analysts at consultancy **Point Carbon**.

Utilities in regulated markets with a predominance of coal-fired generation stand to pay the greatest price from the proposed bill that will impose a price on carbon emissions.

The companies expected to come out on top of the legislation are **Exelon**, **FirstEnergy**, **NRG Energy** and **PG&E** because they have a generation mix more weighted toward hydro, nuclear and renewables and they've had "an average emission rate lower than that of the market in which they operate," the report says.

Farmers Union, OwnEnergy Double Team Wind Opportunities

The **National Farmers Union Service Association** expects to pursue more wind projects with **OwnEnergy** once the partnership's first project in Minnesota is rolling. The NFUSA and OwnEnergy announced last Wednesday they are teaming up to build the 20 MW Rothsay wind farm in Otter Tail County, Minn., which is expected to be online in 2011.

"The unofficial, friendly agreement we have with each other is that we will explore other opportunities," says **Guy Rusche**, project development specialist at NFUSA.

OwnEnergy, a community wind developer, plans to have the Minnesota project shovel ready by in 2010 so it can apply for the cash grants from the U.S. **Department of Energy**, says **Jacob Susman**, ceo of Brooklyn, N.Y.-based OwnEnergy. The partnership will seek bank debt in addition to the tariffs that Minnesota provides for community-owned power projects, he adds. The duo will turn to tax equity if the project is not awarded federal stimulus funds. He declined to give the project's cost. The team is in early stage talks with **Otter Tail Power Co.** and **Xcel** about PPAs, says Rusche, noting that "we want to speak to any and all interested parties."

The farmers' union got involved with wind development when it began receiving inquiries from farmers across the country about leasing their land to developers, says **Roger Johnson**, president of NFUSA. Growing interest from its membership led the NFUSA to get involved in the wind industry, says Johnson, noting the Rothsay project was already two-years-old when it approached OwnEnergy. "They have technical, finance expertise and access to equipment which is a pretty big deal," says Johnson.

Ga. Contractor Still Has Biomass Site On Sale

J.G. Leone Enterprises, a recycling industry contractor, is still looking to sell a site for a potential biomass plant Ball Ground, Ga.

The \$3.2 million site has been on the market for a year (PFR, 11/07/08). **Joseph Leone**, founder, says, "We've had a lot of Lookie Lou's, a lot of interested people, who really wanted to get involved, but the financial people are really holding back."

The land, which is across the street from a landfill, could support a wood-fired or waste-to-energy facility. Several parties have been interested over the last year, but were blocked by banks unwilling to finance the deal. "These investors in green energy nowadays want promises that can't be made. They want steady wood prices for the next 20 years—now who the hell can promise that?" he says. Leone declined to name the interested parties or banks.

Canadian Co. Hunts Wind Funds

Canadian developer **Kruger Energy** is talking to banks stateside for project financing backing its \$200 million, 101.2 MW Chatham wind project in Chatham-Kent, Ontario. The company had been looking for at least 70% debt (PFR, 12/5).

Jean Roy, v.p. of operations in Montreal, did not return a call by press time and details of the terms sought, such as pricing, tenor, structure or deadlines could not be learned.

Project financiers in Canada note a dearth of liquidity among the small coterie of Canadian lenders is forcing many developers to look south. **Scotia Bank** led financing for the company's 102 MW Port Alma project (PFR, 5/19/08). A bank official did not return a call.

The **Ontario Power Authority** awarded a 20-year PPA to the facility in its Renewable Energy Supply III request for proposals. **Renewable Energy Systems Canada**, **Invenergy**, **SkyPower** and **Brookfield Renewable Power** also garnered PPAs for their projects earlier this year under the call.

EverPower Open For Acquisitions

EverPower Wind Holdings is keeping an eye out for wind projects on the block now that it has a cash infusion after being acquired by **Terra Firma**. The sale of the New York-based developer for \$350 million closed yesterday. EverPower is interested in projects ranging from shovel ready to operational, says **Jim Spencer**, ceo.

"Basically we have a lot of dry powder to develop our pipeline and selected acquisitions," says Spencer.

Starting this month, EverPower will approach banks for an undisclosed amount of financing needed for six projects totaling 1100 MW that will break ground in the next year. The company is also applying for cash grants from the U.S. **Department of Energy**, says Spencer. **EverPower Renewables**, an affiliate of

EverPower, received a \$42 million cash grant from the U.S. **Department of Treasury** in September for its 62.5 MW Highland project in Salix, Pa. (PFR, 9/1).

