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# Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE ● STRATEGIES ● CONFERENCE COVERAGE

**Peru Gas Pipeline Derailed**
The Peruvian government has cancelled its contract with a consortium, led by **Odebrecht**, to build and operate a multibillion dollar pipeline. Page 6

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The residential solar developer plans to tap the market later this year for the seventh time with a $145 million asset backed securitization. Page 11

**Focus Shifts to Alberta**
A shake-up of the Canadian's province's power market was high on the agenda at a **Euromoney Seminars** conference in Toronto. Page 12

## Sponsors Close Cricket Valley Financing with Host of Lenders

Olivia Feld

A debt and equity package totaling a combined $1.584 billion backing the **Advanced Power** 1.1 GW Cricket Valley Energy Center combined-cycle gas-fired project in Dover, N.Y., closed on Jan. 24.

The deal was slated to close as soon as Jan. 17, but it took longer than expected to transfer international funds from multiple offshore investors, a deal watcher tells *PFR*. Negotiations surrounding the hedge agreement continued right up until closing, he adds.

As part of the financing, **GE Energy Financial Services**, **BNP Paribas** and **Crédit Agricole** arranged an approximately $700 million term loan A.

**Bank of America**, **CIT Bank**, **Industrial Bank of Korea**, **Shinhan Bank**, **Industrial and Commercial Bank of China**, **NongHyup Financial Group**, **National Australia Bank**, **Siemens Financial Services** and **Sumitomo Mitsui Banking Corp.** also contributed to the debt facilities, which totaled $875 million.

The package was said by a deal watcher several weeks ago to include an approximately $337 million letter of credit to be used during construction. The construction-plus-five-year term loan is priced in line with similar loans for merchant projects at 325 basis points over Libor, added the deal watcher (PFR, 1/13).

The final size of the term loan A and letter of credit at closing could not be confirmed by press time.

**JERA Co.**, which is owned by **Chubu Electric Power Company** and **TEPCO Fuel & Power**, **TIAA Investments**, Advanced Power, **BlackRock Financial** PAGE 5 »

## Generation Asset M&A Outlook 2017

Fotios Tsarouhis

Competitive gas prices, low cost of capital and a changing political landscape rank high on the list of factors that will define U.S. generation asset sales and purchases in 2017, according to market participants interviewed by *PFR*.

### SLOW QUARTER, STRONG YEAR

**Roger Wood**, m.d. in power & utilities at **Moelis & Co.** in New York, said asset M&A in 2016 was relatively robust—a trend he expects to carry over into 2017.

North American generation asset M&A deal volume was lower in the fourth quarter of 2016 than in the previous quarter and the same quarter in 2015, according to **PwC's** *North American Power & Utilities Deals Insights* quarterly report. For the full year 2016, however both deal volume and value were up by 51% and 134%, respectively, with PwC tallying 71 deals totaling $156.6 billion.

"Quarter to quarter, obviously, you're going to get some volatility," says **Jeremy Fago**, U.S. power & utilities deals leader at PwC. PAGE 9 »

## Details Emerge on Unusual Wind Turbine Loans

Olivia Feld

A trio of wind turbine supply loans with differing terms, arranged by five financial institutions, closed in the late stages of last year, deal watchers tell *PFR*.

**Invenergy**, **Pattern Development** and **TerraGen** closed debt facilities at the end of last year to finance orders for a large volume of wind turbines, allowing development-stage projects to qualify for the full production tax credit before its step-down on Dec. 31.

The three loans are the first of their kind to close since the financial crisis, say market participants.

**NordLB**, **Rabobank** and **GE Energy Financial Services** arranged a loan of between $125 million and $200 million for Invenergy, say deal watchers. PAGE 2 »

● **POWER UP:** CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 7

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## PROJECT FINANCE

# Details Emerge on Turbine Loans

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The recourse loan had "a very unique structure", says one of the deal watchers. The debt is collateralized against Invenergy's development pipeline of roughly eight or nine facilities, a project finance banker tells *PFR*, adding that the loan was priced at between 275 and 300 basis points over Libor. The tenor of the loan could not immediately be established.

Rabobank also arranged a turbine loan for Terra-Gen. The loan has a non-recourse structure, was approximately $75 million in size and was priced in the region of 200 basis points over Libor, says the project finance banker. It has a one-year interest period before the start of construction, followed by a two-year non-amortizing period, he adds. The tenor of the loan could not immediately be established.

**Siemens Financial Services** and one other as yet unidentified party arranged a non-recourse turbine loan in excess of $100 million for Pattern Development.

The loan is secured against a collateral package which included not only the turbines but also other project assets, says another deal watcher. The identity of the projects and the tenor of the loan could not immediately be established. A discount was applied against the value of the turbines, adds the deal watcher.

Last year, Pattern was looking at a number of options for the structuring of its turbine loan (PFR, 12/23).

Despite the fact that past turbine loans have resulted in work-outs or asset sales, European financial institutions and turbine manufacturers were said to be looking to arrange mandates last summer. One market watcher predicted that it could become a billion dollar industry (PFR, 7/15).

Turbine loans are one way projects can harness the full PTC before the 20% step down after Dec. 31, 2016. The PTC will continue to decrease by a further 20% in each of the following two years.

The U.S. **Internal Revenue Service**'s safe harbor rules provide for projects under development to qualify for the PTC either through a physical work test or by demonstrating that 5% of the total project cost has been spent.

It remains yet to seen whether more such loans will be arranged before the next 20% step down of the PTC on Dec. 31 of this year.

"I don't see a long line of these deals getting done—one or more—I don't see this being a huge industry," says the project finance banker. "Those who needed, asked for one".

Spokespeople and representatives for NordLB, Rabobank, GE Energy Financial Services, Siemens Financial Services, Invenergy, Pattern Development and Terra-Gen all either declined to comment or did not immediately respond to inquiries. ■


