



STEELRIVER
INFRASTRUCTURE PARTNERS

An Introduction to Trans Bay Cable

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Trans Bay Cable

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Q & A

SteelRiver Infrastructure Partners

Dedicated, Long-Term Sponsor Focused on Infrastructure Investments

Key Characteristics	<ul style="list-style-type: none"> - Manages Core Infrastructure Fund for US and Canada - 20-year term from final closing with 3-year initial investment period - Focus on controlling positions
Fundraising	<ul style="list-style-type: none"> - First close in October 2007 and final close completed in October 2008 - \$1.9 billion raised
Investments	<ul style="list-style-type: none"> - 65% of total capital invested and approximately 70% committed - Investments include 80% interest in Natural Gas Pipeline Co of America⁽¹⁾, 100% interest in Peoples Natural Gas Company, 100% interest (pending) in TW Phillips Gas and Oil Co. and 100% interest in ICS Logistics
Investment Profile	<ul style="list-style-type: none"> - Core infrastructure assets for the long term that provide essential services, exhibit stable cash flows, present and are often regulated - Target sectors include gas and electricity, transport, rail, water, ports and other concession-based assets
Management	<ul style="list-style-type: none"> - Experienced management team, focused on proactive asset management, achieved through constant strategic dialogue with portfolio companies - Established by the former management team of Babcock & Brown Infrastructure Fund North America (“BBIFNA”) - SteelRiver partnered with John Hancock Life Insurance Company to execute a management buyout of B&B’s LP and GP interest in BBIFNA in May of 2009

1. SteelRiver manages co-investment consortium.

Investment Focus

ENERGY	PORTS / RAIL	WATER	ROADS / SOCIAL
<p>INVESTMENT NEEDS</p> <ul style="list-style-type: none"> - Approximately \$75bn annually of new investment required - Aging infrastructure, bottlenecks, demand growth, environmental standards 	<p>INVESTMENT NEEDS</p> <ul style="list-style-type: none"> - Approximately \$16bn annually of new investment required - Limited public funding, increased demand for lower cost capital in the private sector. Development of intermodal traffic 	<p>INVESTMENT NEEDS</p> <ul style="list-style-type: none"> - Approximately \$150bn annually of new investment required - Very old infrastructure, urban and suburban population growth out-pacing capacity growth, migration 	<p>INVESTMENT NEEDS</p> <ul style="list-style-type: none"> - Approximately \$75bn annually of new investment required - Limited public funding, high profile private transactions in the form of concessions
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - M&A activity due to legislative changes and refocus of existing companies on core businesses - Opportunities to develop in contracted generation and transmission 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Acquisition of ports and related assets - Development of existing ports - Intermodal related investments and upgrades - Short-line railroads consolidation and organic growth 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Existing private companies present opportunities for acquisition - Privatization believed to be increasingly likely as municipal systems cannot supply required capital - Development projects of water treatment systems 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Private investment through PPP contracts for roads and bridges - Acquisition and enhancement of existing infrastructure

