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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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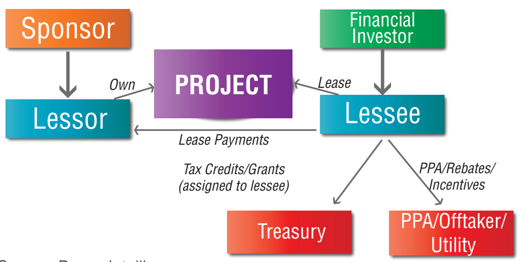
IRS Tax Equity Guide To Ripple Into Renewables

The Inverted Lease Structure



Source: Power Intelligence

The U.S. **Internal Revenue Service** and **Department of Treasury** have issued guidelines on tax equity investments in financing the rehabilitation of historic buildings that is expected to impact some types of renewables tax equity deals. A potential benefit of the ruling is that it blesses the structure, which means that more investors and law firms could agree to deals. However, the language is vague and has raised questions.

The guidelines revise rules for one type of tax equity deal, the master lease tenant structure, which is better known as an inverted lease in the power sector. The inverted lease is more common in low income housing and rehabilitation of historic buildings financings than the power sector. "At first blush it seemed restricted to rehab credits but after talking with the Treasury and IRS I think there are parts that will eventually affect how people view transactions," says **Keith Martin**, partner at **Chadbourne & Parke**, noting that the rules are currently being reviewed by tax counsel to determine how they will

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Natixis Advises Koreans On Chilean CCGT

A Korean joint venture between **Korea Southern Power Corporation** and **Samsung C&T Corporation** has mandated Natixis as financial advisor to lining up debt backing the 517 MW Kelar combined cycle gas-fired project in the north of Chile. Kelar has a price tag of around $600 million.

The JV won the mandate to develop the project from mining giant **BHP Billiton** last November. The Kelar project will sell its generation to BHP's mines in the region, including the world's largest copper mine by production, Escondida.

The French bank is talking with the **Export-Import Bank of Korea** and a club of project finance lenders to raise the debt, note deal watchers. Details on the banks and the loans, such as pricing and tenor, could not be learned by press time.

Northern Chile has seen a lot of development of late, as mining companies look to lock down new sources of generation

(continued on page 12)

Q&A

Bill Sutherland, Manulife Financial

Bill Sutherland

Manulife Financial took on Sutherland's group in 2002 and merged with John Hancock in 2003. Today Sutherland's team in Toronto finances Canadian projects and global wind projects while **John Hancock Financial Services** separately finances U.S. power facilities.

PFR: *Tell me about where you and your team see the most opportunity right now.*

Sutherland: The Manulife team is very small having only recently grown to eight members. Despite our small size, we've long been the leading arranger and provider of debt finance to the Canadian independent power market. For a number of years, we've been an important player in the U.S.

(continued on page 11)

Projects & Money 2014

Check out what bankers and executives in New Orleans are seeing for the power sector in the year ahead.

visit www.powerintelligence.com

New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale DATABASE

Check out the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

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THE BUZZ

A slew of project finance deals closed before year-end, with action across all fuel types and regions. In Latin America, **Globeleq** sealed an $105.1 million financing backing the 50 MW Orosi wind project in Costa Rica (see story, page 6). Meanwhile, a Korean joint venture mandated **Natixis** as financial advisor to secure debt backing the 517 MW Kelar combined cycle gas-fired project in northern Chile (see story, page 1).

Moving into the U.S. and Canada, both **SunEdison** and **NRG Energy** were able to make sizeable interest payment savings through refinancing (see stories, pages 8 & 9). **Recurrent Energy** was also able to land around $390 million in a private placement backing a 108 MW portfolio of solar projects in Ontario (see story, page 5).

Apparently, financiers of wind projects didn't go cold during the polar vortex, with a number of big deals closing. **Invenergy** led the pack, closing a debt and tax equity package for the merchant Miami wind project in Texas, while also nabbing a refinancing on its 100.5 MW Beech Ridge facility in Greenbrier County, W. Va. (see stories, pages 5 & 6). **Starwood Energy Group** closed its maiden wind deal, also securing debt and tax equity backing its 211 MW Stephens Ranch wind project near Lubbock, Texas (see story, page 6). At the other end of the financing spectrum, **Pattern Energy** is reportedly looking to lock in pricing of LIBOR plus 175 basis points for its plain vanilla K2 wind project in Ontario (see story, page 5).

It has been over a year since **WestLB** wound down operations and became **Portigon Financial Services**, but WestLB alum are still popping up in new positions in the space. **Manish Taneja**, formerly the global head of loan syndications and private placements at the German bank, has been picked up for a similar role at **Wells Fargo** (see story, page 9). Biomass pellet company **Enviva** has brought former WestLB managing director **Martin Livingston** on as its v.p. of infrastructure, finance and development (see story, page 9).

