

# power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

NOVEMBER 24, 2008

VOL. XI, NO. 47

## Filipino State Agency To Auction Plants

The manager of the Philippines' power assets is selling a portfolio of generation assets as it continues the process of privatizing the nation's energy sector.

*See story, page 2*

## At Press Time

AIG Sub Selling Assets 2

## In The News

Ga. Authority To Distribute Dereg Fund 2

Developer Ponders Peaker Financing 3

PE Firm Hires Former Power Exec 3

Euro Wind Developer Hunts Partner 3

China To Jumpstart SO2 Trading 4

Canadian Solar JV Locks In Financing 4

U.K. Wind Debt Starts Syndicating 4

British Bill Calls For Feed-In-Tariffs 5

Pricing Surfaces For Invenegy Deal 5

## Corporate Strategies

Pepco Lands Revolver For Liquidity 5

Southern Unit Reduces CP 6

Calif. Agency Converts Variable Rate Debt 6

## Departments

News In Brief 7

**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 2008 Institutional Investor, Inc. All rights reserved.

For information regarding subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

## U.K. IPP ON THE BLOCK

Welsh Power, a U.K.-based IPP, is up for sale with Lexicon Partners running a two-step auction process. The sale is being driven by the financial crisis which is crimping its owners' ability to fund developments. An official at Lexicon did not return a call.

First round bids will be taken in mid-December. Strategic and financial players are circling the company, notes a deal tracker, but a valuation could not be learned.

The company was founded in 2004 and its assets include:



*(continued on page 8)*

## FPL NAMES SEVEN FOR PORTFOLIO FINANCING

FPL Energy has tapped a club of seven banks to arrange some \$400 million in financing for its two-project Heartland wind portfolio. Originally, the developer was targeting a \$700-800 million financing backing a four-to-five project portfolio, but poor market conditions led it to do downsize. The club deal format allows FPL and the banks to eliminate the risk involved with syndication in a nearly-frozen credit market by allocating buy-and-hold stakes to the club members.

Bank of Tokyo-Mitsubishi, BBVA, Calyon, Lloyds TSB, Mizuho Corporate Bank, NordLB and UniCredit HVB are underwriters, with Lloyds coordinating.

The banks want to close the deal before year-end. Calls to FPL were not returned, and officials at the banks declined to comment, did not return calls, or directed calls to Lloyds, which did not return calls.

*(continued on page 8)*

## MIDLAND BUYERS HUDDLE WITH BANKS

Guernsey-based EQT Infrastructure Fund and White Plains, N.Y.-based IPP Fortistar are in talks with banks to arrange financing for Midland Cogeneration Venture's 1.5 GW gas-fired plant in Midland, Mich. The pair is buying the plant, pending financing commitments, from GSO Capital Partners, Rockland Capital and Dow Chemical.

The buyers are in talks with Union Bank of California and WestLB among others, and a mandate is expected in the next several weeks ahead of the deal wrapping early next year. Credit Suisse took second round bids in the auction last month (PFR, 10/13).

The project reportedly has some \$500 million in debt tied to it. In 2006, Consumers Energy Co. sold its 49% stake to GSO and Rockland for \$60.5 million.

Midland came online 18 years ago and is one of the largest cogen facilities in the country.

*(continued on page 8)*

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



## At Press Time

### AIG Markets Generation Assets

AIG Financial Products is shopping an equity interest in a coal plant lease and a partnership interest in a wind farm.

Details, including particular assets and locations, could not be learned. A spokesman for parent **American International Group** wouldn't comment on any asset sales, but notes, "We are winding down the financial products unit."

**FirstEnergy Corp.** sold a 779 MW stake of the 2,460 MW coal-fired Bruce Mansfield in Shippingport, Pa., to AIG and **Union Bank of California** last July for \$1.3 billion. The agreement provided for a 33-year lease of the unit. A spokesman for FirstEnergy says it does not comment on any market rumor when asked about a possible sale. Officials at AIG Financial Products and UBoC declined to comment.

## Philippines Fires Up More Generation Privatization

The **Power Sector Assets & Liabilities Management Corp.**, manager of the Philippines' power assets, is restarting auctions for projects in a generation portfolio as it continues to privatize the energy sector. In late 2003 the Filipino government started to privatize generation assets through a public bidding process and has sold 14 plants.

