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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

After Engie Acquisition, Dynegy Turns Toward Asset Sales

Dynegy is setting out its stall for potential asset sales...

Fotios Tsarouhis

Fresh from closing its acquisition of a 9 GW portfolio of mostly gas-fired assets across the U.S., Dynegy is looking toward selling several "non-core" assets, deal watchers tell *PFR*.

The Houston-based independent power producer, which sealed its purchase of most of Engie's U.S. fleet two weeks ago (PFR, 2/8), is quietly continuing to seek buyers for its gas and oil-fired assets in California. Dynegy mandated **Bank of America Merrill Lynch** and **Barclays** to conduct a strategic review of the assets in 2015 before calling off the sale process (PFR, 3/3/15).

Whether Dynegy has near-term plans to relaunch a formal marketing process for the 2.7 GW portfolio could not immediately be learned.

"The regulatory headwinds they're facing indicate that a sale being agreed to before the second quarter of

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U.S.-Mexico Friction Hangs over Texas IPP, Says Moody's

Richard Metcalf

Moody's Investors Service has cited "uneasy" trade relations between Mexico and the U.S. as a risk for a private equity-backed independent power producer in Texas that sells generation across the border.

The rating agency said that **Lonestar Generation**, an IPP backed by **The Blackstone Group**, could earn less than expected from sales into Mexico from its 500 MW Frontera gas-fired project in a report dated Feb. 14.

The Frontera project began selling its full output into Mexico in November, says Moody's, noting that power prices in Mexico were nearly double

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Allianz Closes Second U.S. Wind Debt Deal

Richard Metcalf

Allianz Global Investors has sealed its second U.S. renewables debt investment—a back-leveraged private placement to refinance a **D.E. Shaw Renewable Investments**-owned wind project in Oklahoma.

KeyBank was the placement agent on the deal, part of the proceeds of which DESRI will use to repay a roughly $50 million mini-perm

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Three Funds to Invest Equity in D.E. Shaw Solar Project

Fotios Tsarouhis

Three investment funds are taking equity stakes in a solar project owned by **D. E. Shaw Renewable Investments**.

Funds managed by **Fiera Infrastructure**, **Ullico** and **Vestcor Investment Management Corp.** will acquire interests in the 52 MW Mississippi Solar 2 facility in Lamar County, Miss., under the terms

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Allianz Closes Second U.S. Wind Debt Deal

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arranged in 2014 for the 300 MW Balko project in Beaver County.

The private placement is understood to be larger than the debt that it replaces, but the precise size of the deal could not immediately be established.

The tenor of the private placement matches the remaining life of the project's two 20-year power purchase agreements. The project sells 200 MW of its output to the **Public Service Company of Oklahoma** and 100 MW to **Western Farmers Electric Cooperative**.

The long tenor of the institutional loan was one of the main appeals of the deal for the sponsor, says **Jorge Camiña**, director of infrastructure debt at AllianzGI in New York, who expects more mini-perm debt to be refinanced in the institutional market.

The investor, a subsidiary of German insurer **Allianz**, closed its first U.S. renewable project debt investment late last year—a $400 million private placement backing **BHE Renewables**' 400 MW Grand Prairie wind project in Hold County, Neb. (PFR, 12/22).

"This says a lot about where the market will go in the long term," says Camiña, noting that while project sponsors are eager to lock in long-term rates in the face of potential interest rate rises, institutional investors are attracted to the risk and return profile of U.S. renewable assets.

A New York-based project finance banker who has been educating potential private placement investors on the merits of the asset class in recent months agrees. "It reflects the maturation of the market in general," he says. "It's the investor pool that the renewable space hasn't tapped until now."

In a further sign that the trend is gathering pace, British insurer **Legal & General** recently agreed to buy a $65.8 million private placement to refinance a 45.7 MW small-scale solar project portfolio owned by **Ahana Renewables** (PFR, 2/7).

Apex Clean Energy, which sold the Balko project to DESRI in 2014 (PFR, 1/8/15), originally financed the wind farm with an approximately $340 million construction loan.

