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# Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

**MERGERS & ACQUISITIONS**

## EIG bought out of ex-Panda plants

**The Carlyle Group** is buying out **EIG Global Energy Partners**' stakes in the Patriot and Liberty CCGTs in Pennsylvania. *Page 5*

**CASE STUDY**

## Lighthouse Renewable, US portfolio

**Hannon Armstrong** opted for an unusual capital structure when it invested in a 1.6 GW **Clearway Energy** portfolio. *Page 22*

**PEOPLE & FIRMS**

## Term loan B banker Boudrias exits Goldman

**Goldman Sachs** managing director **Jean-Pierre Boudrias**, who led the North American project finance desk, has left the firm. *Page 28*

# Exelon pulls trigger on competitive power spin-off

Richard Metcalf

**Exelon Corp** has announced its intention to spin its competitive generation and retail power businesses off into a separate publicly-listed company following a strategic review.

The move will create a large new publicly-traded independent power producer and energy retailer with a 31 GW fleet of nuclear, hydro, wind, solar gas-fired and oil-fired generation assets.

The company says the separation of Exelon's deregulated generation businesses from its regulated utilities will allow each company focus on its priorities and make it easier for investors to value them.

Exelon will accomplish the carve-out by giving its existing shareholders a pro-rata stake in the spun-off generation company, which is being referred to as SpinCo for the time being.

The company expects the process to take a little over a year. Regulatory approvals are needed from the US **Federal Energy Regulatory Commission**, the US **Nuclear Regu-** PAGE 8 »

**CHICAGO STYLE:** Exelon moves forward with carve-out

# PFR Review and Outlook Roundtable

February 2021

Sponsored by: CoBank

Project finance is much more than just a market. In fact, it's several markets combined.

In February, for the first time, *Power Finance & Risk* brought together a commercial bank lender, a private placement investor, a term loan B investor, a tax equity investor and a project sponsor to discuss the state of project finance, how they coped with the Covid-19 pandemic and what is in store for 2021.

The resultant discussion is an all-encompassing overview of the debt markets that are available for power and renewable energy, with color on liquidity, pricing, volumes and risk appetite, all in one place. PAGES 9 »

## Impact of Texas freeze on generation assets begins to emerge

Taryana Odayar

As winter storm clouds pass over Texas, frozen natural gas pipelines thaw out and icy wind turbine blades start spinning again, project finance professionals and investors are starting to form a clearer picture of the fallout for power generation assets in the state.

As much as 46 GW of generation was forced offline during the recent winter storms, of which some 28 GW was PAGE 7»

## Matrix ramps up LatAm acquisitions, looks for debt

Carmen Arroyo

**Matrix Renewables**, a portfolio company of private equity firm **TPG**, expects to keep purchasing assets as it attempts to build a roughly 3 GW operational portfolio by 2023.

The firm, launched in July of 2020, is eyeing acquisitions in Colombia, Chile, and other Latin American markets that it expects to close over the next six months. And while PAGE 25»

## IN THIS ISSUE



## PPA PULSE

### INDIANA UTILITIES LOAD UP ON SOLAR

Two utilities in the Hoosier State recently awarded contracts to solar projects due to be online in 2023, including a relatively rare build-transfer deal.

**CenterPoint Energy** has given out one power purchase agreement and one build-transfer contract, while cooperative **Hoosier Energy** awarded a single PPA.

Private equity fund manager **Capital Dynamics** was a big winner in the two procurement processes, snagging the CenterPoint build-transfer deal and the Hoosier Energy PPA.

The build-transfer covers a 300 MW solar project in Posey County that is expected to be completed and handed over to CenterPoint in 2023, assuming the deal gets past the **Indiana Utility Regulatory Commission**.

Build-transfer deals have historically more often involved wind farms than solar projects, though several solar deals of this kind have been signed in the past two years.

One of the first was for **Recurrent Energy**'s 100 MW Sunflower solar project in Mississippi, which is due to be online in 2022. **Entergy Mississippi** selected the build-transfer proposal in 2018 following a competitive tender, and the local regulator okayed the deal in 2020 (PFR, 11/8/18, 4/15/20).

Other solar build-transfer agreements have recently been struck in Indiana, Wisconsin and Arkansas (PFR, 5/19/20, 8/17/20, 2/5/21).

At the same time as it awarded the build-transfer to CapDyn, CenterPoint also gave out a 25-year PPA to **Clēnera Renewable Energy** for 100 MW of the output of a 200 MW solar project in the southwest of the state.

CapDyn's PPA with Hoosier Energy, meanwhile, is for all of the generation from the 150 MW Ratts 2 solar project in Knox County.

CapDyn is working on both of the Indiana projects alongside **Arevon Energy Management** and **Tenaska**.

Ratts 2's sister project, the 150 MW Ratts 1 project in neighboring Pike County, has a 20-year PPA with the **Indiana Municipal Power Agency**.

### RFP IN PUERTO RICO

Meanwhile, in Puerto Rico, the **Puerto Rico Electric Power Authority** (PREPA) has issued a request for proposals for 1 GW of renewable energy and 500 MW of battery energy storage.

Renewable energy resources will need to have a minimum capacity of 20 MW.

Of the 500 MW of battery energy storage, 150 MW is to take the form of so-called "virtual power plants." Any connection to the distribution system for this type of project cannot exceed 25 MW.

PREPA is seeking a four-hour discharge but will consider two- and six-hour durations. The deadline to respond to the RFP is May 3.


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

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

## GENERATION AUCTION & SALE CALENDAR

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

# Generation Sale DATABASE

| Seller | Assets | Location | Adviser | Status/Comment |
|---|---|---|---|---|
| Allete Clean Energy | Northern Wind (120 MW Wind) | Minnesota | | Xcel Energy has inked a deal to buy the assets as of February (PFR, 2/22). |
| Belltown Power Texas | Portfolio (870 MW Solar, Wind) | Texas | | The sponsor was marketing the portfolio as of February (PFR, 2/15). |
| Brazil | Companhia Estadual de Distribuição de Energia Elétrica | Brazil | | Neoenergia announced it will not bid for the company as of the third week of February. The auction is on March 31 (PFR, 2/22). |
| ● Brookfield Infrastructure Partners, Kinder Morgan | Natural Gas Pipeline Co of America (Gas, Storage) | US | RBC Capital Markets | ArcLight has struck a deal to buy a stake in the company as of late February (see story, page 6). |
| Colombia | Interconexion Electrica (51.41%) | Colombia | HSBC, Bancolombia | Ecopetrol signed an exclusivity agreement to buy ISA's stake on February 12 (PFR, 2/22). |
| Duke Energy | Duke Energy Indiana (19.9%) | Indiana | JP Morgan, Centerview Partners, Barclays | GIC Private Limited agreed to purchase the stake as of February (PFR, 2/8). |
| esVolta | esVolta | US | Nomura Greentech | Macquarie agreed to buy a stake as of January (PFR, 1/25). |
| EDF Renewables | Portfolio (1.6 GW Solar, Wind, 50%) | US | BofA Securities | Masdar reached first close on the purchase as of February (PFR, 2/15). |
| ● EIG Global Energy Partners | Patriot (756 MW Gas, 50%) | Pennsylvania | | The Carlyle Group is buying the stake in the assets as announced on February 19. It is expected to be approved by April 20 (see story, page 5). |
| | Liberty (765 MW Gas, 50%) | | | |
| Eletronorte | NTBE (49%) | Brazil | | Eletronorte has issued an RFP for an adviser (PFR, 1/18). |
| ● Exelon | SpinCo | US | Barclays, Goldman Sachs | Exelon announced that it will spin its competitive generation and retail power businesses off into a separate publicly-listed company as of February (see story, page 8). |
| ● FirstEnergy Corp | FirstEnergy Corp | US | | Icahn Capital declared its intention to acquire a stake in the company in February (see story, page 8). |
| ● Generadora Luzma | PCH Luzma I (19.9 MW Hydro) | Colombia | | Isagen agreed to buy the projects as of February 22 (see story, page 26). |
| | PCH Luzma II (19.9 MW Hydro) | | | |
| Hecate Energy | Portfolio (1,500 MW Solar-plus-storage) | US | Cantor Fitzgerald | The sponsor is looking for a buyer as of January (PFR, 1/18). |
| InstarAGF Asset Management | Okanagan Wind (30 MW Wind) | British Columbia | CIBC Capital Markets | CK Group has agreed to purchase the wind duo as of February (PFR, 2/15). |
| ● IG Group | Mata Grande Transmissora de Energia | Brazil | | EDP Brasil acquired the transmission project in February (see story, page 25). |
| ● Key Capture Energy | Key Capture Energy | US | OnPeak Capital | The auction for the company is in the final round of bidding as of February (see story, page 6). |
| Lennar Corp | SunStreet | US | | Sunnova Energy International has signed a deal to buy the residential solar business SunStreet as of February (PFR, 2/22). |
| LS Power | EvGo | US | BofA, Credit Suisse | The Pacific Investment Management Co SPAC has eyed the company as of January (PFR, 2/1). |
| Northleaf Capital Partners | South Branch (30 MW Wind, 49%) | Ontario | National Bank Financial | The bank circulated teasers for the sale the first week of February (PFR, 2/8). |
| ● Origis Power | Everglade Portfolio (484 MW (DC) Solar, 200 MWh Storage) | US | OnPeak Capital | Origis is seeking a buyer as of February (see story, page 6). |
| Powin Energy | Powin Energy | US | | Energy Impact Partners and Trilantic North America agreed to buy a controlling stake as of February (PFR, 2/15). |
| PSEG Power | Portolio (468 MW Solar) | US | Goldman Sachs | Teasers circulated in November (PFR, 1/18). |
| Renova Energia | Alto Sertão III Phase B (305 MW Wind) | Brazil | | Prospective bidders sent letters of intention to Renova on February 1 (PFR, 2/15). |
| Rockland Capital | PH Robinson (360 MW Gas) | Texas | Thorndike Landing | The sponsor had appointed a financial advisor as of February (PFR, 2/8). |
| ● Saavi Energia | Energia Sierra Juarez (263 MW Wind, 50%) | Mexico | | IEnova agreed to purchase the stake in February (see story, page 25). |
| ● Southeast PowerGen | Sandersville Facility (680 MW Gas) | Georgia | | Harbert Management Corp is buying a stake in the company as of February. The deal is to be approved by April 13 (see story, page 5). |
| Southern Power | Portfolio (160 MW Storage) | California | | AIP Management has agreed to invest in the battery storage pair as of February (PFR, 2/15). |
| ● Tenaska | Firebrick (400 MW Wind) | Missouri | | Cordelio has bought the asset as of February (see story, page 6). |

● **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 Taryana Odayar at (212) 224 3258 or e-mail taryana.odayar@powerfinancerisk.com*

## ● PROJECT FINANCE

Deal Book is a matrix of energy project finance deals that Power Finance & Risk is tracking in the energy sector.

# Live Deals: Americas

| Sponsor | Project | Location | Lead(s) | Deal Type | Loan Amount | Tenor | Notes |
|---|---|---|---|---|---|---|---|
| AES Gener | | Chile | | Capital increase | $306m | | The closing of the increase was announced on February 8 (PFR, 2/15) |
| Aela Generación, Cerro Dominador, Generadora Metropolitana, Santiago Solar, Norvind, Eléctrica Carén, San Juan, Chungungo Solar | | Chile | IDB Invest, BNP Paribas, Santander | A/B loan | $139m | | The A/B facility closed on February 11 (PFR, 2/22). |
| AES Gener, Guacolda Energia, Colbún, Enel Green Power, Enel Generación Chile, Engie Energia Chile, Eólica Monte Redondo | | Chile | Goldman Sachs | Asset-Backed Securitization | $489m | 7-yr | The deal closed on February 8 (PFR, 2/15). |
| Blackstone Group | Frontera (526 MW Gas) | Texas | PJT Partners, Alvarez & Marsal, Houlihan Lokey | Restructuring | $944m | | The debt will be converted into equity as a result of the Chapter 11 protection the firm filed for on February 3 (PFR, 2/15). |
| Cox Energy America | Sol de Vallenar (308 MW (DC) Solar) | Chile | | | | | The sponsor is looking for debt for the asset as of February 12 (PFR, 2/22). |
| Distributed Solar Development | Portfolio (Solar) | US | Credit Suisse | | $300m | | Blackrock raised the debt as of January (PFR, 2/1). |
| Equinor, BP | Empire Wind (816 MW) | New York (offshore) | | Debt | | | Société Générale appointed as financial adviser (PFR, 11/30). |
| | | | | Tax equity | | | |
| GenOn Energy | Chalk Point (1.6 GW Gas, Oil) | Maryland | Investec | Term loan A | $305m | 5-yr | The sponsor was preparing to launch the financing, and to hold bank meetings later in February (PFR, 2/15). |
| | Dickerson (312 MW Gas, Oil) | | | | | | |
| Grenergy Renovables | Portfolio (130 MW Solar) | Chile | Natixis | Term loan | $85m | | Loan closed in the first week of January (PFR, 1/18). |
| Interchile | Cardones-Polpaico (Transmission) | Chile | | Bond refinancing | $1bn | | The sponsor has sent out RFPs to banks (PFR, 10/19). |
| ● Invenergy, Tealov | Cardal (Transmission) | Uruguay | IDB Invest | Construction loan | $51m | | The deal, disclosed in February, is expected to be approved by April 8 (see story, page 26). |
| Inversiones de Generación Eléctrica | Jilamito (14.8 MW Hydro) | Honduras | IDB Invest | Term loan | $20.25m | | Debt package approved in December (PFR, 12/14). |
| Key Capture Energy | Portfolio (250 MW Storage) | Texas | | | | | The sponsor is conducting pre-marketing for debt as of February (PFR, 2/15). |
| Mainstream Renewable Power | Copihue (100 MW Wind) | Chile | | Term loan | $160m | | The bank sent an RFP to banks in January (PFR, 2/8). |
| Momentum Energy Storage Partners | Momentum Energy Storage Partners | US | Leyline Renewable Capital | | | | Leyline invested in the company as of February (PFR, 2/8). |
| ● New Columbia Solar | Portfolio (Distributed Solar) | Washington, DC | Franklin Park Infrastructure | Tax equity | | | The sponsor closed financing for 50 distributed solar projects as of February (see story, page 21). |
| | | | Amalgamated Bank, Live Oak Bank | Term loan | | | |
| NRG Energy | Astoria Replacement Project (437MW Gas) | New York | Crédit Agricole | Term loan | $280m | C+5yr | The debt raise is ongoing, with the bank group meant to be finalized on January 15 (PFR, 2/1). |
| ● Oaktree | Seaside LNG (50% of JAX LNG) | Florida | Investec | Term loan (holdco) | $122m | C+5yr | The deal is set to close on the first week of March (see story, page 21). |
| | | | | Ancillary facilities | $25m | C+5yr | |
| Pine Gate Renewables | Pine Gate NC Portfolio (Solar, Storage) | North Carolina | Crestmark | Term loan | | | Deal announced on January 14 (PFR, 1/25). |
| | | | US Bank | Tax equity | | | |
| Savion | Westoria Solar (200 MW Solar) | Brazoria County, Texas | CIT Bank, ING Capital | Term loan | $79m | C+5yr | The sponsor is working on the financing as of February (PFR, 2/22). |
| | | | | Tax equity | $95m | | |
| | | | | Ancillary facilities | $38m | | |
| TexGen Power | TexGen Power (2.2 GW Gas-fired) | Texas | Cantor Fitzgerald (adviser) | TBC | TBC | TBC | Proposals sought from potential arrangers in November 2020 (PFR, 1/25). |
| Tokyo Gas America | Aktina (500 MW Solar) | Texas | BofA, Morgan Stanley | Tax equity | | | The sponsor has secured the commitment (PFR, 12/21). |

● **New or updated listing**

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NORTH AMERICA MERGERS & ACQUISITIONS

# EIG to hand stakes in former Panda plants to Carlyle

**The Carlyle Group** is taking full ownership of the Patriot and Liberty combined-cycle gas-fired assets in Pennsylvania by buying out its co-investor, **EIG Global Energy Partners**.