It has 17 assets left to privatize through a competitive bidding process (see chart, below). It is planning to re-start the auction for Amlan Dec. 10 and

Limay in early January, following an unsuccessful auction in July. A process for the Ilijan plant is scheduled to begin Mar. 25, after unsuccessful bids were received Nov. 12 and PSALM is planning to take bids for the General Santos plant in the first half of next year after bids did not meet the reserve price on Nov. 14. **SPC Power Corp.** submitted highest bid combined of \$5.86 million for the 22 MW diesel-fired Bohol plant in Tagbilaran City and the 37 MW diesel-fired Panay I in Tinocuan.

### ASSETS TARGETED FOR PRIVATIZATION

Plant	MW	Plant Type	Location
Limay	620	CCGT	central Luzon
Navotas I	210	CCGT	Navotas, Luzon
Navotas II	110	CCGT	Navotas, Luzon
Ilijan I and II	114	CCGT	Mapalad, Iligan City
Bataan	225	Oil	Limay, Luzon
Sucat	850	Oil	Sucat
Panay III	110	Diesel	Dingle
Cebu II	54	Diesel	Visayas
Aplaya	108	Diesel	Aplaya
Bohol	22	Diesel	Boho, Visayas
General Santos	22	Diesel (Decommissioned)	Mindanao
BacMan	150	Geothermal	Sorsogon, Luzon
Palinpinon	193	Geothermal	Valencia
Tongonan/Leyte	113	Geothermal	Lim-ao
Angat	246	Hydro	Luzon
Amlan	1	Hydro	Visayas

**Raul Ganaden**, manager of corporate planning at PSALM, directed questions to other agency officials, who did not reply to a request for comment. Officials at SPC Power Corp. could not be reached.

## power finance & risk

The exclusive source for power financing and trading news

### EDITORIAL

**TOM LAMONT**  
Editor

**STEVE MURRAY**  
Deputy Editor

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

**THOMAS RAINS**  
Managing Editor  
(212) 224-3226

**KATIE HALE**  
Reporter  
(212) 224-3293

**SARA ROSNER**  
Associate Reporter  
(212) 224-3274

**STANLEY WILSON**  
Washington Bureau Chief  
(202) 393-0728

**KIERON BLACK**  
Sketch Artist

### PRODUCTION

**DANY PEÑA**  
Director

**LYNETTE STOCK, DEBORAH ZAKEN**  
Managers

**MELISSA ENSMINGER,**  
**JAMES BAMBARA, DOUGLAS LEE**  
Associates

**JENNY LO**  
Web Production & Design Director

### ADVERTISING AND BUSINESS PUBLISHING

**JONATHAN WRIGHT**  
Publisher  
(212) 224-3566

**ERIK KOLB**  
Editor, Business Publishing  
(212) 224-3785

**PAT BERTUCCI, MAGGIE DIAZ,**  
**LANCE KISLING, ADI HALLER**  
Associate Publishers

**BRIAN GOLDMAN**  
Advertising Production Manager  
(212) 224-3216

**LESLIE NG**  
Advertising Coordinator  
(212) 224-3212

### PUBLISHING

**NICK FERRIS**  
Publisher  
(212) 224-3507

**LAUREN O'DONNELL**  
Marketing Associate  
(212) 224-3609

**LAURA PAGLIARO**  
Renewals Manager  
(212) 224-3896

**VINCENT YESENOSKY**  
Senior Operations Manager  
(212) 224-3057

**DAVID SILVA**  
Senior Fulfillment Manager  
(212) 224-3573

### SUBSCRIPTIONS/ELECTRONIC LICENSES

One year \$2,975 (in Canada add \$30 postage, others outside US add \$75)

**DAN LALOR**  
Director of Sales  
(212) 224-3045

**KEN LERNER**  
Account Executive  
(212) 224-3043

### REPRINTS

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

### CORPORATE

**GARY MUELLER**  
Chairman & CEO

**CHRISTOPHER BROWN**  
President

**STEVE KURTZ**  
Chief Operating Officer

**ROBERT TONCHUK**  
Director/Central Operations & Fulfillment

**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@iinews.com

**Editorial Offices:** 225 Park Avenue  
South, New York, NY 10003.  
Tel: (212) 224-3226  
Email: trains@iinews.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** ©2008  
Institutional Investor, Inc.

