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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

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CalPERS is buying the **ArcLight**'s stake in the Neptune transmission line that runs from New York to New Jersey.

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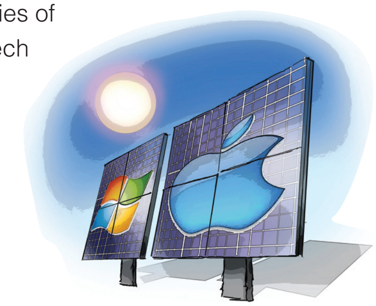

Apple and Microsoft are separately weighing the possibilities of becoming tax equity investors in renewable energy. The tech titans have spoken with power investment bankers about potential opportunities.

Microsoft has been talking with financiers for a while, and it's not clear when a transaction could be executed. Apple—renowned for its stealthy business approach—has expressed interest, but gauging its level of interest has been difficult, says a financier. In addition to having

(continued on page 12)

SocGen Pitches Loan Sales Close To Par

Société Générale is offering 13 power project finance loans for at least 98 cents on the dollar, according to a run sheet that the bank sent out to project financiers and asset managers. The run sheet, or listing of loans on offer, was sent to **Banco Espirito Santo**, **Banesto**, **Caja Madrid**, **CoBank**, **DZ Bank**, **Intesa Sanpaolo**, **Natixis, Pacific & Western Bank of Canada**, **WestLB** and others last week.

Financiers are skeptical that buyers will pay in the high-90s, especially as the market is saturated with project finance assets amid scarce demand. **BNP Paribas**, **Crédit Agricole**, **Allied Irish Bank** and Banco Espirito Santo are also looking to sell project finance loan portfolios (PI, 10/14). The run sheet includes a bid price, or what SocGen would theoretically

(continued on page 11)

Invenergy Targets Ill. Wind Funds

Invenergy has begun reaching out to lenders about financing its more than $350 million, 214 MW California Ridge wind project in Vermillion and Champaign counties, Illinois. It is targeting financial closing next year, says a deal watcher.

The Chicago-based developer could be looking for at least $280 million in debt to support California Ridge, given Invenergy's penchant for contributing less than 20% equity to deals, a banker says. Invenergy posted roughly 10% equity to the financing of the 201 MW Bishop Hill I project in Henry County, Ill., after initially aiming to contribute 7.5% (PI, 8/30).

BayernLB, **CoBank**, **Dexia**, **Natixis**, **Rabobank**, **Royal Bank of Canada** and **Siemens Financial Services** are among the lenders that have worked with Invenergy in recent years. Such relationships have enabled the developer to snag aggressive terms on pricing and

(continued on page 12)

At Press Time

NRG Ices Offshore Delaware Wind Plan

NRG Energy is shelving its offshore wind project off the coast of Delaware because of high project costs and difficulties finding an investment partner. The company plans to retain development rights to the 200 MW Mid-Atlantic project in case it decides to revive it in the future, says a banker. NRG bought offshore developer **Bluewater Wind**, headed by **Peter Mandelstam**, founder and president, in 2009. It is closing the development unit.

The project did not progress quickly enough to qualify for a loan guarantee from the U.S. **Department of Energy** or for the production tax credits that expire next year, making it challenging to finance, according to the company.

FAST FACT
The project did not progress quickly enough to qualify for a loan guarantee from the U.S. **Department of Energy** or for the production tax credits that expire next year

The project has a power purchase agreement with **Delmarva Power & Light Co**., which NRG will terminate by the end of the year, according to a release. There is chatter about a divestiture of the project. However, finalizing a sale, which would maintain the PPA, by year-end is unlikely, says the banker.

Bluewater had also submitted a proposal to develop a project in Lake Erie in the recently cancelled request for proposals by the **New York Power Authority** (PI, 9/29). It was in early stage development of projects in waters off the New Jersey and Massachusetts.

An NRG spokeswoman did not respond to an inquiry.

CalPERS To Snag Transmission Stake

CalPERS is lined up to buy **ArcLight Capital Partners**' stake in the Neptune transmission line that runs from New York to New Jersey. The acquisition of the 59% stake would be the California pension fund's first direct investment in the power industry, according to industry officials.

Neptune is a 391 MW, 65-mile line that connects Sayreville, N.J., to Long Island, N.Y. The line stake is part of a portfolio that ArcLight put on the market over the summer. **First Reserve** is buying four out of five natural gas-fired plants, leaving a peaker in Hawaii on the market (PI, 12/14).

Barclays Capital and **Citigroup** are advising ArcLight.

Details about the transaction such as purchase price, timeline and whether CalPERS is using a financial advisor could not be learned. Spokesmen from CalPERS, Barclays and Citi all declined to comment. An ArcLight spokeswoman declined to comment.

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. Feel free to contact **Sara Rosner**, managing editor, at (212) 224-3165 or srosner@iiintelligence.com.

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Institutional Investor Intelligence

