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The exclusive source for power financing and trading news

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Happy Holidays!

Power Finance & Risk will not be publishing next Monday. Your next issue will appear Jan. 7. We wish all our readers a happy New Year.



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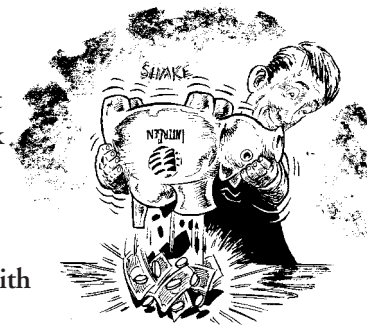
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AIG LOOKS TO CASH OUT OF INTERGEN

AIG Highstar Capital II is looking to sell its 50% stake in InterGen and has tapped Lehman Brothers to advise it. Co-owner Ontario Teachers' Pension Plan is not selling. As first reported by *PFR* last Monday, the auction is expected to kick off next quarter. It could not be determined if Ontario Teachers has first right of refusal.

Rumors of the sale had been circulating in the London market and were confirmed by InterGen's President Neil Smith and CEO Martin Rees on a private earnings call with bondholders and analysts Dec. 14. "[AIG] has indicated that in January it intends to



(continued on page 16)

Clear Out Over Clean Up

MERRILL AUCTIONS PJM PLANT



Sunbury Plant

Corona Power, owner of the 432 MW Sunbury generating station in Shamokin Dam, Pa., is soliciting interest from new equity partners and considering selling outright. As first reported on *PFR*'s Website Dec. 14, Merrill Lynch released teasers on the merchant plant earlier this month.

Neil Hedrick, v.p. at Armagh, Pa.-based waste coal supplier Robindale Energy Services, and also the

money behind Dalk Land LP, one of five entities behind Corona Power, confirmed the sale process is under way. "We're looking at fresh equity investment," he says, noting that the move is driven by the need to raise about \$250 million for environmental controls over the

(continued on page 16)

IS CALYON'S \$850M EIF FINANCING STRUGGLING?

Lead bank Calyon still has until the year-end to meet its planned wrap of an \$850 million acquisition financing for Energy Investors Funds, but the market drumbeat is that the fully underwritten deal might struggle. The problem, according to bankers, is that the holdco structure isn't one project finance banks generally go for and some say the pricing is too slim.

The debt funded to EIF backs its already completed purchase of an 80% stake in 14 plants from Cogentrix Energy by acquiring entity EIF Calypso (*PFR*, 11/16). Commitments in the wholesale syndication are creeping in, according to two bankers. Two of the 12 banks Calyon approached have already signed up and one market watcher said more are expected before next month. But others note getting commitments in by this time, when wholesale is meant to close, will be tricky. It is unclear why the timetable Calyon is working to specifies syndication must wrap in 2007, and whether the sponsor has set a

(continued on page 15)

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



At Press Time

Spanish Renewable Portfolio Up For Grabs

Privately owned Spanish renewable developer

Establecimientos Industriales y Servicios SL (EISSL) has put itself on the block. As first reported by on *PFR*'s Website Dec. 14, its owner, the Soldevila family, which owns several properties and hotels in Catalonia, has asked **JPMorgan** to advise it on potential suitors. Non-binding offers are due Jan. 14.

Bidders are invited to submit offers for 100% of the company, according to one deal watcher, noting that some family members may wish to retain their holdings. The Soldevila family could not be located for comment and officials at JPMorgan declined to comment.

Barcelona-based EISSL owns a 630 MW portfolio of projects across Catalonia—52 M of hydro, 28.6 MW of wind and a 550 MW wind development pipeline that would come online within the next three or four years. It is valued at about EUR 200 million (\$294 million). Among those believed to be lining up bids are infrastructure players **Macquarie** and **Babcock & Brown**, German utility **RWE**, French utility **Suez** and Iberian conglomerates **ACS-Cobra** and **Iberdrola**.

Calpine Reorganization Approved, Exit Financing Reworked

The \$8 billion bankruptcy exit financing for **Calpine** was reduced by \$400 million last week after the U.S. Bankruptcy Court for the Southern District of New York approved its latest plan of reorganization. The amended facility resolves a recent disagreement between the San Jose IPP and its lenders, who wanted an extra week to close the exit financing by Feb. 7 instead of the initial Jan. 31 deadline and were concerned the company may not be able to meet some of its covenants.

Goldman Sachs, **Credit Suisse**, **Deutsche Bank** and **Morgan Stanley** are arranging the \$7.6 billion package, which now consists of Calpine's \$5 billion debtor-in-possession loan, of which a \$4 billion term loan is already funded and a \$1 billion revolver is undrawn, as well as \$2.6 billion of fresh debt, instead of the original \$3 billion committed over the summer (*PFR*, 6/22). The add-on will include \$2.3 billion of first-lien debt and a \$300 million bridge loan to be retired with proceeds from impending divestitures. Pricing has not been released but the bank meeting is being targeted for Jan. 10, one banker said.

The newly amended agreement gives the company more room to meet its consolidated leverage ratio, consolidated interest coverage ratio and consolidated senior leverage ratio, according to court documents. Calpine will emerge as a standalone business, whereby secured creditors were paid off or had their debt rolled over, unsecured creditors will own new equity, and old equity holders will receive warrants to buy up to 10% of the new shares based on their pro-rata ownership at the time the plan was approved. Calpine intends to list its common stock on the **New York Stock Exchange** after emerging. A spokesman declined to comment. Officials at the banks and the company's restructuring advisor **Miller Buckfire** either declined comment or could not be reached.

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Institutional Investor NEWS
INTELLIGENCE FIRST

Invenergy Wind Development Head Departs

Kevin Smith, senior v.p. of wind development at **Invenergy**, resigned and left the company last Tuesday to pursue other opportunities in the renewables field. “The whole renewable energy space is just exploding,” says Smith, reached on his cell phone. “It didn’t make sense to continue working at Invenergy.” A call to Invenergy seeking comment on who will replace him was not returned.

Smith says he is weighing several options and will likely make a decision in the next 30-45 days, but declined to talk specifics, except to say that he has been paying particular attention to the solar market. “The solar side of the business is fascinating and potentially could replace wind as one of the most economical renewable energy sources,” he says.

Smith joined the company from Chicago-based **Insight Energy**, which he founded, after Invenergy CEO **Michael Polsky** created a position to cover development and acquisitions (PFR, 10/15/2004). Prior to founding Insight, Smith served as coo of **Rolls-Royce Power Ventures** in London, and general manager and v.p. of **Indeck Energy Corp.**

Reverse Inquiries Drive PSEG To LatAm Auction



David Seabrook

PSEG Global has decided to auction its Chilean electric distribution, transmission and generation subsidiary **SAESA Group** after fielding reverse inquiries for more than a year. The business should fetch handsome offers since it is the last of the electric distribution businesses in Peru that might be in a position to change hands, according to

David Seabrook, v.p. of corporate development in Newark, N.J.

Seabrook told *PFR* last year the company had received offers on SAESA (PFR, 10/06/06). It now plans to attract bids from international strategics and financial sponsors because valuations in the region are rising. “A year ago we weren’t actively out selling, but there had been people who’d talked with us and we decided to translate these conversations into an exploratory process,” he explains. **Credit Suisse** will run the auction, with a view to finalizing the transaction by the middle of next year.

PSEG’s remaining LatAm asset is a roughly 50% stake in **Turboven**, owner of a 140 MW gas-fired generating portfolio near Caracas, Venezuela. But Seabrook is quick to point out the spate of recent divestitures should not be taken as a formal exit from the continent. “We made a decision about four or five years ago after Argentina [defaulted on its sovereign debt] that we

weren’t going to invest any substantial new money overseas. But the businesses we have been selling have been significant contributors to our bottom line. We were only willing to entertain offers that were really attractive,” he says. Proceeds will help parent company **PSEG Energy Holdings** redeem \$200 million of 10% senior notes due Oct. 1 2009.

