

power finance & risk

The exclusive source for power financing and M&A news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

NOVEMBER 22, 2010

VOL. XIII, NO. 46

LifeCo.'s To Tie Up Northland Deal

Manulife Financial and **Canada Life Financial** are set to wrap a **Northland Power** financing.

See story, page 2

PRC Scouts Capital For Wind

Project Resources Corp. is looking for capital as it aims to expand its development pipeline.

See story, page 2

Project Finance

Shepherds Deal Details Revealed	4
Union Bank Inks EDF Mandate	4
ArcLight B Loan Prices	4

Mergers & Acquisitions

Constellation Scores BostonGen	5
EIF Snags N.Y. Plants	5
ReEnergy Scoops Conn. Plant	6

Corporate Strategies

EFH Swaps Debt	6
----------------	---

People & Firms

Dennes Opens Advisory Shop	6
----------------------------	---

Departments

Industry Current	7
Generation Sales Database	9
Project Finance Deal Chart	10

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2010 Institutional Investor, Inc. All rights reserved. ISSN# 1529-6852

EDP SHOPS FOR HORIZON INVESTOR

Energias de Portugal is quietly shopping for a co-investor in its **Horizon Wind Energy** operation to push the development of a 6 GW pipeline. Financial shops and some Asian players are being targeted, bankers say. Horizon wants to develop a joint venture with a financial firm in order to keep its development team in-house, one banker says. No advisor is being used.

One option could be that an investor buys a stake in Horizon's existing 3.3 GW fleet, with the capital being used to finance development.

The Portuguese utility bought Horizon from **Goldman Sachs** for \$2.93 billion in 2007. The tough markets for financing and offtake contacts in the following years cramped Horizon's development plans and now the company needs a bigger balance sheet to finance

(continued on page 11)

RES AMERICAS EXECS EXIT

A slew of senior staffers have left **Renewable Energy Systems Americas**, the Bloomfield, Colo.-based wind developer and EPC contractor. **Richard Ashby**, cfo, **George Leing**, senior counsel, and **Chris Calavitta** and **Daniel East**, both v.p.s of renewable financing, have all made tracks in the last three months. Whether the departures are connected could not be determined.

A spokesman declined comment on the specific departures, apart from stating, "Recent times have brought healthy change within the management team and fresh perspectives on our vision and future. We are currently seeking a high quality, experienced CFO to further strengthen our already exceptional group of managers." Ashby and Leing resigned earlier this month. Calavitta left in October and East left in September.

"They are excellent developers, but they have an interesting story," says a banker about the

(continued on page 11)



'Looking For A Vehicle'

BBVA, NATURENER TEST WATERS FOR \$700M PROJECT

BBVA and NaturEner officials have been pounding the pavement in New York speaking to banks and investors about financing the \$700 million Rim Rock wind project. Stops were made earlier this month at **Macquarie Capital**, **Citigroup**, **JPMorgan** and **Morgan Stanley**, among others.

BBVA is finalizing a \$150 million equity investment in NaturEner's parent **Grupo NaturEner** and the funds will trickle down as an equity slug for the 309 MW project in

(continued on page 11)

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



At Press Time Duo Set To Wrap Northland Wind Deal

Manulife Financial and Canada Life Financial Corp. expected to close a \$107.5 million loan last week backing Northland Power's 100 MW wind farm in Quebec. Manulife is leading the deal and lending \$78.2 million, with Canada Life providing the balance.

The financing has a tenor of construction plus 20 years, matching Hydro-Québec's offtake agreement for the farm in Mont Louis, Quebec. Pricing couldn't be learned. Tony Anderson, Northland cfo in Toronto, and a Manulife official in Toronto declined to discuss pricing. A Canada Life official in Toronto didn't return a call.

Northland is providing \$31.3 million in equity, financed by a \$150 million sale of shares on the Toronto Stock Exchange. The province of Quebec has also agreed to loan Northland \$14.48 million for the project (PFR, 10/4). Northland expects the farm to be operational next year.

Minn. Co. Looks For Wind Capital

Project Resources Corp. is looking to raise an undisclosed amount of capital to expand its wind development pipeline in the Midwest. "They are trying to figure out what the next phase is for the company. They want to bring in someone with a balance sheet," says a deal watcher, adding the company is probably interested in both strategic and financial players. Teasers went out last weekend; Alyra Renewable Energy Finance is advising.

The Minneapolis, Minn.-based company has its sights on 250 MW of potential acquisitions, according to the teaser that went out last weekend. The company has developed projects in a dozen states, including Colorado, Iowa, Kansas and Minnesota. Potential acquisition targets could not be learned.

Its current pipeline has 220 MW across five projects that are in an Xcel Energy request for proposal to secure power purchase agreements, according to the teaser. The 50 MW Lakeswind project in Minnesota, which the company bid into the Xcel RFP, is awaiting a PPA in order to start construction.

PRC has developed 1.5 GW of projects over the last 14 years and has been steadily increasing its project size. It financed its 25 MW Ridgewind project with a sale leaseback with Union Bank earlier this year and is looking to line up financing for Lakeswind (PFR, 11/8). Ridgewind will be online next month.

Neither the timeline for the process nor the identity of potential investors could be learned. Officials at Alyra in Northampton, Mass., and PRC declined to comment.

Tell Us What You Think!

