

power finance & risk

The exclusive source for power financing and M&A news

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FirstEnergy Sub Scoops Up Storage Project

FirstEnergy Generation acquired the rights to develop a former limestone mine into a compressed air storage facility.

See story, page 2

At Press Time

Cleco Seeks Gas Plant
Purchase Approval 2

In The News

La Paloma Loan Untouched
By Foreclosure 3

Lehman Lands Tax Equity Sale 3

Buyers Eye Infigen Wind Projects 3

Int'l Power Refi Gets Aussie
Gov't Boost 3

DB Joins Wind Co. As Agent 3

PSEG Seeks Biomass Sale 4

Enbridge To Finance Wind
On Balance Sheet 4

Wis. Utility To Sell To Mich. Co-op 4

Corporate Strategies

PSE&G Issues Notes For Capex 4

Nat'l Grid Seeks R.I. Bond 5

Departments

Project Finance Deal Chart 5

News In Brief 7

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CALPINE REFI PRICING SETS A LOW

Calpine has managed to land a sub 300 basis point spread over LIBOR in a \$498.5 million generation refinancing—a level financiers say they haven't seen this year. They are reading it as a signal the non-recourse market may be shrugging off its post credit crisis lethargy.

Pricing on the eight-year loan, which is tied to two plants owned by **Calpine Steamboat Holdings**, landed at 287.5 basis points over LIBOR after initially being floated at L +300.

"It's a nice milestone transaction demonstrating the depth and liquidity of the project finance bank loan market," says **John Anderson**, head of project finance at **John Hancock Financial Services** in Boston. Anderson says he spoke to Calpine about taking a fixed-rate portion of the loan, but the company was comfortable with the response it received from the bank market.

Calyon, **WestLB** and **CoBank** led the deal. "With an oversubscribed deal you're going to

(continued on page 8)

SALTON SEA FACILITY LANDS CLUB BACKING

Rookie developer **Catalyst Hannon Armstrong Renewables** has landed a financing backing an unusually expensive geothermal project in the Salton Sea area of California. The move has surprised some bankers as the largely unknown developer landed non-recourse heavyweights **Calyon**, **Helaba**, **ING** and **Mizuho**.

Officials at the banks either declined to comment or did not return calls and details of the deal, such as structure, pricing and tenor could not be learned. The price tag of the 50 MW Hudson Ranch I project is thought to be roughly \$380 million, according to a deal watcher, more than twice the estimated \$2.5-3 million per MW it generally costs to develop geothermal. He notes the



photo credit: CHAR, LLC

Geothermal resource

(continued on page 8)

WELLS TO BOOST CLEAN ENERGY TEAM

Wells Fargo has established a clean energy group in Palo Alto, Calif., and is already looking to add to its original staffing.

The bank is planning to bring four bankers on board to add to its eight-person team launched in late October to finance technologies including solar and wind generation.

It has already financed \$5 billion in the sector, but formed the group to offer more specialized knowledge. "The only limiting factor is the number of good companies and good proposals that come across our desk," says **Puon Penn**, head of the group.

The clean tech group is targeting financing for a range of companies—including solar, and energy efficiency. Wells has financed **SunEdison** and **MMA Renewables** solar projects as well as taken tax equity stakes in an **enXco** wind project (PFR, 4/8/08 & 9/11).

(continued on page 8)

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



At Press Time

FirstEnergy Pockets Storage Project

FirstEnergy Generation bought the rights and some permits from **Haddington Ventures** on Nov. 23 to turn an abandoned, 600-acre limestone mine into a holding cell for compressed air that will generate 2.7 GW.

Ellen Raines, spokeswoman for parent **FirstEnergy** in Akron, Ohio, declined to comment on details of the transaction, including the price and whether **FirstEnergy** used an advisor. Calls to officials at **Haddington** in Houston were not returned.

The Norton energy storage project in Norton, Ohio, could generate 2.7 GW if developed to full capacity. An initial phase of two to four turbines that produce about 268 MW would likely be the first step, says **Raines**. **FirstEnergy** does not have a timeline on construction, she adds.

Securing financing for compressed air technology would not be difficult as long as the power had an offtaker, says a banker in New York.

The technology will allow **FirstEnergy** to store renewable power that is often times generated during off-peak hours, to be released when demand is high. Capturing intermittent wind and solar power to use during peak demand is a central concern for utilities pondering how to meet an increasing number of U.S. state renewable portfolio standards.