Carlyle and EIG own the assets through a 50:50 joint venture dubbed Hamilton Projects Acquiror, having financed their acquisition of the assets from developer **Panda Power Funds** last year with a $900 million term loan B arranged by **Morgan Stanley** (PFR, 1/15, 8/21). EIG was formerly a mezzanine investor in the plants.

Now, a year later, EIG is giving up its 50% interest to Carlyle. The purchase price could not immediately be determined.

EIG owns its stake in the Hamilton holdco through a vehicle called **Jefferson Holdings I**. EIG will transfer ownership of this vehicle to Carlyle in order to consummate the transaction, according to paperwork filed with the US **Federal Energy Regulatory Commission** on February 19.

Carlyle holds most of its stake in Hamilton, representing 45% ownership in the two projects, through a vehicle called **Franklin Power Holdings**. Carlyle's remaining 5% stake is held under a fund called **Carlyle Power Partners II-C**.


**The Carlyle Group** is taking full ownership of the Patriot and Liberty combined-cycle gas-fired assets

Carlyle and EIG have requested regulatory approval for the deal by April 20.

The 756 MW Liberty project is located in Bradford County and is interconnected to the **Pennsylvania Electric Co** transmission system, while the 765 MW Patriot plant is located in Montgomery County and is interconnected to transmission system owned by **PPL Electric Utilities Corp**.

Their acquisition by Carlyle and EIG in 2020 ended years of speculation about the fate of the two plants.

Panda originally financed the two projects with senior and mezzanine debt in 2013 and had been looking for a refinancing solution since 2018, when the plants began to breach debt covenants and suffer credit rating downgrades, and as the sponsor came under financial pressure itself (PFR, 1/16/18).

The deal with Carlyle and EIG solved several problems at once.

The new equity in the portfolio at the time of the acquisition came to some $671 million, comprising cash equity from Carlyle and the conversion of EIG's mezzanine capital.

The consortium also made equity cures of about $5 million at each of the plants to keep them running, before launching a $900 million term loan B acquisition financing into a market roiled by the Covid-19 pandemic (PFR, 8/21).

Tickets were allocated on June 11 for the nearly two-times oversubscribed seven-year deal, which was priced at 475 bp over Libor.

Separately, **LS Power** recently sealed the acquisition of another former Panda gas-fired asset, namely the 1,124 MW Hummel Station in Pennsylvania. **Siemens Financial Services** had co-invested in alongside Panda in that asset (PFR, 10/23). ■

# Harbert takes bite of Peach State gas-fired asset

**Harbert Management Corp** has agreed to acquire an equity stake in a roughly 680 MW simple-cycle, gas-fired power plant in Georgia.

The asset is the Sandersville Facility in Washington County, which is owned by **Southeast PowerGen**, a portfolio company of **The Carlyle Group**.

Southeast PowerGen is holding on to 100% of the class B interests in the Sandersville project, while the buyer, Harbert, is taking 100% of the class A interests, according to a February 12 filing with the US **Federal Energy Regulatory Commission**.

The reason for the two separate classes of equity was not given in the filing, which notes only that the two classes "will each having [sic] voting rights with respect to the management" of the power plant's immediate holding company.

Harbert is buying the stake through **Gulf Pacific Power**, which is a portfolio company of a fund managed by Harbert on behalf of the **California Public Employees' Retirement System**.

The parties to the deal have requested FERC approval by April 13.

The Sandersville facility has two long-term tolling agreements, for 150 MW each, with **Morgan Stanley Capital Group**. One of the contracts runs through December 31, 2025, and the other through 2030. The remaining output is sold on a merchant basis.

Carlyle originally bought its stake in Southeast PowerGen from **ArcLight Capital Partners** and **Government of Singapore Investment Corp** in 2014 (PFR, 10/31/14). Carlyle financed the acquisition with a $550.5 million term loan B package (PFR, 10/30/14).

Southeast PowerGen's existing term loan B matures in December 2021, while its revolving credit facility matures in June. The senior secured debt is rated Ba3 by **Moody's Investors Service** and B by **S&P Global Ratings**. ■

NORTH AMERICA MERGERS & ACQUISITIONS

# Cordelio buys 400 MW Missouri wind farm

**Cordelio Power** has bought a 400 MW wind project that is under development in Audrain County, Missouri.

The Firebrick wind project was developed by **Tenaska**, which will stay involved through a development services agreement.

"We're excited to work with Tenaska on this project, and we hope to expand this relationship in the future as we continue to grow Cordelio's development portfolio," said **Nick Karambelas**, Cordelio's chief commercial officer.

"The Firebrick project is well positioned to bring value to their portfolio," added **Joel Link**, senior vice president in Tenaska's strategic development and acquisitions group. "Our team is excited to continue our involvement with the project through the development phase." ■

# Origis seeks buyer for solar, storage portfolio

**Origis Energy** is seeking a buyer for a portfolio of three solar and battery storage projects each located in a different US states.

The combined solar capacity of the portfolio totals 484 MW (DC) while the battery storage adds up to 200 MWh.

The projects are located in Mississippi, Texas and Tennessee.

**OnPeak Capital** is advising Origis on the sale process, which is codenamed Project Everglade.

The projects are due to be online in 2022 and have 15-to-20-year power purchase agreements with investment grade counterparties. ■

# Brookfield, Kinder Morgan sell pipeline company stake

**Brookfield Infrastructure Partners** and **Kinder Morgan** have struck a deal to sell a minority stake in their jointly owned **Natural Gas Pipeline Co of America** (NGPL) to **ArcLight Capital Partners**, weeks after *PFR* reported that ArcLight was among the bidders circling the asset.

A fund controlled by ArcLight is acquiring a 25% stake in the company for $830 million, in a deal which is penciled in to close in the first quarter of 2021.

The transaction implies an enterprise value for NGPL of about $5.2 billion, or about 11.2 times the company's 2020 Ebitda.

The sale proceeds will be split evenly between Kinder Morgan and Brookfield, which will each hold on to a 37.5% interest in NGPL, down from 50% each, once the deal closes.

"Kinder Morgan and Brookfield Infrastructure are pleased to welcome ArcLight into the NGPL joint venture," said **Kinder Morgan Natural Gas Pipelines** president **Tom Martin**. "We believe this investment shows the value of natural gas infrastructure both today and in the decades to come."

**RBC Capital Markets** advised NGPL on the sale, marketing the asset under a process codenamed Project Chicago, as previously reported by *PFR* (PFR, 2/1). **King & Spalding** served as legal adviser.

Earlier this month, *PFR* reported that several private equity firms were considering buying a stake in the natural gas pipeline and storage company, including ArcLight, **Apollo Global Management** and **IFM Investors**. The would-be buyers were engaged in discussions with lenders for possible acquisition financing at the time (PFR, 2/1).

**Barclays** acted as financial adviser to ArcLight on the deal and is also providing committed debt financing to support the acquisition. **Latham & Watkins** served as ArcLight's legal adviser.

NGPL is the largest transporter of natural gas into the Chicago area and one of the largest interstate pipeline systems in the US, according to Kinder Morgan. It also transports natural gas to large LNG export facilities and other markets on the Gulf Coast.

The assets include about 9,100 miles of pipeline and 288 Bcf of working natural gas storage capacity spread across 10 states in the midwestern and southeastern US. Kinder Morgan will continue operating the pipeline.

The existing ownership structure of the pipeline company was established in 2015, when Kinder Morgan and Brookfield teamed up to buy a 53% stake from an entity called **Myria Holdings** and split it between them in such a way that they would each end up with half of the business. They paid $252 million in total for the 53% stake at the time.

Kinder Morgan had once owned 100% of the company, but engaged **Lehman Brothers** in 2007 to help sell down an 80% stake (PFR, 6/29/7). ■

# Sale of Key Capture in second round

Details have emerged regarding the expected timeline for the sale of battery storage developer and independent power producer **Key Capture Energy**.

The sale of the company has been "well attended," garnering the attention of both domestic and international parties, a source close to the situation tells *PFR*.

The auction is in a second and final round of bidding, and is expected to close in the first half of this year. "There is great interest and the process is progressing well," adds a deal watcher following the auction.

Key Capture entered into discussions with investment banks in April 2020 to run what deal watchers hailed as "the biggest storage deal of the year," though they did not specify which year (PFR, 4/27/20).

**OnPeak Capital** was the winner of the financial advisory mandate, while **Sidley Austin** was retained as transaction counsel.

OnPeak is the renewables advisory shop set up by former **Morgan Stanley** renewables investment banking chief **Dennis Tsesarsky**.

Key's existing investors include Boulder, Colorado-based venture capital firm **Vision Ridge Partners**.

The company expects to have capital expenditure requirements of between $800 million and $1 billion across various regional transmission operators over the coming years, mainly Ercot, New York-ISO and ISO-New England.

Last month, the developer clinched a roughly $100 million financing for a portfolio of six energy storage projects in Texas, and is conducting pre-marketing for debt to finance another portfolio in the same state (PFR, 2/5). ■

ERCOT DISPATCH

# Impact of Texas freeze on generation assets begins to emerge

«FROM PAGE 1 thermal and 18 GW a mixture of wind and solar, according to the state's grid operator, **Ercot**. The supply shortages sent power prices skyrocketing to Ercot's ceiling of $9,000/MWh.

But the crisis could have been much worse. On the morning of February 24, Ercot president and CEO **Bill Magness** revealed in a presentation at an urgent board of directors meeting that the grid operator was just four minutes and 37 seconds away from a grid-wide power outage that could have lasted months.

Ercot's grid frequency fell below the 60 Hz level required to keep the grid operational for four minutes and 23 seconds. Had it stayed below that threshold for another four minutes and 37 seconds, more generation units would have tripped offline, resulting in a potential grid-wide blackout.

Meanwhile, owners of Texas projects such as **Innergex Renewable Energy** and **Algonquin Power and Utilities Corp** have begun to reveal which of their assets – gas-fired, wind and even solar – suffered outages and which stayed open to reap a financial windfall during the disastrous polar vortex.

Ercot itself has "limited visibility" into the hedging methods used by market participants – including commodities exchanges and bilateral contracts – although Magness confirms in his presentation that the level of energy hedging did vary from "fairly long to fairly short," relative to physical load.

"These positions would have been affected by load reductions resulting from the instructed firm load shed and other losses of load, as well as loss of generation through de-ratings or outages that occurred during the event," he wrote on his last slide.

## MIXED BAG

Innergex says that its renewable energy assets, which have hedges with **Citi** and **Shell Energy North America**, have been affected both positively and negatively as a result of the snow storms (PFR, 2/22).

The company's wind projects in the state are the 200 MW Flat Top facility in Mills County, the 204 MW Shannon facility in Clay County and the 327.6 MW Foard City facility in Foard County. The firm also owns the 250 MW Phoebe solar facility in Winkler County.

The Shannon project, in which **Starwood Energy Group Global** owns a 50% stake alongside Innergex, has a 13-year hedge with Citi for the majority of its output (PFR, 7/1/15). It also has a 13-year renewable energy credit purchase agreement with **Facebook**.

Citi is also the hedge counterparty for the Flat Top wind farm, under a 13-year contract (PFR, 5/26/17).

Foard City, meanwhile, has a 12-year PPA with **Luminant**, a subsdiary of **Vistra Energy Corp**, for 300 MW of its output (PFR, 5/7/18). The remainder is understood to be uncontracted.

The Phoebe solar project has a 12-year power hedge with **Shell Energy North America** for 89% of its output, while the rest is sold spot (PFR, 7/3/18).

Flat Top was expected to resume normal operations last weekend, while Shannon, Foard City and Phoebe have been able to generate some electricity, according to Innergex.

For the latter three projects, the combination of supply interruptions, abnormal market pricing conditions and contractual obligations to supply a predetermined daily generation under power hedges have had both positive and negative financial impacts, depending on varying conditions at different times.

The Phoebe solar project, for instance, is located in the northwest of Texas, but its contract settles at Ercot's southern hub, exposing it to substantial basis risk. However, Shell provided a tracking account to ensure that short-term adverse basis differential movements would not disrupt project revenues.

