

Americas Power Deal of the Year: **CPV Sentinel**

Competitive Power Ventures' Sentinel project financing tested the market with a large deal to back a gas-fired project, at US\$795.5m, when that market had largely been dominated by renewable and club deals. The transaction brought together a universe of diverse participants, some of which had not been seen in project finance for a while, to enjoy a robust syndication and spur on a handful of similar transactions.

With almost US\$2bn of commitments received from lenders, interest in the project was so high that the syndicated loan was 2.4 times oversubscribed. As the first thermal deal to come to market and the first to close, the CPV Sentinel financing set new structural and pricing benchmarks that were adopted in subsequent project financings.

The 800MW gas-fired CPV Sentinel power plant will be located in California's Coachella Valley. In its location in an area of heavy wind resource capacity and within the Southern California load pocket, the

project will provide balancing services for California utility Southern California Edison against the existing and new intermittent wind power generation, helping prevent blackouts during extremely hot weather by providing peak power on demand.

The 23-bank term loan facility was led by mandated lead arrangers Bank of Tokyo Mitsubishi UFJ, Royal Bank of Scotland, ING, Natixis and Sumitomo Mitsui Banking Corporation. Bank of Tokyo Mitsubishi UFJ was the largest contributor, providing US\$52.5m. The other four lenders provided US\$52m each. The US\$800m loan was priced at 225bp over Libor.

The deal comprised a US\$635m construction plus 10-year term loan and a US\$160m letter of credit.

The largest shareholder in the Sentinel power plant is Mitsubishi of Japan owning 50%. Competitive Power Ventures and General Electric both own 25% stakes. The CPV Sentinel project will be built



by Gemma Power California. It is scheduled to be completed in the summer of 2013.

The CPV Sentinel project will supply power to the Coachella Valley and Los Angeles Basin under a long-term power purchase agreement with Southern California Edison.

The CPV Sentinel deal proved the market's capacity for large transactions and reopened the broadly syndicated project financing market, which had withered after the Lehman collapse. The project was able to establish a competitive advantage as the first gas-fired project in a string of project finance transactions to come to market in the second quarter of 2011.