SAESA consists of **PSEG Generacion**, which owns 70 MW of diesel- and gas-powered capacity; **Sociedad Austral de Electricidad**, **Frontel** and **Luz Osorno**, all distribution companies; **Edelaysen**, a vertically integrated generation and distribution company; and **Sistema de Transmission del Sur**, a transmission company. On Friday, PSEG completed the sale of its 50% stake in **Chilquinta Energia** and 38% stake in **Luz del Sur** to **AEI**. **Citigroup** had begun to auction the assets when **AEI** made a pre-emptive offer. It separately sold **Electroandes**, owner of 180 MW of hydro portfolio in Peru, to a unit of Norway’s **Statkraft Norfund Power Invest** for \$390 million via **JPMorgan**.

Tyr Lands Tenaska Plant, Hunts More



Chesapeake plant

Tyr Energy is aggressively seeking more generating assets, having won the auction of **Tenaska Power Fund**’s 315 MW Commonwealth Chesapeake plant in New Church, Va. “We’re chasing a number of things,” says **Lincoln Bleveans**, chief development officer at Tyr in

Overland Park, Kan. “What we’re trying to do is build a well-diversified portfolio of good generating facilities across North America and this falls within that. I don’t think we have limits on how quick we want to grow.”

Tyr has been unsuccessful at auction recently but, Bleveans speculates, may have landed the simple-cycle merchant peaker because it attracted a smaller, more specialist group of bidders. In addition, he says because the peaker is located on the end of the Delmarva Peninsula it needed an experienced plant operator that can handle the associated voltage issues and keep the transmission stable.

JPMorgan ran the auction (PFR, 10/26) and **Fieldstone Private Capital Group** is advising Tyr on its purchase and associated debt financing. Bleveans declined to say which banks are in the running, noting discussions are preliminary. “We are in discussions with a number of banks and hope to make a decision over the holidays,” he says. The sale is expected to close in the first quarter. The purchase price could not be determined. **Chris Leitner**, an official who ran the deal at Tenaska, and **Paul Smith**, senior managing director at **Tenaska Capital Management**, did not return emails. Officials at JPMorgan and Tyr declined to comment.

Tenaska bought Chesapeake in 2005 for \$89 million from

TECO Energy, whose Tampa Electric subsidiary built the plant. Tyr's acquisition of the plant will increase its portfolio to 364 MW from the 49 MW it owns via its 20% stake in the CalPeak portfolio in California. Chesapeake has a four and a half-year tolling agreement with **Conectiv**, which expires in 2012, after which Tyr may take it merchant.

Chilean Thermoelectric Syndication Wraps

Calyon has wrapped syndication of a 15-year, \$260 million loan funding construction of **Empresa Eléctrica Guacolda's** fourth generating facility near Maitencillo in northern Chile. Six banks joined the deal before it wrapped Dec. 3: Chile's **CorpBanca** and **BancoEstado**, **Scotia Capital**, **ABN Amro**, Brazil's **Banco Itaú**, and Spain's **Caja Madrid**. Ticket sizes each took and pricing could not be determined.

The plant will complement three other 152 MW units onsite, all of which are contracted and burn a fuel mix of pet coke and coal (PFR, 9/14). Calyon led a \$390 million expansion financing and refinancing of debt tied to these units in 2006.

Guacolda is jointly owned by **AES Gener**, (50%), and Chilean industrial conglomerate **Empresas Copec** (25%) and **Ultraterra** (25%). Pricing on the deal could not be learned, and officials at the lead declined to comment. Calls to AES and were not returned.

Wind Developer To Explore S.D. With Equity Funds



Leon Steinberg

National Wind will use funding from **Harmony Equity Income Fund**, a fund managed by Sioux Falls, S.D.-based private equity group **McGowan Capital Group**, to explore 1,500 MW of wind development projects across South Dakota.

"There is a tremendous opportunity in South Dakota," says **Leon Steinberg**, CEO of **National Wind** in Minneapolis. "The wind may be marginally better in North Dakota, but South Dakota is a little bit closer to the load."

The first farm the company will announce could be larger than 500 MW, adds Steinberg, and would be 72% owned by the community while still in development but after production tax credits expire. This community-owned structure allows the financial benefits of the farm to stay within the state, he says. The tax equity providers and lenders, whom he declined to identify, have already been lined up and will provide 99% of the financing, with the balance coming from community

organizations and local investors.

National Wind, founded in 2003, has participated in developing 12 wind farms to date and has 2,000 MW more in the works across Minnesota, Iowa and the Dakotas, including the 200 MW **NorthStar Wind** farm in Emmet County, Iowa. In October, it acquired wind resource and energy analysis firm **Romuld Wind Consulting** in Grand Forks, N.D. (PFR, 10/19).

Fortis Hires North-East Trading Chief

Fortis Energy Marketing & Trading has hired **Dana Davis**, a former trading executive at **Enron**, to head up Northeast trading. He joined last Monday and reports to **Justin Heinecke**, desk head of Northeast power trading in Houston, according to a Fortis spokeswoman.

Davis served six years at Enron as a v.p., before leaving in 2002 for a brief stint at **UBS**, where he also headed up Northeast trading. Since then he owned and ran **Coffey's Insurance Agency**, a group of independent insurance agencies, and a non-profit company **Dana Davis Ministries**.

Calpine New Operational Chief Maps Growth



Michael Rogers

With Calpine aiming to exit bankruptcy early next year, **Michael Rogers**, the IPP's newly appointed senior v.p. and president of power operations, is plotting its growth. "We're optimistic about the future and my priorities are in improving our strategy of our existing asset base," he says from Houston. He moved into his new position Dec. 13, after serving as interim executive v.p. of power operations for two months. He reports to **Robert May**, CEO, and takes over from **Robert Fishman**, who left in September to head solar start-up **Ausra** (PFR, 9/20). "We run a pretty good show but we can always do better."

Calpine has a 24 GW operating portfolio of gas-fired and geothermal plants. Acquisitions of assets in markets where it already has a footprint, or is able to capture efficiency, will be part of the game plan, continues Rogers. Calpine completed financing for its co-owned 1 GW gas-fired **Greenfield Energy Center** in Sarnia, Ontario (PFR, 7/27), and its 550 MW **Otay Mesa** plant outside San Diego, this year. Separately, it is in talks to finance its 600 MW **Russell City Energy Center** in Hayward Calif., slated to come online in 2010. On the geothermal front, Calpine is investing \$200 million in its 725 MW **Geyers** project. When complete, it will have added 80 MW to the plant by drilling additional wells, recycling water into the wells to preserve the resources, and installing new turbine hardware to increase efficiency.

Rogers previously served as senior v.p. of Western power

operations for Calpine, and prior to that in geothermal, grid operations and generation portfolio management at Pacific Gas & Electric.

Good Energies Commits More Funds To Wind Innovator...

Good Energies has agreed to invest \$4 million in **Second Wind**, a producer of so-called sodar equipment that measures wind resource adequacy 200 meters up, rather than 80 meters up as existing towers do. The commitment is the Swiss renewable investor's second to the company, says **Jean-Louis Brenninkmeyer**, managing director at Good Energies in Oakville, Canada, noting that the new funds will help take Second Wind's Triton Sonic Wind Profiler through testing and into commercialization in 2009.

"[Round one] was to allow the company to prototype the technology and this investment allows them to further test the technology in the field and launch it into the market," explains Brenninkmeyer. Triton Sonic Wind Profiler is an important product, he adds, because as turbines get larger, the technology that measures the wind's speed and direction needs to be effective however high the center of the blades. Other sodar equipment like it exists, but is far more expensive, complicated to operate and heavy to transport, he says. Second Wind already has seven prototypes installed at sites across North America with different weather conditions and hub heights.

Similar investments in Good Energy's portfolio include an undisclosed commitment to **3Tier**, a forecaster of energy output, and to Québec-based **Eolelectric**, which secures land rights and assesses wind resources for early-stage development. The size of its initial outlay to Second Wind earlier this year could not be learned.

...Taps Private Equity Staffer

Separately, Good Energies has hired former **CCMP Capital Advisors** operation partner and managing director **John Breckenridge** as a managing director. "Good Energies is developing a larger portfolio of companies so I will be heavily involved in that," says Breckenridge. "I really believe that the mission of Good Energies is broader than financial returns." He began Dec. 17 in New York and reports to CEO **Richard Kauffman**.

