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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. 12. We wish all our readers a happy New Year.



At Press Time

Equity Sought For China Biomass	2
Wind Co. Seeks Debt, Tax Equity	2

In The News

NW Developer Hunts Offshore Partner	3
Banks Close Chilean Plant Financing	3
Caribbean Wind Debt Wraps	3
JV Closes Acquisition Financing	3
Merrill Execs Move Into B of A	4
Solar Co. Pursues Strategic Partners	4

Corporate Strategies

Black Hills Amends Revolver	4
MLP Sees High Pricing On Issue	5
Integrus Cuts Capex	5

Year In Review

Year-By-Month Timeline	6-7
Consolidation Slows	8
Pricing, Uncertainty Restrain Deals	8
Credit Markets Force M&A Cancellations	9
Wind Turbine Supply Eases	10
Quotes Of The Year	11

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IBERDROLA PLOTS ASSET SALE

Iberdrola has submitted a divestiture plan to the New York Public Service Commission for approval to sell five assets as part of its EUR6.091 billion (\$8.49 billion) acquisition of Energy East.

The company is seeking approval to sell:

- 275 MW coal-fired Russell Station in Greece, N.Y., that permanently closed this year for failing to meet pollution standards,
- two 18 MW gas-fired peakers,
- a 62 MW combined cycle gas-fired Allegany Station in Hume, N.Y., and
- a 63 MW combined cycle gas-fired Carthage Station in Carthage, N.Y.

Russell, Allegany and the two peakers are owned by Energy East unit **Rochester Gas & Electric**. Carthage is owned by **Carthage Energy**, a unit of Energy East subsidiary **Cayuga Energy**. The exact location of the peakers could not be determined. *(continued on page 12)*

Royal Seal

FOUNDATION READIES \$500M FOR INVESTMENTS IN RENEWABLES

Orlando, Fla.-based **Cross and Crown Foundation** is on the hunt for wind farms under development as it seeks to invest more than \$500 million during the first quarter. "We have been raising money all year and now we are getting to a point where we can take off our fundraising hat and put on our project funding hat," says **Phillip Robles**, principal in Goshen, N.Y., and a former **Citigroup** real estate project finance banker. "I would like to start looking at projects immediately, but we would like to make a decision by the end of January on who we are going to start to work with."

The non-profit Cross and Crown was formed last spring and is endowed by returns from *(continued on page 12)*

FORMER ENRON TRIO LOOKING FOR WIND PARTNERS



Ted Brandt

DKRW Energy, founded by former **Enron** officials **Ron Doyle**, **Bob Kelly** and **Dave Ramm**, is looking for a strategic partner for its wind business and has hired **Marathon Capital** to help with the search.

Houston-based subsidiary **DKRW Wind** has more than 6 GW in its development pipeline and a 150 MW project set to come online next year in south Texas.

"The most interesting thing about them is they are backed by [**Och-Ziff Capital Management Group**]," says **Ted Brandt**, ceo at Marathon in Bannockburn, Ill., noting DKRW's existing financial backing. In the past the unit has developed and flipped wind projects, but is now seeking a long-term asset owner. "They're

(continued on page 12)

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



At Press Time

Chinese Biomass Co. Seeks Equity Ahead Of IPO

British Virgin Islands-based **Dragon Power Limited**, the parent company of biomass developer **Dragon Power China**, is seeking \$150-200 million in equity in advance of initial public offering it plans for 2010. "By that time we will have over 500 MW of renewable energy on the grid and we think we'll be a strong potential for a listing," says **Simon Parker**, president in Paris. The company's 17 plants in China with a combined 384 MW capacity make up more than 80% of the country's biomass facilities, he says. Two 12 MW plants are set for operation in February and six 30 MW plants are scheduled for the beginning of 2010.

Parker, a former managing director of a proprietary fund at **Citigroup** in Hong Kong, notes the bank has an equity stake in Dragon Power and that the company will consider Citigroup to underwrite the IPO, along with several other lenders. "We'd be looking for people who are well-focused and knowledgeable... I'd want a banker who was 100% focused on my deal to make sure it was a success and not working on four or five other deals," Parker says, declining to identify potential underwriters. The company will start talking to candidates in the first quarter of 2010, Parkers explains. He declined to disclose the size of Citigroup's stake in Dragon Power or other equity investors.

National Wind, Partner Seek Financing

Minneapolis-based National Wind and development partner **Red Rock Energy** are in talks with lenders and tax equity investors to finance their 300 MW Red Rock wind farm in Emmet and Dickinson Counties, Iowa. "We would look to finance the project about half and half [debt/equity]," says **Jack Levi**, co-founder and co-chairman of National Wind. The total cost of the project will be around \$600-700 million.

Red Rock is slated for operation in 2011 and the partners are looking to relationship banks and tax equity investors to secure financing by the third quarter. The partners are in talks with utilities to secure power purchase agreements in the same timeframe, Levi says. He declined to identify potential lenders, investors or offtakers.

The pair have secured a tax equity investor and debt financing for their 200 MW North Star wind farm in Spirit Lake, Iowa, says **Al Blum**, co-founder of Red Rock in Estherville, Iowa. Red Rock Energy is a community-owned wind developer formed by 13 landowners near Estherville, Iowa. Two utilities each have a 20-year power purchase agreement for portions of North Star, but Blum and Levi declined to identify them, the tax equity investor or lenders. That project is slated for operation in the first quarter of 2010.