Do you have questions, comments or criticisms about a story that appeared in PFR? Should we be covering more or less of a given area? The staff of PFR 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@iineews.com.

power finance & risk

The exclusive source for power financing and M&A news

EDITORIAL

STEVE MURRAY
Editor

TOM LAMONT
General Editor

PETER THOMPSON
Executive Editor [Chicago]
(773) 439-1090

SARA ROSNER
Managing Editor
(212) 224-3165

BRIAN ECKHOUSE
Senior Reporter
(212) 224-3624

HOLLY FLETCHER
Senior Reporter
(212) 224-3293

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

KIERON BLACK
Sketch Artist

PRODUCTION

DANY PEÑA
Director

DEBORAH ZAKEN
Manager

MELISSA ENSMINGER,
JAMES BAMBARA, DOUGLAS LEE
Associates

JENNY LO
Web Production & Design Director

ADVERTISING

PAT BERTUCCI
Associate Publisher
(212) 224-3890

ADRIENNE BILLS
Associate Publisher
(212) 224-3214

PUBLISHING

ALLISON ADAMS
Group Publisher

GAURI GOYAL
Business Director
(212) 224-3504

ANNA LEE
Marketing Director
(212) 224-3175

ISMAELA BEST
Senior Marketing Manager
(212) 224-3609

VINCENT YESENOSKY
Head of US Fulfillment
(212) 224-3057

DAVID SILVA
Senior Fulfillment Manager
(212) 224-3573

SUBSCRIPTIONS/ ELECTRONIC LICENSES

One year \$2,995 (in Canada add \$30 postage, others outside US add \$75)

KEN LERNER
Account Executive
(212) 224-3043

REPRINTS

DEWEY PALMIERI
Reprint & Permission Manager
(212) 224-3675
dpalmieri@institutionalinvestor.com

CORPORATE

JANE WILKINSON
Chief Executive Officer

STEVE KURTZ
Chief Operating Officer

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7779 8704
Hong Kong: 852 2842 6910
E-mail: customerservice@iineews.com

Editorial Offices: 225 Park Avenue
South, New York, NY 10003.
Tel: (773) 439-1090
Email: pthompson@iineews.com

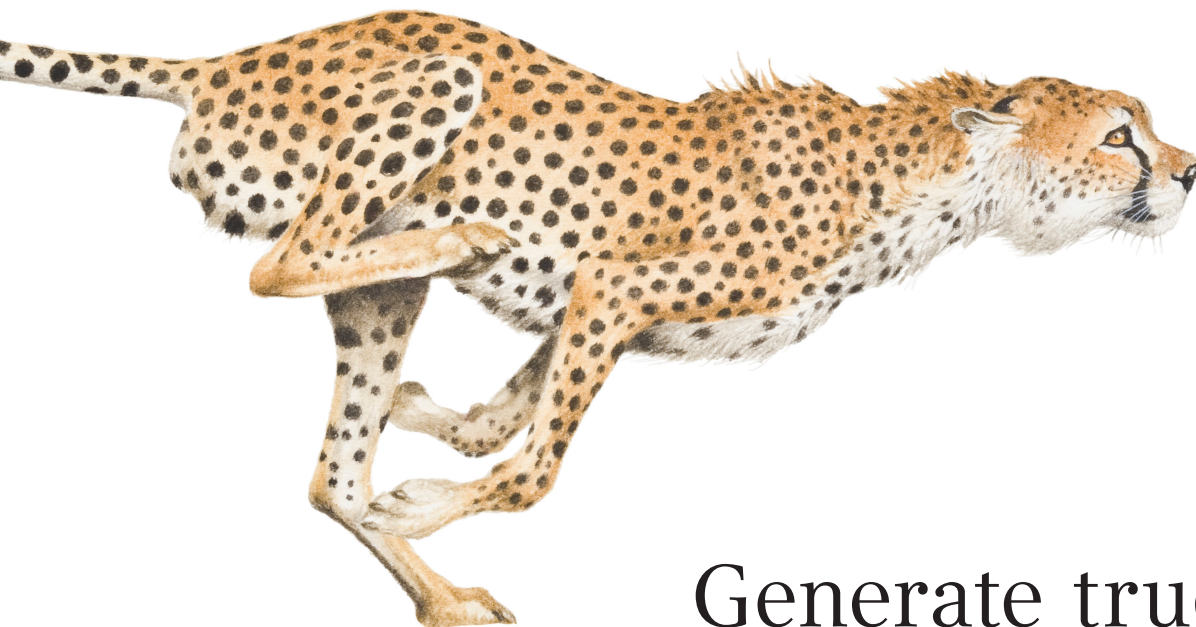
Institutional Investor Hotline:
(212) 224-3570 and (1-800) 437-9997 or
hotline@institutionalinvestor.com

Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Power Finance & Risk ©2010
Institutional Investor, Inc. ISSN# 1529-6652

Copying prohibited without the permission of the Publisher.

**Institutional
Investor NEWS**
INTELLIGENCE FIRST



Generate true power in structured financing. Use our energy.

We accelerate your projects. Channel our award-winning passion and energy expertise into global growth opportunities.

Pioneer new ways to finance power, oil & gas, and renewable energy.

You can rely on us to energize your deal.

For more information on how WestLB can help your business, please contact:

Europe, Middle East and Africa, + 44 20 7020-7210, + 49 211 826-4296

The Americas, + 1 212 852-6120

Asia Pacific, + 65 6333-2330

www.westlb.com/energy



Project Finance

Canadian Co. Zeroes in On Calif. Wind Funds

Vancouver-based **Western Wind Energy** expects to wrap a roughly \$264 million financing backing its 120 MW Windstar farm in Tehachapi, Calif., in the next few weeks. Four lenders are anchoring the financing for the \$290 million project. Western Wind is providing the rest of the project's costs via equity.

NordLB and **GE Energy Financial Services** were among the lenders considering the financing (PFR, 7/11/08), though a spokesman for GE EFS notes the firm is not involved in the deal. **Manulife Financial** has been eying a wind financing in California. Whether NordLB and Manulife are involved in the Windstar financing couldn't be learned. The identity of the lenders leading the financing for Windstar and deal details, including pricing and tenor, also couldn't be learned.

Southern California Edison has a 20-year offtake agreement for Windstar. The project's operation timeline couldn't be learned by press time. **Jeffrey Ciachurski**, Western Wind ceo and director in Vancouver, declined to comment. Bank officials and spokespeople either declined to comment or didn't return calls.

Details Emerge In Shepherds Flat Deal

A \$366 million financing backing **Caithness Energy** and **GE Energy Financial Services'** \$2 billion Shepherds Flat wind farm is comprised of \$231 million in letters of credit and a \$135 million term loan. Of the \$231 million in letters of credit, roughly \$95.2 million is covered by a U.S.

Department of Energy loan guarantee, while the rest is uncovered. The tenor on the letters of credit is construction plus five years. The tenor on the term loan is construction plus 12 years.

