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Siemens JV Wraps Financing

T-Power has closed on a EUR400 million debt package for its 420 MW Belgian CCGT plant.

See story, page 2

Horizon Lands Tax Equity

Horizon Wind Energy has closed on tax equity for a three-project portfolio.

See story, page 3

At Press Time

First Wind Scopes Financing 2

In The News

BP Wind Deal Restructured 3
InterGen Mexico Deal Closes 3
Southern Preps N.C. Plant Financing 3
Alaska JV Looks For Arranger 3
BBW To Finance Split With Cash 4
E.ON To Swap Generation With SUEZ 4
Banks Wrap Shuweihat S2 Bridge Loan 4
Cable Developer Ponders Financing 4
Midland Details Emerge 7
Alternating Current 8

Corporate Strategies

El Paso Revives High-Yield Market 7
Pepco Taps Revolver, Sidesteps CP 7

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STARWOOD, LOCKHEED JV LOOKS TO BANKS

Brad Nordholm

Private equity firm **Starwood Energy Group Global** and technology company **Lockheed Martin** are looking for a bank to arrange $2.5 billion in financing for a 40-50-project solar development pipeline in the next three to six months. The debt will cover 50% of total project cost of $5 billion and be matched by developer equity. The projects are the first solar assets built by either partner.

The pair is developing concentrated solar thermal projects from 5-50 MW and solar photovoltaic projects ranging from 50-300 MW in the southeast, southwest and west coast, says **Brad Nordholm**, Starwood ceo. They are also deploying a few solar projects under 2 MW in the New Jersey and Connecticut. "Starwood has the financial backing and knowledge of the financial markets," says **Chris Myers**, v.p. of

(continued on page 7)

EARTHFIRST PREPS TURBINE SALE, TAKES BIDS

EarthFirst Canada has retained **Marathon Capital** to explore the sale of 144 MW of **Vestas** turbines following its November Companies Creditor Arrangement Act filing. It is also taking bids for the sale of the entire company or its projects, as reported on *PFR*'s Web site last Wednesday.

"We think there will be only one round, but it depends on how many people we have interested," says **Brian Trypka**, chief restructuring officer at the wind developer in Calgary, on the non-turbine sale process led by **Blair Franklin Capital Partners** and **GMP Securities**. The company filed under the CCAA—the equivalent of Chapter 11 bankruptcy in Canada—on Nov. 4.

Following the bids for the entire company or projects, EarthFirst will select two or three bidders and work with them further instead of conducting a formal second round. "We will

(continued on page 8)

EX-UBS STAFFERS PLOT MAIDEN HYDRO PROJECTS

Gloucester, Mass.-based **Free Flow Power**, a hydrokinetic developer started by a group of ex-**UBS** bankers, is talking to strategic partners and looking for equity investors for its maiden 100 run-of-river hydro projects totaling some 3 GW. "If there is a project investor out there who wants to work with us in developing a site of any size we're interested in talking," says cfo **Henry Dormitzer**. Development costs run to $3 million per megawatt, though he declined to specify the amount being sought or name potential partners.

Daniel Irvin, president and ceo, who ran UBS' public power and Northeast infrastructure group, founded Free Flow Power

(continued on page 8)

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

At Press Time

First Wind Seeks Financing For 203 MW Utah Project

Newton, Mass.-based **First Wind** is reportedly looking for financing to support development of its 203 MW Milford Wind Corridor Project in Milford, Utah. The project has a 20-year power purchase agreement with the **Southern California Public Power Authority** and is slated for operation by the end of next year. Details of the financing, such as amount, tenor, structure or timeline could not be learned.

The company, formerly **UPC Wind**, had been preparing to file an S-1 registration for its initial public offering with **Credit Suisse**, **Goldman Sachs** and **JPMorgan** as lead underwriters and **Morgan Stanley** as co-underwriter (PFR, 5/18). Bank officials and spokesmen either declined to comment or did not return calls. **John Lamontagne**, spokesman at First Wind, did not return calls.

RBS Merges Power Project Finance Team

Royal Bank of Scotland is merging its European power project finance team with the infrastructure bonds team as part of an ongoing bank wide restructuring.

The power project finance team will no longer directly report to **Andrew Jameson**, managing director and head of energy and natural resources project finance in London, but instead to the securitization side. Further details could not be immediately learned. The team is expected to remain largely intact, notes an official at the bank, but some cuts are expected. Jameson did not return calls and a spokeswoman declined to comment.

Euro JV Wraps Financing

T-Power, a joint venture between **Siemens Project Ventures**, **Tessenderlo Chemie** and **International Power**, has landed financing for its 420 MW combined-cycle facility in Tessenderlo, Belgium, set to come online in 2011.