Generation Auction & Sale Calendar

Generation Sale DATABASE

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
Abengoa Solar	45% Stake (250 MW Solana Solar CSP)	Gila Bend, Ariz.	TBA	Banco Santander is taking a 45% stake to fund construction and will look to sell slices (PI, 11/28).
AES	Cayuga (306 MW Coal)	Lansing, N.Y.	Barclays Capital	Talks are on-going with prospective buyers as a January interest payment looms (PI, 11/14).
	Greenidge (105 MW Coal) Somerset (675 MW Coal) Westover (83 MW Coal)	Dresden, N.Y. Barker, N.Y. Binghamton, N.Y.		
AES Thames	Thames (208 MW Coal)	Montville, Conn.	Houlihan Lokey	A Texas refurbishment company has bid $2.35M in cash (PI, 12/12).
AE Investor II	Astoria Energy II (4%, or 23.3 MW)	Queens, N.Y.	Whitehall & Co.	First round bids were scheduled for Fri., Sept. 16 (PI, 9/19).
• ArcLight Capital Partners	Waterside (72 MW Peaker)	Stamford, Conn.	Citigroup, Barclays Capital	First Reserve is buying everything except Hamakua and Neptune (see story, page 6).
	Crockett (162 MW Cogen) Hobbs (604 MW CCGT) Hamakua (60 MW CCGT) Borger (230 MW Cogen) Neptune (391 MW, 65-mile Transmission)	Crockett, Calif. Hobbs, N.M. Honokae, Hawaii Borger, Texas Sayreville, N.J., to Long Island, N.Y		CalPERS is buying the line (see story, Page 2).
Black Hills Corp.	Stake (29 MW Wind)	Huerfano County, Colo.	None	Entities with tax appetite have bid for the 50% stake (PI, 11/14).
Cascade Investment	Altura (600 MW Cogen)	Channelview, Texas	Evercore Partners	Cascade is considering its options, including restructuring and a sale of its stake (PI, 7/11).
	Twin Oaks (305 MW Lignite-fired) Cedar Bayou 4 (275 MW Natural gas)	Bremond, Texas Chambers County, Texas		
Conti Group, Grupo Arranz Acinas	Development pipeline (550 MW Wind)	Texas, Kansas, Minnesota	Alyra Renewable Energy Finance	Teasers went out in late July (PI, 8/1).
Coram Energy	Stake (102 MW Wind)	Tehachapi, Calif.	Marathon Capital	Coram is selling a 50% stake in a wind project co-owned by Brookfield Renewable Power (PI, 8/22).
EDF EN Canada	50% Stake (300 MW Wind)		TBA	Enbridge is paying $330 million for the stake in Lac Alfred (PI, 11/14).
• Edison Mission Group	Stakes Mountain Wind I (60 MW Wind) Mountain Wind II (79.8 MW Wind)	Uinta County, Wyo.	TBA	Teachers Insurance & Annuity Association of America and Cook Inlet Region, Inc., are taking preferred equity stakes (see story, page 6).
First Solar	Topaz (550 MW Solar PV)	San Luis Obispo County, Calif.	No advisor	MidAmerican Energy has agreed to buy the project (PI, 12/12).
GDF Suez Energy North America	Hot Spring (746 MW CCGT)	Malvern, Ark.	UBS	Quantum Utility Generation has agreed to buy Choctaw while an Arkansas muni is circling Hot Spring (PI, 12/5).
	Choctaw (746 MW CCGT)	Ackerman, Miss.		
LS Power	Bluegrass (495 MW Simple Cycle)	LaGrange, Ky.	TBA	The Kentucky utility subsidiaries of PPL will jointly own the assets (PI, 11/14).
Macquarie Capital, Fomento Econ mico Mexicano	Stakes (396 MW Wind)	Oaxaca, Mexico	TBA	Bidders are in due diligence (PI, 10/10).
Newind, WindRose Power	CCI (120 MW Wind)	Childress County, Texas	RedWind Consulting	Teasers have gone out for the project (PI, 9/19).
Perennial Power	Mid-Georgia (300 MW CoGen)	Kathleen, Ga.	Fieldstone	Teasers went out in mid-November (PI, 12/5).
PNM Resources	Stake in Optim Energy	Texas	Morgan Stanley	Teasers are out as Cascade Investments considers exiting (PI, 5/23).
Quintana Infrastructure & Development	Stakes (450 MW Gas-, Diesel-fired)	Defiance County, Ohio	TBA	Selling stakes to investors including BlackRock and Starwood (PI, 11/28).
• Recurrent Energy	Ajo (5 MW Solar)	Pima County, Ariz.	Credit Suisse	Duke Energy Renewables completed the acquisition (see story, page 7).
	Bagdad (15 MW Solar)	Yavapai County, Ariz.		
Ridgeline Energy	30% Stake (79.8 MW Wind)	American Falls, Idaho	TBA	Atlantic Power Corp. is taking the stake although Ridgeline has a repurchase option (PI, 12/12).
RPM Access	Elk (41.25 MW Wind)	Edgewood, Iowa	None	MidAmerican Energy is considering buying the Elk project while another developer is circling Vienna (PI, 12/12).
	Vienna (150 MW Wind)	Iowa	None	
Signal Hill Power, CarVal Investors	Wichita Falls (77 MW CCGT) Rensselaer (79 MW Peaker)	Wichita Falls, Texas Rensselaer, N.Y.	Scotia Capital	Teasers out in late June; first round bids said to be in (PI, 8/8).
Tenaska	High Desert (800 MW CCGT) Rio Nogales (800 MW CCGT)	Victorville, Calif. Seguin, Texas	Barclays, Citi	First round bids came in just before Thanksgiving (PI, 12/12).
Third Planet Wind Power	Petersburg (40.5 MW Wind)	Petersburg, Neb.	Morgan Stanley	Edison Mission Energy is buying the project (PI, 10/10).
Tuusso Energy, Akula Energy Ventures	TA High Desert (209 MW Solar)	Tehachapi, Calif.	Marathon Capital	Said to be close to a purcahse sale agreement (PI, 10/17).
U.S. Power Generating Co.	Astoria Generating (2.1 GW Gas)	Queens, N.Y.	Perella Weinberg Partners	Perella Weinberg has been hired to advise on strategic alternatives (PI, 9/26).

• **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes, contact Senior Reporter ***Holly Fletcher*** *at (212) 224 3293 or e-mail hfletcher@iiintelligence.com.*

Project Finance Deal Book

Deal Book is a matrix of energy project finance deals that *Power Intelligence* is tracking in the energy sector.

