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Hudson Transmission Line, USA

When Hudson Transmission Partners (HTP) reached financial close for the Hudson Transmission line HTP's chief executive, Ed Stern, said: "Closing financing and issuing notice to proceed represents almost six years of effort in conceiving the project, obtaining key permits, acquiring real estate rights, and negotiating major agreements." And he was not kidding.

The project had originally been brought to tender in 2005 and awarded the following year. However, a series of delays mostly pertaining to permits led investors through a lengthy process that made financial close seem almost unobtainable. In the end their persistence paid off.

It wasn't until New York Governor Andrew Cuomo came into office last year that the project gained the necessary impetus to actually reach the finish line proving once and for all that public support from a key champion may make or break a deal in the US.

Project History

In March 2005, the New York Power Authority (NYPA) issued a request for proposals (RFP) for up to 500 megawatts of in-city capacity for its New York City governmental customers.

On 28 November 2006 the NYPA announced that HTP had been awarded the project. The winning proposal to construct a transmission line connecting New York City to a New Jersey power plant was submitted jointly by Hudson Transmission Partners and FPL Energy. However, the project did not go forward at the time.

In 2009, NYPA revived the project and HTP was selected to develop a revised transmission project. In September 2010, the Public Service Commission approved the HTP proposal to connect New York City's power grid to New Jersey's via a seven mile long cable under the Hudson River, which would connect the Authority's New York City municipal customers to PJM Interconnection.

But before the project reached financial close, it was extensively reviewed by federal, state, and local government agencies, which made the process lengthier than normal. However, HTP obtained all major permits including:

- New Jersey Department of Environmental Protection Waterfront Development and associated Permits
- New Jersey Meadowlands Commission (NJMC) Permit
- New York Article VII Certificate of Environmental Compatibility and Public Need
- US Army Corps of Engineers (ACOE) Permit

In addition to these major permits, HTP executed interconnection agreements with PJM Interconnection, the organization responsible for managing the wholesale electric grid for 13 states and the District of Columbia and is located in New Jersey and with the New York Independent System Operator (NYISO).

Project Description

The Hudson Transmission project is a 660MW electric transmission link between New York City and PJM Interconnection. While its main purpose is to provide a new source of electric power for the New York City customers of the NYPA, implementation of the project will also include upgrades and reinforcements to the transmission system in New Jersey.

The Hudson cable will be entirely underground and underwater, using high voltage direct current (HVDC) technology. The route begins in Ridgefield, New Jersey, the site of a new converter station, where it will interconnect with the PJM system at a PSE&G substation. The line will follow existing railroad rights-of-way, through an inactive railroad tunnel to the edge of the Hudson River in Edgewater. It will then be buried beneath the Hudson for approximately three miles to a landfall point near Pier 92 in Manhattan. The final stretch of cable will be routed beneath the West Side Highway and ultimately into the ConEdison W. 49th Street Substation.

Financing Structure

In May 2011 HTP reached close on the US$850 million project. Equity for the project was provided 50/50 by private equity funds managed by Energy Investors Funds and Starwood Energy Group Global. However, Hudson Transmission is a joint venture of Hudson Power Ventures, Anabaric Hudson, and Triton Partners.

Debt financing was provided by a consortium of institutional investors through a private placement arranged by SG Americas Securities, and RBS Securities. Equity was US$150 million and debt was US$700 million leading to a D/E ratio of 82:18. The privately placed transaction has a 22.5-year final tenor and an 11-year average maturity.

According to press reports the placement had a spread of 210 bps above US Treasuries. The senior note debt was funded in seven instalments over an 18 month period after financial close. Price talk on the bond issue was between 220 bps and 220 bps above US Treasuries.

In conjunction with the closing HTP issued a notice to proceed to contractors, Siemens and Prysmian Cables. The total contract value for the consortium of Siemens and Prysmian was approximately US$400 million. Siemens' scope of supply includes the open- and closed-loop controls for the HVDC system, the thyristor valves, eight converter transformers and the AC filters, as well as operation and maintenance for five years.

Prysmian cables alone announced the following day from the financial close that it had secured a US$175 million contract to design, supply and install a 345 kV High Voltage Alternate Current (HVAC) land and submarine transmission line to run along a total route of approximately 7.5 miles (13 km) to transfer 660 MW of existing power from the transmission grid.

Completion of the project is scheduled for the summer of 2013. Environmental Consulting & Engineering Services ESS Group advised the consortium through the process. As a result the Hudson project will be developed by largely the same team that was responsible for the 660MW undersea and underground Neptune Regional Transmission cable [Projects Database(http://www.ijonline.com/transaction/10009)] between New Jersey and Long Island, which was completed in 2007.

HTP also stated that the NYPA agreed to purchase an initial allocation of 75 per cent of the 660MW of transmission capacity for a term of 20 years. The rest would be allocated to anchor customers.

PROJECT SNAPSHOT

Hudson Transmission Line

Project Type:	Greenfield
Project Sub-Type:	New
Capacity:	0.00
Current Stage:	In Development
Value:	