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


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## 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 |
|---|---|---|---|---|
| 7X Energy | Portfolio (3 GW Solar) | U.S. | | Longroad Energy Holdings has acquired the development-stage portfolio (PFR, 1/23). |
| Actis (70%), Mesoamerica (30%) | Globeleq Mesoamerica Energy (394 MW Solar, Wind) | Costa Rica, Honduras, Nicaragua | | Corporación Multi Inversiones has acquired GME (PFR, 1/9). |
| BayWa r.e. | Cork Oak (26 MW Solar) | Halifax, North Carolina | | PSEG Solar Source has acquired two North Carolina solar projects (see story, page 8). |
| | Sunflower (21 MW Solar) | | | |
| Brookfield Renewable Partners | Price (189 MW Wind), Comber (166 MW Wind), Gosfield (51 MW Wind) | Sault Ste. Marie, Lakeshore, and Kingsville, Ontario | Scotiabank, TD Securities (seller) | Brookfield Renewable is selling the three facilities, plus an expansion project, in a portfolio (PFR, 7/18). |
| Calpine Corp. | Osprey Energy Center (590 MW Gas) | Auburndale, Fla. | | Duke Energy Flordia has closed its acquisition of the project (PFR, 1/9). |
| Competitive Power Ventures | Woodbridge Energy Center (725 MW, 20%) | Woodbridge Township, N.J. | | Osaka Gas is acquiring the stake from CPV (PFR, 1/9). |
| Enel Green Power North America | Cimarron Bend (400 MW Wind, 59%) | Clark County, Kan. | | GE Energy Financial Services has closed its purchase of a 59% stake in each of the projects (PFR, 1/17). |
| | Lindahl (150 MW Wind, 59%) | Williams County, N.D. | | |
| Energy Capital Partners | Broad River (878 MW Dual-fuel) | Gaffney, S.C. | | The Silverfern Group and a fund managed by Arroyo Energy Investment Partners have acquired the project (PFR, 1/9). |
| Exelon Corp. | Mystic Generating Station (1,998 MW Gas and Dual-fuel) | Charlestown, Mass. | JP Morgan | Exelon has launched a sales process for the project (PFR, 10/24). |
| FirstEnergy Corp. | Springdale (638 MW Gas) | Springdale Township, Va. | | LS Power has agreed to buy the merchant gas-fired projects in Pennsylvania and FirstEnergy's interest in a hydro facility in Virginia (see story, page 7). |
| | Chambersburg (88 MW Gas) | Guilford Township | | |
| | Gans (88 MW Gas) | Uniontown, Va. | | |
| | Hunlock (45 MW Gas) | Hunlock Creek, Va. | | |
| | Bath County (3 GW, 24%) | Warm Springs, Va. | | |
| First Solar | Moapa (250 MW Solar) | Clark County, Nev. | | A fund managed by Capital Dynamics on behalf of two investors has agreed to purchase the project (see story, page 8). |
| Juhl Energy | Operational Portfolio (36 MW Wind) | Minnesota, Iowa | | Juhl Energy has sold an operational wind portfolio, project development pipeline and O&M business to Con Edison Development (see story, page 7). |
| | Development Portfolio (500 MW Wind) | Multiple Midwest states | | |
| Marubeni Corp. | West Deptford (669 MW Gas, 17.5%) | West Deptford Township, N.J. | | Kansai Electric Power Co. has acquired half of Marubeni's 35% stake in the project (PFR, 1/9). |
| Mercuria | Danskammer (500 MW Dual-fuel) | Hudson Valley, N.Y. | Guggenheim Partners | The first round of a two-stage auction is underway (PFR, 10/3). |
| Origis Energy | Mississippi Solar 2 (52 MW Solar) | Lamar County, Miss. | | D.E. Shaw has acquired the project (PFR, 1/9). |
| Panda Power Funds | Liberty (Gas 829 MW), Stonewall (778 MW), Patriot (829 MW) | Bradford County, Pa., Loudoun County, Va., Lycoming County, Pa. | Goldman Sachs | First round bids for the 2.5 GW portfolio were due in November (PFR, 10/31). |
| Renova Energia | Portfolio (386.1 MW Wind) | Bahia, Brazil | | AES Tietê has entered into exclusive negotiations to acquire the portfolio, which would represent its first wind assets in Brazil (PFR, 1/23). |
| Rockland Capital | Elgin Energy Center (484 MW Gas) | Elgin, Ill. | Barclays | Barclays is running a two-stage auction for the four assets, all of which sell into PJM (PFR, 12/19). |
| | Rocky Road (349 MW Gas) | East Dundee, Ill. | | |
| | Eagle Point Power Generating (238 MW Gas) | Westville, N.J. | | |
| | Tilton (180 MW Gas) | Tilton, Ill. | | |
| sPower | Portfolio (6.7 GW Solar) | U.S. | Barclays (lead), Marathon Capital, CohnReznick, Citi (co-leads) | Final round bids on the solar independent power producer were due last week (PFR, 1/23). |
| Starwood Energy Group Global | Electra (230 MW Wind) | Wilbarger County, Texas | Whitehall & Co. | Starwood is seeking offers from potential purchasers (PFR, 12/14). |
| Suncor Energy | Cedar Point II (100 MW Wind) | Lambton and Plympton-Wyoming counties, Ontario | National Bank Financial Markets (buyer) | A fund controlled by Fiera Infrastructure has bought the project (see story, page 6). |
| SunEdison | Portfolio (805 MW Wind, 62.5%) | U.S. | | Two funds of DIF are acquiring SunEdison's interest in TerraForm Private, a warehouse facility that holds the portfolio (PFR, 1/17). |
| Unknown | Alternative Energy (Unknown) | U.S. | | A fund controlled by Fiera Infrastructure is in late stage talks to buy a portfolio in the U.S. (see story, page 6). |
| Veresen | Portfolio (625 MW Gas-fired, Hydro, Wind) | Canada | TD Securities | A sale of the assets has been launched (PFR, 10/31). |