Cleco Files With FERC For Gas Plant Purchase

Cleco Power filed for approval with the U.S. Federal Energy Regulatory Commission on Nov. 16 to purchase a 580 MW integrated gasification combined cycle unit for \$300 million from the 1,160 MW **Acadia Power** plant. The transaction, announced earlier this year, is a rare bird in an environment where low gas prices and depressed power prices have led to difficulty in valuing and offloading gas-fired assets.

The company chose the unit near Eunice, La., from a request for proposal process started in 2007 because of its proximity and existing interconnection to the high demand **Acadiana** region in southern Louisiana and also because of the savings over a new-build project.

At \$300 million, the unit will cost the company roughly \$515-520 per kW compared to roughly \$750 per kW for a new facility and the related interconnection, notes **Darren Olagues**, cfo of **Cleco** in Pineville, La., for a saving of roughly \$13 million.

Acadia Power is a 50:50 joint venture between **Cleco Power's** unregulated affiliate **Cleco Midstream Resources** and **Cajun Gas Energy**, a subsidiary of hedge fund sponsor **King Street Capital Management**. **Cleco Power** used an independent evaluator in the RFP process to ensure an objective pick of the winning bidder. The purchase must also be approved by state regulators to affirm that the transaction is the most cost effective option to meet increasing power demands. Approval is expected in the beginning of next year. **Richard Knight**, managing director of **King Street** in New York, did not return a call.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

La Paloma Loan Unaffected By Ownership Change

Ratings on **La Paloma Generating Co.**'s \$245 million secured first-lien term loan are unaffected by **Trust Company of the West**'s action of foreclosing on the equity in the holding company. **WestLB** led the initial \$520 million credit facility to finance **Complete Energy**'s purchase of La Paloma, which included a term loan, \$65 million in working capital, a \$40 million synthetic letter of credit and a second-lien \$155 million term loan (PFR, 8/12/05).

TCW is in the process of foreclosing on Complete's stake in the natural gas-fired facility (PFR, 11/20).

The holding company is shielded from the generating company, says an analyst. The equity transfer is subject to U.S. **Federal Energy Regulatory Commission** approval.

WestLB bankers declined comment.

Lehman Tax Equity Sale Tops \$90M

Lehman Brothers has landed roughly \$90 million for the sale of its renewable energy tax equity stakes, according to a deal watcher. The latest sale to wrap was **Ormat Technologies** taking one for \$18.5 million (PFR, 11/13). Funds from the sales will pay back creditors of Lehman's bankruptcy. Advisory shop **CP Energy** ran the sale.

The other two sales wrapped earlier this year. **First Wind** bought the stake in its own 20 MW Steel Winds farm in Lackawanna, N.Y., for a bargain price, the deal watcher notes. **New York Life Insurance** purchased the other stake in a utility consortium's 205 MW White Creek wind project in Klickitat County, Wash. Calls to an official at First Wind official in Boston and NYL in New York and were not returned by press time. A CP Energy official declined to comment.

Shortlisted Bidders Circle Infigen Assets

A shortlist of bidders will be participating in site visits of some of **Infigen Energy**'s wind farms as the company looks to unload a 1.1 GW portfolio. Management presentations will follow the visits, notes a deal watcher, and binding offers are due on the assets in Europe and the U.S. Jan. 21.

Utilities, private equity shops and infrastructure funds are thought to be in the running for the assets (PFR, 9/15). Officials at **Marathon Capital** and **UBS**, which are running the sale, did not return calls and **Miles George**, managing director of Infigen in Sydney, Australia, did not return a call

by press time. The identity of the shortlisted bidders could not be learned.

The portfolio includes 18 wind projects in California, New Mexico, Illinois, Oklahoma, Pennsylvania, Colorado, Texas and Oregon that are 80% contracted. Turbines in the portfolio, which was formerly part of **Babcock & Brown Wind Partners**, include **Gamesa**, **Siemens**, **Mitsubishi**, **Vestas** and **General Electric** machines.

Int'l Power Oz Refi Gets Political Boost

A decision last Monday by the **Australian Department of Climate Change** to allow some carbon emissions allocations for coal plants under its carbon legislation will likely aid **International Power**'s ability to get refinancing for its Hazelwood coal-fired power plant.

"We should not underestimate the benefit of the ability to re-finance Australian assets for higher and longer with 10 years of free CO2 allocations," says **Lakis Athanasiou**, an analyst with **Evolution Securities** in London.

