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Annual Preview & Review

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Happy Holidays!

Power Finance & Risk will not publish next Monday. Your next issue will appear Jan. 11. We wish all our readers a happy holiday season!

In The News For 2010

Departments

Extras

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Decline of the Club

LENDERS SEE RETURN OF UNDERWRITTEN DEALS

Bankers are forecasting a cautious return toward underwritten project loans, replete with stand-alone lead arrangers and related fees as lenders become confident enough in thawing credit markets. Club deals done on a best efforts basis will likely wane as a result.

"Nobody really likes the club trend and the minute the banks are able to take underwriting positions and larger tickets, other lenders will be more than happy to go back to an underwrite and distribute model," says **Bruno Mejean**, head of

(continued on page 11)

M&A

RENEWABLES TO LEAD ACTIVITY UPSWING

Mergers and acquisitions will slowly pick up momentum next year, and interest in renewables will be a key driver. "The market is returning for renewables. There are pools of interest. It's not a sudden return, but spring has arrived," says **James Schaefer**, co-head of the power & utilities group at **UBS** in New York.

Credit markets have eased and companies forced onto the sidelines have returned. They are eyeing asset and company acquisitions, especially wind and solar, to meet existing and anticipated renewable portfolio standards. "They're kicking the tires," says a banker. Some of the more likely corporate mergers will stem from further downstream solar acquisitions, bankers say. Wind developers stung by the lack of financing and elusive PPAs might offload

(continued on page 11)

IPP CONSOLIDATION EXPECTED

Scott DeGhetto

Independent power producers are likely to consolidate in the face of a crunch in margins, low natural gas prices and the specter of carbon legislation that could further cut into cash flows. Some observers believe the IPP model is one that's had its day.

"The industry is ripe for consolidation primarily because power prices are so low and the generation is in limited geographical pockets," says **Scott Solomon**, v.p. at **Moody's Investors Service**'s infrastructure group in New York. "The question is could they make a deal work?"

Existing IPPs own generation in geographical pockets that might complement one another and would be better served to unite as power demand is expected to remain slack.

(continued on page 12)

Annual Preview & Review

At Press Time

Carbon Regulation Threat Pushes Renewables

Ray Wood

The possibility of U.S. legislation to regulate carbon emissions has frozen coal-fired generation development and is thrusting private renewable developers into the public market, where they expect a warm reception to back their projects.

Credit Suisse bankers are seeing an IPO backlog on solar and wind companies as they prep paperwork and wait on first and second quarter financials before going to market. "Despite a difficult utilities market [with industrial demand being down], there's been a rush to sign long-term PPAs for both solar and wind," says **Ray Wood**, co-head of global alternative investment banking in New York. Those agreements have given renewables developers' confidence to hit the public market and pitch their case for funding.

Earlier this month U.S. **Environmental Protection Agency** officials released a statement acknowledging that greenhouse gasses were harmful to human health, a precursor to the agency regulating emissions. Many bankers saw it as a nod to Congress to pass legislation that would establish a more comprehensive cap and trade regime. The U.S. **House of Representatives** Waxman-Markey climate change bill passed in June; the Kerry-Boxer bill has been proposed and is floating through the Senate.

While many bankers don't expect legislation regulating greenhouse gasses to pass either house next year, the anticipated price of carbon is increasingly being factored into PPAs, project finance loans and valuations on assets, bankers say.

"It becomes another piece of the equation," says **Steve Schleimer**, a director at **Barclays Capital** in New York, who tracks regulatory issues in the power market. "What are the carbon costs that will impact cash flows and how do you manage that risk?"

Subsidies courtesy of the U.S. American Recovery and Reinvestment Act are seen as more of a motivator in renewable development than carbon, other bankers say. "People are developing projects based on government subsidies and less on government changes in climate control," one banker says. "I don't see a lot of people making bets on [carbon]. People are not looking at the economics of these projects based on carbon credits. It's too up in the air at this point."

Still, carbon will reign heavy over fossil fuel generation, which overwhelmingly provides baseload power. "We're seeing disproportionate growth in renewables, but fossil fuel is still the larger sector," Wood says. "Even modest growth there is quite compelling. The reality is you would need to assume draconian prices for carbon to make coal plants uneconomical."

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 **Jeanine Prezioso**, managing editor, at 212-224-3226 or jprezioso@iinews.com.

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Project Finance

Lender Roster Shaken Up For 2010

The bench of project finance lenders coming in to 2010 is markedly different from the start of the year. Lay-offs, hires and re-organizations characterized the past year, trimming down larger players and bringing in some new ones to buoy a sluggish market.

