

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● INDUSTRY CURRENT

● AWARDS

● CONFERENCE COVERAGE

Mexico Highlights LatAm Renewables

Dino Barajas, partner at Akin Gump Strauss Hauer & Feld, explores opportunities in renewables development and financing in Mexico [page 7](#)

12th Annual Deals & Firms Of The Year Awards

PFR is gearing up to launch the voting process for our 12th Annual Deals & Firms Of The Year Awards. Visit www.powerfinancerisk.com to vote.

10th Annual U.S. Power & Renewables

Community solar and distributed generation created the buzz at the Euromoney Seminars event in New York. [page 11](#)

Q&A: Andrew Platt, BNP Paribas – Part I

After spending nearly two decades at BNP Paribas, Andrew Platt, head of project finance in the Americas, continues to see the lender evolve in step with the power project finance and M&A market. The bank's power infrastructure and project finance team draws on a variety of internal resources that have developed over the years as their clients seek to adapt to a changing landscape of deal structures. "We have a core competency around understanding standalone or small groups of assets in power, energy and infrastructure and working with clients

to structure a whole array of options around those assets," Platt tells *PFR* in an exclusive interview. Platt sat down with Senior Reporter **Olivia Feld** to discuss the bank's structure and strategy in North and South America and its client approach.

PFR: Tell me about the project finance team at BNP Paribas and what it's working on.

Platt: The team name is power infrastructure and project finance.



Andrew Platt

We changed the name a couple of years ago when I came back to head the team for the Americas to better reflect the full scope of what we do. While project finance is still at the core of the team's focus, project finance as a definition and a product has evolved over the last

couple of decades. The term project finance used to refer to long-term construction lending to build power plants and pipelines. As the markets and clients have [PAGE 10 »](#)

Calpine Taps Two EDPR Staffers, Eyes Renewables Growth

Nischinta Amarnath

Calpine Corp. has appointed two staffers from **EDP Renewables North America**, as the independent power producer considers growing its renewables activities.

Bill Whitlock, former executive v.p. of the eastern region at EDPR-NA, is set to join the senior management at Houston-based Calpine in the next few weeks. **Caton Fenz**, former director of project management at EDPRNA, started his role as v.p. of development for Calpine in January.

Fenz will play a key role in strengthening the IPP's renewables development pipelines on the West Coast and in Canada, a **UBS** analyst says. Details regarding Whitlock's responsibilities could not be learned by press time.

The two hires are a reflection of the company's move to expand its renewables portfolio, the analyst notes. Roughly [PAGE 12 »](#)

U.S. Power & Renewable: PPA Scarcity, Capital Abundance Fuel Merchant Deals

Olivia Feld

The lack of power purchase agreements and an abundance of capital are driving more lenders to participate in merchant and quasi-merchant deals, according

to panelists at **Euromoney Seminars'** 10th Annual U.S. Power & Renewable Finance conference at the Union League Club in New York.

PPAs are increasingly only likely to be in place for renewable

projects, noted an investment banker. "The financing opportunities are changing. We have moved away from the long-term PPA," said a director who evaluates merchant projects at a ratings agency. [PAGE 11 »](#)



● IN THIS ISSUE

MERGERS & ACQUISITIONS

- 5 | Dynegy Nears California Asset Sale
- 5 | SunEd offloads Chile Solar Stake, Nabs Financing

PEOPLE & FIRMS

- 5 | Marathon Capital Banker Joins Pru

PROJECT FINANCE

- 6 | Algonquin Zeros In On Wind Deal
- 6 | Goldman, CS Fire Up Panda Refi

INDUSTRY CURRENT

- 7 | Mexico: Latin America's Renewable Energy Renaissance

CONFERENCE COVERAGE

- 11 | Financiers Target More DG Solar Deals
- 11 | Developers Hunt Community Solar Financing

DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 6 | PowerTweets

● THE BUZZ

Merchant Mania

Financings backing merchant and hedged projects continue to hit the sweet spot for lenders, as they look to deploy an abundance of capital and as developers cope with a paucity of offtake contracts. **Panda Power Funds**, which was one of the premier sponsors to bring back merchant deals after the financial crisis when it closed the \$340 million financing backing its Temple I project (PFR, 7/23/12), returned to the market this year to refinance that package (see story, page 6). **Goldman Sachs** and **Credit Suisse** are leading the deal, which could shave as much as 450 basis points off the pricing of the original transaction.

Debt pricing also surfaced in several panels at **Euromoney Seminars'** 10th Annual U.S. Power & Renewables conference held in New York this week. "I love how we are our own worst enemies. There's always a guy willing to go down on pricing," bemoaned a project finance banker.

Attendees of the event at the Union Club also had merchant on their minds (see story, page 1), among other trends in



the sector. Solar, in the form of distributed generation and community solar gardens made the headlines in stories filed by Senior Reporter **Olivia Feld** (see conference coverage, page 11) as bankers are continuing to look for ways to structure and participate in transactions backing these installations.

A solar project sale and financing has also surfaced in Latin America, under the ubiquitous **SunEdison** (see story, page 6). Panamanian shop **ECOSolar** bought a minor stake in the developer's Crucero project in Chile.

The project garnered financing from several multilateral development banks and Chilean commercial bank **CorpBanca**. ■

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

Feel free to contact **Sara Rosner**, editor, at (212) 224-3165 or sara.rosner@powerfinancerisk.com

GENERATION AUCTION & SALE CALENDAR ●

These are the current live generation asset sales and auctions, according to Power Finance and Risk's database.

