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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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LS Hunts PJM Gas-Fired Finance

LS Power is looking for roughly $300 million in financing for a pair of gas-fired plants it is developing in PJM. The New York-based sponsor is talking to banks about a club deal with a mini-perm structure and aims to close the financing by year-end.

Targeted pricing is in the neighborhood of 275 basis points over LIBOR. The brevity of the plants' offtake contracts, which average about five years, gives the assets a quasi-merchant quality, a banker says, adding that the margin will likely have to increase to complete the deal. "They're arguing that this should be a contracted project. These guys are really trying to push the envelope on this one," the banker notes.

LS Power has a large coterie of relationship lenders, including **Banco Santander**, **Citigroup**, **Credit Suisse**, **Morgan Stanley**, **NordLB**, **Prudential Capital Group** and **Union Bank**. Despite a reputation for aggressively shaping deal terms, the sponsor is

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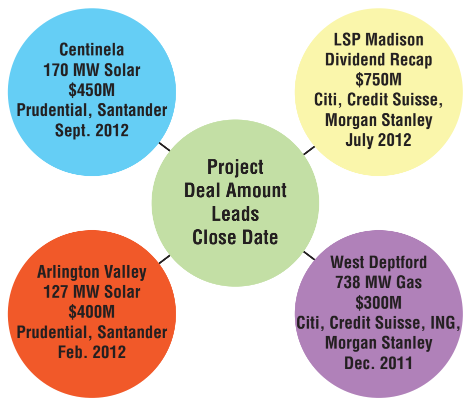
LSP Financing Activity



Source: Power Intelligence

THE BUZZ

Attractive spreads in the institutional debt market continue to woo shops looking to recapitalize. **Northern Star Generation**, a joint venture of a **UBS** affiliate and the **Ontario Teachers Pension Plan Board**, has launched a $146 million term loan B to pay down existing debt and fund a dividend recap (see story, page 5). **Energy Capital Partners** and **LS Power** were the first borrowers to head to the capital markets to fund dividend recaps this summer just as pricing began to come down (*PI, 6/22*). Bankers say most independent power producers and private equity shops are taking a look to see how they can strike while the pricing is still hot.

For PFR's take on this story and the rest of the market, see page 2.

NextEra Hydro Unit Faces Missed Q1 Interest Payment

A subsidiary of **NextEra Energy Resources** that owns merchant hydro facilities in Maine may miss an interest payment on its bonds next quarter, according to NextEra's third quarter financial report. **White Pine Hydro**, which operates about 360 MW, has about $700 million in debt across four private placements, or $1,944 per kW, though the amount outstanding on those deals could not be determined. The subsidiary has been hit by low Northeast power prices and demand.

The portfolio could go into default in the first quarter if it does not make a January interest payment, NextEra said in its filing. The size of the interest payment could not be determined. NextEra has held talks with bondholders about restructuring the debt, say observers. Those sources, who have either spoken

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Industry Current: Developments In Chile


Brian Greene

Brian Greene and **Guillermo Sandoval Coustasse** from **Chadbourne & Parke** examine the power market in Chile.

See story, page 7

New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale DATABASE

Get the rundown on the latest asset trades in PI's weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

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AT PRESS TIME

Mizuho Picks Up WestLB Staffer

Mizuho Corporate Bank has hired **Sara Pirzada**, a former director at WestLB, as senior v.p. of syndicated finance. Pirzada, who worked on project finance transactions at WestLB, started at Mizuho's New York office this month and will focus on project finance in Latin America for the bank.

Mizuho is looking to expand its operations in Latin America, says a banker. The lender agreed to acquire WestLB's unit **Banco WestLB do Brasil** for $380 million in June. Pirzada's move also makes sense given WestLB's transformation into a portfolio management company, says another financier, pointing to the exit of several other staffers. **Ralph Cho**, executive director of loan syndication, **Tom Murray**, global head of energy and **Michael Pantelogianis**, managing director of energy, left earlier this year (*PI, 8/21*).

Prior to starting at WestLB in 2002, Pirzada was a financial analyst at **JPMorgan**. WestLB emerged as **Portigon Financial Services** on July 1. Project financiers are assured employment through year-end under the company's break-up plan. Pirzada declined to comment and bankers at Portigon and Mizuho did not respond to calls by press time.