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

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EDITORIAL

TOM LAMONT
Editor

STEVE MURRAY
Deputy Editor

PETER THOMPSON
Executive Editor [Chicago]
(773) 439-1090

THOMAS RAINS
Managing Editor
(212) 224-3226

KATIE HALE
Reporter
(212) 224-3293

SARA ROSNER
Associate Reporter
(212) 224-3274

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

KIERON BLACK
Sketch Artist

PRODUCTION

DANY PEÑA
Director

LYNETTE STOCK, DEBORAH ZAKEN
Managers

MELISSA ENSMINGER,
JAMES BAMBARA, DOUGLAS LEE
Associates

JENNY LO
Web Production & Design Director

ADVERTISING AND BUSINESS PUBLISHING

JONATHAN WRIGHT
Publisher
(212) 224-3566

ERIK KOLB
Editor, Business Publishing
(212) 224-3785

PAT BERTUCCI, MAGGIE DIAZ,
LANCE KISLING, ADI HALLER
Associate Publishers

BRIAN GOLDMAN
Advertising Production Manager
(212) 224-3216

LESLIE NG
Advertising Coordinator
(212) 224-3212

PUBLISHING

NICK FERRIS
Publisher
(212) 224-3507

LAUREN O'DONNELL
Marketing Associate
(212) 224-3609

LAURA PAGLIARO
Renewals Manager
(212) 224-3896

VINCENT YESENOSKY
Senior Operations Manager
(212) 224-3057

DAVID SILVA
Senior Fulfillment Manager
(212) 224-3573

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DAN LALOR
Director of Sales
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KEN LERNER
Account Executive
(212) 224-3043

REPRINTS

DEWEY PALMIERI
Reprint & Permission Manager
(212) 224-3675
dpalmieri@institutionalinvestor.com

CORPORATE

GARY MUELLER
Chairman & CEO

CHRISTOPHER BROWN
President

STEVE KURTZ
Chief Operating Officer

ROBERT TONCHUK
Director/Central Operations & Fulfillment

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7779 8704
Hong Kong: 852 2842 6910
E-mail: customerservice@iineews.com

Editorial Offices: 225 Park Avenue
South, New York, NY 10003.
Tel: (212) 224-3226
Email: trains@iineews.com

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Institutional Investor NEWS
INTELLIGENCE FIRST

Banks Wrap \$393M SUEZ Financing

Six banks closed syndication of \$393 million in financing supporting GDF SUEZ' 165 MW coal-fired Central Termoelectrica Andina plant in Mejillones, Chile, on Dec 19.

Calyon and **Fortis** are joint bookrunners on a \$293 million B loan and **Helaba** is participating along with two other banks whose identity could not be learned. The **International Finance Corp.**, under the **World Bank Group**, is underwriting a \$100 million A loan for the deal. Financial details, such as pricing and tenor could not be learned.

The plant has a 20-year power purchase agreement with Chilean mining company **Corporación Nacional del Cobre** and is slated for operation in 2010. Bank officials declined to comment or did not return calls and **Alex Keiser**, cfo in Santiago, Chile could not be reached.

Seattle Wind Start-up Seeks Strategics, Equity

Seattle-based **Principle Power** is seeking strategic partners and equity investors for two maiden offshore wind projects with a combined 300-350 MW capacity. "We're looking for the kind of [private equity investor] that is focused on renewable energy assets and looking to drive long-term value rather than the venture short-term horizon," says **Jon Bonanno**, cfo. Utilities and independent power producers are potential strategic partners. He declined to comment on the cost of the projects or the amount of investment sought.

First up is a 150 MW Portugal I project which the company plans to bring online off the coast of Portugal in phases between the summer of 2010 and 2013. The company is in talks with strategic partners and a range of equity investors and aims to secure financing and a partnership by the third quarter. The mix of debt and equity on the project will depend on the partner, Bonanno notes, adding the company will sell the power through feed-in tariffs, a government incentive that mandates utilities to buy available renewables at a fixed rate. He declined to identify potential equity investors, strategic partners or the location of the farm.

Roughly two years behind Portugal I is the 150-200 MW Tillamook wind project off the coast of Tillamook County, Ore., which is set to have its first phase online in 2012 and will be completed in 2015. Financing and development strategies will emulate Portugal I, Bonanno says, noting Principle has signed a memorandum of understanding with the **Tillamook People's Utility District**, which Bonanno says is a precursor to a PPA.

Bonanno started Principle Power in 2007 with **Alla Weinstein**, co-founder and ceo. As co-founder of **AquaEnergy Group**, which developed wave energy conversion technology and

related generation projects, Weinstein worked with utilities in Portugal. She sold the company to **Finavera Renewables** in 2006.

Aruban Wind Farm Financing Wraps

The Netherlands-based **Hutting Windenergie** and **Bright Capital Partners** closed on a \$60 million non-recourse financing for their planned 30 MW Vader Piet wind farm in Aruba last Tuesday.

Dexia Crédit Local and **Eksport Kredit Fonden** are arrangers and guarantors for the financing, while **Nordea** is funding the debt. The debt has a tenor of 13 years, but pricing could not be learned. The total project cost is \$75 million, with \$5 million of equity coming from **Allied Irish Bank**.

The project set to be built over the next year has a 15-year PPA with island utility **WEBAruba**. Officials at the banks, sponsors and utility did not return calls or requests for comment.

J-Power, Hancock Unit Nail Maiden Financing

J-Power USA Generation, a 50:50 joint venture between **J-Power USA Investment** and **John Hancock Life Insurance**, has secured its first financing from **Bank of Tokyo-Mitsubishi**. "We have a very long standing relationship with [BoTM]," says **Mark Condon**, v.p. and cfo in Schaumburg, Ill., referring to the fact J-Power USA Investment has worked with the bank many times.

The negotiated transaction took almost a year to complete mostly due to regulatory approvals, says Condon. Half of the acquisition has been financed with 15-year debt and the remainder with equity. He would not disclose pricing or terms. **Dexia Global Structured Finance** served as financial advisor to J-Power for the transaction.