**New or updated listing**

*The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.*
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## 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 | Cricket Valley (1.1 GW Gas) | Dover, N.Y. | Whitehall | Equity | $709M | | Advanced Power closed financing for the project on Jan. 24 (see story, page 1). |
| | | | GE EFS, BNP Paribas, Crédit Agricole | Term Loan A | ~$700M | C+5-yr | |
| | | | | LOC Facility | ~$337M | | |
| Ares-EIF | Birdsboro | Birdsboro, Pa. | CIT, GE EFS, Investec | Loan | $300M | C+3-yr | Pricing on the loan is said to be 325 bps over Libor (PFR, 10/20). |
| Cheniere Energy, EDF, Andes Mining & Energy | Penco Lirquén (LNG Terminal), El Campesino (640 MW Gas) | Chile | BNP Paribas, Crédit Agricole, DNB, MUFG, SMBC, Société Générale | Mini-perm | $850M | 8-yr | The sponsors have closed debt financing for the two projects, collectively known as Octopus LNG (PFR, 1/9). |
| Competitive Power Ventures | Fairview (1,050 MW Gas) | Cambria County, Pa. | TBA | Debt, Equity | $900M | | CPV was initially targeting a 2016 financing for the project (PFR, 6/11/15). |
| Dominion Resources | Portfolio (430 MW Solar) | U.S. | KeyBank (left lead), MUFG, SunTrust, PNC, Mizuho, Commerzbank, Wells Fargo, Hana Bank | Loan | $435M | 5-yr | The mini-perm was priced at Libor+255bps and closed on Dec. 14 (PFR, 1/9). |
| Odebrecht, Enagás, Graña y Montero | Gasoducto Sur Peruano (700-mile Pipeline) | Peru | | Bridge Loan | $600M | | The Peruvian government has cancelled its contract with the Odebrecht-led consortium that was seeking debt to finance the project (see story, page 6). |
| | | | TBA (14 Bookrunners) | Debt | $4.1B | | |
| GE Capital | Homer City (1,884 MW Coal) | Indiana County, Ind. | Morgan Stanley | Term Loan | ~$150M | | GE has tapped Morgan Stanley to arrange exit financing for the project, which filed for Chapter 11 in January (PFR, 1/17). |
| Invenergy | Unknown | U.S. | NordLB, Rabobank, GE EFS | Turbine Loan | | | Invenergy obtained the turbine loan, which was priced between Libor+275 bps and Libor+300 bps (see story, page 1). |
| Invenergy | Lackawanna (1,485 MW Gas) | Jessup, Pa. | BNP Paribas, GE EFS, MUFG | Loan | $337M | C+5-yr | Invenergy has closed a roughly $1B debt package for the project. First Reserve is providing third party equity (PFR, 1/9). |
| | | | BNP Paribas, GE EFS, MUFG | Fixed-rate loan | $200M | C+5-yr | |
| | | | Prudential | Private Placement | $260M | 8-yr | |
| | | | BNP Paribas, GE EFS, MUFG | Working Capital Facilities | $307.5M | | |
| | | | Lazard | Equity | <$500M | TBA | |
| Longroad Energy Holdings | Portfolio (3 GW Solar) | U.S. | TBA | Debt | | | The sponsor plans to seek debt financing this year for the first of a portfolio of projects it acquired from 7X Energy (PFR, 1/23). |
| Panda Power Funds | Mattawoman (850 MW Gas) | Brandywine, Pa. | BNP Paribas, ICBC, Investec | Loan | | TBA | Panda has mandated three banks to raise debt for the project (PFR, 12/5). |
| Panda Power Funds | Temple I (758 MW Gas) | Temple, Texas | Jefferies | Refinancing | ~$750M | TBA | Jefferies is aiming to close the refinancing later this quarter (PFR, 1/23). |
| | Temple II (758 MW Gas) | | | | | | |
| Pattern Development | Unknown | | Siemens, unknown | Turbine Loan | >$100M | | Pattern obtained the turbine loan to qualify for the full production tax credit before the end of the year (see story, page 1). |
| Spruce Finance | Portfolio (Residential Solar) | U.S. | Investec, Silicon Valley Bank | Loan | $105.4M | 5-year | Spruce Finance closed the financings in December and January (PFR, 1/23). |
| | Portfolio (Residential Solar) | | Citigroup | Tax Equity | TBA | | |
| SolarCity | Portfolio | U.S. | Sammons Renewable Energy | Equity | $241M | | SolarCity raised $241 million for the distributed solar portfolio with its third levered cash equity deal (PFR, 1/9). |
| | | | Institutional investors | Debt | | 18-yr | |
| Tenaska | Westmoreland (925 MW Gas) | South Huntington Township, Pa. | J-Power | Equity | TBA | | J-Power has acquired an equity stake in the merchant project (PFR, 1/17). |
| Terra-Gen | Unknown | | Rabobank | Turbine Loan | $75M | | Terra-Gen obtained the turbine loan, which was priced at around Libor+200 bps, to qualify for the full production tax credit before the end of the year (see story, page 1). |
| Vivint Solar | Portfolio (214 MW Resi Solar) | U.S. | Bank of America Merrill Lynch | Term Loan | $204M | 18-yr | BAML syndicated the loan out to institutional investors (PFR, 1/17). |

**New or updated listing**

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# Moody's Downgrades PJM Coal-fired Project Debt

**Moody's Investors Service** has downgraded loans associated with a pair of coal-fired facilities in **PJM Interconnection** amid tough competition from gas-fired projects.

On Jan. 24, the rating agency lowered its rating on debt raised by **ArcLight Capital Partners** to finance its acquisition from **Exelon Corp.** of stakes in the 1,711 MW Keystone and 1,711 MW Conemaugh facilities in western Pennsylvania.

ArcLight put the loans in place in late 2014 through financing vehicle **Chief Power Finance**, an affiliate of the fund that acquired the projects (PFR, 12/5/14).

Moody's lowered the rating on the $344.8 million six-year term loan and $44 million five-year revolving credit facility, both of which are senior secured, from B1 to B2 and assigned the debt a negative outlook.

The downgrade "reflects a second year in a row of financial performance that is significantly weaker than envisioned," wrote **Jennifer Chang** and **A. J. Sabatelle**, the authors of the Moody's report. The analysts expect the plants' financial results to remain weak this year.

Low gas prices, an increase in gas-fired generation capacity from new projects and poor load growth are keeping power prices low, the analysts add.

**S&P Global Ratings** rates the Chief Power loans B+, having downgraded them in May.

The Moody's downgrade comes just weeks after another coal-fired facility in Pennsylvania, the Homer City project in Indian County, filed for a pre-packaged restructuring under Chapter 11 (PFR, 1/11).

Staff levels at the plants in the Chief Power portfolio have been reduced and major maintenance at the projects postponed in order to keep costs low, according to the report.

The situation is mitigated by payments the projects receive under PJM's capacity market mechanism.

### AT LEAST IT'S NOT ERCOT

No such payments are available for the ExGen Texas Power gas-fired portfolio in **ERCOT**, which was also recently downgraded. Moody's lowered its rating of the senior secured debt backed by the 3,477 MW portfolio by two notches, from B2 to Caa2, on Jan. 19.

"The multi-notch downgrade reflects our expectation of substantial liquidity stress in the coming months and an increased default probability over the intermediate term," wrote **Charles Berckmann** and A.J. Sabatelle in the report.

The affected debt is a senior secured loan maturing in 2021, of which $659.6 million is outstanding. S&P downgraded the loans from B+ to B in September.

The gas-fired portfolio comprises the 738 MW Wolf Hollow combined-cycle facility in Granbury, the 510 MW Colorado Bend combined-cycle project in Wharton, the 1,265 MW Handley steam boiler in Ft. Worth, the 808 MW Mountain Creek boiler in Dallas and the 156 MW ExTex Laporte simple-cycle project in La Porte.

The projects are likely to need financial support from their sponsor, **Exelon Generation Co.**, in order to keep operating into the third quarter of the year, when they produce most of their cash-flow, write the Moody's analysts.