THE BUZZ

Atlantic Power Corp. is planning to issue convertible debentures in the next month, the second of the year, to fund its acquisition of wind and solar developer **Ridgeline Energy Holdings** (see story, page 5). Atlantic Power has been a frequent player in the M&A markets this year—buying Canadian Hills wind project, selling stakes in gas-fired facilities as well as its Path 15 transmission line—and is expected to remain a figure as it looks to balance its portfolio, says an analyst.

U.S. deal flow has been relatively thin in the past few months due to uncertainty stemming from an election year and the looming expiration of production tax credits. This environment can make a deal from a veteran sponsor such as **LS Power**, which is favored among its extensive pool of relationship lenders for its constant flow of deals, seem like a rare gem.

The New York-based company is back in the market for its fourth deal of the year, looking for funding for gas-fired merchant plants in PJM. However, there's some dissension in the market on whether the plants, which have offtake contracts with an average life of five years, are merchant assets. Targeted pricing of 275 basis points over LIBOR is also giving bankers pause, especially in light of the margin on merchant deals wrapped under **Panda Power Funds** (*PI, 9/20*).

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Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

These are the current live generation asset sales and auctions, according to *Power Intelligence*'s database. A full listing of completed sales for the last 10 years is available at www.powerintelligence.com/AuctionSalesData.html

Seller	Assets	Location	Advisor	Status/Comments
▶ Algonquin Power & Utilities	Various (46.8 MW Hydro)	Various	TBA	It's quietly shopping the portfolio (see story, page XX).
ArcLight, Olympus Power, John Hancock, Atlantic Power Corp.	Delta Person (140 MW Peaker)	Albuquerque, N.M.	Fieldstone Private Capital Group	Shortlist to emerge by October (PI, 9/10).
Atlantic Power Corp.	Path 15 (84-mile Transmission line)	California	Rothschild	The company is quietly shopping it; initial bids due soon (PI, 11/12).
Calpine	Broad River (847 MW Gas)	Gaffney, S.C.	None	Energy Capital Partners is buying the facility for $427 million (PI, 11/12).
Dominion	Brayton (1,536 MW Coal, Oil, Gas) Kincaid (1,158 MW Coal) 50% Stake (1,424 MW Elwood Peaker)	Somerset, Mass. Kincaid, Ill. Chicago, Ill.	Citigroup, Morgan Stanley	Teasers are expected soon (PI, 9/17).
Edison Mission Energy	Homer City (1,884 MW Coal)	Indiana, Pa.	Barclays	GE Capital Corp. is taking over its sale leaseback agreement in bankruptcy court (PI, 10/22).
Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	EIF recently mandated Barclays to sell its stake--the largest of the co-owners (PI, 10/22).
Energy Investors Funds	Rathdrum (275 MW Gas) Plains End I & 2 (228.6 MW Gas) Stakes (245 MW Cottage Grove Gas) Stakes (249 MW Whitewater Gas)	Rathdrum, Idaho Arvada, Colo. Cottage Grove, Minn. Whitewater, Wis.	Scotiabank	Initial bids due by Sept. 12 (PI, 9/10).
