

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

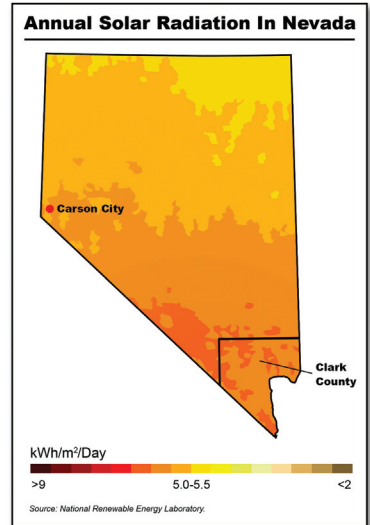
K Road Fires Up Financing Hunt For Moapa Solar

K Road Power is talking to lenders about financing for its 350 MW Moapa solar photovoltaic project in Clark County, Nev. Developing PV costs roughly \$3 million per megawatt, giving the project a more than \$1 billion price tag.

Carl Weatherley-White, cfo at K Road in New York, says lenders have reacted positively. "It has had a good deal of visibility and we have started discussions with potential counterparties," he says. "We haven't defined our financing strategy yet, as we need to confirm some timings and size, but the market appears to be very receptive to what we have to offer." The company aims to wrap the financing by the middle of next year. The debt would be held at subsidiary **K Road Moapa Solar**. Weatherley-White declined to identify the lenders.

On Nov. 20, the Los Angeles City Council voted to approve a 25-year, \$1.6 billion power purchase agreement with K Road through the **Los Angeles Department of Water and Power**. It is the largest solar contract in the entity's history. The LADWP will also have the option to purchase the facility at various stages starting in 2026. The project will generate lease income

(continued on page 12)



THE BUZZ

Several assets ranging from coal-fired plants to solar projects and energy storage flywheel projects have changed hands in bankruptcy court in 2012, amid the prolonged slack in power demand and low natural gas prices. Last week saw more activity from courtrooms as fund affiliates of **Goldman Sachs**, **JPMorgan** and **Oaktree Capital Management** filed to takeover cogeneration and hydro facilities from a paper manufacturer (see story, page 8). **Homer City Funding**, too, had its day in court as a judge was set to approve a reorganization that makes lessor **GE Capital Corp.** owner and removes covenants from bonds (see story, page 7).

LS Looks To Sell, Refi NextEra Assets

LS Power is in the market with an asset auction and a separate project financing, each for a combined cycle bought in a portfolio from **NextEra Energy Resources**. "It's LS. They buy, they sell. All the time," says one banker.

The private equity shop is peddling its 507 MW Blythe combined cycle facility in California via **Bank of America** and **Citigroup**. It is also looking to line up new debt on the Doswell facility in Virginia to gussy it up for a future sale, bankers and investors say.

The Blythe, Calif., facility is contracted to **Southern California Edison** for about nine more years. The shop had put out feelers to potential investors in late spring to gauge the interest ([PI, 4/13](#)). At that point, **Credit Suisse** was informally involved. What happened to that effort could not be determined.

(continued on page 12)

Industry Current: Bonds For Sandy Recovery



Mike
Fitzpatrick

Steve Loeshelle, Mike Fitzpatrick and **Adam O'Brian** from **Hunton & Williams** examine storm restoration bonds.

See story, page 10

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

PACE Deal Progress To Outpace Solar?

A securitization backed by **Property Assessed Clean Energy** loans made to commercial properties has the potential to hit the market before the long-speculated debut solar securitization, market players with an eye to emerging ABS asset classes say.

PACE, a municipal program that facilitates financing for clean energy retrofitting, has been stalled for years on the residential side due to protests from the **Federal Housing Finance Agency**—which oversees mortgage giants **Fannie Mae** and **Freddie Mac**—but for commercial properties there is promise, according to **Andrew Guidici**, director at **Kroll Bond Ratings**.

"On the residential side, issues go back to Fannie and Freddie not wanting someone to have a senior lien on their mortgage, but from a cost-benefit analysis, commercial lenders may think it makes sense," Guidici told *PI* sister publication *Securitization Intelligence*.

Property owners repay their PACE loans as part of their real estate tax bill, assigning PACE obligations a senior lien that supersedes the mortgage. As such, PACE loans would be repaid before the mortgage holder or bondholders if the loan is part of a mortgage-backed security if the borrower becomes delinquent or defaults on payments. The FHFA's objections have all but put a halt on residential PACE programs, but commercial mortgage lenders are incentivized to view the commitment as one that improves the overall property value. A handful of states have PACE projects for commercial properties in place.

"There's no reason in the world that this shouldn't happen," a partner at a global law firm who specializes in project finance told *SI*. "This type of transaction would be very safe, very well-received, with the public benefit being to increase distribution of solar generation," he said.

Possible candidates for issuing this type of transaction would be any of the larger banks as well as a smaller boutique or intermediary with the resources to pool the PACE loans. In all likelihood, California would be home to the first PACE ABS, where there are already PACE programs in place.

A spokeswoman for the FHFA did not immediately comment.

FAST FACT

➤ Property owners repay their PACE loans as part of their real estate tax bill, assigning PACE obligations a senior lien that supersedes the mortgage.

