

Global Power Report

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Canadian government outlines funding for development of 'clean' energy technologies

The Canadian government has laid out more details on funding for "clean energy technologies" that was part of an economic stimulus package proposed in January.

The C\$1 billion (\$866 million) Clean Energy Fund will provide C\$650 million for large-scale carbon dioxide capture and storage demonstration projects and C\$200 million for smaller-scale demonstration projects in renewable and alternative energy technologies.

It also said there will be some C\$150 million to fund initiatives ranging from basic research to pre-demonstration pilot projects of technologies from next generation renewable and cleaner energy systems to new technologies to address environmental challenges in the Athabasca oil sands in Alberta such as water use and tailings.

The Canadian government also issued an initial request for proposals for the small-scale demonstration component of the program. Lisa Raitt, Minister of Natural Resources, announced the details in a speech at the University of Alberta.

The announcement follows Canadian Minister of Finance

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As the clock ticks down for stimulus spending, power companies wait for clarity on the rules

Despite the speed with which the government wants to act — the American Recovery and Reinvestment Act includes a goal of spending 50% of the \$787 billion allocated by the legislation within 120 days from when it is signed into law — many hurdles and unanswered questions remain, even though more than three-quarters of the 120 days have already passed since the bill was signed on February 17, 2009.

So, despite all the excitement, few if any power projects have benefited from Recovery Act funding. Even looking beyond the hurdles and delays, it is difficult to assess the impact that the act will have on the power sector, and particularly on capital projects, because few power sector allocations come from the direct spending provisions of the act. They flow from tax incentives and from the Department of Energy's loan guarantee program, so their use is subject to several variables, and their ultimate impact in terms of possible projects financed is harder to gauge.

It has been widely reported that the Recovery Act contains \$67 billion in energy sector allocations — some observers put the number as high as \$97 billion — but in terms of capital projects that number is far smaller, about \$18 billion (see sidebar,

(continued on page 3)

PJM considers plan to allow wind generators to make economic bids: Wind at the margin?

The PJM Interconnection is working on a proposal that would put wind generators on equal footing with other generation resources and allow wind to post economically driven bids in the real-time market and set the market price at times.

"We would like to make them [wind generators] economically displaceable," Stu Bresler, vice president of markets, said.

The proposal was put forward by wind generators who approached PJM with the idea to incorporate wind into the dispatch system and allow wind farms to send price signals to the market by submitting economic bids, Bresler said.

The proposal would facilitate PJM redispatch procedures during emergency minimum generation events, when some units need to be curtailed. Currently, wind generators have to indicate to PJM in advance at what price they would like to be curtailed and are not willing to generate any more. If the proposal is approved, it would allow PJM to redispatch all resources, including wind, based on the economic bids they have submitted.

Unlike traditional fuel generators that incur productions

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James Flaherty on January 27 launching a C\$30 billion stimulus package, which he called the Economic Action Plan.

The EAP involves nearly C\$12 billion in spending on infrastructure and about C\$2.4 billion "to support a cleaner and more sustainable environment and help meet Canada's climate change objectives."

The infrastructure funds will be spent on roads, bridges, broadband Internet access, electronic health records, laboratories and border crossings across the country, the minister said in January.

Presenting the minority Conservative government's 2009 budget in late January, Flaherty promised to "protect Canadians in this extraordinary time" and "inject what is necessary to protect our economic future." — *Keiron Greenhalgh*

As the clock ticks for stimulus spending, power executives wait for the rules ... from page 1

page 6). However, there is a great deal more, as much as \$110 billion in loan authority and as much as \$15 billion in tax incentives, that is available for the power sector. So when they think of capital projects, that is where power company executives are putting their focus.

Power companies have, in fact, already begun to line up to take advantage of the tax breaks and loan guarantees. In the last couple of weeks executives at FPL Group, Invenergy, BrightSource Energy and Ormat have all spoken publicly about their plans to use Recovery Act funding.

During a recent earnings call, Armando Pimentel, FPL Group vice president and CFO, said that NextEra Energy Resources, FPL's unregulated unit, plans to bring more than 1,000 MW of wind capacity online in 2009 and to use convertible investment tax credits on 600 MW to 700 MW of that total.

