

Power Finance & Risk

The weekly issue from **Power Intelligence**

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SunEdison Takes Pitches For YieldCo Underwriters

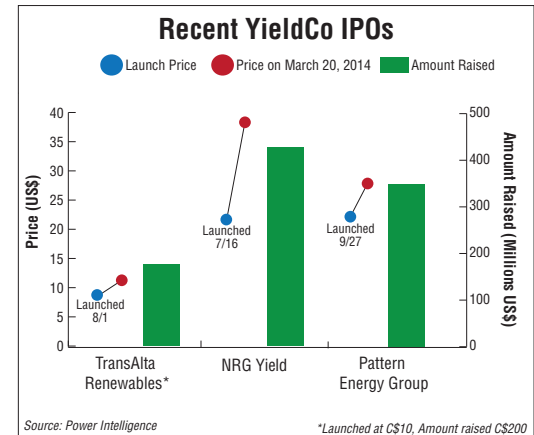
SunEdison met with investment banks in New York this month as it looks to take a portion of its operating solar assets public in a yield company.

The company filed the initial S-1 documents confidentially with the U.S. **Securities and Exchange Commission** in February and is now on the hunt for bookrunners. Belmont, Calif.-based SunEdison heard pitches from the usual suspects, reportedly including **Bank of America Merrill Lynch, Barclays, Citigroup, Credit Suisse, Goldman Sachs, JPMorgan, Morgan Stanley** and **Royal Bank of Canada**.

SunEdison indicated in the fourth quarter that it was planning an initial public offering and, according to observers, has been working toward an April launch. Given that the company has already filed a draft S-1, it could remain on course for a spring IPO, says a deal watcher.

The yieldco portfolio will be a mix of utility scale, commercial and residential assets in

(continued on page 12)



Developers Rethink Financing Options Under ITC Expiration

Developers and financiers are keeping an eye on Washington D.C. as the expiration of the solar investment tax credits begins to impact financings for projects with longer construction periods.

Projects that begin commercial operation after Dec. 31, 2016, will not qualify for the ITC at 30%, but at 10%. That means an extra 20% of the project cost needs to be sourced from equity or debt, rather than tax equity. "I am not sure if projects will be economically viable at the 10% ITC," says a deal watcher. "It may not be sufficient to keep the industry going," he adds, citing increased project financier interest in distributed generation as a sign that they have turned away from utility scale projects.

Some developers with projects that have construction periods that might end after the expiration of the ITC, are already looking to assuage financier concern. "**SolarReserve** has been investi-

(continued on page 12)

ArcLight Floats Retooled Southeast Peaker Portfolio

ArcLight Capital Partners has come back to market with a subset of its 2.8 GW **Southeast PowerGen** subsidiary in Georgia, about seven months after icing the original deal.

The private equity shop is in the process of putting Southeast PowerGen's four simple cycle peakers on the market, deal watchers say. Previously the sale was of ArcLight's stakes in the whole unit, although co-owners **GE Energy Financial Services** and **Government of Singapore Investment Corp.** were expected to follow suit. ArcLight owns 50.1%, with GE EFS and GIC., each holding 24.95%.

The peakers in the portfolio total about 2 GW and include:

- 320 MW Monroe in Monroe
- 450 MW Walton in Monroe
- 602 MW Washington in Linton

(continued on page 12)

Napolitano Heads To CS

Frank Napolitano, head of U.S. power and utilities investment banking for **Royal Bank of Canada**, is moving to **Credit Suisse** as global head of power and renewables.

See story, page 2

New Project Finance Loans

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

See Deal Book, page 4

Generation Sale **■ DATABASE**

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

See calendar, page 3

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BREAKING NEWS

Napolitano Heads To CS

Frank Napolitano, who resigned Thursday from his position at **Royal Bank of Canada**, has been hired as managing director the global head of power and renewables at **Credit Suisse**.

Napolitano will start in June and report to **Jim Amine**, global head of the investment banking department, according to an internal memo. He will work with **John Cogan** and **Ahmad Masud**, the co-heads of power and renewables in the Americas.