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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/Comments
▶ AT&T Credit Holdings, U.S. Bank National Association	Allegheny 8 & 9 (30.4 MW Hydro)	Pennsylvania	TBA	EIF and Northbrook Energy have bought the assets (see story, page 7).
Algonquin Power & Utilities	Various (46.8 MW Hydro)	Various	TBA	It's quietly shopping the portfolio (PI, 11/26).
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).
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).
EDF Renewable Energy	Spearville 3 (100.8 MW Wind)	Ford County, Kan.		BlackRock NTR fund is buying a majority stake (PI, 12/3).
▶ Edison Mission Energy	Homer City (1,884 MW Coal)	Indiana, Pa.	Barclays	Court set to approve debt re-organization (see story, page 7).
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).
Goldwind USA	Shady Oaks (109 MW Wind Farm)	Compton, Ill.	TBA	Algonquin is in negotiations to buy the farm (PI, 12/3).
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 lands a \$200M financing package (PI, 12/3).
juwi North America Wind	Zephyr (30.5 MW Wind)	Nobles County, Minn.		BlackRock NTR fund is buying a majority stake (PI, 12/3).
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).
▶ LS Power	Blythe (507 MW CCGT)	Blythe, Calif.	Bank of America	Teasers went out recently and the shop is refinancing another plant for greater flexibility to sell (see story, page 1).
MACH Gen	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	Wayzata has agreed to buy it (PI, 10/15).
▶ NewPage Corp.	Various (461 MW Cogeneration) Various (31 MW Hydro)	Various Wisconsin	Lazard	Fund affiliates of Goldman Sachs, JPMorgan and Oaktree Capital are taking over the assets in bankruptcy (see story, page 8).
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).
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	Brookfield has made a per share offer for the assets outside of the auction (PI, 12/3).

▶ 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	Cochrane (532 MW Coal)	Chile	TBA	TBA	\$1B+	TBA	Sponsor rounds up banks, ECAs (PI, 11/26).
	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.)
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.
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).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	\$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
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, 11/5).
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 (PI, 11/26).
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	Chaglitia (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).
Pattern Energy	South Kent (270 MW Wind)	Haldimand County, Ontario	TBA	TBA	\$800M	TBA	The sponsor will most likely take a club deal (See story, page 6).
	Grand (150 MW Wind)	Haldimand County, Ontario	TBA	TBA	TBA	TBA	
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).

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PROJECT FINANCE

Wind Capital Rekindles Okla. Deal...

Wind Capital Group will fire up the financing backing its 150 MW wind project in Osage County, Okla., after putting it on hold earlier this year. This will be the third incarnation of the search, which has been delayed by a lawsuit, leadership change and uncertainty over wind tax credits.

"There were some issues we had to fix, which made it optimal to wait," says **David Boyce**, ceo in Chicago. "We were talking to a group of banks last year and we will be going back to them early in the New Year." Boyce declined to comment further on the delays.

The Osage Nation filed a [suit](#) against the company in federal court to halt the development in fall 2011 ([PI, 11/21/2011](#)). The U.S. District Court for the Northern District of Oklahoma overturned the case on Dec. 22. That action was followed by the departures of **Ciaran O'Brien**, cfo, and **Tom Carnahan**, ceo ([PI, 3/26](#)).

Robert Craig, who replaced O'Brien as cfo, told *PI* the company would look to finance the project next year, if the production tax credit is extended ([PI, 4/16](#)). But Boyce says the search will go ahead, regardless. "There is nothing in particular about the market that is attractive," he says, "We just had to iron out those issues."

There is a general sense of optimism surrounding the extension of the tax credit, says one deal watcher, although it hasn't happened yet. He adds the re-election of President **Barack Obama** seems to be having a calming effect on power and energy project finance deals.

BayernLB, **NordLB** and **Rabobank** were potential lenders to the \$160 million project before the financing was halted. Calls to the banks were not returned before press time, although Boyce suggests Wind Capital will circle back to those lenders. BayernLB and Rabo also worked on a construction loan backing Wind

Capital's 201 MW Post Rock wind farm in Kansas, ([PI, 1/6](#)). The company closed a tax equity deal for that project this week (see story below).

The **Associated Electric Cooperative** has a 20-year power purchase agreement for the project, which uses 1.6 MW **GE** turbines.

...Wind Capital Nets GE, MetLife Tax Equity

GE Energy Financial Services, **MetLife** and **Union Bank** have invested \$247 million of tax equity in **Wind Capital Group's** 201 MW Post Rock wind farm in Ellsworth and Lincoln Counties, Kansas. The **NTR** subsidiary will maintain a substantial stake in the \$370 million project but exact breakdowns were not disclosed.