Leads **Bank of Tokyo-Mitsubishi**, **Citigroup**, **Royal Bank of Scotland** and **WestLB** are talking to 15 banks about the financing (PFR, 11/11). Pricing is 300 basis points over LIBOR for the unguaranteed portions of the deal and 175 bps for the portion covered by the DOE. Large

European project finance banks are among those interested and can take covered, uncovered or a mix of both types of debt, say deal watchers. Ticket sizes are expected to be roughly \$40 million each.

The leads launched a roadshow for the \$650 million private placement attached to the financing earlier this month. Pricing and the identity of potential participants in that deal couldn't be learned. **Jeff Delgado**, Caithness director in New York, did not return a call, and a GE EFS declined to comment. Bank officials either declined to comment or couldn't be reached.

Southern California Edison has a 20-year offtake agreement for the 845 MW farm in eastern Oregon. A spokeswoman from the DOE declined to comment.

Union Bank To Co-Lead EDF Deal

Union Bank has joined **Dexia Crédit Local** as a co-lead on a financing backing **EDF Energies Nouvelles Canada's** 12 MW solar project in Nation, Ontario. **NordLB** and **Société Générale** are also looking at the deal, which would fund development of the roughly \$48 million photovoltaic St. Isidore facility (PFR, 11/5).

Deal details, including pricing and tenor, as well as the financing timeline and the identity of the offtaker couldn't be learned. **Jim Peters**, director of project finance for EDF affiliate **enXco** in Burlington, Vt., didn't return a call by press time. Bank officials declined to comment.

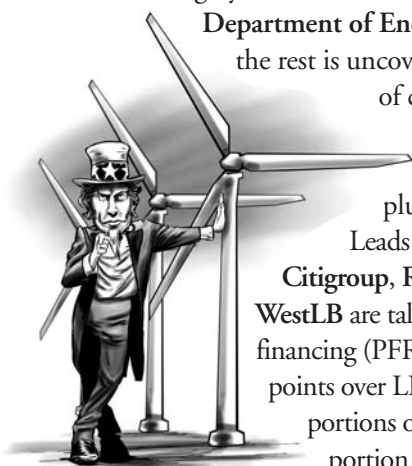
St. Isidore is a companion to enXco's \$85-100 million PV plant in Arnprior, Ontario, a deal watcher says. Dexia and Union Bank wrapped that financing in late 2009 (PFR, 1/12). St. Isidore is under construction and could be operational by year-end. How EDF is covering construction costs couldn't be learned.

ArcLight B Loan Prices At 600 Bps

Four **ArcLight Capital Partners** affiliates have priced a \$370 million term B loan at 600 basis points over LIBOR. The LIBOR floor is set at 175 bps and the seven-year loan has an original issue discount of 98. Commitments are due Dec. 7.

Standard & Poor's rates the ArcLight loan BB-, with a recovery rating of 2. "If there's a default in payment, lenders can expect 70-90% of their principal," says **Aneesh Prabhu**, S&P director in New York of the recovery rating.

The loan backs seven U.S. generation projects in Connecticut, Maine, Michigan, Nevada, New Mexico, Pennsylvania and Texas and 12 Spanish cogeneration plants, all in operation. The plants are owned by ArcLight holding companies **Race Point Power II**, **Race Point Power III**, **Race Point Power IV** and **NeoElectra Lux**. ArcLight chose to use the four entities in the deal to keep the new debt at the holding company level, Prabhu explains. NeoElectra, based in Luxembourg, may issue European debt, he



adds. The ArcLight projects have existing project debt and offtake agreements, a deal watcher says. The locations, capacity and the identity of the offtakers couldn't be learned by press time.

"Deals have gotten done [at that pricing], so it's just a matter of it being put into the right market," says an originator in New York, declining to elaborate. **Calpine** priced its \$1.4 billion acquisition financing for **Conectiv Energy** at 550 bps earlier this

year (PFR, 9/17). **Mirant** and **RRI Energy** priced a \$700 million B loan financing backing their merger into **GenOn Energy** at 425 basis points (PFR, 9/24). S&P rated Mirant and RRI's loan BB-.

Barclays Capital and **Credit Suisse** are leading the ArcLight deal (PFR, 11/10). **Dan Revers**, ArcLight managing director in Boston, and a Credit Suisse official didn't return calls seeking comment. A Barclays official declined to comment.

Mergers & Acquisitions

Constellation Wins BostonGen Bankruptcy Auction

Constellation Energy's \$1.1 billion bid to buy **Boston Generating Co.** prevailed Monday in the court-run auction at the New York offices of law firm **Latham & Watkins**. A sale hearing to approve the deal was held Wednesday at 10 a.m. at the U.S. Bankruptcy Court for the Southern District of New York, according to industry officials.

A Constellation official in Baltimore confirmed the company's success but declined further comment.

A group of second lien creditors submitted the only other offer; a restructuring proposal which Judge **Shelley Chapman** rejected. Stalking horse Constellation was expected to face off against **Energy Capital Partners** and a consortium of second lien bidders including **CarVal Investors** and **MatlinPatterson Advisers** (PFR, 11/9). The lowest bid that could have topped Constellation was \$1.145 billion.

U.S. Power Generating Co., BostonGen's parent, put the 2.9 GW facility on the block last April and filed for bankruptcy in August (PFR, 8/20). **JPMorgan** is advising U.S. PowerGen. Constellation is working with **Credit Suisse** and **UBS**.

Officials at CS, ECP, JPMorgan, UBS and U.S. PowerGen could not be reached. A spokeswoman for CarVal in Minnetonka, Minn., declined to comment.

EIF Scoops N.Y. Landfill Gas Plants

A unit of **Energy Investors Funds** has agreed to purchase a 66 MW portfolio of landfill gas-to-energy plants in New York from **Innovative Energy Systems**, a developer specializing in methane gas-to-energy facilities. **EIF Renewable Energy Holdings** plans to close the transaction that will add 10 plants to its fleet by year-end. The purchase price could not be learned.