The global utilities position that was vacated when **Jamie Welch** left for energy master limited partnership player **Energy Transfer Partners** (PI, 5/1). Napolitano will be covering financial sponsors active in the energy sector, independent power producers and some utilities when he joins.

Credit Suisse has recently advised on the sale of **New Mexico Gas** to **Teco Energy** as well as **Global Infrastructure Partners'** sale of the Channelview cogeneration facility to **Energy Investors Funds** (PI, 3/29 & 1/10).

Napolitano was managing director and head of U.S. power and utilities investment banking team for RBC in New York. RBC hired Napolitano about four years ago to build its U.S. power investment banking team (PI, 5/17/10).

THE BUZZ

ArcLight Capital Partners is behind many of the assets out on the block. It's selling a California cogeneration portfolio. It backs **Terra-Gen Power**, which is selling either its wind assets or itself, and now ArcLight is out to sell the peakers from its **Southeast PowerGen** subsidiary (see story, page 1). Southeast PowerGen was on the market this time last year so ArcLight could meet with prospective buyers at the **Platts 28th Annual Global Power Markets Conference** in Las Vegas (PI, 3/20/13).

With the Terra-Gen auction in the second round—management presentations are set to begin the week of March 24 (see story, page 5)—it's almost a guarantee that ArcLight's assets will be talked about over drinks at this year's 29th Annual Global Power Conference.

Many bankers and developers keep an eye on Washington to track how lawmakers may impact their deals and business. Solar developers are the latest power industry

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GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
AES Corp.	Stakes (DPL Energy Coal, Gas, Oil)	Various	Barclays	Indicative bids due early March; likely to overlap with Duke (PI, 2/24).
Acciona	Portfolio (Wind, Solar)	Various	Lazard	First round bids expected in early March (PI, 3/3).
► ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PI, 3/17).
	Peakers (2 GW Gas)	Various, Georgia	TBA	Carved peakers out of Southeast PowerGen to sell (see story, page 1).
BP Wind Energy	Various (3.7 GW Wind)	Various	TBA	NextEra is looking at the development assets (PI, 1/20).
Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	Restarting the sale of Commercial Power (PI, 2/24).
Edison Mission Energy	Big Sky (240 MW Wind)	Illinois	JPMorgan	EverPower is buying the merchant farm from lender Suzlon (PI, 2/17).
Entegra Power Group	Various	Arizona and Arkansas	Houlihan Lokey	Retained Houlihan to advise on restructuring (PI, 1/13).
Essar Group	Algoma (85 MW CCGT)	Algoma, Ontario	Barclays	Teasers are on the market (PI, 1/13).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Fieldstone	Fieldstone is advising on equity hunt in tandem to debt raise with Goldman.
► Finavera Wind Energy	Portfolio (368 MW Wind)	B.C.	CapWest	Pattern is buying the Meikle and Tumbler Ridge projects with option to buy another pair (see story, page 5).
First Solar	Macho Springs (50 MW Solar)	Luna County, N.M.		Southern Turner Renewable Energy is buying the project (PI, 3/17).
Greenwood Energy, Soltage	Portfolio (12 MW Solar)	Various	Ambata Securities	John Hancock is financing construction with a equity stake (PI, 1/27).
JPMorgan	Jackson (540 MW Gas)	Jackson, Mich.	JPMorgan	Consumers Energy is buying it (PI, 2/17).
K Road Power	McHenry (25 MW Solar)	Modesto, Calif.	TBA	Firm backed by BlueMountain, Global Cleantech is buying it (PI, 3/10).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Stake (417 MW Hydro)	Pennsylvania	None	Brookfield is buying 33% for \$289M (PI, 2/17).
MACH Gen	Stakes	Various	TBA	Filed for bankruptcy; ECP gets stake via swap (PI, 3/10).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	Rockland is seeking to terminate its deal to buy the assets (PI, 12/9).
	Forked River (86 MW Gas)	Ocean River, N.J.		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
NextEra Energy Resources	Pheasant Run II (75 MW Wind)	Huron County, Mich.	None	DTE Electric is considering buying the farm via a PPA option (PI, 3/3).
► Norvento USA	Bloom (180 MW Wind)	Dodge City, Kan.	TBA	Capital Power bought the project (see story, page 5).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	Buyers moved into the second round (PI, 3/17).
Optim Energy	Portfolio (1.4 GW Coal, Gas)	Texas	Barclays	Mulling a sale via bankruptcy filing (PI, 3/10).
Project Resources Corp.	Rock Aetna (21 MW Wind)	Minnesota	Alyra Renewable Energy Finance	Looking for a buyer with access to turbines to qualify for PTC (PI, 1/13).
► Terra-Gen Power	Alta (947 MW Wind)	California	Citigroup, Morgan Stanley	Management presentations are set to begin week of 3/24 (see story, page 5).
TransAlta	Wailuku (10 MW Hydro)	Hawaii	TBA	MidAmerican Energy Holdings is buying TransAlta's stakes for \$193M (PI, 3/3).
	Fleet (327 MW Geothermal)	California		
	Fleet (867 MW Gas)	Various		
Wayzata Investment Partnes	Guadalupe (1 GW CCGT)	Marion, Texas	Tudor, Pickering & Holt	Calpine launched B loan add-on to finance (PI, 2/24).
We Energies	Presque Isle (425 MW Coal)	Marquette, Wis.	None	No buyers submitted proposals in RFP (PI, 3/10).