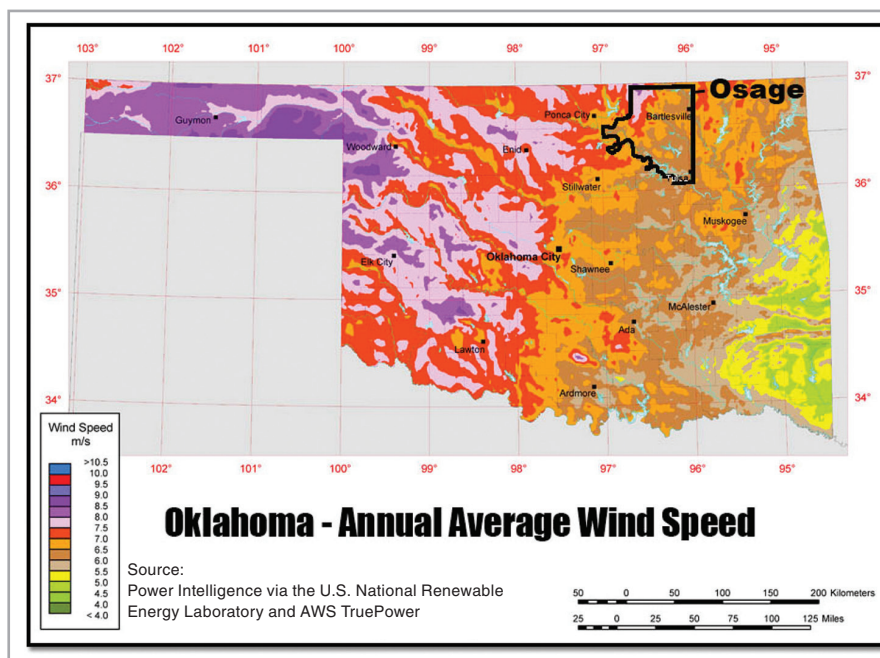
CCA Capital, a New York-based affiliate of **Citigroup**, served as financial advisor to MetLife. GE EFS and Union Bank did not use advisors. The firms either did not respond to inquiries by press time or declined to comment.

"This was a pretty typical tax equity investment," says **David Boyce**, ceo at Wind Capital. "We had made the commitment to work with these guys a while back, as there were pretty substantial tax benefits for them."

The tax equity investors will hold all of the passive Class A Units in Post Rock,

according to filings with the U.S. **Federal Energy Regulatory Commission**. Post Rock came into service in October. It uses 134 1.5 MW **GE** wind turbines and has a 20-year power purchase agreement with **Westar Energy**.

St. Louis-based Wind Capital landed a one-year construction loan on Dec. 30 last year backing the project ([PI, 1/6](#)). **BayernLB**, **NordLB**, **Rabobank** and Union Bank participated in that deal. The loan priced at LIBOR plus 225 basis points. Wind Capital has also been looking to sell a 1.3 GW portfolio of wind projects in the Midwest via advisory shop **Energy Advisory Partners** ([PI, 5/4](#)). Boyce did not respond to a subsequent message on the sale and its status could not be determined.



AES, 8minute Wrap Calif. Solar

Partners **AES Solar** and **8minutenergy Renewables** have closed the \$636 million financing of their 266 MW Mount Signal solar project in Imperial County, Calif. The debt covers the first of three phases in the 800 MW project, which will be the largest solar facility in the world. The deal closed last month.

The financing was structured using two tranches, with a long-term institutional bond tranche alongside a smaller bank loan. **Morgan Stanley** and **Citigroup** led the larger \$416 million institutional tranche as joint lead placement agents, with **Rabobank** affiliate **Rabo Securities** and Norway's **DNB Markets** as co-placement agents. The private placement reportedly has a coupon of 5.5-6% and will have a 25-year tenor, with a 15-year average life ([PI, 11/6](#)). Insurance companies comprise the bulk of investors, say deal watchers.

FAST FACT

Morgan Stanley and **Citigroup** led the larger \$416 million institutional tranche as joint lead placement agents.

Morgan Stanley and Citi also provided the smaller \$220 million cash loan, while Rabobank and **DNB Bank** provided letters of credit as part of the deal. That tranche had a seven-year tenor priced at roughly LIBOR plus 275 basis points ([PI, 5/18](#)). Banks officials either did not respond to inquiries or declined to comment.

Utilizing bank and bond tranches has become increasingly popular this year, says a financier, with sponsors able to round up at least \$500 million quite easily under the structure ([PI, 1/20](#)). Spokespeople at Arlington, Va.-based AES and Sacramento, Calif.-based 8minutenergy declined to comment on the deal. Neither company would say when the search to finance the next stage of the project would begin. Mount Signal's first 266 MW is expected to be fully operational in early 2014, and it will sell its output to **San Diego Gas & Electric Company** pursuant to a 25-year power purchase agreement.

The financing process was handled by AES for the partners.

Pattern Eyes Club For Ontario Wind

Pattern Energy is closing in on a club of banks to back its 270 MW South Kent and 150 MW Grand wind projects in Chatham-Kent, Ontario. **Mike Garland**, ceo, says initially the company thought it could secure a lead arranger for the \$800 million financing, but the size and scope of the deal is pushing it toward a club deal with higher pricing.

Pricing talk is slightly higher than market rate for wind projects of LIBOR plus 300 basis points, according to a banker with knowledge of the deal. "Deals done in Canadian dollars usually come in at 25-50 basis points above market rates," he adds. "You need that little bit extra to account for the currency swaps and lack of liquidity in the Canadian market."

Pattern is talking with **ManuLife** to land a longer institutional tranche ([PI, 10/22](#)). **Samsung Renewable Energy** is also working with Pattern on the project. That collaboration may bring export credit agency **Korea EximBank** into the deal, to guarantee a portion of the debt. The San Francisco-based shop was aiming to close by year-end, although deal watchers say that the deal will likely wrap early next year.

