

# Astoria Energy II

---

**Tom Bowker**

12/02/2010

The deals that got done last year were the deals that had to get done - and the Astoria II gas-fired deal was done not a moment too soon to keep the lights on in New York City.

The project sponsors went to market with a determination to get it financed by hook or by crook - and wound up pulling in sufficient financing from the bank market, albeit on a hard mini-perm structure [\[Transactions Database\]](#) in Connecticut.

That deal, however, was just a third of the size of Astoria II. Here IJ Power Reporter Tom Bowker analyses the biggest greenfield project financing to close in the US power sector last year.

## The project

Astoria Energy II will be a sister plant to the already-existing Phase I plant - with both phases having a capacity of 575MW. As with Phase I, Astoria II will be an efficient CCGT plant.

The plants are located in Queens, New York City, with the sole offtaker the New York Power Authority. Its customers are government entities in the city, including the school system, hospitals, and the Metropolitan Transit Authority's underground and commuter trains.

The project is owned by Astoria Energy Partners, whose ownership breaks down as follows:

- EIF Group - 36 per cent
- GDF Suez - 30 per cent
- SNC Lavalin - 20 per cent
- JEMB Realty - 14 per cent

This power plant will replace the 885MW Charles Poletti power plant which shuts down in 2010. The plant is being constructed by a consortium led by project shareholder SNC Lavalin, under an EPCM contract rather than a fixed-price, date certain EPC contract.

Power demand in New York City continues to grow at around 150MW per year, but legal restrictions make it a challenge to meet that - and make the Astoria power plants all the more important.

The State of New York requires that 80 per cent of NYC's peak power demand be met by power plants within New York's five boroughs. However, New York City has limited availability of suitable sites and water access - and the lapsing of a siting law in 2002 has since made it almost impossible to develop new power generation in New York City.

## The financing

The Astoria II deal went out to banks in January 2009 from the project sponsor, Astoria Energy Partners, and its financial adviser and lead bank, Natixis. The two were well aware that for the deal to attract lenders, they would have to get creative with the structure - and pay post-credit crunch prices for the debt.

The deal was offered to banks with a seven-year tenor, with Natixis showing the way by committing to a US\$150 million ticket. It then went to the market to bookbuild the US\$1.1 billion required, offering Joint Lead Arranger (JLA) status to banks willing to come in with US\$100-150 million to lend.

Pricing, while yet to be finalised, was on an understanding that it would be 300+ basis points above Libor.

Three banks joined at this stage: Calyon (now Credit Agricole CIB), Export Development Canada (EDC), and WestLB. With the sponsors considering a bond issue if the bank market failed to fill the debt requirement, Natixis headed back to the banks offering smaller tickets.

With the original four having taken out half of the debt requirement, Societe Generale joined as JLA - as did Bank of Tokyo Mitsubishi and Union Bank, albeit with smaller tickets.

By June 2009, bookbuilding closed with a total of US\$1.023 billion committed - with a further five participant banks coming in with sub-US\$100 million tickets. The sponsor upped its equity portion from its planned US\$400 million, to US\$482 million, to plug the gap.

The full line-up of 13 lenders ended up as follows:

- Natixis - JLA - US\$116.32m
- Calyon - JLA - US\$116.32m
- EDC - JLA - US\$116.32m
- WestLB - JLA - US\$116.32m
- Societe Generale - JLA - US\$116.32m
- BTMU - JLA - US\$58m
- Union Bank - JLA - US\$58m
- Banco Santander - participant bank - US\$75m
- BayernLB - participant bank - US\$75m
- Helaba - participant bank - US\$75m
- CIC - participant bank - US\$50m
- Bank of America - participant bank - US\$25m
- BNP Paribas - participant bank - US\$25m

The lending covered three, seven-year facilities:

- term loan - US\$913.2m
- LOC facility - US\$57.5m
- revolver - US\$52.21m

All lending was priced to start at 300bp over Libor, and ratchet up 37.5bp every two years from drawdown.

The base case is to fully amortize over the 20-year tolling agreement signed with the New York Power Authority, but the seven-year mini-perm is hard, with a 90 per cent balloon after year seven.

## Conclusion

The Astoria II project financing deserves credit for battling through to financial close in the very crucible of the credit crunch last year. Raising more than US\$1 billion, albeit on medium-term tenors, when banks had very little to lend means it was an attractive deal for those holding the purse strings.

Indeed since close, the project sponsors have [announced](#) an expansion in the plant's capacity - re-affirming the need for this project's output in the market it will serve, surely the ultimate test of a bankable deal.

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-up](http://www.ijglobal.com/sign-up), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*