

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Game On

SolarCity Targets Regular Securitization Flow



Bob Kelly

SolarCity is setting its sights on being a regular securitization issuer to keep pace with its growing portfolio after wrapping the sector's maiden deal.

Bob Kelly, cfo, envisions SolarCity being a flow issuer, hitting the market as frequently as once a quarter given its goal of bringing 100 MW of rooftop installations online every

three months.

Future deals, including the next, could be in the neighborhood of \$200 million, four times the size of its debut. "We chose \$50

million, the smallest size we could think of, to dip our toe in the water and start the race," Kelly said in an interview with *PI*. It opted to rate the transaction rather than do an unrated private placement as a way to push solar securitization forward. The \$54.43 million deal was priced to yield 4.8%.

SolarCity brought **Credit Suisse** on as the lead arranger after meetings with several firms because it felt comfortable with the firm's securitization team. Kelly also highlights the bank's understanding of the different facets of the company's financial structure from the initial public offering to its credit facilities and its

(continued on page 12)

THE BUZZ

Bond Bounty Seen In Low Rates

Bond markets were bustling in the holiday shortened week, as companies looked to lock in lower rates following the passing of some of the summer turbulence. Giants **Sempra Energy** and **Southern Co.** were both looking to pay off commercial paper with longer dated debt and attractive rates (see stories, pages 5 & 5).

Meanwhile **Tenaska Solar Ventures** was tapping project bonds to refinance the 130 MW Tenaska Imperial Solar Energy Center South (see story, page 5).

AES Gener is gunning to issue bonds to use as equity in the \$2 billion Alto Maipo hydro facility near Santiago, Chile, alongside \$1.2 billion in debt. AES Gener is targeting closing the debt—sourced from agencies and commercial

(continued on page 2)

Q&A

Fieldstone Private Capital Group

Manfred Ernst and **Anastasia Pozdniakova**, managing directors at boutique investment bank **Fieldstone Private Capital Group** in New York, caught up with Senior Reporter **Holly Fletcher** about how access to information has commoditized the generation sales process and if peakers will get a run for their money from a new combined cycle technology.

Fieldstone—founded by former **Bankers Trust Co.** bankers almost two dozen years ago—sees power as one of its core sectors, with a weighting toward generation side. Ernst and Pozdniakova talked with *PI* about what has changed the M&A

(continued on page 9)



Anastasia
Pozdniakova

Bottoms Up For Cogen

Talk cogeneration and combined heat and power with officials from EPC, banking, developer and policy circles in NYC on Dec. 3.

For more information, see page 6

At Press Time: AES Nears Close On Chile Hydro

AES Gener is circling a close on the financing backing its Alto Maipo hydro project in Chile.

See story, page 11

Generation Sale ■ DATABASE

Check out the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

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THE BUZZ

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banks—by the end of the year (see story, page 11).

Asset buyers are moving to close deals before the close of the year. **I Squared Capital Advisors**, founded by ex-Morgan Stanley investors, is making its debut power play with the acquisition of a cogeneration facility in Cambridge, Mass., from **NRG Energy**. ISQ will own the facility alongside **Veolia ENH** (see story, page 7). **Canadian Solar** has lined up a new-to-North America infrastructure player, **DIF**, for the acquisition of a 40 MW fleet of 10 MW projects in Ontario (see story, page 7).

Energy Capital Partners is pulling out its wallet for a roughly 460 MW pair of gas- and oil-fired assets in Ohio that come with a 522 MW development project. Subsidiaries of **BlackRock**, **Quintana Infrastructure & Development** and **Starwood Global Energy Group** are selling the plants after buying them about two years ago (see story, page 7). ECP is also pruning its fleet by selling its 1 GW Odessa combined cycle plant in Odessa, Texas, as well as trying to find a buyer for its **Empire Generating Co.** facility in New York ([PI, 10/11](#) & [6/10](#)).

TELL US WHAT YOU THINK!

Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of PFR is committed as ever to evolving with the markets and we welcome your feedback.

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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.