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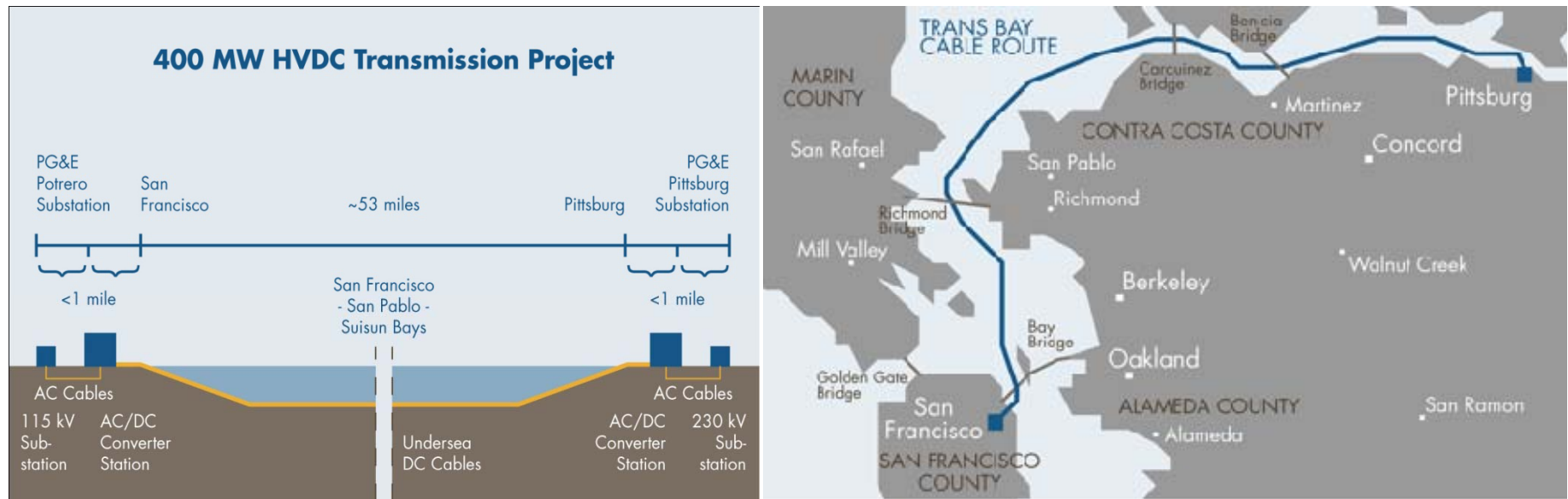
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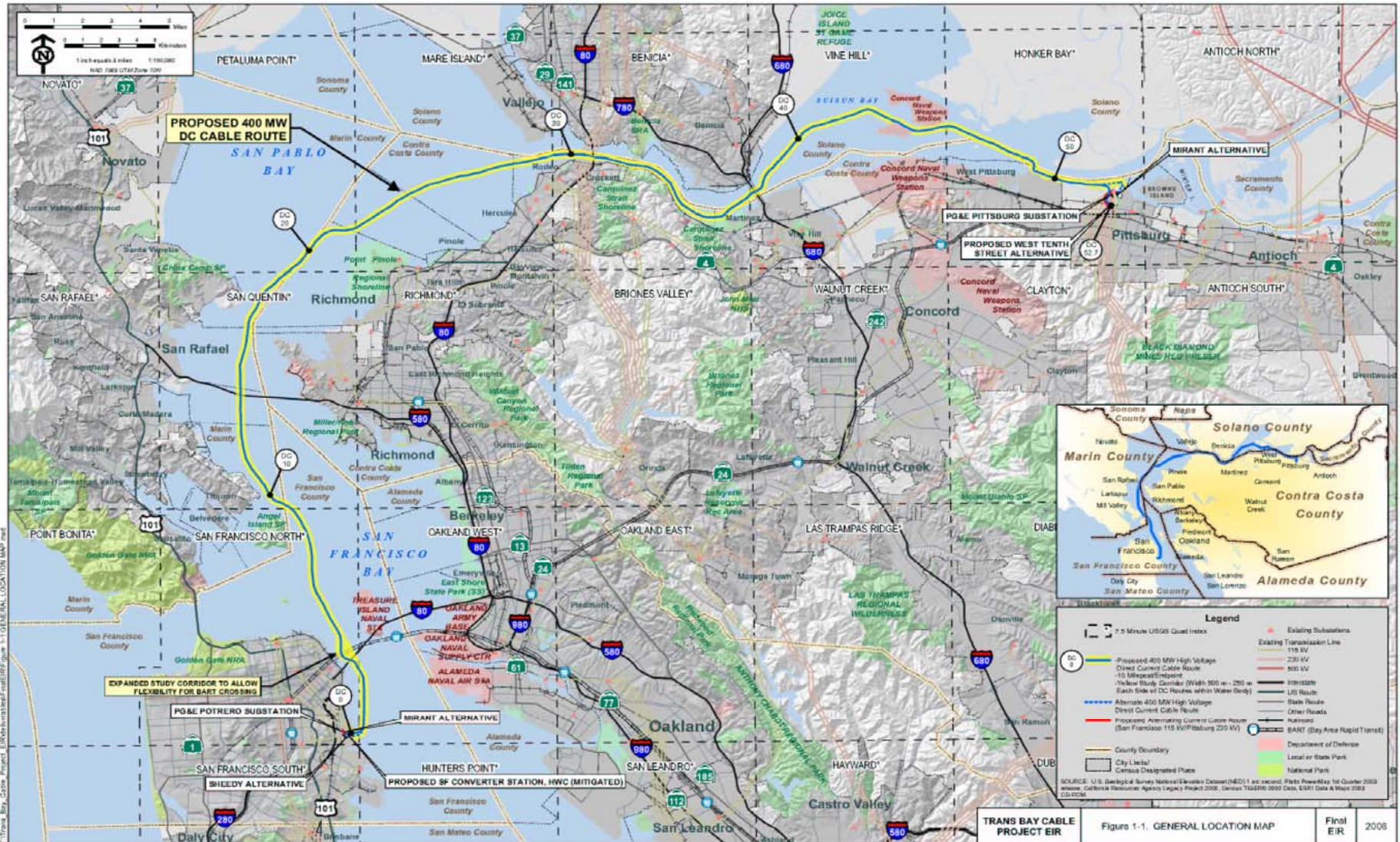
Trans Bay Cable Project Overview