The Recovery Act allows developers to elect to use the Investment Tax Credit instead of the Production Tax Credit as a means of addressing the steep decline in wind farm installations since the recession hit.

The recession dried up earnings, and without earnings tax credits have no use. To address that situation, the Recovery Act also allows developers to take a cash grant in lieu of the ITC. The cash grant is for 30% of a project's cost and is payable by the Treasury Department within 60 days of the application date or the in-service date of the project. Which trigger date will be used has not yet been determined.

Pimentel also said NextEra would likely use the cash grant for about two-thirds of the 1,000 to 2,000 MW of new wind capacity it expects to bring online in 2010 and on up to two-thirds of the wind capacity the company plans to add in 2011, though he did not specify how much capacity the company anticipates bringing online in 2011.

For a typical 100-MW, \$200 million wind project the cash grants would total \$60 million, he said. The grant "gives you a whole heck of a lot of certainty when it comes to cash ... It's a big, big amount for us," Pimentel said, noting that 30% of the \$1.4 billion cost of 700 MW of wind capacity amounts to several hundred million dollars that "would be coming back to us within the next 12 months or so."

Invenergy CEO Michael Polsky has said he expects his company's planned 110-Grand Ridge in LaSalle County, Illinois, to be one of the first wind projects to benefit from the cash grant.

BrightSource recently said it has applied to the DOE for loan guarantees to support its solar thermal projects (*see story, page 17*). And Ormat Technologies has said that it plans to seek stimulus funding to proceed with its build-out of geothermal power projects.

Keith Martin, a partner with the law firm of Chadbourne & Parke says he expects the cash grant provisions will attract between three and five thousand applications. But he wonders whether or not the Treasury Department will be able to handle those applications without a staff dedicated to the task.

In addition, Treasury has yet to write the rules to implement the cash grant program; they are not expected until July. And while one provision of the Recovery Act gives cash grants, another takes away tax benefits.

The act stipulates that recipients of cash grants can only use 85% of the accelerated depreciation associated with a project. So developers and their bankers are trying to devise ways to monetize the remaining 15% that would otherwise be left on the table.

The loan guarantee program is potentially even more problematic. The DOE has yet to issue the rules for the loan guarantee program and some observers, Chadbourne's Martin for example, wonder if the DOE will be able to manage an expected flood of applications when they only have 16 people and 14 outside contractors to handle those applications.

In addition, the loan guarantee program has ties to an existing program, and that creates further confusion and complications.

Under the Recovery Act there is a \$6 billion allocation for innovative loan guarantees, that is, the \$6 billion is designated to supplement the DOE's existing loan guarantee program. Despite the fact that the old program was created by the Energy Policy Act of 2005, the DOE has yet to issue a single guarantee under the old, or innovative, program.

A \$535 million loan guarantee to Solyndra for a solar power manufacturing facility that was recently announced by the DOE was issued under the new program for "technical reasons," according to the DOE. But it also has not yet been finalized. Solyndra is struggling to come up with the equity it must put up under the terms of the guarantee program.

There are many reasons why DOE has not been able to issue a single guarantee under its loan guarantee program. For one, it

Quote of the Week...

"I don't give up easily. We have no reason to give up," — Exelon President and CEO John Rowe, talking about plans to sue NRG Energy if its shareholders do not meet soon to consider his company's \$6 billion hostile takeover bid (see story, page 8).

did not have enough staff or the right kind of staff to evaluate the applications. It also took a long time for the DOE to issue the rules. There was also the problem of the “credit subsidy costs,” which is basically a premium that has to be paid against the possibility that a project guaranteed under the program might default on a guaranteed loan.

Companies applying for a loan guarantee under the old program are required to pay that subsidy cost upfront, which created a barrier that was particularly hard to overcome for the very type of innovative, pre-commercial technologies that the program was designed to fund, namely, nuclear power plants, uranium enrichment techniques, advanced renewables and carbon capture or clean coal technologies.

To address that problem, the Recovery Act allocated the \$6 billion to cover those costs. The Recovery Act also added three new categories to the old program — renewable energy (including manufacturing facilities), power transmission upgrades, and biofuel systems — and it stipulated that the funding should go to cover the quick implementation of commercial technologies.