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

These are the current live generation asset sales and auctions, according to *Power Intelligence*'s database. A full listing of completed sales for the last 10 years is available at www.powerintelligence.com/AuctionSalesData.html

Seller	Assets	Location	Advisor	Status/Comment
Apex Clean Energy	Balko (300 MW Wind)	Oklahoma	Macquarie Capital	Apex is running independent sales of assets in Oklahoma (PI, 12/16).
	Various (600 MW Wind)	Oklahoma	Morgan Stanley	
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	Woodbridge (Stake, 725 MW Gas)	Woodbridge, N.J.	None	John Hancock is taking about 11% of ArcLight's stake (PI, 11).
BP Wind Energy	Various (3.7 GW Wind portfolio)	Various	TBA	Relaunched the sale of its development assets (PI, 10/7).
BlackRock, Quintana, Starwood	Richland-Stryker (460 MW Oil, Gas)	Ohio		ECP has launched a C loan add-on for the financing (PI, 12/16).
▶ Canadian Solar	Shasta (4.4 MW Solar)	Shasta County, Calif.		PSEG Corp. subsidiary is buying the project (see story, page 7).
▶ Direct Energy	Portfolio (1.3 GW Gas)	Texas	Barclays	Blackstone is buying the assets (PI,12/20).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	NRG has emerged as stalking horse (PI, 10/28).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
▶ Entegra Power Group	Various	Arizona and Arkansas	Houlihan Lokey	Retained Houlihan to advise on restructuring (see story, page 8).
▶ Essar Group	Algoma (85 MW CCGT)	Algoma, Ontario	Barclays	Teasers are on the market (see story, page 7).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Details emerge on investors behind Voltage Finance (PI, 10/14).
	Linden (Stake, 942 MW Cogen)	Linden, N.J.	TBA	GE EFS, Highstar reverse flexed a B loan (PI, 11/25).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (PI, 8/26).
Green Energy Partners	Stake (750 MW Gas)	Loudoun County, Va.	TBA	Panda Power Funds has bought a majority stake (PI, 9/30).
Hess Corp.	Stake (512 MW Gas)	Bayonne, N.J.	Goldman Sachs	Sale is said to be launching (PI, 9/9).
	Stake (655 MW Gas)	Newark, N.J.		
JPMorgan Capital Corp.	Tax equity stakes (Various, Wind)	Various		Infigen is buying into the tax equity positions in some of its farms (PI, 11/18).
K Road Power	Various (Solar Development Pipeline)	Various	TBA	Looking to wind down the solar development (PI, 10/21).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Process has slowed and LS is tipped to be mulling a B loan (PI, 11/4).
	Cherokee (98 MW CCGT)	Gaffney, S.C.	Suntrust Humphrey Robinson	Teasers are on the street (PI, 11/18).
Longview Power	Longview (695 MW Supercritical Coal)	Maidsville, W.Va.	Lazard	Filed for bankruptcy (PI, 9/3).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	Rockland is seeking to terminate its deal to buy the assets (PI, 12/9).
	Forked River (86 MW Gas)	Ocean River, N.J.		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	CIMs expected in the next two weeks (PI, 11/25).
▶ Pattern Energy Group LP	80% (182 MW Panhandle 2 Wind)	Carson County, Texas		Public affiliate Pattern is buying the stakes (see story, page 7).
	45% (149 MW Grand Renewables Wind)	Haldimand County, Ontario		
▶ Project Resources Corp.	Rock Aetna (21 MW Wind)	Minnesota	Alyra Renewable Energy Finance	Looking for a buyer with access to turbines to qualify for PTC (see story, page 7).
▶ RES Americas	Keechi (110 MW Wind)	Jack County, Texas		Enbridge has bought it (see story, page 8).
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8).
Southern Power	Oleander (800 MW Peaker)	Cocoa, Fla.	Goldman Sachs	In the second round with potential buyers (PI, 10/14).
Southwest Generation	Valencia (145 MW Gas)	Belen, N.M.	Bank of America	Auction in second round, PNM mulls stake purchase (PI, 12/9).
Tenaska Capital Management	Wolf Hills (250 MW Gas)	Bristol, Va.	Bank of America, Barclays	Teasers have gone out recently (PI, 9/30).
	Big Sandy (300 MW Gas)	Wayne County, W. Va.		
	High Desert (830 MW Gas)	Victorville, Calif.		
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	Tenaska Capital is buying US Power Gen (PI, 9/16).
Wayzata Investment Partnes	Castleton (72 MW Cogen)	New York	Scotiabank	Teasers are out (PI, 8/19).

▶ **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 Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at http://www.powerintelligence.com/projectfinancedeal.html

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
BrightSource	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Sponsor ups the original bank loan to $4.4 billion and taps Korean entities for a further $1.5 billion (PI, 6/3).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
First Wind	Oakfield (147 MW Wind)	Aroostook County, Maine	TBA	TBA	$300M	TBA	The sponsor is looking to line up the debt, with tax equity (PI, 10/21).
	Route 66 (200 MW Wind)	Amarillo, Texas	TBA	TBA	TBA	TBA	The sponsor will likely follow its traditional route of securing debt and tax equity (PI, 10/28).
Freeport LNG	Freeport (LNG Export Termial)	Freeport, Texas	Credit Suisse	TBA	~$4B	TBA	The deal is slated to launch in mid-November (PI, 10/21).
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Globeleq	Orosi (50 MW Wind)	Liberia, Costa Rica	U.S. Exim Bank	TBA	$105.1M	Various	The deal saw three lenders take various chunks of the debt (see story, page 6).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
	Miami (288.6 MW Wind)	Roberts County, Texas	Mon Stanley	TBA	~$400M	TBA	The sponsor wrapped a debt and tax equity package backing the merchant project (see story, page XXX).
KSPC, Samsung	Kelar (517 MW Gas)	Chile	Natixis	TBA	TBA	TBA	The JV appoints Natixis as lead on the deal (see story, page 1).
Lake Charles Exports	Lake Charles (LNG Export Facility)	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially $11B project (PI, 8/26) .
Magnolia LNG	Magnolia LNG (LNG Export Facility)	Lake Charles, La.	BNP, Macquarie	TBA	$1.54B	TBA	Sponsor expected to mandate leads by year end (PI, 12/9).
Pattern Energy	Panhandle II (TBA Wind)	Carson County, Texas	Credit Ag, NordLB, BayernLB	Construction	~$500M	C	The deal will likely be a copy, paste of the Panhandle I deal, say observers (PI, 11/18).
	K2 (270 MW Wind)	Huron County, Ontario	TBA	Mini-perm	$750M	TBA	The sponsor is aiming for pricing of L+175 (see story, page 5).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Recurrent Energy	Borealis (108 MW Solar Portfolio)	Ontario	Nat. Bank, Sun Life	Private placement	$390M	C+19-yr	Deal wraps with senior secured private placement (see story, page 5).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~$400M	TBA	The sponsor has tapped BTMU and SMBC as leads on the deal (PI, 10/21).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
Starwood Energy Group	Stephens Ranch (211 MW Wind)	Lubbock, Texas	Santander, Citi	Construction	$265M	TBA	Deal wraps with tax equity tranche (see story, page 6).
Tenaska	Imperial Solar Energy Center West (150 MW Solar)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (PI, 9/23).