Bankers had questioned IP's ability to refinance some A\$445 million (\$384 million) worth of interest-only debt coming due in February on its 1,675 MW Hazelwood plant assuming that under the legislation, the plant would be subject to strict carbon emissions penalties (PFR, 9/11).

With support from legislation, the company could refinance the entire estimated A\$850 million through to 2021, Athanasiou notes.

Mich. Co-op To Buy Wis. Public Utility

Cloverland Electric Cooperative filed with the U.S. **Federal Energy Regulatory Commission** last Monday to purchase a public utility subsidiary of **Wisconsin Energy Corp.**

Cloverland co-op members voted in favor of the acquisition of subsidiary **Edison Sault Co.** earlier this month as a way for the co-op to "preserve local control of energy resources," according to the co-op.

The Edison Sault service area in Michigan's Eastern Upper Peninsula is adjacent to Cloverland, which is based in Dafer, Mich. The cash deal for Edison Sault, which owns 32 MW of hydroelectric generation and provides power to 22,000 customers, is expected to close in the spring, says **Barry McNulty**, spokesman for Wisconsin Energy. He declined to disclose the amount. Wisconsin Energy is not using an advisor.

When Wisconsin Energy acquired Edison Sault, its interconnections to Canadian power networks were thought to

be a strategic move but “as the industry evolved with regional transmission and independent transmission networks, the interconnection was less so,” says McNulty. Calls to officials at Cloverland and Edison Sault were not returned.

PSEG To Sell N.H. Biomass Plant

Bridgewater Power Co. is in discussions with an undisclosed party to sell its 16 MW wood-fired biomass plant in Bridgewater, N.H. Bridgewater Power, a partnership between **PSEG Global**, a unit of **Public Service Enterprise Group**, and **Harbert International**, was supposed to enter into a letter of intent last week, according to a deal watcher. Details regarding the sale or the buyer could not be immediately learned.

Paul Rosengren, spokesman for PSEG Global, declined to comment. Calls to officials at Harbert were not returned.

Enbridge To Finance Talbot On Balance Sheet

Enbridge will finance its 90% share of the construction of the 99 MW Talbot Wind Energy project on balance sheet.

The Calgary-based energy transport company is developing the project with Montreal-based **Renewable Energy Systems**, an affiliate of **RES Americas**. It will use a portion of its consolidated bond issues to fund the project development. “We’re not doing a specific bond issue for this project,” says **Vern Yu**, v.p. of investor relations.

The companies announced last Thursday that they will jointly develop the \$285 million project near Chatham, Ontario. The project is expected to be completed by December next year and will provide power to 33,000

average-sized Canadian homes.

Enbridge works with seven Canadian banks to do its bond issues including the Big Five and **National Bank of Canada** and **HSBC** because they are significant lenders to the company, Yu adds.

RES is the prime construction contractor on the project, a spokesman says.

Wind Co. Adds DB As Agent

Wind developer **Cannon Power** has tapped **Deutsche Bank** as administrative and collateral agent for \$652 million in project financing backing its 500 MW Windy Point project. “They’re an experienced and well-regarded institution that the lenders in our project are comfortable with,” says **Gary Hardke**, president and managing director in San Diego.

Deutsche Bank will monitor the valuations of the asset, notifying lenders of any changes in the project and acting as a middle man between the lenders and project in terms of receiving and sending payment and information.

The \$652 million figure includes a \$178 million loan from **Siemens Financial Services** supporting 60 MW of the 262 MW expansion on the project in Klickitat County, Wash. (PFR, 10/2) and a \$360 million loan led by **HSH Nordbank** for the remaining 202 MW of the expansion (PFR, 8/15/08). The source of the remaining \$117 million in financing could not be immediately learned. Bank officials and spokesmen either declined to comment or did not return calls.

The latest 60 MW round, which will utilize mostly Siemens turbines, is expected to go online by year-end. **Turlock Irrigation District** purchased the first 137 MW phase of the project (PFR, 6/19). The remaining 100 MW phase will likely begin construction sometime next year.

Corporate Strategies

PSE&G Taps Bonds For Capex

Public Service Electric & Gas has issued \$250 million in medium term notes to fund its \$4.69 billion three-year capital expenditure program. The company priced the 30-year, 5.375% notes on Nov. 18 and closed the deal on Nov. 20.