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Institutional Investor, LLC Issn# 1529-6652

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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/Comment
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
BP Wind Energy	Various (3.7 GW Wind project portfolio)	Various	TBA	Relaunched the sale of its development assets (PI, 10/7).
BlackRock, Quintana, Starwood	Richland-Stryker (460 MW Oil, Gas)	Ohio		ECP is buying the asset and a development project (see story, page 7).
Canadian Solar	Portfolio (40 MW Solar)	Various, Ontario		European infrastructure fund is buying the projects (see story, page 7).
Direct Energy	Portfolio (1.3 GW Gas)	Texas	Barclays	Portfolio went on the market recently (PI, 10/14).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	NRG has emerged as stalking horse (PI, 10/28).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldman Sachs	LS Power is buying a portion (PI, 9/9).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Details emerge on investors behind Voltage Finance (PI, 10/14).
	Linden (Stake, 942 MW Cogen)	Linden, N.J.	TBA	GE EFS, Highstar reverse flexed a B loan (PI, 11/25).
	Jimmie Creek (Stake, 62 MW Hydro)	B.C.	TBA	Co-owner Alterra is buying GE EFS out (PI, 11/25).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (PI, 8/26).
Hess Corp.	Stake (512 MW Gas)	Bayonne, N.J.	Goldman Sachs	Sale is said to be launching (PI, 9/9).
	Stake (655 MW Gas)	Newark, N.J.		
Horn Wind	Shannon (200 MW Wind)	Clay County, Texas	TBA	Alterra Power has agreed to buy it (PI, 11/25).
JPMorgan Capital Corp.	Tax equity stakes (Various, Wind)	Various		Infigen is buying into the tax equity in some of its farms (PI, 11/18).
K Road Power	Various (Solar Development Pipeline)	Various	TBA	Looking to wind down the solar development (PI, 10/21).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Process has slowed and LS is tipped to be mulling a B loan (PI, 11/4).
	Cherokee (98 MW CCGT)	Gaffney, S.C.	Suntrust Humphrey Robinson	Teasers are on the street (PI, 11/18).
Longview Power	Longview (695 MW Supercritical Coal)	Maidensville, W.Va.	Lazard	Filed for bankruptcy (PI, 9/3).
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
NRG Energy	Kendall (256 MW Cogen)	Cambridge, Mass.		Veolia, ISQ Capital JV is buying it (see story, page 7).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	CIMs expected in the next two weeks (PI, 11/25).
RES Americas	Longhorn (200 MW Wind)	Floyd County, Texas	TBA	EDF Renewables is buying the project (PI, 11/11).
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8).
Southern Power	Oleander (800 MW Peaker)	Cocoa, Fla.	TBA	In the second round with potential buyers (PI, 10/14).
Southwest Generation	Valencia (145 MW Gas)	Belen, N.M.	None	PNM Resources is considering buying up to 50% of the plant (PI, 10/7).
Tenaska Capital Management	Wolf Hills (250 MW Gas)	Bristol, Va.	Bank of America, Barclays	Teasers have gone out recently (PI, 9/30).
	Big Sandy (300 MW Gas)	Wayne County, W. Va.		
	High Desert (830 MW Gas)	Victorville, Calif.		
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	Tenaska Capital is buying US Power Gen (PI, 9/16).
Wayzata Investment Partners	Castleton (72 MW Cogen)	New York	Scotiabank	Teasers are out (PI, 8/19).