A full listing of completed sales for the last 10 years is available at <http://www.powerfinancerisk.com/AuctionSalesData.html>

Generation Sale ■ DATABASE

Seller	Assets	Location	Advisor	Status/Comment
American Electric Power	Portfolio (7,923 MW Gas, Coal)	Indiana and Ohio	Goldman Sachs	AEP has tapped Goldman to conduct a strategic evaluation of the assets (PFR, 2/9).
Apex Clean Energy	Balko (314 MW Wind)	Beaver County, Okla.	Macquarie Capital	D.E. Shaw is buying the project (PFR, 1/12).
Apex Clean Energy	Kay (314 MW Wind)	Kay County, Okla.		Southern Power Co. is considering buying the project (PFR, 1/12).
Apex Clean Energy	Kingfisher (298 MW Wind)	Oklahoma		Deal has wrapped (PFR, 2/9). First Reserve is the buyer.
ArcLight Capital Partners	Bayonne (512 MW Gas)	New Jersey	Morgan Stanley	Macquarie is assuming \$510M in debt and paying \$210M in cash (PFR, 2/9).
Energisa	Portfolio (488 MW Wind, Biomass, Hydro)	Brazil		Brookfield Renewable Energy Partners is buying the portfolio for \$545M (PFR, 12/8).
Entegra	Gila River (2.2 GW Gas)	Gila Bend, Ariz.		Tucson Electric Power is buying a 25% stake in the asset (PFR, 12/8).
ET Solar Energy Corp., Geenex	Halifax (20 MW Solar)	Roanoke Rapids, N.C.		Duke Energy Renewables is buying the asset (PFR, 1/12).
Exelon Corp.	Fore River Energy Center (809 MW Gas)	Massachusetts	Citigroup	Calpine has issued unsecured bonds to fund the \$530M purchase (PFR, 2/9).
Exelon	Keystone (1,711 MW Coal)	Pennsylvania		ArcLight has launched a TLB package to finance its acquisition of stakes in Keystone and Conemaugh (PFR, 12/8).
Exelon	Conemaugh (1,711 MW Coal)	Pennsylvania		ArcLight has launched a TLB package to finance its acquisition of stakes in Keystone and Conemaugh (PFR, 12/8).
Footprint Power	Salem Harbor (674 MW Gas)	Massachusetts	Macquarie Capital	Highstar Capital and Oaktree are taking equity stakes in the project (PFR, 1/19).
NRG Energy	Storm Lake 1 (108 MW Wind)	Iowa		Allete Clean Energy is buying the asset (PFR, 12/8).
PPL Corp., Riverstone Holdings	York (49 MW Gas)	Pennsylvania		PPL and Riverstone agree with FERC to sell one of two asset portfolios (PFR, 2/2).
	Ironwood (660 MW Gas)	Pennsylvania		
	Bayonne (158 MW Gas)	New Jersey		
	Camden (145 MW Gas)	New Jersey		
	Elmwood Park (65 MW Gas)	New Jersey		
	Newark Bay (120 MW Gas)	New Jersey		
	Pedricktown (118 MW Gas)	New Jersey		
	Holtwood (248 MW Hydro)	Pennsylvania		
	Wallenpaupak (44 MW Hydro)	Pennsylvania		
	Crane (399 MW Coal)	Maryland		
SunEdison	Crucero (71.2 MW Solar)	Maria Elena, Chile		ECOSolar has acquired a minority stake of less than 20% in Crucero (see story, page 5).
Verso Paper Corp.	Various (118.4 MW)	Bucksport, Maine		American Iron & Metal is buying the plants as part of its \$60 million acquisition of the Bucksport Paper Mill (PFR, 12/15).
Verso Paper Corp.	Bucksport Power (185 MW Cogen)	Bucksport, Maine		American Iron & Metal is buying the plants as part of its \$60 million acquisition of the Bucksport Paper Mill (PFR, 12/15).

● New or updated listing

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

To report updates or provide additional information on the status of financings, please call Editor Sara Rosner at (212) 224 3165 or e-mail sara.rosner@powerfinancerisk.com

