

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE

Pattern Closes Hybrid Debt for Henvey Inlet Project

Pattern Development sealed C\$1 billion of debt comprising a bank loan and an institutional deal in December. [Page 8](#)

● MERGERS & ACQUISITIONS

"Boomerang" Solar Project Comes Back to X-Elio

X-Elio has bought back a solar project in California that it had sold to **Solar Frontier Americas Development**. [Page 14](#)

● PEOPLE & FIRMS

Plastina Lands at Investec, Langley Exits Infinity

Ren Plastina will handle cutting-edge energy deals at Investec, while **Matt Langley's** sights are set on East African wind. [Page 16](#)

● INDUSTRY CURRENT

Wind, Solar Dodge Bullets in Final Version of Tax Bill

*The final version of the Republicans' signature tax reform bill, signed at the end of the year, puts to rest many of the fears expressed by the renewable industry, but leaves unclear how the broader tax equity market will adapt to the new rules, writes **Eli Katz**, partner at **Latham & Watkins** in New York, in this edition of the Industry Current.*

A number of provisions in the bill will increase the after-tax returns available to project owners, including a lower corporate and pass-through tax rate, and a broad provision allowing all new and most used assets to qualify for a 100% write-off, instead of the more gradual write-off schedule available under current law.

Other parts of the tax bill cut the other way. Heavily leveraged projects will now face limits on the deductibility of interest, net operating losses that are carried forward to future tax years are now less valuable and the new base erosion tax (BEAT) threatens to claw back tax benefits based on a complex

calculation that must be performed at least annually.

The new tax rules will prompt a search by the market for the best way to optimize capital structures in search of the lowest after-tax cost of capital. It may also cause renewable and energy assets to migrate to new owners who are better equipped to adapt to the new tax regime.

The variables at play will include whether to hold assets in corporate or pass-through entities, how best to capitalize projects through a combination of equity, debt and tax equity, and how to allocate a new subset of risks relating to the uncertain future value of tax credits among [PAGE 5 >](#)

Innogy Announces U.S. Wind Platform Purchase as Tax Bill Signed Into Law

Richard Metcalf

In a sign that last-minute amendments to the Republican tax reform bill have restored confidence in development-stage U.S. wind assets, Germany's Innogy has officially announced its acquisition of **EverPower Wind Holdings'** project pipeline.

EverPower's owner, U.K. pri-

vate equity firm **Terra Firma**, had lined Innogy up as the buyer of the development platform earlier this year, following an auction run by **Barclays** and **KeyBank Capital Markets**, *PFR* reported in September (*PFR*, 9/29).

In November, however, deal watchers said it was unlikely that the sale of any of several development platforms in [PAGE 14 >](#)

Three Delayed Peakers Add to ERCOT Reserve Margin Pressure

Richard Metcalf

ERCOT recently had to dial down its reserve margin forecast for this summer in part because of delays at three gas-fired peaker projects in Texas, including one that has been hampered by a legal dispute and two others that feature battery storage.

The grid system operator's latest capacity, demand and reserves report [PAGE 12 >](#)

CapDyn Lines Up Loans for California Flats

Shravan Bhat

Capital Dynamics sealed construction financing for the second 150 MW phase of the 280 MW California Flats solar project in Monterey County, Calif., in December and is expected to sign another loan this week.

Rabobank and **Commonwealth Bank of Australia** are each providing half of the first loan, \$118 mil- [PAGE 9 >](#)



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● PROJECT FINANCE

N.Y. Green Bank Seeks Advisers, Arrangers for \$1B Fund

N.Y. Green Bank was set to begin receiving proposals for strategic advisory and capital arranger services on Jan. 2 as the state-owned institution plans to raise its first private capital fund and look for opportunities beyond the borders of New York state.

The RFP, issued on Dec. 1, is open to proposals from single firms and combinations of firms that have the strategic advisory and capital arranger capabilities, NYGB's president, **Alfred Griffin**, tells *PFR*. The online RFP submission system closes on Jan. 16.

As placement agent, the firm selected through the RFP will assist NYGB to raise at least \$1 billion of private sector funding, according to an Oct. 27 announcement by New York Gov. **Andrew Cuomo**. The fund will invest in a variety of infrastructure sub-sectors including "clean energy" facilities, energy storage, energy efficiency and non-energy-related projects.

The advisor will also help NYGB to structure the fund, whether as a partnership, a separately-managed account or another arrangement.

NYGB, a division of the **New York State Energy Research and Development Authority** (NYSEDA), has so far closed transactions totaling \$440.9 million, drawing solely on state-provided funds raised through New York's

system benefits charge, and has a \$519 million active pipeline.

The state-sponsored investment manager has previously participated in transactions alongside **Bank of America Merrill Lynch, Investec** and **DZ Bank**, for example taking a \$50 million ticket in a loan to **Solar Mosaic** to finance residential rooftop solar projects in New York state in 2016.

The bank has also provided bilateral loans, including an up-to-\$11.5 million 12-month senior secured bridge loan for a 112 MW community solar portfolio in New York state developed by **Cypress Creek Renewables**. The loan was signed on Aug. 2.

With the private capital it raises this year, the agency will for the first time look at funding projects outside of New York state, and could also stretch to larger ticket sizes and longer tenors, depending in part on the preferences of the investors that participate in the fund.

NYGB's financing has so far tended to be shorter-term, with an average five-year maturity, and often structured as mini-perms, with the idea that borrowers would have to refinance later with private capital.

"If a third-party investor providing NY Green Bank with substantial capital were to prefer longer-term rather than shorter-term exposures, we can consider pivoting to longer-term tenors on our underlying tenors," says Griffin, noting that borrowers tend to prefer long-term capital. ■

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Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of **PFR** is committed as ever to evolving with the markets and we welcome your feedback.

Feel free to contact **Richard Metcalf**, editor, at (212) 224-3259 or richard.metcalf@powerfinancerisk.com

GENERATION AUCTION & SALE CALENDAR ●

These are the current live generation asset sales and auctions, according to Power Finance and Risk's database.
A full listing of completed sales for the last 10 years is available at <http://www.powerfinancerisk.com/AuctionSalesData.html>

