

Power Finance & Risk

The weekly issue from Power Intelligence www.powerintelligence.com

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46th EEI Financial Conference

Senior power co. execs talk to *PI* at the Florida gathering about financing and M&A plans.

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Top Stories

Zucker Family Makes Utility Plays, Anticipates Consolidation

The wealthy Zucker family of South Carolina, which holds the largest shareholder position in several power and gas utilities, has its eye on consolidation in the sector. **Anita Zucker** holds the largest position in **Central Vermont Public Service** and recently upped her stake in **Unitil**, a New Hampshire-based utility holding company. **The Jerry Zucker Revocable Trust**, the family's wealth trust, also owns a number of stakes.

The utility sector is a favored investment because of its capacity for consistent returns and the group thinks there will be more consolidation. The Zucker group scouts for well-managed companies of a size where hitting the 5%

THE ZUCKER STAKES

	Stake	Investment	Shares
Unitil	5.06%	\$14.7M	553,500
Central Vermont Public Service	6.35%	\$30M*	852,000
Pacific Northern Gas	14.36%	C\$19.69M (\$19.27M)*	543,400
RGC Resources	5.08%	\$4.38M	234,472
Delta Natural Gas Co.	7.49%	\$8.23M	253,489

*value at the given merger price per share

(continued on page 2)

EDISON ELECTRIC INSTITUTE FINANCIAL CONFERENCE

KEPCO Plots North America Wind, Solar Spree

Korea Electric Power Co. is looking for wind and solar project acquisitions in the U.S. and Canada as a way to meet its domestic renewable portfolio standard. The standard dictates that KEPCO must derive 10% of its power from renewables by 2020 and is allowed to count projects outside the country. The company has about 78 GW in operation, so it needs roughly 7.8 GW by the end of the decade, **Hank Hahm**, general manager and head KEPCO's Washington, D.C., office told *PI*.

The company prefers greenfield projects, but is open to buying projects at later stages or that are online, Hahm said. Construction (continued on page 12)

Fortis Scopes U.S. Utility Acquisitions

Fortis, the St. John, Newfoundland-based utility holding company, is scouting for acquisition opportunities of power and gas utilities in the U.S. About four months after its planned \$700 million acquisition of **Central Vermont Public Service** was bested by a **Gaz Métro** offer, Fortis remains an active M&A seeker, **Barry Perry**, cfo, told *PI*. Perry declined to elaborate on any current targets or conversations.

It generally targets companies with a market capitalization of \$1 billion-5 billion, with a significant poles and wires or natural gas distribution business, according (continued on page 12)



Walt Disney World Dolphin Resort

At Press Time

Zucker Family *(Continued from page 1)*

Anita Zucker

U.S. Securities and Exchange Commission filing threshold is feasible, says **Robert Johnston**, the executive v.p. and chief strategy officer of **The InterTech Group** in North Charleston, S.C., founded by Anita Zucker's late husband **Jerry Zucker**. The InterTech Group is privately held and is an affiliate of The Jerry Zucker Revocable Trust. Zucker is on the 2011 Forbes 400 list, with an estimated net worth of \$1.6 billion.

A single entity can hold the largest stakeholder position in companies such as CVPS and Unitil, whereas it would take more than \$1.8 billion for a large cap utility such as **Southern Co.**

One advantage to being above the 5% threshold is having greater access to management. Executive teams are generally more willing to get to know you and have in-person conversations, Johnston says. The group has investments—such as natural gas utilities **RGC Resources** and **Delta Natural Gas Co.**—without a board seat although the shop does like to be involved with the company's future. "We think we bring big value to boards when we join," he says.

Johnston sits on the board of both CVPS and Canadian midstream company **Pacific Northern Gas**. Both CVPS and PNG entered into merger agreements this year. The group doesn't necessarily enter an investment with the intent to foster a merger, although frequently companies that fit their investment profile wind up being acquisition targets, Johnston says. A potential merger would need to be a good strategic fit for both parties and offer a premium to shareholders. If a merger opportunity crops up that's great, he says, otherwise the group is confident of the stock's capacity for growth. He declined to discuss what role, if any, the group had in the CVPS or PNG agreements.

Zucker increased her stake in Unitil, the Hampton, N.H.-based company, in August, according to a filing with the SEC that month (see chart on page 1 for a rundown of the major power and gas holdings). Small utilities in New England are increasingly acquisition targets for companies looking to create scale (PI, 12/9/10). The Zucker group has not approached the company regarding joining the board, Johnston says, declining to comment about whether that was a future plan.

Unitil has a market capitalization of about \$291.59 million with shares at \$26.64 at press time on Friday. Unitil's electric and natural gas utility subsidiaries serve an aggregate of 103,000 and 70,000 customers, respectively in New Hampshire, Massachusetts and Maine.

CVPS entered into a \$703 million merger agreement with **Gaz Métro** (PI, 7/12). **AltaGas** agreed to buy PNG, a natural gas midstream company in British Columbia, for \$146.1 million in late October.

—**Holly Fletcher**

NordLB Originator Heads To Developer Start-Up

Chip Carstensen, senior director of origination at **NordLB**, has left the bank for **Black Emerald**, a start-up shop out of Albany, N.Y., that plans to acquire and develop late-stage renewable projects. "Chip wanted an opportunity to move to the development side," says a financier. He left late last month.

Black Emerald is an affiliate of **Corona Capital Partners**, a New York City-based developer that will look at wind, solar, biomass, geothermal and hydropower projects, according to its LinkedIn profile. Corona Capital is headed by **Mark Scher**.