Peter Zeliff, president and ceo at Innovative in Oakfield, N.Y., will maintain a less than 10% minority interest in the facilities, according to a document filed Nov. 12 with the U.S. **Federal Energy Regulatory Commission**. The portfolio includes:

- 4.8 MW Colonie in Cohoes
- 4.8 MW Danc in Rodman

- 3.2 MW Fulton in Johnstown
- 6.4 MW facility in Youngstown
- 5.6 MW facility in Youngstown
- 4.8 MW Hyland in Angelica
- 6.4 MW Clinton County in Schuyler Falls
- 6.4 MW Chatauqua, which is being expanded to 9.6 MW, in Ellery
- 17.6 MW Seneca Falls Project in Seneca
- 5.6 MW Ontario County in Stanley

EIF Renewable Energy owns 21 landfill gas projects across the country and has a dozen in development. Zeliff was unavailable to comment and EIF officials declined to comment through a spokesman.

Brick To Take Final New England Bids

Final round bids for **Brick Power's** pair of natural gas-fired plants in New England will be due in the middle of December. The sale has drawn strong interest from bidders that are bullish on the future ISO-New England power market, says a banker. Bidders have not received word about an exact date regarding the deadlines, industry officials say. **Deutsche Bank** is running the auction.

The seller hopes to fetch more than the \$450 million **Energy Capital Partners** paid for three natural gas-fired assets in the same region from **BG Group** earlier this year (PFR, 3/23). The two plants comprise the 265 MW Tiverton facility in Rhode Island and the 265 MW Rumford facility in Maine.

NRG Energy is in the running as are **Capital Power**, **Centrica** unit **Direct Energy**, **Constellation Energy**, **Energy Capital Partners** and **First Reserve** (PFR, 8/9). The identity of another bidder that is a joint venture between a financial player and a strategic could not be learned. NRG is said to be working with **Citigroup**.

Brick Power is a holding company owned by a consortium including **Plainfield Asset Management**, **Sandell Asset Management** and **D.E. Shaw**. Company officials did not return calls.

Spokespeople at ECP and NRG did not immediately respond

to inquiries while officials at Constellation and Capital Power declined to comment. A Deutsche Bank official did not respond to a message and a Citi official couldn't immediately comment.

Riverstone-Backed Co. Snags Tire-Fueled Plant

ReEnergy Holdings, a **Riverstone Holdings**-backed company focused on biomass and waste fuel-fired plants, has agreed to buy a facility fueled by tires from **CMS Energy**. The 31 MW Exeter operation in Sterling, Conn., is the only commercially operated plant in the country entirely fueled by tires, says **Larry Richardson**, ceo in Latham, N.Y. The deal could close by year-end, pending federal and state regulatory approval. He declined to comment on the purchase price.

ReEnergy is in advanced discussions to add biomass and waste-fueled plants to its fleet after locking in the purchase. It plans to close more acquisitions in the Great Lakes region and on the eastern seaboard within nine months, says Richardson. "Those are the areas we see best alignment of market forces—fuel and power prices," he says.

After the acquisition of the Exeter plant wraps, ReEnergy will launch repairs aimed to increase the plant's efficiency, Richardson says. The facility is currently not under a power purchase agreement and the team will look to start negotiations in the future. He declined to comment on the cost of the repairs or a timeline for arranging a PPA.

CMS, which owns **Consumers Energy**, has six waste-fired plants in Michigan and one facility North Carolina. Whether CMS is looking to sell the rest of its unregulated fleet could not be learned. A call to a spokesman in Jackson, Mich., was not returned.

Corporate Strategies

EFH Unit Inks Debt Swap

Texas Competitive Electric Holdings Co., a unit of **Energy Future Holdings**, has given a group of bondholders more seniority in the debt pecking order with an \$885 million exchange of senior secured second lien notes. TCEH swapped \$1.27 billion of unsecured notes that mature in 2015 and 2016 for the new notes with a 2021 stamp.

The bonds issued Nov. 12 were part of a 144A placement that EFH priced last month (PFR, 10/25) and carry a 15% coupon. Bondholders surrendered 2015-maturity senior notes that carried a 10.25% coupon and 2016 senior toggle notes with 10.5% and 11.25% coupons. **Moody's Investors Service** assigned a Caa2 rating. The company did not use any bookrunners in the Nov. 12 transaction.

TCEH has \$2.9 billion of capacity left in which to issue

bonds, \$750 million of which could be first lien debt. The remaining capacity could all be issued as second lien debt, says **Rima Hyder**, director of investor relations in Dallas. She declined to comment on the identity of the bond holders that participated in the swap.

The parent expects to work with investors in public or private placements to refinance portion of its \$31 billion debt, she says, adding there are "different amounts [of remaining capacity] at different places in the debt structure." She declined to comment on timelines or whether the company is currently in exchange negotiations.

People & Firms

BNP Director Launches Advisory Firm

Mark Dennes, a director of power and energy in the North American project finance group at **BNP Paribas** and former group head of energy in the Americas at **Fortis**, has left the bank and launched his own advisory shop, **Energy Capital Advisors** in New York. He departed BNP last week. Energy Capital Advisors expects to advise wind, solar, biomass, geothermal, waste-to-energy and landfill gas developers, according to its Web site. The shop will help clients raise equity at the corporate level as well as debt, equity and tax equity at the project level.

Dennes worked at **Fortis Capital** from 2005 through last year, when BNP bought it (PFR, 5/1/09). He previously worked as a v.p. in structured finance at **Bank of Tokyo-Mitsubishi UFJ** and as a finance manager at **InterGen**.

The reasons for Dennes' departure and whether BNP has replaced him couldn't be immediately learned. A BNP spokeswoman in New York declined to comment. Dennes didn't return a call by press time.

iipower.com

**PRINT IT OUT. DOWNLOAD IT.
YOUR CHOICE.**

Subscribers can access their copy of
Power Finance & Risk on Friday afternoons
at www.iipower.com.

To set up your subscriber password, contact
customerservice@iinews.com or call
(800) 715-9195 between 8:00 a.m. and 6 p.m.