**Copying prohibited without the permission of the Publisher.**

**Institutional Investor NEWS**  
INTELLIGENCE FIRST

## Ga. Authority To Hand Back \$750M From Dereg Fund

The **Municipal Electric Authority of Georgia** is planning to return its Municipal Competitive Trust, worth about \$750 million, to the cities that contributed to the fund. The trust was established in 1999 to prepare for power deregulation, which never occurred in the state.

At year-end, the 49 participating MEAG cities will receive a credited billing, which can be passed down to electric consumers. "It will help reduce billings in the next 10 years," says **Bill Said**, director of finance in Atlanta, of the refunding which will occur over the next decade. The funds were either derived from the cities or year-end settlements where cost was below budget. "It certainly gives us breathing room," he says of the trust, which allowed the authority to weather through the auction-rate securities crisis. "It has allowed us to sleep at night."

## Canadian Developer Weighs Peaker Financing

Calgary-based **Pristine Power** will finance its proposed \$400 million 350 MW gas-fired York Energy Centre peaker in King, Ontario with a combination of debt and equity. **Geoff Krause**, cfo, says the project has been bid into the **Ontario Power Authority's** request for proposals for northern York generation. It will decide the exact proportions of debt and equity funding if the OPA selects the project, which it expects to before year-end. If it is not selected, the company will look to bid the project into a future RFP, Krause says.

Pristine has had preliminary discussions with lenders and aims to issue a tender for the debt financing early next year. "We'd be looking for [a tenor of] 10-20 years to match the life of the contract. Pricing would be an issue and we would be looking for non-recourse debt," Krause says. Equity in the project will be funded by a partner, which he declined to identify.

The company will consider **Canada Life Financial Corp.**, **Manulife Financial**, **Royal Bank of Canada**, **Sun Life Financial** and other relationship firms for the deal, Krause notes. These banks closed \$179 million of financing for Pristine's 84 MW East Windsor gas cogeneration facility in Windsor, Ontario last November. Spokesmen at the banks did not return calls.

**Shawn Cronkwright**, manager of technical services in the electricity resource group for OPA in Toronto, says the agency is evaluating the bidders' abilities to finance their proposals. "OPA wants to make sure that whoever we choose has the resources to see this project through." **Northland Power**, **Sithe Global Canadian Power** and **TransCanada Energy** are also

bidding into the OPA tender, which specifies that all proposed facilities must be in operation no later than 2014. Calls to Northland and Sithe company officials and a TransCanada spokeswoman, were not returned.

## NY Private Equity Shop Lands Power Official

**Diamond Castle**, a New York-based private equity firm, has hired former **Catamount Energy** CEO **James Moore** as chairman of power and alternative energy. The new position was added due to shifts in the market, says Moore.

He started Nov. 1, reporting to senior managing director **Mike Ranger**, following **Duke Energy's** acquisition of Catamount from Diamond Castle in September (PFR, 6/27). "It's a good time to be with a private equity firm that still has money," says Moore, noting \$600 million of its \$1.8 billion fund remains for the firm to deploy.

The fund's investment sweet spot is in the \$150-200 million range and it is looking to make investments in traditional and alternative power assets and companies in the next two to three years, he says, declining to name specific companies the fund is targeting. The fund closed in 2005 and must divest of the investments by 2015.

## Oslo Wind Developer To Seek Partner

Oslo, Norway-based **OceanWind**, a developer of offshore wind farms, will seek a majority partner for its planned NOK20-30 billion (\$2.85-4.28 billion), 1 GW **Ægir** project. The farm is about 107 miles southwest of Lista, Norway in the North Sea. "We are positioned more as developers. We would take a small stake," says CEO **Ivar Slengesol**, noting utilities and energy companies would be likely partners.

The company is a spinoff of EPC contractor **NorWind** established this year, and will look to line up a majority partner to fund the project in 2011 ahead of the farm coming online in 2015. It has to wait to allow Norway to develop a framework allowing the company to obtain a permit for the project, because the country has no offshore farms. "It is ironic with the industry being so strong here," Slengesol says, adding that its preliminarily planning application to country regulators were based on onshore wind farm designs.