The funds support the JV's acquisition of two plants and a stake in a third from **Harbinger Impendent Power Fund II**, affiliates of **DiFazio Electric** and **Northwestern Mutual Life Insurance** for an undisclosed price. Included are:

- **Pinelawn Power**, the owner of 80 MW combined-cycle Pinelawn facility in Babylon, N.Y., from HIPF II and affiliates of DiFazio Electric.
- **HD Freeport**, the indirect owner of a 47 MW peaking facility in Freeport, N.Y., from HIPF II and DiFazio.
- **Harbert TVP** and **Harbert TVP General**—indirect owners of a 30% interest in a 885 MW combined cycle Fluvanna plant in Fluvanna County, Va., from HIPF II and NMLI. Tenaska owns the 70% balance of Fluvanna.

The New York plants are contracted to the **Long Island Power Authority** and the Virginia facility has a PPA with **Coral Power**.

"They all have long-term contracts in attractive markets," says Condon. "We like the quality of the plants," he says, noting it intends to hold the two to four-year-old plants with over 10-year long PPA for the long-term. **James McGinnis**, managing director at Harbinger in New York, declined to comment and officials at NMLI could not be reached.

Tyr Lands Fox Debt

Tyr Energy has closed on financing for its purchase of a 50% share of the 593 MW Fox Energy Center in Kaukauna, Wis., from **GE Energy Financial Services**. **General Electric Capital Corp.**, **Union Bank of California**, **ING Capital** and **WestLB** each took a slug of the debt package, details of which could not be learned. **Tom Wertz**, coo of Tyr, declined to comment, and officials at the banks did not return calls.

GE originally put the **Calpine**-developed plant on the block last summer (PFR, 11/7). It has a long-term tolling agreement with **Wisconsin Public Service** and a long-term PPA with **Constellation Commodities Group**.

Solar Co. Seeks Partners For Global Growth



Nancy Hartsoch

Mountain View, Calif.-based **SolFocus** is looking for strategic partners to develop 85 MW of solar by 2010 as it begins to enter more international markets. The company aims to have the partnerships in place by the second quarter, says **Nancy Hartsoch**, v.p. of marketing.

SolFocus is developing multi-megawatt projects in Africa, Australia, Europe and the southwestern U.S. and is in talks with several companies from each continent. "In the U.S. it will be municipalities, utilities and industrials who really want to offset some peak demand," Hartsoch says. "In Africa and Australia, we're talking to a number of developers and industrial companies." She declined to identify potential partners or specify the exact size, cost or number of projects.

The company recently joined with Greek renewable developer **Samaras Group** to develop 20 projects with a combined 1.6 MW capacity at a \$16 million cost on various Greek islands. It has also signed a \$103 million contract to develop 10 MW at various sites in Spain with Spanish developer **EMPE Solar** (PFR, 8/11). **EMPE Solar** and **Samaras** will determine the financing, Hartsoch explains, which will be a blend of project financing and equity. Officials at **EMPE Solar** and **Samaras** could not be reached.

SolFocus has roughly 527 kW online across five projects in California, Hawaii and Spain.

Merrill Duo Win Top Slots In Combine With B of A

Bank of America and **Merrill Lynch** have named **Parker Weil** and **Chris Mize** co-heads of the Americas energy and power group for the combined institution. The two held the role for Merrill for the last three years, prior to its acquisition by B of A. "It's the same job, but it's a bigger, better platform," says Weil in New York, noting the strength in investment banking at Merrill and corporate finance at B of A. "By putting them together we are going to have a bigger, better service provider to our clients." **Peter Kind**, head of power at B of A prior to the acquisition, will remain in a senior role for industry coverage, and **Scott Van Bergh**, prior head of energy, will focus on exploration and production.

Weil says the group plans to broaden the firm's footprint in the energy and power space from a coverage perspective, build out its competitive power business for both existing fossil fuel assets and new nuclear and fossil projects and further its renewable energy effort.

The new roles will be official following the closure of the transaction on Wednesday. Weil will continue to be based in New York and focus on the power space, while Mize will remain in Houston and focus on energy. The pair will report to both **Jonathan Grundy**, global head of energy and power in London, and **Brian Brille**, head of Americas investment banking in New York.

Corporate Strategies

Enbridge To Repay Revolver, Refinance Debt

Enbridge Energy Partners is planning to use proceeds from the issue of \$500 million in 9.875% senior unsecured notes maturing in 2019 to pay down a revolver and refinance an upcoming maturity. The deal priced Dec. 17 and closed last Monday. "There was a pocket of availability and liquidity," says **Jonathan Rose**, treasurer in Calgary, Alberta, on the timing of the offering.

The Houston-based MLP will use \$200 million of the proceeds to refinance an upcoming maturity next month of the same amount priced at 3.375%, which was originally issued in 2004. The remaining proceeds will pay down a \$1.25 billion revolver. Rose declined to say how much Enbridge has drawn down on the facility, but says it can only access a total of \$1.176 billion because of an \$82.5 million chunk held by **Lehman Brothers**. The revolver expires in April 2013 and is led by **Banc of America Securities** and **Wachovia**. "We now have the flexibility," he says, but notes it will be looking to come

back to the market for debt and equity next year for an undetermined amount. "We will be sitting on substantial amounts of cash [by year-end]."

Deutsche Bank, **JPMorgan** and **RBS Greenwich Capital** were joint bookrunners for the offering. "They are all lenders to **Enbridge Inc.**," says Rose, noting it rotates banks within its group. He says MLPs' debt to equity ratio is 50:50.

MLP Swallows Pricy Issue

Energy Transfer Partners issue of \$600 million in senior unsecured notes due 2019 priced higher than past offerings due to the credit crunch. "I wouldn't say I'm happy," says **Martin Salinas**, cfo at the Dallas-based master limited partnership, about the pricing of 9.7%. "It's at a level we're not accustomed to," he adds.