Because the \$6 billion from the Recovery Act is covering the credit subsidy costs, there is leverage that could extend the impact of the new loan program. DOE uses a multiplier of 10 times, which is based on the cost of the credit subsidies under the old program. So DOE is estimating that the \$6 billion of Recovery Act funding could cover \$60 billion of loans. But since the new Recovery Act loan program is for commercial, not innovative, technologies the loans might not be as risky, and the costs of the credit subsidies could be lower. So some bankers say that the \$6 billion could go even further and cover as much as \$120 billion in loans.

“The effect remains to be seen, but could be huge ... there could be more financing than projects available to use it,” said Kenneth Hansen, a partner with Chadbourne & Parke.

But the DOE could still have trouble getting the loans out the door. That could be remedied by a draft proposal under which DOE would form partnerships with commercial banks that would write the loans. The details of that proposal have not yet been worked out, but they are in line with Secretary of Energy Steven Chu’s comments. Since he was confirmed in January, Chu has said that he is committed to fixing the problems that have plagued the loan guarantee program in the past.

Among the measures that he is pushing are rolling appraisals of applications, streamlining and simplifying the loan application form and, as mentioned, accelerating the underwriting process by using outside partners.

One of the financiers trying to work out a solution to these problems is Kevin Walsh, managing director and head of GE Energy Financial Services’ renewable energy team. In an interview, Walsh said he was looking at a variety of structures that would enable deals to close using the tools available under the Recovery Act.

One possibility some companies are looking at, particularly deep pocketed companies that have the ability to put equity into a project from the start, would be to use the cash grant, or the prospect of a cash grant, as the basis for a bridge loan from a commercial bank. Alternatively, the prospect of securing a

DOE loan guarantee could be used for a bridge financing. Either scenario would allow projects to move forward.

These schemes would mean that the DOE loan guarantee would, in effect, become take-out financing. The problem, however, is that it raises questions at DOE: Why would a developer merit government assistance if they are able to put together private market financing? Those concerns are still being addressed, said Walsh.

In the background of all of these machinations is the fact that the Recovery Act is a temporary measure. It is meant to provide a quick stimulus to the economy and, as such, many of its provisions have sunset dates.

The PTC and ITC for wind power projects expires at year-end 2012, for instance. For geothermal, biomass and other types of renewable energy projects the expiration date is year-end 2013. Developers seeking to use the cash in lieu program need to have their projects in service by December 31, 2010. And the DOE’s \$6 billion of loan authority granted under the Recovery Act goes away after September 30, 2011.

The head of one power company, who requested anonymity because of the politically sensitive nature of stimulus issues, said that while the Recovery Act has some good provisions that could provide real benefits, it fails to address some of the real-world problems that developers are actually facing.

For instance, he said that there are several projects that are facing delays because they cannot start construction until interconnection upgrades are completed. That could engender further delays in ordering equipment and securing capital, which could result in a project missing the in-construction or in-service deadlines stipulated in the Recovery Act.

In a similar vein, some project sponsors are facing delays in securing power purchase agreements because the pricing does not reflect potential renewable portfolio standard requirements. In addition, as wind and solar projects become more widespread they are facing more complex and time-consuming permitting requirements.

He said his concerns about timing also apply to transmission projects. The permitting and regulatory processes for power lines, even with the push of existing federal legislation, take many years by which time stimulus funding deadlines could expire.

To some extent, however, transmission projects stand to be one of the few areas on the power sector that stand to receive direct cash infusions from the Recovery Act. There is \$6.5 billion of loan authority in the act allocated for the Western Area Power Administration and Bonneville Power Administration.

WAPA says it is going to use its new loan authority to build transmission lines to connect renewable resources to its grid. The agency sent out requests for interest in March and has received 150 proposals. It is looking to make awards in June.

BPA is also the beneficiary of \$3.25 billion of loan authority from the Recovery Act. It intends to use at least some of that credit capacity to fund transmission projects and has designated \$246 million for the already permitted McNary-John Day transmission project along the Columbia River.

BPA also hopes to be able to use some of its stimulus funding to support three other transmission projects that do

not yet have permits: the 28-mile, 500-kV, \$115 million Big Eddy-Substation that would run from Goldendale, Washington, to The Dalles, Oregon; the 500-kV, \$342 million I-5 reinforcement that would begin near Castle Rock, Washington, and end near Troutdale or Oregon City, Oregon, and be up to 90 miles long, and the \$99 million Little Goose project, a 500-kV, 40-mile line in eastern Washington.