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 hffletcher@powerintelligence.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	Alto Maipo (531 MW Hydro)	Chile	TBA	TBA	~\$1.2B	TBA	Sponsor close to wrapping a \$600M agency tranche and a \$600M commercial bank tranche (see story, page 11).
AME/Austalis Power	Octopus LNG (LNG Re-gas)	Concepcion Bay, Chile	BNP, Credit Ag	TBA	TBA	TBA	The developers are set to mandate the French banks this week to lead the deal (PI, 9/30).
BrightSource	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~\$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~\$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	\$4.4B	TBA	Sponsor ups the original bank loan to \$4.4 billion and taps Korean entities for a further \$1.5 billion (PI, 6/3).
Corona Power	Sunbury Generation Facility (900 MW Gas)	Shamokin Dam, Pa.	TBA	Term Loan A & B	TBA	TBA	The financing will be dictated by the equity investor the company is looking to secure (PI, 6/24).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	\$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 11/25).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~\$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	\$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
First Wind	Oakfield (147 MW Wind)	Aroostook County, Maine	TBA	TBA	\$300M	TBA	The sponsor is looking to line up the debt, with tax equity (PI, 10/21).
	Route 66 (200 MW Wind)	Amarillo, Texas	TBA	TBA	TBA	TBA	The sponsor will likely follow its traditional route of securing debt and tax equity (PI, 10/28).
Freeport LNG	Freeport (LNG Export Terminal)	Freeport, Texas	Credit Suisse	TBA	~\$4B	TBA	The deal is slated to launch in mid-November (PI, 10/21).
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	\$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
Lake Charles Exports	Lake Charles LNG Export Facility	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially \$11B project (PI, 8/26).
Moxie Energy	Patriot (800 MW Gas)	Lycoming County, Pa.	TBA	TBA	TBA	TBA	Timeline emerges on Moxie's next gas-fired facility (PI, 10/28).
NET Midstream	NET Mexico Gas Pipeline	Texas	BTMU	TBA	~\$500M	TBA	The ArcLight affiliate will launch a syndication this month (PI, 11/18).
Pattern Energy	Panhandle II (TBA Wind)	Carson County, Texas	Credit Ag, NordLB, BayernLB	Construction	~\$500M	C	The deal will likely be a copy, paste of the Panhandle I deal, say observers (PI, 11/18).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	\$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~\$400M	TBA	The sponsor has tapped BTMU and SMBC as leads on the deal (PI, 10/21).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	\$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
Tenaska	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (PI, 9/23).
True Green Capital	Northeast Solar Portfolio (39 MW Solar)	Northeast U.S.	Investec	Construction/Term/Bridge	\$64M	TBA	Sponsor mandates Investec to arrange a construction/term loan, bridge loan and LC (PI, 9/2).

▶ New or updated listing

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PROJECT FINANCE

Tenaska Wraps Private Placement For Solar Refi

Tenaska Solar Ventures has closed the \$319.4 million bond refinancing of the 130 MW Tenaska Imperial Solar Energy Center South facility near El Centro, Calif.

Barclays acted as lead placement agent for the senior secured notes, and **Mitsubishi UFJ Securities** and **RBC Capital Markets** served as co-placement agents. **Bank of Tokyo Mitsubishi-UFJ** and **Royal Bank of Canada** are providing letter of credit and working capital facilities. Bank officials did not respond to inquiries by press time.

An attractive market for project debt led the company to refinance the existing mini-perm loan on the project, said **Dave Kirkwood**, Tenaska v.p. and treasurer, in a statement. That roughly \$500 million mini-perm was Tenaska's first backing a solar facility

and priced at LIBOR plus 250 basis points ([PI, 4/9/2012](#)).

Standard & Poor's and **Kroll Bond Ratings** rates the notes BBB-. Tenaska Imperial South began commercial operation in early November and has a 25-year power purchase agreement with **San Diego Gas & Electric**. Details, such as pricing and tenor on the notes, could not be learned by press time.

Prudential Capital Group acquired a 32% stake in the development ([PI, 10/29](#)). RBC Capital Markets advised Tenaska on the sale of the equity interest to Prudential.

Tenaska is out in the market looking to line up \$500 million backing the 150 MW Imperial Solar Energy Center West, which has a 25-year power purchase agreement with SDG&E ([PI, 9/20](#)). Construction of the project is slated to begin in the first half of next year.

STRATEGIES

Sempra Hits Bond Market As Rates Settle

Sempra Energy has issued \$500 million in senior unsecured notes to pay off commercial paper, as Treasury rates settle back down to near record lows following a spike earlier in the year. The deal closed on Nov. 22.

Rates have remained attractive for borrowers and are conducive to refinancing, note observers, after Treasuries surged in September following comments from the U.S. **Federal Reserve** Chairman **Ben Bernanke**. Benchmark Treasury yields on this transaction are now at 2.716%. Volatility in Treasuries has also hit its lowest ranking since May, according to the **Merrill Lynch MOVE** Index, which tracks volatility in the notes.

Bank of America Merrill Lynch, Goldman Sachs, RBC

Capital Markets, UBS and **Wells Fargo Securities** were the joint lead managers of the books. The 10-year notes have a coupon of 4.05% and priced at 137.5 basis points over commensurate Treasuries. The paper will also have an issue price of 99.665.