Live Deals

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Bloom Energy	Unidentified (Fuel Cell)	TBA	RBS	TBA	TBA	TBA	Deal priced at LIBOR plus 250 bps (PI, 12/5).
Boralex, Gaz Métro	Unidentified (69 MW Wind)	Seigneurie de Beaupré, Quebec	TBA	TBA	TBA	TBA	Sponsors expect to finance phase two in 2012 (PI, 11/28).
Competitive Power Ventures	Ashley (200 MW Wind)	McIntosh County, N.D.	TBA	TBA	TBA	TBA	Sponsor initiates talks with lenders, tax equity providers (PI, 8/8).
	Cimarron (165 MW Wind)	Gray County, Kan.	TBA	TBA	TBA	TBA	Sponsor initiates talks with lenders, tax equity providers (PI, 8/8).
Edison Mission Energy	Portfolio (Wind)	U.S.	WestLB	TBA	$220M+	TBA	Eight lenders take $25-50M tickets (PI, 12/12).
Energy Answers International, Energy Investors Funds	Arecibo (80 MW Waste-to-Energy)	Arecibo, P.R.	BNP	TBA	TBA	TBA	Sponsors mandate lenders (PI, 11/28).
	Fairfield (140 MW Combined Heat and Power)	Baltimore, Md.	TBA	TBA	TBA	TBA	Financing expected to wrap by early 2012 (PI, 11/28).
Enova Energy Group, NuPower	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	Carlyle	TBA	$170M	TBA	Carlyle tapped as lender after SocGen drops out (PI, 10/31).
First Wind	Palouse (100 MW Wind)	Whitman County, Wash.	KeyBank	TBA	$180M	10-yr	More lenders sign on (PI, 12/12).
• GCL Solar	Various (77 MW Solar PV)	Puerto Rico	Union Bank	TBA	TBA	TBA	Union Bank to participate in deal, which is expected to close by year-end (see story, page 5).
Gradient Resources	Patua (132 MW Geothermal)	Reno, Nev.	BNP, Dexia, Scotia	TBA	$600M	TBA	Project to be financed in phases (PI, 10/17).
Inkia Energy	Unidentified (400 MW Hydro)	Cerro del Aguila, Peru	BBVA, Crédit Agricole, HSBC, Scotia, SocGen, SMBC	TBA	$525M	12-yr	Sponsor talks to three additional lenders, including Santander (PI, 12/5).
• Invenergy	California Ridge (214 MW Wind)	Vermillion and Champaign, Ill.	TBA	TBA	TBA	TBA	Sponsor reaches out to lenders about deal (see story, page 1).
LS Power	West Deptford (738 MW Gas-Fired)	West Deptford Township, N.J.	Credit Suisse, ING, Morgan Stanley	TBA	$300M	TBA	Deal wraps (PI, 12/12).
Macquarie Mexican Infrastructure Fund, Macquarie Capital, Fomento Económico Mexicano	Oaxaca (396 MW Wind)	Oaxaca, Mexico	Banorte, BBVA, Crédit Agricole, HSBC, IDB	TBA	$700M	16-yr	IDB plans to lend $72M to project (PI, 12/5).
• NextEra Energy Resources	Lone Star (300 Miles Transmission)	Texas	BoTM, Crédit Agricole, Mizuho, RBC	TBA	TBA	TBA	Deal wraps (see story, page 5).
	Various (230.8 MW Wind)	California and Oklahoma	TBA	Refi	TBA	TBA	Sponsor reaches out to lenders about refi (PI, 10/14).
Northland Power	Manitoulin Island (60 MW Wind)	Maitoulin Island, Ontario	Manulife	TBA	TBA	TBA	Manulife expects to name a second lender (PI, 10/31).
Odebrecht	Chaglla (406 MW Hydro)	Peru	BNP	TBA	$650M	TBA	Financial close targeted for February (PI, 11/21).
Pattern Energy	Ocotillo (315 MW Wind)	Imperial Valley, Calif.	TBA	TBA	TBA	TBA	Sponsor targets financial close in 2012 (PI, 10/24)
Sempra Pipelines, Pemex	Various (Gas Pipeline)	Mexico	BBVA	Refi	$400M	TBA	BBVA snags sole bookrunner manadate (PI, 12/12).
Tenaska Solar Ventures	Imperial Solar Energy Center South (130 MW Solar PV)	Imperial Valley, Calif.	BBVA, BoTM, Lloyds, MUFG, MS, RBS	TBA	$600M	TBA	Sponsor mulls bond component to deal (PI, 10/31).
• Wind Capital Group	Post Rock (201 MW Wind)	Lincoln and Ellsworth, Kan.	BayernLB, Mizuho, NordLB, Rabo, UniCredit	Term/ Construction	$225M	TBA	MetLife circles tax equity stake (see story, page 5).
	Unidentified (150 MW Wind)	Osage County, Okla.	BayernLB, Rabo	TBA	TBA	TBA	Lawsuit delays financing until 2012 (PI, 11/28).

• New or updated listing

*To report updates or provide additional information on the status of financings, please call Senior Reporter **Brian Eckhouse** at (212) 224-3624 or e-mail beckhouse@iiintelligence.com.*

Project Finance

CoBank Wraps Alaskan Wind Deal

CoBank has closed a $46 million financing backing **Cook Inlet Region, Inc**.'s 17.6 MW Fire Island wind project west of Anchorage, Alaska. CIRI, an Alaska native corporation, is the largest private landowner in the south central part of the state.

The deal combines $29 million in senior debt and a $17 million loan that will bridge to a U.S. **Department of Treasury** cash grant. The senior debt has two tranches; a $5 million piece has a tenor of 20 years, while the remaining $24 million has a tenor of 18 years, says **Suzanne Gibson**, CIRI senior director of energy development in Anchorage. The bridge loan will be repaid by 2013.

FAST FACT
The deal combines $29 million in senior debt and a $17 million loan with that will bridge to a U.S. **Department of Treasury** cash grant.

Chugach Electric Association has a 25-year offtake agreement for Fire Island, located three miles from Anchorage. Pricing on the deal couldn't be learned. Gibson and a CoBank official declined to comment.