But the costs of many of the transmission projects that have cropped up over the past several years dwarf the funds available from the Recovery Act.

Jerry Bloom, a partner with the law firm of Winston & Strawn, noted that one utility, Southern California Edison, is requesting \$12 billion for a single transmission project. In light of the scope of that project, he asked if there will be enough funding available through the Recovery Act to make a dent in utilities' transmission plans? Probably not, he said.

In addition, some utility executives are not interested in taking stimulus funding for transmission projects. Last month Michael Morris, president and CEO of American Electric Power, said, "The federal government is a terrible partner." If AEP can secure regulatory approvals for its transmission projects, it can fund them with private sector money, he said.

AEP is, however, looking at using some Recovery Act funds for energy efficiency measures. Specifically, the company is looking at using stimulus funding for weatherization projects as those funds are funneled through state governments and become available.

Similarly Duke Energy also is looking at using Recovery Act funding for energy efficiency projects as the money begins flowing through the states. In particular, Keith Trent, a group executive and Duke's chief strategy policy and regulatory officer, said the company is looking at a way to match the money it puts up for its Ohio Save-a-Watt program with stimulus funds in order to extend the reach of the program.

Duke is also looking at Recovery Act funding to help it implement some of its smart grid plans. Trent's biggest concern, though, is that the \$20 million "bites" allocated by DOE would not do very much good. "It's like putting a micrometer of peanut butter on a sandwich; you can't even taste it."

Since that interview, the DOE on May 18 raised the cap on smart grid grants to \$200 million.

Trent also said Duke might look at Recovery Act funding, in the form of tax incentives, for some of the renewable energy projects it plans to develop.

In general, utility executives agree that the biggest stimulus will come not from the Recovery Act per se, but from a combination of stimulus funding and the demand pull of legislation that is now being debated in Washington, particularly climate change legislation that could include measures such as a national renewable energy portfolio standard. Many of those executives are now in the process of "whittling down the process" and gathering information so that "they are ahead of the game when the rules become clear," said Elliot Roseman, a vice president with ICF International.

Despite the uncertainty and the all the unknowns and issues still to be resolved around the Recovery Act funding for power

projects, some analysts have ventured to estimate the act's possible effects on the power sector.

The Energy Information Administration of the DOE estimates that by 2012 wind generation will be twice what it would have been without the stimulative effect of the Recovery Act. EIA also estimates that there could be 201 billion kWh of wind generation by 2012, compared with an estimated 53 billion kWh in 2008.

Other renewable technologies are also expected to benefit from the Recovery Act, according to EIA. It projects that geothermal capacity will be 16% greater by 2013 than it would have been without the Recovery Act, which translates into 3 GW of installed capacity compared with 2.6 GW without the stimulus. EIA also estimates that biomass capacity will be 18% higher by 2030 than it would have been without the stimulus of the Recovery Act.

Jean-Louis Poirier, senior strategist at GF Energy, estimates that there could be as much as 10 GW to 12 GW of wind development spurred by the Recovery Act. There could also be a similar, though smaller, effect on large solar power projects, he said.

But the Recovery Act's effect on larger scale technologies will be smaller and more delayed than the effect on wind development, said Poirier. The act is likely to add only about 3 GW to 5 GW of IGCC plants and not until 2017 or 2018. There could also be benefits to a nuclear build-out, with 11 GW to 12 GW in place by 2020, said Poirier.

Looking further out, however, there could be some demand destruction stemming from the Recovery Act. Poirier estimates that the energy efficiency and smart grid (energy reliability and delivery) allocations in the Recovery Act could add as much as 35 GW to 70 GW of demand management and distributed generation resources to the grid by 2020. The net effect could be that peak demand could be reduced by 3% to 6%.

However, he sees less of a significant impact from the \$5 billion allocated in the act for weatherization programs. The effect of those programs, which mostly affect heating, would be negligible, he estimated, maybe 300-600 million kWh in reduced annual consumption by 2013 or 2015, or less than \$100 million a year out of a total utility revenue base that is well over \$300 billion. — *Peter Maloney*

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How much of the \$787 billion is for me?