- Project consists of a 400 MW HVDC and HVAC point-to-point transmission system
 - ▶ 53-mile submarine and onshore HVDC cable
 - ▶ 2 converter stations located in San Francisco and Pittsburg connected to grid via HVAC cables
 - ▶ Right to collect revenue from Transmission System Rights (“TSR”)
- 100% of revenue regulated under FERC cost-of-service ratemaking principles
- Participating Transmission Owner (“PTO”) in the California Independent System Operator (“CAISO”) managed grid
- Final testing completed on November 3, 2010
- Substantial Completion achieved on November 10, 2010 and Commercial Operations Date (“COD”) on November 23, 2010

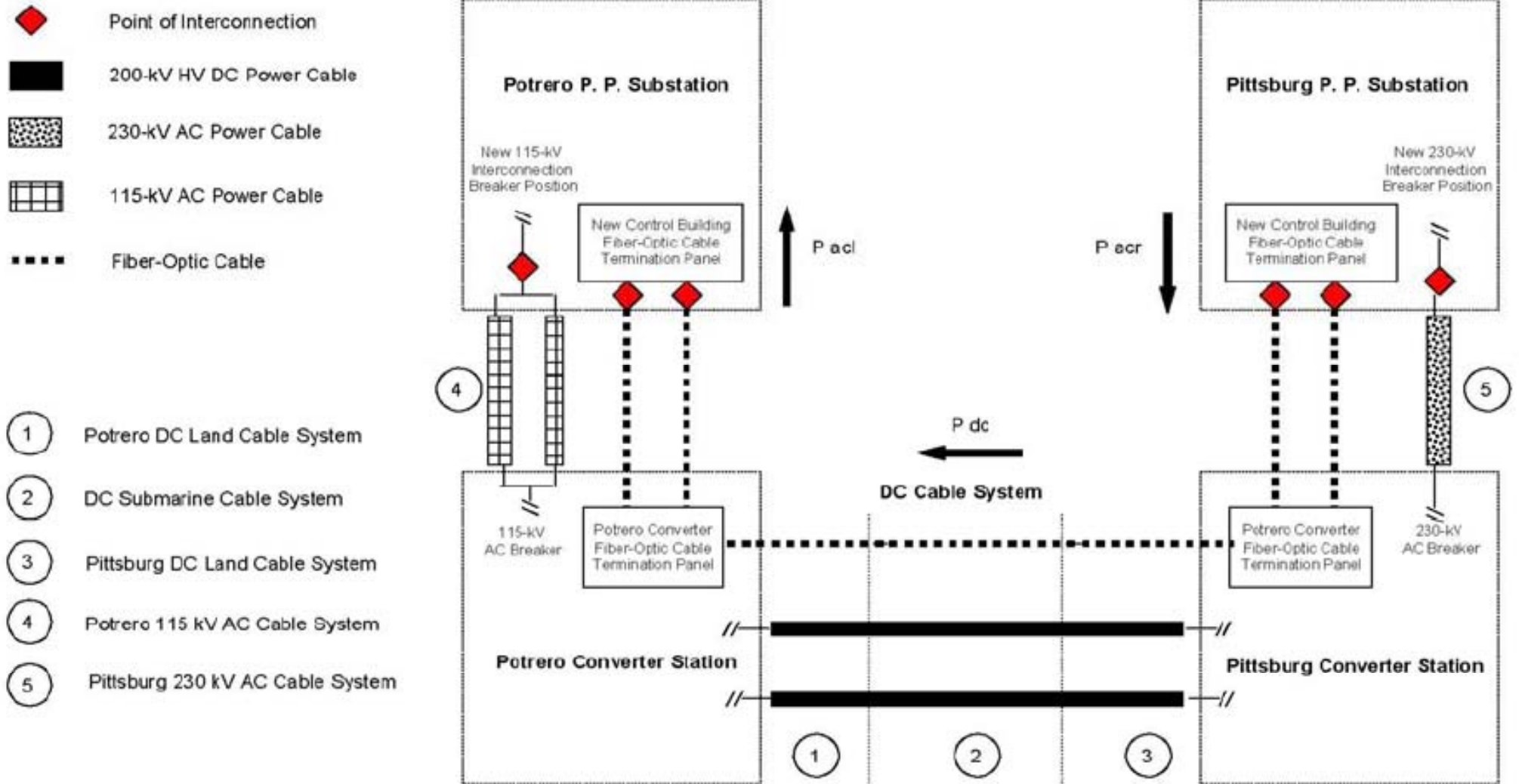
Trans Bay Cable Project Components - Schematic



Trans Bay Cable Route (53 mile Cable)



General Schematic of TBC project



Converter Station Layout



Central Waterfront

© 2010 Google

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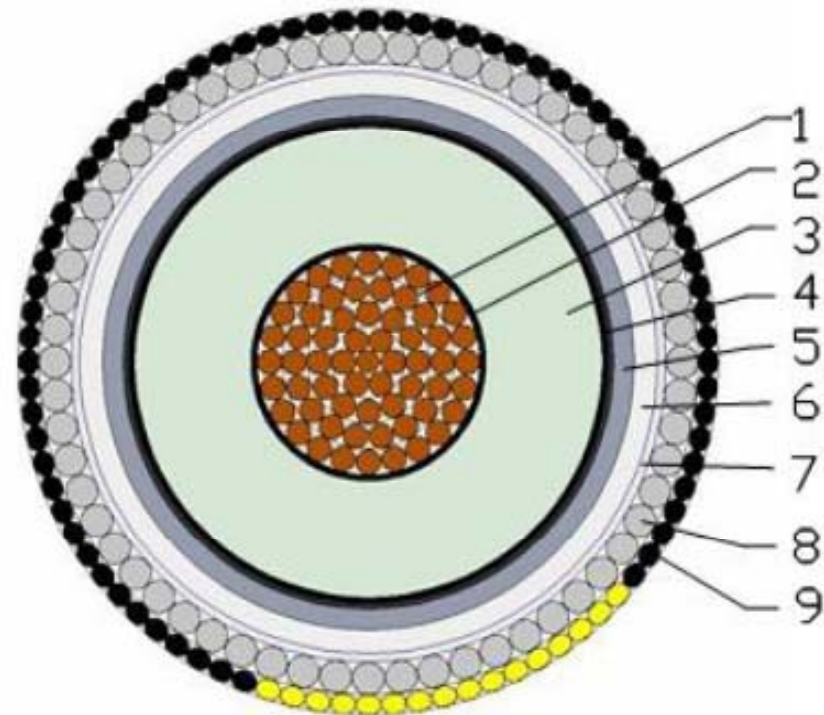
Imagery Date: 9/10/2010 1946