"Lenders have become more selective as they deal with capital and staff limitations and look to continue supporting key clients and relationships," says **Brian Goldstein**, head of project finance Americas at **BNP Paribas** in New York, who landed his position when predecessor **Dan Cozine** relocated to the bank's London office (PFR, 1/23).

Other major players were also housecleaning. **Royal Bank of Scotland** cut most of its Latin American project finance team (PFR, 6/19). **Tim Ononiwu**, former v.p. of project finance and **Joshua Adler**, also formerly in the project finance group at **Dexia Crédit Local** left as that bank narrowed its focus solely to renewables (PFR, 3/20). "Many of the banks were confronting issues with their balance sheets and as a result, were much more cautious about committing capital," says **Carl Weatherley-White** managing director and head of energy structured finance at **Barclays Capital**.

On the upside, several European lenders with decades of renewables experience have been a bright spot in a dreary market. Many have been scooping up project finance veterans as they seek an entrance into U.S. power in light of favorable renewable legislation and federal subsidies. "What you've seen is an opportunistic play, there are some really smart guys out there," says a senior project financier at German bank.

Tom Emmons, former head of energy origination at **HSH Nordbank**, joined **Rabobank** in the newly minted slot of head of renewable energy infrastructure finance for the Americas (PFR, 7/10) while **Banco Espirito Santo** snagged a trio of **WestLB** alum with the likes of **Moses Dodo**, **Carl Adams** and **Oliver Langel**. **BBVA** has also bulked up with former **Fortis** bankers **Kerri Fox**, head of structured project finance and former managing director, and **Bill Harrison**, v.p. of structured finance (PFR, 3/20).

"It's these smaller guys that are continuing to deploy capital and keep the market going," the project financier adds. BBVA took tickets in **NextEra Energy Resources** Heartland II deal (PFR, 5/22) and the financing backing Fowler Ridge (PFR, 8/19). **Banco Espirito Santo** joined the financing backing **First Wind**'s Milford Corridor project (PFR, 6/12) and a financing for **NaturEner** (PFR, 1/26).

Private Equity Clean Interest To Grow

Private equity shops are increasingly eyeing clean technology and renewable generation. U.S. federal and state incentives are helping to drive the attractiveness, as is the promise of carbon legislation which will fuel interest in solar, smart meters and wind. "There's pull from the market, there are so many opportunities. It's not like the dot-com era, but it's definitely a boom," says **Mike Pepe**, senior v.p. and head of energy at **HSH Nordbank**.

The opportunities may be there for those with the cash to deploy. But some of the new entrants will find it tough to raise funding in this economic environment, according to power sector veteran **John Cavalier**, managing partner at Teaneck, N.J.-based **Hudson Clean Energy Partners**. New firms face a challenge raising cash from third parties in this market and will likely need a backer to be successful. "If you spoke to people who raise money for any type of fund, [you would hear] the fundraising environment is very challenging—it's gone to the sidelines," says Cavalier. Hudson, which was founded in 1997, has itself just wrapped its debt fund **Hudson Clean Energy Partners, L.P.**, with commitments of $1.024 billion, passing its $1 billion target.

John Cavalier

The private equity arena is more weighted toward proven technologies rather than the high-risk end of the market. Hudson is prepared to invest $50 million chunks or more in projects that are being developed by experienced teams. "There are a lot of people who are looking at renewable energy for the first time. We want to look three, four, five years down the road to work with teams that will still be around," Cavalier says. Wind and solar markets top that list. The firm would also consider investing in late-stage geothermal, and biomass as well as renewable transmission but to a lesser degree.

The firm's most recent investment was in wind and solar developer Portland, Ore.-based **Element Power**. The company's head, **Mike O'Neill**, has spent years working in wind development, the primary reason Hudson sank millions of dollars into the company, says Cavalier, who declined to disclose the specific amount invested. Calls to officials at the company were not returned before press time.

Banks, Sponsors Cram Ahead Of 2010

Banks and developers are looking to get deals done before the new year, as lenders look to snag higher pricing and sponsors aim to make up for a slow year. "As the markets recover, banks will get more aggressive and more competitive," notes **Carl Weatherley-White**, managing director and head of energy structured finance at **Barclays Capital** of what's in store for next year.