INDUSTRY CURRENT

Pa. Solar Expansion

Pennsylvania is poised to take off as a solar market as a result of an alternative energy portfolio standard adopted in 2004 whose solar targets are expected to ramp up rapidly. Trading in renewable energy credits in the state will also escalate rapidly, including credits tied to renewable energy projects in 12 neighboring states. Pennsylvania is one of 16 states that require utilities to supply a certain percentage of electricity specifically from solar. Despite this, the state still has only 29 MW of installed solar capacity.

The alternative energy portfolio standard—or AEPS—requires both utilities and power marketers that serve retail customers to supply a small, but rapidly increasing, percentage of their power from solar photovoltaic systems each year. There are 11 covered utilities in Pennsylvania and about 50 power marketers.

Electricity suppliers covered by the program must hold a minimum number of solar alternative energy credits to meet their obligations. SAECs are awarded to utilities that use solar equipment for their own generation, or they can be purchased along with power from independent generators who use solar in a bundled transaction, or purchased separately through a tradable instrument. The amount of SAECs required, as a percentage of electricity sold, increases nearly 400-fold during the 15-year period covered by the program. The solar targets are expected to increase faster than overall demand for electricity.

“The amount of SAECs required, as a percentage of electricity sold, increases nearly 400-fold during the 15-year period covered by the program.”

SAECs Details

The Pennsylvania AEPS requires annual increases in energy production from alternative sources of energy over a 15-year time frame ending in 2021. The AEPS splits different technologies into two classes, tier I and tier II, and establishes minimum thresholds that must be met from each class, along with a separate solar photovoltaic minimum that counts towards the tier I requirement. The requirements for each category are shown in table 1. Tier I includes technologies such as solar thermal, solar PV, wind, geothermal and biomass, and tier II includes technologies such as waste coal, demand-side management, hydro and municipal solid waste.

SAECs have become much more valuable than tier I and tier II credits (all credits are per MWh) because of the separate minimum requirement for solar PV. The weighted average price in 2009 for a tier I credit was \$3.65 and only \$0.36 for a tier II

credit. This compares to a weighted average price of \$260.19 for an SAEC (with a range of \$225 to \$690).

If an entity failed in the 2009 energy year to obtain the minimum number of SAECs, it had to make a compliance payment of \$550.15 per mwh of shortfall. The 2009 year ran from June 1, 2008 to May 31, 2009. (For purposes of the Pennsylvania market, the energy year, compliance year and reporting year all begin on June 1 of the previous year and end on May 31 of the stated year.) The prices for compliance year 2010 have not yet been released.

The AEPS is expressed as a percentage of total electricity sales. It increases each year so that by 2021, 18% of the power consumed will be generated from alternative energy sources: 8% from tier I technologies and 10% from tier II technologies. The solar PV requirement, which is a set aside, but counts toward the tier I requirement, increases from 0.0013% in energy year 2007 to 0.5% in energy year 2021.

At the end of each compliance year, the power supplier must hold the proper number of SAECs. If it does not, then it must pay a solar energy compliance payment. The compliance payment varies from year to year and is only computed after the end of the

compliance year. For a given year, it is 200% of the market value of SAECs for the reporting period plus the levelized value of up-front rebates received by sellers of SAECs.

An SAEC is issued for every MWh of electricity produced from a qualified solar PV system located in the PJM footprint. This means that facilities located outside Pennsylvania can receive SAECs in Pennsylvania. Despite this, most systems are located in the commonwealth. More than 70% of the approximately 2,900 systems currently certified under the program are in Pennsylvania.

A proposed bill that the legislature failed to enact this year would have limited credits under the solar set aside to solar PV systems in Pennsylvania. The bill could still be enacted in the future.

A facility can generate SAECs for as long as the facility remains certified as an eligible generator, and the SAEC may generally be used for compliance by a utility for the energy year during which the SAEC was generated or one of the two following years. If a utility purchases an SAEC while the utility is under a rate cap, then the SAEC may be used in the energy year the rate cap is lifted or in the year after.

There is a three-month true-up period after the end of each

energy year during which covered utilities and power marketers may acquire additional renewable energy credits to avoid having to make the alternative compliance payment. This could have the effect of producing a spike in credit prices three months after each energy year ends. The alternative compliance payment acts as a cap on how high credit values can go.

Outlook for Legislation & SAEC Growth

The program has been in effect since February 2005, but the first reporting year under the program was Feb. 28, 2007 to May 31, 2007. In the first reporting year, the program covered only two utility service territories representing less than 4% of the total electricity load in the state. Only 26 SAECs were turned into state authorities.

In the 2008 reporting year, four more utility service territories representing another 10% of the load became subject to the program. Another 349 SAECs were turned in. No new utility service territories became subject to the program in 2009, but one more service territory representing approximately 26% of the total electricity load in the state became subject to in the program in reporting year 2010. Total volume reached 1,221 SAECs.

During reporting year 2011, the final 60% of electricity load will be covered. This is four more utility service territories. Utilities and power marketers operating in these areas will be required to comply started Jan. 1, 2011. In the 2012 reporting year (the first reporting year the entire state will be covered), 29,000 SAECs will be required to comply. By 2021, a total of 937,931 SAECs will be needed.

There is support in the state legislature for a dramatic increase in the state solar target, but not enough to pass it. House Bill 2405 would increase the solar requirement to 3.0% by 2025, rather than the current 0.5% by 2021, and would add solar thermal as an eligible technology for the solar requirement. The bill would set a yearly value for the alternative compliance payment for failure to meet the specific solar target and require that all solar systems be located in Pennsylvania. The tier I and tier II requirements would also be increased. Outgoing Governor, **Ed Rendell** wrote an op-ed article in *The Philadelphia Inquirer* recently supporting the bill, but proposing an increase in the solar target to 1.5%, given opposition to the higher 3% target. There is not enough support to pass the bill. It failed recently to reach a vote in the state Senate for the third time in two years.

Maximizing SAEC Value

There are several ways for developers to maximize the value of their SAECs, including bringing production on line in the next few years, showing an ability to enter long-term contracts and pushing for enactment of the higher requirements that have been proposed.