NordLB is looking for someone to replace Carstensen, says a banker familiar with the bank's plans. Whether NordLB plans to hire a headhunter couldn't be learned. A message left for Carstensen was not returned. NordLB officials declined to comment.

Prior to joining NordLB in 2008, Carstensen was a managing director in the capital markets group at **Société Générale** (PI, 8/15/08).

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Power Finance & Risk is a general
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Institutional Investor, Inc.
Issn# 1529-6652

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Intelligence

Generation Auction & Sale Calendar

Generation Sale ■ DATABASE

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
• AES	Cayuga (306 MW Coal) Greenidge (105 MW Coal) Somerset (675 MW Coal) Westover (83 MW Coal)	Lansing, N.Y. Dresden, N.Y. Barker, N.Y. Binghamton, N.Y.	Barclays Capital	Talks are on-going with prospective buyers as a January interest payment looms (see story, page 9).
AES Solar, Riverstone Holdings	Stakes (Solar pipeline)	Variou, Europe	Morgan Stanley	Bids for a partnership stake are due the week of Sept. 19 (PI, 9/12).
AES Thames	Thames (208 MW Coal-fired)	Montville, Conn.	Houlihan Lokey	Less than a dozen shortlisted bidders are preparing second round bids (PI, 9/26).
AE Investor II	Astoria Energy II (4%, or 23.3 MW)	Queens, N.Y.	Whitehall & Co.	First round bids were scheduled for Fri., Sept. 16 (PI, 9/19).
ArcLight Capital Partners	Waterside (72 MW peaker) Crockett (162 MW Cogen) Hobbs (604 MW CCGT) Hamakua (60 MW CCGT) Borger (230 MW Cogen) Neptune (391 MW, 65-mile transmission line)	Stamford, Conn. Crockett, Calif. Hobbs, N.M. Honokae, Hawaii Borger, Texas Sayreville, N.J., to Long Island, N.Y.	Citigroup, Barclays Capital	Final bid deadline pushed to November (PI, 10/17).
• Black Hills Corp.	Stake (29 MW Wind project)	Huerfano County, Colo.	None	Entities with tax appetite have bid for the 50% stake (see story, page 11).
Boralex	Various (186 MW Biomass)	Maine	TBA	ReEnergy Holdings is buying the five facilities for \$93 million.
Cascade Investment	Altura (600 MW Cogen) Twin Oaks (305 MW lignite-fired) Cedar Bayou 4 (275 MW natural gas-fired)	Channelview, Texas Bremond, Texas Chambers County, Texas	Evercore Partners	Cascade is considering its options, including restructuring and a sale of its stake (PI, 7/11).
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Coram Energy	Stake (102 MW Wind project)	Tehachapi, Calif.	Marathon Capital	Coram is selling a 50% stake in a wind project co-owned by Brookfield Renewable Power (PI, 8/22).
• EDF EN Canada	50% Stake (300 MW Wind)		TBA	Enbridge is paying \$330 million for the stake in Lac Alfred (see story, page 5).
First Solar	Topaz (550 MW PV)	San Luis Obispo County, Calif.	No advisor	Enbridge is in talks to buy the project (PI, 9/26).
GDF Suez Energy North America	Hot Spring (746 MW CCGT) Choctaw (746 MW CCGT)	Malvern, Ark. Ackerman, Miss.	UBS	UBS is releasing CIMs to interested parties (PI, 5/15).
• LS Power	Bluegrass (495 MW Simple Cycle)	LaGrange, Ky.	TBA	The Kentucky utility subsidiaries of PPL will jointly own the assets (see story, page 11).
Macquarie Capital, Fomento Económico Mexicano	Stakes (396 MW wind project)	Oaxaca, Mexico	TBA	Bidders are in due diligence (PI, 10/10).
NextEra Energy Resources	Blythe (507 MW Combined-cycle) Calhoun (668 MW Peaker) Doswell (708 MW CCGT & 171 MW Peaker) Cherokee, (98 MW CCGT) Risec (550 MW CCGT)	Blythe, Calif. Eastaboga, Ala. Ashland, Va. Gaffney, S.C. Johnston, R.I.	Credit Suisse, Citigroup	LS Power is looking to put debt on two of the assets (PI, 10/3). Entergy Wholesale Commodities is buying the plant for \$346 million (PI, 10/31).
Newind, WindRose Power	CCI (120 MW wind project)	Childress County, Texas	RedWind Consulting	Teasers have gone out for the project (PI, 9/19).
PNM Resources	Stake in Optim Energy	Texas	Morgan Stanley	Teasers are out as Cascade Investments considers exiting (PI, 5/23).
Signal Hill Power, CarVal Investors	Wichita Falls (77 MW CCGT) Rensselaer (79 MW Peaker)	Wichita Falls, Texas Rensselaer, N.Y.	Scotia Capital	Teasers out in late June; first round bids said to be in (PI, 8/8).
Starwood Energy Group	Thermo Cogeneration (272 MW CCGT)	Fort Lupton, Colo.	None	Tri-State Generation and Transmission Association is buying the plant (PI, 10/10).
Tenaska	High Desert (800 MW CCGT) Rio Nogales (800 MW CCGT)	Victorville, Calif. Seguin, Texas	Barclays, Citi	Teasers dispatched and preliminary bids expected early to mid-November (PI, 10/31).
Third Planet Wind Power	Petersburg (40.5 MW Wind)	Petersburg, Neb.	Morgan Stanley	Edison Mission Energy is buying the project (PI, 10/10).
Tuusso Energy, Akula Energy Ventures	TA High Desert (209 MW Solar)	Tehachapi, Calif.	Marathon Capital	Said to be close to a purchase sale agreement (PI, 10/17).
U.S. Power Generating Co.	Astoria Generating (2.1 GW Gas-fired)	Queens, N.Y.	Perella Weinberg Partners	Perella Weinberg has been hired to advise on strategic alternatives (PI, 9/26).