Enova Power Group	Plainfield (37.5 MW Biomass project)	Plainfield, Conn.	UBS	Teasers have gone out recently for the project that will be online next September (PI, 11/12).
▶ Exelon	Brandon Shores (1,273 MW Coal) H.A. Wagner (976 MW Coal) C.P. Crane (399 MW Coal)	Anne Arundel Co., Md. Anne Arundel Co., Md. Baltimore Co., Md.	Citigroup, Goldman Sachs	Riverstone upsized its term loan B to $175M (PI, 11/19).
Harbert Power	Hanford (95 MW Gas) Henrietta (97 MW Gas) Tracy (314 MW Gas)	Kings County, Calif. Kings County, Calif. Stockton, Calif.	Morgan Stanley, Merit Capital Advisors	Highstar Capital is buying the fleet (PI, 10/22).
IPR-GDF Suez Energy North America	Various (287 MW Wind)	Various, Canada	CIBC	The sale has entered the second round (PI, 9/3).
Iberdrola Renewables	Various (Wind, Solar)	Various	JPMorgan, Blackstone	The Spain-based parent is driving the sale of 700 MW of spinning wind plus wind, solar development assets (PI, 7/16).
Iberdrola Renewables	Klamath (636 MW Cogen)	Klamath Falls, Ore.	Royal Bank of Canada	First round bids are in (PI, 6/4).
Inland Energy, City of Palmdale, Calif.	Hybrid (570 MW Gas, Solar Project)	Palmdale, Calif.	None	Bids are due Dec. 3 (PI, 10/29).
MACH Gen	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	Wayzata has agreed to buy it (PI, 10/15).
Olympus Power, Metalmark Capital	Brooklyn Navy Yard (Stake, 286 MW Gas)	Brooklyn, N.Y.	Credit Suisse	High competition for the facility as management presentations get underway (PI, 7/27).
PPL Corp.	Various (604 MW Hydro) Colstrip (529 MW Coal) Corette (153 MW Coal)	Various, Montana Colstrip, Mont Billings, Mont.	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
Rockland Capital, John Hancock Life Insurance and Atlantic Power Corp.	Gregory Power Partners (400 MW CCGT Cogen)	Gregory, Texas	TBA	Teasers are out (PI, 10/29).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas) Mexicali (625 MW Gas) Copper Mountain 1 (58 MW Solar) Copper Mountain 2 (150 MW Solar project) Mesquite 1 (150 MW Solar)	Arlington, Ariz. Mexicali, Baja California, Mexico Boulder City, Nev. Boulder City, Nev. Arlington, Ariz.	TBA	Sold half of Mesquite to Salt River Project (PI, 11/12). The Sempra Energy unit is talking with prospective advisors (PI, 10/22).
SunPower	AVSP 1 (325 MW Solar PV) AVSP 2 (276 MW Solar PV)	Rosamond, Calif.	Morgan Stanley	Teasers were recently released (PI, 9/17).
Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial County, Calif	Royal Bank of Canada	Tenaska is looking to bring in a minority owner that has tax appetite (PI, 6/4).
Western Wind Energy Corp.	Windstar (120 MW Wind) Windridge (4.5 MW Wind) Mesa (30 MW Wind) Kingman (10.5 MW Wind, Solar PV) Yabucoa (30 MW Solar PV)	 California California Arizona Puerto Rico	Rothschild, PI Financial	Shareholders vote for current management in proxy; sale on track (PI, 10/1).