Current forecasts are for approximately 27.8 MW of solar PV capacity to be available in 2010 against a demand of only 5.8 MW. However, demand for solar PV will exceed capacity in 2015 if only 25% (the historical rate) of the PJM queue projects—projects within the PJM footprint that are currently planned—are actually built. The market price of SAECs is expected to increase over the next several years because of the escalating number of SAECs required by utilities and power marketers.

Another means of maximizing value is to enter a longer-term contract. In February 2010, the Pennsylvania **Public Utility**

Commission approved 10 year agreements to purchase six MW, or 80,000 SAECs, by **PECO Energy** at an average price of \$256.57 per credit. This is important because it shows that utilities are willing to pay prices in long-term contracts that are not heavily discounted and it gives solar developers financial certainty for a

longer period of time. In some states, it is rare to have a contract for more than a few years that is not heavily discounted. Large, high-quality installations could attract utilities willing to enter long-term contracts. Knowing that utilities will enter contracts can also attract new, large installations. For example, in late October, **GlaxoSmithKline** started installing North America's largest rooftop solar array at its facility in York, Pa. The company expects to sell about 3.4 million KWh worth of SAECs to utilities per year to help pay for the system.

Demand for SAECs is expected to exceed solar capacity additions over the next few years. Neighboring states have higher solar targets than Pennsylvania, and this will have an effect on the value of Pennsylvania SAECs since they can be used by utilities in these other states to comply with those other state programs.

Delaware has a 3.5% solar target. New Jersey has a 4% requirement.



Todd Alexander

This week's Industry Current was written by Todd Alexander, partner, and James Berger, associate, at Chadbourne & Parke.



James Berger

Industry Current is a feature written by industry professionals that highlights and clarifies key issues in the power sector. *Power Finance & Risk* runs the feature periodically and is now accepting submissions from industry professionals for the Industry Current® section. For details and guidelines on writing an Industry Current, please call **Sara Rosner** at (212) 224-3165 or email srosner@iinews.com.

Generation Auction & Sale Calendar

Generation Sale ■ DATABASE

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call **Holly Fletcher** at (212) 224-3293 or e-mail hfletcher@iinews.com.

Seller	Assets	Location	Advisor	Status/Comments
Ameren	Coffeen Power Station (950 MW Coal) Electric Energy (800 MW Coal) Hutsonville Power Station (156 MW Coal) Meredosia Power Station (513 MW Coal) Newton Power Plant (1.15 GW Coal) Columbia Energy Center (140 MW Gas) Elgin Energy Center (460 MW Gas) Gibson City Power Plant (228 MW Gas) Grand Tower Power Plant (511 MW Gas) Joppa (165 MW Gas)	Coffeen, Ill. Joppa, Ill. Hutsonville, Ill. Meredosia, Ill. Newton, Ill. Columbia, Mo. Elgin, Ill. Gibson City, Ill. Grand Tower, Ill. Joppa, Ill.	JPMorgan	Ameren is quietly selling its unregulated generation facilities (PFR, 8/30).
BlackRock Subsidiary and investor group Brick Power	Milford Power (559 MW CCGT) Tiverton (265 MW Natural Gas) Rumford (265 MW Natural Gas)	Milford, Conn. Tiverton, R.I. Rumford, Me.	JPMorgan Deutsche Bank	Teasers for the facility went out late last month (PFR, 8/30). A mix of strategic and financial players will submit final bids next month (see story, page 5).
Carlyle/Riverstone	Coastal Carolina Clean Power (27.5 MW biomass)	Kenansville, N.C.	New Harbor	Teasers for the facility are expected to go out soon (PFR, 10/25).
CMS Energy	Exeter (31 MW tire fueled)	Sterling, Conn.	TBA	ReEnergy Holdings, backed by Riverstone is buying the facility (see story, page 6).
Entergy	Vermont Yankee (650 MW Nuclear)	Vernon, Vt.	Morgan Stanley	Existing nuclear operators are expected to be interested in the facility (PFR, 11/15).
Innovative Energy Systems	Various (66 MW landfill gas-to-energy)	New York		Energy Investors Funds is buying the portfolio of 10 facilities (see story, page 5).
Invenergy	St. Clair (570 MW, CCGT) Raleigh (78 MW wind project)	Ontario Ontario		Second round bids due (PFR, 11/8).
JPMorgan	Triton (550 MW NatGas)	Jackson, Mich.	JPMorgan	JPMorgan is flipping a facility that unit Arroyo Energy Investors just bought from Kinder Morgan (PFR, 10/4).
Northern Star Generation	Mt. Poso (50 MW coal-fired)	Bakersfield, Calif.	Headwaters	DTE Energy is buying out two of the plants owners to convert it to biomass (PFR, 11/15).
PSEG	Guadalupe (1 GW, CCGT) Odessa (1 GW, CCGT)	Marion, Texas Ector County, Texas	Goldman Sachs	Bids due Oct. 22 (PFR, 10/25).
Raser Technologies	Thermo 1 (14 MW Geothermal, development assets)	Thermo, Utah	Bodington & Co.	Raser has entered into an early agreement with Evergreen Clean Energy (PFR, 11/8).
Robert Mooney, Mendata	Malacha (30 MW hydro)	Lassen County, Calif.	Bodington & Co.	Brookfield Renewable Power is buying out the 50% stake (PFR, 11/1).
Royal Dutch Shell	Shell Wind Energy (stakes in 1.1 GW) 50% Rock River (50 MW) 50% White Deer (80 MW) 50% Top of Iowa (80 MW) 50% Cabazon (41 MW) 50% Whitewater Hill (60 MW) 50% Brazos (160 MW) 50% Colorado Green (162 MW) 50% NedPower Mount Storm (264 MW) European wind (200 MW)	U.S. and Europe Wyoming Amarillo, Texas Joice, Iowa Palm Spring, Calif. Palm Spring, Calif. Lubbock, Texas Lamar, Colo. Grant County, W.Va. Various	Morgan Stanley	Second round bids due (PFR, 11/15).
Stark Investments	Wolf's Hollow (730 MW Gas)	Hood County, Texas	JPMorgan	Second round bids coming due (PFR, 11/1).
Terra-Gen Power	Alta 1 (150 MW wind)	Tehachapi, Calif.	No advisor	Initial bids for the first phase of the 3 GW Alta wind project were due earlier this month (PFR, 10/25).
U.S. Power Generating Co.	Boston Generating Mystic 8 (801 MW Gas fired) Mystic 9 (801 MW Gas fired) Fore River (801 MW Gas fired) Mystic 7 (560 MW Gas fired) Astoria Generating (1.28 GW Natural Gas) Gowanus (542 MW Fuel, oil and gas-fired) Narrows (276 MW Fuel oil and gas-fired)	Greater Boston area New York City New York City New York City	JPMorgan Goldman Sachs	Constellation Energy's \$1.1B bid won the auction (see story, page XX). Sale is postponed to 2011 (PFR, 11/15).