• New listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes, contact Senior Reporter **Holly Fletcher** at (212) 224 3293 or e-mail hlfletcher@powerintelligence.com.

Project Finance Deal Book

Deal Book is a matrix of energy project finance deals that *Power Intelligence* is tracking in the energy sector.

Live Deals

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Bloom Energy	Unidentified (Fuel Cell)	TBA	RBS	TBA	TBA	TBA	Sponsor taps RBS to lead financing (PI, 10/31).
Boralex, Gaz Mé	Unidentified (272 MW Wind)	Seigneurie de Beaupré, Quebec	BoTM, DB, KiW	TBA	\$500-600M	18-20-yr	Commerz joins deal; Hermes wrap nears (PI, 10/3).
Edison Mission Energy	Portfolio (Wind)	U.S.	WestLB	TBA	\$200M+	TBA	Deal priced at 250 bps over LIBOR (PI, 10/24).
Enova Energy Group, NuPower	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	Carlyle	TBA	\$170M	TBA	Carlyle tapped as lender after SocGen drops out (PI, 10/31).
First Wind	Palouse (100 MW Wind)	Whitman County, Wash.	KeyBank	TBA	\$180M	20+-yr	Key Wind to lead financing (PI, 10/24).
	Sheffield (40 MW Wind)	Caledonia County, Vt.	KeyBank	Construction/LOC	\$76M	TBA	JPMorgan affiliate finalizes tax equity investment (PI, 11/7).
Gradient Resources	Patua (132 MW Geothermal)	Reno, Nev.	BNP, Dexia, Scotia	TBA	\$600M	TBA	Project to be financed in phases (PI, 10/17).
Inkia Energy	Unidentified (400 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC, WestLB	TBA	\$525M	12-yr	Sponsor mandates lenders (PI, 9/26).
Invenergy	Bishop Hill I (200 MW Wind)	Henry County, Ill.	BayernLB, Rabo	Term/Bridge	\$415M	10-yr	Deka and Siemens join financing (PI, 10/17).
	Hardin Wind (300 MW Wind)	Hardin County, Ohio	TBA	Term	\$500M	TBA	Sponsor reaches out to lenders (PI, 9/19).
Macquarie Mexican Infrastructure Fund, Macquarie Capital, Fomento Económico Mexicano	Oaxaca (396 MW Wind)	Oaxaca, Mexico	Banorte, BBVA, Crédit Agricole, HSBC	TBA	TBA	16-yr	Four lenders join financing (PI, 10/10).
MPX	Castilla (2.1 GW Coal-Fired)	Chile	TBA	TBA	TBA	TBA	Sponsor talks to lenders about \$1 billion first phase (PI, 9/26/11).
• NextEra Energy Resources	Various (230.8 MW Wind)	California and Oklahoma	TBA	Refi	TBA	TBA	Sponsor reaches out to lenders about refi (see story, page 5).
Northland Power	Manitoulin Island (60 MW Wind)	Maitoulin Island, Ontario	Manulife	TBA	TBA	TBA	Manulife expects to name a second lender (PI, 10/31).
NRG	Alpine (66 MW PV)	Lancaster, Calif.	TBA	Term	\$300M	18-yr	Sponsor to delay financing until next year (PI, 10/17).
Odebrecht	Chaglla (406 MW Hydro)	Peru	BNP	TBA	\$650M	TBA	Brazilian Development Bank mulls contribution (PI, 10/3).
Pattern Energy	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	TBA	TBA	TBA	TBA	Sponsor targets financial close in 2012 (PI, 10/24)
	Santa Isabel (75 MW Wind)	Santa Isabel, P.R.	Siemens	Construction	TBA	TBA	Deal wraps (PI, 10/24).
Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial Valley, Calif.	BBVA, BoTM, Lloyds, MUFG, MS, RBS	TBA	\$600M	TBA	Sponsor mulls bond component to deal (PI, 10/31).
• Westar Energy, AEP, MidAmerican	Prairie Wind (Transmission)	Wichita, Kan. To Oklahoma	TBA	TBA	TBA	TBA	Westar to scout financing in late 2012 (see story, page 9).
Wind Capital Group	Post Rock (201 MW Wind)	Lincoln and Ellsworth, Kan.	BayernLB, Rabo	Term/Construction	\$300M	TBA	Mizuho, NordLB, UniCredit and Union Bank join deal (PI, 10/17).

• New Financing

To report updates or provide additional information on the status of financings, please call Senior Reporter **Brian Eckhouse** at (212) 224-3624 or e-mail beckhouse@powerintelligence.com.

Project Finance

Eight Lenders Wrap Quebec Wind Deal

Bank of Tokyo-Mitsubishi UFJ, Deutsche Bank, KfW IPEX-Bank, LBBW, Mizuho Corporate Bank, Siemens Financial Services, Sumitomo Mitsui Banking Corp. and Canadian institutional fund manager **Caisse de dépôt et placement du Québec** have wrapped a C\$725 million (\$710.34 million) non-recourse financing supporting **Boralex** and **Gaz Métro's** 272 MW wind project in Quebec. **BNP Paribas** was the financial adviser to the sponsors.