► New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hffletcher@powerintelligence.com.

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
BluEarth Renewables	Renewable Projects	Canada	TBA	TBA	~C\$300	TBA	Sponsor looking for debt backing wind, hydro and solar projects in Canada (PI, 2/17).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~\$4B	TBA	Sponsor is shooting for pricing of L+175 bps (PI, 3/10).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor lands \$600 million from the Danish ECA (PI, 3/3).
Cheniere Energy	Sabine Pass Trains 3 & 4 (LNG Export Facility)	Sabine Pass, La.	TBA	TBA	\$4.4B	TBA	Sponsor ups the original bank loan to \$4.4 billion and taps Korean entities for a further \$1.5 billion (PI, 6/3).
Competitive Power Ventures	St. Charles	Charles County, Md.	TBA	TBA	~\$600M	TBA	Sponsor approaches banks again looking for debt financing (PI, 2/17).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	\$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~\$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	\$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	Goldman Sachs	TBA	TBA	TBA	The sponsor is close to lining up equity and will tap Goldman Sachs to launch a B loan (PI, 1/27).
First Wind	Oakfield (147 MW Wind)	Aroostook County, Maine	TBA	TBA	\$300M	TBA	The sponsor is shooting for pricing of L+225 bps (see story, page 6).
Freeport LNG	Freeport (LNG Export Terminal)	Freeport, Texas	Credit Suisse, Macquarie	TBA	~\$4B	TBA	More than 20 lenders are eyeing the deal, with some offering tickets of \$600M (PI, 2/10).
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	\$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenery	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
KSPC, Samsung	Kelar (517 MW Gas)	Chile	Natixis	TBA	TBA	TBA	The JV appoints Natixis as lead on the deal (PI, 1/13).
Lake Charles Exports	Lake Charles (LNG Export Facility)	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially \$11B project (PI, 8/26).
Magnolia LNG	Magnolia LNG (LNG Export Facility)	Lake Charles, La.	BNP, Macquarie	TBA	\$1.54B	TBA	Sponsor expected to mandate leads by year end (PI, 12/9).
NTE Energy	Multiple Gas-fired	U.S.	Whitehall	TBA	TBA	TBA	Sponsor is looking to line up equity investors and then debt backing three projects in the U.S. (PI, 3/10).
Pattern Energy	Panhandle II (TBA Wind)	Carson County, Texas	Credit Ag, NordLB, BayernLB	Construction	~\$500M	C	The deal will likely be a "copy, paste" of the Panhandle I deal, say observers (PI, 11/18).
	K2 (270 MW Wind)	Huron County, Ontario	TBA	Mini-perm	\$750M	TBA	The sponsor has lined up a large club of banks for the deal (PI, 3/10).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	\$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Semptra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~\$400M	TBA	Sponsor closes the roughly \$440 million debt package (see story, page 6).
	Energía Sierra Juárez (156 MW Wind)	Baja California, Mexico	BTMU	TBA	~\$250M	TBA	A club of banks and agencies are near close on the deal (see story, page 6).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	\$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
Tenaska	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (PI, 9/23).
Transmission Developers	Champlain Hudson Transmission Line	New York State	RBC	TBA	~\$1.6B	TBA	Sponsor is aiming to line up the debt by year-end (PI, 3/3).