DESRI brought the project online in 2015, at which point the construction loan was taken out with tax equity totaling almost $300 million from **Bank of America Merrill Lynch**, **GE Energy Financial Services**, **Google** and **Citi** and a roughly $50 million 10-year back-leveraged bank loan.

Santander was left lead on the original debt financing for the project. KeyBank, **Citigroup** and **Banco de Sabadell** were also lead arrangers.

Andrew Redinger, m.d. and head of utilities, power and renewables at KeyBank, and a spokesperson for DESRI in New York declined to comment on the private placement. ■

FAST FACT

$340M

Approximate size of the construction loan originally used to finance the Balko project.

Power Finance & Risk

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

GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
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).
Canadian Solar	Sault Ste. Marie Portfolio (59.8 MW Solar)	Sault Ste. Marie, Ontario		Fengate Real Asset Investments has acquired the three-project portfolio (PFR, 2/6).
● The Carlyle Group, Quantum Utility Generation	James River Genco (115 MW Coal)	Hopewell, Va.		The sale of the project to Novi Energy closed on Feb. 7 (see story, page 6).
Dayton Power & Light (AES Corp.)	Conesville Unit 4 (780 MW Coal, 16.5%)	Coshocton, Ohio		DP&L has committed to sell its stake in the projects (PFR, 2/6).
	Miami Fort Units 7, 8 (1,020 MW Coal, 36%)	North Bend, Ohio		
	Zimmer (1,300 MW Coal)	Moscow, Ohio		
● D.E. Shaw Renewable Investments	Mississippi Solar 2 (52 MW Solar)	Lamar County, Miss.		Funds managed by Fiera Infrastructure, Ullico and Vestcor are acquiring stakes in the project (see story, page 1).
● Dynegy	Oakland, Moss Landing, Morro Bay (2.7 GW Gas, Oil)	California		Dynegy is looking to sell "non-core" assets following its acquisition of a 9 GW portfolio from Engie (see story, page 1).
	Kendall, Lee County, Ontelaunee (2.7 GW Gas)	Illinois, Pennsylvania		
	Milford (569 MW Gas)	Connecticut		
Engie	Portfolio (9,017 MW Gas, Coal)	Illinois, Massachusetts, New Jersey, Ohio, Pennsylvania, Texas, Virginia, West Virginia	Lazard (buyer)	Dynegy has closed its acquisition of the assets nearly a year after the deal was announced (PFR, 2/13).
Exelon Corp.	Mystic Generating Station (1,998 MW Gas and Dual-fuel)	Charlestown, Mass.	JP Morgan	A sales process for the project that was launched last year is making slow progress (PFR, 2/13).
First Reserve	First Reserve Energy Infrastructure Funds	U.S., Mexico, Europe		BlackRock has agreed to acquire First Reserve's infrastructure equity arm (PFR, 2/13).
First Solar	Switch Station (179 MW Solar)	Clark County, Nev.		First Solar has sought permission to remove the project from yieldco 8Point3 Energy's ROFO list (PFR, 2/6).
BTG Pactual Infraestructura II, Pátria Investimentos, GMR Group	Latin America Power (114 MW Hydro, Wind)	Chile, Peru	BTG Pactual, Morgan Stanley	Several bidders have been shortlisted in the sale of the company, which also owns an 803.9 MW development pipeline that includes its first solar asset (PFR, 2/13).
Maxim Power Corp.	Portfolio (455 MW Gas)	Connecticut, Rhode Island, Massachusetts, Montana, New Jersey	Credit Suisse	A fund controlled by private equity firm Hull Street Energy is acquiring the assets (PFR, 2/13).
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).
● Niagara Worldwide	Sherman Biomass (24 MW)	Stacyville, Maine		42 Railroad Ave has agreed to acquire the shuttered project and bring it back online (see story, page 6).
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).
Relight Enterprises	HillTopper (175-200 MW Wind)	Logan County, Ill.		Swift Current Energy has purchased the project, marking its first acquisition (PFR, 2/13).
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 month (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).
SunPower	El Pelicano (100 MW Solar)	Coquimbo and Atacama regions, Chile		SunPower has sought permission to remove the project from yieldco 8Point3 Energy's ROFO list (PFR, 2/6).
Veresen	Portfolio (625 MW Gas-fired, Hydro, Wind)	Canada	TD Securities	Veresen has accepted final round bids for the sale of its generation portfolio (PFR, 2/13).