Downstream, OceanWind is focusing most of its efforts on other markets, including the U.K., where it is targeting 25 GW of offshore wind by 2020. The company is also looking at entering the Americas, but those developments are in very early stages, says Slengesol.



## China To Kick Off Emissions Trading

China's **Tianjin Climate Exchange** is expected to start trading sulfur dioxide emissions early next year, says **Richard Sandor**, founder, chairman and ceo of the **Chicago Climate Exchange**, a 25% owner in the exchange. The balance is held by **China National Petroleum Corp.** (53%) and government agency **Tianjin Property Rights Exchange** (22%). Officials at the partners could not be reached for comment.

Sulfur dioxide emissions will likely be the only emissions initially traded on the exchange, Sandor says, due to acid rain and water pollution problems in the region. China has set a goal of reducing SO<sub>2</sub> emissions by 10% by 2010. Entities that directly emit SO<sub>2</sub> like power producers and mining companies can trade on the exchange for compliance purposes, as can financial providers and other auction participants that are not subject to mandatory emissions reductions.

The exchange was approved by the Chinese government in March after a memorandum of understanding between the joint venture partners was signed last December. CCX targeted China because of its position as the world's largest polluter, says Sandor.

CCX would like to move into India next and is in discussions with leaders there, but an established exchange is at least a few years down the line, says Sandor. India has said it would cap its greenhouse gas emissions at levels developed countries would agree upon, but has committed nothing more concrete. In addition to its exchanges in Chicago and China, it has affiliated exchanges in Europe and Montréal.

## Ontario Solar JV Lands Debt

Joint venture partners **SkyPower** and **SunEdison** have closed financing with **NordLB** for their 9 MW photovoltaic First Light project in Lennox and Addington County, Ontario, in a rare Canadian solar project financing.

The debt comes in the form of a construction loan converting to a term loan and is a portion of the C\$80 million (\$63.8 million) that the bank is arranging for the JV to develop 19 MW of solar projects in Ontario (PFR, 9/18). The exact amount involved in this close could not be learned, but deal trackers note the funds will be used as needed. Construction on First Light has already begun and the remaining 10 MW are set to come online before the end of next year. Pricing could not be learned, but tenor is less than the length of the 20-year PPA with **Ontario Power Authority**.

Under OPA's Standard Offer Program, projects 10 MW or smaller qualify for 20-year PPAs. First Light is 9 MW due to the

terrain where it will be located. Officials at the bank and SkyPower declined to comment. Calls to Sun Edison were not returned.

## CME Group Launches Appalachian Coal Options

The **CME Group** will launch a Central Appalachian coal options on futures contract after seeing potential in current market conditions. "In the unfortunate current circumstances of the credit markets what we see is a need for our markets to mitigate risk. As credit deteriorates and customers cannot trade bilaterally, they look to exchanges such as the CME to help mitigate this risk," says **Joe Raia**, managing director of energy and metals products and services, according to *PFR* sister publication *Wall Street Letter*.

The exchange also said it feels that the contract had matured enough to finally be available for trade. It will be offered on ClearPort, NYMEX's commodities platform, and the New York energy trading floor. The CME Group is the first exchange to offer this contract.

## U.K. Wind Deal Wraps, Heads To Syndication

**Fred Olsen Renewables**, a venture between Norway's **Bonheur** and **Ganger Rolf**, has closed a GBP303 million (\$453.98 million) financing. The deal, which is now being syndicated, funds new construction tied to a portfolio of wind projects in Scotland and refinances some current debt.

**Bank of Tokyo-Mitsubishi**, **BNP Paribas**, **Fortis**, **HSBC** and **NordLB** are joint lead arrangers. The package is made up of a GBP137 million construction facility, a GBP114 million refinancing, a GBP17 million debt service reserve facility, a GBP30 million project letter of credit and a GBP5 million working capital facility. The deal has a tenor of 18 years, but pricing could not be learned. The banks are seeking European banks active in the wind sector for the syndication, notes a deal tracker, with ticket sizes starting in the GBP15-25 million range. A syndication close date is targeted for month-end.