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables & D. E. Shaw Renewable Investments	Springbok (133 MW Solar)	Kern County, Calif.	TBA	TBA	TBA	TBA	Debt financing deal sealed (PFR, 1/12).
Advanced Power	Carroll County Energy (755 MW Gas)	Ohio	BNP, Crédit Agricole	TBA	TBA	TBA	Deal is set to wrap in the next few weeks (PFR, 2/9).
Algonquin Power & Utilities Corp.	Odell (200 MW Wind)	Minnesota	NordLB, BayernLB, Santander, CIBC, Deutsche Bank	TBA	TBA	TBA	Deal is likely to wrap in Q2 (see story, page 6).
Apex Wind	Balko Wind (300 MW Wind)	Oklahoma	TBA	TBA	TBA	TBA	D.E. Shaw buys the project (PFR, 1/12).
Apex Wind	Kingfisher (298 MW Wind)	Oklahoma	TBA	Tax Equity	TBA	TBA	MidAmerican invested tax equity in project currently being acquired by First Reserve (PFR, 12/8).
ATCO Group & Quanta Services	Fort McMurray (Transmission)	Alberta	TBA	TBA	TBA	TBA	Sponers looking to finance \$1.43 billion project (PFR, 1/12).
Cape Wind Associates	Cape Wind (468 MW Wind)	Cape Cod, Mass.	MUFG	TBA	\$1.95B	TBA	National Grid and NStar terminate their offtake contracts (PFR, 1/12).
Cheniere Energy	Corpus Christi (LNG Export Facility)	Corpus Christi, Texas	SocGen	TBA	\$11.5B	7-yr	Cheniere Energy mandates 18 joint lead arrangers (PFR, 1/12).
E.ON, GE	Grandview (211 MW Wind)	Amarillo, Texas	Bank of America, JPMorgan	Tax Equity	\$222M	TBA	Sponsors have garnered tax equity from Bank of America and JPMorgan (PFR, 2/9).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind.	BAML	Equity, Tax Equity	TBA	TBA	Tax equity investment wrapped from Bank of America Merrill Lynch subsidiary (PFR, 1/12).
Enel Green Power North America	Osage (150 MW Wind)	Massachusetts	JPMorgan	Tax Equity	TBA	TBA	Enel has obtained tax equity from JPMorgan (PFR, 2/9).
Energy Investors Funds	Keys Energy Center (735 MW Gas)	Brandywine, Md.	Natixis, MUFG Union Bank	TBA	TBA	TBA	Deal is set to wrap in the next few weeks (PFR, 2/2).
Energy Transfer Partners	Lake Charles (LNG Export Facility)	Calcasieu Parish, La.	Royal Bank of Scotland	TBA	TBA	TBA	Deal coming to market later in 2015.
Footprint Power	Salem Habor (647 MW Gas)	Massachusetts	BNP, GE EFS, MUFG	Term Loan	\$600M		Deal wraps with 10 lenders (PFR, 1/19).
GDF Suez, Pemex	Los Ramones II Sur (178-mile Pipeline)	Mexico	Santander	TBA	TBA	TBA	Deal wrapped at the end of 2014 (PFR, 1/26)
IENova, PEMEX	Los Ramones II Norte (274-mile Pipeline)	Mexico	Santander	Commercial Bank Tranche	TBA	12-yr	Deal is set to wrap in the next few weeks (PFR, 1/26).
				Development Bank Tranche	TBA	20-yr	
Invenergy	Rattlesnake (207 MW Wind)	Glasscock County, Texas	Morgan Stanley	Construction, Term, Tax Equity	TBA	TBA	Deal wrapped with financing led by affiliates of Morgan Stanley (PFR, 12/1).
Korea Southern Power Corp., Samsung C&T	Kelar (517 MW Gas)	Chile	Natixis	Gaurantee, VAT, LC, Working Capital	\$477 M	C+14.5 -yr	Deal wrapped with Export-Import Bank of Korea providing loans and guarantee (PFR, 12/1).
NextEra Energy Resources	Seiling Wind I (200 MW) and Seiling Wind II (100 MW)	Oklahoma	TBA	Tax Equity	TBA	TBA	BAL Investment & Advisory and Bank of New York Mellon invest tax equity (PFR, 12/15).
Penn Energy Renewables	Various (37 MW Solar)	Ontario	Rabobank				Deal wrapped (PFR, 2/2).
Panda Power Funds	Temple 1 (758 MW Gas)	Temple, Texas	Goldman Sachs, Credit Suisse	Term Loan B	\$375M	TBA	Deal is expected to close the week of Feb. 23 (see story, page 6).
SunEdison	Crucero (71.2 MW Solar)	Maria Elena, Chile	IDB, OPIC, CorpBanca, Clean Technology Fund	Non-recourse senior secured loans	\$155M	19-yr	Deal wrapped (see story, page 5).

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MERGERS & ACQUISITIONS ●

● PEOPLE AND FIRMS

SunEd Nets Financing, Stake Sale For Chile

SunEdison has secured \$155.2 million in long-term financing for its 71.2 MW Crucero merchant solar project in Chile, and has sold a minor stake in the asset to Panamanian solar shop **ECOSolar**.

The **Inter-American Development Bank**, the **Overseas Private Investment Corp.** and **CorpBanca**, one of Chile's biggest commercial banks, are making commitments to non-recourse senior secured loans backing Crucero. The debt has a tenor of 19 years. "Non-traditional renewable energy projects in Latin America and the Caribbean, involving multilateral development banks, are becoming more common and financial sustainability remains a key," says an IDB official in Washington, D.C., working on the deal.

OPIC has received approval

from the **OPIC Investment Committee** to lend up to \$49.8 million to the project, while the IDB has agreed to lend \$50.4 million.

The remaining \$55 million will come from CorpBanca and **Clean Technology Fund**, a funding platform under the **Climate Investment Funds**. CorpBanca is providing a \$35 million VAT facility to support the project during construction. The **World Bank** established the Climate Investment Funds in 2008.

Crucero is CorpBanca's first solar deal, says an OPIC official working on the transaction.

ECOSolar's move to purchase a minority stake in the Crucero plant is a reflection of parent company **Grupo ECOS**' strategy to invest in renewables projects across Latin America. Grupo

ECOS has equity investments in 18 other projects in Latin America through ECOSolar, its biofuels unit ECOEnergy and its investment outfit **ECOInvest**.

Grupo ECOS has made nine of those investments through ECOSolar.

SunEdison is developing the project through its Chilean subsidiary **Inversiones y Servicios SunEdison Chile Limitadas**. Crucero is selling all its production in the spot market and will begin commercial operations around the end of the first quarter.

Spokespeople at SunEdison and ECOSolar either declined to comment or did not respond to inquiries. The price of the minority stake in Crucero could not be learned. ■

Prudential Tags Marathon Capital Banker

Wendy Carlson, former managing director of Marathon Capital, has joined **Prudential Capital** Group as the managing director of its power unit. Carlson takes over the day-to-day operations of the power unit from Managing Director **Ric Abel**, who will focus on higher risk investments in the energy sector in a new role at Prudential.

Carlson started the position in Prudential's Dallas office late last month. She reports to **Randall Kob**, managing director and head of the energy finance group. Prior to joining Chicago-based Marathon in 2010, Carlson was v.p. of finance and chief development officer at **Optim Energy**, the independent power producer backed by **Bill Gates' Cascade Investments**.