Generation Sale ■ DATABASE

Seller	Assets	Location	Adviser	Status/Comment
American Electric Power	Oklunion (650 MW Coal, 54.7%)	Columbus, Ohio		The utility has put the plant up for sale (PFR, 12/18).
Apex Clean Energy	Portfolio (12 GW, Wind, Solar)	U.S., Canada	CohnReznick	A sale process for the developer moved into a second round in summer 2017 (PFR, 8/14).
ArcLight Capital Partners	Portfolio (1.6 GW Wind)	U.S.	BAML	ArcLight has put the portfolio, known as Leeward Renewable Energy, up for sale (PFR, 10/9).
ArcLight Capital Partners	New Covert (1,040 MW Gas)	Van Buren County, Mich.	BNP, Whitehall	ArcLight has mandated banks to execute a potential sale of the asset (PFR, 10/30).
Ares-EIF, I Squared Capital	Oregon Clean Energy Center (869 MW Gas)	Lucas County, Ohio	Barclays, Credit Suisse	A sale process for the project is underway (PFR, 5/15).
● Casa dos Ventos	Ventos do Araripe III (359 MW Wind)	Piauí, Pernambuco, Brazil		Canada Pension Plan Investment Board and Voltorantim Energy are acquiring the project through a J.V. (see story, page 15).
● Conduit Capital Partners	Electricidad del Golfo (35 MW Hydro)	Veracruz, Mexico	BNP (seller)	ATCO has agreed to buy the plant for \$90 million and the assumption of ~\$26 million of debt (see story, page 15).
● Conduit Capital Partners	Santa Catarina (22 MW Wind)	Monterrey, Nuevo León, Mexico		Conduit plans to launch a sale process for the contracted, operational asset this year (see story, page 15).
Dayton Power & Light	Portfolio (973 MW Gas)	Midwestern U.S.		DPL is seeking a buyer for the assets (PFR, 9/11).
Edison International	SoCore Energy (160 MW DC Distributed Solar)	U.S.	Marathon Capital	The auction for the company entered a second round in fall 2017 (PFR, 10/30).
Electrobras	Portfolio (862 MW Wind)	Brazil		The company plans to sell the wind facilities, among other assets (PFR, 12/11).
● Enbridge	Portfolio (~3 GW Wind, Solar, Hydro)	Canada, U.S.		Enbridge is looking to sell about half of its renewable assets (see story, page 15).
Energy Capital Partners	Wheelabrator Technologies (1.2 GW Biomass)	U.S., U.K.		ECP has put the company up for sale (PFR, 8/21).
FirstEnergy	Bath County (713 MW Hydro)	Warm Springs, Va.	Barclays (seller)	LS Power plans to seal its purchase of the assets early this year, after closing on the acquisition of a portfolio of gas-fired assets in Pennsylvania in December as part of the same deal (PFR, 12/18).
	Buchanan (43 MW Coalbed Methane)	Oakwood, Va.		
GE Energy Financial Services	Fairview (1,050 MW Gas, 25%)	Jackson County, Pa.	Citi	GE EFS is marketing its stake in the project (PFR, 9/5).
Infinity Renewables	Portfolio (6.6 GW Wind, Solar)	U.S.	CIBC	The company is for sale (PFR, 6/5).
Innovative Solar Systems	Portfolio (460 MW Solar)	Texas		The company is seeking a buyer for the three-project portfolio (PFR, 10/9).
LS Power	Carville (501 MW Gas)	St. Gabriel, La.	RBC Capital Markets	LS Power has hired RBC to sell the merchant facilities (PFR, 8/14).
	Hog Bayou (237 MW Gas)	Mobile, Ala.		
Morgan Stanley	NaturEner USA (399 MW Wind)	Montana	Morgan Stanley	Morgan Stanley is selling NaturEner, which owns development wind assets in Alberta as well as the 399 MW operational wind portfolio in Montana (PFR, 5/15).
Pacific Gas & Electric	DeSabra (26.7 MW Hydro)	Butte Creek and West Branch	Bodington & Co.	Bodington is running an auction for the assets (PFR, 9/25).
	Miocene (2.9 MW Hydro)	Feather River, California		
● Solar Frontier Americas	Midway I (66 MW Solar)	Imperial County, Calif.		X-Elio has bought the project back via a subsidiary called Imperial Boomerang I after selling it two years ago (see story, page 14).
● Sojitz Corp.	Birdsboro (450 MW, 11.1%)	Berks County, Pa.		Kyushu Electric Power Co. is acquiring the stake from Sojitz, which acquired a one-third stake last year (see story, page 15).
Southern Power	Portfolio (1,760 MW Solar)	U.S.	Citi	Southern Power has hired Citi to sell an up to one-third stake in the portfolio (PFR, 11/6).
Starwood Energy Group Global	Electra (230 MW, 51 %)	Wilbarger County, Texas	Whitehall & Co.	Starwood is marketing its majority stakes in the projects (PFR, 11/20).
	Horse Creek (230 MW, 51%)	Haskell and Knox counties, Texas		
● Terra Firma	EverPower Wind (Development platform)	U.S., Canada	Barclays, KeyBanc (seller), Marathon (buyer).	Innogy announced the acquisition in December, shortly after a tax reform bill was signed into law in the U.S. (see story, page 1).
Texas Municipal Power Agency	Gibbons Creek (450 MW Coal)	Grimes County, Texas		The plant is for sale again after an earlier attempt to offload it fell through (PFR, 11/20).
● Tradewind Energy	English Farms (170 MW Wind)	Poweshiek County, Iowa		Alliant Energy is acquiring the project (see story, page 15).
● Voltorantim Energia	Ventos do Piauí I (206 MW Wind)	Piauí, Brazil		Canada Pension Plan Investment Board and Voltorantim Energy are acquiring the project through a J.V. (see story, page 15).

● New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.

To report updates or provide additional information on the status of financings, please call Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@powerfinancerisk.com

PROJECT FINANCE

Deal Book is a matrix of energy project finance deals that Power Finance & Risk is tracking in the energy sector. A full listing of deals for the last several years is available at <http://www.powerfinancerisk.com/Data.html>

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
Advanced Power	South Field (1.1 GW Gas)	Columbiana County, Ohio	GE EFS	Debt	TBA	TBA	GE EFS is left lead on the debt raise (PFR, 5/1).
American Power Ventures	Renaissance (1 GW Gas)	Greene County, Pa.	BAML, Fieldstone (advisers)	Debt, Equity	\$900M		The sponsor planned to have equity commitments by the end of the year (PFR, 11/13).
Capital Dynamics	California Flats 2 (150 MW Solar)	Monterey County, Calif.	Rabobank, CBA	Construction loan	\$118M	1-yr	CapDyn inked the loan for the project on Dec. 11 (see story, page 1).
			NordLB, Santander	Construction loan	-\$100M	1-yr	The loan was expected to be signed by the end of last week (see story, page 1).
DIF	Unnamed solar project(s)	Canada	Natixis (Agent), Raymond James	Term loan	C\$59.4M	7-yr	The deal was signed on Dec. 17. Of the 17.5-year debt, \$20 million is floating-rate and the rest fixed (see story, page 8).
			Natixis (Agent), Samsung Life, Migdal	Term loan	C\$124.6M	17.5-yr	
Duke Energy Renewables	Shoreham Commons (24.9 MW Solar)	Suffolk County, N.Y.	PNC	Tax Equity	TBA		The deal is expected to close when the project is online in the second quarter of 2018 (see story, page 9).
EDP Renewables	Portfolio (60 MW Solar)	South Carolina	TBA	Tax Equity	\$67.6M		The transactions are EDP's first tax equity deals to close since the U.S. tax reform bill was signed into law late last year (see story, page 9).
	Meadow Lake (100 MW Wind)	White County, Ind.	Bank of New York Mellon	Tax Equity	\$439.6M		
	Redbed Plains (99 MW Wind)	Grady County, Okla.					
	Quilt Block (98 MW Wind)	Lafayette County, Wis.					
Energy Capital Partners	Wheelabrator Portfolio (853 MW waste-to-energy)	U.S., U.K.	Deutsche Bank (left), BNP	Term Loan B (Repricing)	\$1.25B	3-yr	Pricing came in at 350 bps over Libor with a 1% Libor floor for all three tranches, up from price thoughts of 300 bps. The repricings were sold at par and the new term loan C at a discount of 99.75% (see story, page 10).
				Term Loan C (Repricing)	\$55M	3-yr	
				Term Loan C	\$125M	3-yr	
Greenbacker Renewable Energy	Midway II (26 MW solar)	Imperial County, Calif.	TBA	Debt, Tax Equity	TBA	TBA	The California PUC approved a 20-year PPA for the project with San Diego Gas & Electric in July 2016 (see story page 8).
Indeck Energy	Niles (1 GW Gas)	Niles, Mich.	Whitehall & Co.	Debt	\$500M		The sponsor aims to close debt financing in the first quarter of this year (PFR, 11/6).
Invernergy	La Jacinta (50 MW Solar)	Salto, Uruguay	IDB Invest	Bond	\$64.75M	25-yr	The project bond refinancing is expected to set a precedent for further international investment in the Uruguayan renewables sector (see story, page 13).
NTE Energy	Reidsville (500 MW Gas)	Rockingham County, N.C.	TBA	Debt	\$595M		The sponsor took proposals from banks on Oct. 6 (PFR, 10/16).
Mainstream Renewable Capital	Portfolio (299 MW wind)	Chile	Apollo Global	Mezzanine Capital	\$50M		Mainstream will use the proceeds to part fund its equity in the projects, which it owns through a JV. with P.E. firm Actis (see story, page 10).
Pan American Energy	Parque Eólico del Sur (24.15 MW Wind)	Argentina	KfW IPEX-Bank	Debt	\$21.8M	TBA	Danish export credit agency EKF is providing insurance for 95% of the funding (see story, page 10).
Panda Power Funds	Mattawoman (990 MW Gas)	Prince George's County, Md.	BAML, BNP Paribas, Investec, NH Financial Group	Debt, Equity	\$500M		Bank of America Merrill Lynch has joined the lender group (PFR, 10/30).
Pattern Development, Nigig Power Corp.	Henvey Inlet (300 MW Wind)	Parry Sound County, Ontario	MUFG, BayernLB, Caixa, DZ, KfW IPEX, Samsung Life, IFM, Siemens FS, SMBC	Term Loan	C\$1B	C+18-yr	The sponsors were able to raise such a large amount of debt for the 300 MW project because of the high price of the PPA (see story page 8).
			MUFG (agent)	Private Placement		C+19.75-yr	
Canadian Pacific, Shumard Family Foundation, TWTP	SOO Green Renewable Rail (2,100 MW, 349-mile Transmission)	Iowa, Illinois	Whitehall & Co. (adviser)	Equity	\$70M		The project's owners are looking to sell an up-to-100% stake to raise \$70 million of development-stage capital (PFR, 12/4).
Total Eren	Vientos Los Hércules (97.2 MW Wind)	Argentina	KfW IPEX-Bank	Debt	\$167M	16-yr	The KfW IPEX-Bank tranche is guaranteed by political and commercial export credit insurance provided by German export credit agency Euler Hermes (see story, page 13).
			DEG, FMO	Debt		15-yr	
UKA Group	Portfolio (400 MW Wind)	U.S.	TBA	Debt, tax equity	TBA	TBA	The Germany-based developer is seeking debt and tax equity for its first U.S. assets (PFR, 10/30).