▶ **New or updated listing**

*The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at http://www.powerintelligence.com/projectfinancedeal.html

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
▶ AES Gener	Cochrane (532 MW Coal)	Chile	TBA	TBA	$1B+	TBA	Sponsor rounds up banks, ECAs (see story, page 5).
	Alta Maipo (531 MW Hydro)	Chile	TBA	TBA	~$1B	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
AES Solar, 8minutenergy Renewables	Mount Signal (200 MW Solar PV)	Imperial Valley, Calif.	Citigroup, Morgain Stanley (Bonds)	TBA	$700M	TBA	Citigroup and Morgan Stanley tapped to lead a $416 million bond tranche (PI, 11/12).
Alterra	Dokie II (156 MW Wind)	Fort St. John, B.C.	TBA	Expansion	$300M	TBA	The sponsor is hoping to close the financing in the next few months (PI, 9/24).
	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	Expansion	$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
Astoria Generating	Various (Unknown)	New York, N.Y.	BofA, Goldman Sachs, Morgan Stanley	Refi	$450M	6-yr, 5-yr	The sponsor is looking for pricing at around LIBOR plus 550 (PI, 10/15)).
BP, Sempra	Flat Ridge 2 (419 MW Wind)	Wichita, Kan.	Banco Santander, Bank of Tokyo-Mitsubishi, Prudential Financial	TBA	$500-600M	TBA	The deal will hit the market next month. Structure will include bonds (PI, 8/10)
BrightSource	Rio Mesa (500 MW Solar)	Riverside County, Calif.	TBA	TBA	TBA	TBA	Sponsor is tapping banks in New York and hopes to close by end of Q2 next year (PI, 9/3).
	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	Sponsor has an offtake agreement with Southern California Edison for both projects.
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound,	Barclays	TBA	TBA	TBA	Financing to be re-ignited (PI, 4/16).
Competitive Power Ventures	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
Duke Energy Renewables	Los Vientos (402 MW Wind)	Willacy County, Texas	Mizuho	TBA	$800M	7-yr	Sponsor aims for $800 million in debt (PI, 11/5).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	TBA	TBA	$400M	TBA	The company is looking for debt and equity in a 70:30 ratio. It is circling an equity close (PI, 11/12).
Energy Investors Funds	Pio Pico (300MW Gas)	San Diego County, Calif.	SocGen	TBA	$300M	TBA	The sponsor has tapped Société Générale to lead the financing (PI, 10/1).
Greengate	Blackspring Ridge I (300 MW Wind)	Lethbridge, Alberta.	Citigroup	TBA	~$600M	TBA	Sponsor may be looking for financing or to sell (PI, 9/10).
Innergex Renewable Energy	Wildmare (77 MW Wind)	Peace River, B.C.	TBA	TBA	$160M	TBA	Sponsor targets financing, likely from life insurance companies (PI, 4/2). Innergex buys project from Finavera Wind Energy (PI, 8/6).
InterGen	Unidentified (Gas Pipeline)	Zacatecas, Mexico	TBA	TBA	$200M	TBA	Sponsor considering club deal (PI, 6/11).
Kruger Energy	Various (202 MW Wind)	Ontario, Canada	CIBC, Scotia Capital	Refi	$400M	TBA	Both projects have long-term PPAs (PI, 9/3).
▶ LS Power	Various (Gas-fired)	PJM	N/A	N/A	$300M+	TBA	Sponsor talking with banks for a club deal (see story, page 1).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	$800M	TBA	The plant may be financed merchant by the team, made up largely of AES Corp alum (PI, 10/22).
NextEra Energy Resources	Various (Wind)	U.S.	TBA	Refi	TBA	TBA	The sponsor has been talking with lenders to refinance a portfolio of about 10 wind projects (PI, 10/1).
	Limon I & II (400 MW Wind)	Colorado	N/A	N/A	N/A	N/A	State Street, JPMorgan, Bank of America and Wells Fargo make tax equity investments in the projects (PI, 11/5).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor is likely to decide on an Asian bank to lead the financing (PI, 9/17).
Odebrecht	Chaglia (406 MW Hydro)	Peru	BNP Paribas	Term	$650M	17.5-yr, 20-yr	Pricing set at roughly 350 over LIBOR (PI, 7/9).
Ocean Renewable Power Company	Maine Tidal Power (5 MW Tidal)	Eastport, Maine	TBA	TBA	$25M	TBA	The company is looking for equity financing to complete its maiden project (PI, 9/3).
Quantum Utility Generation	Various (Unknown)	U.S.	TBA	TBA	TBA	TBA	The sponsor is talking to lenders after the successful close of a roughly $120 million refinancing last month (PI, 10/8).
Ridgeline Energy	Meadow Creek (120 MW Wind)	Bonneville County, Idaho	TBA	TBA	$180-200M	TBA	Sponsor discusses financing with lenders, equity with Diamond Generating Corp. (PI, 5/28).

▶ **New or updated listing**

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PROJECT FINANCE

Houston IPP Hunts Dividend Recap, Refi

Northern Star Generation has launched a term loan B as a dividend recapitalization and to refinance existing debt at subsidiary **NSG Holdings**. The $146 million facility is being pitched at LIBOR plus 375-400 basis points, say bankers. **BNP Paribas**, a relationship banker of the joint venture between **UBS International Infrastructure Fund** and **The Ontario Teachers Pension Plan Board**, is lead arranger.

The seven-year loan is slated to take out debt outstanding on an existing $286 million term loan that was inked in a larger package in 2007 recapitalization led by **Lehman Brothers** and BNP. A $32.5 million synthetic letter of credit is also being taken out, according to a report from **Standard & Poor's**, which has placed a preliminary BB+ rating on the loan. The deal is slated to close the first week of December. Ticket sizes have not yet been set.

The loan's pricing is being targeted to investors who normally take slices of highly rated tranches that might be looking down a notch or two for yield, bankers say. "If you're a CLO or an institutional investor and you're used to going out and buying AAA paper—that's dead. There's no yield on that," says one financier. The price talk came in too low for some usual power players to take a hard look at it, say two investors, with one noting that his shop is in the market for margins around 500 bps or higher.