Pattern's most recent financing was \$600 million for its Ocotillo wind project in Imperial Valley, Calif. ([PI, 10/15](#)). That deal was structured with a seven-year bank tranche, co-led by **Deutsche Bank** and **RBC Capital Markets**, and a longer 20-year tranche funded by the **North American Development Bank**. The seven-year tranche included **The Royal Bank of Scotland**, **Société Générale**, **NordLB** and **KeyBank**. Officials at the lenders declined to comment on that deal.

The projects both have 20-year power purchase agreements with the **Ontario Power Authority**. Pattern expects to start construction early next year for South Kent and later in the year for Grand. The **Six Nations of the Grand River**, a Canadian

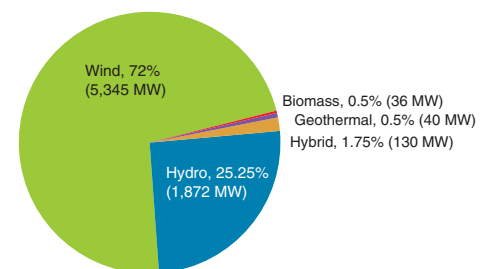
First Nation group, has the option to choose to participate in the projects, and any future wind or solar developments related to the assets, with an equity holding or royalty.

Greek Outfit Shops Idaho Wind Refi

Athens, Greece-based renewables developer **Terna Energy** is looking to refinance a 138 MW portfolio of wind farms in Elmore County, Idaho via institutional investors. **NordLB** and **Siemens Financial Services** are working on the deal.

MetLife and **John Hancock Financial Services** are also

Terna Energy Global Development Pipeline



Source: Power Intelligence via Terna Energy

looking to participate in the refinancing, deal watchers say. NordLB and Siemens took \$100 million tickets in the original 10-year financing ([PI, 1/9](#)). The company is hoping to refinance the loan with longer-term debt, says a financier.

Officials at the lenders declined to comment or did not return calls. Terna officials in Athens did not respond to inquiries by press time. Details of the deal, such as structure and pricing, could not be learned by press time.

The cluster of six projects totaling 138 MW that make up the Mountain Air portfolio have a 20-year power purchase agreement with **Idaho Power**.

MERGERS & ACQUISITIONS

EIF, Northbrook Land Pa. Hydro

Energy Investors Funds and **Northbrook Energy** have bought two hydro facilities totaling 30.4 MW on the Allegheny River in Pennsylvania. The facilities were acquired from **U.S. Bank National Association**, an affiliate of **State Street**, that held the licenses as a trustee for **AT&T Credit Holdings**, according to a license transfer filing with the U.S. **Federal Energy Regulatory Commission**.

The run-of-the-river facilities, Allegheny 8 and 9, have power purchase agreements with **New York State Electric & Gas Corp.** through August 2030. They are about 35 miles from Pittsburgh.

Northbrook is a Scottsdale, Ariz.-based independent power producer that focuses on hydro facilities and buys them in conjunction with capital from private equity shops or project finance loans, according to its Web site. **Chuck Ahlrichs**, president, was not available for comment by press time. Northbrook will operate the facilities.

An EIF spokesman declined to confirm the sellers' identities and the purchase price could not be learned. Officials for U.S. Bank and AT&T Credit Holdings did not immediately respond to inquiries.

Dominion Sale Moves To Round Two

The auction for three Dominion-owned fossil fuel-fired plants totaling 3.4 GW in Illinois and Massachusetts has moved to the second round. The shops that took a look at the plants consist of the same players that were active in the sale of three Exelon coal-fired plants, observers say.

The Dominion fleet is largely comprised of coal-fired assets, although its half ownership of a gas-fired peaker near Chicago could attract different bidders with an appetite for gas-fired generation if Dominion will split the portfolio. The plants include:

- 1,536 MW Brayton that has three coal-fired units and one oil or gas-fired unit in Somerset, Mass.;
- Kincaid is a 1,158 MW facility with two coal-fired units in Kincaid, Ill.;
- Elwood is a 1,424 MW gas-fired peaker near Chicago.

J-POWER USA Development Co. bought 50% of the facility in 2007 for \$104 million from **Peoples Energy Corp.**

Entities that have taken a look at the facilities reportedly include **ArcLight Capital Partners**, **Dynegy**,

Energy Capital Partners, **Riverstone Holdings** and **New Wave Energy Capital Partners**,

a financial player based in Pittsburgh, Pa., according to industry officials. The identity of the

shops in the second round could not be learned.

Citigroup and **Morgan Stanley** are running the sale ([PI, 9/10](#)).

Whether the portfolio will be sold as a whole could not be determined. Spokesmen for the advisors and Dominion either declined to comment or didn't immediately respond to inquiries. Spokespeople or officials for possible buyers either declined to comment or were not available for comment.



Brayton

Homer City Funding Nears Bankruptcy Emergence

Homer City Funding, the financing vehicle affiliated with the 1,884 MW coal-fired plant, is expected to emerge from its pre-packaged Chapter 11 bankruptcy proceedings with the U.S. **Bankruptcy Court District of Delaware** by the end of the month. A hearing was set for Judge **Kevin Gross** to approve its reorganization late last week as *PI* went to press.