37°45'17.17" N 122°23'09.22" W elev 23 ft

Eye alt 362 ft

Trans Bay Cable Project

83 km, 400MW HVDC

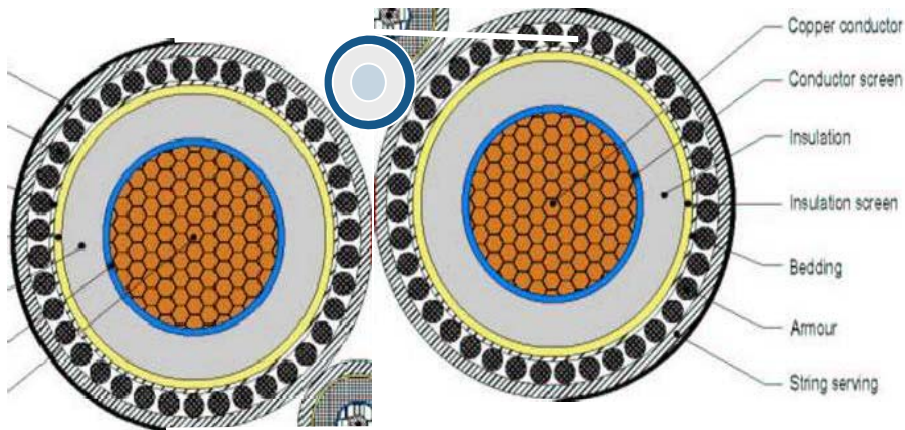


- 1 – Stranded copper conductor, longitudinally sealed
- 2 – Semiconducting tape+extruded layer
- 3 – XLPE based special insulation compound
- 4 - Semiconducting layer + Longitudinal water penetration barrier
- 5 - Lead alloy sheath
- 6 - Polyethylene sheath
- 7 - Polypropylene bedding
- 8 – Galvanised steel wires armour
- 9 – Polypropylene serving

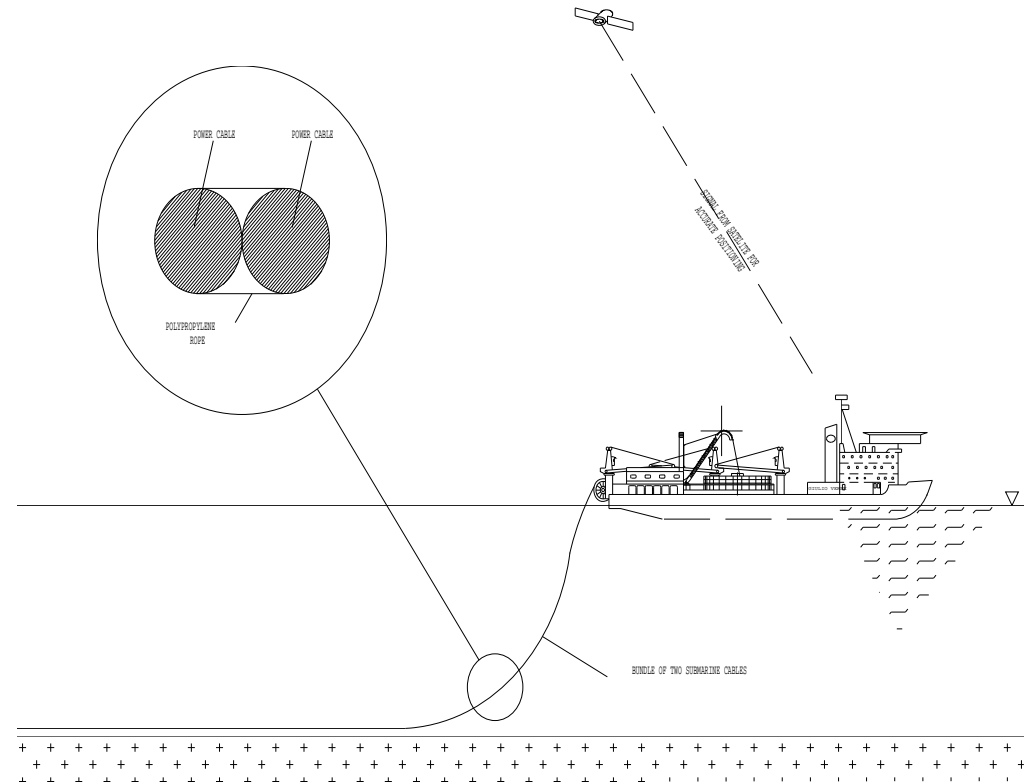
Cable Cross Section of Prysmian's HVDC Cable