CIRI is considering two additional phases to the Fire Island project, adding almost 37 MW of generation, says **Ethan Schutt**, senior v.p. of land and energy development. It has yet to negotiate power purchase agreements for the phases, so it hasn't reached out to lenders yet, Schutt explains. It's possible one of the phases could be readied for financing next year.

CIRI and **Teachers Insurance & Annuity Association of America** are talking with **Edison Mission Group** about nabbing equity stakes in two wind farms in Wyoming (see story, page 6).

MetLife Scopes Wind Capital Tax Equity

MetLife is considering taking a tax equity stake in **Wind Capital Group**'s 201 MW Post Rock project, a deal watcher says. The tax equity will ultimately help take out a $225 million financing supporting the $370 million wind project, which is expected to wrap by year-end.

The financing is a one-year construction facility priced at LIBOR plus 225 basis points (PI, 10/13). **BayernLB**, **Mizuho Corp. Bank**, **NordLB**, **Rabobank** and **UniCredit** are among the lenders in the deal.

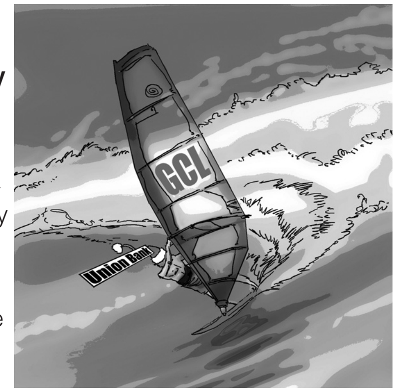
GE Energy Financial Services and another undisclosed investor are also considering taking tax equity stakes (PI, 9/9). The identity of the third investor and the sizes of their targeted stakes couldn't be learned.

A Wind Capital spokeswoman in St. Louis and a GE EFS spokesman in Stamford, Conn., declined to comment. A MetLife official couldn't be reached by press time. Bank officials declined to comment or didn't return calls.

Westar Energy is the offtaker for Post Rock in Kansas' Ellsworth and Lincoln counties.

GCL Tags Union Bank For P.R. Solar

GCL Solar Energy has tapped Union Bank to help finance its 77 MW solar photovoltaic project in Puerto Rico. GCL also is talking to **BayernLB** about participating, says a deal watcher. Financial close is expected by early 2012.



GCL, a member of Chinese polysilicon producer **GCL-Poly Energy Holdings Limited**, is targeting 40-50% debt in project financings, as well as a similar percentage in tax equity (PI, 11/16). It would contribute between 10-30% in equity (PI, 3/25). Union Bank is an affiliate of **Mitsubishi UFJ Financial Group**. The size of the financing package and deal terms, including pricing and tenor, couldn't be learned.

Jimmy Chuang, GCL head of structured finance in San Francisco, is overseeing the deal. He didn't return a call seeking comment and bank officials declined to comment or didn't return calls.

The **Puerto Rico Electric Power Authority** has an offtake agreement for at least 46 MW of capacity for GCL projects in Puerto Rico. Whether those PPAs pertain to the PV project could not be learned.

NextEra Lands Texas Transmission Funds

NextEra Energy Resources has reportedly wrapped a more than $300 million financing supporting 300 miles of transmission lines in West Texas. **Bank of Tokyo-Mitsubishi UFJ**, **Crédit Agricole**, **Mizuho Corporate Bank** and **Royal Bank of Canada** participated in the deal.

The financing is priced at LIBOR plus 150 basis points, below other recent transmission deals. **Sharyland Utilities** snagged pricing between 175 and 200 bps over LIBOR for a more than

West Texas Transmission Deals 2011

Sponsor	Project	Deal Size	Participants	Pricing over LIBOR	Closing Date
Sharyland Utilities	250-300 Miles	$700M+	RBS and SocGen	175-200 bps	June 27
LS Power	234 miles	$433M	BNP, Citi, CreditAg, Union Bank, BayernLB, CIT, Dexia, Scotia, Soveriegn	200 bps	Aug. 10
Brookfield Asset Management, Isolux Corsan	378 Miles	$560M	BoTM, Deutsche Bank, Scotia, SocGen	225 bps	Aug. 26

Source: Power Intelligence archives.

$700 million financing backing its lines in West Texas (PI, 9/23), while other sponsors of transmission projects landed pricing in the 200 bps range. These deals priced below the floor for generation projects. Transmission financings tend to be more stable, as costs are recovered through the rate base (PI, 2/25). Some lenders view transmission lines as infrastructure assets, which tend to price 25-50 bps below the generation project finance floor (PI, 11/16).

Multiple bankers likened the NextEra financing to a corporate loan, pointing to a short tenor, low pricing and NextEra's sterling corporate credit rating. **Standard & Poor's** rates parent **NextEra Energy** A-. The specific size and tenor of the financing couldn't be learned. A NextEra spokesman in Juno Beach, Fla., and bank officials didn't return calls seeking comment.

NextEra's Lone Star transmission lines will cross through 17 counties. The project will use double-circuit, 345 kV lines.

DB Wraps Kruger Quebec Wind Deal

Deutsche Bank has wrapped a $240 million underwritten deal backing **Kruger Energy**'s 100 MW KÉMONT wind project in Montérégie, Quebec. DB was the sole bookrunner and took $180 million in exposure, while **Union Bank** took $60 million.

The deal has an 18-year tenor. **Hydro-Québec** has a 20-year offtake agreement for KÉMONT, which will use **ENERCON** turbines. It is expected to be operational in December 2012.

> **FAST FACT**
> DB was the sole bookrunner and took $180 million in exposure, while Union Bank took $60 million.

Deutsche Bank is one of Kruger's relationship lenders. The bank also led a $220 million mini-perm in May 2010 supporting Kruger's 101.2 MW wind project in Chatham-Kent, Ontario (PI, 5/28). Pricing on the latest deal couldn't be learned. A Kruger spokesman in Montreal couldn't be reached for comment, while bank officials declined to comment or didn't return calls.