New or updated listing

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MERGERS & ACQUISITIONS

Capital Power Ropes Kan. Wind Project

Capital Power has acquired a 180 MW wind project from **Norvento USA**, a subsidiary of **Norvento Enerxia**, a family-owned company in Lugo, Spain.

The Bloom project is about 20 miles south of Dodge City, Kan., and has a roughly \$360 million development price tag. Edmonton, Alberta-based Capital Power aims to sign a power purchase agreement this year. The purchase closed in February.

The project will connect to the 345 kV Kansas V-Plan transmission project that is being constructed adjacent to the project by **ITC Great Plains**. The Bloom project is expected to be online in 2015.

Norvento Enerxia is a group of companies that work across the renewable EPC spectrum and is owned by founder **Pablo Fernández Castro**, who started the company in 1981. The company began with the development and ownership of renewable facilities—biomass, hydro, solar and wind—in Spain. Norvento began expansion into other countries including, the U.S., U.K., Chile and Brazil in 2006.

The project will not qualify for the production tax credit. An official at the Norvento USA office in Boston was not immediately available to comment.

Pattern LP Nears B.C. Wind Purchase From Finavera

Pattern Energy Group LP is on track to buy a pair of wind projects totaling 231 MW in the Peace Region of British Columbia from **Finavera Wind Energy**.

Finavera has completed the transfer of the **BC Hydro** power purchase agreement for a portion of the 184 MW Meikle wind project to **Pattern Development**. The still-private arm of Pattern is paying up to C\$28 million (\$25.3 million) for Meikle, including earn-outs.

Under the purchase and sale agreement, Pattern Development is lined up to buy the 47 MW Tumbler Ridge wind project. The San Francisco-based shop also has the option to buy the earlier stage 77 MW Wildmare and 60 MW Bullmoose wind projects in the Peace Region.

All four projects garnered 25-year PPAs from BC Hydro around 2010 with the expectation they would be online this year. The projects, which have been delayed because Finavera slowed down its development work, are set to come online later in the decade. The details of how or whether the existing PPAs will be extended could be immediately learned.

Vancouver, B.C.-based Finavera had originally agreed to sell the portfolio of four projects to **Innergex Renewable Energy** but opted to put the deal on hold in late 2012 to work with financial advisor **Capital West Partners** on a strategic corporate deal (PI, 10/2/12). CapWest, also based out of Vancouver, B.C., is still working with

Finavera on its strategic options, which have reverted back toward an asset sale, according to Finavera's third quarter financial results.

A Pattern spokesman could not immediately comment on how the PPAs are being reworked or when Meikle could go into construction.

Terra-Gen Takes Initial Bids From Yieldcos, Funds

Terra-Gen Power's management presentations are set to begin this month as the sale of its 947 MW of Alta wind assets heads into the second round.

Terra-Gen is aiming to sell its remaining stake of the roughly 3 GW Alta wind series in the Tehachapi region of California. It will consider selling the wind portfolio in pieces as well as Terra-Gen itself, including other wind facilities along with its solar and geothermal assets (PI, 1/14).

Yieldcos, **NRG Yield** and **TransAlta Renewables**, as well as infrastructure, private equity and pension fund players that want steady cash flow are the strongest bidders, say observers. The emergence of yieldcos makes this auction more competitive given the yieldcos' access to financing, observers add.

Bids began trickling in to advisors **Citigroup** and **Morgan Stanley** around March 6 and 7, when the deadline was originally set, says one deal watcher. The hard deadline was pushed to the second week of March, which is when the bulk was submitted. Citi Managing Directors **Jack Paris** and **Jugjeev Duggal** are leading the sale.