Prudential Capital Group's power unit manages a \$6.5 billion portfolio that spans investment grade to mezzanine and private equity commitments.

Whether Marathon has plans to replace Carlson could not be learned by press time. Optim Energy filed for Chapter 11 bankruptcy last year (PFR, 3/5/14). ■

Dynegy Circles Calif. Asset Sale

Dynegy is nearing the sale of its 2.7 GW portfolio of fuel-oil and natural gas-fired assets in California. **Bank of America Merrill Lynch** and **Barclays** are advising Dynegy on the sale, which it may announce before month-end.

The Houston-based company's assets could fetch up to \$400 million, up 23% from an initial estimate of \$325 million, according to a recent report by **UBS**. Its California portfolio includes the 2.5 GW Moss Landing gas-fired facility in Monterey County and the 165 MW Oakland fuel oil-fired peaker in Oakland (PFR, 10/22/14).

Details, such as the identity of potential buyers, could not be learned by press time.

Dynegy is selling its California assets in the wake of its acquisitions of **Duke Energy** and **Energy Capital Partners** portfolios for \$2.8 billion and \$3.45 billion, respectively. The Duke and ECP portfolios total 12.5 GW. Dynegy issued privately placed senior unsecured notes totaling \$5.1 billion to finance the purchases (PFR, 10/14/14) and is waiting for a formal regulatory approval to finalize those transactions.

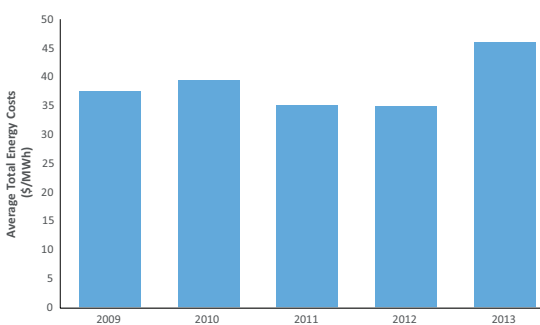
"Dynegy will most likely use some cash from the sale of its California portfolio to consolidate its posi-

tions in New England and PJM," a deal watcher says.

Dynegy's California portfolio sale could be a positive litmus test for asset valuation for other generation owners in CAISO, says a deal watcher, particularly if the portfolio sells for upwards \$300 million. CAISO is one of the more opaque markets for trading generation assets as an influx of renewables impacts power pricing in the state, he adds.

Spokespeople for Dynegy and both advisors were not immediately available or declined to comment. ■

CAISO Estimated Wholesale Energy Costs



Source: CAISO

PROJECT FINANCE

Algonquin Circles Wind Financing

A club deal backing **Algonquin Power & Utilities Corp.**'s 200 MW Odell wind project in Minnesota is likely to close early in the second quarter of the year. Participants include **NordLB**, **BayernLB**, **Banco Santander**, **CIBC** and **Deutsche Bank**, according to a deal watcher.

Ontario-based Algonquin is seeking to raise \$362 million in capital for the project, made up of \$198 million in tax equity, \$84 million in equity and \$80 million in bonds, according to investor documentation published in November. The financing breakdown represents the permanent capital

structuring of the project, a spokesperson for Algonquin told *PFR*.

Algonquin acquired the project for \$313.5 million from **Geronimo Energy** in November (PFR, 9/8). The company used proceeds from an issuance of subscription receipts last year to partially fund the acquisition and construction of Odell. The receipts are convertible into shares valued at approximately \$70 million. Emera owns 24.4% of Algonquin.

Northern States Power, a subsidiary of **Xcel Energy**, has a 20-year offtake agreement with Odell, which will utilize 100 **Vestas** V110-2.0 wind turbines. Odell, in Cottonwood, Jackson, Martin, and Watonwan counties, is expected to be online in the fourth quarter of this year. ■

Goldman, CS Launch Panda's Temple Refi

Goldman Sachs and **Credit Suisse** have launched a \$375 million term loan B to refinance **Panda Power Funds'** 758 MW Temple I gas-fired combined cycle project in Temple, Texas.

Pricing for the loan is in the range of 550 to 575 basis points over LIBOR. The pricing is in line with similar deals for other quasi-merchant projects in ERCOT, notes a banker. Commitments are due the week of Feb. 16 and the deal is expected to close the week of Feb. 23. **Standard & Poor's Rating Services** has assigned a preliminary B rating to the debt.

The term loan B will replace a six-year, senior secured \$340.16 million deal arranged by **Morgan Stanley**, which closed in 2012 (PFR, 7/23).

The original package consisted of an \$85 million term loan A and a \$255 million term loan B.

Pricing on the original term loan B was 1,000 bps over LIBOR, notes a banker. "They were pretty eager to take this one out," he says of Panda and the cheaper debt secured in the latest transaction.

Ares Management led the mezzanine debt in the original package (PFR, 7/23/2012). **3M Employee Retirement Income Plan** provided the counterparty hedge (PFR, 2/13/2013). Construction on Temple I was completed in July last year and the project is online.

Panda Power Funds is in the process of constructing the adjacent 758 MW Temple II power project, which is due to be complete this summer. Credit Suisse and Goldman Sachs closed a \$372 million term loan B financing for Temple II in 2013 and the deal was seven-times oversubscribed. ■

PFR #PowerTweets

For more news and coverage, follow @PowerFinRisk on Twitter, as well as Editor @SaraReports, @OliviaFeld and @NishAmarnath.

@TVA_Newsroom

TVA working to establish power purchase agreement with Nextera Energy for electricity from planned 80 MW solar farm in North Alabama. #solar

@MeisterWorks

Infocast #wind tax equity speaker: not a deep secondary mkt. Even as new entrants emerge, they want to develop their own ties w developers.