While Innergex expects the higher market price environment to have a favorable net impact on revenues and adjusted Ebitda from its Texas projects, it estimates that the potential adverse financial impact is between C$45 million ($35.7 million) and C$60 million ($47.6 million).

The company says that this is due to "the unfavourable impact from the realized losses on the power hedges, and from the Corporation's share of loss of joint ventures and associates also related to realized losses on the power hedges."

The developer is considering claiming *force majeure*, among other options.

The Phoebe project was one of the first utility-scale solar projects to be financed on the basis of a hedge in Texas. Its original developer, **Longroad Energy**, sealed debt and tax equity for the project, in what was the first ever back-leverage financing of a solar project with an energy hedge that also gave credit to post-contract merchant revenues (PFR, 3/12/19).

## WIND CHILL

Meanwhile, Algonquin says that the icy conditions in Texas limited production at some of its wind projects, whose revenues come from a mixture of financial hedges, swaps, long-term unit-contingent power purchase agreements and market energy settlements.

"The financial hedges/swaps impose an obligation to deliver energy and, as a result of the production impacts caused by the recent weather events, the relevant facilities may be required to settle at elevated pricing in order to meet obligations," the company said.

Algonquin is still assessing the net impact of the winter storms on its business operations and financial performance, but estimates that the unfavorable financial impact on its 2021 adjusted Ebitda will be between $45 million and $55 million.

This represents about 5% to 6% of the company's 2019 adjusted Ebitda.

Algonquin has declared the storms a *force majeure* event and is exploring other options to mitigate the economic fall-out. It will provide a further update in its annual financial results presentation, which is scheduled for March 4.

## MARGIN CALLS

All projects whose revenues are stabilized with hedges also faced margin calls from hedge counterparties as a result of the spike in volatility in the Ercot power market.

In some cases, project finance borrowers faced with large margin calls from their hedge counterparties arranged hasty meetings with their existing lenders to increase the size of letter of credit facilities to cover the additional collateral they need to post, as previously reported by *PFR* (PFR, 2/17).

If this does not work for any reason, project sponsors may have faced an urgent choice between injecting equity to meet margin calls or moving their power plants into workouts or bankruptcies to avoid breaching project arrangements. ■

NORTH AMERICA MERGERS & ACQUISITIONS

# Exelon pulls trigger on competitive power spin-off

«FROM PAGE 1 **latory Commission** and the **New York Public Service Commission**.

In its announcement of the deal, Exelon emphasized the relatively low carbon intensity of its competitive generation fleet, most of which (about 18.7 GW) is made up of large nuclear facilities.

Exelon's energy marketing company, **Constellation**, will go into the spin-off with the generation assets.

"Our industry is changing at a rapid pace and our customers expect us to continuously innovate to stay ahead of growing demand for clean energy, evolving business conditions and changing technology," said **Christopher Crane**, the company's president and CEO.

The final decision to move ahead with the split comes after a roughly three-month strategic review. **Barclays** and **Goldman Sachs** are advising the company on the process, as reported by *PFR* in November (PFR, 11/3/20). Spokespeople for the two investment banks declined to comment.

### RATING RITUAL

Exelon is aiming to ensure that both entities come out of the split with investment grade ratings intact, in part to reassure regulators in New York. This will mainly be a concern for the riskier competitive generation business.

"We've had preliminary conversations with the agencies," said **Joseph Nigro**, Exelon's CFO, on the company's earnings call on February 24, shortly after the spin-off plan was announced to the market. "They've been very productive."

The group's existing senior unsecured holding company debt, totaling $7.4 billion, will stay with the so-called RemainCo, which will house the regulated utilities. This debt is rated Baa2/BBB/BBB+ by the three main rating agencies (the rating from **Fitch Ratings** is one notch higher than the others).

The existing debt of the future SpinCo, meanwhile, totals $4.3 billion at the level of **Exelon Generation Co** (ExGen) and $1.7 billion at various non-recourse project finance vehicles.

The ExGen debt previously had the same ratings from **Moody›s Investors Service** and **S&P Global Ratings** as parent company Exelon Corp, but that has instantly changed as a result of the announced split.

S&P has until now factored in strategic support from Exelon Corp when calculating ExGen's ratings, but will no longer do so.

"We assess Exelon's public disclosure that it will separate from ExGen as indicative that ExGen is no longer important to the group's long-term strategy," wrote the agency's analysts.

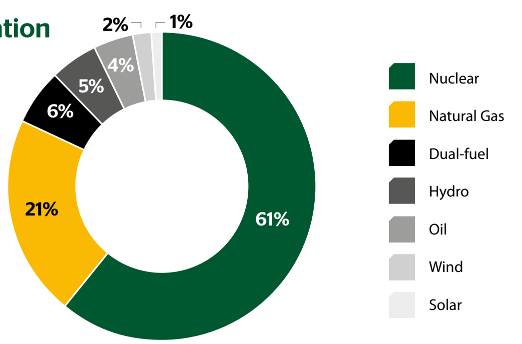
As a result, the rating agency has immediately downgraded ExGen from BBB to BBB-, the lowest investment grade rung.

In order to bolster ExGen's balance sheet and support its credit metrics, the company says it will prioritize paying down debt over returning capital to shareholders or making new investments.

*"Our industry is changing at a rapid pace and our customers expect us to continuously innovate to stay ahead of growing demand for clean energy."*

**Christopher Crane**, president and CEO, Exelon

Exelon Generation Corporation asset mix




# Icahn targets FirstEnergy

**Carl Icahn**'s activist fund **Icahn Capital** has written a letter to **FirstEnergy Corp** declaring its intention to acquire a stake in the electric utility, which is entangled in a long-running Ohio bribery scandal.

In the letter, dated February 16, the fund manager informed FirstEnergy that it has "a present good faith intention" to acquire shares valued at between $184 million and $919.9 million in the Akron-based utility holding company.

The acquisition depends on various factors, notes the letter, including market conditions.

The letter also adds that Icahn Capital is filing paperwork related to the proposed acquisition with the US **Federal Trade Commission** and the **Department of Justice**, the latter in relation to antitrust law.

FirstEnergy said that it does not know whether Icahn and his affiliates have already acquired FirstEnergy shares, nor what the investor's intentions are, in a Form 10-K filed with the US **Securities and Exchange Commission** on February 18.

FirstEnergy has been embroiled in an internal investigation since last July, when prosecutors charged Ohio House Speaker **Larry Householder** and five associates with corruption in relation to unregulated and and unreported donations from the company's former subsidiary, **FirstEnergy Solutions**, in support of a nuclear and coal power bailout bill (PFR, 7/24).

Toward the end of last year, FirstEnergy's lenders signed waivers and amended the terms of its loans to resolve compliance breaches arising from the disclosure of a roughly $4 million payment that was also uncovered as part of the internal bribery investigation (PFR, 11/20).

At the start of this year, FirstEnergy hired **PG&E Corp** veteran general counsel **Hyun Park** as its new senior vice president and chief legal officer (PFR, 1/6).

PFR Power Finance & Risk

# PFR Review and Outlook Roundtable February 2021

Sponsored by: CoBANK COOPERATIVE. CONNECTED. COMMITTED.

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## EDITOR'S NOTE

*What can one say about 2020? It was certainly an eventful year.*

*From the discovery of a troubling, deadly new disease in the Chinese province of Hubei in January, to the dawning realization that the virus had already spread silently around the world, the implementation of lockdown measures and a race to develop vaccines, the Covid-19 pandemic dominated life in 2020, including for power and renewable energy financiers.*

*Offices were vacated and development and project finance teams were forced to coordinate virtually. If you were not an expert at video conferencing going into the pandemic, you will have had ample opportunity to boost your skills by the end of it.*

*Meanwhile,* ***Donald Trump*** *and* ***Joe Biden*** *were engaged in a presidential election campaign that had to be conducted largely remotely, but that was no less bitterly fought for that. The campaign gave way in November to a tense, protracted vote count and claims of fraud. Biden was eventually declared the winner on November 7, four days after election day.*

*Throughout this turbulent year, developers, project finance bankers and investors of various kinds had to grapple with volatile markets, especially in March and April, when the seriousness of the pandemic became clear, sending markets into freefall. Beyond the financial markets, officials had to confront the possibility of delayed deliveries of equipment, claims of force majeure and stretched construction schedules.*

*However, project finance lenders and investors tend to take a long-term view of things, and place a good deal of importance on strong relationships. The wind farms and solar projects that were in the market for financing would still be needed after the pandemic, and their sponsors would be back with more business in the future. So bank loan and tax equity deals went ahead on previously circled terms, even as bond yields and stock prices yo-yoed around them.*

*And so, as we go forward into 2021, and hopefully emerge from the Covid-19 crisis, the great North American project finance engine seems to be in much the same shape as it was before.*

*Change is coming, of course, but it is not driven primarily by pandemics or politics.*

*It is being driven by new technologies such as battery energy storage and carbon capture, new business models such as distributed and community energy, and new risk management products such as shaped power purchase agreements and proxy revenue swaps.*

*In order to understand the implications for the financing landscape in 2021 and beyond, Power Finance & Risk brought together representatives of a commercial bank, a private placement investor, a term loan B investor, a tax equity investor and a project sponsor to discuss. We have not had such a lineup before, and we were delighted with the caliber of our panelists and the quality of the conversation.*

*We hope you will be, too.*

**Richard Metcalf**
Editor



 

PFR REVIEW AND OUTLOOK ROUNDTABLE FEBRUARY 2021

## PARTICIPANTS:


**Brian Goldstein**, Managing Director, Head of Project Finance, **CoBank**


**Bob Cantey**, Managing Director, Head of Infrastructure Debt, **Nuveen**


**Steve Petricone**, MD, Co-Head of Energy and Infrastructure, **Fortress Investment Group**


**Jonathan Cheng**, Director, Renewable Energy, **RBC Capital Markets**


**Meghan Schultz**, Senior Vice President, Finance & Capital Markets, **Invenergy**


**Richard Metcalf**, Editor, *Power Finance & Risk* (moderator)

**PFR: With the Covid-19 pandemic, everyone has had to transition to different ways of working, in particular remote working. How has market infrastructure adapted to remote working, and do you think any of the changes will be permanent?**

**Brian Goldstein, CoBank**: Overall, you'd be surprised at the ability of the bank to continue to transact business in spite of working remotely. We have roughly 20 people on the team and so coordinating all of that underwriting activity, portfolio management activity, compliance work is pretty collaborative. Our ability to successfully manage that for the past year has been outstanding. We actually had our best year ever in the project finance group. We underwrote more transactions and executed more opportunities than we ever had.

We benefited in part in that we were well-capitalized and so when the pandemic first rolled out and the market backed away in March and April, CoBank was able to continue to actively engage in the market. That gave us a really strong second quarter. And then we've been able, as the markets recovered in the second half of the year, to continue to successfully obtain engagements and underwritings and continue to close the year in a very strong way.

As we look back, we are anxious to get back to working together in a single location. We need to continue to work in teams. It's important, to be effectively collaborative, to be together. But the fact that we were as successful as we were suggests that how we work going forward is going to be a lot more flexible than it has historically.

**Steve Petricone, Fortress**: We have also had a relatively smooth experience with respect to remote working, but it obviously takes a lot of effort to make sure you don't lose the benefits of interpersonal collaboration in a post Covid world.

That's especially the case for junior staff who require some mentoring, but I would also say it's harder to develop and execute innovate ideas when everyone's at home, even with Zoom or WebEx or whatever.

For us, culturally, pre-pandemic, the way that our team was set up, having an open trading floor, allowed for a lot of continual face to face interaction, and that level of information flow and the ability to move quickly was a big part of our success. So, each team member basically knew, just from that informal interaction, what everyone was working on, which isn't always the case now, so you have tohave a specific strategy for that interaction to continue.

**PFR: Meghan, from a borrower's point of view, we have heard that transacting with parties that you already have a good relationship with has been relatively easy and has continued quite smoothly, but that developing relationships with new investors or lenders that you don't have so much of an existing relationship with has been a little bit more difficult. What's your perspective on that?**

**Meghan Schultz, Invenergy**: I don't know that I would completely agree with that from

Invenergy's perspective. We also had a record year with the capital that we raised and the number of projects that we either started or completed construction on.

We actually closed a deal with CoBank as one of the lenders on March 27. That was an incredibly stressful time, truly right in the middle of when the pandemic was really hitting and people were trying to understand what that meant.

We were able to maintain the terms that we had agreed to pre-pandemic. That showed to us the strength of the relationship, the ability to execute despite the challenges and really not skip a beat. We were scheduled to close by the end of March, which we did, and that really was the case for us throughout the year. We did many transactions with repeat lenders and investors.

We also raised capital from a number of new sources. We added at least four or five lenders to the mix this year, as well as tax equity investors that we hadn't done investments with before. So we were able to extend relationships and continue to execute, although of course there were things we had to work through along the way.

One thing – which is a seemingly minor thing but so critical – is that banks finally agreed to accept electronic signatures, which was amazing. That happened really fast, so hopefully we don't have to go back to originals.

**PFR: That's a really interesting detail. Is that the case with all facilities? Does that apply to letters of credit as well?**

**Schultz, Invenergy**: There are a few things, like where the bank has to issue an original letter of credit to the beneficiary, but just about everything else... One or two banks out of the probably 20 that we worked with this year were still looking for original signatures. But it's definitely now the exception rather than the rule.

**PFR: Does that translate across to tax equity as well, Jonathan?**

**Jonathan Cheng, RBC Capital Markets**: Yes, I would echo the other responses in terms of the transition of our business as pretty seamless during the pandemic. I joined RBC at the beginning of the shutdown, so I don't have a frame of reference for working in the office at RBC and I personally am interested in returning to the office and having that collaboration in person.

Similarly, we had a record year this past year after a brief pause by investors. They re-engaged pretty quickly. We doubled our previous year's investment amount and really had a seamless transition to the new working structure.

We're all looking forward to collaborating in person in the near future. Having this proven working structure and having the additional flexibility to collaborate amongst our team, our investors and our sponsor-partners just adds another tool for us in the future.