Moody's Investors Service rated the notes Baa1, while both **Standard & Poor's** and **Fitch Ratings** gave them a BBB+. The notes are unsecured and unsubordinated obligations and will rank on a parity in right of payment with all of Sempra's other unsecured and unsubordinated indebtedness. The net proceeds of the offering will repay commercial paper bearing interest rates of less than 1%.

Sempra officials in San Diego and bank officials did not respond to inquiries by press time.

Southern Taps Attractive Rates With Bonds

Southern Company subsidiary **Southern Electric Generating** has issued \$100 million in 144A bonds, with the company keen to tap the attractive rates available for borrowers.

Barclays was the sole manager of the books, while **BBVA Securities** was a co-manager. The notes have a coupon of 2.2% and are priced at 87.5 basis points over commensurate Treasury bonds. The five-year paper also has an issue price of 99.967.

"It is a really good time to go to market, rates are still good and are still around those historic lows," says **Christopher Blake**, treasurer

at SEGCO. The notes will be used to finance the company's ongoing and various construction needs as well as for general corporate purposes, according to Blake. The notes will also be used to pay down a portion of commercial paper that stood at approximately \$90.8 million. SEGCO joins Sempra as the second company to pay down commercial paper with a bond issuance in the past week ([PI, 11/25](#)).

Moody's Investors Service rates the notes A2, **Standard & Poor's** rates them A, and **Fitch Ratings** has issued an A+.

Calls placed to bank officials were not returned by press time.

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#CogenDrinks is an informal gathering of professionals who hail from a variety of cogeneration perspectives

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MERGERS & ACQUISITIONS

Invenergy Ropes Three For Neb. Tax Equity

Invenergy has lined up tax equity investments for a \$448 million, 200 MW wind project in Nebraska from a trio of heavyweight players.

Subsidiaries of **Bank of America**, **GE Energy Financial Services** and **JPMorgan Capital Corp.**, are making cash investments in the Prairie Breeze project in Antelope, Boone and Madison Counties, Neb. The project could begin producing test electricity this month, according to a recent filing with the U.S. **Federal Energy Regulatory Commission**.

GE EFS and JPMCC will each own 35.37% tax equity stakes

while BoA will have 29.26%. The project has a long-term power sale agreement with **Omaha Public Power District**. The project was financed with a package from **Sovereign Bank**, **Prudential Capital Group** and **Rabobank** ([PI, 10/3](#)).

Prairie Breeze is co-owned by **Invenergy Wind** and **Liberty Mutual Insurance**. Liberty Mutual converted a debt investment in Invenergy Wind to a 16.5% equity stake this summer ([PI, 5/28](#)).

Spokespeople for the firms either declined to comment or could not immediately comment on the size of the tax equity investments.

NRG To Sell Mass. Cogen To Veolia, Infra

NRG Energy has agreed to sell a cogeneration facility in Cambridge, Mass., to a joint venture between **Veolia ENH** and **ISQ Global Infrastructure Fund**.

The plan is for Veolia and ISQ, a new infrastructure fund headed by ex-**Morgan Stanley** bankers, to oversee a retrofit to bring the 64-year old plant into compliance with water quality standards from the U.S. Environmental Protection Agency as well state regulations.

The upgrade to a new back pressure steam turbine will reduce the power capacity from the current 256 MW to about 221 MW, according to a filing with the U.S. **Federal Energy Regulatory Commission**. The plant will sell power wholesale after the upgrade

although it will contract its steam.

The deal is the maiden deal for the ISQ Global Infrastructure—the first fund of New York-based **I Squared Capital Advisors**. The fund is targeting a \$2 billion raise ([PI, 7/23](#)). **Sadek Wahba**, **Gautam Bhandari** and **Adil Rahmathulla** are partners at ISQ.

The facility will be held at a joint venture called **Kendall Green Energy Holdings**, according to the filing. The deal is on track to close by year-end.

The purchase price could not be immediately learned. Neither spokeswoman for NRG and Veolia nor an official at ISQ immediately responded to inquiries.

ECP Circles Ohio Gas, Oil-Fired Plant

Energy Capital Partners has agreed to buy the Richland-Stryker gas- and oil-fired facilities and development project from an investor consortium that includes **Quintana Infrastructure & Development**, **BlackRock** and **Starwood Global Energy Group**.