The American Recovery and Reinvestment Act, a.k.a. the Recovery Act or the stimulus bill, was signed into law on February 17. It allocates \$787 billion for a wide variety of sectors and purposes. There could be as much as \$97 billion for energy related initiatives, but it all depends on how the pie is sliced and who is slicing it.

It might seem like a simple exercise to determine how much money is allocated for energy-related projects, but in fact there are a variety of judgment calls involved. For instance, should allocations for public transit systems be considered energy-related because they reduce emissions by reducing other forms of energy use?

Even the government web site, recovery.gov, has two different views. By category it lists \$43 billion of energy-related allocations, but if the tax benefits are apportioned to the various industries and sectors, it gives a number of \$65 billion.

In fact, going through the Recovery Act and pulling out all energy-related items yields nearly \$81 billion in allocations. But a harder look yields a much different, and lower, number.

Most of the energy-related direct spending allocations of the Recovery Act are found in Title IV, which is the energy and water title. But to arrive at energy-only allocations in that title, subtract Department of Defense allocations for water related environmental infrastructure and Department of the Interior allocations for water resources and then remove environmental cleanup and uranium enrichment from the Dept. of Energy allocations, to arrive at \$39.2 billion (*see table, Title IV*).

In another example, the Congressional Research Service analyzed the \$4.5 billion set aside under Title III for the Department of Defense to “improve, repair modernize and invest in energy efficiency” at the DOD’s 498,000 buildings and structures and estimated that only \$300 million of the \$4.5 billion is specifically allocated for energy projects.

Applying that same analysis to the entire act, the CRS came up with a long list of non-specific allocations. Most of them fall

under the broad heading of energy efficiency, and most include language such as “including energy projects” or “investments in energy efficiency” or “energy efficient retrofits” or “to address green infrastructure,” all of which seem to leave ample room for interpretation.

Subtracting out those non-specific allocations, the CRS comes up with \$45.2 billion of specific energy-related allocations. Those are all direct spending allocations. Add to that \$22 billion of tax incentives, as scored by the Joint Committee on Taxation, and the total of specific energy-related allocations is \$67 billion.

However, an even closer look at the numbers yields another, and even lower, number.

If the exercise is to try to determine how much funding is available for the kind of projects that electric power companies undertake, one should take out the \$300 million for the purchase of energy efficient vehicles included in the \$4.8 billion allocated to the General Services Administration under Title V.

Likewise the \$538 million for training allocated to the Department of Labor would also come out, as would \$100 million of Federal Transit Administration (Department of Transportation) grants for emissions reductions. That brings the total of energy-related direct spending to \$44.3 billion (*see table, All energy-only ARRA allocations, page 7*).

Using the same reasoning, some items under Title IV should be eliminated. For instance, allocations for research into advanced batteries for electric cars, \$2 billion for the Alternative Fueled Vehicles Pilot Grant Program, as well as allocations for energy star appliances, training, uranium enrichment, O&M expenses and administrative costs would all be eliminated. As a result, the original \$39 billion becomes about \$36 billion (*see table, Title IV allocations with exclusions, page 7*).

The remaining \$36 billion of allocations are all pretty solidly related to electric power, but it is useful to further analyze the allocations.

The largest portion of the allocation in Title IV are for energy efficiency. That includes allocations for energy efficiency

Title IV - Energy and Water Development

Agency	\$M	Purpose	less non-energy allocations (\$M)
Dept of Defense	4,800	construction, water related environmental infrastructure	
Dept of the Interior	1,000	water and related resources	
Dept. of Energy	16,800	Energy efficiency and renewable energy	16,800
	4,500	electricity delivery and energy reliability	4,500
	3,400	fossil energy research and development	3,400
	483	non-defense environmental cleanup	
	390	uranium enrichment decontamination and decommissioning fund	
	1,600	science	1,600
	400	advanced research projects agency	400
	6,000	innovative technology loan guarantee program	6,000
	15	inspector general	15
	5,127	defense environmental cleanup	
	10	WAPA O&M	10
	3,250	borrowing authority for BPA transmission	3,250
	3,250	borrowing authority for WAPA transmission	3,250
Totals	51,025		39,225