Euler-Hermes, the Germany export credit agency, has agreed to guarantee a portion of C\$260 million of the financing (\$254.66 million). **ENERCON**, the turbine supplier for the project, will manufacture some of the turbines in Germany, qualifying part of the financing for a Hermes wrap. The pricing of the Hermes-backed tranche was expected to start at 150 basis points over LIBOR (PI, 7/21); the pricing of the other tranche couldn't be learned. Both tranches have 18-year tenors.

Caisse, which is a shareholder of Gaz Métro, will contribute C\$25 million (\$24.47 million) to the deal. It is Caisse's first wind financing, says **Helene St-Pierre**, Gaz Métro treasurer in Montreal. Boralex and Gaz Métro had targeted \$75-100 million tickets for

most lender participants. The size of the other bank commitments couldn't be learned. St-Pierre declined to comment, while **Guy Daoust**, Boralex director of finance and treasury in Montreal, didn't return a call by press time. Bank officials declined to comment or didn't return calls. A Hermes spokeswoman in Hamburg didn't respond to an interview request.

Dexia Crédit Local and **Commerzbank**, which had been attached to the financing (PI, 9/28), pulled out well before closing. "Given what's going on in Europe, they couldn't be part of the deal," St-Pierre says. Dexia is restructuring at the parent level (PI, 10/18). A Commerz official declined to comment, while a Dexia official didn't immediately address an inquiry.

Hydro-Québec has a 20-year offtake agreement for the project, in Seigneurie de Beupré, Québec. The project, which is under construction, is expected to be operational in late 2013.

NextEra Scouts \$300M Wind Refi Package

NextEra Energy Resources has approached lenders about a roughly \$300 million refinancing supporting 236.8 MW of wind generation in the U.S. At least one lender has issued a financing proposal, says a deal watcher, who anticipates NextEra will select a club of lenders for the deal.

The refinancing will support three operating wind projects in

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SunZia Southwest Transmission Project Announces Commencement of Anchor Tenant Process

Starting November 1, 2011, SunZia Transmission LLC ("SZT") will commence an anchor tenant process for up to 50% of the merchant capacity available on the proposed SunZia Southwest Transmission Project (the "Project"). SZT is interested to discuss reserving future transmission capacity and the subsequent sale of long-term transmission service rights for up to approximately 1350 MW at negotiated rates with qualified potential anchor tenants. For additional information, see the Federal Energy Regulatory Commission's Order on SunZia Petition, 5/20/2011 (Docket EL11-24-000) at www.sunzia.net/resources_documents.php.

The Project consists of two, proposed, single-circuit 500kV lines and associated substations that are expected to deliver primarily renewable energy from central and southwestern New Mexico and southeastern Arizona to load-serving entities in Arizona, California and other western markets. SZT is offering delivery from and to the following delivery points: SunZia East, Midpoint, Hidalgo, Willow, Pinal Central and Hassayampa/Palo Verde. SZT expects to achieve commercial operation in 2016. Additional information about the Project is available at www.sunzia.net.

Interested parties should contact Jeff Rutland via email at jrutland@southwesternpower.com between November 1 and November 30, 2011 and request the anchor tenant criteria that SZT will use to determine which parties qualify for anchor tenant discussions.

In due course, SZT will hold an open season for the remaining 50% of the merchant capacity and any unsubscribed anchor tenant capacity. Interested parties who meet the open season screening criteria will be eligible to participate in the open season process. These eligible parties may include parties who did not meet SZT's anchor tenant criteria or who were not successful in concluding anchor tenant arrangements with SZT.

California and Oklahoma. NextEra frequently finances projects on balance sheet to avoid paying a premium for construction risk and then refinances in the bank market when the projects begin operating (PI, 10/29/10).

Relationship lenders include **Bank of Tokyo-Mitsubishi UFJ**, **Crédit Agricole**, **Helaba**, **Royal Bank of Scotland** and **UniCredit**. Deal details, including pricing, tenor, and the identity of potential lenders and projects couldn't be learned. A NextEra spokesman in Juno Beach, Fla., didn't return a call seeking comment. Bank officials declined to comment or didn't return calls.

Mergers & Acquisitions

Enbridge Buys EDF Wind Stake

Enbridge is buying a \$330 million stake in a 300 MW project being developed by **EDF EN Canada** in Quebec, marking the company's first venture into the province's wind sector. Enbridge will own half of the Lac Alfred wind project once the transaction is finalized later this year. EDF EN Canada is a subsidiary of **EDF Energies Nouvelles Co.** and an affiliate of **enXco**.

EDF opted to finance the project on balance sheet this spring after it couldn't land pricing under 250 basis points over LIBOR in a financing package (PI, 5/5). EDF EN will continue to lead the construction.

The roughly \$660 million project is about 250 miles northeast of Quebec City. The first phase is already underway and will be online by the end of next year while the second phase is slated to be online in December 2013. The project has a 20-year power purchase agreement with **Hydro-Quebec**.

How Enbridge is paying for its stake, the breakdown of ownership stakes, and whether advisors were involved in the transaction could not be learned. Spokespeople for the companies could not immediately comment.

People & Firms

Thorndike Heads To Moelis

John Thorndike, formerly a managing director and senior advisor at **Credit Suisse**, has joined boutique investment bank **Moelis & Co.** as a managing director. Thorndike will work with power and utility companies. He started Nov. 7.