**PFR: Bob, anything to add on market infrastructure regarding the private placement market?**

**Bob Cantey, Nuveen:** It sounds very similar to everybody else – a record year. The second quarter was the strongest quarter we have had since I have been in the group. A lot of people were out of the market and we decided to stay in and that allowed us to receive strong allocations and value. By June we had completed 70% of our program.

I think we've adjusted pretty well to it. We need to get back to the office, especially in regards to junior staff development. But we're going to have a lot more flexibility going forward.

**PFR: Another big theme that has continued to play a more and more important role is sustainability, or using ESG criteria when making investment decisions. Obviously for renewable energy tax equity, it's slightly more baked into the product because it is what it is. But how does this trend affect market dynamics?**

**Goldstein, CoBank**: We are impacted by it more indirectly. CoBank is a private enterprise. We're a co-op, owned by our members. So, we don't have public market pressure. The influence generally comes from our shareholders, who are also our customers. And given the nature of that customer base, many of whom are generation and transmission co-ops, they own a broad range of technologies on the power production side. While we are mindful of our strategy towards renewables, and clearly our business focus in project finance is primarily towards the renewables space, we're not seeing as much internal pressure to focus primarily on renewables.

That said, we are very mindful of how it affects the overall market, to the extent that we're looking at refinancing certain assets, particularly coal assets. While we may not have a prohibition on looking at those transactions, we also need to recognize that the supply of capital interested in financing those assets is going to be limited. We're factoring that in to the decisions we make with respect to which deals we want to pursue.

**PFR: Is this dynamic affecting pricing, or the cost of capital, if certain segments of the market are more crowded than others?**

**Schultz, Invenergy**: One of the impacts that we see is just an increase in liquidity available to renewable projects and renewable developers across the capital stack, whether you're looking at development capital, traditional cash equity or on the debt side. The competition for deals is driving down the cost of capital.

So then, from a sponsor perspective, you have lower cost of capital but so do many other parties out in the market, and so there has been a lot of competition as far as securing offtake agreements etc. is concerned, which results in lower costs of energy being delivered to customers as well.

One area where that doesn't apply in the capital stack is tax equity, because there is such a shortage of tax equity. That gives those investors outsize leverage to dictate pricing and terms.

**PFR: Is there also a risk of having stranded assets as states transition away from carbon emitting generation resources? How are lenders looking at that risk and what, if anything, can be done to mitigate it?**

**Cantey, Nuveen**: That is something that we're focusing on this year. We're not allowed to do anything coal-related anymore and we have been asked to focus on fossil fuel stranded-asset risk. The concern is, you're seeing certain states and the current federal administration talking about phasing out other types of fossil fuels, such as gas. I'm not saying whether

 

it can actually happen or not, but the mere fact they're talking about it gives us pause. We want to make sure that we limit our merchant risk for longer-tail assets, because we don't want to be in a situation where our investments are forced into retirement early. We're sticking more with PPAs and we're moving away from natural gas plants that might have merchant tail risk in certain areas of the country because of the stranded asset issue. Going forward if I want to participate in a fossil fuel-related business, I have to justify internally why I don't think there is stranded asset risk.

**PFR: Steve, this is especially relevant for the term loan B market, given that there are some single-asset coal-fired plants and a lot of gas-fired generation in that market.**

**Petricone, Fortress**: Yes. There are two sides to the coin of stranded asset risk. On the one hand, there's a new challenge in the term loan B market, with longer-term existential risk for some of these credits, and in general, probably other risks that have not been priced in. And these are, in the power space, uncertainty and volatility around the energy and capacity markets where, as was implied in the last comment, existing deals are no longer really expected to amortize over the seven year maturity.

So, as a lender you have to say, 'Okay, am I going to get eventually to a safe place, from a collateral or from a loan-to-value standpoint?' Ultimately this means less leverage going forward, or perhaps pricing that reflects some amount of equity-like risk.

One existential risk is the timing and the depth of demand destruction for many assets across not just power but midstream and downstream.

A second risk would be energy transition competition. A market we're very familiar with is gas-fired power assets in Ercot. These assets now have wind and solar to deal with. They're challenging the most efficient CCGTs that earn almost all their Ebitda in the summer months through scarcity pricing. It also may dramatically impact ISO-New England, for example, with all the cheap hydro that could enter the market through new transmission. When investing in these markets, we think about which assets will be survivors and the beneficiaries of offsetting retirements of less efficient fossil assets through the energy transition.

A third is policy risk, which used to be limited to markets like California, but it's now in PJM and even New York-ISO.

The upside to that, though, as an opportunistic lender, which we are, is that because of those risks, and also because of a philosophical flight to ESG, there may be a perception of credit risk and volatility around traditional energy that is disproportionate to the actual risk, and that also creates an opportunity. You've already seen it happen in the upstream space, where certain banks, particularly European and Canadian banks, are getting out of North American upstream energy. And, by the way, you naturally have the opposite happening in ESG-related lending, a space which appears to be getting more crowded.

One question is, when will this ultimately impact the capital supply for other fossil fuel-related energy infrastructure assets more broadly, including pipelines and product storage and refineries and terminals? Is it just a matter of time? This is probably less of an issue for term loan Bs than for term loan As, but there could soon be a period where there's just significantly less capital available for non-ESG assets, and that could be an opportunity for term loan B lenders, who want to be involved in that market, to finally see some yield.

**PFR: Very interesting. Focusing now on the term loan A market, Brian, could you give a quick overview of the kinds of participants in US power and renewable energy project finance, the range of risk/reward appetites that you see and where CoBank fits in?**

**Goldstein, CoBank**: Sure. I would suggest that the number of participants on the bank side over the last couple of years is continuing to increase. I've heard numbers ranging up to 70 banks are active now in the project finance space. Generally, a large percentage of those lenders are European or Asian banks. The US banks tend to be a little more focused on the tax equity side of the market, although a number if them continue to provide senior debt as well.

The market is really bifurcated between those that are primarily focused on long-term contracted assets and a second group that is really the part that Steve was referring to, where the term loan A is a non-fully amortizing transaction with merchant risk, generally on a thermal asset. These deals will include a number of lenders who like the higher yield and overall risk-return profiles. They tend to have mini-perm structures either for greenfield development of gas-fired assets or the refinancing of those assets.

The majority of the volume that we have seen at CoBank has really been in the renewables space. But it has evolved over time. Two or three years ago, there was a lot of activity financing plants in PJM, that kind of moved as those plants were built, the supply-demand balance changed, lenders started looking at other markets such as New England and New York.

What we're seeing today, on the renewables side, is a lot of lenders trying to find ways to respond to the sponsor's need to continue to drive down the cost of capital and extend out the amortization profile. As their need to win these RFPs causes sponsors to bid lower PPA prices, one way that they can get a return on that project is by reducing the cost of capital and extending out the recovery of that capital.

A number of lenders have differentiated themselves in the renewables space by taking merchant tail risk beyond the PPA period. There is a smaller number of lenders, at this point, that are comfortable doing that. They also tend to be lenders that are much more active in selling loans into the market to retail investors. Our sense is that because they're able to manage their overall exposure by selling down sizeable portions of that loan more broadly into the market, they're more comfortable continuing to do those types of transactions. CoBank does less of that, and so our appetite for those merchant tails is, as a result, constrained, because we tend to hold our loans to maturity and don't sell them as much.

**PFR: Last year, like every market, it was affected by the outbreak of the pandemic and the impact of that on the broader economy. Has the bank loan market recovered fully now since March and April last year to the point where liquidity and pricing are where they were before the pandemic started or even possibly tighter?**

**Goldstein, CoBank**: Definitely, the market has fully recovered to pre-pandemic levels of pricing, and in some cases we're seeing additional competitive pressures pushing stuctures and pricing in some cases even below those levels.

**PFR: It looks like 2021 is going to be another big year for renewable energy project finance loans. Do you see any opportunities in the gas-fired power sector?**

**Goldstein, CoBank**: We do, but, again, given our overall appetite for merchant risk, we've been relatively selective. Last year we participated in three financings for gas-fired assets in Texas. They were particularly well-located. We saw some very attractive hedge structures put in place to materially amortize down the loan. With the remaining residual exposure we had, particularly given the locational value that we attributed to those assets, we were comfortable with that. But again, with our modest appetite we will be selective.

I think 2021 is going to be very similar to 2020. There will be more renewables. There will be a lot more batteries financed. I also expect that the deal volume overall will be in line with or potentially even greater than 2020.

It was not something we expected as we were going into our fourth quarter budgeting process, but clearly, with the tax extenders that were approved in December, it gave a lot longer runway for new development than we had initially anticipated. That will go a long way to continue to encourage the volume of activity in 2021 to be in line with 2020 and maybe even greater.

**PFR: In terms of pricing, you said that the market had fully recovered. We have heard of construction-only loans being priced inside 100 basis points over Libor, and back-leveraged, mini-perm loans perhaps slightly wider of that, 125 bp for a contracted renewable energy project. Can you say anything more about pricing?**

**Goldstein, CoBank**: The ranges you're talking about are very much what we're seeing. If it's a build-own-transfer of less than 12 months, the margin may be lower. But there are fees, and so when you look at your all-in 12-month return, it still hurdles. If those maturities are beyond a year, you start looking at the pricing that you referred to in a more traditional construction-converting-to-a-term loan.

I suspect we'll continue to see some pressure on that. The question is, will the cost of funding for the lenders and the cost of capital move in a direction that will cause this pricing to be a floor, or will we continue to see ongoing pressure?

Part of that is supply and demand. We're seeing a lot of lenders coming into the space and not as many transactions. Hopefully if we have more volume of financing activity, that will help pull us back into balance and hold pricing where it is.

**PFR: Does this competitive dynamic also translate into pressure on the premiums that banks might look for in exchange for additional risk in the form of merchant tails or structural subordination?**

**Goldstein, CoBank**: We have not seen that much pricing differential from projects that do not have merchant tails from those that do. We suspect that because those transactions are structured primarily as mini-perms, there's an expectation on the part of the lenders in their analysis that when that mini-perm is set to be refinanced, people have more visibility on the merchant tail. To the extent that that tail looks riskier, then the pricing will start to reflect that. To the extent that merchant tail looks comfortable, then we would expect to see less impact on the refinancing price.

**PFR: Thanks very much, Brian. I'd like to move on to the project bond or private placement market next, Bob. Again, if you could just begin by giving an overview of the market and the participants in that market.**

**Cantey, Nuveen**: The majority of our market is investment grade. There is some high yield. Brian, when you were talking about your loans, are they generally triple-B minus metrics or are you down in the double-B space?

**Goldstein, CoBank**: These are almost all low investment grade, with strong investment grade offtakes and conventional debt sizing metrics.

**Cantey, Nuveen**: Our market is mostly investment grade and I think the majority of my peers are lifecos. We do see some other shops come in now and then, but that's very rare.

In regards to risk, we do take merchant tail risk for renewables. However, we go through a rigorous underwriting process. We have to make sure that the power prices or capacity prices that we're seeing today can make money during the merchant tail.

The first couple of deals we did like that, it was just us and a few other shops. The market is changing and more and more shops are feeling comfortable with merchant tail risk. That's an area of growth we'll see in 2021 – more merchant tail risk in the renewable space.

In the senior debt natural gas space, with merchant tail risk, we shy a bit more away from it, because of the stranded-asset risk. But it seems like that is open, too, in our market. There's a lot of money in the investment grade space and it's pushing people to do things they might not have done a couple of years ago.

**PFR: In terms of liquidity and pricing, has that, similarly to the bank market, recovered to pre-pandemic levels?**

**Cantey, Nuveen**: It has. If your definition of liquidity is how many participants are in the market, everybody is back, and there seem to be more participants. Pricing is back to pre-Covid levels. The big difference, of course, is that Treasurys are much lower, so our overall coupon yields are lower, and that can be a bit painful for us. But the market has shaken off the pandemic, in my opinion, at this point, especially in the renewables space. There's lots of demand.

**PFR: In terms of spreads, what can people expect to see for a contracted renewable energy project if they do a private placement?**

**Cantey, Nuveen**: Hopefully bankers won't quote me on this, but if you see a solar or wind project, triple-B minus, with a decent offtake, I've seen 175 bp, 185 bp off the curve. Now, if you add some merchant tail risk, maybe 25 bp or 30 bp more. That really depends on how low merchant prices can fall in the tail years and you still have a debt service coverage of at least 1x.

**PFR: The private placement market is primarily a buy-and-hold market. There is a secondary market but it's by appointment only. When you have big disruptive events that may have an impact on credits, that can cause problems for some participants in terms of credit ratings. Was there any of that last year as a result of the pandemic?**

**Cantey, Nuveen**: We definitely had some downgrades. Now, did I see wholesale selling? No. We all use the same secondary shops. You have to remember that in our marketplace, when you get downgraded to double-B, typically there's a modification or waiver that is requested, and based on the structure, we have a seat at the table. So, we're going, as we speak now, through a lot of negotiations with borrowers. You have to let that process play out before you make a decision. We do have security. We do have a seat at the table. A lot of people – myself and peers – get comfort in that and we use that to hopefully structure the deal so that we can either get back to an investment grade rating or maybe change some things and then feel more comfortable holding it as a high yield note.

I do see some people trying to sell, but I've not seen wholesale sales. You'll get a chunk of project bonds sold here and there, but most people, unless you think it's going to go bankrupt, tend to stick with it and make the modifications and waivers and work with the sponsors and see how things evolve. We're doing that in a lot of different places right now.

**PFR: In terms of supply into your market, did you feel like that was affected last year? Is there enough supply into your market to meet the demand from the lifecos?**

**Cantey, Nuveen**: There could be more supply and it would be easily met. So, to answer your question, no. There doesn't seem to be enough supply, because I can't get enough supply. If I want $100 million or $150 million of a deal, they're giving me $40 million. They could easily put more in the market.

The market did shut down for a little bit last year but it quickly started up again in June, and since then it's been humming along.

This year we haven't done a lot of new deals, but typically the first quarter of any year is when people are sounding out the market, trying to decide if they're going to be in the bank market or are they going to be in our market. That's what's happening right now.

I would assume this year is probably going to be probably fairly flat to last year. Last year was a good year, despite the pandemic. There were a lot of people anxious to get deals done because of the low rates and worries about the presidential election.