New or updated listing

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PROJECT FINANCE

Invenergy Wraps Merchant Wind Deal

Invenergy has lined up a debt and tax equity package backing its purchase and construction of the 288.6 MW Miami wind project in the Texas panhandle. The merchant project carries a roughly $450 million development cost.

Invenergy acquired the Miami project from **Pioneer Green Energy** of Austin, Texas. **Morgan Stanley** was the sole arranger for the project debt, which featured a construction loan and a term loan. Details such as size and pricing could not be learned by press time.

Tax equity commitments were also secured from "several financial institutions," according to a company statement, although further details have not been disclosed. **GE Energy Financial Services**, **Bank of America Merrill Lynch** and **JP Morgan** committed tax equity to Invenergy's most recently financed wind facility, the 200.6 MW Prairie Breeze wind facility in Nebraska (*PI, 10/3*). Significant enough construction has been completed on Miami to qualify it for the production tax credit.

It was thought that the company may look to line up a private placement for the deal, but opted for the debt and tax equity structure instead (*PI, 12/3*).

The project, approximately 80 miles northeast of Amarillo in Roberts, Hemphill, Gray and Wheeler counties, is slated to begin commercial operations in the third quarter of 2014. It is the Chicago-based wind developer's largest wind project to date. Invenergy will use 156 **GE** 1.85 MW turbines for the Miami project. Invenergy officials in Chicago and bank officials did not respond to inquiries by press time.

Recurrent Lands Debt For Ontario Portfolio

Recurrent Energy has landed a $390 million senior secured private placement backing its 108 MW Borealis portfolio of solar photovoltaic projects in Ontario, Canada.

National Bank Financial and **Sun Life Assurance Company of Canada** are co-underwriters on the deal, which has a tenor of construction plus 19 years. National Bank is also bookrunner and administrative agent for the lenders on an ongoing basis. Sun Life is the lead lender. **Peter Hepburn**, head and managing director of the infrastructure finance group at National Bank, and **John Vincent**, senior managing director and head of project finance at Sun Life, handled the financing on behalf of their institutions.

Coupons payments will be semi-annual and at a fixed rate, although pricing could not be learned by press time.

The portfolio consists of ten solar sites that were divided into four clusters for the financing, with each cluster consisting of two or three solar farms. All are currently under construction and slated for completion early this year. Each of the sites has received a feed-in-tariff contract via 20-year power purchase agreements with the **Ontario Power Authority** at a fixed rate of C$0.443 ($0.41) per kWh.

Once the construction is complete, **Fiera Axium Infrastructure** and **Metropolitan Life Insurance Company** will take ownership of the portfolio pursuant to a forward purchase and sale agreement. They are contributing C$77 million ($71.67 million) in equity between them.

The portfolio of projects will use solar modules manufactured by **Celestica** and will be operated by **EDF Renewable Services**. Calls placed to officials at the lenders and sponsors were not returned by press time.

Pattern Shoots For L+175 On Ontario Wind

Pattern Energy and its partners are shooting for pricing of LIBOR plus 175 basis points on the C$800 million ($739.85 million) mini-perm backing the 270 MW K2 wind project in the township of Ashfield-Colborne-Wawanosh, Ontario.

The sponsor group, which includes **Capital Power** and **Samsung Renewable Energy**, first approached banks late last year (*PI, 12/4*). There has been a lot of appetite for the deal due to its plain vanilla nature, according to observers, pointing to the project's offtake contract with the **Ontario Power Authority** and the experience of the developers. Some bankers are tipping the deal to be oversubscribed, which would allow Pattern to push pricing down. Pricing on plain vanilla deals in Canada has been tightening of late, with many deals hovering around the LIBOR plus 200 bps mark.

Pattern and Samsung most recently closed a C$400 million ($388.3 million) non-recourse debt package backing the 150 MW Grand wind project also in Ontario, with **Bank of Tokyo Mitsubishi-UFJ**, **Mizuho** and **Union Bank** leading the deal (*PI, 9/18*). That deal closed at LIBOR plus 225 bps, with a tenor of construction plus seven years.