The portfolio consists of:

- 62.5 MW Crystal Rig, 40 km east of Edinburgh, which came online in Oct. 2003
- 50.6 MW Rothes, which came online in 2005
- 64 MW Paul's Hill, 15 km west of Charleston of Aberlour, which came online in 2006, and
- 117 MW Crystal Rig II, under construction

**Nick Emery**, managing director at the sponsor in London, confirmed deal specifics, but declined to elaborate. Officials at the banks declined to comment or did not return calls.

## U.K. Energy Bill Includes Feed-In-Tariff

Amendments were made last Tuesday to a U.K. energy bill that includes a feed-in-tariff intended to jumpstart small-scale renewable generation. The tariff has been included to address part of the renewable sector that Britain's existing renewables energy support scheme does not, says **Philip Wolfe**, director general at trade group **Renewable Energy Association** in London. The REA led the push for the amendments to the country's Renewable Obligation with **Friends of the Earth**.

The feed-in-tariff will be for residential and retail customers for heating and electricity applications 5 MW and under. Participants will receive a fixed payment per kilowatt hour, but the bill does not outline specific feed-in-tariff payments for differing technologies. That will be hammered out in secondary legislation after the initial bill passes next week, says Wolfe. Feed-in-tariffs have been successful in markets like Spain and Germany, but the U.K.'s system will be one of the first nations to

include features like heating, he adds. It will also enable small hydro and biogas and to be developed.

## Invenergy Financing Pricing Emerges

Pricing for **UniCredit HVB's** roughly \$500 million in financing tied to **Invenergy** wind farms is in the mid-200 basis points over prime rate range. Bankers say prime was used due to fluctuations in LIBOR when the deal was launched (PFR, 11/7). An official at HVB declined to comment.

The short-term debt will fund three wind farms already under construction in New York, Oregon and Texas, says one official who declined to reveal specifics. Two of the farms are set to come online next month, while the third is slated for February.

The lead is looking to close the deal by the end of this month, though banks seeking credit approval could not be immediately learned. Calls to **Jim Murphy**, cfo of the developer, were not returned.

## Corporate Strategies

### Pepco Holdings Opts For Short-Term Liquidity Boost



Tony Kamerick

**Pepco Holdings** has secured a \$400 million, 364-day revolving credit facility. **Tony Kamerick**, v.p. and treasurer, says the company did not have access to longer-term financing because of the tightening credit environment. The facility, led by **Bank of America**, is being used as a way to boost short-term liquidity, according to *PFR* sister publication *Credit*

*Investment News*. "Bank of America came to us with the idea [of the one-year facility]," says Kamerick. "We told them we were looking for some add-in liquidity, and this seemed like a good way to do it. Multi-year [facilities] are not on the market these days."

The company already has a \$1.5 billion facility, which was put in place in 2005, also from B of A. Kamerick declined to comment specifically on pricing on either facility, but noted that, "[The new facility] is a little more expensive than the old one. We're perfectly happy with market pricing," he says.

The deal closed Nov. 7 at \$390 million, but was then increased by \$10 million after **M&T Bank** kicked in the additional funds the following week. "They gave us an indication that they'd like to join, but their [credit] process was a little longer than some of the others," Kamerick says. "So we said 'OK, we'll go ahead and close this one,' and then they came in and gave us \$10 million for a nice, round number of \$400 million."

Kamerick says Pepco received competitive pricing given current

market conditions. The facility was completed with a syndicate of seven banks, all of which were Pepco relationship banks. "Bank of America did a pretty good job of marshaling this to a conclusion. We were very pleased with the whole process," he said. The other banks involved are **KeyBank National Association**, **JPMorgan**, **SunTrust Bank**, **Scotia Capital**, **Morgan Stanley**, **Credit Suisse**, **Wachovia** and **National Association**. The company also recently issued \$220 million in common stock (PFR, 11/14).

## Ga. Authority Enters Market As Demand Rises

The **Municipal Electric Authority of Georgia** is planning to use the proceeds from a \$297 million issue of bonds to pay down variable-rate debt, acquire nuclear fuel and fund its debt service reserve account. The issue priced in the 4-6% range for retail and institutional investors last week, following a postponing of the offering in September, says **Bill Said**, director of finance at MEAG in Atlanta. "When the market had moved away from us, we put it on hold... Now that it looks like there is a lot of demand. We think it looks like a safe time."