ECP's second fund is buying the asset, which includes a 444 MW gas- and oil-fired unit in Defiance, Ohio, and a 20 MW oil-fired facility in Stryker, Ohio. There is a 522 MW expansion underway at the Richland facility, according to a recent filing with the U.S. **Federal Energy Regulatory Commission**. The deal is set to close by year end, says a deal watcher.

Quintana Capital Group bought the two power plants totaling from **FirstEnergy** for an about \$80 million in 2011 and brought affiliates of BlackRock and Starwood later in the year

Richland-Stryker Sellers

Owner	Stake
Starwood Energy Group Global	37.32%
BlackRock	24.88%
Frist Power	12.44%
Gordy Gas Corp.	12.44%
Individual Investor	6.22%
William Robertson via Quintana Infrastructure & Development	5.63%
Q/RSG Power Management*	1.07%

*comprised of Post Oak Investment Management, two individual investors and William Robertson via Quintana Infrastructure & Development

Information from U.S. Federal Energy Regulatory Commission

([PI, 8/23/11](#) & [11/22/11](#)). Other co-owners that are selling include **Gordy Gas Corp.**, **Frist Power**, **Post Oak Investment Management**. An ECP spokesman did not respond to an inquiry.

Euro Infra Fund Makes Inaugural Ontario Solar Play

DIF, an infrastructure fund based out of Europe, has agreed to buy four solar projects in Ontario from **Canadian Solar**.

DIF Infrastructure III is buying a portfolio of 10 MW assets: Beamlight in Georgina, Gold Light in Pepperlaw, Illumination in Scugog and Glenarm in Kawartha Lakes. All the projects are expected to be online in 2014 and have long-term power purchase agreements with **Ontario Power Authority**.

The acquisitions are DIF's first investments in North America although its latest fund is prepared to make more. The shop closed DIF Infrastructure III, its fourth fund, in March at EUR800 million (\$1.08 billion), topping its goal of EUR600 million (\$812 million). The fund targets public private projects, or PPPs, that have long-term contracted cashflows.

DIF has offices in Amsterdam, London, Paris, Frankfurt, Luxembourg and Toronto.

FAST FACT

➤ DIF closed its fourth fund DIF Infrastructure III in March at EUR800 million (\$1.08 billion).

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Q&A

Manfred Ernst and Anastasia Pozdniakova, managing directors at boutique investment bank Fieldstone Private Capital Group in New York, caught up with Senior Reporter Holly Fletcher about how access to information has commoditized the generation sales process and if peakers will get a run for their money from a new combined cycle technology.

(Continued from page 1)

advisory landscape over the last five years.

PI: How would you describe what the sellers are looking for in an advisor right now?

ME: I think that actually it's a very good question and to approach the question, sellers, like everyone else in the world have access to information today that may not have been available to a typical seller even five years ago. Information has become a commodity. The other thing that has sort of become a commodity is how to run a sale process. The typical two-stage sales processes, where people prepare information memoranda, hold first round bids, etc., etc. that's really virtually become a commodity and cannot differentiate any advisor on that basis.

What is a seller looking for? If you look at the overwhelming amount of data available, they want us to mine the data and process the data. They may look to us for information about potential buyers that is not readily available that is tailor made to the particular asset that they are selling. They are looking to us to see what type of relationships we may have with a certain group of buyers that may somehow enhance the sales process.

AP: Right. Any information that is not widely known or not easily accessible to the seller. To that extent I think what sellers look for from advisors is senior level attention because unique information lies with senior professionals, not a junior level execution team, which is more of a commodity.

To answer your question with a third point, sellers are conscious of their transaction costs and there has definitely risen a desire to limit those costs if possible.

PI: I'm curious about the statement about how running a sales process has become a commodity. Is that because the client or the would-be sellers have developed the skill set or sophistication in-house or have you seen people who have left advisory firms leave, taking the skills with them?

AP: I think it's both, but it's definitely that people learn from

participating in the processes. Even sometimes a private equity firm that has seen how the auction has been run decides they are capable of doing it next time in-house.