First Wind, **Edison Mission Energy**, **BP Alternative Energy** and **Sempra Generation**, **NRG Energy** and **Catalyst Hannon Armstrong Renewables** are a few of the sponsors who have surfaced in recent weeks to finance wind, solar and geothermal projects. Many of the companies, such as Edison Mission Energy and First Wind have their own internal deadlines related to a queue of projects they need to get online by 2011 in order to qualify for the U.S. **Department of Treasury**'s cash grant program. "There wasn't a lot of activity over the summer. Now that sponsors have a handle on the cash grant guidelines and the options that are out there, everyone is pushing to get deals done," says a project financier.

Lenders are happy to oblige them, deal watchers say, as they look to deploy any remaining capital that had been pent up when the markets were more uncertain earlier this year. Forecasts of lower pricing from increased competition among lenders next year is also spurring many banks to lock in higher prices now. "People are a little afraid we're going to get pressed for different pricing next year and that we're going to start to see a lot of deals below 300 basis points over LIBOR," the banker notes.

Players Partner To Tackle Transmission

The need for new transmission in the U.S. is fuelling a drive by companies to partner up. Among the projects on deck is **ITC Holdings** Green Power Express transmission idea spanning Iowa, Michigan, Illinois and the Dakotas. "For regional networks that span multiple states, multiple jurisdictions, multiple utilities, partnerships are imperative to successful [development] in the U.S," says **Cameron Bready**, cfo in Novi, Mich. **MDU Resources** in Bismarck, N.D., and **NorthWestern Energy** in Sioux Falls, S.D., are already on board for the $10-12 billion project.

NextEra Energy Resources is also in discussions with regulated utilities about projects to "relieve transmission congestion," says **Mike O'Sullivan**, v.p. for development in Juno Beach, Fla. He declined to disclose the utilities or details of the talks. The unit of **FPL Group** wants to expand its transmission investments now that it has built over 500 miles of transmission to connect its wind projects to the broader grid, he notes. NextEra assembled a team several years ago to cultivate building transmission lines to complement the company's work in renewable generation and wants to expand on that, he says.

Cost allocation—figuring out who foots the bill for the lines—is the biggest problem facing developers, say bankers. Traditional models where regulated utilities recover costs from the ratebase don't work on overlay projects because the ratepayers won't benefit from the power. Projects, which cost roughly $1-$1.5 million per mile, are easy to finance once it's determined who will pay for the development. "If we get the planning right, if it gets approved, if we get the cost allocation solved, we can get the project financed," says Bready.

Given the uncertainties about cost allocation, there is room for independent transmission firms like ITC and **Trans-Elect** to expand in the market. Regulated utilities are largely stuck working within their footprint and are hesitant to build lines that won't benefit their ratepayers, says **Hannes Pfeifenberger**, principal at **The Brattle Group**, an advisory firm in Boston. Officials at Trans-Elect did not return a call for comment.

Other partnerships have cropped up, **American Electric Power** and **MidAmerican Energy Holdings** are building a 900-mile line in Texas's ERCOT while some real estate investment trusts are getting involved in other Texas transmission projects.

Conference Calendar

- The **Geothermal Energy Association** will host the Geothermal Energy Finance Forum 2010 Jan. 14 at the Ritz-Carlton Battery Park in New York. To register, visit www.geo-energy.org or call 202.454.5263.
- **Infocast** will host Projects & Money Jan.11-13 at the Hilton New Orleans Riverside in New Orleans. To register, visit www.infocastinc.com or call 818.888.4444.
- **Green Power Conferences** will host Solar Power Generation USA Jan. 20-21 at the Rio Suites Hotel & Casino in Las Vegas. To register, visit www.solarpowercongress.com or call 011.44.207.099.0600.
- **SNL Exnet** will host Power & Utilities M&A Symposium Jan. 25-26 at the Ritz Carlton Battery Park in New York. To register, visit www.snlcenter.com or call 703.373.0164.
- The **Canadian Institute** will host the 4th Annual Carbon Capture and Storage Conference Jan. 26-27 at the Calgary Telus Convention Centre in Calgary, Canada. To register, visit www.canadianinstitute.com or call 877.927.7936.
- **Euromoney Seminars** will host the Canadian Power Finance Conference Jan. 27-28 at the Sutton Place Hotel in Toronto. To register, visit www.euromoneyseminars.com/power10 or call 011.44.20.7779.8999.

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Annual Preview & Review

Quiz

1. Which power company bought three wind farms from Babcock & Brown for $352 million in October?

a) Duke Energy
b) Iberdrola Renewables
c) NextEra Energy Resources
d) Ottertail Power Co.