The deal was priced Dec. 18 and closed last Tuesday. In March, ETP came to the market with \$1.5 billion in notes priced between 6% and 7.5%. **Kinder Morgan Energy Partners** and **Enbridge Energy Partners** (see story, page 4) also came to the market with similar offerings in the same week, notes Salinas. "There was a window of opportunity in the market where pricing had been tightened."

The proceeds will repay some of the \$1.43 billion drawn down on its \$2 billion revolver. **Wachovia** is administrative agent for the credit facility, which has an accordion feature allowing it to expand an additional \$1 billion if necessary. It expires in 2012. ETP does not plan to come to market next year. "This \$600 million shores up our liquidity through 2009."

Morgan Stanley, **Credit Suisse**, **JPMorgan** and **Wachovia** were joint bookrunners for the issue and **Banc of America Securities** and **SunTrust Robinson Humphrey** were co-managing underwriters. "They are all involved in our credit facility," says Salinas, on the selection of the participating banks.

Black Hills Extends Credit Facility Due To Turmoil

Rapid City, S.D.-based **Black Hills Corp.** is delaying debt issuances and instead has extended a \$383 million facility. "The debt market has become more expensive very, very quickly and we just want some time to assess whether this is real or an overreaction," says **Tony Cleberg**, cfo.

The facility, which was set to expire in February, has been extended to next December. Pricing starts at 300 basis points over LIBOR through March and bumps up to 450 bps over LIBOR after September. Black Hills is pleased with that, Cleberg says, adding the company will look to issue debt by next spring to repay the facility. "That will certainly give us a much better

look at where the long term outlook is as opposed to the choppiness that we've seen in the fourth quarter."

ABN Amro is bookrunner and co-arranger and **BMO Capital Markets** and **Credit Suisse** are co-arrangers. Cleberg says Black Hills will also consider the banks to lead the debt issues. "We've got a long-standing, supportive group of banks in our various facilities. That is the group we will look to first to help us place the debt."

The company used roughly \$190 million of the facility, which had an original \$1 billion limit, to finance its \$940 million acquisition of five natural gas and electric utilities from **Aquila** (PFR, 5/11), Cleberg says. Instead of using the entire facility as planned, Black Hills paid for the balance of the acquisition with proceeds from its \$750 million sale of seven independent power producers to **Hastings Funds Management** and **IIF BH Investment** under entity **Southwest Generation** (PFR, 08/01). The remaining \$193 million balance of the extended facility will pay down revolving credit facilities and income tax on gains from the Southwest generation sale.

Integrysts Mulls Trimming Capex

Chicago-based **Integrysts Energy Group** is considering trimming \$100-\$300 million from its three-year \$1.53 billion capital expenditure plan due to recent market turmoil and the economic downturn.

The company is considering \$100 million in cuts for 2009 and possibly \$200 million in cuts in 2010 for expenditures at its regulated utility subsidiaries **Michigan Gas Utilities**, **Minnesota Energy Resources**, **North Shore Gas**, **Upper Peninsula Power**, **Peoples Gas Light** and **Wisconsin Public Service**, says **Steve Eschbach**, director of investor relations. Some \$251 million of the capex plan will go toward WPS' acquisition of the 99 MW Crane Creek wind farm from **EDF Energies Nouvelles** subsidiary **enXco**, he says, declining further comment on expenditures or what will be cut.

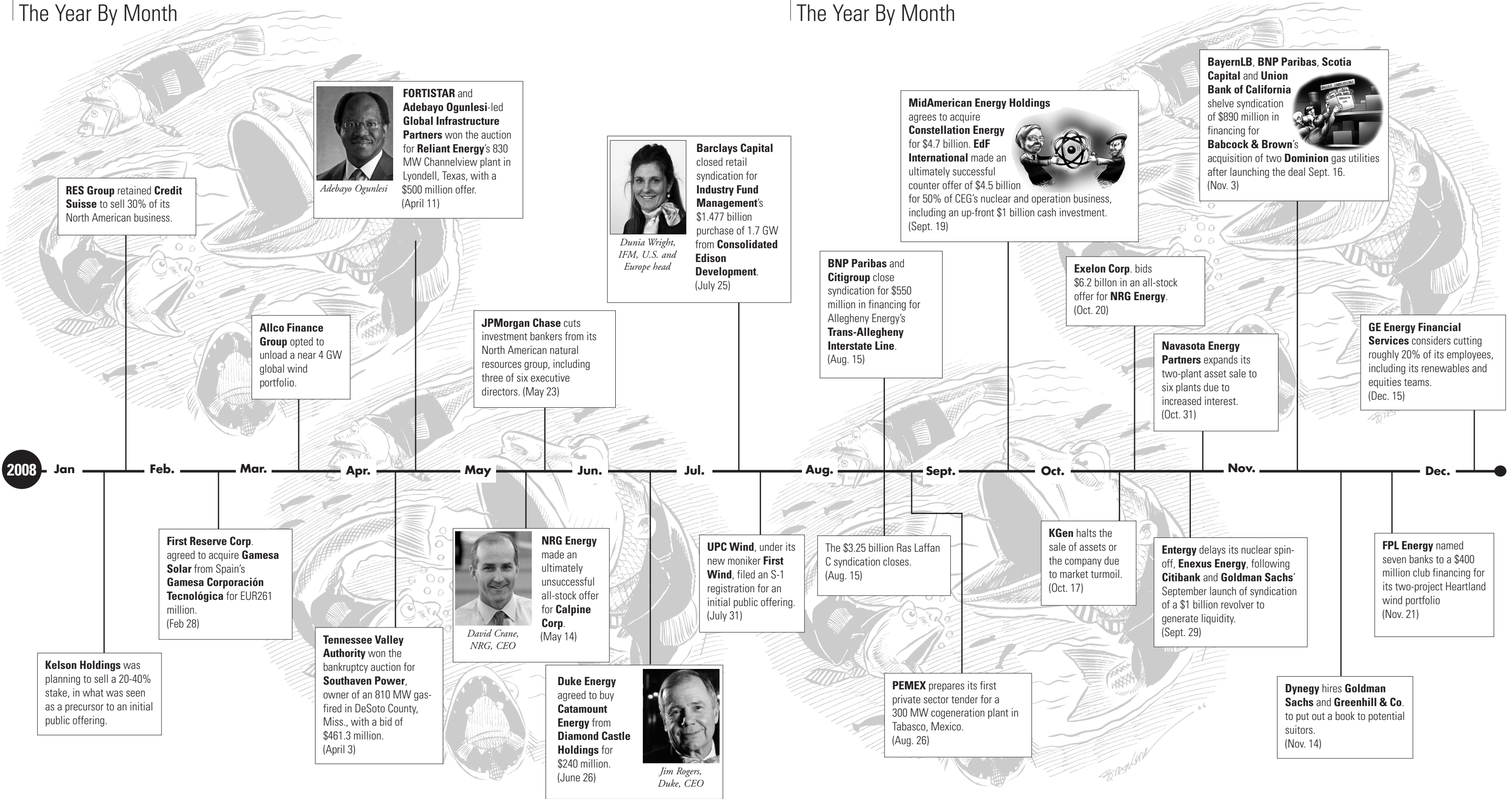
The company funds its capex with debt issuances and equity sales at the parent and subsidiary levels, Eschbach says, to maintain relevant debt-to-equity capital structures of the companies, which range from 51-55% debt. Integrysts has recently delayed a \$300 million bond issue planned for year-end due to market volatility and will look to four or five banks to underwrite the issue next year, Eschbach explains. **Banc of America Securities**, **Citigroup**, **JPMorgan** and **UBS Securities** sold \$125 million of seven-year senior notes for WPS at 6.375% in November. He declined to comment on expected pricing and tenor for the \$300 million issue, specify a date for issuance or identify potential underwriters.