A spokesperson for Exelon in Baltimore declined to comment. A representative of ArcLight in Boston did not respond to an inquiry by press time. ■

# Sponsors Close Cricket Valley Financing with Host of Lenders

« FROM PAGE 1

**Management**, **Development Bank of Japan** and **NongHyup Financial Group** (under the direction of the **National Agricultural Cooperative Federation of Korea**) provided a combined $709 million in equity commitments.

NongHyup, a South Korean financial institution, was the most recent addition to the list of equity investors, coming on board within the last two months.

JERA is the largest equity investor in the project. Advanced Power will act as construction and asset manager as well as maintaining a stake. **Bechtel** is the project's engineering, procurement and construction contractor.

The project attracted a wide range of interest on the equity side from investors in Japan and South Korea. "Low interest rates are part of it", **Robert De Meyere**, project manager at the Cricket Valley Energy Center, tells *PFR*, noting that participants were keen to close the deal before a potential rise in interest rates this week.

The 1.5 GW **Invenergy** Lackawanna project, the most recent conventional greenfield project to close its financing, also attracted a number of Asian investors. Invenergy's facility is being built in Scranton, Pa., to service **PJM Interconnection** (PFR, 1/6).

"I think because we're a unique project—we're in New York not in PJM like most other projects—that gave us a bit of an advantage and gave us a lot of interest from banks who needed to diversify," adds De Meyere.

The announced closure of the **Entergy Corp.** 2.1 GW Indian Point nuclear plant was also advantageous for the closing of the deal. Entergy said earlier this month that it intends to close the facility by 2021, which deal watchers said could benefit nearby gas-fired projects (PFR, 1/10).

"The timing of the shutdown is just about perfect for us," says De Meyere. "It came at an opportune time. Any cold feet were warmed up".

The Cricket Valley facility is slated to be completed in the first quarter of 2020.

The project includes a 14.6-mile transmission line to connect the facility to the Pleasant Valley substation in **New York Independent System Operator**.

The ownership of the project has changed several times over the last few years, with **GE Energy Financial Services** and **Marubeni Power International** selling their positions (PFR, 5/17).

Funds managed by BlackRock acquired an interest in the project from the sponsor last year (PFR, 8/16).

**Whitehall & Co.** advised Advanced Power on both the debt and equity raise.

The next Advanced Power project slated to be financed is the 1.1 GW South Field facilty in Columbiana County, Ohio. The sponsor expects to finance the project within the next year. ■

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PROJECT FINANCE

# Peruvian Government Terminates Odebrecht Pipeline Agreement

The Peruvian government has announced that it has cancelled its contract with the consortium led by Brazilian construction firm Odebrecht for the under-construction Peruvian Southern Gas Pipeline.

The government says it will restart the bidding process for an alternative counterparty to build and operate the project, which will transport natural gas from central Peru to the country's southern regions.

The project consortium, **Gasoducto Sur Peruano**, missed a deadline to obtain financing for the pipeline and therefore the country's **Ministry of Energy and Mines** will execute a new bidding process for a tender, **Gonzalo Tamayo Flores**, Energy and Mines Minister, announced on Jan. 23.

A special committee will be formed for a new solicitation process, says the statement from the minister. The statement did not give a timeframe for the process.

In June 2014, Peru's private investment promotion agency **ProInversión** awarded GSP a 34-year tender to build, operate and maintain the pipeline. The cost of the tender was pegged at $7.33 billion. Odebrecht won the tender after its only rival bidder was disqualified.

Construction on the project started after the sponsors obtained a $600 million bridge loan in August 2014, and fourteen bookrunners were assigned to raise an additional $4.1 billion of debt in 2015 (PFR, 4/10/15).

Odebrecht has been searching for a buyer for its majority stake in the project for many months, deal watchers tell *PFR*.

**Enagás** and **Graña y Montero** own 25% and 20% interests, respectively, in GSP.

### FAILED EQUITY SALE

Corruption allegations involving Odebrecht's business in multiple Latin American countries have not helped either the debt financing or equity sale.

**Sempra International**, a subsidiary of San Diego-based **Sempra Energy**, had considered taking an equity stake in the project (PFR, 9/1). However, Sempra International announced that it had terminated negotiations with the project sponsors in late November.

"Despite significant efforts, the Peruvian government expressed its inability to provide necessary assurances that the concession would not be cancelled due to alleged legal violations by the seller or its affiliates", reads a statement published by Sempra International on Nov. 23. "As a consequence, a fundamental condition that was required for us to consider entering into final and binding agreement was not satisfied," the statement continues.

In December, Odebrecht pleaded guilty and agreed to pay the U.S. **Department of Justice** $3.5 billion to settle charges relating to hundreds of millions of dollars in bribes paid to government officials in multiple Latin American countries.

The Peruvian minster says that the government never considered extending the deadlines for the project's construction or withdrawing an anti-corruption clause in the tender agreement.

"That has not been negotiable, because the Government has initiated a frontal assault on corruption and since my department has been collaborating with the **Prosecutor's Office**, the **Attorney General's Office** and the investigative commissions of the **Congress of the Republic** on the investigation taking place with respect to the project," said Minister Flores in his Jan. 23 statement, which has been translated from Spanish.

A spokesperson for Odebrecht Peru in Brazil said in an e-mailed statement that the company is "doing everything possible to explain and clarify in detail all the facts so that justice reaches all those involved and the nation of Peru is paid a fair reparation".

"For this, it undertook a formal commitment, without any restrictions, to fully cooperate with the investigations following the model adopted in Brazil and the United States where the company operates", adds the spokesperson. "Finally, it reiterates to its team members, suppliers and creditors its firm determination to seek alternatives to make sure that ongoing projects continue." ■

MERGERS & ACQUISITIONS

# Canadian Infra Fund in Late-stage Talks to Acquire U.S. Assets

A Canadian infrastructure fund managed by **Fiera Capital** is in advanced discussions to acquire an alternative energy portfolio in the U.S.

There is a "high probability" that the portfolio will be added to the fund in the first quarter of 2017, according to an update published by Fiera dated Dec. 31. The identity of the seller and the projects could not be established by press time.

Separately, the fund announced on Jan. 25 that it has acquired a 50% stake in the 100 MW Cedar Point II wind project in in Lambton and Plympton-Wyoming counties, Ontario, from **Suncor Energy**.

In the Dec. 31 update, Fiera said it would acquire an unnamed wind project in Ontario for approximately $100 million in a deal slated to close this month. It could not be confirmed by press time whether this project is the Cedar Point II facility.

**NextEra Energy Canada**, a Toronto-based subsidiary of **NextEra Energy Resources**, owns the remaining 50% interest in Cedar Point II, which has been online since October 2015 and sells its output to Ontario's **Independent Electricity System Operator** under a 20-year power purchase agreement.