● **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.
To report updates or provide additional information on the status of financings, please call Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@powerfinancerisk.com

PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
● Capital Dynamics	Portfolio (60 MW Solar)	Power County, Idaho	GE EFS	Tax Equity	TBA		GE EFS closed its investment in the projects on Feb. 13 (PFR, 12/12).
Advanced Power	Cricket Valley (1.1 GW Gas)	Dover, N.Y.	Whitehall	Equity	$709M		Advanced Power closed financing for the project on Jan. 24 (PFR, 1/30).
			GE EFS, BNP Paribas, Crédit Agricole	Term Loan A	~$700M	C+5-yr	
				LOC Facility	~$337M		
Ahana Renewables	Portfolio (45.7 MW Solar)	California, Massachusetts, New Jersey	Legal & General	Private Placement	$65.80	14.5-yr, 12-yr	The two-tranche private placement marks Legal & General's first renewables debt financing in the U.S. (PFR, 2/13).
● Ares-EIF	Birdsboro (450 MW Gas)	Birdsboro, Pa.	CIT, GE EFS, Investec	Loan	$340M	C+3-yr	The deal closed on Feb. 10, with pricing at Libor+325 bps (see story, page 5).
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, 12/6).
● D.E. Shaw Renewable Investments	Balko (300 MW Wind)	Beaver County, Okla.	KeyBank	Private Placement	>$50M	19-yr	The back-leveraged loan was privately placed with Allianz Global Investors (see story, page 1).
EDF Renewable Energy	Great Western (225 MW Wind)	Ellis and Woodward counties, Okla.	Allianz Capital Partners, MUFG, U.S. Bank	Tax Equity	TBA		Existing investor MUFG is selling 23% of the project's tax equity to U.S. Bank (PFR, 12/6).
GE Capital	Homer City (1,884 MW Coal)	Indiana County, Pa.	Morgan Stanley	Term Loan B	$150M	6-yr	Morgan Stanley has priced the exit financing for the project at Libor +825 bps (PFR, 2/13).
Invenergy	Clear River (>900 MW Gas)	Burrillville, R.I.		TBA	TBA		Invenergy plans to bring the project online in summer 2019 (PFR, 12/6).
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	
Invenergy	Unknown	U.S.	NordLB, Rabobank, GE EFS	Turbine Loan	$125M-$200M		Invenergy has obtained a turbine loan, which was priced between Libor+275 bps and Libor+300 bps (PFR, 1/30).
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).
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 (PFR, 1/30).
			TBA (14 Bookrunners)	Debt	$4.1B		
Panda Power Funds	Mattawoman (850 MW Gas)	Prince George's County, Pa.	BNP Paribas, ICBC, Investec	Loan	$600M-650M	TBA	Panda has mandated three banks to raise debt for the project (PFR, 2/6).
● Panda Power Funds	Temple I (758 MW Gas)	Temple, Texas	Jefferies	Refinancing	~$750M	TBA	The sponsor and arranger are considering a structure involving mezzanine debt (see story, page 6).
	Temple II (758 MW Gas)						
Pattern Development	Broadview (324.3 MW Wind)	Curry County, N.M., Deaf Smith County, Texas	Allianz Capital Partners, JP Morgan Capital Corp., Capital One, RBC	Tax Equity	TBA		The four investors are investing tax equity in the project, which is slated to be dropped down into yieldco Pattern Energy Group (PFR, 2/6).
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 (PFR, 1/30).
Quantum Utility Generation	Moundsville (643 MW Gas)	Marshall County, W.Va.		Debt	TBA		Quantum could launch a debt financing for the project this year (PFR, 2/6).
			BNP Paribas	Equity			
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		
Swift Current Energy	HillTopper (175-200 MW Solar)	Logan County, Ill.		Debt, Tax Equity	TBA		The sponsor plans to finance the project with debt and tax equity (PFR, 2/13).
Terra-Gen	Unknown		Rabobank	Turbine Loan	$75M		Terra-Gen obtained the turbine loan, which was priced at around Libor+200 bps, to qualify projects for the full production tax credit before the end of the year (PFR, 1/30).