Two recent deals from **TransAlta Corp.**,—the acquisition of a **NextEra Energy Resources** wind farm and the sale of a portfolio of assets—indicate that the company is going to be looking for acquisitions to fill out its yieldco, says an observer. TransAlta Renewables bought the Wyoming wind farm and sold its stakes in an 867 MW gas-fired, geothermal and hydro portfolio (PI, 12/20 & 2/24).

There is some interest in buying Terra-Gen as a whole although questions remain about how the **Coso Geothermal Power Holdings** will be handled, say observers. Coso owns 302 MW of geothermal assets in Inyo County, Calif., and has been in financial straits due to low production for several years (PI, 7/13/12). It continually stays on the radar of restructuring shops.

Terra-Gen's wind portfolio has seven spinning farms as well as some land lease royalties. Terra-Gen owns about 1,441 MW of wind assets, stakes in solar assets totaling 89 MW and 387 MW of geothermal. All of the Alta farms are contracted to **Southern California Edison**.

Terra-Gen is backed by **ArcLight Capital Partners** and **Global Infrastructure Partners**.

A Citi spokesman declined to comment while a Terra-Gen official and Morgan Stanley spokeswoman could not immediately comment. Spokespeople for NRG Yield and TransAlta Renewables did not immediately respond to inquiries.

PROJECT FINANCE

Sempra Seals Copper Mountain III Solar Project Debt

Sempra U.S. Gas & Power has closed the roughly \$440 million non-recourse debt package backing the Copper Mountain III solar project near Boulder City, Nev. The **Mitsubishi UFJ Financial Group** and **Sumitomo Mitsui Banking Corporation** are the joint lead bookrunners on the deal.

Joining the two leads to take tickets are **Crédit Agricole**, **Mizuho**, **Royal Bank of Canada**, **BBVA** and **Société Générale**. The deal featured a roughly \$360 million term loan and \$80 million in letters of credit. Pricing came in at LIBOR plus 200 basis

points on the term loan, with a tenor of construction plus 10 years, according to a deal watcher. The deal also featured interest rate swaps.

The company first approached banks late last summer (PI, 9/6). The tight pricing and tenor pushed a number

of lenders out of the deal, notes an observer, who says that some lenders can't match targeted terms from sponsors, as those sponsors try to take advantage of a market that is seeing little deal flow.

Union Bank and **Société Générale** lead a debt package for the second phase of Copper Mountain that priced at LIBOR plus 237 bps (PI, 5/23).

Copper Mountain III is near Boulder City, Nev., and has a 20-year power purchase agreement with the **Southern California Public Power Authority**, a conglomerate of 11 municipal utilities. The offtake agreement was key in helping the sponsor lock in the low pricing, says a deal watcher. Construction of the phase is underway, with commercial operation expected in 2015.

Company officials in San Diego did not respond to inquiries by press time. Bank officials either declined comment or did not respond to inquiries.

First Wind Aims For L+225 Pricing On Maine Wind Deal

First Wind is aiming to lock in pricing of LIBOR plus 225 basis points for the roughly \$300 million construction and term loan backing the quasi-merchant 147 MW Oakfield wind project in Aroostook County, Maine. **KeyBank** is reportedly left lead on the deal.

The pricing on the deal is more than the market low of roughly LIBOR plus 175 bps due to the merchant tail on the project.

However, it's still about 50 basis points below the mark for a quasi-merchant wind deal, says a deal watcher. "It is about 50 basis points lower because of that lack of deal flow in the market," he adds.

The tenor on the loan will be construction plus 10 years. Oakfield has garnered a 15-year power purchase agreement with four Massachusetts utilities, through a state mandated solicitation. The back-levered deal has "quite an aggressive flip structure" and is slated to close next month. Tax equity investors have reportedly been lined up, notes a deal watcher.

Construction of the Oakfield project started last year and it will qualify for the production tax credit. Commercial operation is slated for 2015. The Boston-based developer sent requests for proposals to banks after the project first came on the radar late last year (PI, 10/17).

Calls placed to First Wind officials were not returned by press time. KeyBank officials in Cleveland declined comment on the deal.