I'm hopeful that this year will be another good year. But anybody who wants to issue, please, our market is wide open. There's a lot of demand.

**PFR: Is there anything in particular you would like to see more of?**

**Cantey, Nuveen**: I would like to see more commercial and industrial solar. That's a big growth space. We've done some of those deals. It's very difficult to structure. We've done some and with tax equity ahead of us in a holdco structure.

I'd like to see some battery storage. Brian mentioned that and people have asked us about that. For us, in the private market, one thing we'll have to overcome is if we have somebody with a PPA, that's great, but how do we figure out, if in year seven or eight the batteries don't work as well as intended, how do we structure for that? An O&M reserve? A capex reserve? I think it can be done, and we're looking to do it. We've had people approach us. I think a lot of them fall off to the bank market, but in our market, we can go a little bit longer sometimes, and I think this will be a future growth area. We're looking to get a deal done there for sure. I'd love to see some of those.

**PFR: It would be interesting, with such a new technology, especially if you were trying to put longer-term debt on it, when there isn't so much operational data going out that far.**

**Cantey, Nuveen:** True. That's where the protection would come in, besides the reserve accounts, similar to some wind and solar farms where we have an O&M agreement with, say, a General Electric, or some other entity, where they take some of the risk too. I would envision somebody running the batteries who felt strongly enough about it to say, 'You have "X" risk, but if something happens past point B, we'll be liable for that.' That would be a way to structure it, along with reserve accounts.

As the years go by, we'll figure out what works and what doesn't, and whether we still need these mechanisms.

**PFR: If life insurance companies and other private placement market participants are looking for more supply, are they also getting more comfortable with non-traditional offtake arrangements such as hedges with a little bit more financial engineering?**

**Cantey, Nuveen**: We have not seen a lot of those. We'd take a look at it, for sure. We've seen some people come with a five- or six-year hedge, but then there is lots of merchant tail risk, and it didn't quite work out. Texas is difficult for us, because of the volatility in prices. We've seen some of that in Texas. But I think that's something that people in the market will take a look at, and we would take a look at definitely.

**PFR: You also mentioned C&I solar. That's slightly different from an ordinary utility PPA but it seems like private placement investors are quite happy with that proposition as well.**

**Cantey, Nuveen**: Yes.

**PFR: Even though, presumably, a lot of the offtakers in that case are unrated or not investment grade?**

**Cantey, Nuveen:** They tend to put a lot of these credits together, so the overall diversity of the portfolio is the way to approach it. That's how we've looked at it. And then we run analysis on how low the prices can get in certain areas once these contracts roll off.

**PFR: Have you looked at any community solar deals or is that a little way off?**

**Cantey, Nuveen**: We have people talking to us about community solar. We did do a C&I deal with a chunk of community solar in it, but that varies so much state by state. That was our first time we'd done that. We'd like to see more of it. To me, personally as a homeowner, I'd rather have community solar than put something on top of my roof and have my neighbors hate me. I would like to see some deals.

**PFR: We'll now move onto leveraged loans or term loan Bs. Steve, could you give us an overview of your market as it pertains to power and renewable energy project finance?**

**Petricone, Fortress**: Over the course of my time at Fortress, we've invested considerably in term loan Bs in the power and midstream energy space. More recently, especially with new issues, we've been more challenged to justify some of the higher valuations and the lower yields associated with institutional loans. The reason for that I've already described, in terms of some of the longer-term risks associated with some of these credits that don't seem to be priced into the new deals.

We now more often need to ask ourselves, at any given year in our forecast, given the potential volatility around revenue, do we mind owning the asset at that level? Because from time to time we have actually stepped into the ownership shoes, usually with full knowledge beforehand, but not always. I think practically any lender in our space exposed to merchant revenue has to ask that question.

Just to give you an example, in the midstream space, with lower volumes and weakening offtaker credit, you now have to look at the credit – whether you buy in the secondary market, where we are very active, or a new issue, which we haven't seen lately – and ask the question, what happens if the contract is rejected?

Specifically, now, you have to study the differentials and ask, 'Okay, can I live with that, if I lose one or two of my counterparties, perhaps a major counterparty who may file, and those contracts are renegotiated to market pricing?' It's a new lens you have to have.

I would say there's an interesting glimmer of hope in midstream from a valuation perspective. Especially under the current administration, and with the cancellation of Keystone and Atlantic Coast, at least for assets outside the Permian, there seems to be increasing scarcity value for some existing assets. That's supportive from a long-term fundamental need standpoint, both from a secondary debt standpoint and from a refinancing standpoint.

**PFR: Give us a general idea of how the pandemic affected outstanding loans, how long the market was closed to new issuance, and what's happened since then. Bring us up to date.**

**Petricone, Fortress**: Well, the pandemic created a really unique opportunity in both providing capital to firms undergoing cash flow or liquidity issues, but also it presented an historic secondary buying environment for term loan Bs in those companies, at least for a few months from, say, March to May. If you recall, as exemplified by below-negative-$30 crude in April, there was really a flight for the exits at that time. If you track the term loan Bs, we were surprised how this March-to-May disruption affected even some of the really higher-quality credits, which created a unique buying opportunity for select names. However, not surprisingly, the issue was always the amount of volume that was actually trading.

There was a general feeling of existing holders trying to run out of the burning theater, but when you look at the tape of what happened to term loan B pricing during that period, it would be interesting, and I haven't seen that data, to compare that to the actual trading volume. It may not have been that high in some issues where the loan pricing collapsed.

Now you're back to pre-pandemic levels for most credits. For some credits, we're really not out of the woods yet from a credit perspective, just because of actual demand destruction and fundamental negative changes in their markets. An example of that would be some of the sponsor-backed pipelines but also some power plants.

Where we've seen current term loan B trading levels, when we've done credit analyses on some of those names that are still trading in the 70s and 80s, as opposed to so many credits that have returned to par, those prices tend to represent the most optimistic valuations for those assets.

Sometimes, both on new assets and on existing assets where we think the trading values could be volatile, we will pre-underwrite those issues and we'll wait until pricing aligns with actual value. And I think that on some of those names, particularly the midstream space, there is room for future opportunistic purchases.

**PFR: Do you expect there to be much new issuance in the term loan B market from the power sector this year and if so, where is that going to come from? Acquisitions, refinancing?**

**Petricone, Fortress**: There will certainly be some refinancing. You can see the upcoming maturities. We're tracking those closely. It will be interesting to see what happens, particularly with single-asset refinancing, where market demand seems to have decreased.

We're hoping for more volume in the institutional loan space, in power and midstream. I'm not sure how much we will see yet, but certainly, as I mentioned with upcoming maturities, that's something that we watch closely because some of those could result in restructurings. We have less visibility into new loan issuance associated with potential acquisition financings and dividend recapitalizations, especially with some of the market uncertainties that we've been discussing.

**PFR: And for a double-B power credit in the term loan B market, can you say where they could expect to get pricing in today's market?**

**Petricone, Fortress**: I haven't seen a lot of new issues. I could do it on the basis of secondary trading levels, but there's a wide range of spreads. Some double-B-rated single-asset deals are trading at well over 4% yield, but very generally, I'd say for a new double-B deal, a 3.5% to 4% spread is normal. A high-quality double-B-flat asset portfolio will have a spread closer to 3% or 3.5%.

**PFR: You mentioned restructuring. Is there much that you expect to be restructured this year?**

**Petricone, Fortress**: I do think that there are a handful of single-asset maturities coming up, and it's unclear whether those are going to require restructuring or are going to be refinanced at perhaps higher pricing, or whether there will be an equity injection to assist in that. I guess technically that's a restructuring, but I think it remains to be seen. Additionally, given demand destruction, relatively mild weather last year and post-issuance loan upsizing,s financial covenant trip-driven restructurings are a possibility.

**PFR: If you have a single-asset coal-fired plant financed in the term loan B market, I get the sense that it's been more difficult to get those transactions through recently just because it's coal. Is it going to reach a point where it's virtually impossible to do that?**

**Petricone, Fortress**: It's tough for coal because of this double dynamic. One is that you just have fewer lenders who will get involved in that sector as a matter of policy. Brian was talking about that. I know that CoBank can still be engaged in lending in coal-fired power and in fact I believe a borrower of ours has been in discussions with them from time to time. That's a t refinance a coal-fired power plant – contracted, I should add.

So one aspect is the philosophical pullback from that sector, and then the second is that, as merchant assets, many just can't compete economically, due to the challenges of high fixed costs, the need to go from baseload to intermittent generation, and the necessity of pushing down fuel costs. We have spent time looking very closely at some single-asset coal-fired merchant projects in need of refinancing, and we've really been challenged by the economic fundamentals.

As more and more renewables come online, combined with still-low commodity prices in natural gas, we're going to continue t see a lot of financial pressure on those assets. Additionally, financial pressure on these assets reduces the appetite to invest in maintenance capex in what are typically older assets.

**PFR: On the flip side, are term loan B investors clamoring for more supply from the renewable energy sector? There was a deal last year from ExGen Renewables. Is there going to be more of that?**

**Petricone, Fortress**: Hopefully yes. To your point, we haven't seen significant volume in institutional loans for renewables, just because very often it's not the most efficient way for renewable projects, particularly contracted or even partially merchant, to finance themselves.

Maybe if fewer bank lenders have the appetite to be involved in partially merchant or merchant-tail renewable assets, that will provide more of an opportunity for institutional lenders to participate.

I also think that it is likely – at least anecdotally – that institutional lenders may have less of an ESG mandate. But it would be good to see more ESG or transitional energy loans in the term loan B space, certainly.

**PFR: Jonathan, RBC provides tax equity for sectors outside of renewable energy, but specifically with regards to renewable energy, pretty much any renewable energy project that is developed in the US will want to have tax equity involved, so the tax equity market somehow has to cater for all of them. Is there much difference between different tax equity investors in terms of what they can do, structures that they prefer, whether they syndicate to other investors or not, and where does RBC fit into that?**

**Cheng, RBC**: Our market is made up of direct investors, such as banks, as well as syndicators. We syndicate to our investor clients, who are typically regional and super-regional banks, insurance companies and corporates. RBC's renewable energy platform provides all the origination, deal execution, underwriting, diligence and asset management for our investor clients.

We typically use the partnership flip structure, but we do have flexibility, depending on sponsor partner preference for other structures. It also depends on the investor.

This coming year, given the appetite of our investors, which fortunately was maintained throughout Covid, we're looking at an uptick in demand. RBC expects to launch a diversified renewable energy tax credit fund to deploy the capital, focused on utility-scale, residential solar and commercial and industrial in order to allow our investors to participate in a diversified portfolio with multiple tax equity partnerships.

There is, to answer your question, flexibility amongst our investor base for different types of structures and different types of projects. This fund will be uniform and default to a partnership flip structure.

**PFR: The other structure, primarily, other than the partnership flip, is the sale leaseback. Is that correct?**

**Cheng, RBC**: There's a third, which is inverted lease, which would be more attractive to our investors than a sale leaseback structure.

**PFR: So, from your point of view, investors are still very much interested in investing through tax equity, notwithstanding the fact that there was a big shock to the economy as a result of the pandemic. Did that depend on the kind of investor, or the individual investor? Did some pull back or others come in to replace them?**

**Cheng, RBC**: Yes, there was a pause at the beginning of the pandemic for some of our investors, but they re-engaged pretty quickly, and we ended up having a record year last year.

Overall, there's been a constraint on supply of tax equity this year due to Covid and the uncertainty that that's presented. Our investors, some of them insurance companies or large corporates, were fortunate enough to be in sectors where that tax appetite was not materially affected. So our particular investor base maintained their interest in renewable energy tax equity investments. That's where we have seen our growth this past year and expect it to continue this coming year.

Given the constraint in the overall supply of tax equity in the market, and we're seeing a very high supply of available projects both for 2021 and 2022, we're actively evaluating transactions with that backdrop right now.

**PFR: Has that resulted, over the past year, in a dynamic where the terms of tax equity transactions are more favorable to the investor? Or have they stayed the same?**

**Cheng, RBC**: Pricing has definitely increased, I would say probably by 75 bp to 100 bp, over the last year. Sponsor partners are focused on certainty of close, given the supply/demand dynamics in the market.

Overall, I'd say that the constraint on overall tax equity supply has increased the opportunities that we're seeing in the market for our investors, who are typically focused on utility-scale projects with investment grade offtakes. That scrutiny on the offtake, and in some cases the sponsor's credit, has been more of a focus.

**PFR: I understand another possible area**

**for negotiation between sponsors and tax equity investors is how far in advance of the expected commercial operations commitment can be expected. Has there been any movement on that side?**

**Cheng, RBC**: Typically, for utility-scale projects, we will close on commitments anywhere from six to nine months, and in some cases one year ahead of the ultimate placement in service.

For us, the types of deals that we do, which are typically in the $30 million to $100 million bracket, that aligns pretty well with the construction schedule of those types of projects. So, that's been our criteria to date.

To the extent that we deploy into residential and C&I portfolios this year, that might introduce some flexibility, but overall I'd say one year is typically the outside milestone for us.

**PFR: In terms of credit profile, within renewable energy, residential solar in particular is a bit of an outlier, because it's more of a consumer-type credit risk. How do you cope with that in a fund that might invest in both?**

**Cheng, RBC**: We have experience investing in residential as well as C&I projects, so we understand that risk and it just becomes an underwriting exercise, in terms of the offtake credit, residential mix, as well as also the structure of our tax equity investment.

Tax equity is usually senior in the waterfall regardless of the asset type. It takes a minority of the cash flow distributions. And so, besides the credit offtake underwriting, this becomes oftentimes a downside case analysis with a coverage ratio lens. We have our usual underwriting and diligence process for each asset class, and essentially we look at projects on an individual basis.

**PFR: Are tax equity investors generally comfortable with the range of offtake structures that are being deployed by developers, like hedges, virtual PPAs and new things we're hearing about called proxy generation PPAs?**

**Cheng, RBC**: Yes, we finance deals that have virtual PPA structures and fixed-floating swaps, financially settled hedges. We're looking at proxy gen PPAs, etc. We have also financed projects that have merchant exposure to a certain extent.

