

# power finance & risk

The exclusive source for power financing and M&A news

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## GE, Caithness Deal Ropes Six

A group of six lenders has been tapped to lead the \$1.4 billion financing backing **GE Energy** and **Caithness'** 909 MW Shepherds Flat project.

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## Switching Hands....Again

### TCW TO FORECLOSE ON STAKE IN CALIF. PLANT

Trust Company of the West is in the process of foreclosing on **Complete Energy's** stake in a giant gas-fired facility in California. The Houston IPP does not have the cash flows to meet payments on the financing TCW provided to fund the acquisition of the stake, bankers say. Whether TCW intends to hold or sell the stake could not be determined.

**Hugh Tarpley**, co-founder of Complete in Houston, did not return calls for comment, nor did executives at TCW.



*(continued on page 8)*

## Big Debut

### NRG TAPS MARKET FOR LARGEST-EVER SOLAR DEAL

**NRG Energy** is in the market looking for commitments for a solar construction revolver in the neighborhood of \$200 million, a deal bankers say is the largest such loan to hit the U.S. market. **Royal Bank of Scotland** is leading the deal, NRG's first solar financing, which will back a series of utility-scale concentrating solar thermal projects.

"Everybody is watching it," says a banker. "You don't see solar out there and you definitely don't see big solar deals." The best-efforts deal is targeted to close before year-end. It could not be determined if RBS had any tickets in last week.

The last large U.S. solar deal to come to market was a \$133 million senior loan and

*(continued on page 7)*

## TRANSMISSION HEDGING CAUGHT IN DERIVATIVES BILL

Financial transmission rights contracts, a key tool used by utilities to hedge transmission costs, would be snagged by one of the front running bills to reform U.S. regulation of financial markets. The trades would be forced on exchange and users would have to post collateral, driving up the costs of the hedges.

The rights contracts allow utilities to hedge basis risk, or the cost of shipping physical power between two locations. They would fall under the definition of a swap and would be forced onto an open exchange under Sen. **Christopher Dodd's** (D-Conn.) financial reform bill. Dodd is chair of the **Senate Banking Committee**. Other types of trades such as forward power swaps, spreads and calendar swaps would be subject to the same

*(continued on page 7)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.



## At Press Time Six Tapped For GE, Caithness Deal

Bank of Tokyo Mitsubishi-UFJ, Citigroup, Credit Suisse, Morgan Stanley and Royal Bank of Scotland have been tapped to lead the \$1.4 billion financing for GE Energy and Caithness Energy's 909 MW Shepherds Flat wind farm in north central Oregon.

The transaction would be the biggest wind deal to hit the market since Noble Environmental Power's \$740.8 million financing (PFR, 9/25).

The banks are looking to split the deal into project finance loans and a bond financing, which will be launched sometime in the first quarter according to a deal watcher. The allocations between the project finance loans and the bond deal, and details of the deals such as structures and whether the bond deal is non-recourse, could not be immediately learned. Bank officials either declined to comment or did not return calls and GE Energy Financial Services spokesman in Stamford, Conn., declined to comment, and a Caithness official in New York, did not return calls.

Bankers have noted that sponsors may have to look into options beyond the traditional project financing syndication due to the sheer size of the deal.

Southern California Edison has a 20-year PPA with the project, which is expected to go online between 2011 and 2012.

## LS To Wrap Lower Pricing

LS Power is looking to close on \$500 million in financing backing its purchase of a portfolio of contracted Dynegy assets, after lenders agreed to ratchet down the pricing. The sponsor and lenders aim to close the deal before Thursday.

The reverse flex resulted in a 25 basis points-reduction on the five-year facility with rates at 300 bps over LIBOR for the first and second year, 350 for the third and fourth year and 375 in the fifth year (PFR, 10/30). BNP Paribas and WestLB are leading the deal with 10-12 banks participating. Talk of the flex began after the deal came in 1.5 times oversubscribed. Bank officials declined to comment and Joe Esteves, cfo in New York, did not return a call. The identity of other lenders on the deal could not be immediately learned.

Separately, ING and GE Energy Financial Services are leading a \$250-350 million deal backing LS's purchase of a portfolio of merchant or short-term contracted assets. A bank official and a GE EFS spokesman declined to comment. The status of that deal could not be learned.