ME: The challenges that we have is that when we talk to a seller about a potential assignment is that sometimes we hear that they really have two options: Do it myself in-house or hire you. That sort of speaks to the question that you just raised. There are, in fact, a lot of capabilities that are available within sellers that, you know, they learn over the years, selling an asset, going through that process, how to prepare the information that is attractive to potential buyers. It's no longer a mystery. Everybody has the same recipe.

AP: We can pride ourselves that we think we do it better than others but that's not really an objective measurement.

"The typical two-stage sales processes, where people prepare information memoranda, hold first round bids, etc., etc. that's really virtually become a commodity and cannot differentiate any advisor on that basis."

—Manfred Ernst

PI: It sounds like the sellers have changed especially in the last five years to wanting specific, in-depth information from you. What are they looking for—a compilation of sell prices or the pool of buyers out there?

AP: I think it's primarily on the pool of buyers.

ME: The sale statistics, again, most sophisticated buyers have access to that information. They have a database and there are databases available so the comparable data crunching have become much more of a commodity.

PI: I can learn so much about one power plant by just spending 20 minutes on Google so if I do that, so do deal participants. How has the sell-side mandate changed over the years as information became more readily available?

AP: Our pitches are much more focused. It's no longer just a point of information to the other side. In a way in terms of processes the materials that we provide to buyers are a lot more focused in highlighting the true value of what we're selling as opposed to giving a lot of background information.

In general people have much less tolerance for volumes of information. So for us it's important that when we reach out to

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people, whether it's in a conversation or written material, we get to the critical point very quickly.

ME: Right.

PI: What about buyers, are you seeing hesitation from them to work with an advisor?

AP: I think with the buyers, what they are looking for is a negotiated transaction. There is an inherent contradiction when we talk to the same groups of people. When they are sellers they are looking for an auction. When they are buyers they are looking for a negotiated transaction. Our value added for buyers is really bringing them deals more so than execution.

ME: Every so often we get retained by buyers to do the analytical work because either they are resource constrained or they like to have a third party independent view of the process, which is very helpful. But as Anastasia said, more often than not, they are looking for transactions that they don't have to compete for and they are looking for us to bring them those deals.

PI: What separates Fieldstone from the rest of the pack?

ME: First we have to clarify who we compare ourselves against. We compare ourselves against other boutique investment banks. We are not comparing ourselves to **Goldman Sachs**, for instance.

Where are we different? In this first instance, Fieldstone has an international footprint with an international brand name, which for boutique investment banks is not the typical set up. You have a lot of boutiques that are active in one market whereas Fieldstone has offices international offices in London, Berlin, Johannesburg, Kuala Lumpur, Hyderabad. That is a particularly unique feature of Fieldstone as we have grown over the years.

AP: As you may know we have a sales and trading group here in New York. For our business that provides a wider reach to other pools of money and hedge funds. It provides us a wider reach for transaction marketing.

ME: Maybe one other thing, I think it's fair to say that at least compared to some bulge brackets in the particular space, Fieldstone very often tends to get involved much earlier in a transaction, shaping the contractual arrangements rather than just getting involved when the actual capital raising is being called for. So we will get involved at a much earlier stage than a lot of our competitors.

PI: Looking forward to 2014, what sort of transactions do you expect on the power side?

ME: That's a bigger picture kind of question. There are always going to be discreet transactions. As we all know as the industry is looking at the shale gas revolution. As a result of that you will see a lot more transactions involving gas in general, whether it's gas-fired generation, whether it is transportation of gas, everything related to gas.

More importantly I think that we're seeing a few transactions right now where there is a new gas-fired technology being offered by virtually all equipment vendors. That new technology is called a rapid response combined cycle technology, which responds to one of the shortcomings of the existing capacity allocation. This means you need to be available when the renewable capacity is not available and you need to be available in a) a very short period of time and b) you should be available with environmentally friendly emissions.

Historically we've seen what we call "firming up" the renewable resources being balanced by peaking resources. But peakers themselves are inefficient and are not environmentally friendly. So what you have is a new type of technology that in a combined cycle mode can actually act like a peaker so it will be able to respond, if we continue at least having renewable energy, it can balance that energy very nicely.

AP: A statistic we've seen recently is that 40% of the baseload generation comes from coal-fired plants and the projection is that in the future the 40% will come from gas-fired generation.