@chaolyst

The @grid webinar today is highlighting women leaders at @SunRun @quickmountpv @SunEdison @austinenenergy Tune in: <http://ow.ly/ITCXK>

@innotap

Ohio utility 'bailouts' could impact capacity market #pjm #fe #capacity <http://www.innotap.com/2015/02/ohio-utility-bailouts-impact-capacity-market/>

@commoditweet

ERCOT Power Trader/Marketer Erica Engle has been appointed as Director US Power with Pacific Summit Energy in Houston. #power #ERCOT

@PeterMarrin

@EIAgov reports 160-Bcf #natgas storage draw, less than market expectations; #NYMEX March contract collapses to \$2.736/MMBtu

@Siemens_Energy

#Siemens receives order from #US #wind customer Pattern Development <http://sie.ag/179r5ZQ> 200MW #windpower plant in #Texas @PatternEnergy

@solarmosaic

The White House announces goals to increase investments in clean tech! #solar #solarpower <http://www.whitehouse.gov/blog/2015/02/10/increasing-investment-clean-energy-technologies>

@EIAgov

#Wind is projected to contribute 5.2% of total electricity generation in 2016 #STEO <http://go.usa.gov/3qQHJ>

@JesseJenkins

New #Oregon bill proposes to phase #coal out of utilities' mix by 2025, replace with 90% cleaner mix of resources <http://www.blueoregon.com/2015/02/hey-oregon-lets-make-2015-year-we-transition-coal-clean-energy/>

INDUSTRY CURRENT ●

Mexico: Latin America's Renewable Energy Renaissance

This week's Industry Current is written by **Dino Barajas**, partner in the global project finance and corporate practice group at **Akin Gump Strauss Hauer & Feld** in Los Angeles. Barajas specializes in project finance and renewable energy transactions and has worked in the Mexican energy sector for 20 years.



Dino Barajas

SUMMARY

In contrast to unpredictable renewable energy policies in the U.S. and the European Union, Mexico has emerged as a lightning rod for renewable energy investment. As renewable energy investors assess changing global opportunities, Mexico continues to offer numerous stable investment prospects. Mexico's investment-grade credit rating provides potential investors one of the few high-grade investment environments in Latin America. Additionally, the sharp reduction in contracted large-scale renewable energy opportunities in the U.S. and Europe has catalyzed recent interest in Mexico.

THE OPPORTUNITY

The Mexican economy has been bolstered by a strong demand for its commodities and competitive labor force favored by numerous U.S. manufacturers following a reevaluation across numerous industries of low-cost production chains previously outsourced to China. Mexico's proximity to the U.S. and participation in NAFTA has made it an attractive location for "just-in-time" manufacturing needed for rapidly changing industries. As a result, continued economic growth has reenergized interest from foreign investors into Mexico's power generation and transmission systems. Because the long-term relative stability of Mexico's economy provides investors with safe, profitable power sector development opportunities, savvy political technocrats in the country are using the investment window to attract additional foreign investors to the jurisdiction. Additionally, Mexico is taking advantage of a general downturn in other international renewable energy markets to thrust its renewable energy sector to the forefront of the global market.

Given President **Enrique Peña Nieto's** favorable energy policies and a push by the federal government to further modernize the country's power sector, Mexico's renewable energy

sector will continue to provide opportunities for private equity investors, development companies, construction companies, and lending institutions. However, one of the challenges for investors is to understand the inherent risks of investing and operating in Mexico.

During the 1980s and 1990s, Mexico was a darling of the investment community looking to capitalize on attractive returns and diverse opportunities across infrastructure sectors. Many region-specific private equity funds emerged during this period. Infrastructure development companies formed dedicated Latin American teams. But as competition for infrastructure development grew and profit margins declined, investors and developers soon turned to other markets such as East-

"The Mexican government provided for a sea-change in renewable energy development in 2014 by enacting sweeping reforms to the entire electricity sector."

ern Europe, Russia, the Middle East, and Asia that were experiencing their own infrastructure development booms and offering more profitable investment opportunities. Investors and developers also began looking to the U.S. and Europe, which were also experiencing economic prosperity and aggressive energy sector build-outs. With this shift in regional focus, many private equity players and developers deemphasized their capital deployment efforts in Latin America and disbanded their "LatAm" teams.

The demise of these region-focused teams meant a loss of institutional knowledge for these firms and an opportunity for smaller

regional developers to gain a foothold in Mexico. As new energy investors now move into uncharted waters, they would do well to study the lessons learned from past investors in the Mexican power sector during the last 20 years. **Edmund Burke's** statement that "those who don't know history are destined to repeat it" holds true for the new generation of investors looking to make their fortunes in the bonanza that is the newly reinvigorated Mexican energy sector. Successful investors must retain external advisers with a deep knowledge of the Mexican energy market in order to properly judge market opportunities and investment risks.

THE MEXICAN ELECTRICITY SECTOR

In the early 1990s, the Mexican government embarked on a massive infrastructure build-out program in its electricity sector. Mexico developed a well-defined legal framework to permit private investors to participate in the development and ownership of power generation facilities to supply the national electric utility, **Comisión Federal de Electricidad**, as well as large industrial and corporate customers. The CFE independent power project program has become an extremely effective international power plant development program; the speed of power plant deployment and the low costs associated with the long-term energy pricing of the power plants demonstrate the competitive and transparent bidding environment CFE has been able to foster. CFE's IPP program allowed the government to refocus its own capital investments into the national transmission grid.