Breckenridge points to his years of private equity experience at **CCMP Capital**, formerly **JPMorgan Partners**, where he led the development of traditional and renewable energy companies and advised on investments domestically as well as internationally. "I lived in Asia for six years and would bring that experience to any investments we might make in that region," he says, noting the firm's recent decision to increase its holdings in Chinese solar photovoltaic cell and module manufacturer **Solarfun Power Holdings** (PFR, 12/7).

Pitches Due On Canadian Wind Financing

Proposals were due last Wednesday from banks interested in lending \$197 million to **EarthFirst Canada's** 144 MW **Dokie I** wind farm in the Peace River region of British Columbia. An RFP for the two-tranche financing went out to lenders at the end of last month, according to an official at EarthFirst in Calgary, Alberta, adding the company plans to have the funds in place by March.

The debt outline is a C\$167 million (\$166 million) senior construction loan with a 17-year tenor after construction and a \$30 million subordinate tranche maturing in 2011. Rounding out the \$317 million financing is equity from EarthFirst's initial public offering on the **Toronto Stock Exchange**, which raised \$140 million and closed Dec. 11. The IPO included the sale of units priced at C\$2.25 and flow-through units priced at C\$2.60.

Dokie I, located in the Rocky Mountain foothills at **Dokie Ridge**, is adjacent to the **W.A.C. Bennett Dam**, allowing immediate connection to the grid. It has a 20-year PPA with **BC Hydro**, and is set to come online by 2009, prior to Vancouver hosting the 2010 Winter Olympic Games. The project will consist of 48 V90 turbines produced by **Vestas Wind Systems** to be delivered in the first half of 2008. It will be the first phase of a planned 300 MW project onsite, and the developer will bid it into BC Hydro's call for new generation next year, alongside its 70.5 MW **Wartenbe Project** nearby.

Corporate Strategies

Mo. Utility Sells Equity To Trim Debt

Empire District Electric, an investor-owned utility in Joplin, Mo., sold three million shares of its common stock at \$23 each to repay a portion of its outstanding short-term debt. **James O'Shaughnessy**, an analyst at **Moody's Investors Service** in New York, which rates the company **Baa2**, says Empire's retained cash flow over adjusted debt is about 10%, which is low compared to others in its rating band, and it sought to correct that. "Empire has always strived to maintain a conservative level of equity and debt in their structure. They want to maintain a good level of financial flexibility, and if they need to issue equity to do that, they will," he says.

UBS Investment Bank served as the sole bookrunner, purchasing 1.875 million shares. **Wachovia Securities** and **Stifel, Nicolaus & Co.** were the co-managers and purchased 900,000 and 225,000 shares, respectively. Proceeds will amount to roughly \$65.8 million, or \$75.7 million if the

Corporate Strategies (cont'd)

underwriters take advantage of their option to buy an extra 450,000 shares to cover overallocments. With a yield as high as 5.6%, there should be plenty of demand for the stock, notes O'Shaughnessy.

Gregory Knapp, cfo of Empire, were unavailable for comment due to the recent Midwestern ice storm. At the end of September, Empire had 47.9% debt to capital.

Allegheny Sub Issues Bonds To Pay Parent Debt

West Penn Power Company, the largest utility subsidiary of **Allegheny Energy**, issued \$275 million of 5.95%, 10-year first mortgage bonds to repay borrowings from its parent and fund maintenance. "West Penn had close to \$90 million of inter-company debt that needed to be paid off," says **Barry Pakenham**, v.p. and treasurer of Allegheny in Greensburg, Pa. "We also want to make sure that our facilities are properly maintained to avoid any service interruption during the coldest months of the year."

JPMorgan, **Barclays Capital** and **Scotia Capital** were co-lead arrangers on the sale, with **Morgan Stanley** and **BNP Paribas** acting as co-managers. "We went with these banks because of their market presence and our ongoing relationship with them," says Pakenham.

The bonds, sold Dec. 11, are secured by a first mortgage lien on the company's property, plant and equipment and rank equally with existing and future secured debt of West Penn. **Fitch Ratings** assigned the notes a BBB+ rating. Allegheny's total debt is close to \$4 billion.

Ala. Power Sells Bonds To Fund Upgrades

Alabama Power sold \$200 million in 4.85% senior notes to pay for environmental and infrastructure upgrades. "The company is adding a lot of environmental equipment to its coal-fired generating facilities," says **David Brooks**, managing director of capital markets for parent **Southern Company** in Atlanta. Some of the funds will also be used to pay for transmission and distribution upgrades, he adds. "Coal is their biggest energy source," notes **Sharon Bonelli**, a senior director at **Fitch Ratings** in New York, which assigned the bonds maturing Dec. 15, 2012 an A+. "Roughly two thirds of their energy is generated from coal, and about another 17% comes from nuclear."

Brooks went on to say Alabama Power will need to tap the

market again next month. "We didn't want to put too much pressure on January, so we decided to split it up." The company has not yet finalized its plans for the upcoming issue but will seek about the same amount of proceeds for similar reasons. It opted not to raise all the funds in December, because it did not need all of it by year-end and would have been paying a higher rate than desired for carrying the debt, notes Brooks.

Merrill Lynch and **Morgan Stanley** were joint bookrunning managers for the sale, which closed Dec. 12 with **Mizuho Securities USA**, **SunTrust Robinson Humphries**, **Scotia Capital** and **Lazard Capital Markets** as co-managers. "We don't have any traditional banks that we turn to time and time again," says Brooks of the line-up. "We try to spread our business around, and we thought Merrill and Morgan would do a good job on this five-year security." The company has not yet selected banks for its January offering, but will likely use different firms because it will be structured differently.

AEP Unit Shops \$300M, Eyeing Ark. Coal Plant Build

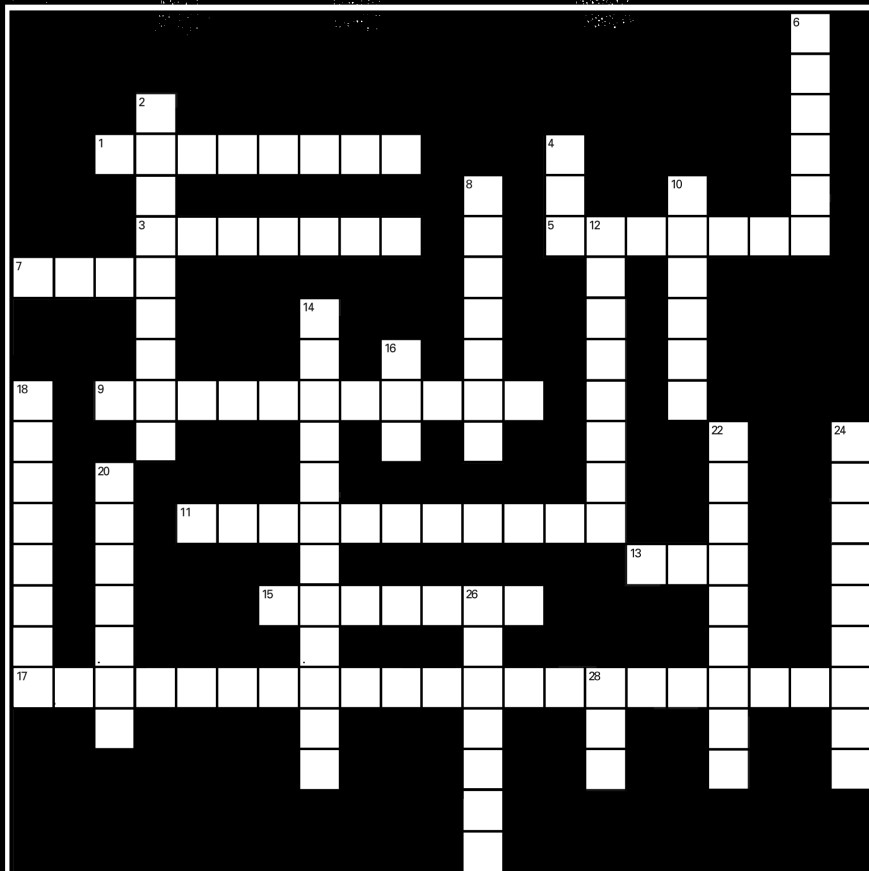
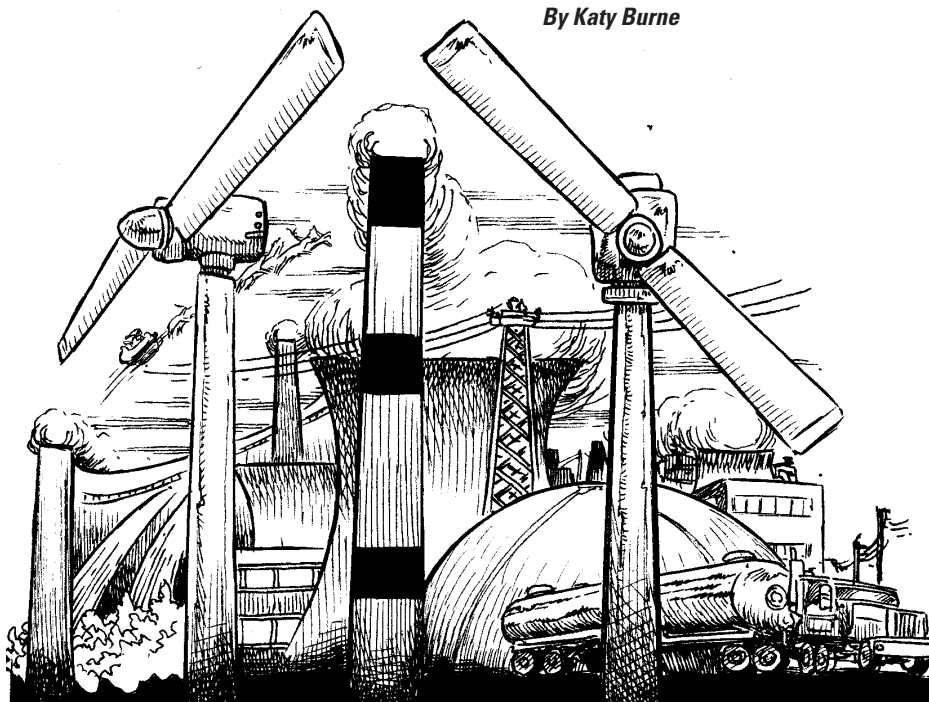
American Electric Power subsidiary **Southwestern Electric Power Co.** (Swepeco) issued \$300 million in 5.875% senior unsecured bonds maturing March 1, 2018, two days after the **Arkansas Public Service Commission** granted it approval to build a 600 MW coal plant in Hempstead County. "They have to do some spending to meet their load obligations, whether they build coal, gas or something else," says **Todd Shipman**, a director at **Standard & Poor's** in New York, which rated the bonds BBB. "The need for power is going up in their service territory."