Northern Star has hit the markets now to capitalize on a new power purchase agreement it landed for its 680 MW Vandolah gas-fired facility in Hardee County, Fla. A PPA with **Progress Energy Florida** replaced a maturing tolling agreement with **RRI Energy**.

The new loan will put the total debt at $590 million. There is roughly $441 million outstanding on a $514 million issuance of senior secured notes that mature in 2025. There is $40 million outstanding on the current term loan that matures in 2014 (*PI, 2/23/07*).

Northern Star Generation owns or has stakes in eight facilities totaling about 1.4 GW comprised of natural gas, coal, waste coal, and fuel oil. Its ownership stakes total 1,135 MW. All but one facility is contracted and are located in California, Florida, Nevada and Pennsylvania.

The amount slated for the dividend recapitalization was not determined.

Vincent Schager, cfo of Northern Star in Houston, and a BNP spokeswoman declined to immediately comment.

AES Reportedly Circles Banks For Chile Coal

AES Gener is reportedly working with four commercial lenders and three export credit agencies for a financing backing its proposed $1 billion Cochrane coal-fired project in northern Chile. **HSBC** is advising the AES affiliate on the deal.

AES relationship lenders include **Crédit Agricole**, **Sociéte Générale** and **Union Bank**. The **Inter-American Development Bank**, the **International Finance Corp**. and the **Overseas Private Investment Corp**., are considering working with the sponsor on its 531 MW Alto Maipo hydro project in Chile (*PI, 6/29*).

A spokeswoman for AES Gener in Santiago declined to comment or make an official available. Officials at HSBC in New York the IFC, IDB and OPIC in Washington, D.C., did not respond to inquiries by press time. The identity of the banks involved could not be learned.

The sponsor had been negotiating with multiple offtakers to snag a power purchase agreement for Cochrane, which is slated for operation in 2015 (*PI, 6/6*).

MERGERS & ACQUISITIONS

Atlantic Lands Ridgeline

Atlantic Power Corp. has agreed to buy **Ridgeline Energy Holdings** from **Veolia Environment** for $88 million.

The deal is contingent upon Atlantic Power arranging financing through convertible debentures by Dec. 19. If financing is not arranged, Atlantic will pay Veolia a $3 million termination fee. The deal is also dependent upon Meadow Creek, a 120 MW wind project, coming online by year-end. The acquisition is slated to close by year-end.

The acquisition includes interests in three wind farms, a solar and wind development pipeline and 30 employees. Ridgeline is based in Seattle. The pair negotiated the agreement one-on-one, says an observer, pointing to an existing relationship involving the 80 MW Rockland wind farm (*PI, 12/8*). Advisors were not involved.

Atlantic Power issued $130 million in convertible debentures this summer to finance its acquisition of the Canadian Hills wind project in Oklahoma. The seven-year debentures carried a coupon of 5.75% and a strike price, or the price at which it converts to common shares, was set at $17.25 (*PI, 7/3*). **TD Securities** is the underwriter with **BMO Capital Markets** as co-lead. Officials at the banks did not immediately respond to inquiries about whether they would be involved in this transaction.

The company was trading at C$11.86 on the Toronto Stock Exchange on Tuesday afternoon. The earlier debentures were priced based on a C$13.97 per share.

Atlantic Power will own 50% of the 80 MW Rockland wind farm, up from 30%, and gain a 12.5% stake in the 125 MW Goshen North wind farm. It will own the entirety of Meadow Creek, which is contracted to **PacifiCorp** for 20 years. All are in Idaho. Atlantic Power bought into Rockland last year.

A spokeswoman in Boston did not respond to an inquiry about which banks would lead the debentures.

EDF Ropes BofA Sub For Tax Equity

An affiliate of **Bank of America** has agreed to make a tax equity investment in a 100.8 MW wind farm in Kansas owned by **EDF Renewable Energy**.

The bank is looking for other investors to take slices of the position in Spearville 3 farm. BofA subsidiary **BAL Investment & Advisory** will be the sole investor if none is found, according to a filing with the U.S. **Federal Energy Regulatory Commission** last week.