New or updated listing

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Wind, Solar Dodge Bullets as Tax Bill Signed

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buyers, sellers and tax equity investors.

In the end, the renewable industry avoided most of the proposals that would have dramatically affected the market.

The corporate alternative minimum tax (AMT) and the **House's** proposals to reduce production tax credits by one-third and change the **Internal Revenue Service's** liberal start-of-construction rules were all eliminated in the final bill. The BEAT provision, first proposed by the **Senate** in a form that would have eviscerated the value of renewable tax credits for many market participants was significantly scaled back in the final bill. The BEAT now generally limits the tax claw-back to only 20% of the value of production and investment tax credits through 2025. Each potential tax equity provider will now have to calculate the effect of this claw-back on its future ability to make tax equity investments.

Here is a detailed examination of the provisions in the final bill that have a bearing on renewable project financing:

TAX CREDITS STAY

Tax credits for wind and solar projects are unaffected by the new bill. The production tax credit will phase out according to the existing schedule for wind projects that begin construction by the end of 2019. Current IRS guidelines that outline the requirements for starting construction remain in effect. Solar tax credits remain at 30% for projects under construction by the end of 2019 with a gradual phase-out for projects that begin construction in 2020, 2021 or 2022.

CORPORATE TAXES CUT

The bill reduces the corporate tax rate from 35% to 21% starting in 2018, which may reduce the number of tax equity investors interested in financing renewable projects.

A lower tax rate would also reduce the value of tax deductions and correspondingly increase the cost of tax equity. Most tax equity transactions calculate the investor's return by referencing an after-tax internal rate of return that will now attribute less

value to tax depreciation deductions.

The renewable industry could see a number of effects as a result.

First, tax equity transactions that have already closed may contain contractual provisions requiring immediate adjustments to the economic terms of the arrangement to preserve the tax equity's expected return thresholds. Those arrangements that don't have immediate adjustments will likely still require larger shares of operating cash flow to be distributed to the tax equity if its return thresholds are unmet after a prescribed period of time, such as an "expected flip date". This may impact the amount of cash flow available to service debt on back-leveraged loans or to pay equity distributions on mezzanine or other "upper-tier" investments.

A lower tax rate should have minimal impact (or in some cases even benefit) those transactions that are further along and have exhausted all or most of the tax deductions from the project.

Second, tax equity transactions that have not yet closed, including those with outstanding debt and/or tax equity commit-

"In the end, the renewable industry avoided most of the proposals that would have dramatically affected the market"

ments, may need to resize the cost and availability of tax equity. A reduction in the size of the equity commitment may affect the sizing of the debt commitment, a portion of which typically bridges the tax equity investment.

As tax rates are not scheduled to drop under the bill until 2018, accelerating tax deductions into 2017 when the tax rate is still at 35% may become an important tool

in maximizing the value of these deductions, thereby mitigating shortfalls in the amount of tax equity. Many debt and tax equity financings signed since the 2016 election have been sized on the assumption that tax rates would go down.

BONUS DEPRECIATION SHAKE-UP

Almost all investment property is eligible for a 100% bonus depreciation under the new bill. This marks a significant change from the previous law, which allowed for a 50% bonus depreciation deduction for investment property placed in service in 2017; a 40% bonus depreciation deduction for 2018 property; and a 30% bonus depreciation deduction for 2019 property.

In a big break from prior law, the bill's 100% bonus depreciation deduction applies to both new and used property that a taxpayer acquires and places in service from Sept. 27, 2017 until the end of 2022. Starting in 2023, the 100% bonus depreciation will be phased down by 20% per year until it is fully eliminated at the end of 2026. Assets that are acquired or placed in service before Sept. 28, 2017 will continue to be depreciated under the old tax rules that permit 50% bonus in 2017, 40% in 2018 and 30% in 2019.

Property that regulated utilities and certain real estate businesses own are not eligible for the new bonus depreciation, however. Private equity and infrastructure funds with tax-exempt partners may lose some of the bonus subsidy equal to its tax-exempt ownership percentage.

Property is not eligible for bonus depreciation if it is acquired from a related party or if it is acquired in a tax-free transaction, such as a contribution to a partnership. A buyer is generally related to a seller if it is part of the same corporate group or if there is 50% or greater overlapping ownership among the two. Additionally, any sale must be at arm's length,



Eli Katz

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likely increasing the importance of an independent valuation report to support the purchase price.

Determining the date on which property is “acquired” will become important when applying the new bonus rules. Property is acquired no later than when a binding written contract is first put in place to buy the property. Each turbine in a wind farm should be tested separately under this standard. A special rule may allow taxpayers to consider a wind turbine as “acquired” no earlier than when it has accrued 10% of the costs of the turbine.

The bill allows taxpayers to elect out of the bonus depreciation and instead apply the regular depreciation schedule. Alternatively, most taxpayers may elect to claim 50% bonus depreciation for property placed in service during the remainder of 2017.

PARTNERSHIP FLIP VS. SALE-LEASEBACK

Many renewable developers have been taking advantage of the 50% bonus depreciation under prior law to increase the value of tax benefits transferred to tax equity investors. The larger 100% bonus depreciation may be too large of a deduction for tax equity investors to use under partnership tax rules. A tax equity investor is not permitted to claim deductions that exceed its capital investment, unless the investor agrees to future capital call obligations in the form of a deficit restoration obligation.

“Project owners may be able to best monetize these new, larger tax benefits by using sale-leaseback structures rather than partnerships, which currently are the most common form of tax equity structures”

Even then, tax deductions that exceed the tax equity investor’s investment are deferred until later in the deal, making them less valuable than deductions that

can be immediately claimed.

Project owners may be able to best monetize these new, larger tax benefits by using

“While the BEAT is not aimed at the renewable industry or renewable tax credits, it may affect the value of tax credits”

sale-leaseback structures rather than partnerships, which currently are the most common form of tax equity structures. In a sale-leaseback structure, an investor who can better use the tax benefits purchases and then leases the asset back to the seller. The value of the tax benefits is used to subsidize the financing rate under the lease.

This structure may widely benefit a broad range of assets in the power and renewables sector. A sale-leaseback may also be beneficial to highly leveraged companies that are capped out of the interest deductions they may claim under the new rules described below. Substituting rental expense for interest deductions may be the most optimal after-tax capital structure for these companies.

THE BEAT GOES ON

The BEAT is a new stand-alone tax designed to limit the extent to which large companies can reduce their U.S. tax liabilities by claiming deductions for payments made to foreign affiliates. Taxpayers will have to pay the BEAT tax in any year it is higher than the regular tax liability otherwise owed in that year.

While the BEAT is not aimed at the renewable industry or renewable tax credits, it may affect the value of tax credits to the extent that a taxpayer would have to pay the BEAT and cannot reduce it by using renewable tax credits. Under the bill, only 80% of the value of renewable tax credits may be used against the BEAT in each year through 2025. After 2025, none of the renewable tax credits may be used against the BEAT.

How much this will matter to tax equity

investors will depend on whether the tax equity investor anticipates being subject to the BEAT in any year in which it plans to claim tax credits and how much BEAT it projects it will have to pay in each of those years. This computation depends on a myriad of factors and future transactions and, for most investors, will be difficult to project with accuracy.

The first step in the BEAT is determining whether a taxpayer is subject to this particular tax or not.

The BEAT applies only to large corporations with average annual gross receipts over the past three years of at least \$500 million. It applies only to corporations that take deductions for cross-border payments that are equal to at least 3% of its total deductions for that year (2% for banks). Many large banks will be subject to the BEAT because they make large payments

“The fix may not be enough for tax equity investors to fully value tax credits in current transactions”

to foreign affiliates for services and to pay interest on borrowings.

Companies subject to the BEAT will have to make two separate tax liability calculations each year and then pay the one that is larger.

The first calculation is the BEAT tax and the second is the regular tax liability calculated at the new corporate tax rate of 21%.

The BEAT tax is calculated by disallowing all deductions that are generated through payments to foreign affiliates. This inflates the number on which the tax will be calculated. The inflated number is then multiplied by 5% in 2018, 10% in 2019 through 2025 and then up to 12.5% in 2026 and thereafter. The rates are 1% higher in each year for banks.

The higher the tax rate applicable to BEAT, the more likely it will be the larger tax of the two computations.

Not all payments to foreign affiliates must be added back to inflate the BEAT number. Payments on which with-

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INDUSTRY CURRENT ●

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holding tax applies, cross-border derivative payments and cost based service payments do not have to be added back.