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 Senior Reporter Brian Eckhouse at (212) 224-3624 or e-mail beckhouse@iinews.com.

Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
American Electric Power, Allegheny Energy	PATH (Transmission)	Maryland, Virginia and West Virginia	TBA	TBA	TBA	TBA	Sponsors initiate informal talks with banks (PFR, 11/1).
ArcLight Capital Partners	Various (Gas and Transmission)	TBA	Barclays, Credit Suisse	Term Loan	\$370M	TBA	Loan priced at 600 bps (see story, page 4).
BP Wind Energy, Sempra Generation	Cedar Creek II (250.8 MW Wind)	Weld County, Colo.	TBA	TBA	\$400M	10-12-yr	Banco Sabadell and Mizuho to participate (PFR, 11/8).
Caithness Energy, GE EFS	Shepherds Flat (909 MW Wind)	Oregon	BoTM, WestLB, RBS, Citi	TBA	TBA	TBA	Sponsor seeks \$135 million term loan, \$231 in letters of credit (see story, page 4).
enXco	St. Isidore (Solar)	Nation, Ontario	Dexia, Union Bank	TBA	TBA	TBA	Union Bank named a co-lead on deal (see story, page 4).
First Solar	Various (90 MW Solar PV)	Ontario	TBA	TBA	TBA	TBA	Sponsor scouts portfolio financing (PFR, 11/15).
GWF Energy	Tracy (314 MW Combined-Cycle)	Tracy, Calif.	MUFG	TBA	\$305M	TBA	Six banks commit to loan (PFR, 11/1).
Hudson Transmission Partners	Hudson Transmission	Ridgefield, N.J. -New York	RBS, SocGen	TBA	TBA	TBA	Deal expected to launch in November (PFR, 11/1).
Invenergy	Le Plateau (138 MW Wind)	Quebec, Canada	Natixis, RBC	TBA	TBA	TBA	Natixis and RBC snag mandates (PFR, 11/15).
	White Oak (150 MW Wind)	McLean County, Ill.	TBA	TBA	\$300M	TBA	Sponsor scouts financing (PFR, 11/1).
Lincoln Renewable Energy	Various (100 MW Solar PV)	New Jersey	TBA	TBA	\$400-500M	TBA	Sponsor targets relationship lenders of Airtricity and SunPower (PFR, 10/11/10).
NextEra Energy Resources	Unknown (500 MW Gas-Fired)	Blythe, Calif.	Crédit Agricole, Lloyds TSB	TBA	\$300M	TBA	NextEra mandates banks to lever existing plant (PFR, 11/1).
Noble Environmental Power	Granite Renewable (99 MW Wind)	Coos County, N.H.	TBA	TBA	TBA	TBA	WestLB considers participating (PFR, 11/10).
Project Resources Corporation	Lakeswind (100 MW Wind)	Fargo-Moorhead, Minn.	TBA	TBA	\$200M	TBA	PRC in talks with MUFG about sales-leaseback (PFR, 11/15).
Rollcast Energy	Piedmont Green Power (50MW Biomass)	Barnesville, Ga.	MUFG, Investec	TBA	\$133M	TBA	MUFG, Investec wrap \$133 million financing (PFR, 11/1).
SkyPower	Various (30 MW Solar PV)	Ontario	Deutsche Bank	TBA	TBA	TBA	Sponsor mandates Deutsche Bank to leading financing (PFR, 11/15).
Tenaska	Various (250 MW Solar PV)	California	TBA	TBA	TBA	TBA	Tenaska scouts debt for two solar plants (PFR, 11/15).
Terra-Gen Power	Alta Phases 5-8 (300-500 MW Wind)	Tehachapi, Calif.	TBA	TBA	TBA	TBA	Sponsor initiates talks with lenders about financing next phases (PFR, 10/25).
Western Wind Energy	Windstar (120 MW Wind)	Tehachapi, Calif.	TBA	TBA	\$264M	TBA	Closing nears with four principal lenders (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

- **First Wind** has initiated construction on the second phase of its roughly \$400 million Milford Wind Corridor project in Beaver County, Utah. The company wrapped a financing backing the \$240 million, 102 MW phase last month (*Salt Lake Tribune*, 11/18).
- **FirstEnergy Corp.** has called off a proposed repowering of part of its Shadyside, Ohio, coal-fired plant to biomass and will instead shut down two units at year-end. The company says expected power prices don't support its retrofit plan (*Wall Street Journal*, 11/18).

- **Dynegy** has extended the deadline for shareholders to consider **Blackstone Group's** \$4.7 billion offer to Nov. 23. The extension grants shareholders more time to consider Blackstone's raised bid, to \$5 a share from \$4.50 a share (*Financial Times*, 11/18).
- The **Philadelphia Eagles** are planning a more than \$30 million project at Lincoln Financial Field in Philadelphia, comprising 2,500 solar panels, 80 wind turbines and a generator running on natural gas and biodiesel. The Eagles will buy the power over 20 years from **Solar Blue**, a Florida-based company that will also install the panels and turbines (*New York Times*, 11/18).

RES AMERICAS

(continued from page 1)

company. It has a record of bringing projects to construction-ready stages and then selling them with contracts that stipulate RES will do the construction. RES Americas has also been in discussions for a strategic partnership last year, a developer notes.