K2 has a 20-year power purchase agreement with the OPA. The project is slated for commercial operation in 2015. The project survived Samsung's reduction of activities in Ontario that it announced earlier this year. The company dropped the total megawatts in its development pipeline in the province from 2,500 to 1,369 and the investment commitment from C$7 billion ($6.64 billion) to C$5 billion ($4.74 billion) (*PI, 6/24*).

The development team is aiming to close the deal in the first half of this year, note observers. Calls placed to Pattern officials in New York and project company **K2 Wind Power** officials in Goderich, Ontario, were not returned by press time.

Invenergy Nets Beech Ridge Refi

Invenergy has closed a refinancing of the 100.5 MW Beech Ridge wind facility in Greenbrier County, W. Va.

CoBank acted as the mandated lead arranger and administrative agent for the transaction. Details such as size, pricing or tenor could not be learned by press time. **Natixis** and **Dexia Crédit Local** wrapped the original financing backing the $200 million project with a 10-year facility (*PI, 7/15/2010*).

Beech Ridge, which began commercial operations in 2010, is located approximately 60 miles southeast of Charleston, W.Va. The facility features 67 **GE** 1.5 MW SLE wind turbines. It has a 20-year power purchase agreement with **Appalachian Power Co.**, a subsidiary of **American Electric Power**.

Invenergy was also eyeing a 33 turbine, $115 million expansion west of the site called Beech Ridge II. It received approval to proceed with developing Beech Ridge II from the West Virginia **Public Service Commission** in June, but the current status of the expansion could not be learned by press time.

A spokeswoman for the Chicago-based developer declined further comment on the refinancing and the expansion plans.

Globeleq Seals Costa Rica Wind Financing

Globeleq has closed a $105.1 million financing backing the 50 MW Orosi wind project in Liberia, Costa Rica.

The debt package has a $61.1 million, 18-year loan from the **Export-Import Bank of the United States**. This loan has a fixed 6.4% interest rate. The package also includes a $24 million, 15-year loan from the Dutch development bank **FMO** and a $20 million, 15-year loan from the **Banco Internacional de Costa Rica**. Pricing on these loans could not be learned by press time. The debt represents 75% of the $140 million project development cost.

The project will use **Gamesa** series G80 turbines and sell its output under a power purchase agreement to Costa Rica's national grid operator the **Instituto Costarricense de Electricidad**. Details of the PPA could not be learned by press time.

Globeleq is a developer of power projects in Africa and Latin America. The company was launched in 2002 when the UK's **CDC Group** contributed both equity capital and a portfolio of power assets to the new enterprise. Ownership of Globeleq was transferred in 2009 from CDC to **Actis Infrastructure Fund**, a fund managed by emerging markets private equity shop **Actis Capital**. Actis Infrastructure Fund will fund remaining project costs with equity.

Bank officials did not respond to inquiries by press time. Globeleq officials in London were not immediately available for comment.

Starwood Closes On Lone Star Wind

Starwood Energy Group has closed a $265 million construction debt including letters of credit and tax equity package backing the 211 MW Stephens Ranch wind project near Lubbock, Texas.

Banco Santander and **Citigroup** are the sole lenders to the deal. The banks are joined by **GE Energy Financial Services** in the tax equity tranche. Starwood is funding all of the equity to the roughly $340 million project.

"We think that the cost of energy produced by wind projects has continued to drop and become competitive; right now there is a need for investors such as Starwood in the space," **Brad Nordholm**, ceo at Starwood in Greenwich, Conn., tells *PI*. "There are many projects that are recently trying to move into construction and there is an opportunity for us to play there."

The Greenwich, Conn.-based private equity shop bought the project from **T. Boone Pickens**' **Mesa Power Group** this summer (*PI, 8/16*). **JPMorgan** ran the sale for Mesa, which was shooting to find a developer that could finalize project financing in time to secure the production tax credit, and thus tax equity investment. Construction on the project began in September last year, meaning it would meet the "in construction" stipulations of the U.S. **Internal Revenue Service**. Nordholm identifies the tax equity component as "critical in getting the deal done."

The project is quasi-merchant, with Starwood lining up a long-term power hedge once it is operational. Stephens Ranch is being built over two phases and will ultimately total 377 MW. It will use GE 1.7-100 turbines and be built by **Wanzek Construction**, with completion scheduled for late 2014.

Officials at the lenders were not immediately available to comment.

EDF, UBS To Finance Texas Wind With Equity

EDF Renewable Energy and **UBS International Infrastructure Fund** are planning to finance the construction of a 161 MW wind project in Texas with equity and tax equity.

The UBS fund is buying into the 161 MW Spinning Spur II wind project that is slated to be online in July. The acquisition is contingent upon completion of construction.

The financing process will be led by EDF Renewable Energy and will consist of tax equity under the modified accelerated cost recovery system and production tax credits as well as equity, says an observer. There is no project level debt.

The project is attractive to the UBS fund because of its 10-year power purchase agreement with an investment grade entity and EDF Renewable Energy's experience with wind assets. EDF Renewable Energy was formerly known as **enXco**. The wind farm will be the UBS fund's second wind asset; it owns 60% of the 206 MW Collgar wind farm in Western Australia.

Neither firm used a financial advisor on the transaction. **Floyd Gent** is head of Americas for the fund in New York.

MERGERS & ACQUISITIONS

India's Essar Looks To Sell Canada Cogen

Essar Group, a multinational corporation based in Mumbai with steel, energy and infrastructure investments, is selling a cogeneration plant in Algoma, Canada.