The offering, which priced at 200 basis points over comparable Treasuries and closed Dec. 4, was underwritten by **Citigroup Global Markets**, **Merrill Lynch**, **Morgan Stanley**, **UBS Securities** and **Wachovia Capital Markets**. The notes were rated Baa1 by **Moody's Investors Service** and A- by **Fitch Ratings**, and are redeemable at any time. **Holly Koepfel**, cfo of AEP, declined via a spokesman to talk about why these banks were chosen or the rationale behind the issue.

The proposed John W. Turk Jr. plant, slated for completion in the summer of 2011, will use ultra-supercritical advanced coal combustion technology, one of the first of its kind in the U.S. It still needs final regulatory approval from the **U.S. Army Corps of Engineers**, the **Arkansas Department of Environmental Quality** and Louisiana and Texas regulators, but if supported will cost Swepeco roughly \$1 billion.

THE POWER PUZZLER

By Katy Burne



See page 15 for the answers.

ACROSS

1. Which hedge fund agreed to buy a co-ownership stake in five solar projects from Carlyle/Riverstone?
3. Which utility plans to spin off its merchant nuclear fleet?
5. What power project did Strategic Value Partners succeed in recapitalizing via Credit Suisse after the credit markets swooned?
7. Which power player nixed a deal with Complete Energy Holdings that would have seen Complete pocket \$1.3 billion for its 1.8 GW generating portfolio?
9. Which hedge fund backed Greenwich Energy Investments until it offloaded MASSPOWER to BG North America?
11. Which senior originator at Fortis Capital was recently appointed a managing director at GE Energy Financial Services' debt finance group?
13. Which financial sponsor teamed up with TPG Group to take Texas' largest utility private in a \$45 billion buyout?
15. What name did Delta Power adopt after it sold certain power assets in its portfolio to Arroyo Energy Investors?
17. Which utility put seven mothballed plants in ERCOT on the block over the summer?

DOWN

2. Which company sold its interests in a 2,331 MW portfolio to Energy Investors Funds?
4. Which Pa. utility tapped Lehman Brothers to advise on the sale of its natural gas distribution business?
6. Which IPP partnered up with LS Power on a development joint venture?
8. Which IPP expects to emerge from bankruptcy in February?
10. Which bank took a substantial equity stake in Canadian wind company, SkyPower Corp.?
12. Which IPP set about a \$1.5 billion corporate level refinancing in the first quarter?
14. Which bank led a \$1.7 billion refinancing for Kelson Holdings?
16. Which European utility bought Airtricity's North American wind business?
18. Who teamed with Fulcrum Power Services to acquire LS Power's Bosque plant in Laguna Park, Texas?
20. Which Canadian income fund nixed its sale process in September, believing it could not get the value its unitholders seek with the debt markets in disarray?
22. Which Spanish conglomerate recently completed an initial public offering of 20% of its renewable energy subsidiary?
24. Who led the consortium of investors that will take Washington utility Puget Sound Energy private?
26. Which wind company is reportedly weighing an equity private placement after it decided offers taken at auction did not meet its expectations?
28. Who partnered with AllCapital to buy the ConEd Development portfolio?

2007 YEAR IN REVIEW/PREVIEW

The Year By Month

Below is a timeline of the biggest stories of each month of 2007, as reported by *Power Finance & Risk*.

JANUARY

- **Mirant** agreed to sell a 3.6 GW generating portfolio to **LS Power Equity Partners** for \$1.4 billion.



Jim Rogers
CEO Duke

- **Duke Energy** finalizes the spin-off of its gas and transmission assets into **Spectra Energy**.

MARCH

- **EBG Holdings** agreed to merge with **Astoria Generating**, creating **US Power Generating**, with an aggregate 5 GW of competitive, Northeast generation.



Jay Worenklein
CEO US
PowerGen

- **Goldman Sachs** sold **Horizon Wind Energy** to Portugal's **Energias de Portugal** for an aggregate \$2.9 billion.

MAY

- Insurance titan **John Hancock** and **J-Power USA Development** agreed to form a joint venture to invest in contracted U.S. generation.



John Salyer
CEO J-Power USA

- **Macquarie Infrastructure Partners** and **Diversified Utility and Energy Trusts** completed their acquisition of **Duquesne Light Holdings** for \$1.59 billion.

Jan.
'07

Feb.
'07

March
'07

April
'07

May
'07

June
'07

FEBRUARY

- **Goldman Sachs** and **WestLB** began syndicating \$1.1 billion in loans for Longview Power, a 600 MW coal plant in Monongalia County, W. Va., backed by **First Reserve**.
- **WPS Resources** and **Peoples Energy** scored final approval for their merger, creating **Integrus Group**.

APRIL

- **Lazard's** go-shop period for **TXU** expired, giving **Kohlberg, Kravis Roberts** and **TPG Group** the nod on their planned takeover of the Texas utility.

- **Mirant** puts itself on the block.

- **Alinda Investments** and **GE Energy Financial Services** brought **Kinder Morgan's** retail gas operations.



Ed Muller
CEO Mirant

JUNE

- **NiSource** terminated its strategic review of subsidiary **Northern Indiana Public Service Co.**, after its advisor **Blackstone Group** failed to find a suitor.
- **Babcock & Brown Infrastructure's** proposed takeover of **NorthWestern Energy** is terminated, due to regulatory fallout with the Montana Public Service Commission.
- **Iberdrola** announced plans to buy **Energy East** in a \$4.5 billion transaction.

2007 YEAR IN REVIEW/PREVIEW

The Year By Month

JULY

- The Illinois rate case battle ends with **Exelon**, **Ameren**, **Dynegy**, **Midwest Generation** and **MidAmerican** signing up to a \$1 billion relief package for consumers, eliminating the need for future rate freezes or generation tax legislation.
- **UBS** hired **Jim Metcalfe**, head of power M&A at **Lehman Brothers**, anointing him global head of power and utilities.