**National Bank Financial Markets** advised Fiera on the Cedar Point II acquisition and arranged acquisition financing. Representatives of the firm in Toronto could not be reached for comment.

The Fiera Infrastructure Fund has invested approximately C$500 million in "energy and social infrastructure projects" to date, according to its website.

Representatives of Suncor in Calgary, Alberta, and Fiera Capital in Toronto did not respond to inquiries. ■


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MERGERS & ACQUISITIONS

# Minnesota Wind Shop Sells Projects, O&M Unit to Con Ed

**Juhl Energy** has sold a 36 MW operational wind portfolio, a 500 MW wind project development pipeline and its operations and maintenance subsidiary to **Con Edison Development**.

The operational wind assets are the 23 MW Adams Wind project in Adams, Minn., the 10 MW Valley View project in Chandler, Minn., and the 3 MW Iowa Wind project in Worth County, Iowa.

The development pipeline is spread across the Midwest.

The purchase price could not be established by press time.

**Juhl Energy Service**, the O&M subsidiary acquired by Con Edison Development, has contracts with 10 projects.

Additional details regarding the projects could not immediately be obtained.

Juhl describes its O&M customers on its website as wind farm operators, utilities, independent power producers, municipal entities and universities.

A spokesperson for Juhl in Pipestone, Minn., declined to comment on why it has sold its O&M business and whether it worked with advisers, referring inquiries about the transaction to Con Edison Development.

A spokesperson for Con Edison Development in Valhalla, N.Y., did not immediately comment other than to confirm the identities of the operational wind projects.

Con Edison Development owned 11 operational wind and solar projects and stakes in three further solar projects representing a total combined capacity of 883 MW in September, according to its parent company's third quarter report.

Most of Con Edison Development's projects are contracted under power purchase agreements with durations of between 20 and 30 years. The company's solar projects in New Jersey, Pennsylvania and Massachusetts have Solar Renewable Energy Credit hedges with tenors of three to four years. ■

# LS Power to Acquire FirstEnergy Portfolio

**FirstEnergy Corp.** has found a buyer for all four of its merchant gas-fired projects in Pennsylvania and its interest in a hydro facility in Virginia.

A fund managed by LS Power, LS Power Equity Partners III, has agreed to acquire the assets for approximately $925 million, according to a statement.

The gas-fired projects are the 638 MW Springdale project in Springdale Township, the 88 MW Chambersburg project in Guilford Township, the 88 MW Gans project in Uniontown and the 45 MW Hunlock project in Hunlock Creek.

The fund will also acquire FirstEnergy's stake in the Bath County hydro project in Warm Springs, Va. FirstEnergy owns a stake representing 713 MW of the project's 3,003 MW capacity.

The deal is expected to close in the third quarter of 2017.

Akron, Ohio-based FirstEnergy had entered into an exclusive, non-binding letter of intent with a potential buyer late last year, according to a filing with the U.S. **Securities and Exchange Commission**. The filing referred to a proposed purchase price of $885 million, a figure that included the assumption of approximately $305 million of debt (PFR, 12/9).

Whether the buyer was LS Power could not immediately be established.

FirstEnergy, which is narrowing its focus on its regulated utility business, announced it would sell its 14-project merchant fleet in November (PFR, 11/7).

In December, a subsidiary of the company, **Monongahela Power Co.**, issued a request for proposals to acquire 1.3 GW of generation assets in **PJM Interconnection** (PFR, 12/19).

A spokesperson for LS Power in New York was not available for comment. A spokesperson for FirstEnergy in Akron declined to comment. ■

POWER TWEETS

**Energy Department @ENERGY**
**Congratulations to our 45th President Donald J. Trump. @POTUS #InaugurationDay**

**FERC @FERC**
**President Trump Names Cheryl LaFleur Acting Chairman https://www.ferc.gov/media/news-releases/2017/2017-1/01-26-17.asp#.WIojWFMrKUk**

**Richard Meyer @RichardMeyerDC**
**A lot LNG export capacity won't happen. In a Bernstein report last week, they predicted that of 50 proposed projects, only 6 will get built.**

**Sec. Ernest Moniz @EnergySecMoniz**
**I intend to remain part of the vital conversation on climate change, clean energy innovation and nuclear security. #ActOnClimate**

**McClatchyDC @McClatchyDC**
**List of 50 infrastructure projects used by Trump transition team came from consulting firm http://www.mcclatchydc.com/news/politics-government/white-house/article128794374.html#storylink=cpy ...**

**EIA @EIAgov**
**Natural gas prices in 2017 and 2018 are expected to be higher than last year http://go.usa.gov/x9fKa #natgas #energyprices**

**Solar Industry @SEIA**
**A @pewresearch survey shows that 65% of Americans give priority to developing alternative energy over fossil fuels. https://t.co/WSAnIlqWZt**

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MERGERS & ACQUISITIONS

# Brookfield, TerraForms Enter Exclusive Talks

**Brookfield Asset Management** has entered into exclusive negotiations regarding two separate potential deals in which it would acquire or assume sponsorship of **SunEdison**'s yield companies.

The Canadian asset manager has proposed wholly acquiring **TerraForm Power** for between $11.50 and $12.50 a share, as well as either wholly acquiring or assuming sponsorship of emerging markets yieldco **TerraForm Global**.

Brookfield has proposed paying $4.35 a share for all of TerraForm Global or $4.25 a share for a 50.1% stake and the role of sponsor.

Under the proposed deal, SunEdison would receive 36.9% of the consideration paid to TerraForm Power's shareholders and 25% of the consideration paid to TerraForm Global's shareholders.

The exclusivity period expires on Feb. 21 for the TerraForm Power deal and March 6 for the TerraForm Global deal.

Brookfield is not the only entity that has been eying the yieldcos. **D.E. Shaw** has also made an offer to become TerraForm Power's sponsor, while **AES Corp.** was weighing an acquisition of the company at the end of last year (PFR, 11/21, PFR, 12/22).

In statements announcing the exclusive talks, published on the morning of Jan. 23, the TerraForm companies also revealed that they had entered into a memorandum of understanding with SunEdison in an attempt to resolve the yieldcos' "complex" legal relationship with their sponsor.

TerraForm Power's share price fell from $12.17 to $11.49 on Jan. 23. TerraForm Global stock rose from $4.25 to $4.40 a share. ■

FAST FACT

**Feb. 21**

The date on which the exclusivity period expires for the TerraForm Power, Brookfield deal.

# PSEG Solar Source Scores Two North Carolina Projects

PSEG Solar Source has acquired two North Carolina solar projects totaling 47 MW from **BayWa r.e**.