RES Americas is an indirect subsidiary of the construction and civil engineering company **Sir Robert McAlpine** via parent company **RES Group**. A call to **Ian Mays**, ceo of RES Group in Hertfordshire, England, was directed to a spokeswoman, who did not respond to the inquiry. No one responded to an e-mail sent to McAlpine, also in Hertfordshire.

Ashby, who joined the company in 2007, is considering several employment opportunities, says an industry official, declining to elaborate. Ashby declined to comment. Calavitta confirms that he will be starting as a v.p. of M&A at **Brookfield Asset Management** in Toronto before month-end. He will report to **Ralf Rank**, chief investment officer. East has joined the **Carlyle Group** in New York as v.p. in global credit alternatives with a focus on mezzanine investment in the energy sector. Calavitta declined to comment on the reasons behind his departure and East was not available to comment. Leing could not be reached by press time.

—Sara Rosner

BBVA, NATURENER

(continued from page 1)

Glacier and Toole Counties, Mont. "They're looking for a vehicle for their renewable energy investments," says a deal watcher, adding that the bank had been pleased with the turnaround of its investment in **Gamesa**. It held a 4.75% stake in the company in 2008, which it reportedly sold sometime last year. The NaturEner investment will be finalized late this year or early next year.

The bank had been looking for a co-equity investor in Rim Rock and set up meetings with several infrastructure funds while in New York. **Jacobo Anaya**, an official in project finance at the Bilbao, Spain-based bank did not return a call. The identity of potential co-investors could not be learned.

San Diego Gas & Electric is making a \$600 million tax equity investment in the project and the investment is currently before the California **Public Utilities Commission** for approval. The San Francisco-based developer will come to market for \$500-600 million in construction financing for the project pending CPUC approval sometime in the second quarter. SDG&E's investment will take out the loan in a partnership flip structure once the project goes online in 2012.

Officials at Citi, JPM, Morgan Stanley, Macquarie and NaturEner either declined to comment or did not return calls. A spokeswoman for SDG&E did not return a call.

—S.R.

EDP SHOPS

(continued from page 1)

development, one banker says. EDP financed the acquisition with about \$2.5 billion in debt (PFR, 3/30/07).

The Horizon pipeline has projects in the Midwest, the Pacific Northwest and California, with three currently under construction. It recently secured a power purchase agreement with an undisclosed offtaker for its 99 MW Meadow Lake IV project in Indiana, the fourth in the Meadow Lake series.

The amount of investment sought and a timeline couldn't be learned. A spokeswoman for Horizon in Houston could not comment and executives were not available until next week. An investor relations official at EDP in Lisbon did not respond to an inquiry by press time.

—Holly Fletcher

Conference Calendar

- **Green Power Conferences** will host Wind Power Manufacturing & Supply Chain Summit USA Nov. 30-Dec. 1 at Courtyard Chicago Downtown-Magnificent Mile in Chicago. To register, visit <http://www2.greenpowerconferences.co.uk/EF/?sSubSystem=Registration&sEventCode=WE1011US&sSessionID=1286a89f350f6dbb460149bbfcd56f6f-1240602>.
- **Infocast** will host Southern Wind 2010 Nov. 30-Dec. 2 at the Sheraton Myrtle Beach Convention Center Hotel in Myrtle Beach, S.C. To register, visit www.infocastinc.com/southernwind or call 818-888-4444.
- **Infocast** will host the US-China Wind 2010 Dec. 7-9 at the Holiday Inn Golden Gateway Hotel in San Francisco. To register, visit www.infocastinc.com/uschinawind or call 818.888.4444.

Quote Of The Week

"Those are the areas where we see the best alignment of market forces—fuel and power prices." —**Larry Richardson**, ceo of **ReEnergy Holdings**, a **Riverstone Holdings**-backed company in Latham, N.Y., on the company's plans to buy biomass and waste-fired plants near the Great Lakes and along the eastern seaboard within nine months (see story, page 3).

One Year Ago In Power Finance & Risk

Pristine Power planned to close a club deal for its 393 MW York Energy Centre peaker by year-end. [Leads **ING**, **Royal Bank of Canada** and **Union Bank** wrapped the \$333 million debt package in August with **Canadian Western Bank**, **National Bank of Canada**, **Scotia Capital** and **Siemens Financial Service** participating (PFR, 8/25).]

Delivering results.

It's the most important thing we do.



\$450 Million

Senior Credit Facility


Joint Lead Arranger



\$360 Million

Senior Notes
Private Placement


Joint Placement Agent



\$1.15 Billion
Convertible Equity Units

\$2.48 Billion
Follow-On Offering
Common Stock


Co-Manager



\$1.5 Billion

Senior Unsecured
Revolving Credit Facility

*Joint Lead Arranger &
Co-Documentation Agent*



\$325 Million

Senior Notes

Joint Bookrunner



has agreed to be acquired by



a subsidiary of



Fairness Opinion



\$228.9 Million

Senior Credit Facilities
CPV Keenan II

*Mandated Lead Arranger &
Co-Documentation Agent*



\$225 Million

Senior Unsecured
Revolving Credit Facility

*Lead Arranger &
Administrative Agent*

We know that successful, long-term business relationships depend upon delivering results for our clients.

At KeyBanc Capital Markets®, more than 500 professionals leverage extensive industry knowledge, equity and debt capital markets expertise, and a leading merger and acquisition advisory practice. We deliver strategic solutions that help our clients capitalize on opportunities.

Today, the markets are volatile, but at KeyBanc Capital Markets our dedication to delivering results for clients remains constant.

For information on how KeyBanc Capital Markets can help you reach your business objectives, call Randy Paine, Co-Head of KeyBanc Capital Markets, 216-689-4119, Doug Preiser, Co-Head of KeyBanc Capital Markets, 216-689-5944 or Andy Redinger, Managing Director & Group Head, Utility, Power & Renewables Group, 216-689-4085.

KeyBanc
Capital Markets



KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC, and KeyBank National Association ("KeyBank N.A."), are marketed. Securities products and services are offered by KeyBanc Capital Markets Inc. and its licensed securities representatives, who may also be employees of KeyBank N.A. Banking products and services are offered by KeyBank N.A.

©2010 KeyCorp ADL1755.01