All energy-only ARRA allocations

Title	Agency	Sector	\$M	less exclusions (\$M)
Title III	Department of Defense	energy efficiency	300	300
Title IV	Department of Energy	various	39,225	39,225
Title V	General Services Admin.	energy efficiency	4,800	4,500
Title VII	Dept. of the Interior, EPA	energy efficiency	300	300
Title VIII	Depts. of Labor	training	538	
Title X	DOD, Veterans Affairs	construction/housing	ns	ns
Title XII	Dept. of Transportation, HUD	transportation	100	
Title XIV	Dept. of Educ.	construction/housing	ns	ns
Totals			45,263	44,325

Source: Congressional Research Service

and conservation block grants — designated for things such as strategic planning, consultant services and energy audits — and totaling \$3.2 billion.

There is also \$5 billion earmarked the weatherization assistance program, which is designed to support things such as insulation, energy efficient windows and water heaters. And there is \$3.1 billion for state energy programs that are linked to decoupling. In all, those items represent \$11.2 billion in allocations. Some of those allocations will go to electric utilities, but little if any of it is designed to support capital projects.

There is also \$4.3 billion allocated for electricity delivery and energy reliability, which is widely speaking grid modernization and technologies such as electricity storage or, in a phrase, smart grid. It is a phrase that means many things to many people: meters, batteries, distribution build-out. Again a

lot of that money could go to utilities, but it is not likely to be spent on large capital projects.

And there is \$2 billion for science and advanced research project funding. This supports academic research including facilities such as the Lawrence Berkeley National Laboratory and the National Renewable Energy Laboratory. Their research is headed in a commercial direction, but in most cases is not yet commercial.

If those items are removed, it leaves about \$18 billion of direct-spend allocations for energy-related capital projects (*see table, Title IV allocations, capital projects only, below*).

That \$18 billion falls into two categories: research and development and loan authority. The R&D allocations come from two different DOE offices, Energy Efficiency and Fossil Energy. Under Energy Efficiency there is \$2.5 billion slated for R&D, of which \$800 million is for biomass and \$400 million is for geothermal power research.

DOE's Office of Fossil Energy has been allocated \$3.4 billion, of which \$1 billion has been set aside for FutureGen, \$800 million is set side for the Clean Coal Power Initiative and \$1.52 is allocated for industrial carbon capture and storage and smaller amounts totaling \$160 million have been set aside for CCS related research and projects.

Two parts of the loan authority allocations are

Title IV allocations with exclusions (*italicized*)

Purpose	\$M	sub \$M
Energy efficiency and renewable energy	16,800	
Energy efficiency block grants		3,200
Weatherization assistance		5,000
State energy programs		3,100
Research and development		2,500
Advanced batteries		2,000
Alternative Fueled Vehicles Pilot Grant Program		300
Transportation Electrification		400
Energy Efficient Appliance rebate program		300
Electricity delivery and energy reliability	4,500	
Training		100
Resource assessment, transmission demand requirements		80
Section 1305 of Public law 110-140		10
Fossil energy research and development	3,400	
Uranium enrichment		70
Science	1,600	
Advanced research projects agency	400	
Innovative technology loan guarantee program	6,000	
Inspector general	15	
WAPA O&M	10	
Borrowing authority for BPA transmission	3,250	
Borrowing authority for WAPA transmission	3,250	
Total	39,225	
Total less exclusions (<i>italicized</i>)	35,940	

Title IV allocations, capital projects only

Purpose	\$M	sub \$M
Energy efficiency and renewable energy	13,800	
energy efficiency block grants		3,200
weatherization assistance		5,000
state energy programs		3,100
research and development		2,500
electricity delivery and energy reliability	4,310	
fossil energy research and development	3,330	
science	1,600	
advanced research projects agency	400	
innovative technology loan guarantee program	6,000	
borrowing authority for BPA transmission	3,250	
borrowing authority for WAPA transmission	3,250	
Total	35,940	
Total less exclusions (<i>italicized</i>)	18,330	