2008 YEAR IN REVIEW/PREVIEW

2008 YEAR IN REVIEW/PREVIEW

The Year By Month

The Year By Month



2008 YEAR IN REVIEW/PREVIEW

Consolidation Stutters Over Financing

Utilities and IPPs have scoped consolidation as equity values plummeted across the board due to the escalating financial crisis, but deals are suffering as potential acquirers struggle to land financing. "Access to capital is the key for all the players in this industry," says **John McConomy**, transaction services leader for U.S. power and utilities at **PricewaterhouseCoopers** in Philadelphia. "Not many investors are spending and not many companies have the mandate to take on consolidation. Acquisition financing has gotten measurably more expensive," notes **Parker Weil**, co-head of **Merrill Lynch's** energy and power group in the Americas, adding debt spreads have widened anywhere from 200 basis points to 500 basis points for investment-grade companies.

While the number of domestic U.S. power and gas transactions is actually up from the 530 deals completed last year, the average value per transaction has dropped, says McConomy, adding that the exact amount has not yet been tallied. "Valuations have come down considerably. We've reached an area that is near bottom," says Weil. But **Constellation Energy Group's** recent decision to sell half of its nuclear business to

Électricité de France for \$4.5 billion instead of merge the entire company with **MidAmerican Energy Holdings** for \$4.7 billion could be a sign that valuations are on the rise.

Exelon Corp.'s proposed hostile takeover for **NRG Energy** remains a key deal for power M&A, highlighting an emerging survival of the fittest mentality. Companies will need to consolidate in order to access the capital markets to tap project or acquisition financing, McConomy says. "There are still too many generating companies in the U.S. right now." Strategies and private equity funds are expected to invest in minority stakes or joint ventures because of diminished returns on assets, he adds, noting that **Duke Energy**, **NRG** and **Constellation** have already partnered with European utilities for joint ventures.

European utilities and power companies are expected to remain acquirers. "Consolidation in Europe is further along than the U.S. The European utilities have very good credit ratings and access to capital. They are clearly involved in all the processes [in the U.S.]," says Weil. **Iberdrola** completed its EUR6.09 (\$7.92 million) acquisition of **Energy East** in September and **GDF SUEZ** is still attempting to close on its planned acquisition of **FirstLight Power Enterprises** through its American subsidiary. Non-regulated deals are likely the deals to be completed going forward due to lower regulatory hurdles, Weil adds.

Project Finance

Deal Volumes Get Crimped By Capital Crunch, Opaque Pricing



Brian Goldstein

Uncertainty over pricing and a lender reluctance to deploy capital have put the breaks on deal flow since the **Lehman Brothers Holdings'** collapse in September. "I think that limited availability of capital for banks and uncertainty in the market have combined to reduce overall appetite to move deals through the market," says **Brian**

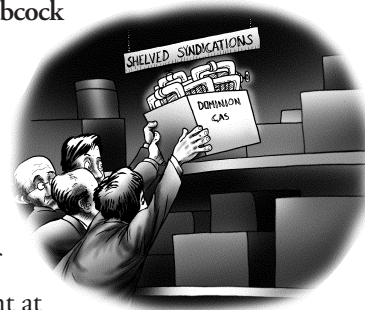
Goldstein, managing director of syndications at **BNP Paribas** in New York.

Turmoil in the financial markets and lenders' efforts to shore-up their balance sheets for next year has put a premium on capital, bankers say. While **LIBOR** has been historically low, "Spreads are still just through the roof... [Pricing] is all over the map and there are no indicatives. Folks that are asking for indicatives know better because it will be dated by tomorrow," notes **Chris Moscardelli**, director of project finance Americas at **Société Générale** in New York. Bankers say pricing for next

quarter will likely start in the **LIBOR +200-range**.