The transaction is on course to be closed by Dec. 31, which is when the production tax credit, or mechanism that allows tax equity investments in wind, expires. Congress has not yet approved an extension of the program. The Spearville 3 farm in Ford County, Kan., came online in early October and has a 20-year power purchase agreement with **Kansas City Power & Light Co**.

BofA inked a $150 million tax equity investment in June in the 150 MW Pioneer Trail wind farm in Illinois owned by **E.ON Climate & Renewables** (*PI, 6/13*).

A BofA spokesman in Charlotte, N.C., could not immediately comment on whether additional investors would need to be brought in by year-end. An EDF spokeswoman did not respond to an inquiry.

Algonquin Markets Hydro Portfolio

Algonquin Power & Utilities is selling a portfolio of small, contracted hydro assets in the Northeast, observers say. The sale reportedly includes stakes in a 46.8 MW portfolio across 23 assets in New York and New England, says a banker.

Prospective buyers have already submitted indicative bids, say deal watchers. It's being shopped quietly to entities with an interest in hydro assets. The sale is expected to be finalized in the first quarter. Thirteen of the assets are in New York; 10 are in New Hampshire, New Jersey or Vermont. Whether an advisor is being used could not be learned.

Algonquin wants to reposition its holdings in the U.S. to larger renewables projects, such as the wind farms it partially acquired from **Gamesa**, and distribution utilities, say deal watchers. Algonquin is paying about $269 million for a 51% stake in four wind farms in Texas, Illinois, Pennsylvania and Iowa.

An Algonquin spokeswoman in Oakville, Ontario, did not return a call.

STRATEGIES

Algonquin Expands Credit Facility Ahead Of Pipeline Growth

Algonquin Power & Utilities Corp. has increased a senior secured credit facility to $200 million from $155 million ahead of developing a pipeline of wind and solar projects in the U.S. and Canada. "This will allow them to continue their expansion. They have a fairly steady pipeline of projects coming up," says **Stephen Goltz**, director of utilities, project and infrastructure finance at **Standard & Poor's** in Toronto.

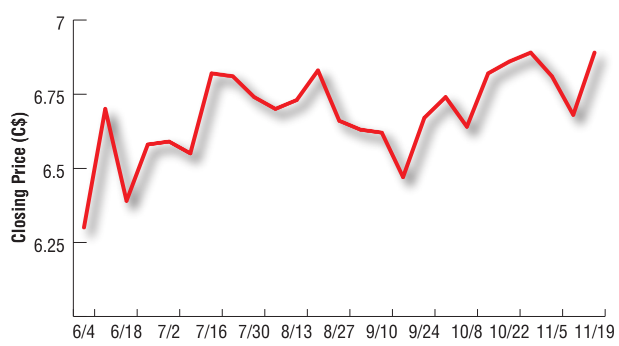
National Bank of Canada led the deal, with **Toronto-Dominion Bank**, **Bank of Montreal**, **CIBC** and **Bank of Nova Scotia** participating in the facility that expires in 2015. The syndicate also released its security on the facility associated with certain affiliates of Algonquin, making it unsecured.

The Oakville, Ontario-based sponsor is looking to double 460 MW of generating capacity at its non-regulated generation subsidiary in the next few years through project development and acquisitions. Projects in the works including a 10 MW solar project and a 75 MW wind project in Ontario, 178 MW of wind projects in Texas and Illinois. The company has generally done a mix of project finance loans and debt capital markets solutions to fund project development, Goltz says.

Algonquin agreed to buy natural gas distribution company **Atmos Energy Corp**. in Georgia for $141 million and it acquired a stake in the 50 MW Sandy Ridge wind project in Pennsylvania from **Gamesa Corporación Tecnológica** in the second quarter. The company also made an unsolicited, and ultimately unsuccessful, bid for **Western Wind Energy** (PI, 7/30).

Spokespeople and officials at Algonquin and banks did not respond to inquiries and pricing on the deal could not be learned.