Again, for us, it's become a question of underwriting in terms of the project-level cash flows, looking at downside cases that are reasonable, and then layering on the assumptions that we have for the structure and what that structure does to mitigate those downside cases and overall coverage, with the backdrop of the offtake credit being important.

**PFR: The tax equity market, of course, is uniquely linked to federal tax policy in the US. How does the recent change in the political landscape in DC affect the outlook for the availability of tax equity for renewable energy projects?**

**Cheng, RBC**: On the project supply side, the extension of the ITC phase-out schedule will create additional supply of opportunities and projects that need tax equity financing. That bodes well for the opportunities that we see in the future.

In terms of the tax appetite, as it relates to speculation that the corporate tax rate could be raised in the future, theoretically that should increase overall tax appetite and supply of tax equity in the market.

Right now, given the lack of visibility into when that could be, we haven't seen it really have an impact on the supply yet to date.

**PFR: And finally, with recent guidance on tax incentives for carbon sequestration and storage, is that something that RBC is looking at and do you have any idea when we can expect to see a deal for that kind of project?**

**Cheng, RBC**: Yes, we've looked into 45Q credit opportunities as well as having an eye on standalone storage as it relates to the ITC, and are waiting for guidance there, for certainty on both of those fronts. While we're tracking it, it's not something that we've dug into very deeply. Right now, the available supply of solar ITC projects allows our investors to continue focusing on that asset class. In the future, we anticipate that standalone storage and carbon sequestration opportunities will become more of a focus, but for now it's mostly solar projects.

**PFR: Thanks, Jonathan. And finally, it would be great to get a borrower's perspective. Meghan, you alluded earlier to financings that were lined up and that went ahead pretty much as planned, but were there any longer-term disruptions to the markets? Did you meet all of your expectations last year?**

**Schultz, Invenergy**: Invenergy really plays across all of the markets that have been discussed today. The bulk of our activity is in the commercial bank market, but across wind, solar, gas, storage and transmission, we had an incredibly active year, as I mentioned earlier.

At the project level, looking at construction and development, we really had to make sure that we understood any potential impact as the Covid scenario was unfolding, what could it mean for construction schedule, delivery of equipment, etc.

In order to secure construction financing – which, again, is a significant part of the activity we do – we had to make sure that we really understood how those risks were evolving, to get more comfortable with how it would be mitigated, and there was significant protection within the contracts and within the financing itself.

I would say that we were able to successfully do that. We met all of our goals. We financed over 1.5 GW of new wind and solar projects last year. We got it all done, but there was a lot of work through the process in understanding and making sure we were adequately dealing with any potential impacts from Covid.

In addition to that, we did something which I think is somewhat elusive, which is an investment grade private placement on a wind asset with a merchant tail. That was pre-Covid. It was for an operating asset. We refinanced a couple of other operating wind assets, so we were also able to benefit from the lower interest rate environment and the operating history of those projects.

We also re-priced our thermal term loan B. That was one of the last term loan Bs to be re-priced in February, just pre-crisis, before the market shut down, and now it's since reopened, so some of our timing happened to be good.

We also raised tax equity on several new solar projects. Not without its challenges but we were able to get everything done.

**PFR: As you've tracked the various markets through the pandemic and the ensuing disruption, has your outlook on the various financing markets that are available for project finance changed as a result or are you looking broadly at the same toolkit that you were before?**

**Schultz, Invenergy**: The market that you go to to finance something is very much based on the cash flow profile of the project itself, when we're talking about project finance or even corporate deals. So, which market is best suited for which asset, whether you're in the construction phase, operating phase, merchant, contracted – those dynamics will remain the same.

Right now, the commercial bank market is flush with liquidity, as Brian was alluding to. We think prices look attractive and there are quite a few lenders active in the space, both banks that have been doing this for a long time and more new entrants to the space as well.

The term loan B market, as always, is the most volatile, and was the one market that shut down for a number of months. Right now it looks amazing, but there were a number of months last year where there was no activity. I think that's one of the reasons why the term loan B market, many times, is not used to finance a construction asset. There are multiple reasons, but it's really much more suited for an operating asset, when you can really pick the best time to go to market, when the market is attractive, and when you have de-risked from a construction perspective. There are probably certain unique situations where that market makes sense for Invenergy.

And then with private placements, similarly, it depends on the profile of the asset itself. Certainly, for the right asset, there can be opportunities there.

Coming back to the tax equity market, we definitely see that there are constraints there. When you look at the statistics, even for last year, there was $18 billion or $19 billion of tax equity that was placed, 50% of which was provided by the two largest institutions in the space. If you add the next two biggest institutions, you get to 75% of the space. So 75% of the investments were done by four investors, which just makes it really clear what an outsize impact those investors have in the renewable space, and their ability to decide which deals they want to do, to dictate terms. For a company like Invenergy, we have the track record to differentiate ourselves, but there are other sponsors that may struggle to secure tax equity.

*"75% of the investments were done by four investors, which just makes it really clear what an outsize impact those investors have in the renewable space."*

That's one of the reasons why we are a strong advocate for direct pay and the refundability of tax credits in order to help ensure that all these projects that are contracted – now that we've got this extension for the ITC and PTC – that these projects can get built.

**PFR: There are a couple of other markets that we haven't talked about in much detail, one of which is financing for pre-construction or earlier development-stage projects. That includes loans that are used for safe harboring purposes. Some banks provide those loans but there are also non-bank lenders that provide financing for early-stage development projects. To the extent that Invenergy looks at those kinds of financing tools, how has that evolved in the past year or two?**

**Schultz, Invenergy**: On the safe harbor side, there are a couple of different constructs that are out there that were used for wind in 2016, and then every year since, as sponsors have looked to finance more equipment, to safe harbor that. In addition to the financing we did, there were maybe two other wind safe harbor deals that were done, and those were really used as a template for the solar deals that were done in 2019.

Since then, I haven't heard of much new activity on the safe harbor side. If you're doing it on the wind side, you have established what you're doing and can just tack onto it every year in the same structure.

With solar, before the last tax credit extension, people safe-harbored a significant amount of equipment in 2019. And the step down from 30% to 26% maybe didn't provide a strong enough incentive for people to safe harbor as much equipment last year as they did the prior year.

The other point I'd like to make on safe harboring is that acquiring equipment is only one way of satisfying the construction test of onsite work and offsite physical work, and investors have gotten more comfortable with those different forms of starting construction.

There's also, maybe, less of a need to buy significant amounts of equipment, because there are much lower carrying costs to start work onsite or offsite. That has probably also driven some of the reduction in the need to finance safe-harbored equipment.

**PFR: We've begun to hear more about financing for PPA deposits and interconnection deposits.**

**Schultz, Invenergy**: For Invenergy I would think of that more as a corporate facility, like a working capital, revolver, letter of credit facility, which we don't disclose details of. I think it's very specific to the sponsor, what their credit profile looks like and what their overall capital structure looks, like in terms of their equity ownership, their liquidity. There are various ways of financing preconstruction but it very much depends on the profile of the sponsor.

**PFR: Finally, do you think the election outcome – not just the presidential election of course but also the Senate runoffs in Georgia – will have an impact on where Invenergy looks to invest in the US going forward?**

**Schultz, Invenergy**: No, I think we've already been very bullish on renewables. We continue to be, as well as the need to build out transmission to support the growth of renewables and the integration of storage. If anything, it just accelerates the growth in the space and overall it's a very positive trend for the industry. I don't think it changes what we're doing other than maybe continuing to expand and accelerate in those areas. ■

 

# Developer locks in financing for solar in DC

**New Columbia Solar** has rounded up tax equity and debt financing for a portfolio of 50 distributed solar projects in the District of Columbia.

**Franklin Park Infrastructure** has committed to invest the tax equity while **Amalgamated Bank** and **Live Oak Bank** are providing a loan.

The portfolio represents a total investment of $75 million across rooftop, carport and ground-mounted solar projects.

"Our partnership with Franklin Park, Amalgamated Bank, and Live Oak Bank empowers us with capital structured for the unique needs of the commercial and industrial solar space, and a pathway to expand our presence in Washington, DC," said **Mike Healy**, CEO and co-founder of New Columbia Solar.

The following legal advisers worked on the deal:

- **Blanco Tackaberry & Matamoros** – team led by **Daniel Vandergriff** – counsel to New Columbia Solar
- **McDermott Will & Emery** – team led by **Edward Zaelke** – counsel to Franklin Park
- **Clean Energy Counsel** – team led by **Jordan Dansby** – counsel to Amalgamated
- **Wielechowski & Fuller** – team led by **Michael Wielechowski** – counsel to Live Oak Bank

In addition, **Vadim Ovchinnikov** of **Alpha Energy Advisors** served as financial adviser to Franklin Park.

The deal is Franklin Park's second solar tax equity investment. The first was a $40 million transaction also for New Columbia Solar (PFR, 5/14/20).


*"Our partnership with Franklin Park, Amalgamated Bank, and Live Oak Bank empowers us with capital structured for the unique needs of the commercial and industrial solar space."*

**Mike Healy**, CEO and co-founder, New Columbia Solar

"The NCS tax equity investment demonstrates Franklin Park's ability to provide a full suite of capital for renewable energy development companies, including corporate equity, pre-NTP project development capital, tax equity and project acquisitions," said Franklin Park's chief investment officer, **Kevin Lapidus**. ■

# Holdco debt for Florida LNG project set to close imminently

A $147 million debt raise for the construction of a small-scale LNG facility in Florida is slated to close as soon as this week.

**Investec** is the bookrunner on the senior secured debt offering, which will lever up **Oaktree Capital Management**'s 50% sponsor stake in the JAX LNG facility.

The ownership of the two-train liquefaction project is split 50:50 between Oaktree – through portfolio company **NorthStar Midstream** – and **Berkshire Hathaway** subsidiary **Pivotal JAX LNG**.

The financing will not affect Berkshire's stake in the Jacksonville-based project.

Through NorthStar, Oaktree also wholly owns the the land on which the export terminal will be built and another operating company that will own and operate a barge and tugboat as part of the project. These assets will be included in the collateral package for the Oaktree financing, which is being carried out through a special purpose vehicle called **Seaside LNG Holdings**.

The debt package comprises:

- $122 million construction-plus-five year senior secured delayed draw term loan
- $15 million construction-plus-five year project support letter of credit
- $10 million construction-plus-five year debt service reserve letter of credit

Investec held lender meetings toward the end of last year in its capacity as sole bookrunner, lead arranger and administrative agent, as previously reported (PFR, 12/2).

Pricing at the time was 300 bp over Libor, subject to a 0% Libor floor, plus a commitment fee of 62.5 bp, according to a teaser seen by *PFR*.

Oaktree will put some of the proceeds toward the construction of the second train of the 360,000 gallon/day LNG facility and the LNG barge and tug boat. It will keep the rest as a sponsor distribution.

The first train is already operational, while construction began on Train 2, the barge and tug boat in the second half of 2019. The facilities are due to start operations by the first quarter of 2022.

Both the liquefaction facility and the storage tank will be constructed by **Salof** and **Matrix Service** under fixed-price EPC contracts. The 5,400 cbm LNG barge will be built by **Fincantieri Marine Group**.

## CONTRACTED REVENUES

A 58% portion of JAX LNG's total capacity has been contracted under long-term take-or-pay agreements with shipping company **TOTE** and **Disney's Magical Cruise Co.** Other customers include **Carib Energy**, **UPS** and **Cleancor**.

Advisers on the transaction include:

- **Kirkland & Ellis** – lenders' legal counsel
- **Wood Mackenzie** – market consultant
- **Arup** – technical consultant
- **Marsh** – insurance consultant

JAX LNG is the US's first small-scale LNG facility with the capability to load LNG into both marine vessels and trucks. ■

CASE STUDY

# Lighthouse Renewable


While yield companies have sometimes been known to bring in third-party equity providers to co-own renewable energy assets, when **Clearway Energy Group** (CEG) recently offloaded a 1.6 GW portfolio of wind, solar and solar-plus storage assets to its yieldco **Clearway Energy**, the third-party investor opted for an unusual capital structure, swapping out common equity for less risky preferred equity instead.

The co-investor, **Hannon Armstrong Sustainable Infrastructure Capital**, is investing the preferred equity in a holding company called **Lighthouse Renewable** that will own cash equity stakes in the individual projects (PFR, 12/22), while the yieldco will own the remaining cash equity interests and act as managing member.

"Hannon Armstrong has a business model that focuses on climate-positive investments and, within the capital stack, being relatively senior with their investments," says **Noah Kaye**, a managing director and senior research analyst who covers Hannon at **Oppenheimer & Co**. "They're very attuned to achieving risk-adjusted returns. By being senior to common equity in their capital stack, which is true across their investment portfolio broadly, this helps to mitigate risk."

Hannon is eventually expected to pay about $663 million for its pref shares in the seven-project portfolio, of which $200 million is already funded and the rest to follow in 2021 and 2022. The portfolio is spread across California, Hawaii, Texas and West Virginia.

For its part, Clearway Energy expects to invest about $214 million of corporate capital in the portfolio by the end of 2022. The developer-sponsor will continue to manage the assets and provide operations and maintenance services.

"We are thrilled to partner with Hannon Armstrong on such an impactful portfolio transaction," said **Craig Cornelius**, CEO of CEG.

CEG offered the deal to the yieldco in November, without publicly disclosing that Hannon would be the co-investor (PFR, 11/9). But Hannon's involvement was revealed in December and the first portion of the transaction closed on December 21.

"We are pleased to expand our relationship with Clearway Energy Group through a preferred equity investment in this portfolio of renewable assets," said Hannon Armstrong's chairman and CEO **Jeffrey Eckel** in December. "These assets will be a significant addition to our portfolio, offering increased scale and diversity to our business and supporting continued growth in recurring Net Investment Income."

**Akin Gump** advised CEG on the deal, while **Baker McKenzie** was Hannon Armstrong's counsel and **Perkins Coie** represented the yieldco.

### A PREFERENCE FOR PREF SHARES

Hannon is no stranger to preferred equity, which is more flexible than debt, has a lower cost of capital than common equity and prevents the dilution of common shareholders.