Barclays is running the sale of the 85 MW facility that is attached to a steel factory affiliated with subsidiary **Essar Steel Algoma**, an integrated primary steel producer Sault Ste. Marie, Ontario. The facility, which converts waste gasses from the steel factory to power, came on line in June 2009. The facility has a power purchase agreement for 63 MW with the **Ontario Power Authority** until 2029.

FAST FACT

The facility is Essar's only generation asset outside of India.

The facility is Essar's only generation asset outside of India, according to the company's website. Teasers reportedly went out in December.

The timeline of the auction could not be immediately learned. A spokesman in Mumbai was not immediately available for comment; a Barclays spokesman declined to comment.

California Rays

PSEG Buys Maiden Solar Projects In Calif.

A **PSEG** subsidiary has made its first acquisitions of solar projects in California from **Canadian Solar**.

PSEG Solar Source closed the purchase of the two projects totaling 4.4 MW in Shasta County in December. The two facilities have power purchase agreements with **Pacific Gas & Electric** and will henceforth be called by a single name, PSEG Shasta. The projects are expected to be online in early 2014.

FAST FACT

The two facilities have power purchase agreements with **Pacific Gas & Electric**.

PSEG Solar Source has six solar assets in Arizona, Delaware, Florida, New Jersey and Ohio in its fleet—the majority of which were acquired from **juwi solar**, with which it has had a partnership. The company is now looking opportunistically when projects arise, says a PSEG spokeswoman, noting that it works "with a host of best in class" developers.

A purchase price could not be immediately learned.

Pattern Circles First Acquisitions Post IPO

Pattern Energy is making moves on buying stakes in two wind projects in Texas and Ontario owned by **Pattern Group LP**—the first acquisition since its initial public offering.

Pattern, PEGI on the NASDAQ and PEG on the Toronto Stock Exchange, is buying 80% of the Panhandle 2 project in Carson County, Texas, for $122.9 million. The project will have three institutional tax equity investors upon its completion, which is scheduled for the fourth quarter of this year.

The merchant 182 MW Panhandle 2 project is receiving an equity bridge loan from **Morgan Stanley** and a long-term energy price hedge from **Morgan Stanley Capital Group**. The project will have no long-term debt in place once it's operational; Pattern's acquisition payment and tax equity investments from a trio of institutional investors will be used to repay the bridge loan.

The company has agreed to buy 45% of the 149 MW Grand project in Haldimand County, Ontario, for about $79.5 million, with an up to $4.65 million deferred payment. The project has a 20-year power purchase agreement with the **Ontario Power Authority** and is expected to be online in the fourth quarter of this year as well. **Samsung Renewable Energy** and **Six Nations of the Grand River** are co-owners.

The acquisitions will bring Pattern Energy's portfolio to 1,255 MW.

A Morgan Stanley spokeswoman could not immediately comment on terms of the hedge and bridge loan.

Shop Scouts Buyer With Turbines For Minn. Wind

Project Resources Corp. is trying to sell a 21 MW wind project in southwest Minnesota that needs turbines to qualify for the production tax credit.

The best-suited buyers for the Rock Aetna project are turbine vendors or larger developers that have signed turbine framework agreements with manufacturers to reserve bulk orders. Under U.S. **Internal Revenue Service** guidelines, a developer that reserves a bulk order and pays 5% of the turbine order by year-end can use those turbines in any project and have it qualify for the PTC. The sale process is expected to happen quickly given the PTC constraints. **Alyra Renewable Energy Finance** is advising PRC.

Rock Aetna did not meet the IRS' in-construction guidelines on its own because the power purchase agreement was signed too late in the year to get shovels moving before snow covered the ground.

The project has a 20-year PPA with **Xcel Energy** subsidiary **Northern States Power**. It could be online by Dec. 31, 2015 or, if a buyer wants to push out the timeline, it could come online as late has 2018, according to the teaser that was released just before Christmas.

PRC, based in Minneapolis, has developed about 1.8 GW of wind projects that were sold to other owners. **Mohammed Alam**, president of Alyra in Northampton, Mass., declined to comment on the process.

Entegra Taps Houlihan As Restructuring Looms

Entegra Power Group has retained **Houlihan Lokey** in preparation for a potential restructuring.

Entegra, which has about $1.33 billion in debt at subsidiary **Entegra Holdings**, has also retained law firm **O'Melveny**. Third lien debt holders have hired **Skadden, Arps, Slate, Meagher & Flom**.

Several hedge funds have equity and debt investments in the company and its two gas-fired facilities: the merchant 2.2 GW Union Power Station in El Dorado, Ark., and half of the 2.2 GW Gila River CCGT in Gila Bend, Ariz.

FAST FACT

Wayzata Investment Partners owns half of the Gila River facility that it bought in a pair of transactions. Entegra held on to one contracted unit and one merchant unit.

It's a complex capital structure, says one restructuring banker, who calls it "wacky" because of the way the hedge funds trade slices of the debt, plus equity, when they trade on the company. Deal watchers anticipate that it will be a negotiated restructuring.

Entegra Holdings has an $850 million third lien payment-in-kind B loan that matures in October 2015. It carries pricing at LIBOR plus 600 basis points. The loan has been trading in the low $0.60s on the dollar, specifically at $0.62 on Dec. 16. Affiliates of **Oppenheimer Funds**, **Pictet Funds**, **Highland Capital Management** and **Nomura Capital Research and Assets** have had pieces of the third lien debt in the last year.