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U.S.-Mexico Friction Hangs over Texas IPP, Says Moody's

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those in **ERCOT** for most of 2016.

The project is also set to benefit from a 475 MW capacity contract with Mexico's **Comisión Federal de Electricidad** that it won in a government-run auction in October (PFR, 10/6).

But concerns around the strength of the Mexican economy and the peso, heightened since the election in the U.S. of President **Donald Trump**—who signaled that he would take a tough stance on trade policy and build a border wall between the U.S. and Mexico—make the dependability of cash flows from the cross-border sales less certain.

Moody's expects GDP growth in Mexico to decline from 1.9% to 1.4% for 2017, in part because of the impact of the Trump administration on trade relations.

"Over time, these events will indirectly impact Lonestar's financial performance in Mexico as lower economic output will negatively affect electric demand and related power prices, and could further weaken the Mexican peso/US dollar relationship," wrote the analysts.

In a worst-case scenario, Moody's considers the possibility that the project could lose the permits it requires to sell generation in Mexico, forcing it to initiate the process of regaining interconnection with ERCOT. "Though this outcome has a very low probability, the risk of it occurring has increased," wrote the analysts.

"Lower economic output will negatively affect electric demand and related power prices."

The other projects in the Lonestar portfolio are the 540 MW gas-fired Bastrop project near Austin, the 260 MW Paris gas-fired project in Paris, near the Oklahoma border, and the 310 MW Twin Oaks coal-fired project in Robertson County.

The portfolio was one of several that Moody's said were sweeping 100% of their cash to pay down debt amid tough market conditions last summer (PFR, 5/5).

Blackstone acquired Frontera, Bastrop and Paris from **Direct Energy** in 2014 for $685 million, financing the deal with a $515 million seven-year term loan B, which Moody's rated B1. **Citigroup** and **Deutsche Bank** arranged the loan, which was priced at 375 basis points over Libor (PFR, 2/6/14).

The firm added the Twin Oaks plant and an adjacent coal mine to the portfolio later the same year, buying them from **Optim Energy** in a bankruptcy court-run sale and financing the add-on by increasing the size of the loan by $160 million and repricing it at 425 bps (PFR, 11/10/14).

Moody's has continued to rate the loan B1 since it was arranged. **S&P Global Ratings** has downgraded the debt twice, from BB- when the loan was issued to B+ in December 2015 and again to B in November of last year.

A spokesperson for Blackstone in New York declined to comment. ■

FAST FACT

$658.2M

The amount of Lonestar's term loan B that was outstanding at the end of September, according to Moody's.

Ares-EIF Closes Debt Financing for PJM Gas-fired Project

Ares-EIF closed a debt financing backing a 450 MW gas-fired project in Berks County, Pa., on Feb. 10.

CIT Bank, **GE Energy Financial Services** and **Investec** were the lead arrangers on the roughly $340 million construction-plus-three-year loan for the project, which is named Birdsboro for the borough where it is located.

The final pricing on the loan was 325 basis points over Libor, representing no change from when *PFR* reported the mandate in October (PFR, 10/20).

FAST FACT

3GW-4GW

Amount of new gas-fired generation expected to continue to clear the forthcoming PJM Interconnection capacity auction, according to Julien Dumoulin-Smith at UBS.

The project, which will serve **PJM Interconnection**, has a three-year revenue put and is slated to be online in mid-2019.

It is likely to bid into and clear a forthcoming PJM capacity auction, according to a note published by **Julien Dumoulin-Smith**, equity analyst at **UBS**, on Feb. 3.

There has been talk in the market about a possible slowdown in the financing of greenfield gas-fired projects in PJM, in part because of overexposure among commercial banks to merchant cash flows in the regional transmission operator's territory (PFR, 2/2), but not everyone agrees.