The issue is broken into two tranches with \$285.6 million in series 2008D subordinated bonds and \$11.44 million in series 2008C subordinated bonds, with tenors ranging from three to 28 years. Series 2008D will repay \$45 million of series 1985A bonds and \$124 million of series 2003B variable-rate debt bonds expiring Jan. 1. Both tranches will fund the acquisition of nuclear

fuel for its 23% stake in 2.4 GW Vogtle nuclear facility in Burke County, Ga., and its 18% stake in 1,726 MW Hatch nuclear facility near Baxley, Ga., and fund its debt service reserve account. The deal is expected to close Tuesday. "If the demand's there, maybe we'll throw something in on the day of the pricing," says Said, noting if the deal is over subscribed, MEAG may increase the offering.

**Fitch Ratings** has assigned an A+ rating to the issue, citing reliable coal and nuclear based power supply and constant wholesale rates as strengths that contributed to the rating. **JPMorgan** is underwriter for the issue and **Bank of America**, **Citi**, **Goldman Sachs**, **Merrill Lynch**, **Morgan Stanley**, **Lehman Brothers**, **Raymond James** and **Wachovia** are co-arrangers. The banks were mandated through an RFP process.

## Georgia Power Trims CP With Bonds

**Georgia Power** will use proceeds from a \$500 million bond issuance to pay down its share of the combined \$1.2 billion commercial paper program held by its parent and sister companies. **David Brooks**, managing director of capital markets for **Southern Co.** in Atlanta, Ga., says CP was used to fund construction of three gas-fired units with a combined \$1 billion cost and 2.5 GW capacity, transmission and distribution upgrades. The deal, which consists of \$100 million of 40-year senior notes at 8.2% and \$400 million of five-year senior notes at 6%, priced on Nov. 12 and closes tomorrow.

Brooks says the company is satisfied with pricing. "Spreads over Treasury bonds are quite wide right now... A year ago it would have been at a lower level but that said, it wasn't unreasonable and we're happy." The company looked to sell the five-year notes on the institutional level and 40-year tenors on the retail level. The tenors are a reflection of the appetites of those investors.

**Banc of America Securities**, **Barclays Capital** and **Goldman Sachs** are the joint bookrunners for the five-year tranche and **Citigroup**, **Morgan Stanley** and **UBS Securities** are joint bookrunners for the 40-year. "We tried to match the type of securities with the qualifications of different firms," Brooks said. BofA, JPMorgan, **Merrill Lynch** and **Morgan Stanley** are also the placement agents for Southern and its subsidiaries combined \$1.2 billion CP program.

The gas-fired units will replace the two coal-fired units with a 540 MW combined capacity at its McDonough plant in Smyrna, Ga. Brooks notes that Georgia Power will fund 50% of project costs with debt issuances. Southern will fund the remaining costs with equity from stock sales and Georgia Power will contribute equity from revenues. One gas-fired unit is slated for operation each year starting in 2010. The company's debt-to-equity ratio is roughly 50:50.

## Calif. DWR To Refi

The **California Department of Water Resources** is issuing \$523 million in revenue bonds to refinance variable rate debt. The issue will be a direct conversion to replace notes first issued in 2005 with yields varying between 1-3% on a daily or weekly basis, says **Russel Mills**, acting chief of financial management of the Sacramento-based agency.

The bonds were expected to price last Wednesday for retail investors and last Thursday for institutional investors between 3.75 and 5% with maturities from 2016-2022, he says. DWR has been looking to come to the market over the past two to three months, Mills explains. "We wanted to see how the last few months would play out. I don't know if this was the optimal time," he says, but adds that the letters of credit backing the debt expire next Monday, so there was a time limit for the conversion. The deal is expected to close Tuesday.

**Moody's Investors Service** has assigned an Aa3 rating to the issue, citing its limited exposure to the volatile wholesale energy market and strong financial liquidity as strengths and its 55% variable rate debt and uncertainty about the future power supply-demand balance under state policy as challenges. DWR has about \$3.2 billion in cash and \$9.5 billion in debt, Mills says.