Newark, N.J.-based PSEG Solar Source purchased the 26 MW Cork Oak project and the 21 MW Sunflower project for $74.6 million, using balance sheet cash to fund the acquisition.

Both projects are located in the town of Halifax, about 90 miles northeast of the state capital of Raleigh.

PSEG Solar Source did not use an external adviser on the deal.

The projects, both of which have 10-year power purchase agreements with **Virginia Electric Power Co.**, are under construction and expected to be online in December, says a spokesperson for PSEG Solar Source.

BayWa r.e., the renewables arm of Munich-based conglomerate **BayWa**, will operate the facilities.

BayWa r.e. and PSEG Solar Source have both made acquisitions in the last few months.

Earlier this month, BayWa r.e. acquired the 25 MW Greycliff wind project, which is in late stage development in Montana, from **National Renewable Solutions**, a Minneapolis-based community wind project developer.

PSEG Solar Source acquired the 13.5 MW Turkey Creek solar project in North Carolina from **Ecoplexus** and the 10.5 MW (DC) Black Cap II project in Lake Oswego, Ore., from **Obsidian Renewables** late last year (PFR, 11/4, PFR, 11/2).

Representatives of BayWa r.e. in San Diego did not immediately respond to inquiries. ■

FAST FACT

**10 years**

The length of Cork Oak and Sunflower's power purchase agreements with the Virginia Electric Power Co.

# Capital Dynamics Fund to Buy Las Vegas Valley Solar Project

A fund managed by Capital Dynamics on behalf of two investors has agreed to purchase the 250 MW Moapa solar project in Clark County, Nev., from **First Solar**.

The **California State Teachers' Retirement System** and an investment vehicle managed by **APG Asset Management** each own an approximately 49.6% stake in the fund, while Capital Dynamics itself holds the remaining interest.

The Moapa project, which is situated in the Las Vegas Valley, has been online since December and sells its output to the **Los Angeles Department of Water and Power** under a 25-year power purchase agreement.

**GE Energy Financial Services** and **Goldman Sachs** each own 50% of the tax equity in the project. GE EFS also holds tax equity stakes in renewable assets owned by Capital Dynamics in Idaho and Texas—a 60 MW solar portfolio in Power County, Idaho, and the 150 MW Briscoe wind project in Briscoe County, Texas (PFR, 12/2, PFR, 1/23/15).

An official at Capital Dynamics in New York declined to comment. Spokespeople for First Solar in Tempe, Ariz., the California State Teachers' Retirement System in West Sacramento, Calif., and APG in New York did not immediately respond to inquiries. ■

FAST FACT

**50%**

The amount of tax equity in the project that GE Energy Financial Services and Goldman Sachs each own.


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# Generation Asset M&A Outlook 2017

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### VALUATIONS

Valuations of gas-fired, solar and wind projects were high going into the new year, and relatively low interest rates, competitive natural gas prices and a large number of renewable assets with long-term power purchase agreements are inspiring cautious optimism that the upward trajectory will continue.

**"Valuations have generally been higher than people expected"**

"Valuations have generally been higher than people expected," says Moelis's Wood, who rates the outlook for contracted gas-fired and renewable assets as positive overall.

"For development-stage assets, I think the moment you have a long-term power purchase agreement in place, people begin to have a clear line of sight towards that same low-risk, long-term narrative," he adds.

PwC's Fago is more cautious.

**"It's 99% economics and however much Trump says he wants to bring coal miners back to work, this is the market"**

"We saw historically high valuations at the end of '15," he says. "Can those go higher? Perhaps. I anticipate we're going to see some more downward pressure on those valuations we saw a year ago," he says, adding that many companies that were buyers of generation assets in late 2015 and 2016 are digesting their investments as they put capital to work in those projects.

The U.S. **Federal Reserve**'s December rate hike could contribute to upward pressure on the cost of capital, suppressing valuations, he adds, although the 25 bps increase is a relatively modest one.

### FINANCIALS LOOKING FOR RIGHT PRICE

There doesn't seem to be much indication that private equity shops will slow their buy-up of generation assets long-term, despite a slowdown in the final quarter of 2016.

There is no sign that either major private equity firms or other financial investors are finished acquiring generation assets, says Wood. "I'm still seeing a lot of large financial players with a lot of dry powder saying that they want to do more. Obviously what they need are reasonable prices."

Despite the modest hike, historically low interest rates continue to encourage pension funds, infrastructure funds and insurance companies to view contracted gas-fired and renewable projects favorably as long-term, low-risk investments, he adds.

**"The rancor that I think a lot people are trying to work through on renewables is: what about tax reform?"**

### TRUMPONOMICS

The optimistic outlook on gas-fired, solar and wind assets is partly fueled by the anticipation that new projects will be needed to replace the capacity of soon-to-be-retired coal-fired and nuclear plants, and while uncertainty remains around the impact that **Donald Trump**'s presidency will have on renewables, there appears to be a consensus that his pledge to resurrect the coal industry will falter in the face of market realities.

"It's 99% economics and however much Trump says he wants to bring coal miners back to work, this is the market," says one M&A banker, who expressed optimism at the president's election but says pro-fracking policies may create an even more hostile environment for coal-fired generation by lowering gas prices.

"I really don't see any meaningful change in terms of the trajectory for coal," he adds.

PwC's Fago agrees. "Pro-infrastructure, pro-fracking and bringing back coal—those things could realistically compete with each other."

But renewables face their own challenges. The fate of the now-imperiled Clean Power Plan will have implications for solar and wind, says Fago, as will changes in environmental regulations and the tax code.

Tax equity investment is expected to continue as before for the time being, providing stability that could soothe concerns over acquiring renewable assets, said a New York-based project finance banker at a French institution. The M&A banker who expressed doubt that the administration's pro-coal posture would yield market change agrees, but cautions that investors will nevertheless keep an eye on looming policy shifts.

"The rancor that I think a lot people are trying to work through on renewables is: what about tax reform?" he says. "Is there a risk of the [wind and solar tax credit] package that was agreed a year ago unraveling? Even if that doesn't unravel, what does the potential for corporate tax reform do to tax equity? Clearly, if you're buying a business that has development assets you need to think long and hard about that."

Despite the political, regulatory and market uncertainties, the horizon for gas-fired, solar and wind M&A is being deemed more benevolent than not.

**"We saw historically high valuations at the end of '15. Can those go higher? Perhaps. I anticipate we're going to see some more downward pressure on those valuations we saw a year ago"**

"The fundamentals are still going to be there," says Fago. "People are still going to want to do these deals." ■

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STRATEGIES

# MidAmerican Adds to Flow of Utility Green Bonds

**MidAmerican Energy** joined the growing ranks of U.S. utility companies that have issued green bonds with an $850 million dual-tranche offering on Jan. 23. The deal was four times oversubscribed.