"I think there is capacity in the marketplace, full stop," says one deal watcher. "It depends how aggressively you want to structure these deals."

The Birdsboro project is being financed with a 50-50 debt-to-equity ratio.

Ares is working with a financial adviser to raise third-party equity for the project. The identity of the adviser could not immediately be established.

"I think there is capacity in the marketplace, full stop. It depends how aggressively you want to structure these deals."

The originator of the project, **EmberClear**, sold the rights to invest $510 million in the project to Ares in April 2015. The private equity sponsor holds the project through its EIF United States Power Fund IV.

Officials at Ares-EIF and the lead arrangers either declined to comment or did not immediately respond to inquiries. ■

PROJECT FINANCE

Panda Said to Eye Mezzanine Debt for Temple Projects

Panda Power Funds' plan to refinance two gas-fired projects in Texas include raising mezzanine debt at the holding company level as well as a first-lien term loan, deal watchers tell *PFR*.

Jefferies is leading the charge on the refinancing for the Temple I and Temple II combined-cycle projects in Bell County, say the deal watchers, who add that the terms of the potential transaction are subject to negotiation as the sponsor and the arranger consider offers from various lenders.

"The structure is in flux, but it's going to be multiple tranches," says a hedge fund investor. "That's the proposal, but they're flexible."

The tenor, size and pricing of the loans are yet to be agreed on, but some elements of a possible deal are beginning to take shape.

The first-lien term loan is likely to be sold in the bank market, possibly in a bilateral transaction, while the mezzanine debt is being marketed to non-bank lenders that do not require their debt investments to be rated, such as hedge funds, say the deal watchers. Neither tranche is expected to be rated.

Under the terms of one proposal described by an investment banker who is following the deal, the first lien would have a tenor of five years and the mezzanine debt five years and thirty days, and the interest on the mezzanine loan would include a payment-in-kind feature.

However, Jefferies has received multiple competing offers with different structures, and the final deal could look very different, notes a project finance banker, cautioning that "it's all talk until something happens."

Panda hired Jefferies to arrange the roughly $750 million refinancing for the two projects, each of which is 758 MW in size, after the Temple I project missed a payment that was due at the end of last year under its existing term loan (PFR, 1/19).

A call to **Kevin Phillips**, m.d. and joint global head of power and utilities at Jefferies, who is said to be running the deal, was not returned by press time. Officials at Panda Power Funds in Dallas did not respond to inquiries. ■

MERGERS & ACQUISITIONS

Carlyle, Quantum Unload Last Coal-fired Asset to Novi Energy

Cogentrix Energy Power Management and **Quantum Utility Generation** have closed their sale of a merchant coal-fired project in Virginia to a Michigan developer, completing their divestment from the U.S. coal-fired generation market.

The 115 MW James River Genco facility, located in Hopewell, Va., will be decommissioned this year, 30 years after coming online. Cogentrix developed and constructed the project, which became operational in 1987.

Novi Energy, which has acquired the project, plans to construct a 50 MW gas-fired plant and steam generation facility on the site.

Honeywell International purchases the steam generated by James River and will have a contract with the new steam generation facility.

Cogentrix, a portfolio company of **The Carlyle Group**, and Quantum agreed to the sale last year (PFR, 9/26). The two companies each held a 50% stake in the project (PFR, 8/24/11).

The sale of James River, which closed on Feb. 7, leaves both Cogentrix and Quantum with no coal-fired assets in the U.S. **Georgia Renewable Power** acquired the 115 MW Portsmouth Genco coal-fired project in Portsmouth, Va., which was also owned 50-50 by Cogentrix and Quantum, in a deal that closed last August (PFR, 2/17/2016). ■

Developer Agrees to Buy Shuttered Maine Biomass Facility

A redevelopment company has agreed to acquire an offline biomass project in Stacyville, Maine, from **Niagara Worldwide**, bringing four years of negotiations to an end.

42 Railroad Ave, a Falkville, Ala.-based developer, plans to bring the 24 MW Sherman Biomass project back online by June.