Additionally, Entegra Holdings has a seven-year, $450 million second lien B loan that matures in April 2014. That loan, and a $30 million revolver, carry pricing at LIBOR plus 250 bps.

Entegra tested the waters on a sale of a portion of its assets this summer (*PI, 8/30*). Entegra's half of the Gila River plant has a $300 million debt package from 2011 (*PI, 8/15/11*). It includes a six-year $220 million term loan and $80 million in letters of credit and working capital. Whether the debt on Gila River is part of the restructuring talks could not be immediately learned.

Wayzata Investment Partners owns half of the Gila River facility that it bought in a pair of transactions. Entegra held on to one contracted unit and one merchant unit (*PI, 6/10/11*).

The identities of the third lien group and whether they plan to hire a restructuring advisor could not be immediately learned.

Michael Schuyler, ceo and president of Entegra in Tampa, Fla., did not respond to an inquiry about the retention of Houlihan or what is next for the company. A spokesman for Houlihan did not respond to an inquiry. Law firm spokespeople could not immediately comment.

Enbridge Snags Texas Wind Project

Enbridge has agreed to buy a wind project in Texas from **RES Americas** for about $200 million.

The 110 MW Keechi wind farm in Jack County went into construction last month and is expected to be online in the first quarter of 2015.

MetLife will make a tax equity investment. The project has a 20-year power purchase agreement with **Microsoft Corp**.

This is Enbridge's first wind project in Texas—and its second in the U.S.—although the company has extensive natural gas pipelines in the state. Enbridge bought RES' 250 MW Cedar Point wind project in Elbert, Lincoln and Arapahoe counties, Colo., for $500 million in 2010.

How the company is financing the acquisition could not be immediately learned. A spokesperson did not respond to an inquiry.

STRATEGIES

SunEd Nets Savings With Bonds, LC Refi

SunEdison has secured a $320 million letter of credit from **Deutsche Bank** and has issued $1.2 billion in convertible bonds to refinance debt and save $35 million in payments annually.

The new bond offering consists of $600 million of 2% convertible senior notes due October 1, 2018, and $600 million of 2.75% convertible senior notes due January 1, 2021. The company issued the bonds to lower its interest payments on existing debt. The two convertible offerings were upsized from $400 million each, on the back of investor interest.

Bank of American Merrill Lynch, **Deutsche Bank Securities**, **Goldman Sachs** and **Wells Fargo Securities** are the joint lead managers of the books. **Citigroup**, **Macquarie Capital** and **RBS Securities** are co-managers. The initial conversion rate for the notes will be 68.3796 shares of common stock per $1,000 in principal amount of notes, equivalent to a conversion price of approximately $14.62 per share of common stock. Shares in SunEdison – ticker SUNE – were trading at $14.48 at press time on Thursday.

The new capital will allow the company to pay off the $550 million outstanding amount of its 7.75% senior notes due 2019 and its $200 million second lien term loan that carries an interest rate of 10.75%.

The new LC has an interest rate of 7.75% and will also take out an existing LC that the company has with Bank of America. The former LC was secured on March 23, 2011, although details could not be learned by press time.

Calls placed to SunEdison officials in St. Peters, Mo., were not returned by press time. Bank officials either declined comment or did not respond to inquiries.

NRG Lands Saguaro Refi

NRG Energy has secured a $97.4 million senior secured credit facility refinancing its 105 MW Saguaro combined cycle cogeneration facility in Henderson, Nev., which it had been trying to sell. **GE Energy Financial Services** was the lead arranger on the deal.

In addition to GE EFS, **CIT Corporate Finance** participated in the credit facility as a lender and documentation agent. Further details on the loan, such as pricing and tenor, could not be learned by press time.

Princeton, N.J.-based NRG had been looking to sell the facility early last year (*PI, 1/24*). The company reached out to a number of prospective buyers, including **Panda Power Funds** and **AltaGas**, according to bankers and investors. After a buyer could not be found, the company opted to go the refinancing route.

The plant maintains a power purchase agreement to supply **Nevada Power Co**., a subsidiary of **NV Energy Inc**., with 90 MW of generation through April 2022. Separate contracts that also run through April 2022 are in place for the steam generated at the plant. NRG owns 50% of the project, while a partnership between **MSD Capital** and **Paragon Energy Holdings** own the other 50%. It has been in commercial operation since 1991.

Paragon officials in San Francisco and NRG officials in Princeton, N.J., did not respond to inquiries by press time. GE EFS officials in Stamford, Conn., did not respond to an inquiries.

Emera Shares Shore Up Cash Post Gas-Fired Purchase

Emera has issued about C$250 million ($232 million) in common shares that will be used to replenish its balance sheet after it financed a gas-fired acquisition in New England.

Emera sold about 8.6 million of common shares on the **Toronto Stock Exchange**, including an overallotment option of 865,000, for C$28.85 ($26.85) a share. **Scotiabank**, **RBC Capital Markets** and **TD Securities** were bookrunners. The issuance closed this week.

The Halifax-based company bought three gas-fired plants totaling 1,050 MW in New England from **Capital Power** for $541 million. It used cash on hand and existing credit facilities to finance the purchase initially with the intent to put long-term debt and equity in place (*PI, 8/28*).