Once the BEAT tax is computed, the company then compares the results to its regular tax liability. It then pays the regular tax liability, and, if lower than the BEAT tax, it

“Changing the risk allocations around the BEAT tax will likely ripple through a project’s capital structure”

pays the difference between the BEAT and the regular tax liability.

Many large companies reduce their regular tax liability through the use of tax credits, including renewable tax credits. For those companies that must pay the BEAT, there is no value in reducing regular tax liability below the BEAT tax through the use of renewable tax credits because the higher BEAT tax would nullify the effect of any reduction.

The bill “fixes” this problem by allowing up to 80% of the renewable tax credits to be claimed against the BEAT tax through 2025.

The fix may not be enough for tax equity investors to fully value tax credits in current transactions.

Some investors may still project that they will lose up to 20% of the tax credits in any given year. There is no carryforward for tax credits that cannot be used in any given year. Also, unless the law is changed in the future, all the tax credits may be lost starting in 2026, when no part of the renewable tax credits may be used and the BEAT tax rate will be at its highest level.

It is not yet clear how the tax equity market will solve this issue. Some transactions may be structured with shorter “flip” tenors, so that the investors limit exposure to tax credits generated after 2025. Others may migrate to pay-go structures where tax credits are monetized based on facts that become clearer in the future.

Changing the risk allocations around the BEAT tax will likely ripple through a proj-

ect’s capital structure, putting increased pressure on construction loan take-out commitments and back-leverage sizing and pricing metrics.

INTEREST DEDUCTIONS LIMITED

Starting in 2018, the bill limits the amount of interest that can be deducted in any year to 30% of a borrower’s taxable income. A borrower must compute its taxable income by backing out depreciation for tax years that end before 2022. After 2022, taxable income includes the effects of depreciation which will reduce taxable income and make it more likely that the limitation would be reached.

Any interest that cannot be deducted on account of this limitation may be carried forward indefinitely to future taxable years.

This limitation applies both at the corporate level and to each partnership that pays interest under a loan. If the limitation applies to a partnership, the interest is not deductible until future income is earned by that partnership.

This limitation may affect the after-tax returns of projects that are highly leveraged, especially those that are held in partnership form. Project sponsors with signifi-

“Project sponsors with significant project leverage may choose to replace debt with other forms of capital—such as preferred equity or lease equity”

cant project leverage may choose to replace debt with other forms of capital—such as preferred equity or lease equity—to avoid these limitations. We also expect project sponsors to aggregate multiple projects or portfolios into one partnership in an effort to increase taxable income and the corresponding interest limitation.

NOL CARRYFORWARDS

Under the new bill, net operating losses may now be carried forward indefinitely to future tax years, but they may no lon-

ger be carried-back to previous tax years. Net operating loss carryforwards are now less valuable. They may be used against only 80% of taxable income in future years.

PARTNERSHIP TECHNICAL TERMINATIONS REPEALED

Starting in 2018, the bill would repeal an existing rule that causes a partnership to “terminate” when 50% or more of the capital and profits interest of a partnership are sold within a 12-month period.

“Partnership terminations have played an important role in recent tax equity transactions”

A terminating partnership forfeits all its existing elections and must restart its depreciation periods after a terminating sale. Restarting depreciation effectively stretches out the remaining tax depreciation, decreasing the present value of the remaining tax depreciation.

Partnership terminations are often planned into or avoided in M&A transactions depending on the tax objectives of the parties. Most standard form partnership agreements prohibit a termination unless an indemnity is paid to existing partners to compensate them for a slower depreciation schedule.

Partnership terminations have played an important role in recent tax equity transactions. Sponsors often hold wind projects in partnerships before the tax equity funds its commitment. Once funded, the existing partnership terminates and a new partnership between the sponsors and the tax equity is created. Under a special tax rule, the new partnership is then entitled to claim all the bonus depreciation available in the funding year.

The repeal of the partnership termination rules coupled with the new 100% bonus depreciation rules applicable to new and used property may give rise to new structures that optimize the tax benefits in renewable and energy projects. ■

● PROJECT FINANCE

Pattern Seals Hybrid Financing for Henvey Inlet Wind Project

Pattern Development and co-sponsor **Nigig Power Corp.** secured a hybrid bank loan and private placement financing for the 300 MW Henvey Inlet wind project in Parry Sound County, Ontario, in late December.

The C\$1 billion (\$800 million) transaction included a roughly C\$100 million tranche placed privately with one or more institutional investors, says a New York-based project finance banker at an institution that participated in the deal.

MUFG was the agent on the private placement and participated in a club of lenders including **BayernLB**, **Caixa**, **DZ Bank**, **KfW IPEX-Bank**, **Kookmin** (acting as a trust bank on behalf of **Samsung Life Insurance** and **IFM Invest-**

tors), **Siemens Financial Services** and **Sumitomo Mitsui Banking Corp.**

The bank tranche had a tenor of construction plus 18 years, while the fixed-rate institutional investor tranche had a tenor of construction plus 19 years and nine months.

“I think it’s going to be a pivot in the market”

The project, which is expected to be operational by early 2019, has a 20-year power purchase agreement with the **Independent Electricity System Operator** for 100% of its output. The environmental review for a 64

mile, 230 kV transmission line connecting the project to Ontario’s grid was completed on Sept. 20.

The sponsors were able to raise such a large amount of debt for the 300 MW project because of the high price of the PPA, says the project finance banker.

The pricing of the deal could not immediately be learned, but another banker said in November that it was expected to be very tight. “I think it’s going to be a pivot in the market,” he said (PFR, 11/16).

Pattern and Nigig, which is owned by the **Henvey Inlet First Nation**, announced the financing on Dec. 26. Spokespeople for the lenders and developers either declined to comment or could not be reached by press time. ■

Greenbacker Lines Up Debt, Tax Equity for Solar Project

Greenbacker Renewable Energy is in talks with a lender and a tax equity investor to finance a solar project it acquired from **Solar Frontier Americas Holding** late last month.

The 26 MW project, called Midway III and located in Imperial County, Calif., is expected to enter construction this month and be online in October.

The **California Public Utility Commission** approved a 20-year power purchase between the project and **San Diego Gas & Electric** in July 2016.

The identities of the lender and the tax equity investor could not immediately be established.

The Midway III project is the third in a series of sister solar facilities in Imperial County developed by **8minutenergy** and **X-Elio** (then known as **Gestamp Solar**). X-Elio sold all three to Solar Frontier in 2015 (PFR, 3/12/15).

Since then, Solar Frontier has sold the 40 MW Midway II project to **Dominion Energy** and the newly project financed 66 MW Midway I project back to **X-Elio** (see story, page 14, and PFR, 12/5/16).

The Midway II project has a 25-year PPA with the Imperial Irrigation District, while the Midway I project has a 20-year PPA with **Pacific Gas and Electric** and a three-year contract with another, unidentified coun-

Natixis Arranges Refi for DIF Solar Portfolio in Canada

Dutch asset manager **DIF** secured C\$184 million (\$147 million) to refinance a group of operational solar assets in Canada in December in a deal comprising short and long-term debt arranged by **Natixis**.

Raymond James provided a C\$59.4 million seven-year term loan as part of the package, while **Samsung Life Insurance** and **Migdal Europe** provided 17.5-year loans. \$20 million of the long-term debt is floating-rate and the balance is fixed-rate.

Natixis acted as agent on the deal, which was signed on Dec. 17.

Alongside its traditional commercial banking activity, Natixis is looking to bring foreign long-term loan providers into North American infrastructure deals, as it has done in Latin America, where it has also underwritten such transactions.

Natixis signed a five-year co-investment agreement with Samsung Life and **Samsung Asset Management** in April 2016, under which the South Korean insurer and asset manager would take tickets in

infrastructure and aviation-backed loans originated by the French bank.

The identities of the projects in the DIF portfolio could not immediately be established. The asset manager acquired four U.S. wind projects originally belonging to **SunEdison** in July (PFR, 7/26).

“The funds of the refinancing are used to repay the existing debt facility plus repayment of equity leading to a strong distribution to the funds investors,” **Allard Ruijs**, partner and head of investor relations and business development at DIF in Amsterdam, told PFR via e-mail.

The deal is one of two Canadian renewables transactions Samsung Life signed in December. The insurer also participated in a club deal for **Pattern Development**’s 300 MW Henvey Inlet wind project in Parry Sound County, Ontario (see story, above).

Israeli insurance company Migdal was co-lead arranger for a term loan for **Gridiron Generating**, a quasi-merchant gas-fired portfolio, in May (PFR 5/24). ■

PROJECT FINANCE ●

CapDyn Adds Loans for California Flats

◀ FROM PAGE 1

lion in size with a one-year tenor, which was inked on Dec. 11, says a person familiar with the deal.