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INTELLIGENCE FIRST

## International Power Completes Czech Sale

International Power completed the sale of its Czech business to Czecho-Slovak investment firm **J&T Finance Group**, the company announced Nov. 13. Commodities trading firm **Czech Coal** contested the sale with the **Czech Competition Authority** in September, but that wasn't expected to slow down the process (PFR, 9/4).

The transaction, which included the sale of the 360 MW Opatovice coal plant, a 49% stake of the Pražská Teplárenská gas and coal-fired plant and a 49% stake in the Energotrans, generated GBP619 million (US\$1.039 billion) for IP, the company says.

## CPV Taps Lender For Keenan II

**Competitive Power Ventures** has selected a large project finance lender to lead roughly \$250 million in financing for its 152 MW Keenan II wind farm in Woodward County, Okla., according to a deal watcher, adding the sponsor aims to wrap the deal before year-end. A spokesman at the Braintree, Mass.-based company did not return calls by press time and the identity of the lender could not be learned.

The shop had been working to round up a club for the deal and it may have stipulated that the lender organize one as part of its mandate, the deal watcher says. The remaining costs of the project will likely be financed by CPV via its main stakeholder **Warburg Pincus**. The company had also been considering applying for the U.S. **Department of Treasury's** cash grant program and the U.S. **Department of Energy's** loan guarantee for funding (PFR, 10/30).

**Oklahoma Gas & Electric** has a 20-year PPA with the facility, which is slated for operation next year.

## Peruvian Co. Wraps Gas Deal

Peruvian generator **Kallpa Generación** has wrapped \$310 million in financing backing a 280 MW expansion to its gas-fired plant in Lima.

Next the company will look for financing for a roughly 400 MW hydro project in central Peru next year. Hydro is projected to cost roughly \$3-4 million per MW to develop, bringing the project's price tag to \$900 million to \$1.2 billion. Financing strategies have yet to be determined.

The expansion deal included a \$130 million 10-year senior secured credit facility led by **Bank of Nova Scotia** and a \$179 million bond issue led by co-underwriters Bank of Nova Scotia and **BCP Millenium**. The company, a unit of Tel Aviv-based investment concern **Israel Corp.**, priced the 8.5%, 13-year fixed

rate notes on the Lima stock exchange **Bolsa de Valores** on Nov. 13 and closed the deal on Nov. 16.

Bank of Nova Scotia was joined by four other local, European and American lenders on the bank deal, says **Pablo Iguiliz**, project finance director for Kallpa in Lima. Scotia garnered the lead slot through a request for proposals the company ran last year for the financing. **Israel Corp.** and its Peruvian affiliate and industrial chemical company **Quimpac** will fund the remaining \$132 million expansion costs with equity. A Scotia official did not return calls by press time and the identity of other lenders could not be learned.

The expansion entails the addition of a 280 MW steam turbine that will use heat from the exhaust of the gas turbines at the plant to generate electricity, says **Howard Steinberg**, partner at **Shearman & Sterling**, which represented Kallpa on the deal. He adds the company will also seek to sell emissions credits from the installation. The steam turbine will go online in 2012.

## National Wind Adds Staffer

National Wind has hired **Megan Sorensen** to oversee the pre-development and construction phases of its 300 MW Root River project in Minnesota and 300 MW Grover Hill project in Ohio.

Sorensen joined at the end of September from **Fidelity Investments**, where she worked in real estate finance and development. "I was looking to move into something to do with green building and renewable energy. There's a lot of interesting innovation going on," Sorensen adds. The community-owned wind developer is in Minneapolis, Minn., and is developing a portfolio of 12 wind projects in six states.

Sorensen did not know the person she replaced and a spokeswoman declined to comment on who left.

## Noble Scoops Up Union Bank Tax Equity

**Noble Environmental Power** is transferring a 22% stake in a Texas wind farm to an affiliate of **Union Bank** in a tax equity agreement. The deal will increase **Bankers Commercial Corp.'s** stake in the 114 MW Noble Great Plains farm from 33% to 55%, according to documents filed with the U.S. **Federal Energy Regulation Commission** Nov. 13.