Under the debt restructuring plan, existing bonds will be replaced by new ones of the same amount, maturity and coupon. The changes lie in the details. The new bonds have deferred principal payments until Oct. 2014 and there is a payment-in-kind option. Homer City Funding is expected to emerge from bankruptcy proceedings by year-end.

The notes will be issued to the existing senior secured creditors and will not be publicly traded or registered with the U.S. **Securities and Exchange Commission**. The existing notes include \$183 million in notes with a 2019 maturity and an 8.137% coupon outstanding and \$477 million in notes with a 2026 maturity and an 8.734% coupon ([PI, 10/18](#)).

GE Capital Corp., Homer City's lessor, is funding a \$700-750 million upgrade to install scrubbers on the facility so that it stays in line with greenhouse gas emission regulations. While the scrubbers will keep the plant online they do not ensure a better bottom line. The merchant plant has been hard hit by decreased power demand and low power prices arising from cheap natural gas, according to a **Moody's Investors Service** report. The merchant facility has had a margin of less than \$1 per MWh year-to-date compared to a \$33/MWh margin around 2007, says an observer.

The plant's financial health will be dependent upon an improving forward curve—more demand, higher power prices and stable coal prices, say observers. If the PIK option is used, it could increase the plant's bond debt from the \$640 million to \$751 million.

Homer City Funding, a vehicle created in 2001 to issue the bonds, failed to make an interest payment on its senior secured notes on Oct. 1, putting it into a forbearance agreement. It filed for a Chapter 11 pre-packaged bankruptcy in early November.

A GECC spokesman declined further comment.

GS, JPM Funds Net NewPage Plants

Fund affiliates of **Goldman Sachs**, **JPMorgan** and **Oaktree Capital Management** will take over 492 MW of cogeneration and hydro facilities from paper manufacturer **NewPage Corp.** as part of Chapter 11 bankruptcy proceedings.

The funds are GS Capital Partners Fund VI, JPMorgan Investment Management and Oaktree Opportunities Fund VIII. Each holds a piece of NewPage's \$1.77 billion first lien senior secured notes that mature in 2014, according to bankruptcy documents.

NewPage, based in Miamisburg, Ohio, filed for bankruptcy in the U.S. Bankruptcy Court District of Delaware in September 2011 and had its final reorganization plan approved by the court last month. JPMorgan provided up to \$600 million of debtor-in-possession financing.

The hydro facilities total 31.5 MW and are owned by **Consolidated Water Power Co.**, which serves a small retail utility service in Wisconsin. The cogeneration facilities are in Maine, Maryland, Michigan and Wisconsin. They comprise:

- 115 MW Rumford cogeneration plant in Rumford, Maine, which has a long-term power purchase agreement with **Central Maine Power Co.**;

- 65 MW Luke cogen in Luke, Maryland, that sells into PJM;
- A portfolio of seven cogeneration facilities in Wisconsin and Minnesota totaling 177 MW that provide power primarily to attached paper mills and sell excess power into wholesale markets;
- 103.3 MW Escanaba Paper Co. cogeneration in Escanaba, Mich., that provides some power to an attached mill and sells wholesale.

The companies are targeting to close the deal by year-end as part of the bankruptcy proceedings that include arranging exit financing, according to a document filed with the U.S. **Federal Energy Regulatory Commission**. The exit financing is expected to consist of a \$500 million term facility and a \$350 million asset-backed revolver, according to documents.

Lazard is advising NewPage and its current owners, including private equity shop **Cerberus Capital Management** and **Stora Enso Oyj**, a Finnish forest products company.

Spokeswomen for GS Capital Partners Fund, JPMorgan Investment Management and NewPage didn't immediately respond to inquiries.

STRATEGIES

PNM Issues Renewable RFP

The **Public Service Company of New Mexico** has issued a request for proposals looking for 375,000 MWh of renewable generation. Proposals are due to the utility by Jan. 31, 2013.

PNM will consider offers for asset purchases, turnkey projects, new builds that negotiate power purchase agreements or joint ownership projects in addition to renewable energy credit-only bids, according to [RFP documents](#). PNM will also look at all types of renewable generation—solar, wind, hydro, geothermal, fuel cells and biomass, says a spokeswoman at PNM's headquarters in Albuquerque, N.M.

First Solar entered into an agreement for the engineering, construction and procurement of four solar facilities for a total of 20 MW via a 2011 RFP. A First Solar spokesman in Tempe, Ariz., declined to discuss any plans to participate in the current process. Salt Lake City-based **Cyrq Energy** was also selected to develop the \$100 million

Lightning Dock geothermal facility south of Lordsburg, N.M., which will supply 10 MW to PNM. These new builds emerged from a similar 2011 RFP. The selection process for that tender was delayed by over a month after PNM received more proposals than it could handle ([PI, 7/28/2011](#)).