The sponsor has also lined up **NordLB** and **Santander** as the lenders for a second, roughly \$100 million loan, to finance the construction of the same 150 MW array, adds the source. California Flats phase two, also known as CA Flats 150, is contracted with **Pacific Gas and Electric** and is due to be online by the end of this year.

The 130 MW first phase of the project, CA Flats 130, commenced commercial operations on Dec. 20 and supplies **Apple** under a 25-year power purchase agreement (PFR 11/2).

In August 2017, **Allianz Global Investors**, **IFM Investors** and **Hana Financial Investment** were reported to be providing \$269 million of long-term debt for the project by *The Korea Economic Daily*. The debt has a 20-year tenor, a deal watcher told *PFR* in August (PFR 8/22).

NordLB acted as coordinating lead arranger and bookrunner, noteholder agent, administrative agent and letter of credit lender on the \$269 million deal, according to the German bank's website.

Goldman Sachs and **U.S. Bank** hold the tax equity interests in the first phase of California Flats. The tax equity investor or investors for the second phase

could not immediately be identified.

The project is owned by a Capital Dynamics fund called CD Clean Energy and Infrastructure V. **Abu Dhabi Investment Authority** is expected to join the fund soon as a third equity sponsor alongside **APG Asset Management** and **California State Teachers' Retirement System**, pending government approval.

MOUNT SIGNAL 3

The CDCEI V fund also owns the 328 MW Mount Signal 3 solar project in Calexico, Calif., and the 250 MW Moapa solar project in Clark County, Nev.

Allianz GI and **Samsung Asset**

Management are providing 20-year debt for Mount Mount Signal 3, while **Santander**, **NordLB** and **Rabobank** participated in the project's construction and letter of credit financing, Capital Dynamics said in a statement in August. The long-term debt package is \$250 million in size, a deal watcher told *PFR* at the time.

Rabobank is set to increase the size of the existing construction loan for the project by \$97.5 million on Jan. 5, the first source added.

Wells Fargo has committed tax equity to the Mount Signal 3 project.

The Moapa project was Allianz GI's first U.S. solar project debt investment when it reached financial close in June of last year (PFR 6/5). ■

EDP Renewables Closes Tax Equity for Solar and Wind Assets

EDP Renewables North America has closed tax equity funds for a portfolio of solar projects in South Carolina and a bundle of wind assets spread across four states.

An undisclosed investor is providing \$67.6 million of tax equity for three solar projects totaling 60 MW in South Carolina, according to an EDP announcement on Dec. 29.

The names of the solar projects were not

disclosed in the announcement, but EDP lists three solar projects under construction in the state on its website. They are the Cameron, Estill I and Hampton II projects, with a capacity of 19.9 MW each. A spokesperson for EDP in Houston declined to comment.

Bank of New York Mellon is meanwhile investing \$439.6 million of tax equity in

four wind farms—the 100 MW Meadow Lake facility in White County Ind., the 99 MW Redbed Plains project in Grady County, Okla., the 98 MW Quilt Block project in Lafayette County Wis., and the 66 MW Hog Creek facility in Hardin County, Ohio, according to the same announcement, which added that \$115 million of the investment was funded in September.

The transactions are EDP's first tax equity deals to close since the U.S. tax reform bill was signed into law late last year.

"The tax reform was seen to be a threat to the tax equity market and our ability to close these deals demonstrates that this risk might have been overrated," said a spokesperson for EDP in Houston via email.

The U.S. **Federal Energy Regulatory Commission** approved BNY's \$370 million tax equity investment in three of the projects—Meadow Lake, Redbed Plains and Quilt Block—on June 29 of last year. EDP revealed that the same bank was investing tax equity in the Hog Creek project in an Aug. 9 FERC filing (PFR 08/11).

All of the wind projects are contracted with local utilities. ■

Duke Lands Tax Equity for Solar Project on Former Golf Course

Duke Energy Renewables has lined up a tax equity investor for a solar project on Long Island that it is in the process of acquiring from **Invenergy**.

PNC will acquire the tax equity in the 24.9 MW Shoreham Commons facility, which is under construction in Suffolk County, N.Y., once Duke seals its cash equity stake, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

The acquisition is expected to close when the project is online in the second quarter of 2018.

Duke agreed to acquire the Shoreham Commons project, which has a 20-year power purchase agreement with the **Long Island Power Authority**, on July 20 (PFR, 8/14) and FERC approved the transaction on Nov. 22.

The solar facility is being built in the village of Shoreham, on the grounds of the Tallgrass Golf Course, which closed last year.

MUFG was the lead arranger on a construction loan for the project.

Representatives of **Duke Energy** in Charlotte and **Invenergy** in Chicago did not immediately respond to inquiries. ■

● PROJECT FINANCE

ECP Reprices, Adds to Wheelabrator Debt

Energy Capital Partners repriced \$1.258 billion of first lien term debt associated with its **Wheelabrator Technologies** waste-to-energy portfolio in December, adding a \$125 million term loan C to the package and amending the change-of-control provisions in the process.

Deutsche Bank was left lead on the transaction, which reduced the margin on loans originally raised by ECP in 2014 to finance its \$1.71 billion acquisition of the Wheelabrator assets from **Waste Management** (PFR, 10/16/14).

The 2014 package, issued through a special purpose vehicle called **Granite Acquisition**, comprised a \$1.25 billion seven-year first lien term loan B, a \$55 million seven-year first lien term loan C, a \$145 million first lien revolver and a \$260 million eight-year second lien loan. The first lien term loans were priced at 400 basis points over Libor with a 1% Libor floor,

while the second lien loan came in at 725 bps.

ECP pitched the first lien repricing at 300 bps and at par, keeping the floor at 1%. Pricing remained at par during execution but flexed up to 350 bps. The additional term loan C was priced at the same margin but sold with a new issue discount of 99.75%.

The second lien debt holders accepted the amendments to the debt structure in exchange for 5 bps, with the terms of their loan unchanged. The deal was expected to close on Dec. 20.

CHANGE OF CONTROL

In August of last year, deal watchers told *PFR* that ECP was actively looking for a buyer for the 873 MW Wheelabrator portfolio, most of which is located in the U.S., with the remainder in the U.K. (PFR, 8/15).

As part of the repricing transaction, ECP also seized the opportunity to amend the change of control provisions, making the capital structure “portable”, subject to a reaffirmation of the credit ratings.

The first lien loans have been rated B1 and B+ by **Moody’s Investors Service** and **S&P Global Ratings** since February of last year, when Moody’s downgraded the debt from Ba3 citing “pressure on Granite’s earnings and cash flows from sustained weaker power prices in the markets where [Wheelabrator] operates.”

The second lien loans are rated B3 and B- by the two rating agencies.

New York-based officials at **Deutsche Bank** and **BNP Paribas**, which was also listed as a bookrunner on the transaction, declined to comment. An official at ECP in San Diego did not immediately respond to an inquiry. ■

Apollo Inks Mezzanine Deal for Chile Wind Portfolio

Apollo Global Management has signed a \$50 million mezzanine deal for a 299 MW portfolio of under-construction wind projects in Chile.

Mainstream Renewable Power will use the proceeds of the transaction to part fund its equity investment in the 170 MW Sarco and 129 MW Aurora projects that it owns through **Aela Energía**, a joint venture with private equity firm **Actis**.

“Apollo is one of the world’s largest alternative investment managers and this transaction is an important part of its initiative to increase its presence in the renewable power sector globally,” said **James McGinnis**, CEO of **Mainstream Renewable Capital**, Mainstream’s financing arm, in a statement.

Last year, Apollo hired two financiers who had previously worked at **GE Energy Financial Services**, **Brad Fierstein** and **Corinne Still**, to expand its energy sector and renewables capabilities in New York (PFR,

6/15/16).

Further financial details of the mezzanine transaction could not immediately be learned. Fierstein and a spokesperson for Mainstream in London declined to comment.

In August, Aela closed a \$410 million 18-year senior secured debt financing for the Sarco and Aurora projects, which are located in Freirina, Atacama, and Llanquihue, Los Lagos, respectively, and a third, operational wind project, the 33 MW Cuel facility near Los Ángeles, Biobío (PFR, 8/11).

SMBC and **MUFG** were the coordinating leads on the deal, with **Caixa**, **KfW IPEX-Bank**, **Korea Development Bank** and the **Inter-American Investment Corp.** (which has since been renamed IDB Invest) taking tickets. **Santander** provided a VAT facility.