Tax scoring, ARRA energy tax incentives

Incentive	\$M	less exclusions (\$M)
Extension of the Production Tax Credit	13,143	13,143
Investment Tax Credit in lieu of PTC	285	285
Cash grant in lieu of ITC	5	5
Repeal of limitations for small wind farms	604	604
Coordination with renewable energy grants	5	5
Increased limits for Clean Renewable Energy Bonds	578	578
New limit on CREBs (\$1.6B)	803	803
Extension and modification of credit for nonbusiness energy property	2,304	
Modification of credit for residential energy efficient property	268	
Temporary increase in credit for alternative fuel vehicle refueling property	54	
Various credits for plug-in electric vehicles	2,002	
Increased exclusion amount for commuter transit benefits and transit passes	192	
Credit for investment in advanced energy property (manufacturing)	1600	
Total	21,843	
Total less non-capital project exclusions (italicized)		15,423

Source: Joint Committee on Taxation

straightforward. The Western Area Power Administration and Bonneville Power Administration each have been allocated \$3.25 billion of loan authority. And there is \$6 billion allocated for the DOE's innovative loan guarantee program (*see story, page 1*).

That leaves one final part of the puzzle: tax incentives. The total number is \$22 billion, according to Joint Committee on Taxation, but that includes a lot of provisions for electric cars and for the deployment of residential renewable energy systems such as rebates for solar water heaters. Take those out and the total is \$15.4 billion (*see table, Tax scoring, above*).

Combining the direct-spend provisions with the tax incentives yields total allocations available under the Recovery Act for energy-related capital projects of \$33.7 billion.

If the \$11.3 billion of energy efficiency allocations are added back in, the total is \$45 billion, with smart grid allocations added back in, the total is \$49.5 billion. — *Peter Maloney*

COMPANY NEWS**Exelon would sue NRG if shareholders fail to schedule meeting, says CEO Rowe**

Exelon President and CEO John Rowe plans to sue NRG Energy if its shareholders do not meet soon to consider his company's roughly \$6 billion hostile takeover bid.

Speaking with reporters after an address to The National Press Club in Washington last week, Rowe said, "They will

[meet] sooner or later. We will file suit if we have to, to see that it happens."

Chicago-based Exelon began its pursuit of the independent power producer last fall but has been rebuffed repeatedly. "I don't give up easily. We have no reason to give up," Rowe said.

To advance his pursuit, Rowe needs to meet with NRG shareholders, which he has been unable to do because NRG has refused to call a meeting. Exelon has said that more than 50% of NRG shareholders have replied positively to the buyout offer.

NRG CEO David Crane though has said his understanding is the company is not obligated to hold the annual meeting by a certain date, but shareholders can petition in court to set a date if the meeting is not held in the 13 months from the last meeting, which was May 14, 2008.

Rowe also has been trying for months to expand NRG's board of directors to include what he calls independent candidates, presumably who would be more amenable to an Exelon takeover.

Rowe said in Exelon's preliminary proxy statement to the Securities and Exchange Commission on the 2009 annual meeting of the shareholders that "We believe approval of the Exelon proposals will establish an NRG Board that is more likely to act in your best interests and will send a strong message to the NRG Board to constructively engage with Exelon regarding the [exchange offer]."

During his address to the NPC, Rowe said "If we don't succeed on NRG, although I surely think we will, we will keep looking at other attractive opportunities to build a value-added expansion to our generation footprint." Rowe would not expound on the utilities he might have in his minds eye. He said NRG is all the more attractive though because the Department of Energy will likely award the IPP with a loan guarantee for a new nuclear power project. — *Staff Report*

FINANCE**Calpine raises \$955 mil through bond issue, as power sector financial activity picks up**

Calpine and at least four utility holding companies went to the capital markets last week to refinance debt and in aggregate raised \$2.725 billion.

Late on May 12, Calpine said one of its subsidiaries, Calpine Construction Finance, sold \$1 billion of seven-year notes to investors at a discounted price of 95.488 cents on the dollar, raising just under \$955 million. Calpine went into the market originally to raise \$800 million, but found the issue oversubscribed by investors seeking higher yields.

The CCFC notes were priced to yield 8.875% or 630 basis points over the seven-year, 2.575% benchmark Treasury note.

The notes are non-callable for four years. Standard & Poor's assigned them a rating of BB- while Moody's Investors Service rated them B1.

S&P and Platts are both units of The McGraw-Hill Companies. The CCFC debt was secured by assets CCFC owns, including