The first quarter is expected to bring some increased activity in the market, though bankers note that it will be markedly slower than 2006 and 2007 as lenders look for more conservative investments. "We're seeing that banks are looking for deals that have more of an investment-grade profile... We're not seeing merchant risk, we're seeing PPAs where utilities are taking more of that risk in the contract structure," Goldstein says. Among the closely watched deals will be the financing for **Babcock & Brown's** purchase of two **Dominion** gas utilities. The lead banks pulled that deal due to market conditions and are planning to re-launch it in the first quarter (PFR, 10/31).

David Giordano, director of project finance and development at **Babcock & Brown** in Radner, Pa., says developers are also hesitant to come to market in light of volatile financial conditions and inconsistent pricing. "Sponsors that have the ability to do this are choosing to keep projects on their balance sheets for a longer term than they have in the past. They don't



2008 YEAR IN REVIEW/PREVIEW

want to do a deal today that will be materially better a month from now," he says.

Moscardelli says that long-term contracts with investment grade offtakers, conventional technology and experienced sponsors with deep pockets mark the sweet spots for lenders. GenConn's \$400 million financing for two gas-fired peakers in Connecticut (PFR, 11/29) and Astoria Energy's \$800 million financing for its 500 MW Astoria Energy II gas-fired plant in Queens, New York are benchmark deals for next quarter, say bankers. GenConn's peakers are slated for operation in 2010 and 2011 and hold 30-year PPAs with United Illuminating and Astoria Energy II is set to come online in 2011 has a 20-year PPA with the New York Power Authority.

Renewables Grapple With Shrinking Tax Equity Base

The disappearance of large tax equity investors and big balance sheet losses wiping out appetite for some that remain have left sponsors and bankers grappling with how to fund renewable projects. "I'd say of 25 only four or five [tax equity investors] are left. The market has basically shut down so it's very difficult for developers of renewable energy projects to find tax equity," says Carl Weatherley-White, co-head of the energy structured finance group at Barclays Capital, of remaining tax equity investors.

Keith Martin, partner at Chadbourne & Park, also points to existing tax equity players selling down investments in the secondary market, adding to the glut in tax equity. "While the market is trying to generate \$8 billion in tax equity demand and can't, you also have a lot of existing projects coming back and competing for that capital," he says.

Bankers are looking to utilities and industrial companies with large balance sheets as the next generation of tax equity players, though Martin notes the learning curve for new tax equity investors is gradual. "New people coming in have to understand the business because they're taking the risk of the business and it takes them a little bit of time to educate their credit committees," he said, adding that companies are hesitant to draw down liquidity for any investment due to frozen credit markets.



Jack Levi

Jack Levi, co-founder and co-chairman of Minneapolis-based National Wind, says the company will approach new potential tax equity investors and

that experienced investors are looking to deploy capital more conservatively. "What we're seeing is everybody saying that we want to do more due diligence and we want to make sure that we're investing in a solid project. It's just taking one more level of scrutiny," he says.

There is still activity though. JPMorgan Capital Corp., New York Life Insurance Co., New York Life Insurance and Annuity Corp. and Wells Fargo Wind Holdings recently took tax equity in Horizon Wind Energy's 631 MW portfolio (PFR, 12/22) and in enXco's 150 MW Shiloh II wind farm in Solano, Calif., and Weatherley-White says these entities will increase activity. "This credit crisis will pass and tax equity will return. The real question is when and will they come back as aggressively as they had been playing the past year," he says.

Global Slowdown Ices M&A



Michael Shenberg

Many assets sales this year have been pushed back or canceled due to frozen credit markets and bids coming in shy of targeted amounts. "Clearly a lot of transactions that would have happened have been put on hold," says Michael Shenberg, partner at White & Case in New York. "Credit is really not available."

Unreasonable credit terms are making potential acquirers purchase assets with 100% equity, he explains. KGen has decided to wait until the market turmoil subsides before concluding its auction process of its assets or the entire company (PFR, 10/24) and Wheelabrator Technologies has shelved a three-plant sale due to "changing energy markets" (PFR, 8/22).

M&A has also noticeably stalled in Europe and Asia. Arcapita canceled its plans to sell Viridian's Irish subsidiary Energia for at least GBP2 billion (\$3 billion) as buyers reportedly struggled to arrange financing. "Financing is much scarcer. It's much harder to run a competitive sales process, especially in the merchant power space," says Philip ten Bosch, managing director and head of European power at Citigroup in London. "As a result, some clients have withdrawn assets for sale, even though they could achieve a sale." Some sellers could wait one to two years until returning to market, he says. ConocoPhillips also canceled its sale of a 50% stake in 730 MW Immingham gas plant in Lincolnshire, England—a deal Citi was advising on—because it said market conditions were not favorable for realizing the full value for plant (PFR, 11/7). Temasek Holdings canceled the sale of PowerSeraya due to the economic crisis, but ended up agreeing to sell it to YTL Holdings for about SGD\$3.6 billion

2008 YEAR IN REVIEW/PREVIEW

(\$2.5 billion).

M&A for the coming year is unlikely to start with a bang as those with cash are expected to hold back until at least the second quarter. "I believe there will be fresh financing [next year], but very focused on the best and biggest clients or the most remunerative situations," says ten Bosch, noting only industry players—not private equity firms—will be the active acquirers. **Constellation Energy Group's** planned sale of 50% of its nuclear business for \$4.5 billion to **Électricité de France** provides some hope for both the American and European markets, but the deal is still dependent on regulatory approvals.

Wind Turbine Bottleneck Becomes History, Prices Fall

The wind turbine supply bottleneck has dissipated and price drops are set for the New Year due to a shortage of tax equity and debt financing that has driven down demand. "I would describe it as a rebalancing," says **Ciaran O'Brien**, executive v.p. and cfo at **Wind Capital Group** in Chicago. "There was a very big high for a period of time and a lot of that has slowed down. The bank markets have stopped and the ability for small developers to get turbine supply loans has come off," he explains. Among the tax equity investors that have not merged or gone out of business, a lack of liquidity has stopped them from doing deals.