Before the project resumes operations, 42 Railroad Ave intends to rebuild the project's turbine and activate new transmission lines.

Niagara Worldwide did not use a financial adviser, owner and president **Eric Spirtas** tells *PFR*. Spirtas established the company in 2010. When Niagara Worldwide acquired the project from its previous owner, **Boralex**, could not immediately be learned.

The developer expects the restart to cost about $10 million and has begun the re-permitting process required by Maine regulators.

The project burns over 700 tons of wood fiber per day when it is operational.

The purchase price was not disclosed.

42 Railroad Ave owner and ceo **Steven Johnson** has been acquiring and developing biomass projects since 2003, according to the company's website. Johnson has owned wood-fueled biomass projects in Alabama, Florida, Maryland, New York and North Carolina. Prior to establishing 42 Railroad Ave, Johnson headed up **Patriot Energy Services**, a separate wood biomass generation company.

Johnson was not immediately available for comment. ■

Three Funds to Invest Equity in D.E. Shaw Solar Project

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of a deal described in a filing with the U.S. **Federal Energy Regulatory Commission**. The sizes of the stakes could not immediately be learned.

Fiera Infrastructure, which is 75% owned by **Fiera Capital** and 25% by **Aquila Infrastructure**, is also in the process of acquiring an alternative energy portfolio in the U.S. and recently closed its purchase of a 50% stake in an Ontario wind project from **Suncor Energy** (PFR, 1/26).

Vestcor Investment Management's parent company, **Vestcor Corp.**, is owned by two Canadian pension funds, the **New Brunswick Public Service Pension Fund** and the **New Brunswick Teachers' Pension Fund**.

Mississippi Solar 2 became DESRI's first solar asset in the southeastern U.S. when the **D.E. Shaw** subsidiary acquired the project from **Origis Energy** late last year. A syndicate of lenders led by **Santander** and including **Crédit Agricole** and **Siemens Financial Services** arranged acquisition and project financing for the project for DESRI (PFR 12/20).

Citigroup, which will be the sole tax equity investor in the project, applied for approval of its investment in the same filing.

Mississippi Solar 2, which has a 25-year power purchase agreement with **Mississippi Power Co.**, is expected online in the first half of this year.

A spokesperson for D.E. Shaw in New York did not immediately respond to a request for comment. ■

After Engie Acquisition, Dynegy Turns Toward Asset Sales

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2017 is unlikely," says **Andrew Bischof**, an analyst at **Morningstar** in Chicago.

A 2015 analyst report from **UBS** put the potential value of the assets at around $400 million (PFR, 2/12/15).

Meanwhile, Dynegy is exploring a sale of three gas-fired assets in **PJM Interconnection**—the 1,288 MW Kendall project in Minooka, Ill., a 757 MW peaker in Lee County, Ill., and the 639 MW Ontelaunee project in Ontelaunee, Pa.

The IPP is also considering the sale of an asset in **New England ISO**—its 569 MW Milford Energy project in Milford, Conn., which could go for between $300 million and $400 million, according to a UBS analyst report published two weeks ago.

The same report put the potential sale prices of Ontelaunee at around $450 million to $550 million, Kendall between $900 million and $1 billion and the Lee County peaker in the approximate range of $250 million to $300 million.

A spokesperson for Dynegy

STRATEGIES

Calpine Outlines Debt Reduction Plan, Weighs Asset Sales

Calpine Corp. is entertaining asset sales as it works to reduce its debt load and shrink its balance sheet.

The Houston-based independent power producer plans to pay off $1 billion in corporate-level debt this year as part of a longer-term plan to retire $2.7 billion by 2019, according to the company's fourth quarter earnings presentation.

Much of Calpine's debt reduction in 2017 will come from the scheduled amortization of existing loans, according to the investor presentation, but the company also announced that it would call the remaining balance of a series of bonds due in 2023.

Calpine will use the proceeds of a $400 million two-year bridge loan it has already obtained to buy back the bonds, which bear interest at 7.875%.