Thorndike has worked primarily with regulated utilities in his years at Credit Suisse and previously at **Merrill Lynch** (PI, 2/9/07).

When Thorndike left Credit Suisse could not be learned and he could not be immediately reached for comment.

This is the second Credit Suisse banker to land at Moelis within the last month. **Scott DeGhetto** joined will be working out of its Houston office (PI, 10/12). In addition to global outposts, Moelis has offices in Boston, Chicago, New York, and Los Angeles. Where Thorndike is based could not be learned.

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News In Brief

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AMERICAS

- Executives at **Southern Co.** and **American Electric Power** contend that air-pollution standards expected to be imposed on coal-fired plants next month by the U.S. **Environmental Protection Agency** are impossible to meet. The EPA is planning to grant operators of the coal-fired plants three years to comply with the new regulations, with a possible one-year extension (*The Wall Street Journal*, 11/10).
- **Ditlev Engel**, CEO of **Vestas Wind Systems**, contends that the expiration of the production tax credit after 2012 may prompt wind turbine sales in the U.S. to "fall off a cliff." The PTC grants a subsidy of roughly \$0.02 per kWh of wind generation on payments by turbine operators (*Bloomberg*, 11/10).
- The U.S. **Department of Commerce** has begun investigating claims that Chinese solar-panel makers are dumping their products in the U.S., thus disrupting the domestic industry. Seven U.S.-based solar manufacturers, including **SolarWorld**, filed the claim with the Department of Commerce last month (*The Wall Street Journal*, 11/10).
- Newly released emails from a Democratic fundraiser with ties to **Solyndra** don't offer evidence that politics swayed the U.S. **Department of Energy** to grant the failed solar manufacturer a \$535 million loan guarantee. The fundraiser did ask President **Obama** to help push back against Chinese solar photovoltaic competitors (*The Wall Street Journal*, 11/10).
- **Michael Madigan**, speaker of the Illinois House of Representatives, is opposing a proposed deal between **Edison Mission Group** subsidiary **Midwest Generation** and Chicago Mayor **Rahm Emanuel** to close the 50-year-old Fisk and Crawford coal-fired plants in exchange for state subsidies to benefit a new 240 MW wind project. Madison supports a state bill forcing Midwest Generation to close or retrofit the plants (*Crain's Chicago Business*, 11/9).
- **Dynegy** is looking to put one of its non-generation subsidiaries into bankruptcy protection that will restructure \$4 billion in debt (*The Wall Street Journal*, 11/9).
- **Boralex** has agreed to sell five wood residue-fired biomass plants totaling 186 MW in Maine to **ReEnergy Holdings** for \$93 million (*Winnipeg Free Press*, 11/9).
- **Acciona** is developing a \$125 million, 49.5 MW wind project in Tilarán, Costa Rica, and plans to start construction next year (*Renewable Energy Focus*, 11/9).
- **Alberta Investment Management Corp.** is buying out **Morgan Stanley Infrastructure Partners'** 50% stake in Chilean power distributor **Grupo Saesa**. **Ontario Teachers' Pension Plan** is the other owner (*The Edmonton Journal*, 11/9).
- **Element Power U.S.** has completed its 50 MW Macho Springs wind project in New Mexico. **Tucson Electric Power** has a long-term offtake contract with the farm (*Energy Business Review*, 11/9).
- **Green Waste Energy**, a waste-to-energy developer in Greenwich, Conn., is proposing a \$60 million, 25 MW LGE project at the Port of Albany in New York (*Albany Times Union*, 11/9).
- California has hit a milestone of 1 GW of installed rooftop solar power, according to advocacy group **Environment California** (*San Jose Mercury News*, 11/9).
- **Iberdrola Resources** has shelved plans to build a wind project near Colton, Idaho, after wind surveys over several years indicated that the wind was not consistent or hard enough (*The Lewiston Tribune*, 11/8).
- **Eneco Holdings**, a utility in the Netherlands, has selected **Vestas** to supply turbines for a 129 MW offshore wind project in the North Sea (*Nordic Business Report*, 11/7).
- **RES America**, **Enel**, **Pacific Gas & Electric** and **Pacific Wind Development** have put up, or are proposing, meteorological test stations near Burney, Calif., to evaluate the wind regime. **Pattern Energy** recently completed construction on its 103 MW Hatchet Ridge wind project in the area (*Record-Searchlight*, 11/7).
- **NextEra Energy's** third quarter profits fell 43% as its unregulated generating business' earnings dove 77% to \$67 million compared to a year earlier. The company's utility **Florida Power & Light** saw income increase by 13% (*MarketWatch*, 11/7).
- **Siemens AG** has secured an order for a 100 MW wind project in Puerto Rico. The company has received a \$900 million in turbine orders since July (*The Wall Street Journal*, 11/7).
- **CECEP Solar Energy Technology Co.** will shelve plans for projects in California, New Jersey and Texas if the U.S. imposes duties on solar panel imports. **Cao Hubin**, general manager of the **China Energy Conservation and Environmental Protection Group** unit, says the duties would make the projects unprofitable (*Reuters*, 11/7).

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46th Annual EEI Financial Conference

More than 1,000 utility executives, investors, analysts and bankers converged for the 46th Annual **Edison Electric Institute** Financial Conference at the Walt Disney World Dolphin Resort in Orlando, Fla. on Nov. 6-9. Senior Reporters **Brian Eckhouse** and **Holly Fletcher** tracked the debates, cornered key executives and filed the following stories.