2. General Electric Energy Financial Services and Plutonic Power snagged the 300 MW Dokie Wind project in British Columbia from which developer?

a) SkyPower
b) Babcock & Brown
c) Infigen Energy
d) EarthFirst Canada

3. Which investment bank's infrastructure fund said this fall that it wants to invest a quarter of its $3.4 billion in assets in a regulated utility, transmission network or associated natural gas assets?

a) Citi
b) Credit Suisse
c) Goldman Sachs
d) Bank of America-Merrill Lynch

4. Which power company scored 180 surplus GE SLE 1.5 MW turbines in the spring after SkyPower put them on the block to raise cash?

a) Xcel
b) NextEra Energy Resources
c) enXco
d) Entergy

5. A swath of land in Wyoming could be barred from wind development because of the:

a) grizzly bear
b) bat
c) sage grouse
d) elk

6. Which department of the U.S. federal government has a less than stellar track record in actually implementing its initiatives to subsidize renewable energy projects?

a) Department of the Interior
b) Department of Defense
c) Department of Education
d) Department of Energy

7. Which part of the U.S. Department of Energy's Financial Institution Partnership Program do lenders dread the most?

a) Secretary of Energy Steven Chu
b) The required compliance with the National Environmental Policy Act
c) Printing out the Part I application
d) Astronomical attorney's fees for deciphering the secret code of the 1705 solicitation

8. Which of these is one of the companies shortlisted by the U.S. Department of Energy to receive some of the $18.5 billion funding earmarked for nuclear generation?

a) Exelon
b) AEP
c) NRG
d) Duke

9. What hobby could be scaled up to be a potential type of power generation?

a) stamp collecting
b) kite flying
c) hiking
d) weight lifting

10. Which BNP banker did Royal Bank of Scotland pick up this year for syndications?

a) Roland DaCosta
b) Sara Ogilvie
c) Ren Plastina
d) Jean-Valery Patin

11. Which entity is not a stakeholder in Astoria Energy?

a) JEMB Realty
b) Energy Investors Fund
c) Energia de Portugal
d) SNC Lavalin

12. Which developer has decided to branch into solar in 2009?

a) Acciona
b) Ormat
c) Nevada Geothermal
d) First Wind

Answers: 1) c; 2) d; 3) a; 4) c; 5) c; 6) d; 7) b; 8) c; 9) b; 10) a; 11) c; 12) b.

2009 YEAR IN REVIEW

The Year By Month

2009 Jan · Feb. · Mar. · Apr. · May · Jun. · Jul.

Barclays Capital lead arranges financing for **Cape Wind Associates**' 420 MW Cape Wind project off the coast of Massachusetts (PFR, 1/12).

Gregory Power Partners, **Calpine** and **Signal Hill Power** abandon three separate auctions to sell power plants as power prices in Texas slide (PFR, 1/26).

First Wind floats a $375 million loan for its 203 MW Milford Corridor project in Milford, Utah, the first to be supported with a put to the offtaker if the sponsor does not garner tax equity (PFR, 2/2).

Iberdrola Renewables

Developers and lenders cheer a provision in the economic stimulus bill that provides the blueprint for the U.S. **Department of Treasury**'s cash grant program (PFR, 2/16).

Royal Bank of Scotland nixes its stand-alone project finance team and merges it with its structured finance group as it looks to redraw its business overseas (PFR, 3/2).

enXco scoops up 270 MW of **General Electric** SLE 1.5 MW turbines from **Lehman Brothers**-backed **SkyPower** for an undisclosed sum (PFR, 3/9).

John Foster of **Competitive Power Ventures** begins his presentation at the **Platts** Conference in Las Vegas with a picture of the painting *The Scream* by **Edvard Munch** to describe his reaction to the credit crisis (PFR, 4/13).

The U.S. **Commodity Futures Trading Commission** looks to expand its regulation of carbon trading, describing carbon as potentially the largest commodity market (PFR, 4/27).

www.scienceblogs.com

The U.S. **Department of Energy** canvases banks for input on a loan guarantee program where lenders would apply for renewables backing instead of sponsors (PFR, 5/18).

Barclays Capital launches a B loan on a pair of **CIT** owned **Calpine** plants, the only power deal in that market amid the credit crunch (PFR, 6/8).

Carlyle/Riverstone prepares to close on a deal to buy the development portion of **Babcock & Brown**'s wind assets (PFR, 6/15).