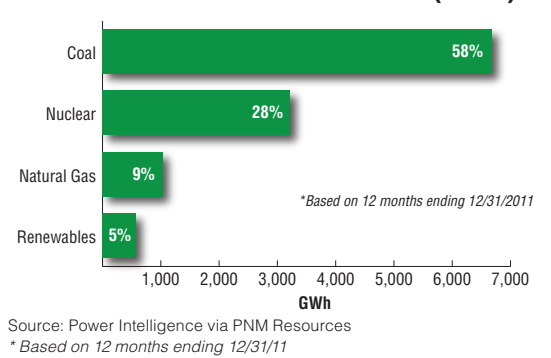
The new generation will help PNM comply with New Mexico's renewable portfolio standard, which requires that 15% of the state's energy comes from renewable sources by 2015 and 20% by 2020. New Mexico also has a renewable resource diversity requirement, which stipulates it sources at least 20% of that power come from solar, 20% from wind, 10% from non-wind/non-solar and 1.5% from distributed generation. PNM currently has wind and distributed

generation resources in excess of its diversity requirements. The cost associated with any transmission to deliver capacity to the PNM system will be incorporated in the evaluation of the proposal.

PNM is planning to add 1.2 GW of new generation to its portfolio by 2030, including 150 MW of renewables by 2014. Energy purchased by PNM under the RFP can originate from generation occurring no earlier than January 1, 2014. Companies need to register

intent to bid with PNM by Wednesday Dec. 12. A short list will be announced in early March, with the successful bid or bidders to be announced after that. PNM is handling the entire evaluation process, while bids will be collected through the company **Power Advocate**, in order to preserve transparency in the process.

PNM Resources Generation (GWh)*



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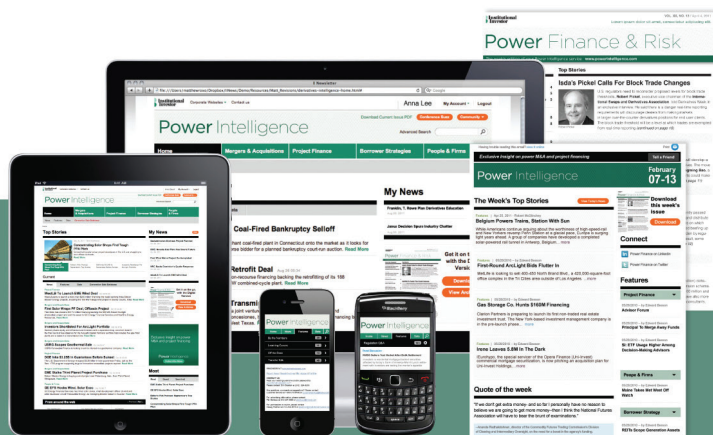
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INDUSTRY CURRENT

The Case For Superstorm Sandy Restoration Bonds

*This week's Industry Current is written by **Steve Loeshelle** and **Mike Fitzpatrick**, partners, and **Adam O'Brian**, an associate, at **Hunton & Williams** in New York.*

With the power largely restored in the aftermath of Superstorm Sandy, attention is turning to the cost of restoring coastal power utility infrastructure and to considering the costs of hardening the infrastructure to withstand future such events.

Portions of New York and New Jersey's grids were badly damaged. Unfortunately, the storm's impact on the utilities is not unique. In recent years several large hurricanes, including Katrina and Ike, have made landfall near major population centers along the Gulf Coast. In those cases, the costs of repairs to electric utility infrastructure was hundreds of millions of dollars, and though the final cost of recovering from Sandy is still unknown, it will likely be just as high. Large portions of utility infrastructure are typically uninsured, because the cost of insuring storm losses to distribution lines is prohibitive, and, under applicable principles of regulation, the utility ultimately passes the costs through to its customers. To help minimize increases in utility bills to customers already suffering from the aftermath of a storm, Louisiana and Texas implemented and amended laws to allow their utilities to sell a special type of bonds, sometimes referred to as storm restoration bonds, to mitigate the cost of restoring the utility infrastructure. Similar legislation would be required in some Northeastern and Atlantic coast states, while others would be able to provide for storm restoration bonds with relatively straightforward amendments to existing utility securitization legislation.

An investor-owned utility's rates reflect the costs of its investment in its infrastructure. Rate charges include components based on its cost of debt and a more expensive allowed return on its equity applied to the applicable components of its financial structure. Existing rates already reflect these charges for the historic cost of financing the infrastructure destroyed by Hurricane Sandy and future rates would reflect proportionate increases in the charges for the cost of restoring the infrastructure if it were financed by traditional utility methods.

Storm restoration bonds would minimize these costs in two ways. First, the bonds are issued by a bankruptcy remote entity utilizing rights created under special state legislation to have the bonds paid through dedicated charges to the utility's customers. The structure allows for credit ratings at the highest level for the bonds, with resulting interest rates significantly below the interest rates that would be applicable to bonds issued directly by the utility. Second, storm restoration bonds issued by the bankruptcy remote entity, which has minimal equity, typically finance the entire cost of the restoration, essentially avoiding the return on equity contained in the utility's general rates.

The savings which result from recovery of utility infrastructure restoration costs through charges for storm restoration bonds rather than through the utility's general rates can be substantial. In Texas, for example, after Hurricane Ike, present value savings for a utility's customers were estimated at \$326.5 million because the company financed its hurricane restoration with storm restoration bonds. In Louisiana, utility customers were estimated to save approximately \$185 million on a present value basis for the cost of restoration after Hurricanes Katrina and Rita, because storm restoration bonds were used instead of traditional utility financing.