SEPTEMBER

- **Energy Investors Funds** agreed to buy an 80% stake in a 2,336 MW generating portfolio from **Cogentrix Energy**.
- **NRG Energy** files for a license to build and operate 2.7 GW of new nuclear capacity in southern Texas.



David Crane
CEO NRG

NOVEMBER

- **Entergy Corp.** announced it will spin off unregulated nuclear assets outside its service territory, after bids taken previously failed to meet its expectations.
- **Bear Energy** closed on its \$496 million acquisition of **Williams Power**, involving about 7.5 GW of gas tolling capacity and 1.8 GW of power supply contracts.
- **MidAmerican Energy Holdings** and **American Electric Power** announced a joint venture for transmission in Texas.



Wayne Leonard
CEO, Entergy

July.
'07

Aug.
'07

Sept.
'07

Oct.
'07

Nov.
'07

Dec.
'07

AUGUST

- The B-loan market dried up, causing **LS Power** and **Dynegy** to underwrite a \$200 million holdco piece of their \$1.2 billion financing for 900 MW Sandy Creek using equity.

OCTOBER

- **Puget Energy** announces it is to be taken private by a consortium of infrastructure funds led by **Macquarie** in a \$7.4 billion transaction.
- **CMS Energy** completes its international divestiture program from **CMS Enterprises**, which raised \$5.5 billion in proceeds that it plans to plough into its Michigan utility **Consumers Energy**.
- **E.ON** agreed to acquire **Airtricity North America** for \$1.4 billion.



Steve Reynolds
CEO Puget

DECEMBER

- **Consolidated Edison** agrees to sell a bundle of Northeast generating assets to Australian infrastructure players, **Allco Financial** subsidiary **AllCapital** and **Industry Funds Management**, for close to \$1.5 billion.
- **ITC Holdings** scores regulatory approval to buy **Interstate Power & Light** from **Alliant Energy**.
- **Calpine** gets court approval for its plan of reorganization.

2007 YEAR IN REVIEW/PREVIEW

Unclear U.S. Emission Future Stymies Investment



Doug Biden

Uncertainty over future U.S. carbon dioxide legislation is causing investment in emissions offset projects to stutter. **Richard Rosenzweig**, coo of emissions advisor **Natsource** in Washington, D.C., says, "If the law allows for the use of project-based reductions for compliance [with emissions reductions], there will be a significant surge in offset project development."

Doug Biden, president of the Harrisburg, Pa.-based trade group **Electric Power Generation Association**, adds that the market needs stronger signals on government incentives before it will embark on capital intensive projects, such as sequestration.

Industry players see a carbon dioxide emission cap-and-trade program as more likely an outcome than a carbon tax. Cap and trade could be in place by 2009-2010, says Rosenzweig, but the specifics of the legal language and the costs for complying with it are critical. "Hopefully, modest emission targets will be established," he says. Momentum is building with the Regional Greenhouse Gas Initiative, a cap-and-trade program among 10 U.S. states, Maryland being the most recent to join.

But **Lisa Jackson**, the commissioner of New Jersey's Department of Environmental Protection, is concerned about the leakage of power generation to states such as neighboring Pennsylvania, where emissions restrictions are not yet imposed. "This could be an unintended concern of what we are trying to do," she says.

Sponsors Look To Keep Banks On Side As B Players Wane

The nosedive the B loan market took this year underscored for sponsors a warning from many old project finance hands: certain investors are fair-weather and will close the check book if the going gets tough. "You can't just rely on doing institutional deals," says **Joe Esteves**, managing director of **LS Power** in New York. "I think [sponsors] have realized how important it is to have a team of relationship banks that are experienced in project finance."

"The momentum in project finance seems to be switching back towards the more traditional bank loan market," says **Pat Kunkel**, director of project finance at **Erste Bank** in New York. "The B loan hasn't gone away," he adds, "But I would expect it to be less of a factor than it has been over the last three years." Deals will have to be structured so they are attractive to those pockets of liquidity that remain, until that market recovers, he adds, noting that he does not expect a return to normalcy until

the end of the first quarter.

Two deals that drew particular attention this year were **Sandy Creek**, a \$1.2 billion financing for **LS Power's** 900 MW coal plant in **Riesel, Texas**, and the \$460 million recapitalization of **LEP Holdings' 568 MW Liberty Electric** generating facility in **Eddystone, Pa.** With **Sandy**, the sponsor—via its arrangers **Credit Suisse** and **Royal Bank of Scotland**—opted to access the commercial bank market as the credit crunch drove up the costs of B loans (PFR, 7/27). With **Liberty**, there was a high-yield piece, but it came at a different price point. A competitively-priced operating company loan was added to a richly-priced holding company loan, and the deal was sold to institutional investors as a pro-rata strip, meaning they had to play in both pieces (PFR, 9/28, 10/5). The deal was eventually upsized on demand (PFR, 10/26).

The rise of project finance banks in B loan-type project deals could give them leverage to participate in more acquisition financings, bankers say, noting this is typically B-loan territory. **Calyon's** acquisition financing for **Energy Investors Funds' purchase of Cogentrix Energy** assets is one to watch, given the intended mix of banks and B loan players (PFR, 11/30), (see story, page 1).

Plain Vanilla Utilities Find Favor

The **Dow Jones Utilities Average** reached an all-time high Dec. 10—partly due to the flight to quality as the credit markets tumble—but underscoring investor appetite for utility business. Hybrid utilities are being told to scale back to a pure-play to get a pop in their stock price. Carving out the more profitable parts of the business, most often the generation, appears to be in vogue, as evidenced by **Entergy's** decision to spin its merchant nuclear fleet. And fully regulated, vanilla utilities are considering going private.

Macquarie Infrastructure Partners pulled off the acquisition of **Duquesne Light Holdings** in May and announced a deal with **Puget Energy** in October. The path to private hands isn't always easy, however: **Babcock & Brown Infrastructure** terminated its deal with **NorthWestern Energy** due to a fallout with the Montana Public Service Commission.

The regulatory outlook on a deal is critical, says **Alan James**, senior managing director at **Macquarie** in New York, adding the best view as to whether a deal will come off comes from the target company itself. "CEOs will work with us because we have a history of completing, and the reason is we listen to the local issues and we work with the company to address those," he says. But not all utilities should be judged the same. "If they can't attract capital economically there is a big cost to shareholders and if boards are open to a new form of owner—and that won't

2007 YEAR IN REVIEW/PREVIEW

be everyone—it can be a good solution,” he explains.

Australian funds are perhaps the pioneers of infrastructure investing, according to **Kyle Mangini**, head of infrastructure at **Industry Funds Management** in Melbourne, which recently agreed to buy a 1.7 GW generating portfolio from **Consolidated Edison** alongside fellow Aussie fund **Allco Finance Group**.

Australia's superannuation system, he says, mandates residents to put 9% of their salary into a retirement account and those funds typically allocate 3-10% to infrastructure. In addition, the country has privatized a good deal of its infrastructure and with the U.S. in need of investment in its infrastructure there is support from some quarters for more private funding. “If there's a movement towards bringing private money into the space, the opportunities will be enormous,” says Mangini.

European buyers are aided by the exchange rate differential when looking to make acquisitions in the U.S., continues James. But so far there are only select examples, such as **Iberdrola's** plan to buy **Energy East**, and now robust leverage packages are no longer available, that activity may temporarily subside. “A lot will depend on whether the U.S. dollar remains low, but the [purchasing power] will come from wherever there is a strong currency and a crowded market,” James says.

Loan Guarantees Tagged As Key For Nuclear Builds



Richard Myers

The rules for the U.S. federal loan guarantee program for new nuclear plants and innovative technologies were finalized Oct. 16, but there are lingering worries over the upper limit the government will place on what projects are covered. The House of Representatives already approved guaranteeing loans for projects costing up to \$7 billion, but the Senate is

debating whether that cap should be even higher. “That's the gap that still needs to be bridged,” says **Richard Myers**, v.p. of policy development at the **Nuclear Energy Institute** in Washington, D.C. “Energy companies need the financing support and credit support to get these plants built. Even a company with a \$50 billion market cap can't fund a \$5 billion nuclear plant on balance sheet. The credit risk becomes too high.”