Mergers & Acquisitions

TIAA, Alaskan Co. Eye Edison Mission Wind Stakes

Teachers Insurance & Annuity Association of America and **Cook Inlet Region, Inc**. are talking with **Edison Mission Group** about taking preferred equity stakes in two wind farms in Wyoming. The preferred equity stake would be a cash investment that would put the investors a notch higher than equity shareholders in the debt structure.

The parties are still in talks and have filed with the U.S. **Federal Energy Regulatory Commission** with an aim to close a transaction by the end of the year. TIAA and CIRI would own 87% and 13%, respectively, of operating company **Capistrano Wind Partners**, which owns Mountain Wind I and Mountain Wind II farms, according to the filing. The 60 MW Mountain Wind I and the 79.8 MW Mountain Wind II in Uinta County each have a power purchase agreement with **Pacificorp** and went online in 2008.

CIRI is an Alaska native corporation that is the largest private landowner in south central Alaska. It is also building the 17.6 MW Fire Island wind project near Anchorage (see story, page 5).

Neither the amount of investment nor whether any of the parties are using financial advisors could be learned. Calls to spokespeople for TIAA and Edison Mission were not returned. A CIRI spokesman declined to comment, citing a non-disclosure agreement.

First Reserve Circles ArcLight Plants

First Reserve has agreed to purchase four natural gas-fired facilities from an **ArcLight Capital Partners** portfolio. First Reserve will pick up plants in California, Connecticut, New Mexico and Texas—leaving a combined cycle asset in Hawaii, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

Barclays Capital and **Citigroup** are running the sale for ArcLight (PI, 10/17). The acquisition is slated to close in the first quarter.

ArcLight has been selling a quintet of gas-fired plants and its majority equity stake, 59%, in the 391 MW, 65-mile Neptune transmission line that connects Sayreville, N.J., to Long Island, N.Y. **CalPERS** is buying the line (see story, page 2). The gas-fired plants include:

- 162 MW Crockett cogeneration in Crockett, Calif., has a PPA until 2024 with **Connecticut Light & Power** and $139.9 million in debt. ArcLight owns 67.5% of the facility;
- 60 MW Hamakua combined cycle in Honokae, Hawaii, which has a PPA with **Hawaii Electric Light Co**. until 2030 and $76.4 million in debt;
- 604 MW Hobbs combined cycle in Hobbs, N.M., which is contracted to **Southwestern Public Service** until 2033 and has $280.8 million in debt;
- 230 MW Borger cogeneration in Borger, Texas, which is contracted to SPS until 2024, with an extension option through 2034 and has $80.6 million in debt;
- 72 MW Waterside peaker in Stamford, Conn., with a **Connecticut Light & Power** PPA until 2024 and has $32.1 million in debt.

The purchase price and financing plans and whether the the Hamakua plant in Hawaii is still up for sale could be learned.

Bank officials declined to comment through spokesmen and First Reserve officials in Greenwich, Conn., didn't reply to messages.

Duke Pockets Two Recurrent Facilities

Duke Energy Renewables, an unregulated subsidiary of **Duke Energy**, has purchased two solar photovoltaic projects in Arizona totaling 20 MW from **Recurrent Energy**. The acquisition of the 5 MW Ajo and the 15 MW Bagdad facilities marks the first time Duke has picked up projects in the western U.S.

Credit Suisse advised Recurrent on the sale of a 40 MW portfolio that included the two assets (PI, 4/6). **Arizona Public Service Co**. has 25-year power purchase agreements with each of the projects. Bagdad in Yavapai County is expected to be online by year end while Ajo in Pima County came online late September. The purchase price could not be learned.

> **FAST FACT**
> The acquisition of the 5 MW Ajo and the 15 MW Bagdad facilities marks the first time Duke has picked up projects in the western U.S.

The sale was completed in August, although the companies didn't want to announce it until the projects were close to being online, says a Duke spokesman in Charlotte, N.C. Duke did not use a financial advisor. The Duke Energy affiliate owns the 14 MW Blue Wing farm in San Antonio, Texas, the 6 MW Stanton Solar in Orlando, Fla., and five, 1 MW installations in North Carolina.

Waste Heat-To-Power Co. Seeks Capital

KGRA Energy, a developer that captures waste heat to generate power, has retained **Fieldstone Private Capital Group** to raise capital. The company is looking for about $60 million in corporate and project funding to develop a 17.5 MW pipeline over the next three years, according to the recently floated teaser.

Waste heat-to-power facilities use residual heat from manufacturing sites to generate power. They can be developed in conjunction with pulp and paper mills, landfill-gas-to-energy sites, refineries and lumberyards as well as cement and power plants. Waste heat recovery facilities are attractive right now because there is increased interest in energy efficiency and few companies are in this space, says **Jason Gold**, president and ceo in New York. There are about 180 waste heat recovery sites around the world with most of them in central Europe where there are incentives, according to the teaser.

Jason Gold

KGRA would like to complete the capital raise in the first quarter of 2012, says Gold, declining further comment about the process. Current investors include venture capital shops **Illinois Ventures** and **SeventySix Capital**. A Fieldstone official could not be reached.

The company, with offices in Chicago and New York, has one project online and three in various stages of development. KGRA will either own and operate the individual projects and seek a power purchase agreement or it will sell the project to the host customer, according to the teaser. Projects are typically ring-fenced.

KGRA recently signed an agreement with **Appalachian Midstream Services**, a unit of **Chesapeake Energy Corp**., to develop a 2 MW waste heat-to-power project at a Marcellus Shale gas gathering compression facility in Bradford County, Penn., There is no power purchase agreement in place so the power could be sold onto the grid or used on-site.