ME: by 2020 the profile of the generation capacity will totally have turned around. Whether it's 2014 or 2015 but we certainly have seen many more transactions come across our desk for gas-fired generation than we've seen in previous years

AP: One more point on what's happening in 2014, in terms of renewables we see that activity moving to Latin America and Central America. It has already been there this year but it's going to continue to grow compared to the United States.

PI: The rapid response technology seems like it could be impactful to peaker portfolios that are out there. If it is cleaner and quick and a combined cycle, do you think that calls into question the long-term viability of peakers that are online right now?

ME: I don't know whether you'd say the long-term viability. It's probably more fact and circumstances. I don't think that one can say yet that they become obsolete but certainly if you have a choice right now between a peaker and if the economics make sense you'd probably reach for this new technology.

PI: I wanted to talk about how buyers and sellers are seeing gas-fired deals at the moment. We've seen some processes

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in Texas right now where buyers, including Exelon, have seen valuations come in higher than what they are willing to pay. I'm curious as to what is driving the price negotiations.

ME: That's a very good question. Generally speaking our observation is, and it's been true now for a couple of years, that a lot of deals are announced but few deals actually get closed. Part of the reason—and I think the market perceives this as well—is that the expectations between sellers and buyers are still just too far apart. It's partially the fact that when today's seller purchased the facility, they purchased the facility in an environment where they had different expectations of terminal values, different expectations of the power markets. Therefore, when they come to market, their reservation price is just well above what today's buyer is prepared to pay for these assets. In a way, there is a little bit of a stalemate and very often, as you know from your own research, auctions are terminated because the offers that they get in the auction process are not exciting enough for a seller to bite.

PI: Several of the teasers I have seen recently from different firms have really focused on forward looking projections for what they are trying to sale, such as highlighting how regional economic improvement could impact the value of the plant. Has that always been a component of the teaser or is that something that is trying to be a value-add right now?

ME: I think that it's entirely a function of the markets. As we all

know you cannot really get PPAs and typically when you have a power purchase agreement you can just describe your revenue stream over 20 years and that's pretty much the first line of analysis. You may supplement that with market information, but the real emphases will be on the value of the contract.

Since many transactions that have come to market have a mixture of some capacity payments, some energy; in some cases all energy and no capacity payments. Depending on where the facility is being constructed since you no longer have that security of the power purchase agreement you have to pay a lot more attention to what you expect the market can and cannot deliver with respect to your revenues, with respect to your expenses. It's really a function of the changing market as opposed to somebody deciding I'd like to emphasize the markets more than I used to.

PI: Last question: what is surprising to you right now?

ME: What is surprising to me right now? My answer is that the **Giants** are doing so poorly in the NFL. That is really a big surprise. (Laughter)

PI: I have to say I thought they'd do better too given the recent seasons
(Laughter)

ME: So did I. That was an open ended question so that's my answer about what surprises me.

AT PRESS TIME

AES, Antofagasta Circle Close On Alto Maipo

AES Gener and **Antofagasta Minerals** are close to wrapping the financing backing the \$2 billion, 531 MW Alto Maipo run-of-river hydro project in Chile, tapping the multilateral, bank and bond markets.

The **International Financing Corp.** is lending \$150 million, while the **Inter-American Development Bank** and the **Overseas Private Investment Corporation** are lending \$200 million and

FAST FACT

Antofagasta Minerals will contribute \$320 million in equity, representing a 40% stake in the project.

\$250 million respectively. A further \$600 million will be sourced from four local banks and one international lender. **Banco de Chile**, **BCI** and **CorpBanca** are three of the local banks that are lending to the project,

while the identity of the fourth and the international bank could not be learned by press time.

AES Gener will partially fund its \$480 million, 60% stake in the project with an issuance of \$450 million in 60-year bonds. The **AES Corp.** subsidiary also plans to use proceeds from the notes to partially fund its stake in the 532 MW Cochrane coal-

fired project in Mejillones, Chile ([PI, 4/3](#)). **Fitch Ratings** expects to assign a long-term rating of BB on the bonds. Further details on the offering could not be learned by press time. The notes will be subordinate to AES Gener's debt from the banks and multilaterals on the projects. The increased indebtedness of AES Gener will likely see a ratings downgrade of its issuer default ratings and senior unsecured debt to BBB- from BBB, according to Fitch.