“The costs for building nuclear plants are only going up,” reflects **Jonathan Baliff**, managing director in **Credit Suisse's** energy group in New York. “Soon, even \$9 billion may not be enough. But it's definitely worth it. Nuclear projects are different because the risks are different and it has the greatest impact or carbon.”

The U.S. Department of Energy settled on a guarantee of 100% of the loan amount, which can reach up to 80% of the project cost.

While this figure complies with standards set under Title XVII of the 2005 Energy Policy Act, industry players were hoping that an April proposal by the DoE for guarantees as high as 90% would be authorized. But Myers says even 80% will help. “This program will still provide the impetus for more nuclear construction,” he says.

Christopher Crane, coo of **Exelon Generation** in Warrenton, Ill., said getting the loan guarantees right is crucial because nuclear is the only form of baseload generation that is emissions free. “We're getting ready to apply to the **Nuclear Regulatory Commission** in the third quarter of next year to build and operate a new facility. If the loan guarantee program is not in place by 2009, we will not go forward,” he says.

Scramble For Turbines Not Abating

Wind developers facing a turbine supply crunch are scrambling to get to the turbines that are available—and strategies range from pure groveling to calling on relationships already forged with the big manufacturers. The crunch comes as developers are also grappling with the possibility of federal production tax credits expiring again.

“I don't see a ton of additions to manufacturing capacity,” says **Mike Hammond**, senior v.p. of finance at **Airtricity** in Chicago. While he notes that smaller manufacturers are able to get more market share, he's sticking with the big guns. “We have pretty good relationships with what we consider top-tier turbine suppliers,” he says, referring to **Siemens**, **General Electric**, and more recently **Mitsubishi**. “Having those relationships in place has helped us stay a step ahead of the shortage,” he explains. Those relationships are built on having transacted successfully in the past, Hammond says.

“We're in that short supply situation now,” notes **Michael Burns**, chairman and ceo of **NaiKun Wind Energy Group** in Vancouver, British Columbia. His company has a 1,750 MW offshore wind farm in development off the coast of British Columbia, phase one of which is scheduled to come online as early as 2010. “We're groveling [for turbines],” he says. “We'd have to get really lucky [to get it online then]. There are two things you have to balance here: time and the price of your turbines. It's an optimization exercise for how hard you are going to push to get your share of the limited supply,” he explains.

Also weighing on U.S. developers is the potential expiration of federal production tax credits, set to sunset at the end of next year unless they are renewed. “If it is not renewed by the end of the first quarter at the latest, it will precipitate a shutdown of development except for the very largest developers,” says one banker. Hammond says the market is hoping that some clarity on the issue will emerge by the half-year point, but turbine supplies could be allocated to Canadian projects in the event support is not forthcoming. “We could move turbines north if this gets to be a problem.”

2007 YEAR IN REVIEW/PREVIEW

Quotes of the year

"To judge M&A activity in the U.S. based on the unpleasant experiences in two states is like judging the National Football League based on the experience of Terrell Owens."—**Wendell Holland**, chairman of the **Pennsylvania Public Utility Commission**, imploring utilities not to give up hope on mergers based on the failures of the **Constellation Energy/FPL Group** and **Exelon/Public Service Enterprise Group** tieups (2/5).

"For the time being it seems the opportunities here are huge. Of course we cannot do everything ourselves, but we will try."—**Iberdrola Renewable Energies USA** President **Martin Mugica**, describing the hunt for more wind and biomass companies (4/16).

"I wanted to kiss you when you put up that slide showing that a gas plant could be cheaper than coal."—**Doug Carter**, v.p. of investment at **Invenergy**, thanking **El Paso Corp.**'s **Byron White** between presentations at the 22nd annual Platts Global Power Markets Conference (4/23).

"There's a lot of competing interests at play and it's never been a no-brainer that these deals will get done."—**Bob Dickerman**, managing director in the energy practice at **Navigant Consulting**, commenting on the Montana Public Service Commission's rejection of **Babcock & Brown**'s proposed takeover of **NorthWestern Energy** (5/28).

"Finding interested lenders will not be a problem."—**Antonio Mexia**, ceo of **Energias de Portugal** said while traveling in New York, on securing financing for **Horizon Wind Energy**'s development pipeline, after the acquisition financing was two times oversubscribed (7/16).

"It's like they wanted to get into Formula One [racing] for the first time and got a deal with Michael Schumacher."—**Justin Bowersock**, director of the global power group at **Fitch Ratings** in Chicago, on how a commodities joint venture between **Sempra Energy** and **Royal Bank of Scotland** will propel RBS into the trading mainstream (7/23).

power finance & risk

Exclusive News...

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MACH GEN OWNERS LOOK TO SELL, MERGE

The owners of MACH Gen, a 3.6 GW portfolio of combined-cycle power plants located across the Northeast, Midwest and South...

DECEMBER 10, 2007

ROCKLAND SCOUTS PARTNER FOR PLANT REPOWERING

Rockland Capital Energy Investments is looking for a strategic equity partner with which to finance a planned \$400-600 million repowering of its 447 MW PLT...

DECEMBER 3, 2007

AUSSIE FUNDS ZERO IN ON CON-ED ASSETS

A pair of Australian infrastructure funds—AllCapital, a unit of Australia's Allco Financial, together with...

NOVEMBER 19, 2007

AIRTRICITY REVIEWS OPTIONS ON NON-U.S. BIZ

Airtricity Holdings is undertaking a strategic review via Credit Suisse following the successful auction of its North American affiliate. As first reported by PFR...

NOVEMBER 12, 2007

ENTERGY'S LEONARD: MAKE US AN OFFER!

Entergy Corp. has not given up hope of selling to outside investors a portion of its unregulated nuclear business, it says last week to spin off to current...

NOVEMBER 5, 2007

FORTRESS TO BUY SOLAR STAKES FROM CARLYLE/RIVERSTONE

Fortress Investment Group has signed a purchase and sale agreement to acquire a 50% stake in five solar electric generating...

OCTOBER 29, 2007

Top O' The Market? TENASKA LOOKS TO CASH IN VA PLANT

An affiliate of Tenaska Power Fund is looking to offload 100 MW on the Delmarva Peninsula in New Church, Va...

OCTOBER 29, 2007

BLACK HILLS PUTS UP SEVEN PROPERTIES

Black Hills Corp. is looking to sell seven generating plants in its Credit Suisse-led auction, according to teasers dispatched last Monday. The unregulated assets, which are under medium- and long-term contracts, are projected to...

OCTOBER 15, 2007

CMS MIDWEST AUCTION KICKS OFF

CMS Energy is looking to offload more than 900 MW of gas-fired generation from its unregulated subsidiary CMS Enterprises and has appointed JPMorgan to run a targeted, two-stage auction. As first reported by PFR last Tuesday, the firm began dispatching teasers to select buyers on the three-plant bundle, according to a recipient.

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Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. 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 Katy Burne, Managing Editor, at (212) 224-3165 or e-mail kburne@iineews.com.