The **Berkshire Hathaway Energy** subsidiary will use the proceeds to repay funds from its balance sheet that it has used for the development and construction of wind projects in Iowa totaling 2,551 MW, some of which are operational and some of which are still in development or under construction.

The green bond trend is gaining momentum among U.S. utility and power companies.

Investment grade utility companies in the U.S. have been a little slower to join the green bond craze than their peers in Europe, which have been issuing debt with the environmentally sustainable label since May 2014.

**Southern Power** was first such company in the U.S. to issue a green bond when it priced a $1 billion dual-tranche note in November 2015.

The offering achieved the **Southern Co.** subsidiary's aim of diversifying its investor base, attracting capital from funds, including several in Europe, that had not previously invested in the company's debt (PFR, 11/19/15).

Another Southern Co. subsidiary, **Georgia Power**, has also issued green bonds since then (PFR, 3/3), as has Kansas utility **Westar Energy** (PFR, 6/14). Southern Power has also issued green bonds in euros.

"Our rationale for entering the green bond market is simple: MidAmerican Energy Company is a recognized leader in the use and development of renewable energy," said a spokesperson at MidAmerican in Des Moines, Iowa. "No other U.S. rate-regulated utility owns more wind generation capacity."

MidAmerican owns more than 6 GW of operational wind projects, all in Iowa.

## EXECUTION

**Barclays**, **BNP Paribas**, **Citigroup**, **Mizuho** and **U.S. Bank** were the bookrunners on the bond, which was announced on Jan. 23 as an $850 million dual-tranche transaction with 10-year and 30-year tenors.

The choice of tenors was based on the expected operational life of the projects, the MidAmerican official tells *PFR*.

Initial price thoughts were between 85 and 90 basis points over U.S. Treasurys for the 10-year note and between 110 and 115 bps for the 30-year. Guidance was in the areas of 75 bps and 100 bps, and the bonds were priced at 70 bps and 95 bps.

The sizes of the 10-year and 30-year bonds were set at $375 million and $475 million, respectively.

The deal attracted $3.4 billion of orders, of which $2 billion was for the 30-year notes, says a banker at one of the bookrunners. Several of the buyers were accounts that had a mandate to invest specifically in green securities, the banker adds.

## NO RING-FENCING

The company did not hire a bank as green structuring adviser or use a ring-fencing structure to keep the proceeds separate from its general funds, as Southern Power has done with its green bonds. This was not necessary "because the full amount of funds has already been invested," added the MidAmerican official.

The proceeds from MidAmerican's green bond will be used to replenish balance sheet cash the company used to develop and construct the 551 MW Wind X project and to develop the 2 GW Wind XI project. Both projects comprise smaller facilities located in various Iowa counties.

The utility company invested about $955 million in its wind project pipeline in 2016.

MidAmerican began construction on the 301 MW Ida Grove project in Ida County and the 250 MW O'Brien project in O'Brien County, collectively known as Wind X, in spring. Both projects came online at the end of the year.

The company recently announced two of the projects that will make up Wind XI—the 170 MW Beaver Creek project and the 168 MW Prairie project.

## "CREDIT-SUPPORTIVE"

MidAmerican's offering, like Westar's, uses the first-mortgage bond (FMB) structure favored by many U.S. utilities. That means that although the proceeds are allocated to renewable projects, the bonds are secured on all of the borrower's utility assets, including fossil fuel-fired plants.

**Moody's Investors Service**, **S&P Global Ratings** and **Fitch Ratings** rate MidAmerican's FMBs Aa2, A+ and A+, respectively.

As well as flagging a company's green credentials to investors that have a sustainability mandate, green bond marketing also draws attention to the economic benefits utilities can gain from resource diversification and renewable project investments.

"In Fitch's view, MEC's [MidAmerican Energy's] wind generation is credit-supportive, providing an economic, green energy resource to offset environmental exposure associated with the utility's coal generating capacity," wrote **Philip Smyth** and **Kevin Beicke**, analysts at Fitch, who added that the tax credits associated with the company's wind projects contribute significantly to the strength of its funds from operations.

MidAmercan's fleet has changed considerably in recent years as it has built out its wind portfolio. Thirteen years ago, 70% of its generation came from coal and none from wind. When the Wind XI project is completed, MidAmerican expects to generate enough power from renewable sources to cover approximately 85% of its retail customer load. ■


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# Pattern Prices Debut H.Y. Bond

**Pattern Energy** priced its debut high yield bond on Jan. 20 in a $350 million offering that was marketed to investors during the previous week.

The seven-year senior unsecured bond was priced at 5.875%, the mid-point of initial price thoughts, which were between 5.75% and 6%.

The deal was marketed from Jan. 17 to Jan. 19, with investor meetings taking place in New York, Boston and on the West Coast (PFR, 1/17).

"The roadshow went very well," said **Mike Garland**, ceo of both Pattern Energy and its sponsor, **Pattern Development**, adding that it was difficult to say for sure whether the green label made much of a difference.

**"The roadshow went very well"**

"I think some investors like it and it gives an additional positive color to the offering," he said. "It may have made a difference at the margin for some investors."

A deal watcher familiar with the transaction said that interest in the green aspect of the bond among the high yield investors was "modest", adding that it was more of a focus for the issuer than for the investors.

The deal was roughly three times oversubscribed, attracting orders totaling about $1 billion.

**Morgan Stanley** was lead left on the deal. **Bank of America Merrill Lynch**, **BMO Capital Markets**, **Citigroup** and **RBC Capital Markets** were also bookrunners.

The last bond to be issued by a U.S. yieldco was a $350 million 10-year offering from **NRG Yield** in August, on which **JP Morgan** acted as lead left (PFR, 8/16). The offering was priced at 5%.

However, a closer comparable is the $500 million bond NRG Yield issued in August 2015, which, like Pattern's offering, matures in 2024.

The NRG Yield note due 2024 was initially priced at 5.375% and was trading to yield just under 5% on the day Pattern's bond was priced, according to deal watchers.

**"I think some investors like it and it gives an additional positive color to the offering"**

Pattern is rated Ba3 and BB- by **Moody's Investors Service** and **S&P Global Ratings**, respectively, while NRG Yield is rated Ba2 and BB, one notch higher in both cases.

Garland expects his yieldco to raise more corporate debt in the bond market in the future, although there is no timeline for such offerings yet. "As we grow, we will be looking at all capital markets," he says. ■

# SolarCity Returns to Securitization

SolarCity has announced a $145 million asset backed securitization, bringing deal flow in the year to date to two offerings and putting the first month of the year on par with activity in all of 2016.