The proceeds from the cash-for-tax equity deal will be used to pay down debt associated with Great Plains, which is the first phase of a 240 MW project. Phase I of the farm in the Texas panhandle began operation this year. **Christopher Lowe**, cfo of Noble in Essex, Conn., declined to comment. Calls to officials at Noble and Union Bank were not returned.

Under the agreement that is expected to close by the middle of

next month, BCC will receive tax benefits and an undisclosed fixed percentage of profit, according to the filings. Noble is looking for ways to raise money (PFR, 11/9).

## New Power Trader Starts At Sempra

**James Macintosh** started as a west power trader with **Sempra Energy Trading** earlier this month, replacing **Kevin Cofsky** who left the firm to join **Louis Dreyfus Highbridge Energy**.

Macintosh previously worked for **Barclays Capital** and **Lehman Brothers**. He reports to **Max Coreth**, head of power trading.

MacIntosh and Coreth declined to comment. Cofsky could not be reached for comment.

## South Texas Wind Project Up For Sale

**DKRW Wind** is looking to sell an under-construction wind project, scheduled for 2010 operation, near Laredo, Texas. The 150 MW Cedro Hill project sells power to **CPS Energy**, a municipal utility that delivers power to about 700,000 residents in San Antonio. Calls to **David Ramm**, co-founder of **DKRW**, were not returned before press time.

**DKRW Wind**, a unit of Houston-based **DKRW Energy**, is backed by **Och-Ziff Capital Management Group**. **DKRW** retained **Marathon Capital** a year ago when the development firm was hunting for a partner for its 6 GW development pipeline for projects in Wyoming, New Mexico, Texas and Hawaii (PFR, 12/24). Calls to officials at **Marathon** were not returned.

## London Shop Readies Alt Energy Fund

London's **Zouk Ventures** has rolled out a second version of its cleantech private equity fund which will invest in companies across a variety of alternative and renewable energy fields.

Cleantech Europe 2 held its first closing this month at EUR50 million (USD74 million), and a final close is planned for next year at around EUR200 million.

The fund will invest in alternative/renewable energy technologies (such as solar, wind, biomass, hydro and geothermal), resource-efficiency technologies (smart grid, transportation, recycling and others), and environmental services (waste management, water, carbon capture and storage, etc.).

**Philip Tomlin**, a member of Zouk's investor relations team, told a *PFR* sister publication, *Alternative Investment News*, the fund will prioritize the sectors within each area where it sees the greatest potential, but would not reveal which sectors.

Cleantech Europe launched in 2006 and manages just shy of

EUR88 million. With the second iteration targeting more than twice the assets, Zouk intends to invest in roughly twice as many holdings—around 15 compared with the first fund's eight positions—and also to write bigger tickets, says Tomlin.

The firm expects commitments to come primarily from institutional sources including pension funds, banks, cleantech funds of funds and sovereign wealth. The firm is also seeing some interest from family offices and high-net-worth individuals. Tomlin expects the bulk of assets to come from European investors, with some inflows from the Middle East, Asia and the U.S.

## EIF Aims To Wrap Asset Sale

**Energy Investors Fund** is targeting a pre-Thanksgiving Day close for the sale of six assets from its U.S. Power Fund after reviewing bids for the entire package in the past few weeks, according to a banker. **Barclays Capital** is leading the sale, which includes stakes in the Neptune Regional Transmission System and five generation facilities. **Barclays** officials declined to comment and a spokesman for **EIF** declined to comment.

Bidders are thought to include infrastructure funds, such as **Industry Funds Management**, **Abatis** and **Atlantic Power**, that would benefit from adding contracted assets to their portfolios (PFR, 8/7). Private equity shop **American Securities** unit **Lakeside Energy** had also reportedly been looking (PFR, 10/23). An IFM official and **Atlantic Capital** and **Abatis** spokesmen did not return calls and a **Lakeside** official declined to comment. The identity of bidders and the possible purchase price of the package could not be learned.

## Canadian Energy Co. Nears Gas Peaker Financing

**Pristine Power** expects to close a club deal for its 393 MW York Energy Centre peaker by year end. Four Canadian and international lenders will contribute the bulk of the loan, which will finance 80% of the project cost, says **Geoff Krause**, cfo, adding that two to four additional banks will pick up the rest. He declined to disclose the banks.