AES Eastern Debt Payment Looms, Buyer Talks Continue

Talks are continuing between AES and prospective buyers for its **AES Eastern Energy** subsidiary even as the coal-fired unit anticipates challenges in making its next debt payment. The unit operates four coal-fired plants totaling 1.17 GW in upstate New York and has about \$557 million in debt.

The January debt payment will be a challenge, **Ned Hall**, coo and executive v.p. of AES, told attendees. The July payment was made out of the company's reserves, Hall added. The unit had been under a forbearance agreement that expired Oct. 6 (PI, 8/20). The options for funding the January debt payment could not be learned.

The path to divestiture is unclear because lenders at this point will definitely have input over how the unit is sold, whether it's through a direct sale or possibly a bankruptcy, Hall said. Pass-through certificate holders hired boutique advisor **Rock Point Associates** in September (PI, 9/30).

A couple of entities showed strong interest in the acquisition in early summer although the sale process, run by **Barclays Capital**, slowed after the unit hit additional financial obstacles (PI, 7/29). There is more than one prospective buyer still in talks, Hall said, although he declined to elaborate due to confidentiality agreements.

Distributed Solar Growth Reshapes Demand

The expansion of distributed solar generation is contributing to decreased demand from major users for traditional wholesale power providers, said **Glen Grabelsky**, **Fitch Ratings** managing director.

States with renewable portfolio standards will likely further encourage the burgeoning distributed photovoltaic market, which is popular with consumers and large commercial users. **Walmart**, for instance, has an extensive program in California to dot stores' rooftops with PV panels. Solar DG units typically are installed on rooftops and pose little environmental risk.

Thin-film utility-scale rooftop units cost roughly \$0.19 per kWh, Grabelsky noted. Fitch estimates that figure to drop to \$0.13 by 2016, with improving energy efficiencies. It will have to hit \$0.08 per kWh to achieve grid parity against cheaper generation resources, however. Parity can be achieved between 2017 and 2020.

Westar To Scout Transmission Funds

Westar Energy and a joint venture of **American Electric Power** and **MidAmerican Energy Holdings Co.** will look for construction financing for the \$225 million Prairie Wind Transmission project late next year.

The roughly 110-mile project, connecting Wichita to Oklahoma, will use double-circuit, 345 kV lines.

Westar relationship lenders, which include **Bank of America**, **Citigroup**, **JPMorgan**, **Union Bank** and **Wells Fargo**, will be strongly considered to help finance Prairie Wind. "The vast majority [have] people who have worked with us for years," said **Mark Ruelle**, Westar president and ceo, in an interview with *PI*. "They understand our business, so they can help us in this endeavor."

The AEP-MidAmerican JV, **Electric Transmission America**, will be an equal partner with the Topeka, Kan.-based Westar on Prairie Wind. The sponsors recently snagged siting authority to begin acquiring rights-of-way for the project, Ruelle said.

The size of the financing couldn't be learned. The lines are expected to be operational as soon as 2014.

PG&E Readies Capital Markets Foray



Kent Harvey

Pacific Gas & Electric plans to tap the capital markets in 2012 to help finance its heavy capital expenditures program, **Kent Harvey**, senior v.p. and cfo, told *PI*. PG&E estimates a 2012 capex of \$4.2-4.8 billion.

The San Francisco-based utility generally issues roughly \$1 billion annually to satisfy its funding needs, Harvey noted. If PG&E hits that level again in 2012, it would likely do so in multiple debt issuances.

In terms of the timing of the issuances, need would be the foremost driver, not necessarily the coupon. Utilities have been scoring record-low coupons in recent months (*PI*, 9/9), as investors pursue safe options in a weak economy. PG&E snared its record-low coupon—3.25%—for 10-year debt last summer.

PG&E likely will tap relationship lenders that participate in its revolver for 2012 issuances, Harvey said. They include **Citigroup**, **JPMorgan**, **BNY Mellon**, **Deutsche Bank**, **Mizuho Securities**,

Morgan Stanley and **UBS Investment Bank** (PI, 4/8).

The specific size of PG&E's targeted 2012 issuances couldn't be learned. Harvey declined to comment.

PPL Readies \$3B For Coal Upgrades



Paul Farr

PPL Corp. is planning to spend \$3 billion on bringing the coal-fired fleet at its regulated Kentucky subsidiaries into compliance with anticipated emission regulations from the **U.S. Environmental Protection Agency**.

The company is planning to spend \$1.4 billion at its **Louisville Gas & Electric** subsidiary and \$1.1 billion at **Kentucky**

Utilities, **Paul Farr**, executive v.p. and cfo of PPL, told *PI*. So far, the companies are approved to spend \$500 million by state regulators and a decision on the remaining amount is expected in December. The upgrades will be made over the next five years.

As the capex is on equipment, including scrubbers and baghouses, debt will be issued at the utility subsidiary level that keeps the corporate debt-to-equity ratio at 46.75 to 53.25, Farr said.

As part of the plan to meet regulations, 800 MW of coal-fired plants will be shut down. To replace a portion of the shut-downs, the Kentucky utilities are buying the 495 MW Bluegrass plant, comprised of three simple cycle turbines, in LaGrange, Ky., from LS Power for \$110 million and will split ownership. LG&E will own 69% with KU as owner of the rest. That transaction is expected to be complete by the end of June.

A 640 MW combined cycle natural gas-fired combined cycle project is being developed at the existing Cane Run coal plant in Louisville.