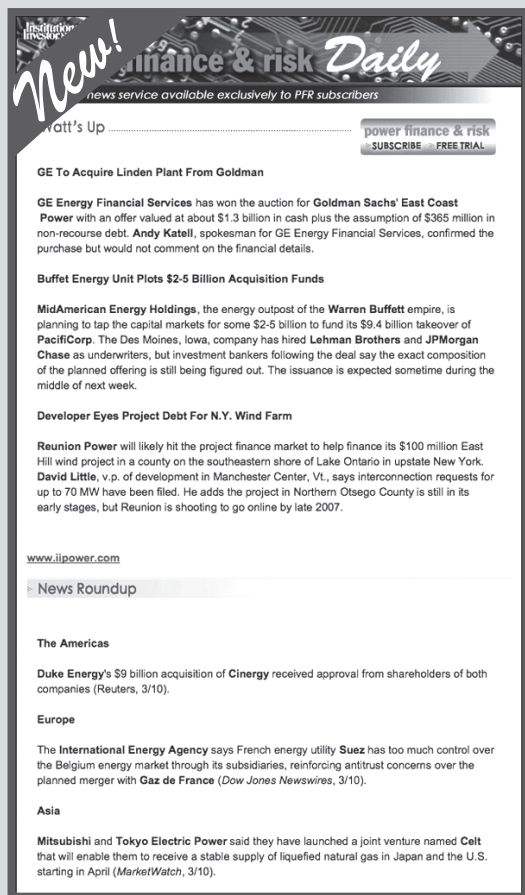
Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Airtricity	2008 Turbine Supply	Central New York	HVB, NordLB, BayernLB	Construction Loan			Commitments due 12/14.
Babcock & Brown Power	Trans Bay Cable	San Francisco, Calif.	BayernLB	Construction Loan	\$299M	33-yr	Club syndication to wrap in Jan.
Pittsburg Power	(400 MW, two 200 kV cables)			Construction Loan	\$188M	7-yr	
Biomass Group	South Point (200 MW Biomass)	South Point, Ohio	TBA	Construction Loan	\$265-300M		Selecting lenders.
Empresas ICA	La Yesca (750 MW Hydro)	Nayarit, Mexico	WestLB, Citibank/Banamex, HSBC, BBVA Bancomer, Santander, NordLB	Construction Loan Revolver	\$910M \$80M	4-yr, 9m	Retail syndication launched mid-Nov.
Econergy International-led consortium	La Gloria (50 MW Wind)	Guanacaste Province, Costa Rica	NordLB	Term Loan, Letter of Credit	\$125M	TBA	Syndication expected in January.
Energy Investors Fund	Panoche (400 MW Gas)	Fresno, Calif.	BNP Paribas	TBA	TBA	TBA	Deal to launch early 2008.
	Hot Springs (48 MW Geothermal)	Elko, Nev.	DZ Bank, Fortis Capital	TBA	\$120M	TBA	32 MW phase to come online 2009.
ENMAX Energy	Calgary (1.2 GW Gas)	Calgary, Alberta	TBA	TBA	TBA		Timeline unclear.
EverPower Renewables	2009 Turbine Supply	Various	KeyBanc Capital Markets	Turbine supply	\$130M		Syndication to launch 11/27.
Excelsior Energy	Mesaba Energy (603 MW IGCC)	Minn.					Barclays advising.
Third Planet Windpower	Name unknown (325 MW Wind)	Loraine, Texas	TBA	TBA	TBA	TBA	Selecting lenders.
SUEZ Energy International	Central Termoeléctrica	Northern Chile	TBA	TBA	TBA	TBA	Looking for banks for \$500M.
Carlyle/Riverstone	Portfolio (1.5 GW Gas)	Various, Texas	TBA	TBA	\$900M		RFP sent out 7/23.
Granite Ridge	Granite Ridge (720 MW Gas)	Londonderry, N.H.	TBA	TBA	\$500-\$600M		Choosing lead banks.
AES	Termoeléctrico de Penoles (230 MW Petcoke)	Tamuin, Mexico	Calyon	Refinancing	\$227M		Deal to wrap by year-end.
	Buffalo Gap 3 (170 MW Wind)	Abilene, Texas	Dexia, HVB			1-yr	Syndication launched late Nov.
RES	Hackberry Wind (165 MW Wind)	Shackelford Co., Texas	WestLB	Construction Loan	\$352M	17-yr	Deal to wrap before year-end.
Borealis Infrastructure	Bruce Power (4.6 GW)	Tiverton, Ontario	Scotia, Dexia	TBA	C\$750M (\$710M)	TBA	Syndication to wrap by Christmas.
				HoldCo Loan	\$100M		
				TBA			
Nacogdoches Power	Nacogdoches (100 MW Biomass, 300 MW Gas)	Sacul, Texas	TBA				Looking for debt/equity for \$600M project.
Noble Environmental Power	Turbine Supply Loan	Various	HSB, KeyBanc	Turbine Supply Loan	\$460M	3-yr	Syndication launched mid-Nov.
NuCoastal	Victoria (300 MW Gas)	Houston, Texas	Calyon	Term Loan	\$87M	7.5-yr	Timeline unclear.
				Letter of Credit	\$10M	7.5-yr	
J-Power USA	Pala (86.5 MW Gas)	San Diego Co., Calif.	TBA	TBA			Looking for lead bank.
	Orange Grove (95 MN Gas)	Orange Grove, Calif.	Royal Bank of Scotland	Construction Loan	\$70M	25-yr	Syndication launched 9/25.
				LC Facility	\$25M		
				Equity Bridge Loan	\$30M		
Acciona Solar Power	Nevada Solar One (64 MW)	Boulder City, Nev.	Santander, BBVA, La Caixa	Term Loan	\$140M		Deal wrapped 12/19.
Shell, Dominion	Mt. Storm (264 MW, Wind)	Grant Co., W.Va.	Fortis, BBVA	Construction Loan	\$288M	TBA	Status unclear.
Invenergy	St. Clair Power Station (570 MW Gas)	Sarnia, Ontario, Canada	RBC	Construction Loan	\$383M	5-yr	Syndication re-launched 7/2.
	Forward Energy (99 MW Wind)	Dodge and Fond du Lac counties, Wis.	Dexia Credit Local, NordLB	LC facility	\$96M		
				Construction Loan	TBA	17-yr	Farm and facilities being upsized.
				Equity Bridge Loan	TBA		Late Jan. launch expected.
				Letter of Credit	TBA		
Padoma Wind Power	2009 Turbine Supply (800 MW)	Various	HSB, Credit	TBA	TBA	TBA	Timeline unclear.
Perennial Power	Various (418 MW Wind)	Texas, Southern Calif.	TBA	TBA	TBA	TBA	Timeline unclear.
	Hermiston (474 MW Gas)	Hermiston, Ore.	TBA	TBA	\$130M	10-yr	Status unclear.
	and Bliss (339 MW Wind)	Clinton and Bliss, N.Y.					
Guacolda	Maitencillo (152 MW Thermo)	Maitencillo, Chile	Calyon	Construction Loan	\$260M	15-yr	Wrapped 12/3 (see story page 4).
Terrawinds Resources	Riviere-Du-loop (201 MW Wind)	Riviere-Du-loop, Quebec	HSB Nordbank	Construction and	C\$300M (\$300M)		Syndication Launched 9/18.
Unigas	Okfuskee Gas Storage (30 Bcf)	Okfuskee County, Oklahoma			\$150M		Barclays advising.
Harbinger Capital Partners	Calgary Energy (300 MW Gas)	Alberta, Canada	UBoC	Refinancing	C\$319M (\$319M)		Commitments taken 9/26.

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News In Brief

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

Americas

- Minnesota regulators approved the sale of **Alliant Energy** subsidiary **Interstate Power and Light's** transmission assets to a subsidiary of **ITC Holdings** for \$750 million (*Associated Press*, 12/19).
- **PPL Corp.** plans to apply for a license to build and operate a third nuclear plant near the Susquehanna nuclear plant at Berwick, Pa. (*Associated Press*, 12/19).
- Mattoon, Ill., was selected as the home for a \$1.7 billion, 275 MW IGCC plant, beating out two Texas towns, Jewett and Penwell, and another town in Illinois. The government has committed 74% of the costs, while the industry consortium will cover the remainder (*Houston Chronicle*, 12/18).
- **Exelon Nuclear** has earmarked a site south of Victoria County, Texas, for a combined construction and operating license for a new nuclear plant, should it decide to build one (*Reuters*, 12/18).
- **Pacific Gas & Electric** has signed a deal with **Finavera Renewables** to buy power for up to 1,500 homes from ocean buoy generators off the coast of California (*MarketWatch*, 12/18).