The loan is a mini-perm, with the option to refinance after the construction, Krause adds. He declined to disclose pricing details. Calgary-based **Pristine** and its partner, **Harbert Power**, are providing equity for 20% of the project in King, Ontario, which could cost up to \$365 million, he says.

The Canadian developers have worked with the **Royal Bank of Canada**, **Calyon** and **HypoVereinsbank**, now **Unicredit HVB**, in the past (PFR, 3/27). Construction is expected to begin on the plant, which has a 20-year PPA with the **Ontario Power Authority**, early next year.

## Corporate Strategies

### Ohio Co-Op Taps Bonds For Hydro

**American Municipal Power-Ohio** is looking to price \$605 million in bonds to fund a \$1.5 billion hydro project, ahead of \$850 million in bond issues it is planning for the project in the first half of next year. The company was set to price the notes and close the issue last week. **Bob Trippe**, cfo in Columbus, and a spokesman did not return calls and timelines for the future issue and designation of underwriters could not be learned.

The bulk of proceeds from the issue will refund \$350 million in one-year bond anticipation notes the company issued in April (PFR, 4/17). "Issuers have been trying to take out maturities early just in the event that there's a market disruption," says **Drake Richey**, analyst at **Fitch Ratings** in New York. The issue includes \$455 million in Build America Bonds, \$124 million in 2009C tax-exempt bonds and roughly \$25 million in taxable bonds. BABs are part of the American Recovery and Reinvestment Act of 2009 and provide a 35% rebate to the issuer on the interest they pay on the fully taxable bonds (PFR, 5/29). Reasons behind the company's decision to issue different types of bonds could not be learned.

Tenors on the notes vary and go out to 35 years, reflecting the take-or-pay power purchase agreements associated with the 208 MW combined capacity of the three facilities that constitute the project on the Ohio River. Under the take-or-pay agreements, 79 AMP-Ohio members must pay for power from the project whether or not generation is available. Revenues from the project are further secured by a contract

provision requiring participating members to increase their fees up to 25% if another member drops out of the project or goes into default. The facilities are slated for operation between 2013 and 2014.

**BMO Capital Markets** is the lead underwriter for the issue. A BMO official did not return calls by press time. The identity of other participating banks and expected pricing on the notes could not be learned.

### Ameren Generating Issues Notes For Refi

**Ameren Energy Generating Co.** issued \$250 million senior notes Nov. 12 to pay off short term debt. The proceeds will likely be used to pay down a revolver or subsidiary debt, says **Robert Hornick**, senior director at **Fitch Ratings**.

AEG, the unregulated subsidiary of **Ameren Corp.**, had \$137 million in short term debt at the end of September, according to its prospectus filed with the U.S. **Securities and Exchange Commission**. AEG also owed \$45 million to an intercompany money pool. Officials at AEG declined to comment.

The 10-year bonds carried a 6.3% coupon. The notes were priced at 285 basis points above U.S. Treasuries. The issuance was rated BBB+ by Fitch, Baa3 by **Moody's Investors Service** and BBB- by **Standard & Poor's**.

**Barclays Capital**, **Morgan Stanley**, **RBS Securities** and **Scotia Capital** acted as joint bookrunners. Barclays was part of a trio that led a \$350 million issuance for an Ameren unit in March (PFR, 3/20). Officials at the bank either declined to comment or did not return calls.

## Project Finance Deal Book

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

### Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Caithness Energy, GE Energy	Shepherds Flat (909 MW Wind)	Oregon	BoTM, WestLB, Morgan Stanley, Credit Suisse, RBS, Citi	TBA	TBA	TBA	Prepping bank and bond deal (See story, page 2).
CPV	Keenan II (152 MW Wind)	Woodward County, Okla.		TBA	TBA	TBA	TBA Mandates lead lender (see story, page 3).
Duke Energy	Various (Wind)	Various	TBA	TBA	TBA	TBA	Looking for strategic partner (PFR, 11/16).

For a complete listing of the Project Finance Deal Book, please go to [iipower.com](http://iipower.com).