Fibre Optic Cable

200 kV dc XLPE Cable



The cables were simultaneously installed in a Bundle configuration, fastened together with ropes and straps applied before approaching the laying sheave. The bundle is approximately 10 inches in diameter



Trans Bay Cable Project - Cable Laying Vessels

Ship: Giulio Verne (Deep Water Cable Installer)



Barge (Shallow Water Cable Installer)



Hydroplow

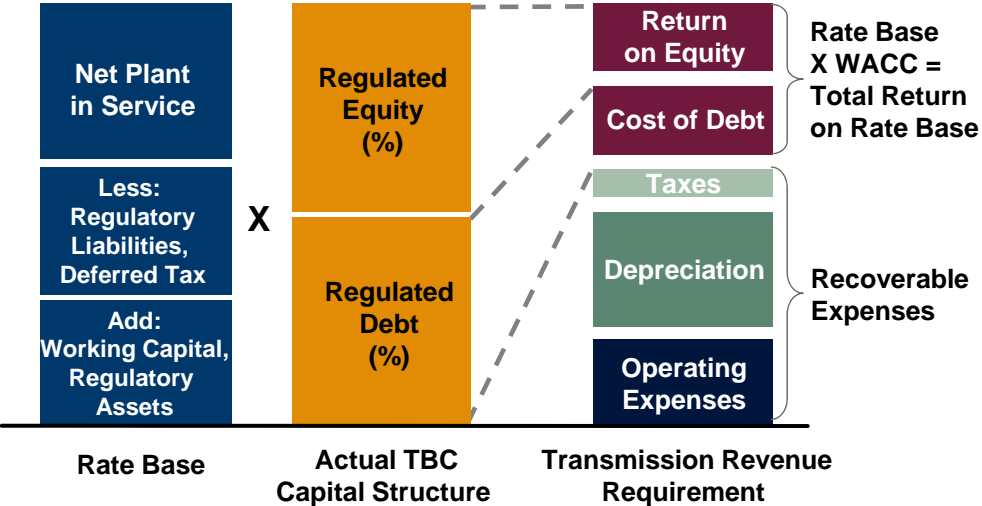


Positive Regulatory Regime

TBC is a FERC-regulated business that earns a return through low-risk, cost-of-service, methodology

- FERC regulates the Project’s revenue under cost-of-service rate-making principles under which the Project revenue is, prima facie, not a function of availability
 - ▶ TBC can recover prudently incurred expenses as well as earn a return on and of invested capital (“Rate Base”)
 - ▶ Rates charged to customers are composed of two components
 - i. Cost of the services that TBC provides, and
 - ii. Return that the FERC allows TBC to earn as determined by the TBC Rate Base and TBC’s weighted average cost of capital