The company has several transmission projects included in its capex program, notes **Allan McLean**, analyst at **Moody’s Investors Service** in Toronto, including the \$1.2 billion, 130-mile Susquehanna Roseland project. The 500kV line runs between Berwick, Pa., and the Delaware River and is set to come online in 2012. Other costs under the capex include distribution and energy efficiency upgrades. Calls to **Morton Plawner**, treasurer and a spokesman in Newark, N.J., were

not returned by press time.

PSE&G issued the notes under a \$1.5 billion shelf registration it filed last year to support the capex. A portion of the proceeds will also pay down an undisclosed amount of short-term debt. The tenor of the notes is likely a reflection of the life of the transmission distribution assets, market appetite and PSE&G’s debt maturity schedule, McLean notes. Reasons for using MTNs as opposed to other types of bonds and the resource of short-term debt outstanding could not be learned.

Scotia Capital and **Wells Fargo Securities** were joint book-running managers on the deal with \$87.5 million tranches. **Deutsche Bank** and **Goldman Sachs** were senior co-managers with \$31.25 million tranches and **Toussaint Capital Partners** was a co-manager with a \$12.5 million tranche.

National Grid Targets R.I. Issue

National Grid is petitioning Rhode Island regulators for approval to issue an undisclosed amount of bonds to refinance and undisclosed amount of debt at **Narragansett Electric**.

The London-based gas and power company plans to continue to tap the bond markets in the U.S. to refinance debt at subsidiaries.

The company has started tapping the debt market this year for the first time since it took over regulated utilities in the U.S. Northeast 10 years ago. "With the U.S. market we can't be completely opportunistic because of the [state] regulations so we have to plan well ahead to get them in place," says **Alison Stevens**, senior manager of debt capital markets

in London.

Subsidiaries **Massachusetts Electric Co.** and **Niagara Mohawk Power Corp.** have issued three bonds, totaling just over \$2 billion, since August. The parent company issued bonds in 2006, to refinance debt that will mature in 2011 and 2012, which meant that National Grid had to reach beyond its European relationship banks in the U.S. who could issue the debt. National Grid selected 10 different banks as underwriters in the last three months including **Morgan Stanley**, **Mizuho** and **Citigroup**.

Stevens notes the process of issuing bonds in the U.S. is more legal-intensive than in Europe. "It is more difficult to do an issue in the U.S. Every step of the way it's a little more onerous," she adds.

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.*

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 (PFR, 11/23).
Calpine Steamboat Holdings	Unknown (250 MW CoGen) Unknown (365 MW Comb. Cyc.)	Freeport, Texas Mankato, Minn.	Calyon, WestLB	Refinancing	\$465M	8-yr	Deal set to wrap (see story, page 1).
CPV	Keenan II (152 MW Wind)	Woodward County, Okla.	TBA	TBA	TBA	TBA	Mandates lead lender (PFR, 11/23).
Kallpa Generacion	Kallpa (280 MW Steam)	Lima, Peru	Bank of Nova Scotia, BCP Millenium	Senior Secured Facility Bond Issue	\$130M \$179M	10-yr 13-yr	Deal wrapped (PFR, 11/23).
Noble Environmental Power	Great Plains (114 MW Wind)	Texas Panhandle	UBoC, Bayern, AIG Bankers Commercial Corp.	TBA Tax Equity	\$265M TBA	TBA TBA	Project garners tax equity (PFR, 11/23).
NRG Energy	Various (Solar)	Various, U.S.	Royal Bank of Scotland	Revolver	TBA	TBA	Looking for commitments (PFR, 11/23)
Pristine Power	York Energy Centre (393 MW Gas)	King, Ontario	TBA	Mini-perm	TBA	TBA	Aims to wrap club deal before year-end (PFR, 11/23).

For a complete listing of the Project Finance Deal Book, please go to iipower.com.