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## 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

- **EDP Renewables**, a unit of Portuguese utility giant **Energias De Portugal**, will invest \$4 billion into the U.S. wind market through 2012 (*Reuters*, 11/19).
- **NRG Energy** has applied for a patent for a natural gas-fired plant designed to complement renewables such as wind and solar and make them more reliable (*Reuters*, 11/19).
- The U.S. **Department of Energy** aims to award roughly \$200 million grants for utility-scale energy storage projects; **Pacific Gas & Electric** is seeking \$25 million for a project that would store energy in the form of compressed air (*The Houston Chronicle*, 11/18).
- **Intel** is considering getting into the wind sector by producing sensors that forecast when and how fast wind would blow (*Reuters*, 11/18).
- **NRG** and the city of Houston are at an impasse over a PPA for a proposed 10 MW solar project (*The Dallas Morning News*, 11/17).

### Europe/Middle East

- U.K. power and gas network operator **National Grid** will consider **EDF's** sale of U.K. grid asset which is set for next year (*Dow Jones Newswires*, 11/19).
- Swedish power company **Vattenfall** says it will invest SEK5.8 billion (\$837 million) into power grids and wind projects through 2020 to increase its grid capacity by 4.5 GW (*Dow Jones Newswires*, 11/19).

### Asia/Pacific

- The Bangladeshi government is eyeing a \$10 billion fund to tackle power shortages over the next decade (*Bloomberg*, 11/18).
- **First Solar's** 2 GW solar plant in Inner Mongolia, China, will likely be priced through a feed-in tariff structure that will be in place by year-end, according to president **Bruce Sohn** (*Dow Jones Newswires*, 11/17).
- China will subsidize at least half the investment cost of almost 300 solar projects with a combined 642 MW as part of its plan to increase solar generation (*Reuters*, 11/16).

## NRG TAPS

(continued from page 1)

\$7 million letter of credit backing **Acciona's** 64 MW parabolic trough Nevada Solar One project near Boulder City, Nev., (PFR, 1/4/08). **Banco Santander**, **BBVA** and **La Caixa** brought in five other European banks to close that deal, which carries a pricing of 80 basis points over LIBOR.

Pricing on the NRG deal is in the range of 300-350 bps over LIBOR, says another financier, adding the one-year tenor of the deal and the strength and experience of the sponsor are giving the deal traction with lenders. "The benefit of this one is that it's a short-term facility. Under those circumstances you can launch and set pricing north of 300," he notes.

The company has joined with manufacturer **eSolar** to develop a 276 MW project in Kern County, Calif., a 92 MW project in Los Angeles County, Calif., and a 92 MW project near Sunland Park, N.M. The cost of developing solar is in the range of \$4-4.5 million dollars per MW giving the projects a combined price tag of roughly \$1.84 billion.

A bank official declined to comment and an NRG spokesman in Houston declined to make an official available by press time. The size of commitments sought and whether the revolver would be recourse to the company could not be learned. —*Sara Rosner*

## TRANSMISSION HEDGING

(continued from page 1)

regulation, but utilities in particular use FTRs to manage price risk in transmitting power throughout the nation's patchwork of grids. A spokeswoman for Dodd did not return a call for comment.

Financial transmission rights contracts are currently drawn up taking into account **International Swaps and Derivatives Association** guidelines, which don't have the same strict collateral posting requirements. "We have agreements in place that allow a certain amount of unsecured credit," says **Steve Schleimer**, a director at **Barclays Capital**, who tracks regulatory issues in the power market.

The bill, which is perceived to be on track to pass, seeks to draw a sweeping ring of regulation around all derivatives transactions, but some trade groups don't believe utilities' hedging practices should be held to a broad definition set forth in the bill. "We don't believe any of our members should fall under the definition of 'swaps dealers' or major swaps participants," says **Richard McMahon**, executive director of finance and energy supply for the **Edison Electric Institute** in Washington, D.C.

McMahon estimates that the need to post collateral would eat into between \$250 and \$400 million of utilities' margins, at a minimum, which would mean the ratepayer would get hit

with higher electricity bills, or force utilities to cut back on capital expenditures.

Another point vexing power market players is that the bill would double up on regulation, taking it out of the hands of the U.S. **Federal Energy Regulatory Commission**, which knows and has had exclusive regulation of power markets, and putting it in the hands of the **Commodity Futures Trading Commission** and the **Securities and Exchange Commission**, neither of which have experience regulating power.