"They have significantly progressed in the past few years on lowering their cost of capital, which can support attractive economics in larger size investments," says Kaye. "The cost of capital is a really critical lever of the economics and in this case having preferred equity within the portfolio enables better returns and capital recycling."

Last summer, Hannon made a similar joint investment with **Engie North America** in a 2.3 GW portfolio of wind and solar projects spread across Ercot, Miso, PJM Interconnection and the Southwest Power Pool (PFR, 7/2). Hannon took ownership of a 49% stake in the mammoth portfolio, which is codenamed Project Jupiter.

"Their larger equity investment alongside Engie actually signaled to the broader market that Hannon could participate in this type of preferred equity investment in a utility-scale portfolio at an investment level of hundreds of millions of dollars," says Kaye.

"In this example and likely others, the preferred equity investment enhances the equity return for the sponsor," notes Kaye. "With robust investment in renewable energy project development, optimizing returns through the capital structure is conducive to the growth of the renewable energy markets."

Notably, 11 of the 13 projects in the Jupiter portfolio are supported by a combined $1.6 billion tax equity commitment from **Bank of America** and **HSBC**, which has been described as one of the largest single tax equity deals ever signed (PFR, 4/13).

Overall, the deal between Engie and Hannon earned a broadly positive reception from investors, who are now looking for more opportunities for Hannon to participate in this type of investment within the renewables space, according to Kaye.

"We would expect the company to continue to look for opportunities to participate in this type of structure, both in utility-scale and behind-the-meter solar and distributed solar-plus-storage," he tells *PFR*.

At the end of last year, Hannon made another joint investment with Engie in a 70 MW portfolio of distributed solar and solar-plus-storage assets in the US (PFR, 12/8).

As part of the deal, Hannon will provide a $172 million cash equity investment which will be available to Engie through December 31, 2021, to finance the assets. **Morgan Stanley** was also brought in as a tax equity investor through an upper-tier arrangement.

 

CASE STUDY

**TWO'S COMPANY**

While the deployment of preferred equity in renewable energy assets is a rare event, the case of yieldcos co-investing in such projects alongside private equity investors and pension fund managers is somewhat more common.

**Pattern Development**, for instance, undertook several such transactions with the **Public Sector Pension Investment Board** (PSP). These were usually structured so that Pattern's yieldco, **Pattern Energy Group**, would acquire a 51% stake in the asset or assets, while PSP would take the remaining 49% of the equity (PFR, 8/14/18, 11/26/18, 6/3/19, 5/18/20).

The Pattern yieldco has since been taken private by another Canadian pension fund manager, namely the **Canadian Pension Plan Investment Board** (PFR, 3/16/20).

**NextEra Energy**, meanwhile, has taken the co-investment strategy to new heights of complexity with a series of so-called convertible equity deals with private equity firms **BlackRock** and **KKR & Co**. These deals are structured as levered partnerships between yieldco **NextEra Energy Partners** and the co-investor, with provisions for the yieldco to buy the partner out of its stake under certain carefully negotiated conditions (PFR, 9/5/18, 3/4/19, 11/3/20).

The deal between Clearway and Hannon Armstrong falls somewhere between these two approaches, as the preferred equity investment is more structured than Pattern's common equity deals with PSP but less complex than NextEra's supped-up convertibles. The Clearway deal also differs in that the co-investor, Hannon, is itself a publicly listed company.

**LIGHTHOUSE**

The Lighthouse portfolio is composed of three wind projects totaling 874 MW, a single 192 MW standalone solar project, and three solar-plus-storage projects with 557 MW of solar capacity and 395 MW of co-located energy storage (see table below for full details).

Roughly 90% of the portfolio's generation is contracted with primarily investment grade counterparties, including utilities and load serving entities, *Fortune* 500 corporations, commercial & industrial customers and financial institutions.

The weighted average contract life for the projects is greater than 14 years.

Construction is due to begin in the coming weeks on the Mesquite Sky and Black Rock wind farms in Texas and West Virginia, respectively, while the Rosamond Central solar project was brought online on January 5.

The solar-plus-storage projects are Daggett Solar in California, which comes with a 320 MW energy storage component, and the Waiawa and Mililani projects in Hawaii, which have 75 MW of co-located energy storage between them.

Definitive agreements for these three projects are subject to additional conditions, including review and approval by Clearway Energy's independent directors.

"This geographically diverse portfolio of wind, solar, and energy storage projects represents the economic opportunity of renewable energy in every corner of this country," said CEG's Cornelius in December. "This agreement with our investment partners will be pivotal in Clearway's continued ability to provide clean energy at the scale our country demands while helping to deliver on investors' growing interest in climate change solutions."

*"This agreement with our investment partners will be pivotal in Clearway's continued ability to provide clean energy at the scale our country demands."*

**Craig Cornelius**, CEO of CEG

## Lighthouse Renewable portfolio

| Asset | Technology | Capacity (gross) | CWEN cash allocation | Location | Target financial close |
|---|---|---|---|---|---|
| Daggett Solar | Solar/Storage | 482 MW | 25% | San Bernardino County, California | 2H22 |
| Additional Interest in Mesquite Star | Wind | 419 MW | 50% | Fisher and Nolan counties, Texas | Closed |
| Rosamond Central | Solar | 192 MW | 50% | Kern County, California | Closed |
| Mesquite Sky | Wind | 345 MW | 50% | Callahan County, Texas | 2H21 |
| Black Rock | Wind | 110 MW | 50% | Mineral and Grant counties, West Virginia | 2H21 |
| Waiawa | Solar/Storage | 36 MW | 50% | Oahu, Hawaii | 1H22 |
| Mililani | Solar/Storage | 39 MW | 50% | Oahu, Hawaii | 1H22 |

CAPITAL MARKETS

# Chilean gencos to add tranche to securitization

A group of Chilean generation companies (gencos) affected by the country's 2019 power price freeze are preparing a private placement to securitize deferred receivables that will represent the second tranche of a bond issued three weeks ago.

As with the first tranche, **Goldman Sachs** is arranging the private placement. The issuance could cover up to $367 million in receivables, with **IDB Invest** underwriting up to $150 million of the notes.

The placement will eventually be part of a multi-tranche financing structure that started with a $489 million seven-year asset-backed bond issued in the 144a/Reg S format on February 8.

Like the bond, the private placement will provide financing for seven gencos through a bankruptcy-remote issuing entity called **Chile Electricity PEC** (CEP).

IDB Invest started working on the deal over a year ago after the Chilean government implemented the power price freeze to quell social unrest.

"We were mandated by the gencos in Chile, as we had previously worked with the government to see how the receivables could be funded," says **Gian Franco Carassale**, the head of energy and infrastructure at IDB Invest.

Although the gencos' assets are largely contracted under dollar-denominated power purchase agreements with local regulated utilities, known as distribution companies or "discos," the law included a measure to defer payments under such contracts for two years (PFR, 11/6/19).

After initially exploring options to securitize their receivables together, Chile's gencos soon split into two groups, with large independent power producers picking Goldman to arrange a deal at the corporate level, and several developers preferring to structure the deal at the asset level with an A/B transaction arranged by IDB. The asset-level loan closed on February 11.

The large gencos that opted for the capital markets solution, and that are involved with the private placement, are:

- **AES Gener** and **Guacolda Energia** (both subsidiaries of **AES Corp**)
- **Colbún**
- **Enel Green Power**
- **Enel Generación Chile**
- **Engie Energia Chile** and **Eólica Monte Redondo** (both subsidiaries of **Engie**)

**Latham & Watkins** is advising the banks on the deal. Its partners, **Guido Liniado** and **Gianluca Bacchiocchi,** started working on the transaction when they were at **Clifford Chance**, but they moved to Latham in January (PFR, 1/19).

"All companies had the same interest in monetizing their credit rights but different appetite for risk, and conditions," Carassale tells *PFR*.

The $139 million A/B transaction was underwritten by the IDB, which then syndicated 66% of the debt to **BNP Paribas** and **Santander** (PFR, 2/16).

### "INVENTING THE WHEEL"

By mid-2020, the gencos had begun work on a structure that would allow them to securitize their receivables over time. They divided the receivables up into seven groups, and set out to finance them in the capital market.

"The structure is format agnostic," says Bacchiocchi. "It has the flexibility to issue 144a notes, a loan structure, and a private placement, while everything works together as part of one overall financing structure."

However, structuring the deal was not an easy feat, note the lawyers, as Chile lacks a securitization law and the local market had not seen similar deals in the past. "We were inventing the wheel, and we had to resolve many tax-related issues," Bacchiocchi tells *PFR*. Moreover, the banks had to arrange the financings "treating each genco separately, in silos," he notes.

The banks first arranged the bond to finance the purchase of the receivables that already exist or will exist soon, which were numbered groups 1 and 2. IDB Invest played a crucial role in the transaction, agreeing to fund the purchase of receivables from the gencos in a deal that was signed on January 27 (PFR, 2/1).

But the same structure could not be used for future receivables, so the banks are working on a private placement to finance some or all of the remaining groups.

"It would have been inefficient to issue a bond today to finance those future receivables that may or may not be generated in the expected size," says Liniado. "The bond will finance the receivables that exist today and those that will exist in a short period of time, but we created a structure that will allow adding new tranches of debt to finance the future receivables."

"The receivables are generated over time, which is not a feature appealing to the market. But to make it appealing, we have established a commitment to buy those credit rights in the future," adds Carassale. "We are mobilizing investors for the private placement, which is the best way to monetize the future credit rights."

The placement could take some time to close, as the financing would depend on the **Ministry of Energy**'s determination of the receivables' value. This valuation takes place every six months.

"The disbursement will occur when the receivables exist, over time on a committed basis, just like a loan," adds Liniado, referring to the potential private placement.

The issuer, CEP, is not owned by any of the gencos, but by a charitable foundation in the Netherlands, which is an "orphan entity," notes Liniado. "The idea is that if at the end of the deal there are any funds remaining in the Chilean company, they will be donated to the foundation."

The surpluses will arise as a result of lower wholesale power costs, as renewable energy projects come online, and the recovery of the deferred payments. Solar and wind projects with PPAs awarded in 2016 were due to begin commercial operations either this past January or in January of 2023.

"With this mechanism, we were able to avoid an increase in power tariffs. We brought the benefits of renewable projects, which will be brought online in the future, to the present," says Carassale. "We could replicate this structure in other countries to bring those benefits forward."

Citizens will be able to feel the benefits of renewable energy in their pockets, concludes Carassale.

By 2023, when all the receivables are accounted for, their total value is expected to reach $1.35 billion.

The receivables are expected to be paid in full by December 31, 2027. ■

 

# Mexico's IEnova to buy out partner in wind JV

**Sempra Energy's** Mexican subsidiary, **IEnova**, has agreed to purchase a 50% stake in the Energia Sierra Juarez wind project in Mexico from its partner **Saavi Energia**, a portfolio company of **Actis**.

IEnova will pay roughly $83 million, net of project debt, for the stake in the 263 MW wind complex in Tecate, Baja California.

The deal is expected to close in the first half of 2021, subject to approvals from Mexico's antitrust commission **Cofece** and the US **Federal Energy Regulatory Commission**.

The project has two phases – the operational 155 MW Energia Sierra Juarez I project and the 108 MW Energia Sierra Juarez II project, which is under construction.

The sponsors had been working with commercial and development banks to finance the second portion of the complex since early 2020 (PFR, 6/23/20). However, the process was brought to a halt in late summer, when the sponsors began conversations over the project's future.

The project has two phases – including the operational 155 MW Energia Sierra Juarez I project

Both phases will sell their output across the US border through 20-year power purchase agreements with **San Diego Gas & Electric**, which Sempra also owns. The first phase of the project was brought online in June 2015, while the second portion was expected to start commercial operations by the second quarter of 2021.

Actis came to own its stake in the project when it bought **InterGen's** 2.3 GW Mexican portfolio in 2018 for $1.256 billion. The purchase also included six operational gas-fired combined-cycle plants, three gas compression stations, and a 40-mile gas pipeline (PFR, 1/8/18).

**Vestas** is the engineering, procurement, and construction contractor for the second phase of the wind farm, and will also operate and maintain the park for 15 years.

# EDP Brasil buys transmission project

**EDP Brasil** has acquired a concession for the development of a 113 km transmission line from **IG Group**.

The transaction covers the contract to develop the Mata Grande Transmissora de Energia project, which was awarded as Lot 18 in an auction held by power regulator **Aneel** in 2018.

The 230 kV transmission line will be located in the state of Maranhão and will require an investment of R$88.5 million ($16.5 million). It crosses nine municipalities between the Imperatriz and Porto Branco substations.

The project is already licensed and ready for construction, and EDP expects to start operations before the September 2022 deadline set by Aneel.

The acquisition brings the size of EDP Brasil's transmission portfolio to 7 projects totaling 1,554 km.

# Matrix ramps up LatAm acquisitions, looks for debt

«FROM PAGE 1 it scours the region for renewable and battery storage projects to buy, Matrix is also looking for long-term debt for its recent Colombia and Chile purchases.

Pursuing this growth strategy, Matrix has increased its presence in Colombia, where it has taken steps toward building a 425 MW (DC) solar portfolio by 2022 in partnership with **Trina Solar**.

Having built up a strong pipeline of renewable energy projects in Colombia, the company is now looking to diversify in that country.

"In Colombia, we will be looking for specific opportunities, especially in the storage sector, to complement our generation capacity," says **Iñigo Asensio**, managing director of M&A and investments at Matrix, in Madrid.

The sponsor is in talks with local banks, including **Bancolombia**, and multilateral institutions to finance its portfolio, which includes three assets for which Trina secured power purchase agreements in Colombia's 2019 renewable auction (PFR, 10/24/19).

The contracted assets are:

- San Felipe – 90 MW
- Cartago – 99 MW
- El Campano – 107 MW

Another three, totaling 81 MW (DC), will be located in the department of Meta. The Los Llanos 1 and 2 projects, both 27.23 MW in size, are already operational, while Los Llanos 3 is still under development. The complex has power purchase agreements in place with corporate offtakers.