Energy Investors Funds put its stakes in five generation assets and the Neptune Regional Transmission System on the block with **Barclays Capital** advising (PFR, 6/29).

The U.S. **Department of Treasury** limited the government's ability to recapture funds awarded in its cash grant program (PFR, 7/20).

Bank of Tokyo Mitsubishi-UFJ, **BBVA** and **Société Générale** pitched a $300 million syndication to eight lenders for the 300 MW phase of the 750 MW Fowler Ridge joint venture between **BP Alternative Energy** and **Dominion** (PFR, 7/20).

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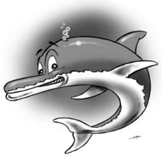
2009 YEAR IN REVIEW

The Year By Month

Aug.

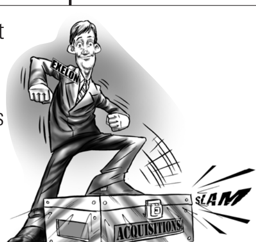
Dolphin Energy completes a $4.11 billion financing package to finance a gas pipeline including a massive bond issue (PFR, 8/3).



NaturEner and **Morgan Stanley** wrapped the first financing predicated on the handout of cash grants from the U.S. **Department of Treasury** for its 103.5 MW Glacier 2 wind project in Ethridge, Mont. (PFR, 8/3).

The U.S. **Department of Treasury**'s cash grant program revived lending for renewable projects, triggering a reopening of the market for turbine loans (PFR, 8/10).

Exelon says it has no more acquisition targets for this year after its failed bids for **NRG Energy** (PFR, 8/10).



LS Power targeted a club of relationship banks to finance a portion of its $1.5 billion purchase of nine assets from **Dynegy** (PFR, 8/17).

Sept.

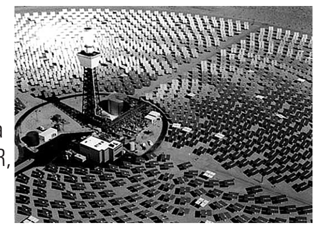
The U.S. **Department of Treasury** awarded $500 million to 12 renewable projects including wind projects by **First Wind** and **Iberdrola** (PFR, 9/7).

Calpine hit the market to refinance roughly $465 million in debt, with **Calyon**, **WestLB** and **CoBank** as leads, on two power plants in its subsidiary **Calpine Steamboat Holdings** (PFR, 9/21).

GE Energy and **Caithness Energy** entered the market to borrow $1 billion for their 909 MW Shepherds Flat in Oregon (PFR, 9/28).

Oct.

Nextlight Renewable Power, a unit of **Energy Capital Partners**, scouted lenders to finance 1 GW of photovoltaic projects with a price tag of $4-5 billion (PFR, 10/12).



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Nov.

SteelRiver Infrastructure Fund North America launched syndication of an $845 million credit to finance the purchase and operation of two natural gas distribution units from **Dominion Resources**, dwarfing recent sector deals (PFR, 11/9).

Calpine landed a sub 300 basis point spread over LIBOR on its $498.5 million refinancing of two generation assets of subsidiary **Calpine Steamboat Holdings** (PFR, 11/30).

Dec.

International Power pays off $769 million worth of debt on five merchant natural gas fired power plants in Texas and New England, part of the company's **American National Power** subsidiary as refinancing would have been too expensive with slack power demand (PFR, 12/7).

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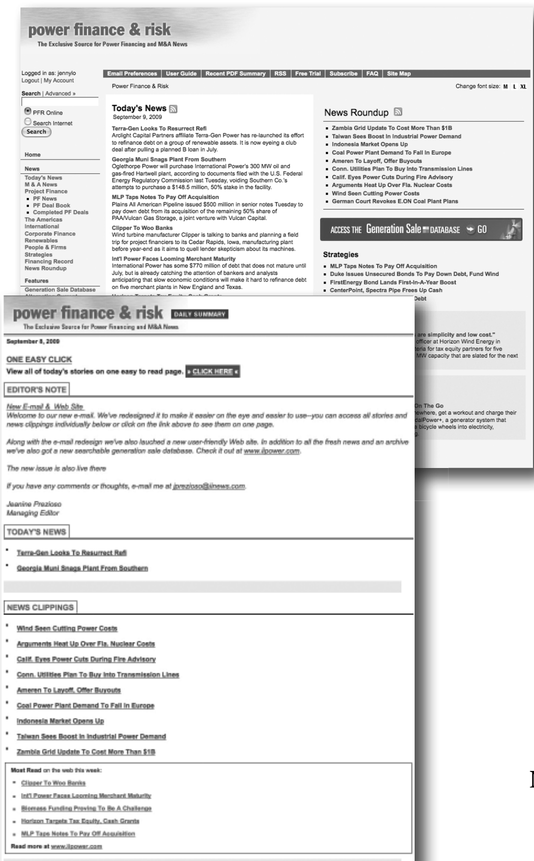