EPA To Hit Small Coal Plants

Coal-fired plants generating under 400 MW are most vulnerable to forced retirements under upcoming U.S. **Environmental Protection Agency** emissions regulation.

The cost to retrofit coal-fired facilities with scrubbers is generally cheaper for larger plants than smaller ones, as costs decline with increasing scale, said **Philip Smyth**, **Fitch Ratings** senior director.

Fitch estimates that 50-80 GW of the nation's coal-fired fleet will be retired due to the new or evolving EPA regulations, including the Cross-State Air Pollution Rule. A large chunk of the fleet sits east of the Mississippi River, with 10 states east of the boundary accounting for over 50 GW of units. Tennessee, Wisconsin, North Carolina and Alabama head that list.

The shuttering of roughly 19% of the nation's generation derived from coal will boost usage of gas, Smyth said. Fitch predicts a rise of 162-260 GWh annually in gas-fired generation after the retirements of some of the coal-fired fleet. The EPA rules are expected to go into effect starting this year and next year.

Wave Of Deregulation Seen

The U.S. utilities industry may be in the midst of a second-wave of deregulation and competition and the first since the late 1990s, said **Brian Hayduk**, the former president of one-time **PNM Resources** subsidiary **First Choice Power**.

The explosion of technology that empowers tech-savvy consumers, including smart grid and smart meters, is a driver of this apparent second wave, said **Susan Ackerman**, a commissioner on the **Oregon Public Utility Commission**. The technologies may be able to improve reliability of generation and

SEEN 'N HEARD

- In a very informal poll, most conference participants said the highlight of the conference was a perversely entertaining panel on the mounting U.S. deficit featuring **Erskine Bowles**, a one-time chief of staff to former President **Bill Clinton**, and the folksy **Alan Simpson**, a former senator from Wyoming.
- Noting the sales of **CenterPoint Energy** and **Central Vermont Public Service**, Bowles said: "I do wish we had come last year [to this conference] and invested in CenterPoint and Central Vermont. We would be a lot richer today."
- Attendees at the networking reception on Sunday were treated with delights from around the world, including a pot-your-own Bonsai tree and the chance to watch a French shadow puppet show.
- What do middle school dances and utility executives have in common? Apparently, the mantra "I Will Survive." Monday was rounded out with a 70s disco reception that was replete with disco balls, glow sticks, air hockey tables and pin ball machines. A *PI* senior reporter and a spokeswoman for **Standard & Poor's** were glimpsed boogieing to **Gloria Gaynor's** "I Will Survive."
- **Ellen Lapson**, a **Fitch Ratings** managing director, noted that her firm had hosted breakfasts at 23 EEI Financial Conferences—half the number of conferences **Edison Electric Institute** has held. She then joked that she's certainly an analyst, noting that the percentage of Fitch breakfasts will only grow in future years.
- What to do with the **Oscar Mayer** weinermobile (embarrass your teenage children by picking them up at school) and why to not fear colonoscopies topped the list of advice that humor columnist **Dave Barry** had for the conference at Tuesday's luncheon.

price for consumers, utility executives said.

The new wave may encourage new players into the utility sector, including technological giants or brands already on “the doorstep” of the American consumer, including cable and home security companies, Hayduk said in an interview on the conference sidelines.

“Is it a stretch to think that they would want to offer you electricity?” he asked, noting the financial and lobbying clout of giants of these industries.

PNM recently completed the sale of the Irving, Texas-based First Choice to **Direct Energy** for a reported \$270 million plus working capital.

PGE Preps Gas RFP

Portland General Electric is readying a request for proposals for 500-700 MW of gas-fired generation. The RFP will be issued by the first quarter of next year.

The 500 MW will be split 300 MW-200 MW, though it's possible bidders can pitch a single project that generates the full load, said **Tammy Neitzke**, assistant treasurer, in an interview with *PI*.

Two of the contending projects are being developed by PGE, including Port Westward II, near Clatskanie, Ore., Neitzke says. An independent evaluator will assess all the bids, including the two submitted by the utility. There is precedent for utilities bidding into their own generation calls, including at least one PGE call. The generation capacities of the proposed PGE projects couldn't be learned.

The 200 MW would likely constitute seasonal peaker facilities. Resources would be available by 2013. The 300 MW, however, would be a baseload facility that could deliver generation between 2015 and 2017. PGE is estimating the capital costs of the 300mw project to be between \$1,300 and \$1,400 per KW.

PGE had expected to issue an RFP in late July (PI, 4/28), but the state **Public Utilities Commission** sought a review of the state's generation needs.

PSEG Preps Transmission Project



Ralph Izzo

Public Service Enterprise Group is readying \$750 million in transmission lines from Warren County, N.J., through Morris County to Essex County. The 45-mile segment, part of the regional Susquehanna-Roseland transmission project, will be financed via the Newark, N.J.-based utility's balance sheet, said **Ralph Izzo**, chairman, president and CEO, on the conference sidelines.

The utility has no specific timeline to issue debt to finance its part of the project, which includes a Pennsylvania portion being developed by **PPL Corp.** “We'll do it as needed,” said **Kathleen Lally**, v.p. of investor relations in Newark.

Upcoming debt issuances wouldn't solely finance the Susquehanna-Roseland project, said Izzo, noting PSE&G's growing capital investment program. The utility is planning \$5.2 billion in investments through 2013, including \$2.9 billion in transmission.