The equity issuance complements a fourth quarter $320 million term loan B refinancing at **Northeast Wind Partners**, a wind joint venture with **First Wind**, which repaid a $150 million note from Emera (*PI, 11/21*). Proceeds of that refinancing were used to finance the acquisition as well.

A spokeswoman for Emera could not immediately comment on the timing of the issuance.

PEOPLE & FIRMS

WestLB's Livingston Heads To Biomass Pellet Co.

Biomass pellet company **Enviva** has brought on **Martin Livingston**, formerly a managing director at **WestLB**, as v.p. of infrastructure, finance and development. He started at the beginning of the month in Bethesda, Md., and reports to CFO **Steve Reeves**.

"Enviva has reached a point in its growth where it wants to find more third party sources of financing and project financing, which is what I have been doing for 25 years or so," says Livingston, who has also held positions at **Credit Agricole** and **Deutsche Bank**. "I will be looking to help them tap the project finance market across the capital structure."

The company locked in a $120 million senior secured credit facility under its maiden corporate financing in 2012, with **Barclays**, **Goldman Sachs**, **Royal Bank of Canada** and **Citigroup** serving as joint lead arrangers and joint book runners. "Those are the four close banks to the company and we will definitely go to them to talk about the project financing, but they don't have a lock on the project financing," Livingston says.

Established in 2004, Enviva provides clean, sustainable, renewable woody biomass fuel to industrial-scale customers. Its customer base has traditionally been in Europe, but the company will also explore opportunities in emerging markets, notes Livingston.

Most recently, Livingston has been working with **Portigon Financial Services**, the portfolio management company that emerged following the winding down of WestLB's operations (*PI, 5/16/2012*).

Taneja Lands At Wells Fargo

Manish Taneja, formerly the global head of loan syndications and private placements at **WestLB**, has been hired for a similar role at Wells Fargo.

Taneja has started in the New York office as global head of loan syndications. He will focus on expanding the Wells's financial institutions platform, says an observer. His role will include loan syndications, export credit agency and credit risk insurance businesses, says the observer. Taneja will oversee operations in the U.S., London and Hong Kong.

Taneja left **Portigon Financial Services**, the surviving entity of WestLB in April.

The Charlotte, N.C.-based Wells Fargo is active in various ways around the power and infrastructure space, including tax equity, but does not have a singular project finance platform. Whether Taneja will have involvement with any of these could not be learned.

To whom Taneja reports to could not be immediately learned. Taneja declined to comment.

Q&A

Bill Sutherland, senior managing director of project finance at **Manulife Financial Corp.** in Toronto, spoke with Senior Reporter **Holly Fletcher** about why the Canadian renewables market—a hotbed of project finance deals in recent years—is expected to cool and where the shop plans to spend its dollars in 2015.

Q&A: Sutherland *(Continued from page 1)*

wind power market.

Our focus in recent years has been Canada due to the large number of opportunities available to us here and to the strength of our franchise north of the border. We have been less active in the U.S. market due to the production tax credit and resultant structures favoring unleveraged tax equity. Manulife is a senior debt provider. We do not invest in tax equity. The high level of activity in Canada has allowed us to focus on the Canadian market, however we see the level of activity in Canada waning over the next year-and-a-half and plan a return to the U.S. market.

Since the team was formed, we've arranged approximately $6 billion in financing, predominantly for renewable energy projects, wind, hydro and solar although we have arranged financing for, and invested in, conventional generation. Of this, $1.3 billion was arranged for 11 projects in 2013 alone. We are a very large player in the Canadian market. Although we are very well known within the industry, our accomplishments fly under the radar because we don't advertise or promote ourselves in the press. We've generally been pretty silent about what we're doing.

***PFR**: How would you characterize the current market in Canada? You mentioned it could be waning the next year-and-a-half. What's behind that?*

Sutherland: The market has been extremely strong for a number of years now. Substantial capacity has been built and I think we've reached the saturation point. We really don't need large additions to capacity in the three major markets; Ontario, Quebec and B.C. B.C. in its recent resource plan indicated they have enough capacity to see them through for a number of years and there seems to be little interest in adding new capacity outside of Site C, which **BC Hydro** would like to build itself. Site C is a very large hydro project on the Peace River.

Quebec will probably continue issuing RFPs for wind power although at a measured pace. We haven't seen hydro RFPs for quite some time. A manufacturing base has been built up within the province to supply the wind industry and a certain minimum level of wind development is required to maintain this base. I don't think we will see the same high level of development experienced within the province in the past.

***PFR:** Ontario has been a bustling for a few years. What's the outlook there?*

Sutherland: A number of competitive RFPs led to a large number of renewable and clean energy projects being built. More recently, the province passed the Green Energy Act and introduced the much lauded feed-in-tariff program. I don't think the **Ontario Power Authority** or **Energy Ministry** ever contemplated the capacity that was offered in response to the FIT. An inordinate amount of capacity has been built in a very short period of time and the gold rush must come to an end. I personally don't believe wind is a good fit in Ontario yet considerable additional capacity is currently under construction. Solar is certainly a better fit, however, it's very, very expensive. I mean multiples of the cost of conventional power.

Our own pipeline is exceedingly strong at the moment. We will have a very good 2014 however I see the level of activity dropping off before the end of the year - 2015 is a big question mark. I think in Manulife's favor is the fact that this gold rush has attracted a lot of attention from domestic and foreign banks - particularly the Japanese banks - and as the level of activity starts to wane, those banks may find the Canadian market less interesting. At least we're hoping that's the case and that our level of activity will remain high as the banks withdraw to pursue opportunities elsewhere.