In order to meet rating agency standards for storm restoration bond treatment, the enabling legislation and the bonds must possess certain common structural and legal characteristics. The legislation must define the costs which may be refinanced through the issuance of the bonds. It must authorize the public service commission to quantify the costs and to authorize the issuance of the bonds pursuant to a 'financing order.' The legislation and the financing order must entitle the utility to impose and collect usage based customer charges that are dedicated to payment of the bonds. The charges must be non-bypassable; that is, they cannot be eliminated by switching to alternative providers of service. The legislation must provide that once issued and final, the financing order is irrevocable and that it creates a present intangible property right to impose and collect the non-bypassable charges from customers in amounts necessary to service the bonds. A periodic 'true-up' mechanism must be authorized by the legislation and detailed in the financing order pursuant to which, at least annually, the customer charges are reviewed and adjusted to correct for any existing or anticipated under-collection to assure timely payment of the principal and interest on the bonds. The sponsoring utility typically sells its rights to impose the customer charges to a bankruptcy remote subsidiary for an amount equal to the proceeds of the bonds and this is done pursuant to provisions of the legislation which provide that the sale of this intangible property will be perfected under state law as an absolute transfer. A critical element of the legislation is a pledge by the state that it will take no action to impair the value of the legislatively created rights which support the bonds or to impair the



Steve Loeshelle



Mike Fitzpatrick



Adam O'Brian

special charges to the utility's customers.

The **Internal Revenue Service** has issued guidance under which (i) the bonds are considered obligations of the utility and (ii) the utility does not recognize income at the time of the transfer of its rights under the financing order for an amount equal to the proceeds of the bonds. Instead, the non-bypassable charges are recognized as income to the utility under its usual method of accounting.

Of the Atlantic Coast states, only Florida currently has legislation which provides for storm restoration bonds. Other states, including Connecticut, Maryland, Massachusetts, New Jersey, New Hampshire and Pennsylvania, have utility securitization legislation which provide a framework for bonds with the characteristics of storm restoration bonds to finance or refinance other types of costs. As was the case in Texas, which also had an existing law in place for the financing of other costs when it faced the costs of Hurricane Ike, in these states the current laws will have to be amended, but the modifications should be relatively modest. The laws will have to change to include storm restoration costs in the list of costs which are permitted to be recovered, and the legislature will have to specify what costs should qualify as storm restoration costs. In Texas, for example, storm restoration costs were defined as those costs which were reasonably incurred in connection with the restoration of service associated with electric power outages as a result of any hurricanes, tropical storms, ice or snow storms, flood or weather-related event or natural disaster. Other Atlantic coast states, including New York, do not have pre-existing

utility securitization legislation and would need to draft de novo legislation.

Implementation of storm restoration bond legislation requires a policy judgment that more typical means of utility financing for the storm restoration costs should be replaced. Both the state and the investor owned utility lose elements of their normal compact in connection with storm restoration bonds. For the state and the regulator, the flexibility to adjust this component of the utility's rates as interest rates and financing costs vary is lost. To obtain the lowest rates, storm restoration bonds are non-redeemable and the charges to customers must meet debt service for the life of the bonds. The investor owned utility, on the other hand, foregoes its standard equity return on the component of its infrastructure financed with storm restoration bonds. The charges are essentially a straight pass-through of debt service. Equity investment by the investor owned utility in the special purpose issuer of the storm restoration bonds has traditionally been 0.05% of the principle amount of the bonds in contrast to the 40 to 50% equity component of most traditional investor owned utilities' financial structure.

Recovery from Superstorm Sandy will be long and expensive, and restoring and strengthening of the electric grid is only one part of the process. Damage from Sandy stretches across a significant portion of New Jersey, New York and neighboring areas, and the threat of similar damage from subsequent storms is very much in the public's and policy makers' minds. Storm restoration bonds may well have a role to play in financing the costs of at least one aspect of the recovery from Sandy and similar subsequent storms.

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.

- **Covanta Holding Corporation** has purchased the 80 MW Delaware Valley Resource Recovery Facility in Chester, Pa., from **GE Energy Financial Services** for \$94 million in cash (*Energy Central*, 12/5).

- The Minnesota **Public Utilities Commission** has approved the certificate of need and site permit for Edina-based **Geronimo Wind Energy's** 42 MW Black Oak and 40 MW Getty wind farms southwest of Sauk Centre, Minn. (*The SC Times*, 12/5).

- **New Leaf Energy** plans to purchase and restart the Greenville Steam biomass plant, which shut down in April of last year. The company has signed a letter of intent to buy the facility from **Gallup Power Greenville**, according to **Daniel Haas**, New Leaf's ceo (*The Bangor Daily News*, 12/4).

- **Southern Co.** is negotiating with the U.S. **Department of Energy** for a second extension to the loan guarantee promised to its \$14 billion Vogtle nuclear project. Contractors have said the project could be delayed about a year beyond the projected 2016 and 2017 start-up dates (*The Augusta Chronicle*, 12/4).

- The U.S. **Department of Interior** plans to auction off leases to about 278,000 acres off the coasts of Massachusetts, Rhode Island and Virginia next year to offshore wind developers (*Energy & Capital*, 12/4).