Sempra Targets April Closing On Mexico Wind

Sempra U.S. Gas & Power is expected to wrap next month a roughly \$250 million debt package backing the 156 MW Energía Sierra Juárez wind project in La Rumorosa, Baja California, Mexico. **Bank of Tokyo Mitsubishi-UFJ** is leading the deal.

BTMU will be joined by a club of development banks and up to three commercial banks, according to a deal watcher. The **North American Development Bank** and a subsidiary of the **World Bank** are slated to each lend \$50 million to the deal. The identities of the commercial banks could not be learned by press time.

"It looks like a great deal," says a project financier eyeing the transaction, citing the 20-year offtake contract with **San Diego Gas & Electric**. Due to the project's location across the border, pricing should come in a little higher than for commensurate projects located in the U.S., he adds. There are nine interconnections at the U.S.-Mexico border where generation is imported and exported, usually in times of high demand.

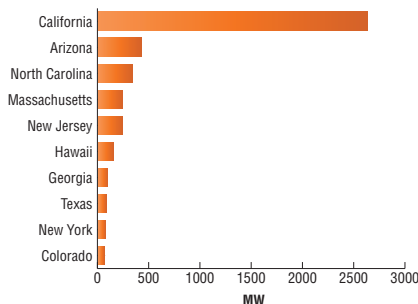
The 52-turbine project is about 70 miles east of San Diego and just south of the U.S.-Mexico border. It will connect to the existing Southwest Powerlink at SDG&E's ECO Substation in eastern San Diego County via a new cross-border transmission line.

An agreement between **BP Wind Energy** and Sempra for BP to buy 50% of the project fell through last year (PI, 6/27). BP was looking to offload its operational and development wind assets as of last year (PI, 10/4).

ANEMO will construct the project using **Vestas** turbines with a commercial operation date anticipated for March 2015.

Bank officials and Sempra representatives did not respond to inquiries by press time. NADB officials in San Antonio did not return phone calls.

Largest PV Capacity Additions In 2013 By State



Source: Solar Energy Industry Association

STRATEGIES

ECP Refi Closes Oversubscribed

Energy Capital Partners has closed \$480 million in senior secured credit facilities refinancing the natural gas-fired, merchant 635 MW Empire Generating facility in Rensselaer, N.Y. **Deutsche Bank** was left lead, while **Barclays** and **Crédit Agricole** were also on the deal, which launched late last month (PI, 2/27).

The deal received \$600 million in commitments the day before official launch of the loan at a bank meeting in New York on Feb. 27, according to observers. That oversubscription was not enough for the company to ratchet down the pricing from LIBOR plus 425 basis points on the \$430 million, seven-year term loan B, however, as not enough commitments could be garnered at a lower rate. The B loan has a LIBOR floor of 1% and an original issue discount of 99. There is a 101 soft call in the first six months. The deal includes a seven-year, \$30 million letter of credit and a five-year, \$20 million revolving credit facility in addition to the B loan.

ECP had originally been looking to sell the facility, with Deutsche Bank also leading that process, but opted for the refi-

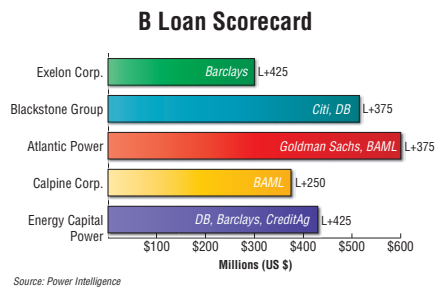
nancing (PI, 6/10). Barclays and **Union Bank** led the syndication of the original \$705 million construction financing for the facility (PI, 11/2/2007). That debt included a seven and a half-year, \$400 million construction loan at the operating company level, priced at LIBOR plus 275 bps for what is drawn. The rate stepped up 12.5 bps three years after Empire Generating commenced commercial operation in September 2010. The original debt has now been paid, according to an observer.

The company expects to repay the new debt with revenues from merchant power market sales, capacity market sales, and short-term hedges, as well as about \$85 million cash payments under the New York State

Brownfield Redevelopment Tax Credit program by September 2016.

Moody's Investors Service has assigned a B1 rating to the debt package, while **Standard & Poor's** assigned a B+ with a 2 recovery rating.