**JPMorgan** is underwriter for the offering. The bank was chosen from an RFP, but Mills notes it was likely also selected because of its experience with power revenue bonds.

## power finance & risk

### GET IT FRIDAY!

Paid subscribers now have access to a PDF of the upcoming Monday's newsletter on *PFR's* Web site every Friday afternoon before 5 p.m. EST. That's a 64 hour jump on mail delivery, even when the post office is on time! Read the news online at your desk or print out a copy to read at your leisure over the weekend. Either way, you'll be getting our breaking news even sooner and starting your week off fully informed!





## 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

- **Constellation Energy** has closed on a \$1.23 billion credit facility with **UBS** and **Royal Bank of Scotland** to increase liquidity (*Business Wire*, 11/14).
- **Reliant Energy** has agreed to sell its Northeastern electricity marketing business to **Hess Corp.** for an undisclosed sum (*CNNMoney.com*, 11/14).
- **Royal Dutch Shell** is considering changing the structure of its executive team, which some view as an indicator for a future company-wide transformation (*Financial Times*, 11/19).
- **Wal-Mart** has entered into a partnership with **Duke Energy** to provide up to 15% of the energy load for about 360 stores and facilities in Texas with wind power (*Reuters*, 11/20).
- California Governor **Arnold Schwarzenegger** handed down an executed order for the state to commit to obtain a third of its power from renewable sources by 2020 (*Reuters*, 11/17).
- **David Ratcliffe**, ceo of **Southern Co.**, says that energy independence for the U.S. is not a viable option (*The Atlanta Journal-Constitution*, 11/17).
- **Sempra Energy** is in talks with officials to develop a wind project on the western Navajo Nation, near Cameron, Ariz. (*Arizona Daily Sun*, 11/17).
- **FPL Energy** is looking to expand its 122 MW Stateline Wind Energy Center under construction north of Helix, Ore., by 100 MW (*Associated Press*, 11/18).
- The U.S. **Department of Energy** is planning to issue a permit to construct the \$140 million, 214-mile Montana Alberta Tie line, which is expected to spur development of wind farms in the region (*Great Falls Tribune*, 11/18).
- The Pennsylvania **Public Utility Commission** approved a controversial one and a half mile section of **Allegheny Energy's** 240-mile Trans-Allegheny Interstate Line (*Pittsburgh Tribune-Review*, 11/14).

### Europe

- **EDF** has sold 500 MW to separate suppliers under a court-imposed mandate to encourage domestic market competition (*Bloomberg*, 11/20).

- The U.K. government sold four million E.U. allowances in the nation's first auction of carbon emissions allowances Wednesday at EUR16.15 (\$20.22) a ton, for a total of EUR64.6 million (*The Guardian*, 11/19).
- **General Electric** may delay the delivery of wind turbines to European clients who are having difficulty financing energy projects (*Bloomberg*, 11/19).
- **GDF SUEZ** is deciding if it will buy part of **RWE's** 49% stake in the 2 GW Belene nuclear plant near Belene, Bulgaria (*Reuters*, 11/18)...GDF SUEZ is also planning to sign a deal with Romania to become one of a few select foreign bidders to construct two or more nuclear plants in Cernavoda (*Reuters*, 11/18).
- **Theolia**, a French alternative energy firm, is planning to sell its German wind farms to Austria-based **Meinl International Power** for EUR81 (\$102.23 million) due to scaling back costs amid the credit crisis (*Reuters*, 11/18).
- **Babcock & Brown** has sold \$1.43 billion in wind farm assets in Portugal to a consortium of investors led by **Magnum Capital** (*Sydney Morning Herald*, 11/17).
- British company **Centrica** is reviewing its GBP4 billion (\$6 billion) wind investment program because of spiraling offshore wind costs (*Financial Times*, 11/14).
- German utility **E.ON** is acquiring land in Oldsbury, England as it investigates sites for a nuclear plant in the country (*Western Daily Press*, 11/16).

### Asia

- **State Grid Corporation of China** wants to invest \$170 billion in the next two years into nationwide grid construction (*BBC Monitoring Asia Pacific*, 11/16).
- Malaysian builder **YTL Corp.** is looking to buy water, property and power generation with its MYR12 billion (\$3 billion) cash reserves due to the devaluation of assets amidst the financial crisis (*Bloomberg*, 11/19).