- **SunEdison** has lined up \$52.5 million in financing from a unit of **Rabobank** for distributed generation solar projects. The unit, **De Lage Landen Financial Services**, has signed long-term leases that utilize the projects' tax benefits (*Energy Central*, 12/4).

- **Apple** is doubling the size of its planned fuel cell project in Catawba County, N.C., to 10 MW. The project is the largest of its kind not run by a utility and will power an adjacent data center (*The Charlotte Observer*, 12/4).

- California's energy policy may be raising rates and damaging the environment, according to a report released by the nonpartisan **Little Hoover Commission**. Among other recommendations, the commission urged the governor to establish a single overarching entity or agency to coordinate the state's energy policy (*The Los Angeles Times*, 12/4).

K Road Fires *(Continued from page 1)*

and profit sharing for the Moapa River Indian Reservation and Tribe. It is expected to be complete in summer of 2015.

Larger solar projects have been received well by the market this year. Most recently, **AES Solar** and co-developer **8minutenergy Renewables** wrapped a \$636 million bank and bond deal backing their 266 MW Mount Signal solar project (see story, page 6). **LS Power** closed financings for its 127 MW Arlington and 170 MW Centinela using a similar structure (PI, [2/10](#) & [PI, 9/20](#)). The largest deal—also with both bank and institutional tranches—was for **MidAmerican Energy Holdings**, which completed a nearly \$2 billion financing for its 586 MW Topaz facility ([PI, 2/24](#)).

“A bank tranche and a bond tranche is something we will definitely consider and the precedents in the market are helpful,” says Weatherley-White, who adds that a solely bank deal and a solely bond deal are also both still on the table. “Where the markets are with respect to large solar is quite good, it has been successful with rated bonds and ratings agencies seem very supportive of the sector.”

A division of **Barclays Capital** took an equity stake in K Road to help provide capital needs as it builds out its 2.3 GW pipeline of projects ([PI, 8/5/2011](#)). Weatherley-White declined to disclose whether or not the bank would be involved in the current financing. A representative of Barclays did not respond to inquiries by press time.

—Nicholas Stone

LS Looks *(Continued from page 1)*

The Doswell plant consists of a 708 MW CCGT in Ashland, Va., that is contracted to **Virginia Electric Power Co.** There is also a 171 MW merchant peaker. LS is looking to refinance the debt on Doswell so it will have greater flexibility to sell the plant in the future, say financiers. The shop is talking to a host of project finance and investment banks about the financing, which it wants to snag at around LIBOR plus 325 basis points, say financiers. A lead arranger has not been set yet and a ballpark debt target could not be determined.

Proceeds from the Doswell financing are expected to be used to pay down at least a portion of a \$750 million dividend recapitalization it snagged this summer. That package came in at LIBOR plus 450 bps ([PI, 7/10](#)). **Credit Suisse**, **Morgan Stanley** and **Citigroup** were co-leads.

The new package is expected to be a bank loan similarly structured to the \$650-700 million club deal LS landed as acquisition financing ([PI, 10/27/11](#)). **CIT Group**, **CoBank**, **Santander**, **Siemens Financial Services** and **Union Bank** closed two packages—each in the mid-\$300 million range and comprising a seven-year term loan, revolver and letters of credit ([PI, 4/20](#)).

When first round bids are due for Blythe could not be

ALTERNATING CURRENT

‘Tis The Season

Christmas Lights By The Numbers

How much power does it take to keep all those twinkly lights on across the nation during the winter holidays? Roughly 5,450 solar installations the size of the 550 MW Topaz solar project owned by **MidAmerican Energy Holdings Co.**

The U.S. **Department of Energy** estimates that more than 6 TWh is used for holiday lights. That’s 6,000,000 MWh (the 550 MW Topaz project will generate about 1,100 GWh annually). That would be enough generation to keep 500,000 homes lit for a month.

So for all the good old-fashioned family holiday loving



Thinkstock/istock photo

renewable energy aficionados who want to cut down that generation one strand at a time, here are the outdoor lights for you: Philips’ solar outdoor lights. Each strand connects to an individual solar panel that charges

a battery—a AA—to power the lights after nightfall.

The lights are not as bright as the incandescent strands, according to [James Bruggers](#), environment reporter at the *Courier-Journal* in Louisville, Ky., who bought 100 ft of lights for about \$90.

immediately determined. A Bank of America spokesman did not return a call and an LS official did not immediately respond to a message. A Citi spokesman declined to comment.

LS bought a 2.15 GW portfolio from NextEra in 2011 for \$1.4 billion ([PI, 9/30/11](#)).

—Holly Fletcher

QUOTE OF THE WEEK

“A bank tranche and a bond tranche is something we will definitely consider and the precedents in the market are helpful. Where the markets are with respect to large solar is quite good, it has been successful with rated bonds and ratings agencies seem very supportive of the sector.”—**Carl Weatherley-White**, cfo at **K Road Power** in New York, on the company’s search for financing backing its 350 MW Moapa solar project in Clark County, Nev. (see story, page 1).

ONE YEAR AGO

MidAmerican Energy Holdings Co. made its solar debut with the purchase of the \$2 billion, 550 MW Topaz solar project in San Luis Obispo County, Calif., from **First Solar**. [MidAmerican plans to issue a second tranche of bonds to finance the project in the first half of next year ([PI, 11/14](#)).]