The EUR400 million ($613.9 million) non-recourse package consists of a EUR395 million term loan, a EUR20 million reserve facility, a EUR12 million letter of credit and EUR10 million revolver with the balance in a VAT facility. **BBVA**, **Calyon**, **DZ Bank**, **Fortis**, **ING**, **KBC**, **KfW**, **Lloyds TSB**, **Royal Bank of Scotland**, and **WestLB** acted as lead arrangers. Fortis was also financial advisor to the project company (PFR, 7/18).

Advanced Power, originally lead developer, sold its stake in the project to IP for GBP5-10 million ($7.5-15 million), says an IP spokeswoman declining to reveal details. A Tesserdlo spokesman was unable to comment and a spokesman at Siemens in Munich did not return a call. Officials at the banks did not return requests for comment.

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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 **Thomas Rains**, managing editor, at 212-224-3226 or trains@iinews.com.

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Horizon Lands Tax Equity

Horizon Wind Energy has closed on a tax equity portfolio for an unknown amount supporting three wind farms in construction. **JPM Capital Corp.**, **New York Life Insurance Co.**, **New York Life Insurance and Annuity Corp.**, **Wells Fargo Wind Holdings** are investors in the portfolio. **BNP Paribas** affiliate **Capstar Partners** served as adviser to the **EDP Renováveis** subsidiary (PFR, 9/05).

The financing supports 130 MW Arlington wind farm in Gilliam County, Ore., 201 MW Cloud County wind farm in Cloud County, Kan., and 300 MW Pioneer Prairie in Howard and Mitchell Counties, Iowa. The tax equity investors are the same as those which invested in **enXco**'s 150 MW Shiloh II wind farm in Solano, Calif.

Gabriel Alonso, chief development officer in Houston, and officials at the banks did not immediately return calls.

Banks To Club Up For BP, Dominion Wind

The three lead banks arranging $425-430 million in debt for **BP Alternative Energy** and **Dominion**'s 750 MW Fowler Ridge financing are restructuring the deal as a club and looking for more banks to join. A deal tracker confirms that they aim to wrap the deal within the first quarter.

The companies mandated **Bank of Tokyo Mitsubishi**, **BBVA** and **Société Générale** to arrange $425-430 million for the first 301 MW phase near Indianapolis (PFR, 9/16) and syndication was originally set to launch in October and wrap last month. Financial market turmoil disrupted plans, according to a banker familiar with the deal (PFR, 10/16). Details of the financing, such as pricing and structure and potential lenders for the club could not be learned. Bank officials did not return calls.

Two-Bank Club Wraps InterGen Mexico Deal

NordLB and **Export Development Canada** have wrapped $132 million of financing supporting InterGen's purchase of a Mexican liquid natural gas pipeline and a gas compression facility.

Each of the banks carried a $61 million tranche for the club deal which consists of a 15-year loan. Pricing details could not be learned. Bank officials did not return calls and an InterGen official declined to comment.

The pipeline in Querétaro, Mexico went online in 2007 and fuels InterGen's 600 MW Bajio plant. **PEMEX** has a 20-year lease agreement for the 40-mile pipeline and sells gas back to InterGen for its plant operation. "It's a good transaction for us and our partners and it's a good deal for InterGen," says **Scott Swensen**, chairman of seller **Conduit Capital Partners** in New York. Proceeds from the sale will go to investors. The Burlington, Mass., IPP approached Conduit with an offer after the facility's construction (PFR, 6/23).

Southern Mulls N.C. Plant Financing

Earl Long

Atlanta, Ga.-based **Southern Power**, a wholesale energy provider and subsidiary of **Southern Co.**, will tap the credit markets to finance a portion of a $350-400 million 720 MW gas-fired plant in Grover, N.C. **Earl Long**, assistant treasurer in Atlanta, says the company will use a combination of commercial paper, unsecured senior debt and other credit arrangements to finance a portion of the plant. He declined to specify the blend of financing.

Construction on the plant is slated for 2010 ahead of operation in 2012, but Long declined to specify the timing for any offerings or potential underwriters. Equity from cash flows and the parent will fund remaining costs for the project, which will sell power to **North Carolina Electric Membership Corporation** and the **North Carolina Municipal Power Agency Number 1** under 25 and 30-year PPAs, respectively.

Banc of America Securities, **JPMorgan**, **Merrill Lynch** and **Morgan Stanley** are the placement agents for Southern and its subsidiaries combined $1.2 billion commercial paper program. B of A, **Barclays Capital**, and **Goldman Sachs** led a $500 million bond issue for Southern subsidiary **Georgia Power** (PFR, 11/21).