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Quotes Of The Year

"They're penalizing us for having un-liquid capital on the one hand then asking us to hold on to capital for years. In my experience, banks like to have control of their own capital."—**Carl Weatherly-White**, managing director at **Barclays Capital**, on the U.S. **Department of Energy** encouraging guaranteed loans to have 18-20 year tenors. (10/23).

"Anyone questioning whether we will be active in the energy business should not be concerned anymore."—**Tom Murray**, global head of energy at **WestLB** in New York, on the bank's plans to grow its global energy team. (9/11).

"In one form or another it's a huge tax—one big-ass tax. I can only say good luck."—**Ed Muller**, chairman and ceo of **Mirant** , on carbon legislation and cap-and-trade market. (4/9).

"My crystal ball gets cloudy when I try to see when the banks will have adequate capital reserves and feel they will be comfortable entering the renewable energy sector in a major way."—**Don Murray**, president of **Starpoint Solar** in San Diego, on approaching the market to finance a portion of a planned $10 billion, 5 GW project. (5/8).

"We think holding a two-step auction is goofy in this market."—**Jay Beatty**, managing director at boutique investment bank **New Harbor** in New York, on formal asset auctions. (1/23).

"Financing is sort of like a marriage; you're going to get together and be together for a long time."—**Harry Saunders**, president of **Castle & Cooke**'s Hawaii operations, on early financing talks with banks about a planned wind project. (6/5).

"The week after we hired him all hell broke loose and we were trying to analyze production tax credits and investment tax credits in the [federal government's proposed] stimulus plan."—**Ciaran O'Brien**, cfo of **Wind Capital Group** in Chicago, on the benefits of hiring tax equity expert **Rob Scheuermann** as v.p. of finance. (1/30).

"These companies got into these very cheap credit agreements years ago and now they're looking at half the commitment for twice the price."—**Sharon Bonelli**, managing director of utilities, power and gas at **Fitch Ratings** in New York, on companies looking to refinance more than $50 billion of revolving credit facilities in the next three years as they face fewer lenders at half the lending capacity. (8/28).

"I have no doubts that this economy will improve in the next four to five years, but I wouldn't want to finance this project right now."—**Joseph Oates**, v.p. of energy management at **ConEdison** in New York, on developing a 350-700 MW offshore wind farm with the **Long Island Power Authority**. (4/24).

"We had a lot more partners at the table before the meltdown but after that they walked away. There's more interest now and some of the same ones came back."—**Gary Thompson**, ceo of **Sierra Geothermal** in Vancouver, Canada, on the company's negotiation with up to five potential partners for three geothermal sites. (9/18).

"This could have a severely detrimental effect on wind generation. It's comparable in magnitude to having the production tax credits expire."—**Gene Grace**, attorney at the **American Wind Energy Association** in Washington, D.C., on the **Midwest Independent System Operator**'s proposal to allocate 100% of transmission upgrade and interconnection costs to developers. (8/21).

"The ball only got rolling when markets fell over in the last year."—**Daniel de Menocal**, head of equity capital markets at **Bank of New York Mellon** in New York, on a program that would allow utilities to discreetly and incrementally raise equity over the next three years. (10/2).

"We don't believe any of our members should fall under the definition of 'swaps dealers' or major swaps participants."—**Richard McMahon**, executive director of finance and energy supply for the **Edison Electric Institute,** on a Senate bill that would force hedging onto an exchange. (11/20).

"It's a nice milestone transaction demonstrating the depth and liquidity of the project finance bank loan market."—**John Anderson**, head of project finance at **John Hancock Financial Services** in Boston, on **Calpine** refinancing $498.5 million with a sub 300 basis point spread over LIBOR. (11/25).

"This plan as put forth by MidAmerican would have a chilling effect on third party developers doing business in the state."—**Steve Stengel**, spokesman for **NextEra Energy Resources**, in Juno Beach, Fla., on **MidAmerican Energy**'s request to Iowa regulators. (10/30).

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LENDERS SEE

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corporate & structured finance at **NordLB**.