The company has signed letters of intent with host companies to develop two more projects totaling 5 MW. The two-year-old KGRA anticipates having 120 MW online in the next five years.

Buyer Scouts Northeast Wind Projects

An undisclosed strategic investor with development experience is looking to acquire several hundred megawatts of mid- to late stage wind development projects in the Northeast. The company, which owns projects in other parts of the country, is working with boutique advisor **Alyra Renewable Energy Finance** to scout for assets, according to an industry official who has had talks with the buyer.

Mohammed Alam, president of Alyra in Northampton, Mass., could not be reached for comment.

The company is looking at projects in NY-ISO, NE-ISO and PJM that need more capital to get to construction, says the official, indicating that the company is willing to take development risk. Power purchase agreements are not required nor do the projects need to qualify for production tax credits.

Buyers willing to take development risk are finding opportunities as cash-strapped smaller developers look for funds (PI, 11/16). "They understand it's a good time to buy," says the official, noting that several prospective sellers have been approached. The company is aiming to ink acquisitions soon.

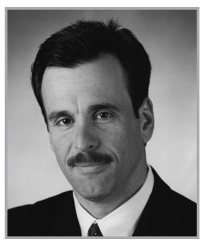
Industry Current

The Effects Of Dividend Tax Rates On Utilities

*This week's Industry Current is written by **Richard McMahon**, v.p. of finance and energy supply at the **Edison Electric Institute** in Washington, D.C.*

With the economy continuing to struggle, many in Washington are looking for ways to spur investment and create jobs. One measure that can address both goals is to maintain the current tax rates on dividends and capital gains. Today's dividends and capital gains tax rates—which are set to expire at the end of 2012—are helping electric utilities and other businesses to get the capital they need to invest in needed electric infrastructure and create new jobs. The tax rates also enable middle-class families and seniors to keep more dividends in their pockets.

The tax rates were temporarily reduced in 2003, when Congress passed the Jobs and Growth Tax Reconciliation Act. The maximum tax rate on dividend income was cut from almost 40%- to 15%, and taxpayers in the 10% and 15% tax brackets had their tax rates on dividend income lowered to zero. The 2003 law also cut the maximum tax rate on capital gains from 20% to 15%.


Richard McMahon

The tax rates were extended in 2006 and again in 2010. Unless Congress acts in 2012 however, the maximum tax rate on dividend income is set to surge by 164%—from 15% to 39.6%—in 2013. The maximum tax rate on capital gains would revert to 20%, resulting in a return to the separate tax treatment of capital gains and dividends.

Edison Electric Institute and its member shareholder-owned electric utility companies are among many associations, organizations and companies calling for Congress to maintain the current tax rates on dividends and capital gains. Opponents of keeping the tax rates say they benefit the rich few who own stocks. But a closer look reveals this just is not the case.

Millions of Americans—from all income levels and age groups—own stocks that pay dividends. In fact, a January 2010 study done by **Ernst & Young** found that 27.1 million tax returns had dividends qualifying for the dividend tax rate reduction in 2007 (the latest year for which complete **Internal Revenue Service** data are available). Today's dividend tax rates also benefit the tens of millions of Americans who own stock indirectly through mutual funds, and it supports the value of stock held through or in life insurance policies, IRAs, pension funds, or 401(k) plans.

And this issue is of special importance to seniors, as many are highly dependent on dividends to supplement their Social Security benefits. A recent study by EEI and the **American Gas Association** found that senior citizens make up the largest number of utility shareholders—64% of investors holding utility shares are 65 years or older.

In looking at the income levels of utility shareholders, the majority are middle and low-income people. In fact, 68% of those receiving utility dividends have incomes of $75,000 or less, and 42% of utility shareholders have incomes of less than $25,000. These shareholders rely on their quarterly dividend checks to help with everyday expenses. They would be particularly harmed if the higher tax rate on dividends went into effect.

It also is important to keep in mind that shareholder income is already essentially taxed twice. The utility pays a corporate income tax on its earnings, which reduces the amount of net income that can be paid out to shareholders in the form of dividends. The utility shareholders then pay a personal tax on their dividend income. Keeping today's tax rate on dividends would help these utility and other shareholders to keep more of the dividend income.

Maintaining the current tax rates is particularly important to shareholder-owned electric companies. In 2010, our segment of the economy paid out the highest percentage of its earnings via dividends to shareholders—57%—for a total of $18 billion. The current dividend tax rates help electric companies keep shareholders and attract new ones, which in turn helps the industry to raise the capital it needs to modernize and keep up with customer demand.

Today, the industry is spending about $80 billion annually on infrastructure. This is twice the amount we spent in 2004. And we are at the leading edge of a long-term transformation for the future that will return benefits to consumers, the economy and the environment. Some have estimated that completing this transformation will exceed $2 trillion by 2030.

These investments are building clean energy facilities that range from large nuclear plants to small renewable energy projects, as well as state-of-the-art, coal-fired generating units and high-efficiency combined cycle natural gas plants. All will be essential for meeting electricity demand that is expected to increase 31% over the next 25 years, which is double the growth rate of the past decade. The modern generation fleet also is crucial for complying with increasingly stringent federal environmental regulations.

Electric utilities are investing to modernize the electric grid

Industry Current is a feature written by industry professionals that highlights and clarifies key issues in the power sector. Power Finance & Risk runs the feature periodically and is now accepting submissions from industry professionals for the Industry Current section. For details and guidelines on writing an Industry Current, please call Sara Rosner at (212) 224-3165 or email srosner@iinews.com.

as well. They are investing to create a stronger and expanded transmission network to stimulate the growth of renewable energy sources and wholesale electricity markets.

They are automating their distribution networks, using self-healing technologies such as universal remote circuit interrupters and advanced voltage control. And they are replacing their customers' analog meters with advanced digital meters. These smart meters create two-way communication channels between utilities and customers and they open the door for consumers to gain more control over their electric bills.