The combined output of the three-project portfolio will fulfill 20-year power purchase agreements totaling 300 MW won by Aela in 2015. ■

Sponsor Signs ECA-Wrapped Loan to Expand Argentine Wind Project

Pan American Energy has agreed a \$21.8 million export credit agency-guaranteed loan to finance the 24.15 MW Parque Eólico del Sur wind project in Argentina.

KfW IPEX-Bank, the international project finance and export credit arm of German development bank KfW, is providing the loan and Danish export credit agency **EKF** is providing insurance for 95% of the funding. Denmark’s **Vestas** is providing the turbines.

Located in Garayalde, Chubut, the project is jointly owned by Argentina-based **Pan American Energy** and the original developer, **3 Gal**.

A KfW IPEX-Bank spokesperson based in Frankfurt declined to disclose the maturity of the loan, citing confidentiality.

The region of Chubut is home to an increasing number of wind projects with contracts allocated through Argentina’s RenovAr renewables program (PFR, 06/08, 07/26).

The developer of the Eólico del Sur project, 3 Gal, won a long-term power purchase agreement with Argentina’s state energy company **Cammesa** as part of the first round of RenovAr auctions, which was held in July 2016.

Following the latest auction under the program, which was held this month, 1.4 GW of renewables projects were awarded, with wind generation taking the lion’s share of contracts (PFR 12/06). ■



15TH ANNUAL DEALS AND FIRMS OF THE YEAR AWARDS

Power Finance & Risk is accepting pitches for Deal of 2017 as part of its 15th Annual Deals and Firms of the Year Awards, recognizing excellence in power asset M&A and project finance across the Americas.

Market participants are encouraged to provide details of asset sale and project finance transactions that they believe represented the highlights of calendar year 2017 using forms available online.

Send completed forms via e-mail to richard.metcalf@powerfinancerisk.com

DEAL CRITERIA:

PFR will consider M&A and non-recourse project finance deals relating to both individual assets and portfolios. The awards cover generation, transmission and mid-stream gas assets. The project finance category includes commercial bank loans, institutional market loans and project bonds. Renewable deals may include a tax equity component. Refinancings are permitted.

The assets involved must be located in North or South America, and the transactions must have closed on or before Dec. 31, 2017, for the deals to qualify for the award.

TIMINGS:

Submissions must be sent to *PFR* by midnight Eastern Time on Jan. 31, 2018.

The *PFR* editorial team will then compile a short list of deals that will be put to voters in our annual poll of industry insiders. We will consider criteria such as deal size, complexity, innovation and market challenges that have been overcome when compiling the short list.

The poll will also be an opportunity for industry participants to vote for the best lead arrangers, investment banks, law firms, institutional investors and sponsors in the power sector in the Americas.

● PROJECT FINANCE

Three Delayed Peakers Add to ERCOT Reserve Margin Pressure

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forecasts a reserve margin for its territory, which covers most of Texas, of just 9.3% for summer 2018, raising the prospect of scarcity pricing.

The new forecast is 9.6 percentage points lower than the prediction for the same period in ERCOT's last CDR report, which was issued in March.

Nevertheless, ERCOT expects the reserve margin to rise to 11.7% by summer 2019 as more capacity comes online.

"Planning reserve margins fluctuate over time," said **Bill Magness**, ceo of ERCOT, in a statement. "We see these types of shifts as the ERCOT market experiences cycles of new investments, retirement of aging resources, and growing demand for power."

The shrunken reserve margin is in part due to the announced retirements of several large coal-

fired assets in the state, but also because the in-service dates of gas-fired, solar and wind projects in development have been pushed back.

Three gas-fired projects totaling 1,193 MW that were expected to be online in summer 2018 have been delayed, while renewable projects with a total installed capacity of 3,488 MW have been postponed, according to the report. **Mesa Power's** 500 MW Pampa Wind project, meanwhile, was canceled altogether.

The three delayed gas-fired projects had in-service dates in 2017 or 2018 according to ERCOT's last CDR report, but are no longer listed as providing any capacity in 2018.

They are **NRG Energy's** 324 MW PHR Peakers project in Galveston County and **Halyard Energy's** 450 MW Halyard Henderson project in Henderson County and 419 MW Halyard Wharton Energy

Center in Wharton County.

LEGAL DISPUTE

In November 2014, NRG said construction was underway on the PHR Peakers project, which is located on the site of the company's former P.H. Robinson plant in Bacliff.

The project was to be fitted with six **General Electric** turbines from **Rockland Capital** and **BTEC Turbines'** mothballed 390 MW BTEC New Albany project in New Albany, Miss., which NRG said would allow it to bring the new project online at a cost of just \$400/kW. In its 2014 full-year report, NRG said it would finance the project by issuing \$43 million of tax-exempt bonds.

Last summer, however, the NRG subsidiary that owns the plant, **NRG Texas Power**, became embroiled in a legal dispute with BTEC New Albany over

the project, according to paperwork filed with the U.S. **Securities and Exchange Commission**.

BATTERY STORAGE

Halyard Energy, a Chicago-based developer led by **Karl Dahlstrom** and **Chris DePodesta**, is developing the Henderson and Wharton projects, both of which are designed to combine simple-cycle gas-fired peaker units with battery storage, according to the company's website.

Halyard announced that it had obtained air permits for both projects in January 2016 and their in-service dates were listed in the May CDR report as 2018, but both were changed to 2019 in the December report.

The reason for the delays could not immediately be established. Officials at Halyard in Chicago could not be reached. ■

PPA Pulse: Brazil Auction Results – Texas Solar Record – SoCore D.G. Deal

Wind generation dominated the Brazilian A-6 power auction in December, with 49 projects totaling some 1.39 GW garnering power purchase agreements that come into force in 2023. A week earlier, solar projects won most of the contracts in the A-4 auction for projects due to be online in 2021.

Enel Green Power won the most contracts of any company, with three wind projects totaling 618 MW and a 240 MW solar project.

Through its Brazilian subsidiary, **Enel Green Power Participações**, EGP secured 20-year contracts for three wind projects totaling 618 MW, which the company says will cost \$750 million to build, in the A-6 auction.

They are the 510 MW Lagoa do Barro project in three municipalities in the state of Piauí; the 78 MW Morro do Chapéu II project in Morro do Chapéu, Bahia; and a 30 MW expansion of the 180 MW Deflina project in Campo

Formoso, Bahia.

The previous week, the company had won a contract for the 240 MW São Gonçalo solar project in São Gonçalo do Gurguéia, Piauí, which it owns jointly with Minas Gerais-based **Alba Energia e Automação**.

Canadian Solar was also one of the winners in the A-4 auction, securing a contract for the 90 MW Salgueiro solar project in Pernambuco that it is co-developing with **Lira Empreendimentos**.

As well as wind, solar, hydro and biomass projects, two gas-fired expansion projects in the state of Rio de Janeiro secured contracts, both in the A-6 auction.

Prumo Logística's 1,673 MW UTE GNA II project in Porto do Açú was one of them, and the other was the 466 MW Vale Azul II project in Macaé, which is owned by a consortium of **Vale Azul Energia** and **Mitsubishi Hitachi**

Power Systems.

Links to the detailed results of both auctions are available on *PFR's* website.

LOWEST SOLAR PRICE IN TEXAS

Intersect Power has signed a 15-year power purchase agreement with **Austin Energy** for the output of a 150 MW solar project in western Texas.

While the pricing of the PPA has not been publicly disclosed, it was described as the lowest priced solar PPA in Texas in an **Austin City Council** report dated Dec. 14, which also notes that Intersect's bid was selected from 400 proposals.

The exact location and name of the project, which is due to be online in 2020, could not be learned.

The PPA will cost Austin Energy between \$10 million and \$12 million PAGE 12 »

PROJECT FINANCE ●

PPA Pulse: Brazil Auction Results — Texas Solar Record — SoCore D.G. Deal

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a year and the utility may purchase an additional 30 MW under the same contract, “provided it is feasible and has the same favorable economics,” according to the utility. Austin Energy aims to

procure 51% of its electricity from renewable sources by 2020.

LOWEST SOLAR D.G.?

New Mexico’s **Otero County Electric Cooperative** has signed a power purchase agreement

with Chicago-based **SoCore Energy** at less than 4.5 cents/kWh, a price the **Rocky Mountain Institute** believes is “the lowest reported contract for distributed photovoltaic solar energy in the U.S.”

Under the terms of the contract, the coop will purchase the output from the 3 MW Carrizozo project in Lincoln County for 25 years. The project is under construction and expected to be online in March 2018. ■

Sponsor Seals Wind Project Debt as Argentine P.F. Ramps Up

Total Eren, the French developer known until recently as **Eren Renewable Energy**, has reached financial close on a \$167 million loan package for its 97.2 MW Vientos Los Hércules wind farm in Argentina, amid a revival of project finance in the country.