JV Looks To Mandate Lead For Alaskan Wind

Ethan Schutt

Developer **Wind Energy Alaska** is looking to mandate a bank in the first quarter to arrange financing for a $100-$120 million, 30-54 MW wind farm on Fire Island, three miles off the coast of Anchorage. The developer is a 50/50 joint venture between Alaskan Native corporation **CIRI** and **EdF Energies Nouvelles** unit **enXco**.

The project would be the largest commercial wind farm in the state once online in 2010, says **Ethan Schutt**, senior v.p. of land and legal affairs at CIRI in Anchorage. enXco joined CIRI after **Chugach Electric Association** dropped out of the project in 2005, he adds. A spokeswoman for Chugach was unable to comment.

The JV has been in talks with undisclosed banks to finance the project, says Schutt, and will look to mandate a lead arranger after the exact project size and cost has been determined following **Federal Aviation Administration** approval within a

month. It is seeking banks that have, "an interest in Alaska, an experience in wind and renewables projects, and the rest of it is the commercial terms they propose," he says. The total project cost includes $18-20 million for transmission, he says, for which the state has appropriated up to $25 million. There will be an equity component, but a definite ratio has not been determined. "They'll probably all be in a tight range," he says of debt and equity, noting the amount of debt banks will be able to provide.

Financial close is targeted before construction on the project begins this summer. It is looking to sign preliminary PPAs with Alaska's municipal utilities, known as the Railbelt utilities, for the project within the next few weeks, says **Steve Gilbert**, manager of Alaskan projects for enXco in Anchorage. "There's been interest expressed from five of the six," Schutt says. The joint venture is also looking to develop a 6 MW wind project on the Kenai peninsula this summer and is exploring wind sites in the state to build farms 15 MW or smaller.

Babcock To Finance Break Up Costs With Equity

Babcock & Brown Wind Partners will fund its planned termination of its management agreement with **Babcock & Brown** with equity on hand. The AUD$40 million ($28.25 million) termination may partly be funded from recent sales of its European wind farms and a stock buyback, says a spokeswoman for BBW in Sydney.

The process is being driven by BBW's independent directors, who plan on internalizing the management function of the unit. The transaction is expected to close by Jan. 1. BBW may also acquire undisclosed Babcock legal entities in order to establish its independence, says the spokeswoman. **UBS** is advising BBW on the transaction (PFR, 12/5). **Miles George**, ceo of BBW in Sydney, did not return a call and officials at UBS could not be reached.

E.ON Inks Asset Swap With GDF SUEZ

E.ON is planning to swap assets and generating capacity with GDF SUEZ subsidiary **Electrabel**. In a separate transaction, it announced plans to sell assets to **EnBW** after the E.U. Commission accepted E.ON's commitment Nov. 26 to dispose of assets to promote competition in the sector.

E.ON will acquire two Belgian plants from Electrabel plus a total of 770 MW of power procurement rights for three nuclear plants. Electrabel in turn will acquire stakes in three German plants, four German plants outright and 700 MW of power procurement rights from three nuclear plants in Germany. EnBW will purchase stakes in two German coal-fired stations totaling 525 MW. The transactions are expected to close in the first half of next year pending antitrust and government approvals.

The amount of the EnBW deal is not being disclosed, nor is E.ON's advisor for the transactions, says a spokesman in Dusseldorf, Germany. A spokeswoman for EnBW says there is no actual deal because only a memorandum of understanding has been signed and declined to comment further. A spokeswoman for Electrabel in Paris did not return a call.

Shuweihat S2 Financing Set To Wrap

BayernLB, **Calyon** and **Natixis** joined by **KfW, National Bank of Abu Dhabi** and **Standard Chartered** were set to close on a $900 million financing for Shuweihat S2—a $2.7 billion greenfield 1.5 GW/100 million gallons per day IWPP in Abu Dhabi last week. **Abu Dhabi Water & Electricity Authority** owns 60% of the project, with **GDF SUEZ** owning the balance.

The nine-month bridge loan will support the project's financing until a stuttering planned $2 billion loan with a 20-year tenor (PFR, 5/30) is syndicated and closed. Pricing for the bridge loan is in the 200-300 basis points over LIBOR, notes a dealwatcher.

The project is planned to come online in 2011. Officials at the banks and sponsors declined to comment or did not return calls.