Clubs have been the rage this year as banks wrestled uncertain costs of funding and sky-rocketing LIBOR and turned to the transparent structures that brought peers to the tables as equals. The concept, however, has drawn ire from all sides of the deal as sponsors face negotiations with six or seven lenders instead of one lead arranger and banks forego the more lucrative lead arranger fees.

Bankers point out that recent deals rarely reflect the true club, where all lenders are equal in terms of pricing and ticket sizes, and usually include two to four top tier lenders who are mandated to bring others into the deal on best efforts. For instance, **BNP Paribas**, **GE Energy Financial Services**, **ING** and **WestLB** led **LS Power**'s $750-800 million in financing backing its purchase of a portfolio of **Dynegy** assets. Still, the best-efforts deal was still dubbed a club as the sponsor worked with participating banks to arrange tickets (PFR, 11/20).

The increasing prevalence of these quasi-clubs is evidence of lenders taking baby steps back to true underwritings and syndications. "First you see the club deals and then you see a little bit of secondary [trading] and then a little bit of primary and then you're seeing small underwritings," says a senior project financier at a German bank.

Pushing the trend to underwriting is the emergence of more players in the renewable space increasing pressure to deploy capital at competitive terms. "Underwriters will start to step up as deal sizes get bigger and underwritings become more of a desire for borrowers," says **David Nadelman**, managing director of project finance, energy and infrastructure syndications at **Royal Bank of Scotland**. The trend is also likely to result in longer tenors out to the 10-year range and pricing under 300 basis points over LIBOR, most project financiers say.

Bankers also point to the convergence of project finance loan pricing and 144A bonds pricing, making private placements an attractive option for a project finance deal. Project finance deals have priced well north of 300 basis points over LIBOR for most of the year while 30-year 144As in the past few months have priced in the range of 150-160 bps over U.S. Treasuries. The longer tenors, up to 30 years, available on 144A bonds makes the concept attractive to developers while the steady cash flow of investment-grade utility contracted projects hits the sweet spot for institutional investors post-construction, Mejean adds.

Banks leading the $1.4 billion financing backing **GE Energy** and **Caithness Energy**'s 909 MW Shepherds Flat wind farm are considering a bond component to their deal (PFR, 11/12). **Hudson Transmission Partners** is also said to be mulling a private placement for its roughly $500 million 345 kV transmission line (PFR, 7/31). *—Sara Rosner*

RENEWABLES TO

(continued from page 1)

projects to utilities or moneyed developers, says **Jay Beatty**, managing director at **New Harbor**. Consolidation could mean that a half a dozen big players could dominate the wind market in the next 18 months, bankers say.

Without a national renewable portfolio standard and with the economy still sluggish, utilities are hesitant to be seen as free-spenders, says **Aneesh Prabhu**, director in the infrastructure group at **Standard & Poor's** in New York. Solar and wind projects could sell to utilities, which increasingly want to own renewable generation to offset greenhouse gas emissions, adds Prabhu.

There could be a trickle of corporate M&A transactions as the year progresses and companies begin to have confidence in the economy and companies eye renewable developers as growth potential, an M&A banker in New York says. He expects to see primarily renewable deals close in the first half of the year, declining to name specifics. Companies are increasingly "technologically agnostic" when it comes to renewable assets in general–many will consider wind, solar or geothermal.

Assets Up For Grabs

Company	Size	Type	Location	Advisor
Infigen Energy	1.1 GW	Wind	Various	UBS, Marathon Capital
BP Alternative Energy	2.5 GW	Wind	Various	N/A
DKRW Wind	150 MW	Wind	Cedro Hill near Laredo, TX	N/A
Chermac Energy	675 MW	Wind	Various	NorthWinds Advisors

NextEra Energy Resources thinks wind is the strongest renewable source and is focused on bringing 1 GW of wind online per year for the next several years, says **Mike O'Sullivan**, v.p. for development in Juno Beach, Fla. NextEra is open to developing greenfield or acquiring projects. "We're not married to one idea or the other," O'Sullivan adds. The **FPL Group** unit snagged a handful of development projects from **Babcock & Brown** this fall (PFR, 9/11), and is currently developing a $600 million, 300 MW wind project in Emmet County, Iowa.

Developers Hunting Partners	Advisor
Third Planet Windpower	Marathon Capital
Noble Environmental Power	N/A
National Wind	Marathon Capital

At the asset level, buyers are shopping for bargains but unless the asset is distressed, developers are holding out for resurgence in value. "There aren't a large number of assets being marketed but there are some. We think there will be moderately more over the near to intermediate future," the M&A banker says.