Germany’s **KfW IPEX-Bank** provided a 16-year limited-recourse loan for the project, while another member of the KfW group—**DEG**—and Dutch development bank **Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden** jointly provided a 15-year loan.

The KfW IPEX-Bank tranche is guaranteed by political and commercial export credit insurance provided by German export credit agency **Euler Hermes**. German manufacturer Senvion is supplying the turbines and providing engineering, procurement and construction services.

The financing for the Los Hércules proj-

ect has no recourse to the project sponsors, according to a statement issued by Total Eren, and is “the first structure like this of its kind in a long, long time in Argentina,” according to a source close to the company, who adds that it shows the confidence the lenders have in the sponsor.

Several sponsors have announced “first of their kind” project finance transactions in Argentina this year.

In July, **GE Energy Financial Services** and **YPF** signed \$220 million of loans for two gas-fired projects, which GE EFS claimed was the first power plant project financing in the country for almost 20 years (PFR, 7/7).

Then, in October, **Greenwind** secured \$104 million of project finance debt for its 100 MW Corti wind project, which it said was the first to involve international banks. **Santander** and **ICBC** participated in the B loan tranche (PFR, 10/26).

Located in the province of Santa Cruz, the Los Hércules project is expected to cost more than \$200 million.

The project won a power purchase agreement with Argentina’s state energy company **Cammesa** in the first round of the country’s RenovAr auction program in July 2016. It is expected to come online in the first quarter of 2019.

The project is Total Eren’s first large-scale wind power plant in Latin America. Elsewhere in the country, the company is building a 30 MW solar project and has 50 MW more wind power in late-stage development.

Founded in 2012, the sponsor changed its name to Total Eren as part of a deal with French energy company **Total** that closed on Dec. 1. Total acquired an indirect 23% stake in Total Eren through a capital increase and has an option to take control of the company after five years as part of the agreement. ■

Invenergy Preps “First of its Kind” Bond for Uruguay Solar Project

Invenergy is planning to raise \$64.75 million through a project bond to refinance a solar project in Uruguay that the sponsor acquired in March, a deal that could pave the way for international debt investors in the country.

The amortizing 25-year bond will refinance the existing debt of the 50 MW La Jacinta solar project near Salto in northwestern Uruguay.

The offering forms part of an A/B financing structure under

which IDB Invest (formerly the Inter-American Investment Corp.) will provide a \$3.6 million ‘A’ bond. **IDB Invest** is the lender of record for the transaction, according to **Moody’s Investors Service**.

The ratings agency has assigned the notes a Baa3 rating, as well as a “very good” green bond assessment.

The project bond is expected to set a precedent for further international investment in the Uruguayan renewables sector,

according to analysts at **Intesa Sanpaolo**.

“Being the first of its kind, its demonstration effect is also expected to be significant because it will provide lessons learned to potential new entrants and possibly trigger further private sector investment in the renewable energy sector,” the analysts said in a research note.

Intesa Sanpaolo was one of two banks, the other being **DNB**, that provided a \$70 million construc-

tion loan for the project in 2014, although this has already been refinanced with **Inter-American Development Bank** money.

In March 2017, Invenergy bought the project from developer **Fotowatio Renewable Ventures** for an undisclosed sum. (PFR 03/17)

The project has been operational since 2015 and has a 30-year take-or-pay power purchase agreement with Uruguay’s state utility **Usinas y Trasmisiones Eléctricas**. ■

● MERGERS & ACQUISITIONS

Innogy Announces U.S. Wind Platform Purchase as Tax Bill Signed Into Law

◀ FROM PAGE 1

the market would go ahead until the uncertainty around the GOP's signature tax reform plan was resolved (PFR, 11/30).

"I'd be very shocked if anyone can close a deal with any uncertainty around tax credits and tax rates," said a banker working on one of the active processes at the time, which also included the potential sales of **Apex Clean Energy** and **Infinity Renewables**. "I don't know how you could."

The uncertainty did not stop deals going ahead for operational wind projects, however. For example, the **California Public Employees' Retirement System** announced the acquisition of a stake in a 349 MW portfolio from **Enel Green Power North America** on Nov. 30, at the height of worries around the risk posed by the base erosion anti-abuse tax (BEAT) provision in one version of the

tax bill.

The tax risks also did not prevent asset manager **BlackRock** from signing a separate deal to acquire EverPower's 750 MW operational portfolio on Nov. 22 (PFR, 12/8).

The compromise version of the tax bill, which President **Donald Trump** signed into law on Dec. 22 after it was approved by the **House** and **Senate** earlier in the week, contained provisions which mitigated the effect of the BEAT provision on renewable project finance deals (see Industry Current, page 1).

Innogy's acquisition of the EverPower platform is subject to approval by the **Committee on Foreign Investment in the United States** and is expected to close in the second quarter of next year. **Marathon Capital** is advising Innogy on the acquisition.

The EverPower development platform has

a project pipeline totaling more than 2 GW of wind projects in Maine, Maryland, Montana, Ohio, Pennsylvania, New York and Wyoming, and comes with the company's Pittsburgh-based team.

The U.S. acquisition comes amid a shake-up at Innogy's headquarters in Essen. **Peter Terium** resigned as CEO on Dec. 19 following a cut to the company's profit forecasts.

"The US market is one of our key strategic growth areas for renewables," said **Hans Bünting**, chief operating officer for renewables at Innogy, in a statement. "Establishing our subsidiary, **Innogy Renewables US LLC**, in 2016 was our first step to enter this market. The acquisition of EverPower's impressive pipeline is a logical step consistent with our commitment. We are very pleased to have made our first acquisition in the US. And this is just the beginning." ■

Developer Buys Back "Boomerang" Solar Project Financed with Hybrid Debt

Spanish solar developer **X-Elio** (formerly **Gestamp Solar**) has reacquired the Midway I solar project it sold to Solar Frontier Americas Development, the U.S. subsidiary of Japan-based **Solar Frontier K.K.**, two years ago.

Solar Frontier acquired the 66 MW Midway I project, along with the Midway II and Midway III solar facilities, all of which are located in Imperial County, Calif., from Gestamp in 2015 (PFR, 7/17).

On Nov. 14, however, a newly created indirect subsidiary of X-Elio called **Imperial Boomerang I** bought all of the ownership interests in Midway I back from Solar Frontier Americas, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

The 66 MW project has

meanwhile sealed financing from **Santander** and **Prudential Capital Group** through a hybrid structure involving a bank loan and fixed-rate notes. Santander and Prudential first co-financed a solar project through a hybrid debt-bond deal in 2012—the 127 MW Arlington Valley II facility in Maricopa County, Ariz. (PFR, 3/01/12).

The tenors and pricing of the Midway I debt could not be learned by press time.

On Nov. 22, **U.S. Bank** bought the tax equity in the project, according to paperwork filed with FERC on Nov. 27.

Construction of the project is set to be completed in a few months, after which it will sell its output through two power purchase agreements over 23 years.

One of the PPAs, which has a 20-year contract length, is with



For the perfect boomerang technique, throw "around" the wind at no more than 45° from the vertical.

a "California public utility", while the counterparty for the other PPA, covering three years, is a "national utility", according to a spokesperson for Solar Frontier in Modesto, Calif.

The project secured a 20-year PPA with **Pacific Gas & Electric** in 2014, at which time it was expected to have been online by

2016. Whether PG&E is the California utility referred to by the Solar Frontier spokesperson could not immediately be verified.

Nuno Andrade, head of project and acquisition finance at Santander in New York, and **Ty Bowman**, v.p. at Prudential in Dallas, who worked on the deal, were unavailable for comment. ■

MERGERS & ACQUISITIONS ●

M&A News in Brief: Endbridge to Sell Renewables – Utility Buys Project from Tradewind

Here is a round-up of recent power asset M&A news in the Americas from the last two weeks.

Enbridge Plots Renewables Divestment

Canadian gas distribution company Enbridge is conducting a strategic review of its onshore renewable facilities.

Enbridge will “de-emphasize” its focus on onshore renewables and plans to monetize at least half of its green assets, said a spokesperson for the company in Calgary, Alberta, in December.

The company plans to retain its two offshore wind projects in Europe, both of which are in development. “This is a case of re-deploying capital, at good value, to other priorities,” said the spokesperson.

Enbridge is also conducting a strategic review of its mid-stream business.

Developer Finds Utility Buyer for Second Iowa Wind Project Tradewind Energy has agreed to sell a development-stage wind project in Iowa to a local utility company, following a similar deal announced last month.

Alliant Energy is the buyer in the latest deal, which will allow Tradewind to offload the 170 MW English Farms project in Poweshiek County. Construction is due to begin on the project next year with **General Electric** turbines.