To promote renewable energy development and diversify the country's power generation portfolio, CFE adopted attractive policies regarding wheeling to benefit

PAGE 8 »

● INDUSTRY CURRENT

◀ FROM PAGE 7

renewable energy projects. CFE's preexisting wheeling structure failed to account for renewable energy's intermittent nature and penalized projects for failing to produce a stable constant electricity supply. In order to account for wind and solar power's intermittent nature, CFE created a system where a renewable energy project can bank excess energy production during periods when an off-taker does not require energy from the project and allow the user to access the banked energy during periods when the power project does not produce sufficient energy to meet its needs. Additionally, the government also enacted postage-stamp wheeling charges earmarked solely for renewable energy to benefit renewable energy production. As a result, buyers of renewable energy see power rates that directly compete with fossil fuel-generated energy.

The Mexican government provided for a sea change in renewable energy development in 2014 by enacting sweeping reforms to the entire electricity sector. Renewable energy projects

that had begun their interconnection process with CFE before the government passed the reforms have been grandfathered into the renewable energy policies in place prior to the enactment of the reforms. One drastic change enacted by the government is that renewable energy offtakers are no longer required to be shareholders of the project company developing the renewable energy project. By lifting the "self-supply" requirement, offtakers can solely be short or long-term customers of renewable energy projects. The new electricity reforms define "available customers," with whom energy producers can contract, because they have an aggregate load demand of at least 3 MW. After one year, the threshold will be reduced to 2 MW, and after two years it will be further lowered to 1 MW of aggregate load demand.

The new market structure allows greater flexibility in aggregating customers with varied energy demands and contracting strategies. In some cases, developers may look to secure long-term anchor customers with attractive pricing with the majority of the available capac-

ity of a project, which supports long-term non-recourse financing. Once a developer secures its core customers, the developer then can contract out the remaining available capacity with shorter-term and higher-priced off-takers to increase project profitability.

The reforms also provide for a system of clean energy credits, which the government must still develop, regulate, and implement. Last October the Mexican government provided its initial regulations regarding clean energy credits. How the CEC regime is structured will determine whether renewable energy is given a fighting chance along-side cheap fossil fuel generation. Currently, under Mexican law, "clean energy" includes cogeneration and other low-carbon emission technologies in addition to renewable energy technologies such as wind and solar power. The initial clean energy credits regulations have noted that clean energy generators which do not utilize fossil fuels will be awarded a clean energy credit for each megawatt-hour generated and that clean energy generators which utilize

PAGE 12 »



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12th ANNUAL DEALS & FIRMS OF THE YEAR AWARDS

RECOGNIZING EXCELLENCE IN THE POWER INDUSTRY IN THE AMERICAS

Power Finance & Risk is kicking off voting for the 12th Annual Deals & Firms of the Year Awards, a process that lauds excellence across the power industry in 2014.

Please take a few minutes to acknowledge some outstanding firms, sponsors and transactions in 18 categories below, such as project finance law firm of the year, best project finance borrower, yield company of the year, best generation M&A deal, and best M&A advisor. Voting is open to all firms active in the power sector in 2014.

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By the publisher of GlobalCapital

● Q&A: ANDREW PLATT, BNP PARIBAS

become more sophisticated, the different capital options have also evolved. Today, there are many products, including tax equity and derivatives and other things in the mix that make project finance, as it was previously defined, different than it was years ago. This is relevant to us because we do more than just bank lending. Many other players in the industry are specifically focused on one area, such as M&A, or bank lending, or capital markets and may have a different institutional view of what project finance means.

Within our team, we have both a client coverage responsibility for certain relationships and transaction execution responsibilities. We are always really trying to draw on the team's expertise to pull together the solutions that are the best fit for our clients. Sometimes the best solution is simply bank lending for a project deal. We're very good at that and we still like to provide that service. But we've also developed strong skills in executing into the bond market and into the institutional term-loan market. We have a full complement of other products that fit in nicely with our business.

We have a group called Capstar Partners, which specializes in tax related advisory, including a significant capability in U.S. renewable energy. We work a lot with them both as an investor in tax equity transactions or supporting advisory assignments for solar, wind or other renewables. Another group within the bank that has been built up considerably over the past couple of years is commodity derivatives. Together we can integrate their work into what we're trying to accomplish in project finance.

For example, bringing a power hedge around a wind farm or advising a client that is trying to decide how much hedging they need versus how much debt they can raise around an asset. We can offer advisory services by working with commodity derivatives to help the client develop a strategy, understand all the options they have around commodity derivatives and then help them optimize how much debt they can raise, explore the different hedging options and bring them real market experience and execution capabilities.

We have a core competency around understanding standalone or small groups of assets in power, energy and infrastructure and working with clients to structure a whole array of options around those assets. It could be debt plus any of

the other options that I mentioned, and it could be debt in any number of the markets.

Sitting in New York, we have a team focused on Latin America and another focused on North America. We also have a five-person team in Sao Paulo that solely focuses on Brazil. The reason for the segregation across geography is that there are constantly different situations in every country, as well as differences between the markets and the client needs. We've developed expertise in South America, for example, in bonds in Peru. We saw the opportunity several years ago and did some of the very first project bonds in Peru. We've developed an outstanding franchise in Brazil, working with clients, to help them finance and structure deals to go to BNDES.

We take a very country-specific approach with a general understanding of the region and it is supported with a full banking capability in Sao Paulo and other regional rep offices throughout Latin America.

One of the product areas where we are seamlessly integrated is with M&A. After I left the M&A team a couple of years ago, that spot remained vacant for a period of time. However, the premise of why we originally had that team and why I moved to M&A still existed, which is the opportunity to work with our clients around selling assets and advising strategic partnerships. Anything with regards to the actual ownership and strategy of an asset seemed like a logical extension of the other things we were doing within the bank. We went through the process of re-staffing, re-engaging and rebuilding that effort around M&A in our corporate finance team.