Chile has become Matrix's second-largest market, since the firm recently bagged a 154 MW (DC) small-scale solar portfolio from **Verano Capital** (PFR, 1/26). As the firm looks for long-term financing for its acquisition, it is also considering new opportunities to buy or co-develop utility-scale solar, wind, and storage assets, notes Asensio.

Besides Chile and Colombia, Matrix is eyeing new markets, such as Peru and Uruguay, while pressing pause on Mexico.

"We are also looking at other markets that operate with the US-dollar, such as Peru," adds Asensio, noting that the country has some ready-to-build or under-development projects with PPAs that might be of interest for the firm.

Intending to own and operate almost 3 GW in two years, Matrix expects to close some of these new purchases soon. The firm was launched with an initial 1 GW solar portfolio spread across Chile, Mexico, Colombia, and Spain that it had acquired from Trina Solar. TPG holds Matrix and its assets in a $5 billion fund called The Rise Fund (PFR, 6/1/20).

LATIN AMERICA MERGERS & ACQUISITIONS

# Colombia's Isagen to purchase hydro duo

Colombian power producer **Isagén** has agreed to buy a pair of hydro projects totaling 39.8 MW from a developer.

The pair, located in the municipality of Amalfi, Antioquia, belong to **Generadora Luzma**.

Known as PCH Luzma I and II, the projects have a capacity of 19.9 MW each and inject their power into the grid through three 110 kV transmission lines also developed by Luzma.

The sale is expected to close in the following weeks, said Isagén in a statement on February 22.

PCH Luzma I and II, the projects have a capacity of 19.9 MW each

The acquisition will bring the total capacity of Isagén's renewable energy portfolio to 100 MW, including solar, wind, and small hydro, with a total investment pegged at Ps700 billion ($194.31 million).

The portfolio includes two solar projects totaling 52.4 MW (DC) that Isagén bought from China's **Trina Solar** – the Llanos 4 and 5 assets in Meta (PFR, 1/20).

Isagén is also developing its first wind farm – the 20 MW Guajira I project in La Guajira – and has begun the permitting process for the 375 MW second phase of that wind complex as well, though the company does not yet count this second phase as part of its total renewable energy capacity (PFR, 6/2/20).

**Brookfield Asset Management** is Isagén's majority owner through its subsidiary **BRE Colombia Hydro Investments**.

The power producer owns the 300 MW Termocentro thermal power plant in Santander as well as the following hydro projects:

- San Carlos – 1,240 MW
- Jaguas – 170 MW
- Calderas – 26 MW
- Hidroeléctrica Miel I – 396 MW
- Amoyá – 80 MW
- Sogamoso – 820 MW ■

LATIN AMERICA PROJECT FINANCE

# Invenergy works with IDB on Uruguay wires financing

Invenergy subsidiary **Tealov** is working with **IDB Invest** to finance the construction of a transmission line in Uruguay.

The IDB is expected to approve the $51 million debt package by April 8.

The project, known as Cardal, will run between the Punta del Tigre substation in the department of San José and a transmission line in the city of Salto in the department of the same name.

The main section of the project is a 500 kV line that runs for 34.17 miles. Invenergy will also develop a 500 kV substation in Cardal, a 12.4-mile 150 kV transmission line, and related transmission work to interconnect the new Cardal substation to the grid.

Uruguay's state-owned **Administración Nacional de Usinas y Trasmisiones Eléctricas** (UTE) and Tealov inked the concession agreement in November of last year (PFR, 12/2/20).

Under the terms of the contract, the sponsor will operate and own the substation for 20 years, and the transmission lines for 30.

Local engineering firms **Saceem** and **Ingener** will build the project as a consortium.

UTE will take over the project's operation and maintenance once it reaches its commercial operations date, which is scheduled for 2023.

Other firms that participated in the procurement process include:

- **Celeo Redes**
- **Abengoa's Latifox**
- **Sacyr Concesiones Uruguay**
- **Electricas de Medellin Ingenieria y Servicios**
- **Ebital**
- **Aldesa Construcciones**
- **Proyección Electroluz Uruguay**

Cardal is Invenergy's third asset in Uruguay. The other two are the 64 MW La Jacinta solar park and the 70 MW Campos Palomas wind farm. ■

# AES Brasil gathers wind PPAs

AES Brasil is rounding up power purchase agreements for a wind complex under development in the Brazilian state of Rio Grande do Norte.

The Cajuína wind cluster has a total potential capacity of 1.1 GW. Construction is slated to start in 2021.

The developer, previously known as **AES Tietê Energia**, has signed a 20-year PPA for an average of 21 MW with silicon producer **Minasligas**, with the contract set to start in 2023.

The individual sub-project supplying the power will have a capacity of 46 MW, guaranteeing the supply of an average 25 MW.

AES Brasil has also signed a memorandum of understanding with **Ferro Ligas da Bahia** (Febasa) for a PPA to supply an average 80 MW for 20 years starting in 2024. The sub-project for this PPA would have a capacity of 165 MW.

"AES Brasil reinforces its portfolio growth and diversification strategy through the development of projects from renewable sources and complementary to hydropower projects, and with long-term contracts, aiming at the creation of value for its shareholders," the company announced.

PEOPLE & FIRMS

# Investec puts Cho, Pantelogianis in charge of global infra

Investec has appointed **Ralph Cho** and **Michael Pantelogianis** as global co-heads of its power and infrastructure finance (PIF) group.

The two bankers are already the co-heads of Investec's North America PIF team. Their elevation means they will now also oversee the South African bank's London and European transaction teams.

Investec's PIF practice in its domestic market will continue to be led by **Andre Wepener**.

"Mike and Ralph's strong sector and debt capital markets experience positions them well to lead and grow the franchise, following their outstanding work in North America for Investec over the past eight years," said **Simon Hamilton**, who co-heads all of Investec's specialist sectors. "We're committed to elevating Investec's global profile in independent power, renewable energy and infrastructure."


Ralph Cho


Michael Pantelogianis

The global platform will enable Investec to leverage its relationships with its clients and syndication partners and unify its strategy across the relevant geographies, says Cho, noting that this will help establish a consistent level of service across the market.

By combining the bank's capital markets approach in New York with its advisory and financing capabilities and wider services in London, Investec will also be able to deliver a more complete suite of products to its clients, adds Pantelogianis.

Cho and Pantelogianis both joined Investec in 2013 from **WestLB**, where they had worked for eight years and 11 years, respectively.

Cho had been executive director of syndications at WestLB, while Pantelogianis had been a managing director (PFR, 3/18/13, 8/14/12).

Prior to that, Cho had worked at **Credit Suisse** and **Bear Sterns**, having launched his career at **KPMG** and **PwC**. Pantelogianis meanwhile had worked at **SMBC** and **JP Morgan Chase**.

Investec's New York power and infrastructure franchise is known for structuring and syndicating loans in higher-yielding sub-sectors, such as quasi-merchant gas-fired power and holding company debt.

Last year, Investec won *PFR*'s conventional power lead arranger deal of the year award, having served as sole underwriter on the largest new-build combined-cycle gas-fired deal of 2019 and led on several refinancings of marquee US power assets (PFR, 9/8).

# Macquarie launches LNG platform for LatAm, Asia

**Macquarie Capital** has launched a platform to develop, own and operate liquified natural gas, regasification and power assets in Latin America as well as Asia.

The platform, known as **WaveCrest Energy**, will be present at all stages of project development, from financing to commercial operations and beyond, and integrating all LNG value chain activities.

The company will be led by **Rob Bryngelson**, starting this month. Bryngelson, who will be based out of Houston, Texas, joins WaveCrest after almost 15 years at **Excelerate Energy**, which is also focused on LNG infrastructure.

"WaveCrest is designed to bring natural gas to underserved markets around the world through innovative and flexible LNG projects, delivering a cleaner fuel source for both existing and incremental needs," said Bryngelson in a statement on February 23.

The new company will initially serve the Latin American and Asian markets, seeking to grow the demand for natural gas by switching power projects working with other fuels to gas.

"Macquarie will lend its insights and capabilities across various aspects of energy infrastructure to help WaveCrest serve its customers and deliver on its goals," said **Nicholas Gole**, senior managing director at Macquarie.

Macquarie Capital will bring its financing and LNG expertise to the new venture. The Australian firm recently recruited **Alex Vicente**, a senior official with experience financing Latin American energy projects, from **Sempra Energy**. Sempra's Mexican subsidiary, **IEnova**, financed the expansion of its Energia Costa Azul LNG terminal last year (PFR, 12/10/20).

Several other developers are working on LNG import and LNG-to-power projects in Central and South America and the Caribbean. For instance, **Panama NG Power** is working on its Telfers LNG-to-power project, which comprises a 656 MW combined-cycle gas-fired facility and an LNG jetty, in Panama (PFR, 1/23/20).

Colombia, meanwhile, has been working for some time on the tender for its Pacifico LNG regasification project on Buenaventura Bay (PFR, 10/30/20).

*"Macquarie will lend its insights and capabilities across various aspects of energy infrastructure to help WaveCrest serve its customers."*

**Nicholas Gole**, senior managing director at Macquarie

PEOPLE & FIRMS

# Boudrias exits Goldman

**Goldman Sachs** managing director **Jean-Pierre Boudrias**, who led the investment bank's North American project finance desk, has left the firm after almost eight years.

Boudrias joined Goldman Sachs from **Credit Suisse** in 2013, initially as a vice president (PFR, 5/16/13). He was promoted to MD at the beginning of 2016.

He is said to have left Goldman to start his own business. The precise nature of the venture could not immediately be confirmed.

Boudrias was at Credit Suisse for nearly a decade before joining Goldman. Prior to that, he worked at **CIBC World Markets** and **CDP Capital**.

Boudrias was often quoted in *PFR* on the term loan B market. In 2015, he was the subject of a Q&A interview that was published in two installments (PFR, 10/30/15, 11/6/15). ■

# People's United launches utilities, power and renewables group

**People's United Bank** has launched a new utilities, power and renewable energy franchise to be led by a hire from another regional lender.

**Stephen Hoffman**, who has more than 25 years of corporate and commercial banking experience, with a focus on the energy sector, will oversee the business as managing director.

He most recently served as MD and director of energy banking at **Huntington National Bank**, whose energy banking group he also built up from scratch starting in 2012.

During that time, Huntington participated in relatively high-risk project finance transactions such as the back-leverage for **Longroad Energy**'s 250 MW Phoebe Solar project in Texas (PFR, 3/12/19). Other Huntington clients have included **Ameresco** and **Heelstone Renewable Energy** (PFR, 6/27/20, PFR, 7/9/20).

Before joining Huntington, Hoffman was an MD in **Bank of America**'s natural resources group, and before that, a director in the energy and utilities division at **Fleet Bank** (which merged with Bank of America).

"The Utilities, Power and Renewable Energy sector is one of the largest industries in the US and presents a significant opportunity for growth," said **Amy Le Blanc Hackett**, managing director, corporate banking at People's United. "We are thrilled to have Stephen lead this effort."

"I am excited to join the team at People's United at a time of strategic growth and expansion in their capabilities," added Hoffman.

Under Hoffman's leadership, the team will deliver a wide range of financing, risk, and treasury management options. Prospective clients include:

- investor-owned utilities
- local distribution companies
- electric cooperatives
- municipal utilities
- transmission companies
- renewable energy companies, including solar, wind and battery storage ■

# Kirkland hires partner in debt finance practice

**Kirkland & Ellis** has hired a partner to its debt finance practice in New York from a rival law firm.

**Tatiana Monastyrskaya** joins the firm from **Skadden**, where she had worked for more than 16 years, most recently as a partner in their energy and infrastructure projects and banking group.

She also has represented the US **Department of Energy** and the US **Department of Transportation** on various energy and infrastructure projects.

"Tatiana is a talented young lawyer and a rising star in the infrastructure finance space," said **Jon Ballis**, chairman of Kirkland's executive committee. "We are delighted to welcome her to our top-tier energy and infrastructure finance team."

"We are excited that she is joining our team as demand for advice in this area surges," said **Rohit Chaudhry**, a partner in Kirkland's debt finance practice in Washington, DC. ■

NEWS IN BRIEF

MERGERS & ACQUISITIONS

### NUVEEN TO BUY C-PACE FINANCIER

**Nuveen** has agreed to acquire C-PACE (commercial property assessed clean energy) financier **Greenworks Lending**, which provides long-term financing to commercial and industrial projects in the renewable energy, energy efficiency, water conservation and climate resiliency industries.

LATIN AMERICA

### BNDES FINANCES BRAZIL DISTRIBUTION COMPANIES

Brazil's national development bank **BNDES** is providing loans totaling R$1.49 billion ($278 million) to 10 power distributors owned by **Energisa Group.** BNDES will fund R$965 million of the loans directly and the remaining R$522 million indirectly.

### SAESA SOLAR PROJECTS TO SUPPLY OBSERVATORIES IN CHILE

**Grupo Saesa** has begun the permitting process for the Armazones and Paranal solar projects in the Chilean region of Antofagasta. They will supply power to the Cerro Armazones and Paranal astronomical observatories, which are managed by the **European Southern Observatory**.

PEOPLE & FIRMS

### AES RENAMES AND REBRANDS SUBSIDIARIES

**AES Corp** subsidiaries **Indianapolis Power & Light Co** and **Dayton Power and Light Co** have announced that they will go by new names as part of a rebranding. The former has changed its name to **AES Indiana** while the latter will henceforth be known as **AES Ohio**.

### BOLSONARO FIRES PETROBRAS CEO

Brazil's President **Jair Bolsonaro** has fired the president of state-owned oil company **Petrobras**, **Roberto Castello Branco**, owing to a disagreement over fuel pricing policy. In Castello Branco's place, Bolsonaro has installed an army general and ex-minister of defense, **Joaquim Silva e Luna**.

### ORRICK PROMOTES ENERGY, INFRA LAWYERS TO PARTNER

**Orrick** has promoted two energy and infrastructure lawyers to partner. **Victoria Boyne** in New York and **Amy Dominick Padgett** in Washington DC assumed their partner titles at the start of the year, on January 1.

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