Calpine expects to have $100 million of dry powder left once it has reached its $2.7 billion debt reduction target, the company's ceo, **Thad Hill**, said on the fourth quarter earnings call on Feb. 10. The figure does not include the proceeds of potential asset sales.

"We have been an active asset seller whenever a counterparty values an asset more than we do," Hill told investors and analysts. "You should always expect that we're engaged in multiple M&A discussions at any time. It is no different now."

"We have been an active asset seller whenever a counterparty values an asset more than we do"

SOUTH POINT SALE

Hill's comments on the earnings call echo his remarks one year ago during the the company's fourth quarter call for 2015, in which he said the company was open to asset sales (PFR, 3/28).

Calpine has since sold the Osprey Energy Center, a 590 MW gas-fired project in Auburndale, Fla., to **Duke Energy**, in a transaction that closed on Jan. 2. The deal had already been agreed to in 2014 (PFR, 1/5).

Calpine is also in the process of unloading the South Point Energy Center, a 520 MW combined-cycle gas-fired facility in Bullhead City, Ariz. (PFR, 6/8). **Nevada Power** and **Sierra Pacific Power**, both subsidiaries of **Berkshire Hathaway Energy**-owned **NV Energy**, have agreed to acquire the plant.

The utilities are expected to acquire South Point for $76 million. **Moody's Investors Service** called the relatively low purchase price a sign of "challenging market dynamics for power generation assets in the desert south west" in a November report (PFR, 11/22).

Barclays arranged an $835 million refinancing for South Point in 2012 (PFR, 10/12/12). ■

Pattern Yieldco Tiptoes Toward Development Risk

Pattern Energy Group, the yield company of **Pattern Development**, is cautiously considering taking a stake in its sponsor's development-stage projects, according to an analyst report.

The creation toward the end of last year of a separate entity affiliated to Pattern Development, called **Pattern Energy Group 2 LP**, was a tentative first step in that direction.

Pattern shifted its U.S. early-stage development pipeline and its 80% stake in a contracted project in New Mexico into PEG LP 2.0—as the new vehicle is also known—on Dec. 8, according to paperwork filed by the yieldco with the U.S. **Securities and Exchange Commission**.

PEG LP 2.0 has been structured to allow Pattern Energy to acquire a stake, which would expose the yieldco to a limited amount of development risk but also give it access to potentially higher returns.

"With the structure to take development exposure in place… management will carefully assess investor sentiment before making a final decision," wrote equity analysts at **RBC Capital Markets** in a report circulated on Feb. 13.

The returns on development assets can be more than 20%, whereas the yieldco's levered, after-tax equity return on projects it acquires post-construction is in the range of 8% to 9%, according to the analysts' calculations.

"On balance, we believe it makes strategic sense for Pattern Energy to participate in development activities, and we expect long-term fundamental investors to be generally more supportive," they write, adding however that short-term investors and those they describe as "pure yieldco" investors may not like the idea.

TURBINE LOAN

Pattern Development has 2,000 MW of wind turbines that have qualified for the production tax credit in the U.S., the report notes. **Siemens Financial Services** and another unidentified lender provided Pattern with a more-than-$100 million loan to finance the purchase of turbines at the end of last year (PFR, 1/25).

The turbine loan was a novel twist on a project finance product that was used in the late 2000s.

"The way we're looking at structuring it, we have projects that we can support that securitize the loan so that the banks know there's a project they can put the turbines in," Pattern ceo **Mike Garland** told *PFR* in November of last year (PFR, 11/1).

The key to the financing is the one contracted asset in the PEG LP 2.0 portfolio, according to a deal watcher. The contracted asset is Pattern's 80% stake in the 220 MW Grady project in Curry County, N.M., which has a 25-year power purchase agreement with the **Sacramento Municipal Utility District**.

"They're going to use that project, buy a whole load of turbines for it, leverage those turbines to qualify all the projects in PEG LP 2.0 for the PTC, and if none of those projects are successful they can use the turbines in the contracted project," says the deal watcher.

Calls to a spokesperson for Pattern in New York were not immediately returned. ■