The industry also is preparing for the advent of mass-produced electric vehicles that are just now entering the U.S. market. This includes upgrading neighborhood distribution transformers and assisting with networks of public charging stations and in-home vehicle charging systems for consumers.

Together, these investments will ensure that the power industry can meet its primary responsibilities in the future—providing its customers with secure, reliable, and affordable electric service. Importantly, these capital investment programs create an important source of much-needed, high-quality job creation in many states as well.

Should the dividend tax rate reduction expire, tax policy would revert to favoring debt over equity, as well as investment in those companies that reward investors through capital appreciation, as opposed to those paying dividends to investors such as utilities. This could make investors hesitant to provide financing for our major new projects. In turn, it could limit our access to capital markets and increase our cost of capital having a negative impact on the ability of electric companies to put in place long-term strategic plans to transition to a low-carbon future, while meeting their customer demands for a reliable, affordable electricity supply.

And as the economy slowly continues to recover, today's dividend tax rates have helped to attract and to keep shareholders who are interested in a more long-term buy and hold strategy, which benefits individual shareholders, companies, and, ultimately, the economy. Additionally, the current dividend tax rates benefit Americans who own no stock or mutual funds by helping to spur the growth that is needed to create new jobs and to strengthen the economy.

> "Today, the industry is spending about $80 billion annually on infrastructure. This is twice the amount we spent in 2004."

Finally, companies and shareholders make their investment decisions with an eye toward the future. They know that Congress has acted twice in recent years to keep the tax rates on dividends at their current levels, so a tax increase may not be reflected in current stock valuations. This raises the likelihood that financial markets and our nation's economy will suffer further if Congress raises tax rates on dividend income.

We encourage you to support the efforts underway to have Congress act now to extend the dividend tax rate reduction. A vote to retain the dividend tax rate reduction is a vote of support for our economy—and for our nation's electricity future.

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News In Brief

News In Brief is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but *PFR* does not guarantee its completeness or accuracy.

• Arkansas state regulators have rejected an application from **Clean Line Energy** to become a public utility company. The company is planning to re-apply for public utility status this spring (*NewsOK*, 12/9).

• Wyoming wind developer **Morley Company** has proposed the construction of a 300 MW wind farm. The project will be located near Cheyenne, Wyo. and will comprise 120 wind turbines (*CleanTechnica*, 12/12).

• **SunPower Corp.** has announced that it has closed an agreement to supply 54 MW of equipment to **NRG Solar**. The supply agreement will provide solar equipment to NRG's Barrego solar project in San Diego, Calif. (*The Sacramento Bee*, 12/12).

• **Constellation Energy** will provide 25 MW of power over five years to **Montana-Dakota Utilities Co**. as part of an agreement to develop a load response program for the utility. MDU has customers in Montana, North Dakota and South Dakota (*Yahoo! Finance*, 12/12).

• **Ontario Power Generation Co.** will be shutting down two coal-fired units at its Nanticoke Generating Station in the Ontario province. The closing of the two units is part of a government plan to replace coal-fired generation with renewables (*The Epoch Times*, 12/12).

• **We Energies** is closing one of its coal-fired plants in Oak Creek, Wis. The plant will be closed for several months while inspectors work to determine the cause of possible turbine corrosion (*The Milwaukee Wisconsin Journal Sentinel*, 12/12).

• **LS Power** has nixed plans for a proposed coal-fired plant in Georgia. The company stated that environmental concerns and a decline in power demand for a new plant contributed to their decision (*PBA Online*, 12/12).

• The **California Public Utilities Commission** has approved power purchase agreements for three California utilities companies. **PG&E**, **Sempra Energy** and **Southern California Energy** will buy a total 444 MW worth of solar power from 17 solar plants throughout the region (*Bloomberg*, 12/16).

SocGen Pitches *(Continued from page 1)*

pay for the loans that it's trying to sell. The bid price and the offer price are included in the sheet to create a potential price range for the loans, say financiers.

The listed figures, the bankers explain, are mere suggestions that are intended to generate negotiations. "If you're trying to sell it at 98, for instance, you won't say 98 on the sheet, you'll say 99," says a syndicator who is tracking European banks' sales of project finance loans. "You want to have flexibility." **Bank of Ireland** recently sold a $1 billion portfolio of loans to **GE Energy Financial Services** at an 8% discount (PI, 10/18).

Compounding the excess supply are tight margins of some of the loans in SocGen's portfolio. A financing backing **Chubu Electric Power**'s and **Toyota Tsusho**'s 880 MW Goreway combined-cycle project in Brampton, Ontario, was priced at LIBOR plus 112.5 basis points over LIBOR. "That's a good asset, but it's priced too low," says a senior financier for a European lender, pointing to loans in the current market that are priced at, or above, 225 bps of LIBOR.

SocGen is looking to unload 27 generation and infrastructure loans. At least one-third of those loans were inked between January 2010 and last summer, before the latest and most disruptive hiccup in the European debt crisis.

SocGen officials in New York declined to comment, while a spokesman didn't immediately address an inquiry. The timeline for submitting bids and the size of the available loans could not be learned. *—Brian Eckhouse*