Bruno Mejean, senior v.p. and deputy general manager for corporate and structured finance for the Americas at **NordLB** in New York, agrees. "There is going to be a very tentative return to liquidity and it's going to cause a delay of projects and a cancellation of others," he says. "Logically [turbine prices] should soften."

The cost of wind farms has doubled to roughly \$2 million per MW in the last five to six years, with turbines making up about 75% of that cost. Turbine supply loans to secure orders a year in advance of their delivery have become common, but this could change with lower prices and shorter wait times. "If the delivery schedule goes back to a six-month period, then turbine supply and construction finance will be one in the same, as it used to be," Mejean says.

Alternatively, a change in production tax credit laws to make the tax credits refundable—meaning a company would not need to

have a tax appetite to use them—could mean a return to higher demand. This proposal, which O'Brien and Mejean both say is likely under **Barack Obama's** administration, would result in a more liquid tax equity market and increased investment due to a lower barrier for entry. "Something will have to give," says O'Brien, on financing, "and that may be the refundable PTCs."

Bear, Lehman Execs Move Into New Roles

The purchases of **Bear Stearns** and **Lehman Brothers** stand out as two of the biggest banking acquisitions of the year and have led to realignment of their executives within the banks' power coverage. **JPMorgan** absorbed **Bear Energy's** staff in last spring, while **Barclays Capital** did the same with much of Lehman's team in the fall.

Carl Weatherley-White and **Santino Basile**, co-heads of Barclays' energy structured finance group, joined forces to form the new 12-strong team following the acquisition. Weatherley-White was formerly Lehman's head of the esoteric credit and project finance group, while Basile was head of the energy structured and commodity-linked financing team at Barclays (PFR, 11/14). Also, Lehman veteran **John Lange** was named head of power and power M&A at Barclays in New York, and **John Plaster** was anointed co-head of alternative energy banking in New York, joining **Amy Smith**, the existing co-head in Menlo Park, Calif. (PFR, 12/5).

The British bank also took over Lehman mandates through its acquisition, including an advisory role for the **Ontario Municipal Employees Retirement System** for its purchase of a portion of Texas electricity supplier **Oncor** (PFR, 11/14). Additionally, it inherited the role of auctioneer in **Arclight Capital Partners** sale of the nine-project portfolio known as **Jupiter Generation** (PFR, 10/3).

Fitting well with **JPMorgan Chase** was **Bear Energy**, Bear's energy arm which focuses more on hedge fund clients and vies for different deals than its new owner (PFR, 3/20). Bear Energy's former president, **Paul Posoli**, was named co-head of global energy with **Catherine Flax**, who had previously been co-head of global energy with **Ray Eyles** at JPMorgan. Eyles shifted to oversee the global commodities for Europe, the Middle East and Asia. The acquisition of Bear did not come without cuts, though. Three of the six executive directors covering power and utilities left, including **Eric Gleason**, **Brent Wall**, and **Terry Kennon**. Gleason and Wall covered mid-cap utilities, while Kennon handled biofuels (PFR, 5/30).



*Noble Environmental Power's
Bliss wind farm*

2008 YEAR IN REVIEW/PREVIEW

Quotes Of The Year

"The nuclear renaissance is a reality, but it is on people in this room to keep bringing a reality check to the process and not bring rose-colored glasses."—**Michael Wallace**, chairman of UniStar Nuclear Energy and president of Constellation Energy Nuclear Group, on the dangers of complacency about the need for new nuclear. (2/11).

"We felt they were able to put their A-team on this and we wanted a specialist advisor rather than one of the big names."—**Steen Stavnsbo**, head of **Allco Wind Energy** in Sydney, on picking **Marathon Capital** to run the sale of its U.S. wind portfolio. (3/17).

"[NRG Energy] was trying to sneak this bid under the table and Harbinger [Capital Partners] slapped them on the wrist."—**Lasan Johong**, senior equity analyst at **RBC Capital Markets** in New York, responding to **Calpine's** rejection of an \$11.5 billion takeover bid from NRG. (6/2).

"You're talking hundreds of millions for an alleged pipeline. We don't believe it is the most efficient way. We think it's a far better paradigm for our shareholders to do this organically."—**Michael O'Sullivan**, senior v.p. of development at **FPL Energy**, on the company's preference for developing greenfield wind rather than acquiring projects at a premium. (6/9).

"My wife would shoot me, divorce me and split me into little pieces if I move."—**Jamie Welch**, newly minted head of global energy at **Credit Suisse** in New York, denying his rumored move to London in the wake of his promotion from head of U.S. energy. (6/30).

"There's risk of going out to the market and getting your head handed to you these days. We didn't have to go today, but our view is that there is as much risk to waiting as going now."—**Jeff Holman**, v.p. of finance at **Magellan Midstream Partners** in Tulsa, Okla., on timing a recent senior note issue. (7/18).

"We see a business that's ready to explode. We're building this team to be able to scale up rapidly in the market."—**John O'Donnell**, executive v.p. at solar developer **Ausra** in Palo Alto, Calif., on the company's addition of three team members. (8/11).

"Do you think a group of investment banks is going to know how to build a more environmentally friendly plant than we do?"—**Michael Henderson**, v.p. and cfo at **Arkansas Electric Cooperative Corp.** in Little Rock, on the Carbon Principles banks. (9/1).

"As far as helping us getting us financing, that didn't help."—**Henriëtte Boom**, founder of Dallas-based **WindRosePower**, on attempting to raise funding as a women-owned business. (9/22).

"The time of the highly regimented two-step [auction] process is probably over for a while."—**Edward Sondey**, managing director at **Merrill Lynch**, on the sea change in asset auctions. (9/29).