EverPower started scouting for partners in March and shortlisted an undisclosed number of bidders in August, says Spencer. **Terra Firma** bought EverPower from **Good Energies**, a London-based investment firm.

AEP Transmission Co. To Fund On Balance Sheet

American Electric Power will fund transmission repairs and maintenance projects in 11 states from the company's new subsidiary balance sheet. **Transco**, as the unit will be called, will focus primarily on repairs and replacements at in-use substations and transmission lines that are currently overseen by each utility, says **Pat Hemlepp**, spokesman for AEP. AEP plans to spend \$118 million in 2010 on pre-planned repairs. Putting transmission responsibilities under one roof reroutes funds from utilities' balance sheets for future investments. Hemlepp declined to elaborate on future plans.

If new transmission lines are needed in the regulated jurisdiction of AEP then Transco would have the authority to build those lines but AEP's joint 900-mile transmission project in **Electric Reliability Council of Texas** with **MidAmerican Energy Holdings** and partnerships with other companies will not be a part of the unit, says Hemlepp (PFR, 11/07/07).

Calls to **Susan Tomasky**, senior v.p. of transmission, and **Brian Tierney**, cfo, were not returned.

Online Generation Sale Database

We've upgraded and expanded our Generation Sale & Auction Calendar to a new online database that is fully searchable, downloadable and continually updated. You can now tap all sale data back to 2001 with a few clicks.

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Project Finance Deal Book

Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. The entries below are of new deals or deals where there has been change in their parameters or status. To report updates or provide additional information on the status of financings, please call Jeanine Prezioso at (212) 224-3226 or e-mail jprezioso@iineews.com.

Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
CPV	Various (Wind)	U.S.	TBA	TBA	TBA	TBA	Looking for financing for a 600 MW pipeline (PFR, 11/2).
Horizon Wind Energy	Blue Canyon (99 MW) Arlington (103 MW)	Southern California Gilliam County, Ore.	GE EFS GE EFS	TBA TBA	TBA TBA	TBA TBA	GE EFS plans to loan money to the projects (see story, page 4).

For a complete listing of the Project Finance Deal Book, please go to iipower.com.

News In Brief

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

Americas

- Three California utilities have asked the **California Public Utilities Commission** to authorize rate structure changes that would increase power rates for consumers who use less power and reduce rates for those who use more (*North County Times*, 11/4).
- **PPL Corp.** is looking to buy a regulated utility as part of its plan to spend \$2.75 billion on generation acquisition in the next four years (*Bloomberg*, 11/4).
- **Entergy Corp.** is unlikely to build a nuclear plant in the U.S. southeast because of weak demand, says **J. Wayne Leonard**, ceo, (*Reuters*, 11/3).
- **Xcel Energy** is proposing to charge about 2,000 customers near Boulder a "time of use" rate in a pilot program starting in June 2010 to educate users about power demands (*Denver Business Journal*, 11/2).
- Hosts of the Copenhagen climate change summit pressured President **Barack Obama** to pin down an emission target before December because world leaders doubt strong deal is possible without U.S. commitment (*Reuters*, 11/2).
- **EDF** wants to finalize its deal with **Constellation Energy** as soon as possible. The \$4.5 billion deal could be completed Friday (*The Financial Times*, 11/2).
- Utilities are unlikely to sign long-term natural gas supply contracts because price volatility means the utilities are unsure whether the price they lock in will be a bargain or overpayment in the coming years, according to **Southern Co.** and **Duke Energy** (*Bloomberg*, 11/2).
- **MDU Resources Group** is abandoning plans to build the 500 to 600 MW Big Stone II coal-fired plant in South Dakota after three utilities, including **Otter Tail Power Co.**, backed out (*Star Tribune*, 11/2).

- **Duke Energy** is looking for partners to build a nuclear power plant in South Carolina and have it online around 2020 (*Bloomberg*, 11/2).
- **Southern Co.** expects to issue about \$2.5 billion of notes in 2010 as it looks to refinance existing debt and fund investments (*Bloomberg*, 11/2).
- The climate change bill that passed the U.S. **House of Representatives** would eliminate free pollution permits, which could hurt consumers if utilities have to pay in the initial cap-and-trade program, say officials at **Exelon** and **American Electric Power Co.** (*Bloomberg*, 11/1).
- More than half of the U.S. states could use in-state renewable generation to satisfy power demand, according to a report by the **Institute for Local Self-Reliance** (*New York Times*, 10/30).