In November, Tradewind revealed that it was selling the 340 MW North English project, which is in the same county, to **MidAmerican Energy Co.**, a utility subsidiary of **Berkshire**

Hathaway Energy (PFR, 11/1).

Taiwanese Solar Co. Acquires Greenskies

Clean Focus Yield, a development-focused U.S. subsidiary of Taiwanese solar module and cell manufacturer **Neo Solar Power Energy Corp.**, has acquired U.S. developer **Greenskies Renewable Energy**.

Based in Middletown, Conn., Greenskies owns a 350 MW commercial and industrial solar pipeline and has developed assets up and down the eastern seaboard, including rooftop, carport and ground-mounted systems in Connecticut, Pennsylvania, Maryland, Massachusetts, New York and South Carolina.

The company has also developed at least two projects in California, both of which are roof-mounted arrays at shopping centers.

Japan's Kyushu Buys Into Ares Plant

Japanese energy company **Kyushu Electric Power Co.** is purchasing an equity stake in a combined-cycle gas-fired project that **Ares-EIF** is constructing in Pennsylvania.

Kyushu will acquire its 11.1% interest in the 450 MW Birdsboro gas-fired project in Berks County, Pa. facility from Tokyo-based **Sojitz Corp.**, which acquired a 33.3% stake earlier this year (PFR, 4/10).

Canadian Investor Mints Power J.V. with Brazilian Conglomerate

The **Canada Pension Plan Investment Board** and **Voltorantim Energia**, a sub-

siary of São Paulo-based **Voltorantim Group**, have launched a 50:50 joint venture focusing on Brazilian generation assets—and lined up its maiden acquisitions.

The J.V.'s initial portfolio will comprise two operational wind projects totaling 565 MW in northeastern Brazil, one of which it is buying from local developer **Casa dos Ventos**, the other from Voltorantim Energia.

The Casa dos Ventos asset is a 359 MW project in states of Piauí and Pernambuco, called Ventos do Araripe III, while the Voltorantim facility is the 206 MW Ventos do Piauí I project in Piauí.

CPPIB is committing approximately R\$690 million (C\$272 million) toward the acquisition of the projects, according to a joint statement.

ATCO Agrees Price Tag for Mexico Hydro Stake

Canada's ATCO has agreed to buy the 35 MW Electricidad del Golfo (EGO) hydro facility in Mexico from U.S. private equity firm **Conduit Capital Partners** for \$114 million.

Located in the state of Veracruz, the EGO project has been online since 2014 and is fully contracted with “high quality” offtakers, according to Conduit, which owns its stake through its Latin Power III fund.

Through its **Canadian Utilities** subsidiary, ATCO will pay \$90 million for the facility and assume about \$26 million of outstanding debt. ATCO will finance the purchase from its own balance sheet, says a spokesperson for the company

in Calgary.

BNP Paribas advised Conduit on the sale, which requires regulatory approval and is expected to close in the first quarter of 2018.

Conduit Eyes Wind Project Sale

Meanwhile, Conduit is planning to launch a sale process for its 22 MW Santa Catarina wind project near Monterrey, Nuevo León, this year. The facility has been online since 2013 and sells its output to municipalities in six counties under long-term power purchase agreements.

Brazil Regulator OKs AES Solar Acquisition

The Brazilian arm of **AES Corp.** has received regulatory approval to buy five solar projects totaling 150 MW in the country, putting the company on course to reach its goal of diversifying half its cash generation away from hydro projects in Brazil by 2020.

Brazil's **Administrative Council for Economic Defense** (Cade) has given **AES Tietê Energia** permission to buy the under-construction projects from **Cobra Brasil**, according to a statement in Brazil's *Official Gazette of the Union*.

The projects, collectively known as the Bauru Solar Complex, are located in the municipality of Guaimbê, São Paulo. Cade said it saw no antitrust issues with the purchase as the projects represent just 0.009% of the country's generation capacity.

AES announced that it had agreed to buy the projects for R\$650 million in September. ■

● PEOPLE & FIRMS

Ex-CIT, BNP Staffer Lands at Investec

Investec has hired **Ren Plastina**, who worked in project finance at **CIT Bank** and **BNP Paribas** for many years, to spearhead its cleantech and distributed generation business.

Reporting to the South African bank's co-heads of North American power, **Ralph Cho** and **Michael Panteloganis**, Plastina will handle financings for energy storage, electric vehicle infrastructure and distributed solar projects, including residential, commercial, industrial and community solar.

The move comes as many traditional project finance banks are scrambling to win business in esoteric energy infrastructure sub-sectors amid tough competition for more run-of-the-mill deals.

"Right now, power is just so

crazily over-banked, any P.F. desk that covers power, oil and gas and infra has to keep finding ways to diversify," says a head of power at a commercial bank in New York. "You just can't get enough flow doing plain vanilla."

Investec has already established itself as one of the main bank lenders in the distributed solar sector, arranging aggregation facilities for sponsors such as **SunRun**, **Spruce Finance**, **Vivint** and **SunPower** (PFR, 1/9/15, 5/25/16, 8/5/16, 1/19, 10/26).

Plastina, who started at Investec on Dec. 18, worked at CIT from 1999 to 2007, covering North American financial sponsors and infrastructure project finance in North America and the U.K. and holding the title of director, according to his **LinkedIn**

profile.

He then moved to BNP Paribas, where he spent about six-and-a-half years, winning promotion to managing director of energy and infrastructure project finance under **Andrew Platt**, who was the French bank's head of North America project finance at the time (PFR, 7/27/07).

In 2014, Plastina left BNP to lead the energy team at **Varagon Capital Partners**, an asset manager focused on mid-market direct lending that had just been set up by **American International Group** and **Oak Hill Capital Partners** (PFR, 6/13/14).

Two years later, in 2016, a source told *PFR* that Plastina was leaving Varagon (PFR, 8/15/16), but he stayed on at the firm until this July, according to his **LinkedIn** profile. ■

Former BNP Banker Heads to Asian Firm

A project finance banker who recently left **BNP Paribas** after a decade at the French firm has taken on a role at an Asian rival's New York office.

Alexandra Grosman started as director, structured finance Americas, at **Industrial and Commercial Bank of China** in December, according to her **LinkedIn** profile.

The Chinese bank has been looking to expand its structured finance team in recent months, since **Nam-soo Lee**, the bank's head of Americas energy structured finance, departed in late summer (PFR, 9/20).

Sven Semmelmann is serving as acting head of Americas energy structured finance, reporting to **Michael Fabisiak**, head of Americas structured finance.

Grosman had most recently been a vice president for power, infrastructure and project finance at BNP, a position she had held since 2013.

She joined the French bank's infrastructure project finance team in New York as an associate in 2007, staying there for four years before switching to a portfolio management role in Americas structured finance, reporting to the group's chief operating officer, from 2011 to 2013.

Officials at ICBC and a spokesperson for BNP in New York did not immediately respond to an inquiry.

Finance and Origination Pro Departs from West Coast Developer

A project finance and origination official departed from **Infinity Renewables** at the end of 2017, having worked at the California-based company for almost six years.

The official, **Matt Langley**, was a vice president based in the project sponsor's office in Oakland, Calif., until he left on Dec. 29 to pursue opportunities for wind project development in Sub-Saharan Africa at **Upepo Energy Partners**, which was founded by **Dean Baumbgardner** and **Tom Carnahan** in 2014.

Neil MacTiernan, who joined Infinity in November as director of business development, will replace Langley as a point of contact at the firm. MacTiernan was previously an independent consultant in the San Francisco Bay Area, according to his **LinkedIn** profile. He has also worked at **First Solar**, **Sunrun**, **Bloom Energy**, **Clipper Windpower**, **Nordic Wind Power** and **GE Energy**.

Emily Cohen, previously head of M&A and since December vice president for corporate strategy at Infinity, and **George Nelson**, who joined the firm

as director of power marketing, having held similar roles at **E.On** and **Akuo Energy**, will also take on some of Langley's responsibilities.

Langley, like MacTiernan, is a Clipper Windpower alumnus, having worked there as a business development associate from 2008 to 2010. He left Clipper for **juwi Wind** in July 2010, where he was director of business development, the same title he originally held at Infinity Wind when he joined in March 2012. He was promoted to vice president of finance and origination at Infinity in September 2016.

Headquartered in Santa Barbara, Calif., Infinity Renewables was founded by ceo **Matt Riley** and chief operating officer **Derek Harding** in 2008 as Infinity Wind Power. The company changed its name to reflect its expansion into solar project development.

Last year, the company hired **CIBC** to arrange a formal sale process in response to expressions of interest from potential buyers (PFR, 6/1), but no transaction has so far been announced. ■