

CC&L asset management invests in B.C. hydro plant, plans Canadian expansion

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TORONTO - Asset management group Connor, Clark & Lunn Financial Group will kick off its new investment wing, which partly focuses on energy development, with a \$500-million placement in a hydroelectrical project in British Columbia and plans for expansion in other provinces, including Alberta and Ontario.

The Toronto-based firm says its new business, Connor, Clark & Lunn Infrastructure Ltd., will start by investing in a construction-stage, run-of-river 150-megawatt hydro project that would be among the largest of its kind in the country.

The project will connect six run-of-river projects that tie into one substation at the north end of Harrison Lake, near Vancouver.

"Once built, these types of projects have long lives, generally protected market positions, oftentimes contracted demand for their output and, therefore, stable cash-flow streams. As a result, they're quite attractive assets to own and they generate a reliable yield," CC&L president Matt O'Brien told The Canadian Press.

CC&L Infrastructure has provided all of the equity capital alongside developers. The Harrison Lake project is contracted for 40 years to provide power to B.C. Hydro and should start operating by the end of 2010, the firm says.

O'Brien said the project comes after the B.C. government underspent on power infrastructure development for years.

"With a growing economy and growing population, there has been consistent increases in demand for power and it's leading to an emerging imbalance between supply and demand," he said.

But the province isn't alone, and O'Brien said he sees the potential for new projects across Canada, especially in Ontario where a "huge amount" of development is needed.

"Ontario is probably in the most difficult position among Canadian provinces in terms of the supply-demand balance for power," he said.

"Much of the growth is going to come in renewable resources of power - wind, hydro and possibly some biomass - but those likely won't be the solution in and of themselves. Some of the solution is going to have to come from nuclear and existing coal capacity."

Ontario Premier Dalton McGuinty has said he hopes to gradually close Ontario's coal plants by 2014, about seven years later than he initially promised during his 2003 election campaign.

O'Brien said provincial governments are increasingly looking towards private funding to meet future power demands, and that provides an opportunity for its investors, which include institutions, high-net-worth individuals and mass retail clients.

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Most of them "are heavily exposed to the traditional markets and probably under exposed to what we would call alternative asset classes, which include infrastructure, private equity and timberland assets," he said.

About five to 10 more projects are in various stages of negotiation across Canada, and O'Brien suggested at least one investment deal could be announced within three months.

Over time, CC&L hopes to broaden its focus to the United States, though it hasn't made any additional plans, he said.

CC&L Infrastructure also aims to develop more traditional projects, such as roads and bridges, and budgets its projects to fall within the range of \$25 million to \$750 million.