A spokesman for **Duke Energy** says it's too soon to comment on the bill. "It was only recently introduced and will no doubt evolve as it goes through the legislative process," says a spokesman. A spokesman for **Pacific Gas & Electric** also says it may be too soon to comment.

—*Jeanine Prezioso*

## TCW TO

(continued from page 1)

Low natural gas prices, which back power prices, and slack power demand have dug into margins on merchant plants in the last year. The Kern County, Calif., La Paloma plant has half its capacity under a PPA with **Southern California Edison** and the other half is merchant.

Complete bought into the somewhat checkered 1,022 MW gas-fired facility in 2005—the plant was built by **PG&E National Energy Group** which handed back the keys to the original lenders after the last generation overbuild (PFR, 5/21/03). At the time Complete stated its investment was arranged and funded by TCW and **CIT Group**. Six other undisclosed former creditors of the NEG facility also took equity stakes. Bankers at CIT declined comment.

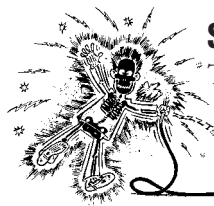
A separate \$520 million B loan was used to fund the acquisition at the operating company level (PFR, 8/12/05). One banker says that underlying loan, led by **WestLB**, is not impacted by the TCW move. WestLB bankers declined comment.

—*J.P.*

## Conference Calendar

- The **American Conference Institute** will hold its 2<sup>nd</sup> Annual Nuclear Power Congress Dec. 1-2 at the Naples Grand Beach Resort in Naples, Fla. To register, call 212.352.3220.
- The **American Wind Energy Association** will host the AWEA Offshore Wind Project Workshop Dec. 2-3 at the Seaport Hotel in Boston. For more information, visit [www.awea.org](http://www.awea.org) or call 202.383.2500.
- **Infocast** will host the North American Hydropower Finance & Investment Summit Dec. 2-3 at the Almas Temple Club in Washington D.C. To register, visit [www.infocastinc.com](http://www.infocastinc.com) or

## Alternating Current



### Solar-Powered Year of the Dragon

Taiwan's latest spin on the mythical dragon has brought the fabled entity into the 21<sup>st</sup> century with the 100% solar-powered Dragon Stadium. The \$150 million serpentine structure in Kaohsiung, Taiwan was designed by Japanese architect **Toyo Ito** and built to house the World Games this past July.

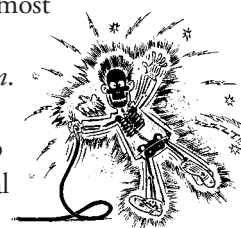
The 55,000-seat stadium features 8,844 solar panels to power 3,300 lights and two jumbo television screens, all of which take six

minutes to power up. When the stadium is not in use, power is diverted to the local grid where it meets most of the neighboring area's energy requirements, according to *The Guardian*.

Overall, the facility will generate 1.14 GWh of power annually, enough to keep inspiring awe and wonder of the mythical creature alive for decades to come.



Photo credit: <http://www.watkinsnews.com/2009/05/29/kaohsiung-dragon-stadium-hunts-sun-shine-power/>



call 818.888.4444.

- **EUCI** will host **Midwestern Transmission: Balancing Planning & Priorities** Dec. 7-8 at the Hyatt Regency in Minneapolis. To register, visit [www.euci.com](http://www.euci.com) or call 303.770.8800, ext. 270.
- **Solarpraxis** will host **PV Power Plants 2009 USA** Dec. 10-11 at Caesar's Palace in Las Vegas. To register, visit [www.solarpraxis.de](http://www.solarpraxis.de) or call 011.493.072.629.6301.

## Quote Of The Week

"We don't believe any of our members should fall under the definition of 'swaps dealers' or major swaps participants."—**Richard McMahon**, executive director of finance and energy supply for the **Edison Electric Institute**, on a Senate bill that would force hedging onto an exchange (see story, page 1).

## One Year Ago In Power Finance & Risk

**Pristine Power** planned to look beyond relationship lenders to finance its estimated \$365 million, 393 MW York Energy Centre peaker. [Pristine began approaching lenders in the spring and expects to close a deal by year-end (see story, page 4).]