"The abundance of cheap capital is over."—**Carl Weatherly White**, managing director of debt capital markets at **Barclays Capital** in New York, on the rising cost of tax equity in U.S. markets. (10/13).

"We could have done this anytime we wanted but we thought... There's no telling where these markets will go in October or November."—**Allen Capps**, treasurer of **Spectra Energy** in Houston, on the company's two-tranche bond offering of \$500 million that closed Sept. 3. (9/15).

"You won't talk to a cfo today who isn't a little bit nervous about what's going on."—**Dennis Arriola**, cfo at **San Diego Gas & Electric**, on plans to use commercial paper for construction financing and the freeze in credit markets. (10/20).

"It's a broad [reach] because these days all the fancy money is gone and cash is king."—**David Tatton**, president of **Higher Perpetual Energy**, on approaching a range of private equity investors for the company's 620 MW wind portfolio. (10/27).

"We think the offer is very sweet as it is."—**Christopher Crane**, president and coo of **Exelon Corp.**, on the company's decision not to raise its approximately \$6.2 billion bid for **NRG Energy**. (11/17).

"It's a good time to be with a private equity firm that still has money."—**James Moore**, new chairman of power and alternative energy at **Diamond Castle** in New York and former ceo at **Catamount Energy**. (11/24).

"We had [lenders] standing on line about a year ago... There's no way to finance a wind project now."—**T. Boone Pickens** on the slowdown in traditional lending for renewables projects due to market turmoil. (12/14).

IBERDROLA PLOTS

(continued from page 1)

The plan involves a two-part auction, with non-binding indicative bids being taken in the first stage followed by binding offers in the second, says a spokesman for Iberdrola in London. A financial advisor will be engaged once an auction schedule is finalized. A spokeswoman for the NYPSC in Albany, N.Y., says the earliest the Commission can meet to decide on the submission is Jan. 15.

—Katie Hale

FORMER ENRON

(continued from page 1)

more in the development funding,” says Ramm on Och-Ziff. Kelly notes European utilities as possible partners, but declined to disclose names. “We’re very open in terms of structure,” says Ramm, noting it has not outlined a majority or minority partnership. “The equity markets are changing in North America,” he says, noting they are shifting from project finance and tax equity to balance sheet financing. A call to Rick Lyon, official at Och-Ziff in New York, was not returned.

DKRW is developing 800 MW of wind near Medicine Bow, Wyo., a 300 MW wind project 20 miles north of Gladstone, N.M., and a 130 MW farm along Kibby Mountain, Maine, with TransCanada expected to come online next year. Additionally, it has rights to develop 3 GW of wind in central New Mexico and is developing projects in Nevada and South Dakota.

The sale is expected to close by the end of the second quarter, says Brandt.

—K.H.

FOUNDATION READIES

(continued from page 1)

the investment portfolios of predominantly Asian investors—including royal families, which Robles declined to identify. The foundation’s total endowment will top out around \$2 billion when fully funded next year, he says, citing Bank of America, Citigroup, Credit Suisse, HSBC and Standard Chartered as banks that handle the foundation’s donors.

Through its Christian-based mission, Cross and Crown is required to spend its funds on humanitarian, agricultural or ecological projects. “The reason I like the wind sector is because of the funding. When it’s running, it produces revenue, and when the revenue trickles down into the foundation we can do humanitarian things,” says Robles, who will handle reviewing investments. “We can use those revenues for food, shelter, heat and so forth.”

Robles is looking for fully permitted projects in the U.S. that could potentially be ready to enter construction by March. “I don’t want to put funding in and then we have Joe Governor show up and we have to hand off a couple hundred thousand to this guy,” he says. Particularly of interest are projects on American Indian

Alternating Current

Caroling Coal Lumps Vs. Make-Believe Plants



The battle over clean coal has reached a new frontier on Capitol Hill as supporting lobbyists pit personified caroling coal nuggets against opponents’ tour of an imaginary clean-coal plant.

In efforts to humanize the fossil fuel demonized by environmentalists, the American Coalition for Clean Coal Electricity decked out cartoon lumps of coal with bubbly eyes and choir books in a holiday video on its Web site. The nuggets sing “Frosty the Coal Man, is getting cleaner every day. He’s affordable and adorable and helps workers keep their pay,” in a chipmunk pitch to the tune of “Frosty the Snowman.”

Meanwhile, several environmentalist groups under former Vice President Al Gore’s Reality Coalition have produced a sardonic 30-second ad of a clean-coal plant tour. The YouTube video features a man in a hardhat and clipboard walking through a silent desert landscape, examining dirt. “Machinery is kind of loud, but that’s the sound of clean coal technology,” he shouts into the empty wind.

Legislators are going to be making tough choices in the face of these arsenals of persuasion.

reservations. “You can cut a lot of the red tape when you work with the American Indians,” he adds. The foundation is in the process of hiring engineers and a legal team with experience in the space.

Downstream, the foundation may consider investing in other renewables—including solar, geothermal and waste-to-energy—and may expand outside the U.S. “If we end up global it will be in the Third World area. I won’t be looking to put a wind farm in London.”

—Thomas Rains

Quote Of The Week

“I don’t want to put funding in and then we have Joe Governor show up and we have to hand off a couple hundred thousand to this guy.” —Phillip Robles, principal of Cross and Crown Foundation in Goshen, N.Y., on investing private equity in wind projects ready for construction instead of ones still seeking permits (see story, page 1).

One Year Ago In Power Finance & Risk

Calyon was struggling to close wholesale syndication of \$850 million of acquisition financing supporting Energy Investors Funds’ purchase of Cogenetrix Energy due to buy-side concerns about holding company level debt. [The lender flexed pricing in retail syndication, which closed with commitments from nine banks (PFR, 3/31)].