Fossil fuel plants that have been on the market for over a year, such as the **Navasota Energy Partners**' portfolio of seven gas-fired assets, may continue to sit (PFR, 10/31/08). Buyers are wary of investing before there is more clarity on carbon legislation, says **Parker Weil**, co-head of power and utilities at **Bank of America-Merrill Lynch**. "Everything that's fossil-fuel powered is for sale, but there's definitely an imbalance in the number of buyers," he says. ***—Holly Fletcher***

IPP CONSOLIDATION

(continued from page 1)

"The view in the marketplace is that there's substantial cost savings when two large publicly traded generation companies are combined," says **Scott DeGhetto**, co-head of power and renewable energy at **Credit Suisse** in New York. "The view is that 10,000 to 15,000 MW is not enough [to stand on its own]. They'd be better to weather a downturn in the economy together."

M&A Contenders

IPP	Total MW	Current Share Price	Share Price One Year Ago	Share Price 2007
Mirant	10,112	$14.24	$19.47	$39.70
NRG Energy	24,000	$24.62	$23.30	$43.33
Calpine	24,795	$11.03	$8.69	N/A
Dynegy	13,000	$2.06	$1.97	$8.37
Reliant Energy	14,000	$5.24	$4.80	$28.66

Calpine and **NRG Energy** are in the strongest positions to acquire, bankers and analysts say, though some say more likely than consolidation among companies, assets will change hands. "NRG fought off Exelon's acquisition proposal," notes **Peter Molica**, director in the global power group at **Fitch Ratings** in New York. "They're probably not a target. Maybe they're an acquirer. What's more likely is that you'll see asset acquisitions – the stronger names picking up weaker name assets." Calpine and NRG officials did not return calls for comment.

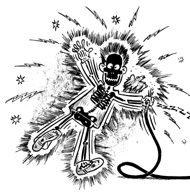
Market rumors have swirled that **Exelon** had been looking at **Mirant**, but its failed bid for NRG has market participants wondering if it could make it work. Mirant's stock has halved from two years ago, bankers note, making it a prime target. **Dynegy** could also be ripe for a takeover, bankers add. The company sold nine assets to **LS Power** (PFR, 8/10).

An Exelon spokesman in Chicago says the company does not comment on M&A rumors. "We are currently focused on organic growth opportunities such as nuclear uprates, transmission investment opportunities and smart grid," he adds. Mirant officials did not return a call for comment.

IPP stock valuations are up from lows this year but not on par with where they were two years ago. This has sellers waiting for prices to rise amid expected economic recovery, while buyers insist on cinching a deal at the lows, leaving the market at somewhat of a standstill.

"Sellers have unrealistic expectations on value," laments **Rahman D'Argenio**, director at private equity shop **First Reserve** in Greenwich. "The timing and degree of market recovery is so uncertain that the benefit should accrue to the buyer, not the seller at this point. Purchase pieces need to make sense on current earnings." ***—Jeanine Prezioso***

Alternating Current

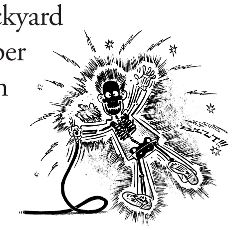


Firing Up The Festivities

After the final festivities wind down, **Biomass One**, a wastewood generation company that owns a 30 MW biomass plant in White City, Ore., will start its yearly public service program that fires Christmas trees off to their next life. The wastewood company will place 30 large bins around the town and contract with local Boy Scout troops to collect discarded trees by the roadside to feed into the power-generating fire, says **Gordon Draper**, v.p. Biomass One has a longterm PPA with **PacifiCorp**.

For at least 17 years—or as long as Draper has been on staff—Biomass One has accepted expired trees free-of-charge. The woodchip-fired generator requires about 1,200 tons of wastewood a day so the collected trees barely make a dent in the required fuel, says Draper.

The public service initiative allows merry-makers to dispose of the firs without leaving them in the backyard to rot. Draper and his crew waive the $5 per pickup truck load for dumping the trees in the wood drop-off yard—although for those who try to sneak in a gratis load by placing a tree on top, it's just the tree that gets in free.



Those recycling are reminded to remove the metal stands from the trunks because "they are hard to grind," laughs Draper, adding that a little leftover tinsel won't hurt. "We get Christmas trees in July and August with the tinsel still on it. We kind of laugh at that," he says.

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