REPORTER'S NOTEBOOK

• **Southern Co.** anticipates receiving final federal clearances for the proposed third and fourth units at the Vogtle nuclear plant in Waynesboro, Ga., possibly by year-end. **Thomas Fanning**, president, told *PI* on the sidelines that he doesn't expect the nuclear disaster in Fukushima in March to delay that process. The **Obama** administration, Congress and Georgia legislators remain supportive of new-build nuclear, he said. Each new unit at Vogtle is expected to generate 1.1 GW.

• **Black Hills Corp.** is reviewing bids under a request for proposals to take its 50% stake in a 29 MW wind project being developed by subsidiary **Colorado Electric** (PI, 8/17). Prospective owners are

primarily entities that have tax appetite, **Brian Iverson**, v.p. and treasurer of Black Hills told *PI*.

• **CH Energy Group** is eyeing joining transmission projects in New York that would relieve congestion in the state and ship renewable energy to load centers, **Steven Lant**, CEO and president told *PI*. The New York State Transmission Assessment and Reliability Study has identified potential projects.

• **American Electric Power** is establishing transmission companies in several of its utility territories to develop intrastate transmission lines. The move is a precursor to working on regional projects

with other companies, **Nick Akins**, president and CEO-elect, told attendees.

AEP is working on plans to build about 1.5 GW of combined cycle facilities in areas where coal-fired plants are being shuttered under emission regulations, Akins said. Roughly 6 GW of coal-fired plants will be retired.

• **FirstEnergy** will decide which coal-fired plants are candidates for retirements or upgrades when there is more clarity on the maximum achievable control technology (MACT) from the U.S. **Environmental Protection Agency**, **Anthony Alexander**, president said. The company anticipates that compliance will cost \$2-3 billion.

Transmission is expected to comprise roughly one-third of PSE&G's rate base by 2013.

Cleco Issues RFP For Gas-Fired Gen

Cleco Power is seeking up to 750 MW of gas-fired generation. The **Cleco Corp.** subsidiary will consider generation from proposed or existing projects, said **Bruce Williamson**, president and ceo. Bids are due Nov. 17.

Williamson anticipates that existing facilities will likely be preferred over proposed projects, as Cleco is aiming to offtake resources by May 1, 2012. In its review of bids, Cleco will examine bidders' unsecured credit ratings as determined by **Moody's Investors Service** and **Standard & Poor's**, according to the RFP document.

Winning bidders will receive power purchase agreements or tolling arrangements lasting between three and five years. Cleco is targeting early 2012 to finalize contracts under the RFP.

Cleco, based in Pineville, La., is also considering issuing a separate RFP for long-term resources early next year, according to the company's Web site.

Fortis Scopes (Continued from page 1)

to **James Spinney**, treasury manager. Fortis doesn't want a generation heavy utility.

Current operations in British Columbia and Alberta as well as Nova Scotia and Newfoundland, make the Pacific Northwest and Northeast attractive, although geography is not a top priority, Spinney said, noting that Fortis owns a utility in the Caribbean and hydropower generation in Belize. The key criteria include whether the utility is situated in an area with a balanced regulatory scheme; growth among residential and industrial customers; and an immediate accretion to earnings.

Subsidiaries operate as standalone companies with an independent board of directors so a strong management team is also important, Spinney said. In addition to corporate autonomy, coming under the corporate umbrella gives subsidiaries access to Fortis' capital pool.

Acquisitions are financed quickly and in Canada equity can be issued on the same day the merger is announced, said Perry, noting that the funds sit in an escrow account until the deal is finalized. If the transaction falls through, the equity is redistributed. Fortis aims to maintain a 60:40, debt to equity split.

CVPS, with a market cap of \$311 million, was smaller than Fortis' target range, but the business and regulatory environment aligned with Fortis' criteria. Gaz Métro topped Fortis bid by \$0.15 per share, or \$3 million (PI, 7/12).

Fortis owns four merchant hydropower facilities in upstate New York totaling 23 MW.

—H.F.

KEPCO Plots (Continued from page 1)

funding would be via project finance banks, he said, adding that the company has no preference about whether lenders are based in South Korea.

Hydro is also an option. KEPCO is also conducting an internal review on the feasibility and challenges of developing wood-fired biomass projects. There are no biomass-fired plants in South Korea.

The company, through two subsidiaries, has solar and wind projects in the development pipeline in the U.S. and Canada. It is in a partnership with **Samsung Renewable Energy** and **Pattern Energy** to develop 410 MW of wind projects in Ontario (PI, 1/21). Another subsidiary, **Korea Midland Power Co.**, was recently awarded a contract to develop a \$1 billion, 300 MW solar project in Boulder City, Nev., along with **Posco Engineering Co.**

KEPCO made its first move into the U.S. last year when it acquired **Marubeni Sustainable Energy** (PI, 11/10/10).

—H.F.

Quote Of The Week

"We think we bring big value to boards when we join."—**Robert Johnston**, the executive v.p. and chief strategy officer of **The InterTech Group** in North Charleston, S.C., who represents the **Zucker** family on two utility boards (see story, page 1).

One Year Ago In Power Finance & Risk

Tenaska sought to raise debt to support its first two solar projects, both in Southern California, by the end of this year. [The Omaha, Neb.-based sponsor tapped **BBVA**, **Bank of Tokyo-Mitsubishi UFJ**, **Lloyds TSB**, **Mitsubishi UFJ Financial Group** affiliate **Union Bank**, **Morgan Stanley** and **Royal Bank of Scotland** to finance the 130 MW Imperial Solar South project (PI, 9/27).]

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

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