Cross Hudson Developer Mulls Wire Funding

Houston-based **Cavallo Energy** will decide how to debt finance its $600 million, 700 MW Cross Hudson transmission line following completion in April of a forthcoming equity raising effort. "We don't have a tie down [amount] as if it will be 30-40% equity or even 20%," **Phillip Gennarelli**, president of the privately-owned company in Linden, N.J., told *PFR*, declining to comment on specifics of the equity or debt needed.

Recently named financial advisor **Credit Suisse** will lead the equity raise during the first quarter, and the company will likely come to market for debt next fall, Gennarelli says. The bank's mandate is only as advisor, and Gennarelli declined to speculate on what bank would handle any future deals. "It's best that we let them do their job… and advise us on this capital round," he says, noting the bank was selected based on its track record in the space.

Cross Hudson is set to come online in 2012 and connect to the PJM Interconnection near a **PSEG Power** station in Ridgefield, N.J., and stretch to a **Consolidated Edison** substation on West 49th Street in Manhattan.

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Details Emerge On Midland Acquisition Financing

The financing package backing the purchase of **Midland Cogeneration Venture**'s 1.5 GW gas-fired plant in Midland, Mich., will be roughly $525 million arranged by a club. Guernsey-based **EQT Infrastructure Fund** and White Plains, N.Y.-based IPP **Fortistar**, are set to purchase the plant once financing is in place (PFR, 11/21).

Pieces are still moving, but the financing will likely include a term loan of some $425 million and a revolver and letter of credit totaling $100 million, say bankers. The buyers have been in talks with **Union Bank of California** and **WestLB**, but a club deal will likely consist of as many as eight banks. Tenor and pricing talk could not be learned, but one banker notes that pricing on debt for a partially hedged plant would likely be around 350 basis points over LIBOR.

Midland sells 265 MW into the merchant market and has PPA with **Consumers Energy** expiring in 2025. It also sells steam to **Dow Chemical**, which is selling the plant along with **GSO Capital Partners** and **Rockland Capital**. **Jim Rajewski**, cfo of Midland declined to comment. Calls to officials at the banks and other companies were not returned.

Corporate Strategies

Pepco Unit Passes On CP in Favor Of Revolver

Tony Kamerick

Wilmington, Del.-based **Delmarva Power & Light** has tapped its $1.5 billion credit facility to finance working capital expenditures in lieu of commercial paper. "We haven't been issuing commercial paper recently because that market hasn't been functioning very well," notes **Tony Kamerick**, cfo of parent **Pepco Holdings** in Washington D.C., citing frozen short-term credit markets and high interest rates.

Delmarva is using proceeds from a $250 million first mortgage bond issue to pay down the revolver. The 6.4%, five-year notes priced Nov. 18 and closed on Nov. 21 and Kamerick notes the pricing reflects better company credit after a recent Pepco equity sale (PFR, 11/14). "[Pepco] issued some equity to cement our credit rating and our underwriting group did a good job of selling it," he says, adding the banks are part of Pepco's pool of relationship banks. **Fitch Ratings** rates Pepco BBB with stable outlook and rates Delmarva's bonds A.

Banc of America Securities and **JPMorgan** led the bond issue and **KeyBanc Capital Markets**, **Morgan Stanley** and **Scotia Capital** were co-managers. **Citibank** and **Wachovia** lead 12 other banks on the revolving credit facility, which Delmarva shares with sister companies **Atlantic City Electric** and **Potomac Electric** and expires in 2012. Pepco's debt-to-equity ratio is 60:40. It has $4.6 billion in long term outstanding debt and $1 billion in short-term outstanding debt as of Sept. 30.

El Paso Hits High-Yield Market

Midstream company **El Paso Corp**. has issued $500 million of five-year notes priced at 12% in what is the first high-yield issue since Oct. 30. "I take it as a more positive sign," says **Peter Molica**, director at **Fitch Ratings** in New York. The deal priced Dec. 9 and closed Dec. 12.

It is planning to use the proceeds from the offering to repay debt maturing next year and for general corporate purposes. "They do have a sizable maturity issue in 2009," says Molica on the timing of the issue. The company's maturities next year include about $112 million in 6.375% notes, $539 million in 7.125% notes, and $413 million bearing a coupon of 6.75%. The company is expected to continue to experience tight liquidity through next year, notes **Standard & Poor's**, which assigned a BB- to the issue. El Paso is selling a package of non-core assets, expected to fetch $150 million, and in addition has a Brazilian plant on the block.

Molica does not know of any upcoming bond issuances in the high-yield market, but says, "The credit markets for high yields cannot be closed indefinitely. Obviously, risk has been re-priced. It's a brave new world." **Citigroup**, **Goldman Sachs**, **JPMorgan** and **Morgan Stanley** were underwriters for the deal. **Bill Baerg**, director of investor relations at El Paso, declined to comment or make other officials available.