### Africa

- Chinese company **Shenshen Energy Group** has joined with Nigerian bank **FBNP** to build a \$2.4 billion, 3 GW plant in Nigeria (*Reuters*, 11/14).

## FPL NAMES

(continued from page 1)

FPL is the largest wind developer in the U.S., having brought more than 5.6 GW online across 58 farms in 16 states and Canada.

—Thomas Rains

## MIDLAND BUYERS

(continued from page 1)

It's PPA with Consumers expires in 2025 and it also sells steam to Dow. Some 265 MW are sold into the merchant market. Officials at the parties involved either declined to comment or did not return calls.

—T.R.

## U.K. IPP

(continued from page 1)

- 800 MW CCGT Severn Power near Newport valued at GBP400 million (\$592.86 million),
- 50 MW biomass Nevis Power plant in Newport planned to come online next year with an expected cost of GBP140 million,
- 850 MW CCGT Wyre Power, planned to come online in 2012 and valued at GBP600 million.

It also owns 360 MW coal-fired Uskmouth Power near Newport, Wales and a 2 GW development pipeline that includes the 50 MW biomass Orwell in Ipswich, England set to come online in 2010, and an unnamed biomass plant of the same size near Barrow-in-Furness, England planned to come online in 2010.

D.E. Shaw & Co., the New York-based hedge fund firm, is

## For More Benefits Visit Our Web Site

As a *Power Finance & Risk* subscriber, you're entitled to access the *Power Finance & Risk* Web site absolutely free! Go to [www.iipower.com](http://www.iipower.com) and discover the added value to your subscription, including:

- **Breaking News**—stories are posted as we get them. Check [www.iipower.com](http://www.iipower.com) during the week for the hottest power news.
- **Breaking News E-mail Alerts**—your advance notice of the hottest stories as they break.
- **Earlier delivery**—each issue of *Power Finance & Risk* is available in full on the Web site every Friday by 4pm EST.
- **Generation Sale & Auction Calendar**

To set up your subscriber password, please contact us at  
[customerservice@iinews.com](mailto:customerservice@iinews.com)  
 or at 1-800-715-9195 between 8 a.m. and 6 p.m. EST.

## Alternating Current

### Green Lights, Big City?

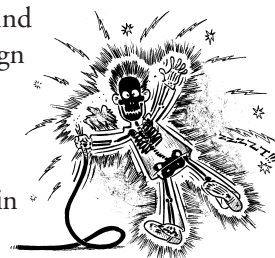


If you're in New York City next week and not interested in braving the crowds to see the Rockefeller Center tree lighting ceremony Wednesday, there is an alternate option for some electric cheer.

Brave the year-round tourist and commuter crowds in Times Square on Thursday and see the lighting of its first green-powered billboard.

Office equipment supplier **Ricoh Co.** is raising a \$3 million, 47 foot-high and 126-foot long electronic billboard which will be 100% wind- and solar-powered. When there isn't enough wind or sun at its 3 Times Square location to power the 16 wind turbines and 64 solar panels, the sign will simply go dark.

This will be the second renewable-powered billboard that Ricoh has constructed after its first in Osaka, Japan. Mayor **Michael Bloomberg** may have been on to something when he suggested placing wind turbines atop NYC buildings—he just had to think on a smaller scale.



the largest shareholder with 27.11% and **Deutsche Bank** the second-largest with 19.9%. **Alex Lambie**, Welsh Power ceo in Newport, declined to comment. Officials at D.E. Shaw did not immediately reply to a request for comment and a spokeswoman at Deutsche Bank was unable to comment.

—Katie Hale

## Quote Of The Week

"It's a good time to be with a private equity firm that still has money."—**James Moore**, new chairman of power and alternative energy at **Diamond Castle** in New York and former ceo at **Catamount Energy** (see story, page 3).

## One Year Ago In Power Finance & Risk

Calpine Corp. was preparing to sell two gas-fired cogenerating plants in ERCOT via auctioneer **Miller Buckfire**. [Second-round bids were taken in May for the 326 MW Texas City plant near Houston and 357 MW Clear Lake in Pasadena (PFR, 5/22), but a preferred bidder has yet to be chosen for the assets.]