Algonquin Power & Utilities Share Prices



Source: Power Intelligence via Yahoo! Finance

INDUSTRY CURRENT

Chile: Challenges In An Evolving Market—Part I

THIS WEEK'S INDUSTRY CURRENT *is written by* ***Brian Greene*** *and* ***Guillermo Sandoval Coustasse****, associates at* ***Chadbourne & Parke*** *in Washington, D.C.*

Guillermo Sandoval Coustasse

Brian Greene

Simply to keep the lights on, Chile needs to increase generation by 6% per year, but developers have put the Chilean government in a difficult position by suspending several large-scale power projects and attributing the delay to government policies.

The reasons, according to developers, are environmental claims and uncertainty caused by conflicting views between the judicial and executive branches of the Chilean government.

The executive branch believes the courts are creating obstacles to construction of projects and, in turn, the judicial branch complains that the executive is not respecting judicial independence.

A central issue in the debate between the executive and the judicial branches in Chile has been the approval of transmission lines required to connect new projects to the grid. Under pressure, the government recently announced the introduction of a bill called the Electric Highway Law in an attempt to clarify the law governing the grid.

An Energized Market

Chile has the highest electricity consumption per capita in Latin America, and the prices for electricity are the second highest in the region next to Uruguay.

The **World Bank**'s 2013 Doing Business study ranks the Chilean economy number 37 in the world and number one in Latin America (where the regional average ranking for 2012 is 103). The Chilean political system is stable and the judicial system is reliable and sophisticated. Moreover, estimates indicate that for Chile to become a developed economy, it must double its generating capacity by 2025.

These factors have turned Chile into an attractive place for energy investors and developers.

However, recent developments are causing investors to think twice about proceeding with projects. A growing number of civil society groups and organizations have emerged to oppose diesel- and coal-fired power plants, and sometimes even hydroelectric dams. These groups have succeeded not only in stopping projects through political pressure, but also in persuading Chilean courts to reassess the process for granting environmental approvals for energy projects of all types.

In 2010, **Suez Energy** obtained the environmental approvals to build the Barrancones plant, a 180 MW coal-, gas- and diesel-fired facility. The Barrancones plant was to be built only a few kilometers away from the Humboldt penguins' national reserve. Social uproar and street protests all over the country ensued. The pressure on the executive branch led the Chilean president to call Suez Energy to ask for the company to stop development until it could find a better location. While the project was in compliance with Chilean law, the president told Suez Energy the project was only approved so close to the national reserve due to some "loopholes" in the legislation. Suez Energy has not followed through with plans to relocate the Barrancones project.

This year, two major projects have been suspended. The first happened in May when **Colbún**, the owner of 49% of the 2,750 MW HidroAysén project, announced it would recommend suspending presentation of the environmental impact assessment study for HidroAysén's transmission line due to uncertainty surrounding environmental regulations. As the president of Colbún's board explained, "As long as a national [energy] policy is not in place and backed by a broad- consensus, we think that the conditions to develop a project of this level and complexity are not present."

The second project was suspended in August when the Chilean Supreme Court revoked the environmental permits for the construction of Central Castilla, a 2,100 MW coal- fired plant, which was the second biggest energy project under development in Chile and the largest proposed coal-fired power plant in South America. **MPX Energia** and **E.ON**, the developers, had proceeded with the project on the understanding that they would submit three different environmental impact studies (one for the port where coal was received, one for the transmission line and one for the actual power plant). Before the case was brought to the Supreme Court's attention, it was unclear whether developers were allowed to present different environmental impact studies for different facilities or stages of a project. The Supreme Court declared that if any facility or part of a project is required for, and the viability of each part of the project is interdependent upon, any other facility or stage, then the developer must conduct an environmental impact assessment that covers all the facilities or stages of a project together. The Chilean president and the Environmental Ministry publicly criticized the Supreme Court for this decision on both political and factual grounds.

Promotion Of Energy Development

At the same time as uncertainty has appeared over the environmental, regulatory and judicial processes surrounding energy projects, a political consensus has emerged in support of energy development and, in particular, renewable energy.

The proposed 2013 budget for the Energy Ministry includes a 78.6% increase over its 2012 budget. The focus is supporting the operations of the state-owned oil company, establishing an energy efficiency plan and fostering the development of non- conventional renewable energies (which in Chile means renewable energy other than large-scale hydroelectric projects). The proposed budget for the Energy Ministry for renewable energies shows an increase of 24.1% compared to the 2012 budget.