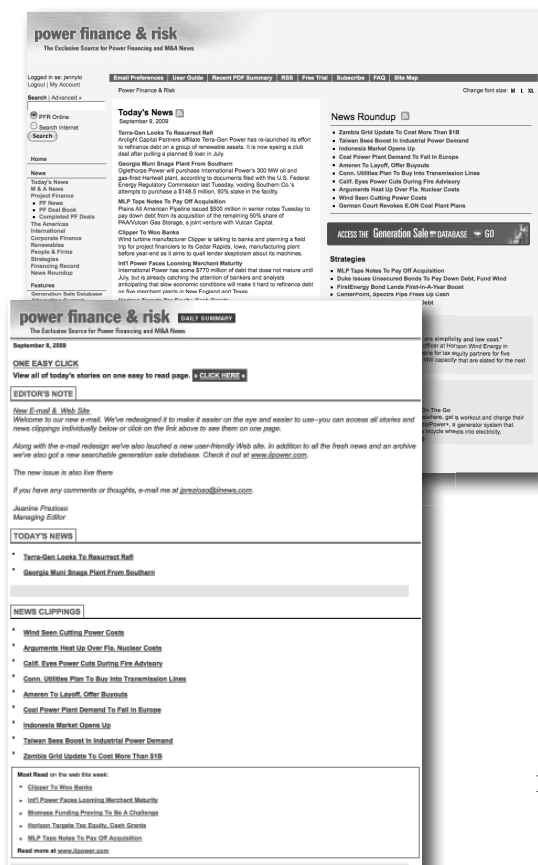
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News In Brief

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

- **Pacific Gas & Electric** has asked the U.S. **Federal Energy Regulatory Commission** to extend its operating license for the 2.2 GW Diablo Canyon nuclear plant in San Luis Obispo, Calif., for another 20 years. The utility has invested \$1 billion in improvements (*CNNMoney*, 11/24).
- There will have been a 50% drop in the lifetime cost per kWh of solar power by year-end compared to 2008, according to an analysis by **New Energy Finance**. There will also be a 10% reduction in the lifetime costs of other renewables for the same period (*Reuters*, 11/25).
- California released draft rules for its landmark greenhouse gas cap-and-trade plan on Tuesday that would let power companies and factories trade emissions credits. The first round of cap-and-trade is expected in 2012 (*Reuters*, 11/25).
- **Direct Energy**, an Ohio-based company, and **Dominion** will compete with **PPL** for customers in parts of Pennsylvania when the state cap on power prices is lifted Jan. 1 (*The Morning Call*, 11/24).
- U.S. power sales dropped 3.9% in September against 2008, according to the U.S. **Energy Information Administration**. Generation was 3.3% lower than the year before (*Power Engineering International*, 11/23).
- **Southern California Edison** received approval from the **California Public Utilities Commission** to build a 128-mile transmission line to link solar generation to southern California. The \$537 million project will come online in 2013 (*Los Angeles Business Journal*, 11/23).
- **NRG Energy** has bought the 21 MW Blythe solar project from **First Solar** for an undisclosed sum. The photovoltaic plant in Riverside County is the state's largest and has a 20-year PPA with **Southern California Edison** (*The Washington Examiner*, 11/23).
- **Siemens** is looking to provide wind turbines to projects in Latin America with a debut facility in Mexico. The company is working with Mexican developer **Grupo Soluciones en Energias Renovables** to build the \$270 million Los Vergeles wind farm in Tamaulipas (*Dow Jones Newswires*, 11/20).
- California regulators have approved a 15-year contract between offtaker **Sempra Energy** unit **San Diego Gas & Electric** and Spanish developer **Naturener** for its 300 MW Rim Rock

wind farm 100 miles north of Great Falls, Mont. The project will be completed in 2011 (*Dow Jones Newswires*, 11/20).

Europe

- **Statkraft**, Norway's state-owned utility, brought a prototype generator online today that produces power by osmosis. Fresh water slides across a membrane, putting pressure on sea water to drive a turbine (*Reuters*, 11/24).
- Czech utility **CEZ** and German utility **RWE** may seek to purchase Polish competitor **Enea**. The Polish government is renewing an attempt to sell a majority stake in Enea after it failed to find an industry investor last month (*Bloomberg*, 11/23).
- U.K. Prime Minister **Gordon Brown** says the country aims to construct 16 GW of nuclear capacity to reduce emissions. The government has introduced plans to triple nuclear capacity to about 40% of generation by 2025 from 13% (*EasyBourse*, 11/23).
- **GDF Suez**, Belgium and France signed a convention to ensure the security and continuity of power supply in those respective countries. The convention will implement an exchange of information between the three parties on GDF's decisions that could affect the countries' power supplies (*Dow Jones Newswires*, 11/24).

Asia

- Japan has slashed imports of oil, natural gas and coal as utilities cut fuel use in response to declining power demand. The country purchased 3.29 billion barrels of crude last month, down 18.4% from last year (*Bloomberg*, 11/25).
- Japanese company **Chubu Electric** will sign a contract to buy a 0.4% stake in the **Chevron**-led consortium's Gorgon liquefied natural gas project in Australia for an undisclosed sum. Chubu will also sign a long-term contract to purchase 1.44 million metric tons of LNG per year from the project for 25 years starting in 2014 (*Dow Jones Newswires*, 11/25).
- **Sumitomo Corp.** is planning to build a 1.32 GW low emission coal plant in Vietnam. The company is planning to acquire stakes in plants in the U.S., Asia and Middle East to increase its capacity to about 6.3 GW by 2011 (*Bloomberg*, 11/24).