We hired a new head for that team a little more than a year ago. Dean Keller joined the bank in November 2013. Over the last year, we worked very closely with Dean and his team, and executed a couple of really interesting mandates together.

PFR: How long have you been at the bank and how has your role changed?

Platt: It's hard to believe, but I've been here for 19 years. I joined Paribas before it merged with BNP. I joined as an associate and for me, project finance really just captured my attention plus it continued to evolve and become so much more dynamic during my time with the bank.

I continue to help develop the business for

BNP Paribas. When I first joined the bank, we did a lot of advisory, international work and a lot of lending. Over that time, I was one of the leaders helping to develop our project bond and term loan B capabilities. I worked closely with the rating agencies, and then closely with our rating advisory team when we hired them, to continue to evolve all those debt products and really build a true investment banking platform.

I became co-head of the North America team in and then sole head in 2007 until I moved to corporate finance to start the M&A practice in 2010.

The decision to come back to project finance was an interesting one for me. When I rejoined the group, the bank was looking for a revised approach to project finance. At about the time Brian Goldstein left the bank, I was asked to come back and take over the team for the Americas and take a close look at where the opportunities were for the group and what we should or could do differently. That has been my mission for the last two-and-half years.

PFR: There's been an uptick in BNP Paribas' participation in power and midstream gas PF deals in the last year. What do you think are the internal and external factors at play at the bank?

Platt: When you look at what we did in 2014, I think we closed 22 deals within our team, which is a busy year for us by any historical standard. But I think it's representative of our commitment to being a leader in this space, and bringing capital and solutions to our clients and making sure that we're positioned in a leadership role. It doesn't necessarily always mean we are writing the biggest check, but it does mean we're bringing capital to the table for our clients.

One of things we have done within my team since I took over, is to take a very hard look at our capital envelope and find ways to be as meaningful as possible to key clients. We want to support the development of their strategies, which includes providing more of a holistic investment banking platform.

As the market has improved since the end of the European debt crisis, access to dollar liquidity and its cost have improved dramatically. Additionally, many assets on our books started prepaying more rapidly.

Q&A: ANDREW PLATT, BNP PARIBAS ●

I think the conversion to these things along with a more focused strategy allowed us to start using our capital more wisely. We were especially interested in allocating capital for those deals where we were able to leverage the whole investment banking platform.

The strategy after the European crisis really helped to increase momentum for the team. As the capital situation for the whole market and BNP Paribas has improved, we've been able to take advantage of the fact that we were investing in the franchise and investing in key relationships. The improvement has enabled us to accelerate that process.

PFR: BNP Paribas has recently participated in quite a few merchant and quasi-merchant gas-fired deals. Why are those attractive and what challenges accompany those sorts of transactions?

Platt: Project finance has historically been rooted in contractual cash flow, or predominantly cash flow, around a structure. Taking

a view on merchant power requires a deep understanding of the market and the assets. It also involves a high degree of selectivity to make sure you are working with the right clients.

BNP Paribas's ongoing development and continued investment in our commodity derivatives platform have meant that as an institution, we have made the decision to be active in power markets from a trading and derivatives perspective. Our commodity desk is active in PJM, Texas, New England and New York gas markets on a national level and Canada. In addition to those sitting on our desks and structuring the deals, we also have outstanding commodity strategists around natural gas and oil. They frequently join conference calls with clients to share their views on oil and natural gas. There is a huge wealth of knowledge within the commodities group at the bank.

Part of our strategy to marry that product with our business has facilitated an understanding on a very granular level. Institutionally, we have a lot of component pieces to

understand these markets.

Our strategy around U.S. power transcends project finance. We have also focused on investing in relationships with the IPPs.

The new greenfield deals have the most visibility when people start to think of merchant power, but there has been a number of transactions over the past several years that have incorporated some element of either merchant cash flow or residual value analysis at the end of maturity. That's a market we never really left. For us it just makes sense to support where our clients want to go.

Some of the perspective that I brought back to the team after spending time at M&A included looking at asset valuation with a deeper understanding of cash flows from an equity perspective. A lot of lenders don't think about asset value per se, they look at cash flow to debt, so it's a slightly different philosophical view. ■

Check back next week for the second installment of this Q&A.

CONFERENCE COVERAGE ●

PPA Scarcity, Capital Abundance Fuel Merchant Deals

« FROM PAGE 1 Lenders with excess capital continue to squeeze deal pricing as they compete to put money to work, noted panelists. "The banks are going at full throttle. We're frothing at the mouth. Competition in the bank market is off the charts," added a financier an institutional investor. Many refinancings have already reached the best possible pricing and attractive pricing will continue to drive the volume of refinancing, according to another financier.

Power hedges are an important component to executing transactions, said a private equity investor. Unlike the pre-

financial crisis, the power hedge counterparties no longer dominated by banks, noted a project finance banker from an international investment bank. Institutional investors, including large pension funds, are now providing hedges on quasi-merchant deals as seen on Panda Power Funds refinanced Temple I project in Texas (PFR, 2/11).

"It all comes down to economics, which are a lot more sensitive than many realize," said another banker. Low gas prices, a potential overbuild in PJM and unpredictable weather were among lenders' concerns in merchant and quasi-merchant transactions. ■

Community Solar Shops Hunt Financing

Developers are increasingly seeking financing for community solar projects, according to panelists at **Euro-money Seminars'** 10th Annual U.S. Power & Renewable Finance conference at the Union League Club in New York.