The minister of energy has declared that subsidies are planned for small generation plants, with a focus on biofuels, small solar PV plants, hot water solar collectors, biomass, small hydro plants and solar-powered irrigation pumps. Subsidies or incentives for larger solar or wind projects are currently being studied, but they are expected to be limited to start the development of those energies in Chile.

Recently, the **Environmental Evaluation Service** has approved several solar and wind projects in different parts of the country, ranging from 7.5 to 237.5 MW. Solar projects are being planned in the Atacama desert, the driest desert in the world and, reportedly, the location with the biggest solar potential in the world. Wind farms have been concentrated in the IV and VIII regions in the central part of Chile.

Next week, the authors examine the Electric Highway Law and its potential impact on project development in Chile in the second installment of this Industry Current.

LS Hunts PJM *(Continued from page 1)*

generally popular among lenders because of a perennial pipeline of deals. Prudential and Santander closed a $450 million financing backing LS' 170 MW Centinela photovoltaic project in Calexico, Calif. (PI, 9/20).

An LS Power official in New York did not respond to calls and details regarding the plants, such as generating capacity and exact location could not be learned. ***—Sara Rosner***

NextEra Hydro *(Continued from page 1)*

with NextEra or bondholders, say that a bankruptcy filing—perhaps a pre-packaged arrangement—is an option the parties are considering since the debt is non-recourse to NextEra. Advisors were not involved as of last month and NextEra may opt to handle the talks itself. Whether bondholders have hired an advisor could not be determined.

A NextEra Energy Resources spokesman was out of the office and not responding to messages and a call to another media line was not returned.

The portfolio has 23 facilities that are operated as three bundles on the Kennebec River, Androscoggin River and Saco and Presumpscot Rivers.

The debt consists of four unrated private placements arranged in 2007. It is not rated. **Credit Suisse** and **Scotiabank** were the underwriters. The tranches include:

- $290 million private placement with 6.31% coupon due in 2017
- $250 million private placement with a 6.96% coupon due in 2037
- $125 million private placement with a 7.26% coupon due in 2015
- $35 million private placement with 6.61% coupon due in 2027

Top bondholders at the end of the second quarter include affiliates of **Variable Annuity Life Insurance**, **New York Life Insurance**, **TIAA-CREF**, **Loomis Sayles & Co**. and **Allstate Life Insurance**, according to company documents. At the end of the first quarter Loomis Sayles had slices of the 2015, 2017 and 2037 tranches but had sold out of the 2015 tranche by the end of the third quarter and reduced holdings in the other two, according to the fund's reports. ***—Holly Fletcher***

ALTERNATING CURRENT

Bird Roast: TXU Examines The Power Of Turkey

With all of the shopping, prepping, cooking and familial mediating that goes in to Thanksgiving, it's easy to forget about what's really required for producing the crown jewel of the Thanksgiving table in terms of kilowatt hours. Luckily **TXU Energy** has taken the pains to make an accounting of those figures in a handy *infographic* that would make a data analyst drool.

iStockphoto/Thinkstock

It takes about 8 kWh to cook a thawed, 16 lb. turkey in an electric oven for the 4-4.5 hours recommended by the U.S. **Department of Agriculture** (mashed and sweet potatoes, stuffing, gravy and myriad pies not included). According to the **National Turkey Federation**, 46 million birds were sacrificed for Thanksgiving last year, and roughly half of those, about 26 million, were roasted in electric ovens. Meaning, 213 GWh were used to potentially induce turkey comas for the more than 275 million Americans that took part in a Thanksgiving feast.

QUOTE OF THE WEEK

"This will allow them to continue their expansion. They have a fairly steady pipeline of projects coming up."—***Stephen Goltz***, director of utilities, project and infrastructure finance at **Standard & Poor's** in Toronto on **Algonquin Power & Utilities Corp.** expanding its credit facility to $200 million (see story, page 6).

ONE YEAR AGO

Brookfield Asset Management had wrapped a refinancing backing its move to maintain ownership of the Cross Sound Cable in the Long Island Sound in New York. [Affiliate **Brookfield Renewable Power** is looking to refinance its 189 MW Prince wind farm in Sault Ste. Marie, Ontario. The Quebec-based company is aiming to work with lenders that refinanced the wind farm in 2007 (*PI, 9/17*).]