CALPINE REFI

(continued from page 1)

get a request to move pricing down from the sponsor,” says **Brett Challenger**, managing director in energy services at CoBank in Denver.

The facility includes a \$465 million term loan plus a \$33.5 million letter of credit. The refinancing covers a \$466 million

construction term loan taken in 2005 to build the 250 MW Freeport, Texas, cogeneration plant and the 365 MW Mankato, Minn., combined cycle plant (PFR, 4/1/05). Both plants are fully contracted.

—*Jeanine Prezioso*

Banks Involved In Steamboat Refi

BANK	COMMITMENT
CoBank	\$89 million
WestLB	\$47.6 million
Calyon	\$47.6 million
Bank of Tokyo Mitsubishi	\$47.6 million
Landesbank Hessen-Thüringen	\$39 million
HypoVereinsbank	\$39 million
Bank of Ireland	\$39 million
Natixis	\$39 million
Siemens Financial	\$35 million
SEB	\$33.7 million
Export Development Bank of Canada	\$22 million
CIC	\$20 million

WELLS TO

(continued from page 1)

The group will assist companies with strategic financing, not just commercial lending. Customers who approach the commercial lending branches with clean tech ventures to finance will be forwarded to the clean tech group, Penn says. A separate group headed by **Brad Pritchard** will handle more investment banking functions, including advisory work.

—*Holly Fletcher*

SALTON SEA

(continued from page 1)

company likely bought equipment and performed drilling on the project when prices for the respective goods and services were twice as high as they are now.

In the project's favor is a 30-year PPA with **Salt River Project**, the Arizona state-owned utility that serves Phoenix. SRP is also building the transmission to take the power.

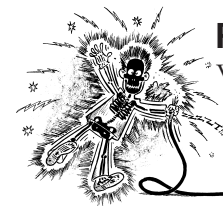
The so-called CHAR project is a joint venture between developer **Catalyst Renewables** and financial advisor **Hannon Armstrong**. **David Watson**, cfo of Hannon in Annapolis, Md., declined to comment on the transaction and **Eric Spomer**, president of Catalyst in Dallas, Texas, did not return a call. Aside from Hudson Ranch, Catalyst owns and operates a 19 MW biomass facility in Lyonsdale, N.Y. According to its Web site, Hannon Armstrong has reportedly worked on several project financings, the details of which could not be learned.

The project is slated to come online next year.

—*Sara Rosner*

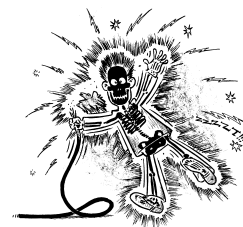
Alternating Current

Pedaling In the New Year



When the ball drops in Times Square on New Year's Eve the “2010” that lights up will be powered by harnessed human energy. **Duracell** is responsible for providing enough power to light the seven-foot numerals for 30 minutes, and is relying on pedestrians-cum-pedalers to hop on generating-equipped bicycles to create the juice.

Welcoming in the New Year with a lighted-greeting requires about 32,000 watt hours, which is coming from 200,000 tourists (and surely, some New Yorkers), says **Kurt Iverson**, spokesman for Duracell. The generators look like pedal-powered go-carts.



The Duracell Smart Power Lab opened up in Times



Square earlier this year than it did last so the **Proctor & Gamble Co.** unit would have more time to charge up the batteries.

phot credit: Duracell

“There’s just no way we won’t succeed. Failure is just not an option,” says Iverson.

Quote Of The Week

“It’s a nice milestone transaction demonstrating the depth and liquidity of the project finance bank loan market.” — **John Anderson**, head of project finance at **John Hancock Financial Services** in Boston, on Calpine refinancing \$498.5 million with a sub 300 basis point spread over LIBOR (see story, page 1).

One Year Ago In Power Finance & Risk

Lehman Brothers’ renewable energy tax equity holdings were on the block. [Boston-based advisory shop **CP Energy** wrapped the \$90 million sale last month, with **New York Life Insurance**, **Ormat Technologies** and **First Wind** picking up the stakes (see story, page 3).]