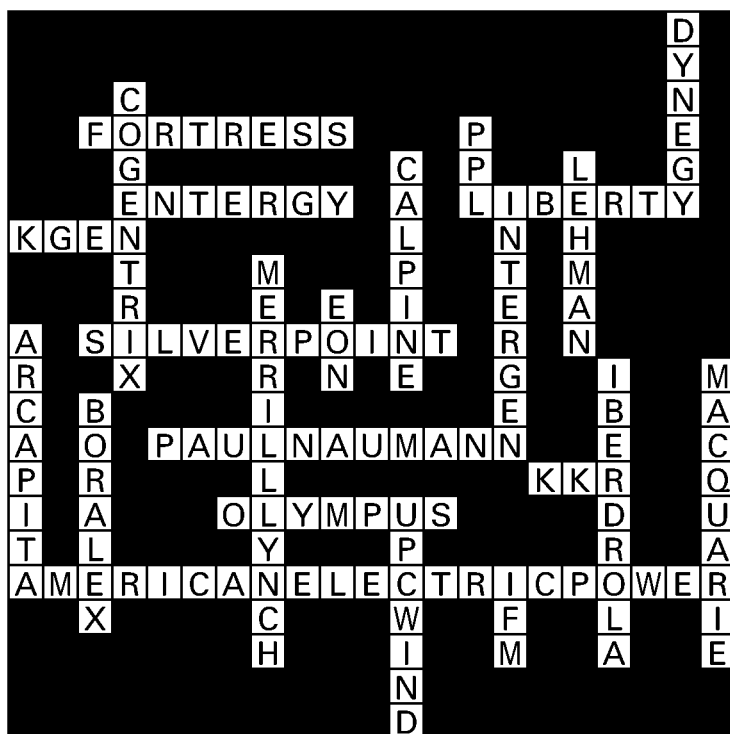
- **Ameren** has named Walter Gavin, cfo of **Emerson Electric**, to its board (*Associated Press*, 12/14).

Europe

- **Sorgenia**, an energy unit of Italy's **Compagnie Industriali Riunite** has acquired 99.9% of French wind power operator **Societe Francaise d'Eoliennes** for EUR 246.1 million (\$354.5 million) (*Reuters*, 12/19).
- **Gaz de France** has bought the 37.5 MW Eoliennes de Haute-Lys wind farm in northern France from Sechilienne-Sidec (40%) and Sofinerg (60%), which plans to invest the capital in new projects (*Thomson Financial*, 12/29).
- Italy and Montenegro will agree to connect their countries' power networks, after Italy had begun importing as much as 5 GW of electricity from Montenegro through undersea cables (*Financial Times*, 12/18).
- **Drax**, owner of the biggest coal plant in the U.K., has scrapped plans for a large-scale refinancing because of the debt markets turmoil (*Reuters*, 12/18).

ANSWERS TO CROSSWORD

See puzzle, page 7



IS CALYON'S

(continued from page 1)

deadline. Retail syndication is slated to launch next month. The deal is unrated.

The debt consists of a \$650 million seven-year term loan A priced at LIBOR plus 225 basis points and a 12-year term loan B priced at 262.5. Rounding out the financing is a \$200 million revolver for letters of credit. "It's the holdco combined with the tenor. Seven to 12 years for a holdco loan is a lot," said one banker. Even though all but one of the plants has an investment-grade contract, the Calyon financing is dependent on debt being upstreamed from the project level. "One can argue that as a lender you're worse off than a second-lien holder because you are at the holdco level and unlike a second lien lender your payment of interest and principal is paid after all payments are made at the opco," said another. In February **Lehman Brothers** and **BNP Paribas** led a recapitalization of Northern Star Generation, a 1.5 GW portfolio of mainly contracted assets, with a seven and a quarter-year B loan of \$286 million, priced at 150, when institutional investors had more appetite for the paper (*PFR*, 2/23).

The identity of the banks that have signed up could not be learned, but all the firms targeted in the first round of

syndication were relationship banks to EIF (PFR, 11/30). The lead is offering three commitment levels: \$150 million in the top tier, \$100 million on the mid tier, and a \$60 million buy-and-hold level on the bottom tier. Investment-grade contracts from all but one of the plants will be upstreamed to the holdco to service the debt. Officials at EIF did not return calls and Calyon officials declined to comment.

—*Thomas Rains*

MERRILL AUCTIONS

(continued from page 1)

next two years. The other backers are **AMCI Capital**, with about 25%, **First Reserve Corp.**, with 8%, **JAZ Ventures**, whose limited partner interest is owned by **Scott Kroh**, president at Robindale, with 47%, and **Canoe Valley Limestone**, which owns 9%. Calls to the auctioneer were not returned.

Corona bought Sunbury from **WPS Energy Services**, a unit of **WPS Resources** in June 2006 for \$34.6 million. The plant, which came online in 1950, produces 390 MW of baseload coal generation capacity, 37 MW of oil-fired capacity and 5 MW of diesel capacity. Its attractions include its operating flexibility, proximity to low-cost coal reserves and location in the PJM Interconnection, where forward capacity prices will be fixed from February next year through May 2010. Currently, it has a 63.5% capacity factor, and this is expected to rise to 77% next year.

But Corona sold Sunbury's sulfur dioxide allowances and the plant needs scrubbers for all six coal-fired boilers. "This is an old capex, start-up utility plant, so it's a tough sell. Plus they've only owned it for a year—there's no way they could have worked the bugs out," said one deal watcher, adding, "Pennsylvania is starting to implement some mercury regulations—the carbon tax is coming." Sunbury's value could not be ascertained, but greenfield coal costs around \$3,000 per kW in today's market.

—*K.B.*

AIG LOOKS

(continued from page 1)

commence a strategic review of its ownership stake in InterGen, including a potential sale," a spokesman in Burlington, Mass., told *PFR*, declining to provide specifics from the call or comment further.

InterGen completed a \$1.55 billion corporate-level refinancing led by **Merrill Lynch** earlier this year, (PFR, 2/16, 6/29), which was supported by a \$1.975 billion senior secured bond sale. Lehman Brothers was on the right of that refinancing, alongside agent banks **Barclays Capital** and **Deutsche Bank**.

The company owns 5,235 MW across nine plants, as well as two development projects. The assets are:

- 732 MW Coryton, a gas plant in Essex, U.K;
- 748 MW Rocksavage, a sequential combustion gas-turbine facility located in Runcorn, U.K;

- 860 MW Spalding, a gas plant in Lincolnshire, U.K;
- 820 MW Rijnmond, a gas plant near Rotterdam in the Netherlands;
- 400 MW Rijnmond II, a development onsite;
- 600 MW Bajio, a combined-cycle gas plant in San Luis de la Paz, Mexico;
- 1,100 MW La Rosita, a gas-fired, combined-cycle plant in Mexicali, Mexico;
- 460 MW Quezon, a coal plant in Mauban, the Philippines;
- 785 MW Island Power, a development on Jurong Island in Singapore, on which financing is delayed (PFR, 11/30);
- 880 MW Millmerran, a coal plant in Millmerran, Australia;
- and an ownership stake alongside CS Energy in a 920 MW coal plant in Queensland, Australia, known as Callide C.

—*Katy Burne*

Calendar

- **Platts** will host Gas Storage Outlook from Jan. 16-17 at the Hilton Houston Westchase Hotel in Houston, Texas. To register go to www.events.platts.com or call (866) 355-2930.
- **Platts** will host Caribbean Energy from Jan. 21-22 at the Biltmore Hotel in Coral Gables, Fla. To register go www.events.platts.com or call (866) 355-2930.
- **Platts** will host its 4th Annual Nuclear Energy conference from Feb. 5-6 at the Marriott Bethesda North in Bethesda, Md. To register a group of four or more at a discount call (866) 355-2930 within the U.S. or 1-781-430-2100 outside the U.S.

Quote Of The Week

"A year ago we weren't actively out selling, but there had been people who'd talked with us and we decided to translate these conversations into an exploratory process." —**David Seabrook**, v.p. at **PSEG Global**, on the decision to hire **Credit Suisse** to sell its Chilean distribution, transmission and generation subsidiary (see story, page 3).

One Year Ago in Power Finance & Risk

Airtricity, the North American affiliate of Irish wind developer **Airtricity Holdings**, was looking to ramp up construction financing for roughly \$1.26 billion of U.S. wind projects due to come online by the end of 2008. [**UniCredit HVB** and **NordLB** led a \$400 million financing for 209 MW Roscoe in Texas (PFR, 9/6); **BayernLB** and **Nord** led a \$210 million financing for 126.5 MW Champion nearby, and **HVB** and **Mizuho** led a \$325 million turbine supply loan for its 2008 construction program (PFR 12/14). German utility **E.On** agreed to buy Airtricity North America for \$1.37 billion (PFR, 10/5)].