Europe/Middle East

- Energy security needs to be factored into talks at the Copenhagen summit in December because the climate change policies will largely determine whether Europe extends its reliance on Russia and the Middle East for natural gas (*The Financial Times*, 11/4).
- **Siemens** is looking to expand its Saudi Arabian division to capitalize on the country's growing power demand as **Saudi Electricity Co.** expects to spend about SAR20 billion (\$5.3 billion) annually on power production (*Bloomberg*, 11/3).
- **Areva** agreed to change the European Pressurized Reactors (EPR) nuclear plant design following French, Finnish and British nuclear regulators requests to operate the safety and control systems independently (*Reuters*, 11/2).

WESTLB TAPS

(continued from page 1)

sustainable? It boils down to track record and reputation.”

WestLB has around 70 bankers in its global energy team, with approximately 20 in New York, eight of whom are senior bankers, including Savi.

The bank will continue to add to the team. It is ready to hire a banker in Latin America, is in conversations with other bankers in New York and will seek to hire opportunistically in London, Taneja says.

—Jeanine Prezioso

INFRASTRUCTURE FUND

(continued from page 1)

plus 300 bps.

The Steel River financing breaks down as follows:

- A \$470 million, one-year bridge loan, with pricing of LIBOR plus 300 bps that steps up over time. Details on the step ups could not be determined.
- A \$100 million term loan at the holding company level priced at LIBOR plus 600 bps.
- A \$175 million working capital loan at LIBOR plus 400 bps for three years and a \$100 million capex loan with the same terms, all at the operating company level. These loans will be used for the operation of the units and are not included in the debt portion of the financing.

The fund, managed by **SteelRiver Infrastructure Partners**, will pay \$910 million for the two assets and is financing it with 60% debt and 40% equity put up by SteelRiver, which operates out of San Francisco and New York. A steady return on stable assets is what piqued the fund's interest in the assets, says another deal watcher.

The company will purchase regulated gas utilities **Peoples Gas** in Pennsylvania and **Hope Gas Inc.** in West Virginia. The acquisition was announced 18 months ago and is still waiting final stages of regulatory approval from state public utilities commissions.

BNP Paribas is left lead on the deal with **Scotia Capital**, **Bayern LB** and **Union Bank** as joint lead arrangers. Banks officials declined comment or could not be reached for comment.

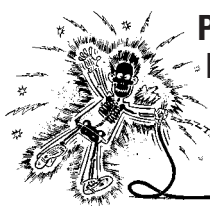
Officials at SteelRiver, which was spun off from **Babcock & Brown's Infrastructure Fund North America**, declined to comment.

—J.P.

Quote Of The Week

“[Energy] is the bread and butter of [WestLB]. When you think about, ok, what's sustainable? It boils down to track record and reputation.”—**Erik Savi**, managing director at the bank, on why he accepted the offer to join the energy team (see story, page 1).

Alternating Current



Playing Games With Gotham Power Planning

Solving New York City's future power demand can take as little as 15 minutes and a few clicks of a mouse.

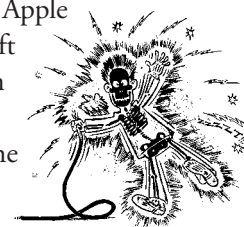
Web surfers may want to glide by “Switch” an online game at the *Gotham Gazette* where players determine how New York City will meet its 2030 goal of reaching 22,000,000 MWh. Players can choose whether to build a nuclear power plant in the city limits, ban commercial use of air-conditioning, install power-generating footpaths in subway stations and install wind turbines on skyscrapers.

Planners can match pairs of icons representing nuclear plants, city buildings decked out in solar panels and wind turbines to craft an energy policy for a city expecting to add an extra one million residents in the next two decades.

It's not entirely true to life, financing isn't required, but players must contemplate which ideas will work. A pop-up explains the icon when a pair is matched. Then players decide whether to accept or reject that technique.

Energy efficiency is essential but will New York City ever dim the skyline? At the end of the game, click “Flip the Switch” to see if the methods will light the Big Apple in 2030 or whether residents will be left in the dark. Meeting power demand in real life lacks the feature that is an upside to this game: if you don't like the cards dealt, just click reshuffle.

Want to play? Go to:
<http://www.gothamgazette.com/games/switch/games/index.php?game=switch>



One Year Ago In Power Finance & Risk

NordLB was finalizing a club to finance enXco's \$350 million, 150 MW Shiloh II wind project. [BayernLB, Dexia Credit Local and HSH Nordbank looked at the deal and NordLB roped Société Générale, CIC Group and Dexia into the club.]