Antofagasta Minerals will contribute \$320 million in equity, representing a 40% stake in the project. As part of the equity agreement, the company signed two, 20-year power purchase agreements for its Los Pelambres mine operations. Each PPA is for 160 MW, with the first contract starting in 2015.

AES has been lining up the debt for the project 30 miles southeast of Santiago for over a year ([PI, 6/29](#)). The multilateral agencies only signed off on the debt in last couple of months, following due diligence processes. Construction is slated to begin in December, with major works to commence in January, following funding of the loans.

SolarCity Targets *(Continued from page 1)*

tax equity deals as factors in the initial decision. Credit Suisse is a tax equity provider to SolarCity (PI, 9/18).

The laurel of being the arranger behind the first solar securitization deal gives Credit Suisse a competitive advantage for a time being, although Kelly expects that other firms will quickly get up to speed and be involved with arranging. "We'll get a lot of lunches from people," as other teams begin to vie for arranging slots, he says, adding that SolarCity works with a variety of firms in other capacities.

This deal attracted the attention of a swarm of investors and the company spent a week having meetings with prospective buyers. The company tried to ferret out the shops with serious interest from those just curious when deciding which meetings to take, Kelly says. Ultimately, buyers stemmed from several areas, including alternative energy funds, hedge and pension funds and life insurance companies, which have a preference for longer maturities. **Janus Capital Group** passed on the deal because longer weighted-average life (PI, 11/14).

Kelly was surprised that SolarCity was perceived as a hardware company rather than an energy payment company. There was emphasis on re-orienting the rating agencies' view on the company's business model centered on energy payments rather than the hardware, he says, adding that the value of the solar panel is very little.

This first deal didn't address thorny questions around tax equity investments because the assets in the portfolio didn't have a tax equity component. Future securitizations will need to address but

the friction between securitization and tax equity although Kelly thinks that the complexities around tax equity claims on the assets are limited.

The make-up of SolarCity's future deals will be similar to the first deal with a majority being residential installations with smaller government and commercial components. The first portfolio is comprised of 71.1% residential installations and 28.9% commercial and governmental (PI, 11/5).

The securitization sector can expect to see more deals emerging from other sponsors shortly. "Other people will follow very quickly," Kelly says, referencing the desire across the industry to tap into a large, existing source of capital. There is a commercial deal in front of the agencies now that could emerge by year-end.

—Holly Fletcher

QUOTE OF THE WEEK

"It's no longer a mystery. Everybody has the same recipe."—**Manfred Ernst**, managing director of boutique investment bank **Fieldstone Private Capital Group**, on how access to information and increased sophistication have led companies to run more sales processes in-house rather than hiring an advisor. (see story, page 1)

ONE YEAR AGO

Brookfield Renewable Energy Partners offered C\$2.50 (\$2.51) per share for **Western Wind Energy Corp.**, as it looked to increase its stake in the company. [Brookfield was bought the majority of shares in Western Wind after increasing its offer to C\$2.60 (\$2.55) per share earlier this year (PI, 2/22).]

POWER TWEETS

The #Power Tweets feature tracks trends in power project finance and M&A in the Americas on **Twitter**. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

@jms2841

Major #landfill in NYC to become big #solarpark. Nice.

@Norsunenergy Citing Technical Challenges, RWE Abandons Atlantic Array Offshore Wind Farm

<http://ift.tt/17R3NV2> RWE Innogy has announced it will no...

@dgilford

"Solar energy is a critical component of our goal to make NYC more sustainable and resilient" -@NYCEDC Pres. @kyedki

@IEA

Hydropower contributes 16%+ of electricity generation worldwide & about 85% of global #renewable electricity <http://buff.ly/18I7k0M>



@SEIA

Nearly 75% of all new electric capacity in the U.S. came from #solar in October.

@KenOatman

@SolarIndustry—New FERC Rule Could Prompt States To Improve Interconnect Processes For Distributed Solar.

@SolarStarTX

Solar City teams up with #Texas homebuilder CastleRock Communities to offer #solar on new homes. #SanAntonio #energy <http://bit.ly/1bQ1Whf>

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Bloom Energy installs its first fuel cells outside of the U.S., in Japan <http://bit.ly/1iMrfr9> #energy #renewables