Community solar projects are typically backed by investment grade utilities and allow industrial, commercial and even residential customers to buy solar generation under long-term contracts. Several community solar projects in Minnesota are in the market for equity and debt financing, said an executive at a solar sponsor. In addition to the traditional hurdles associated with raising capital, community solar shops often have to educate potential investors and lenders about their projects. "It's a lot of phone calls. A

lot of it is talking about what community solar is. It's a vertical relationship tied to the utility. I think I'll have to spend the next year explaining that to financiers and investors," he added.

Solar is the second biggest growing asset class, after gas-fired projects, according to an executive at a yield company.

With solar distributed generation now priced well below \$2 per watt, the resource has become much more competitive with other fuels, he added.

A number of request for proposals for community solar projects emerged last year, including those hosted by **City of Palo Alto Utilities** in California (PFR, 7/8) and the **Board of Water & Light** in Lansing, Mich. (PFR, 6/11). ■

Calpine Taps Two EDPR Staffers, Eyes Renewables Growth

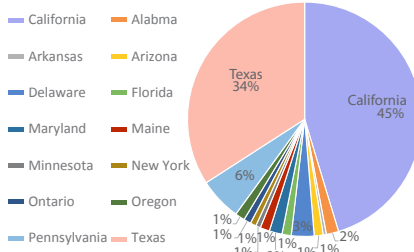
« FROM PAGE 1 29% of Calpine's 21,680 MW portfolio is renewable generation. The fleet consists of 57 projects in North America.

Over the past decade, Whitlock has led early and mid-stage development efforts spanning more than 2,000 MW of wind, including the 396 MW Twin Groves I & II projects, the 100 MW Rail Splitter project and the 102 MW Top Crop projects, all in

Illinois, and the 300 MW Pioneer Prairie and 100 MW Lost Lakes projects in Iowa.

Fenz, a former engagement manager at **McKinsey & Co.**, managed wind projects

Calpine's portfolio in the U.S. and Ontario



Source: Calpine Corp.

Mexico: Latin America's Renewable Energy Renaissance

« FROM PAGE 8 some form of fossil fuels will be awarded a fraction of a clean energy credit for each MWh it generates. The methodology to be utilized in connection with fossil fuels has yet to be established by the government but it will determine the competitiveness of renewable energy in the Mexican energy sector. The government's regulations have also defined the energy sector participants who must buy clean energy credits in the open market but the timeline for implementing the CEC system and the policy choices which the government incorporates into the supplementary regulations will ultimately decide whether the future development of renewable energy projects is encouraged or hampered.

READILY AVAILABLE FINANCING

The true test of whether the projects in a market are viable is determining if third-party, non-recourse financing is available. In Mexico, Japanese, U.S., and European commercial lending institutions are actively looking for lending opportunities to well-structured renewable energy projects. Multilateral lending institutions, such as the **International Finance Corporation**, the **Inter-American Development Bank**, **North American Development Bank** and the **Overseas Private**

Insurance Corp. are also working in the Mexican market with creative financing structures. In addition to multilateral financing institutions and commercial lenders, international development banks have supported infrastructure projects that promote certain economic, environmental or social objectives. Some international development banks have even prioritized the Mexican market as a target lending environment to spur specific project development, such as renewable energy power plants. Understanding the present requirements of potential lenders and the structures of past financings is essential for developers trying to secure nonrecourse project financing. The most successful projects will be those that incorporate this knowledge early on in the development phase of a project. Failure to anticipate these requirements creates an Achilles heel for uninformed market participants.

CONCLUSION

The Mexican energy market is poised to attract the majority of new renewable energy investment in the Americas if Mexican policymakers continue to view renewable energy as a critical part of the country's overall power generation portfolio and enact policies to promote increased wind, solar, and geothermal development. Mexico's renewable resources and its thriving economy have provided it with an opportunity to become a world leader in renewable energy development at a time when developers the world over are searching for investment opportunities. ■

across Illinois, Ohio and Texas for EDPRNA and worked on project transmission and interconnection in PJM, MISO and ERCOT. More recently, Fenz led EDPRNA's entry into Canada, accelerating the development of a 300 MW development pipeline and initiating M&A and joint venture transactions.

Fenz declined to comment. Whitlock was not immediately available to comment, and a spokesperson at Calpine did not respond to inquiries by press time. ■

REPORTER'S NOTEBOOK

The Reporter's Notebook is a collection of informal observations culled from industry events. The following items are culled from **Euromoney Seminars'** 10th Annual U.S. Power & Renewables conference in New York.

-The CEO of a global private equity shop focused on renewables made waves on the first day of the conference by saying that the U.S. is no longer the smart place for smart money due to a lack of power demand.

-“I used to be a member of the **Sierra Club** but I think they'd throw me out now,” said one developer who spoke on a panel about the role of coal-fired generation.

-“We're not out in the market to take merchant risk for merchant risk's sake. I would love to do a commercial bank deal at 350-400 basis points over LIBOR!” joked a merchant project sponsor.

- Attendees enjoyed an array of decadent deserts including mini red velvet cupcakes, lemon tarts and mini chocolate eclairs after lunch on Wednesday. One banker said she was resisting temptation by pretending the tray of treats wasn't there.

ONE YEAR AGO



SNC-Lavalin Group's sale of its regulated transmission utility **AltaLink** in Alberta, Canada, was attracting a broad swath of buyers in an auction run by **Morgan Stanley** and **Royal Bank of Scotland**. [**Berkshire Hathaway Energy** agreed to purchase AltaLink for C\$3.2 billion (\$2.56 billion) in December.]

QUOTE OF THE WEEK

“Today, there are many products, including tax equity and derivatives and other things in the mix that make project finance, as it was previously defined, different than it was years ago.”

Andrew Platt, head of project finance in the Americas at **BNP Paribas** in New York, on the bank's strategy in project finance and the market's evolution (see story, page 1).