***PFR:** If in 2015 you start financing wind deals in the U.S. market, would you still be looking to do the tenor deals that are the bread and butter for you guys?*

Sutherland: Manulife is a long-term fixed-rate lender. Our life insurance and wealth management liabilities are very long dated and we are required to match the duration of our assets (investments) against those liabilities. We have little requirement for shorter term, floating rate loans and seek to invest on a long-term fixed-rate basis. What is not always appreciated, lifecos are rewarded for term whereas banks are penalized. We get to release reserves whereas banks are required to increase the level of reserves held against loans with term. We are a natural lender to the independent power industry because developers want to lock in interest rates and are looking for amortization periods equal to the long tenor of their contracts.

***PFR:** Would the Toronto team do those wind deals?*

Sutherland: The Toronto team is responsible for wind power globally and would manage all wind projects in the U.S. All other generation technologies including solar would be handled by the John Hancock team in Boston.

PFR: *I think that could be really interesting for sponsors in the U.S.* ***Invenergy*** *is trying to do a private placement of bonds to finance a wind project so that, plus the addition of Manulife, could really change how projects are financed here.*
Sutherland: I think it is important to differentiate the Manulife PF team from other lifecos. It is assumed lifecos invest in projects through bond structures. We are different. We compete for financing mandates and structure a transaction in the same way a bank would, except we lend long-term on a fixed-rate basis against U.S. Treasuries rather than on a floating rate basis with swaps to fix.

We don't like bonds because they tend to be very loose in covenant structure and are generally administered by uninterested parties. We prefer to arrange or co-arrange our own investments for a number of reasons, including the development of direct relationships with developers which allows a better understanding of client's needs. We get to know them. We get to know the project. We are better able to follow the progress of construction and better monitor long-term operation. We are able to select and direct our preferred counsel and consultants. We can structure to meet the needs of lenders rather than invest in transactions structured to meet the needs of intermediaries intent on winning financing mandates to earn fees and not holding any of the investment for their own account. We're going to be there for the very long-term; we want to make sure the transaction is structured right to meet our needs. Most bond transactions don't meet our needs very well.

PFR: *How will tax equity affect your lending activities?*
Sutherland: Tax equity has been an issue for us in the past and is one factor in our focusing on the Canadian market in recent years. Tax equity may be equity for tax purposes but it is debt like in all other respects and the providers of tax equity resist senior debt anywhere within the capital structure. We strongly believe the industry would be much better served by renewable portfolio standards than PTCs. Obviously, we are hoping the PTC is not extended – but that is out of our hands.

We've been working on projects in the U.S. where the developers are able to utilize PTCs themselves or are in a position to dictate the capital structure. The attraction to developers is that leveraged projects invariably provide higher returns. That said, we will be precluded from most opportunities until the PTC falls away.

Check back next week for Sutherland's take on the Manulife's project finance strategy for the next few years and deal pricing in the second installment of this Q&A.

IRS Tax *(Continued from page 1)*

impact the renewable sector.

In an inverted lease, the sponsor leases the asset to the tax equity investor, who then deals with the offtaker. Under the lease, the sponsor retains the tax ownership but assigns the investment tax credit to an investor under a special provision of the U.S. tax code. The sponsor retains the depreciation, the other tax benefit. When the lease ends, the sponsor regains control of the asset.

The guidelines change how much capital can be invested and when in the renovation process, as well as the prospect for subleasing. The IRS and Treasury guidance stems from tax equity transaction case—called Historic Boardwalk—that went before a U.S. Appeals Court in August 2012.

Given the uncertainty around the structure, only a few banks have been willing to be tax equity investors and a handful of law firms will structure the deals in the power space. This structure is primarily used in the rooftop solar deals; **U.S. Bank** has done several such deals. It is the opposite of a traditional sale leaseback structure where the sponsor leases the asset from the investor.

The vagueness of the guidance has raised more questions about details around head and sub leases. "If you're wanting to implement this structure, you're still guessing," says **David Burton**, partner at **Akin Gump Strauss Hauer & Feld**. Burton, who has also spoken with IRS and Treasury officials, says that most of the hard questions, including those around head leases and sub leases in the inverted lease tax equity structure were not addressed.

The IRS and Treasury lawyers are expected to speak at conferences in the coming months, says Burton. If the government lawyers make informal clarifications at these events, such remarks could go a long way toward assuaging concerns over ambiguities about the safe harbor. "If Treasury and IRS lawyers speak at conferences and give tangible examples it will help more deals get done," Burton says.

The IRS is not expected to issue formal clarifications the way it did for defining "in construction" for meeting the production tax credit qualification. ***—Holly Fletcher***

For more information on the Historic Boardwalk guidelines please visit Akin Gump and Chadbourne & Parke websites.

Natixis Advises *(Continued from page 1)*

to fuel their operations and several banks have been looking to expand their business in the region. These factors have led to competition for deals and downward pressure on pricing, notes a dealwatcher, adding that some international lenders are getting priced out of projects. This was the case with **AES Gener** and **Antofagasta Minerals**' $1.217 billion debt package backing the Alto Maipo hydro project, which was dominated by local banks, although it featured merchant risk (*PI, 12/12*).

KOSPO owns 65% of the JV, while Samsung owns the remaining 35%. Construction on the project will begin early this year, with commercial operation slated for the second half of 2016.

—Nicholas Stone