The deal from the California-based company comes alongside a planned offering from solar finance company **Mosaic**, which filed forms with the U.S. **Securities and Exchange Commission** two weeks ago stating its intention to issue a solar ABS deal this month (PFR, 1/18).

With two deals announced in the past two weeks, January is set to see as much solar securitization activity as all of 2016, which ended the year with only two deals, both from SolarCity (PFR, 1/22/16, PFR, 3/2/16).

**Credit Suisse** is the lead on SolarCity FTE 2017-A, which pools 30-year term loans on 9,609 rooftop solar systems totaling 55 MW (DC). It is the second deal from SolarCity to be backed by its loan product rather than by leases and power purchase agreements.

**"This should tell you that things have changed for solar ABS"**

The average FICO score of borrowers in the loan pool is 728, compared to 733 for the company's last loan transaction. A deal watcher speaking with *PFR*'s sister publication *GlobalCapital* also pointed out that the deal has lower credit enhancement for the senior class of bonds, at 24% versus 26% for the earlier loan ABS.

However, despite the lower average FICO score and less robust credit enhancement, the latest deal is rated higher. The senior bonds of the transaction have been stamped A- by **Kroll Bond Rating Agency**, compared to BBB for the senior bonds on the 2016 offering.

"This should tell you that things have changed for solar ABS," the deal watcher said, adding that even with lower FICO scores and less credit enhancement, rating agencies are growing more comfortable with the amount of data available around repayments. According to the Kroll presale report, SolarCity has reported just 0.67% of its receivables as 60 days delinquent, and 0.57% 120 days past due.

Last November, SolarCity was acquired by electric car manufacturer **Tesla Motors** for $2.6 billion. Kroll states in the presale that the merger will improve SolarCity's liquidity position and will be an important part of its strategy to reach more customers.

The deal watcher noted that part of this strategy is to pitch SolarCity's rooftop solar systems to current and prospective owners of Tesla vehicles, pointing to the move by the company to put SolarCity kiosks in Tesla stores across the U.S.

*A version of this story was first published in PFR's sister publication, GlobalCapital.* ■

**FAST FACT**

**0.67%**

The percentage of SolarCity receivables 60 days past due, according to a Kroll presale report.

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CONFERENCE COVERAGE

# Canadian Power Finance: All Eyes on Alberta

Alberta was high on the agenda at the **Euromoney Seminars** 8th Annual Canadian Power Finance Conference in Toronto on Jan. 19, as market participants contemplated a shake-up of the province's power market as part of its plan to phase out coal by 2030.

To achieve Alberta's aim of phasing out coal entirely by 2030, about 6.2 GW of coal-fired generation will have to be retired.

At the same time, the province aims to generate 30% of its power from renewables by the same deadline, which would require the installation of about 5 GW of projects.

To facilitate these changes, the **Alberta Electric System Operator** intends to establish a capacity market in the province and implement a new process for procuring renewables, said **Michael Law**, senior v.p. and chief operating officer at AESO in a presentation on Jan. 19.

AESO extensively consulted stakeholders including developers and lenders in drawing up its proposals to ensure that the revamped market attracts as many players as possible, said Law, but the finer details of both the capacity market and the renewables procurement process are still to be ironed out.

The system operator implement its renewable procurement policy through 20-year indexed contracts for differences, rather than through power purchase agreements.

Lenders at the conference expressed confidence that the contracts would be bankable for the purposes of non-recourse project financing.

AESO will assign the contracts through a series of auctions between now and 2030. The first procurement process, for 400 MW, will begin in late March 2017 with a request for expressions of interest scheduled to last between four and six weeks.

This will be followed by a request for qualifications, when bidders must pay a non-refundable fee, describe their project teams and provide evidence of their financial strength and technical capabilities.

In the final stage, penciled in for mid-September, AESO will issue a request for proposals. Bidders in the RFP must submit a final, binding offer and the winner will be selected on the basis of price.

Under the contracts for difference, the government of Alberta will pay generators the difference between the market price for power and the winning bid price if the market price is lower. If the market price were to exceed the bid price, the generator would pay the difference to the government.

The capacity market would involve competitive auctions of contracts, in much the same way as other capacity markets such as **PJM Interconnection** and **New England ISO**.

The duration of the capacity contracts that would be auctioned was not immediately clear. ■

ALTERNATING CURRENT

# Wyoming Lawmakers Seek "Reverse" Renewables Portfolio Standard

State renewable portfolio standards are a key driver of renewables development in the U.S., but now a group of lawmakers in Wyoming has introduced a bill that would have the opposite effect.

The electricity production standard bill, which is sponsored by two senators and six representatives, all Republicans, would heavily penalize utilities that sell generation from wind and solar resources to customers in the coal-producing state.

"I want the electricity at my house generated by coal, because that's the cheapest way to go," Rep. **David Miller**, one of the bill's sponsors, told the *Associated Press*. Miller and the bill's co-sponsors could not be reached for further comment by press time.

Utility companies that serve the state are opposed to the bill in its current form but have expressed their willingness to cooperate with the lawmakers to come up with a workable version.

"We are opposed to the bill as it is but have been working with the bill's sponsors to understand their concerns and come up with something that would address those concerns," said a spokesperson for **Rocky Mountain Power** in Salt Lake City.

"Our concern is that the proposed legislation could result in potential costs to our customers and possibly make it difficult to work with other states on their energy policies," he adds.

The **Wyoming Rural Electric Association** is also opposed to the existing version of bill. "We support the idea of Wyoming setting its own energy production strategy, because other states have RFPs and that impacts our customers in Wyoming," says **Shawn Taylor**, executive director of WREA in Cheyenne, Wyo., before adding: "This bill just isn't it."

If the bill—or one like it—becomes law, it could have an impact on power purchase agreements between local utility companies and renewables projects in the state.

"You have to make sure you can still honor those contracts, so you have to find a way to either divert the power to another state or restructure the contracts to—in essence—buy them out and have full recovery of the payment you have to make," says **Shelby Tucker**, a power and utilities analyst at **RBC Capital Markets**, who believes the bill will discourage renewable project development in the state.

But a developer working on an up-to-3 GW wind project in the state is unfazed.

"The Desert Southwest region (Southern California, Arizona, Nevada) has always been our target market, due to its large population and its demand for renewable energy," says a spokesperson for **Power Company of Wyoming**, which is developing the Chokecherry and Sierra Madre wind project in Carbon County, via e-mail. The project is going through the permitting process.

Wyoming, which has a population of less than 600,000, exports two thirds of its generation to neighboring states, according to the U.S. **Energy Information Administration**. Renewables accounted for just 11% of the state's net generation in 2015, while 88% came from coal, according to the agency. ■


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