Cost of Service Methodology: Key Rate Base Components



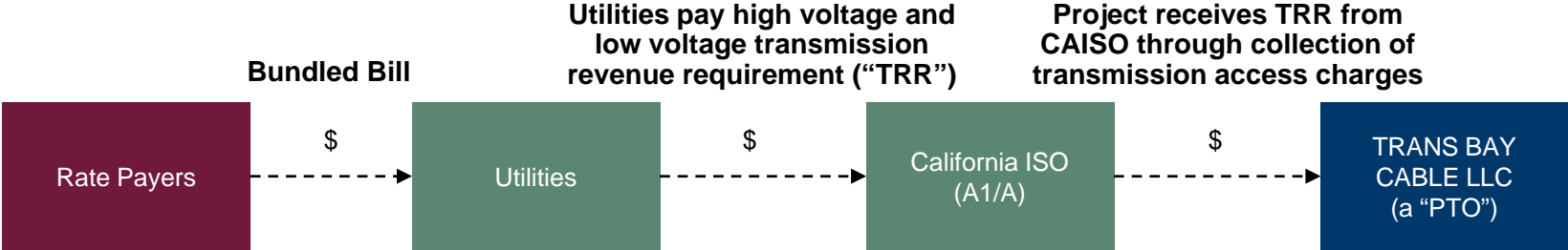
Rate Case Details

Rate Principles	
Post-tax ROE:	13.5%
Capital Structure:	50% Debt, 50% Equity
Depreciation of Capital:	30-years
Expense Recoupment:	Prudently incurred operating and maintenance expenses
Rate Filing (12/17/2009) ⁽¹⁾	
Rate Base:	\$571.9 million
Initial TRR:	\$149.3 million
Updated Rate Filing (1/11/2011)	
Rate Base:	\$541.9 million
Initial TRR:	\$140.4 million

1. Docket number ER10-116-000.

California ISO Overview

Substantially all Project revenue is derived from investment-grade counterparties



Overview

- CAISO (established 1998) is the Independent System Operator (ISO) for California, responsible for control of the electric grid in most of the state and northern Baja California (Mexico)
- Covers 82% of California electric load
- Participants are under joint and several obligations to CAISO
- 110 members including the three major investor-owned utilities in California
- Substantially all TBC revenue collected from PG&E (A3/BBB+), Southern California Edison (A3/BBB+), and San Diego Gas & Electric (A2/A)
- CAISO was assigned credit ratings of A1/A by Moody's and Standard and Poors

Map



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Construction Process

- Project construction started in October 2007
- Cable installation and connection was completed on December 3, 2009
- Ready for High Voltage Energization achieved on December 4, 2009
- 5 days preliminary run test commenced on January 15, 2010
 - ▶ 400 MW successfully transmitted and supplied to SF Grid
- However, testing revealed abnormally high failure rates of power modules
- Each converter module arm has embedded in-built redundancy (~8%)
 - ▶ However, failures were occurring at a rate above this redundancy

Responses

- Enormous forensic analysis by contractor technical and expert teams
- Enhanced multi-phase, extended duration, testing program
- Additional minor commissioning “bugs” worked through before Substantial Completion
- Simplified and enhanced several important commercial relationships:
 - ▶ Siemens/Prysmian EPC Contract
 - Extended Warranties
 - Spare part certainty, priority procurement, and price certainty
 - ▶ Siemens O&M “Umbrella”
 - O&M Supervision
 - Cost-plus contract
 - Experienced operator of Neptune and proposed Hudson projects
- Commercial Operations successfully achieved in Nov 2010

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- Initial financing package (3 + 30 year monoline wrapped bank loan) put in place in August 2007 (at the onset of the financial crisis)
- “Top of the market terms” meant financiers were continually under pressure and “under water” versus present market offerings
- Monoline credit downgrades resulted in benefit of insurance “wrap” falling away within 18 months of Financial Close
- Consequent refinancing completed upon achievement of Substantial Completion in Nov 2010:
 - ▶ s144a note issuance (augmented with bank provided Project facilities eg. LCs)
 - ▶ Multiple investment grade ratings
 - ▶ Independent Engineer sign-off on technology
 - ▶ Heavily over-subscribed issuance

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