STARWOOD, LOCKHEED

(continued from page 1)

solar energy programs at LM in Moorestown, N.J. "We have the production know-how." The two formed the joint venture last November (PFR, 11/16/07).

"It will have a conservative capital structure," says Nordholm, noting the debt will be senior, long-term project financing. The JV has already been in discussions with banks, but he declined to disclose names and Meyers declined to comment on the financing. In the past Starwood has worked with **Natixis**, **Mizuho Corporate Bank**, **Sumitomo Mitsui Banking Corp**. and **WestLB** (PFR, 6/13).

The projects have yet to secure PPAs, but the JV is bidding into a number of RFPs, says Myers, declining to name them. "You're making a safe bet with us," he says, noting it is well positioned among competitors amid market conditions because of Starwood's strong balance sheet and both companies' reputations. The larger projects are expected to come online between 2011 and 2012. ***—Katie Hale***

EX-UBS STAFFERS

(continued from page 1)

in 2007. Dormitzer was a managing director at UBS and **Ramya Swaminathan**, v.p. of project development, was a director in UBS' public power group. The company acquired hydro consultants **Black Brook Environmental** this summer for an undisclosed sum and has funded the purchase and initial project development with private equity.

The projects will be on the Mississippi, Missouri and Ohio rivers and the company will begin talking to investors and offtakers after collecting data from a demonstration project at the end of next year. Free Flow aims to put 200-300 MW of 18-30 MW projects online per year starting in 2012. "The way we're building our business is to make it project financeable when were ready for project financing… It's subdivided into a number of projects so that it won't be a single financing," Moritzer says. He declined to identify potential offtakers for the projects.

"While I'm not optimistic about doing it today, I'm optimistic about doing it three years from now," Dormitzer says of looking for tax equity investors, adding that the timeline for securing debt and equity for the projects hasn't been determined. ***—Sara Rosner***

EARTHFIRST TAKES

(continued from page 1)

continue along until we get an offer that is suitable," says Trypka, explaining that the sale of the company or its projects could wrap up by February.

Alternatively, it could sell the turbines instead. "The concern we have to the company and the project is that the capital markets are in such disarray right now," says Trypkta on the bidding process and the turbine sales. **Bob Braasch**, managing director of Marathon in Bannockburn, Ill., notes that, "Our job is to monetize [the turbines]." Eight of the 48 Vestas V90 3 MW turbines are on site at the Dokie wind farm in British Columbia (PFR, 8/8), and the rest are set to be delivered in the second quarter of 2009. Bids for the turbines will be due in late January. The firm was mandated last week.

EarthFirst has halted construction on Dokie until February due to the potential sale. It has some 1.6 GW across nine projects development elsewhere in Canada. Both Braasch and Trypkta declined to comment on potential bidders or sale prices.

—Thomas Rains

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Alternating Current

SimCity Games Going Green

If you're wondering what to ask for this holiday season (besides a bonus, job security and maybe some trust in your counterparty from that last deal), check out the newest SimCity Societies game. Developers in the real world may be shelving power projects due to the months of financial market turmoil, but **BP Alternative Energy** has joined game creator **Electronic Arts** to build virtual power projects in just minutes.

Forlorn sponsors and project finance bankers can choose from wind, solar, nuclear, biomass, coal, natural gas and hydrogen to power their cities. But beware: in addition to showing the nameplate capacity, the game also calculates the carbon output of the facility and its effect on the local residents.

Electronic Arts

Solar Power Tower

A 25-unit wind farm with a local-currency cost of 600 Simoleons has no carbon output and no effect on residents, but a 500-unit coal-fired plant costing 3,000 Simoleons carries a warning of "Heavy smog polluter" and "Eyesore: reduces the happiness effect in nearby homes and venues." Talk about advancing the green agenda.

Quote Of The Week

"The credit markets for high yields cannot be closed indefinitely. Obviously, the risk has been re-priced. It's a brave new world."—**Peter Molica**, *director at* ***Fitch Ratings*** *in New York, on* ***El Paso Corp****.'s high-yield bond offering—the first since Oct. 31 (see story, page 7).*

One Year Ago In Power Finance & Risk

AIG Highstar Capital II was looking to sell its 50% stake in **InterGen** [Indian infrastructure company **GMR** won the **Lehman Brothers**-led auction for the $1.1 billion deal, which it funded with fully underwritten debt from **Axis** (PFR, 6/27)].

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