SocGen Project Loan Portfolio

Name	Loan	Maturity	Pricing	Bid	Offer	Note
POWER PROJECT						
Bayonne Energy	TL	9/30/18	L+325	98	-99 1/2	Seller
Chamber Co-gen	PR	12/31/14	L+137	97	-98	Seller
CPV	TL	9/30/23	L+225	98	-99 3/4	Seller
El Segundo	TLA	8/31/23	L+225	96	-99 5/8	Call
El Segundo	TLB	8/31/23	L+275	96	-99 5/8	Call
Goreway	C$TL	7/2/14	L+112.5	96	-98 3/4	P/B
Hudson Ranch	TL	5/11/17	L+250	99	-99 3/4	Seller
North Battleford	C$TL	12/31/20	C+250	98	99.625	Call
WIND PROJECT						
Cedar Creek II	TL	11/30/23	L+250	99 1/4	-99 3/4	Call
Fowler Ridge II	TL	8/20/22	L+275	99	-99 3/4	Call
Lakefield	TL	1/31/12	L+275	99 1/4	99.75	Q
Shiloh Wind	TL	12/31/24	L+275	99	-99 1/2	Call
Top of the World	TL	12/2/28	L+275	99	-99 3/4	Call
INFRASTRUCTURE						
A-25	TL	9/13/37	C+125	90	-92	Q
A-30	TL	9/25/38	C+170	95	-100	Call
Carrix	TL	8/15/14	L+150	78	-82	Call
Central Student	$TL		L+137.5	95	-98	Q
Global Container	TL		L+140	75	-80	Call
Chicago Loop	TLA/B	12/15/16	L+1-5	70	-90	P/S
Indiana Toll Road	SNR	6/28/15	L+95	50	-65	Call
ITS Tech	TL	5/16/15	L+325	95	-100	Q
Montreal Gateway	C$PR	5/11/17	C+120			Call
MTCH	$TL		L+185			Call
NorthWest Parkway	TL	3/25/18	L+190	70	-85	Call
RAV	C$TL		L+1-5	75	-85	Call
Sea to Sky	C$TL	9/30/29	L+110	90	-95	Q
POPNA	TL	3/15/14	L+15-	70	-80	Q

Source: SocGen

Invenergy Targets *(Continued from page 1)*

tenor, bankers say. Additionally, Invenergy has been able to put in relatively low amounts of equity and Bishop Hill I lacked a warranty for at least some of the turbines. The developer also scored a rare underwritten deal from BayernLB. The deal was ultimately flexed to 275 basis points over LIBOR from 237.5 bps, while the tenor was shortened from to 10 years from 18 years. The deal wrapped last month (PI, 11/15).

Bishop Hill "was too aggressive, so it got flexed back to where it should be," says a financier who has worked with Invenergy. "But they've been a good sponsor—and remain so."

The targeted size, pricing and tenor for the California Ridge financing couldn't be learned. A spokeswoman in Chicago declined to comment, while lender officials or spokespeople declined to comment or didn't return calls.

The sponsor will also look to finance a 300 MW wind project in Hardin County, Ill., next year (PI, 9/12).

—Brian Eckhouse

Apple, Microsoft *(Continued from page 1)*

large taxable incomes, the companies are probable investors because they have high energy usage—data centers are power guzzlers—and many have executives who are concerned about climate change, says a lawyer. Microsoft had a pre-tax income of $7.3 billion at the end of the third quarter; Apple had a pre-tax income of $8.79 billion for the same time period, according to the most recent 10-Q filings with the U.S. **Securities and Exchange Commission**.

Renewable energy investments are attractive as many major companies, such as **Kraft Foods**, have sustainability programs that promote making business operations and products more environmentally friendly. Apple is developing a solar project on land adjacent to its $1 billion data center in Maiden, N.C., while a quarter of Microsoft's energy needs are met by renewables. "Microsoft's investments in renewable energy are focused on a number of its operations and datacenters around the globe," **Josh Henretig**, director of environmental sustainability at Microsoft, said in a statement to *PI*. He declined to comment through a spokeswoman about prospective tax equity investments or conversations with bankers.

An Apple spokesperson did not respond to a request for comment.

Google blazed the tech company trail by putting capital and tax equity into renewables. To date its investments include wind and solar facilities as well as an offshore transmission project. A difference between Google and other computer giants is that it was, for a time, interested in developing solar technology.

A lack of expertise in the power sector and uncertain politics coupled with tax regulations are stumbling blocks for potential tax equity investors. Investments in wind farms would need to be finalized by the end of next year to take advantage of the current production tax credit scheme although solar tax equity investments extend through 2016 under the investment tax credit program. As a way to ameliorate concerns about investing in a new sector, some bankers have been out to arrange alliances between private equity and infrastructure funds with power expertise and corporations that have a large balance sheets and tax capacity. In this situation, the fund would drive the transaction while the corporation could provide additional capital, bankers say.

—Holly Fletcher

ALTERNATING CURRENT

Heading South

AES Plant To Relocate

The equipment at **AES Thames** is headed south. **BTU Solutions**, a power plant refurbishment company that bought the facility in a salvage bid two weeks ago, is planning to dismantle the 207 MW coal-fired operation in Montville, Conn., and ship it to South America where it will be re-assembled for generation, according to *The Day,* in New London, Conn.

BTU won the bankruptcy court-run auction with a $2.35 million cash offer (PI, 12/7). The plant shut down early this year after it hit hard times and could not make money under its contracts. An affiliate of BTU, **S&S Deconstruction**, will own the facility after the sale is finalized later this month.

Decommissioning could take up to a year and a half, Montville Mayor **Ronald McDaniel** told *The Day*. Then, it's off to see the world.

Johnny Fjord, project manager with BTU in Sugar Land, Texas, could not be reached for comment. Details on the plant's future location and offtakers could not be learned.

Quote Of The Week

"The current dividend tax rates help electric companies keep shareholders and attract new ones, which in turn helps the industry to raise the capital it needs to modernize and keep up with customer demand." —**Richard McMahon**, v.p. of finance and energy at the **Edison Electric Institue** in Washington, D.C., on why Congress should maintain current tax rates on dividends and capital gains (see story, page 8).

One Year Ago In Power Finance & Risk

Developer **Energy Answers International** of Albany, N.Y., began hunting for more than $1 billion in debt for its cogeneration project in Baltimore, Md., and its waste-to-energy project in Puerto Rico. [The developer mandated lenders for the $500 million Arecibo project in Puerto Rico (PI, 11/23). Both of EAI's projects are backed by **Energy Investors Funds**.]