ECP officials in Short Hills, N.J., were not immediately available for comment. Bank officials declined further comment.



PEOPLE & FIRMS

Hannon REIT Exec Joins Boston Boutique

Scott Foster has joined boutique investment bank **Bostonia Partners** from **Hannon Armstrong Sustainable Infrastructure**, the real estate investment trust that launched last year.

Foster is a managing director at Bostonia and will work to grow the firm's federal energy and infrastructure finance practice, according to the company. Foster has worked on projects, including a biomass cogeneration facility for the U.S. **Department of Energy**, a biomass gasification project for **Oak Ridge National Laboratory** and on projects for the U.S. **Coast Guard**. He is also co-vice chair of the **American Bar Association's** government and private sector

innovations – securitization and commercial innovation committee.

He most recently worked at HASI as senior v.p. and managing director of the federal business unit. He left this year. Prior to HASI, Foster was v.p. of vendor financial services at **GE Capital**.

Boston-based Bostonia privately placed \$17.5 million in bonds to finance a 4.5 MW solar project in New Mexico that has a contract with the U.S. **Army Corp of Engineers**. An affiliate of Bostonia is the asset owner and uses the tax incentives (PI, 4/26/12). Foster will work for the firm from Alexandria, Va.

To whom Foster reports could not be immediately learned.

THE BUZZ

Arclight Drives M&A *(Continued from page 2)*

set to circle the hill, with the cessation of the investment tax credit beginning to weigh on projects with longer construction periods (see story, page 1). A bill is currently making its way through Congress that would make the ITC more favorable for developers by mimicking the wind production tax credit's "in construction" stipulation.

Sempra Energy isn't immediately beholden to that piece of legislation, as the developer sealed a roughly \$440 million debt pack-

age backing the Copper Mountain III project (see story, page 6). Sempra is also nearing financial close on another renewable project, this one a novel wind project in Mexico that will sell its output back into the U.S. (see story, page 6). **First Wind** is in the market with a wind deal and is aiming for pricing of LIBOR plus 225 basis points for the package backing the quasi-merchant Oakfield wind project in Maine (see story, page 6). Meanwhile, **Energy Capital Partners** closed the \$480 million refinancing of its Empire generating facility in New York (see story, page above).

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Commercial Solar Financing Report

The Commercial Solar Financing Report looks at the complexities of commercial and industrial distributed generation by exploring potential developments in financings and financial products. Currently, scores of developers nationwide and regionally are creating a crowded marketplace that can muddy the financing waters. The commercial solar industry has a paucity of tax equity investors and third party financing compared to its residential cousin, in part due to portfolios comprised of larger projects that carry different sets of project and offtaker risk.

The report will examine the commercial solar industry's search for a successful business model and financial shops' hunt for quality product. Given that the access to capital is not as clear as with residential solar companies, the report will also highlight how the industry—comprising both sponsors and lenders—is working to find financing structures.

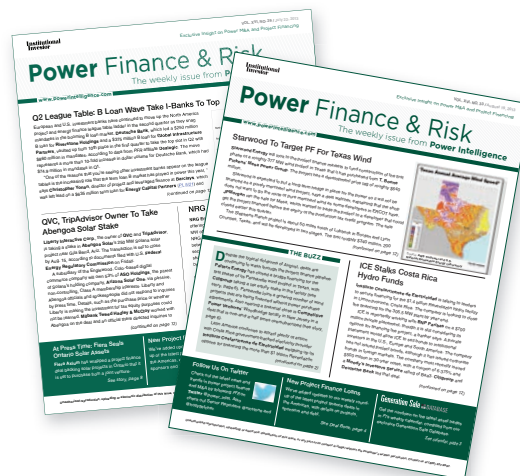
Draft Contents & Topics

- Feature looking at the financing of commercial solar examining and comparing possible future alternatives, such as yieldcos, bonds and securitizations.
- Roundtable with sponsor executives, potential investors, bankers focused on the area, analysts and consultants.
- Exploring the natural owners of commercial solar assets, given the industry's fragmented nature and how a sponsor-developer may evolve in the next two to four years.
- Discussion on whether or not commercial solar will remain fragmented and regional or accrue scale and how to define that scale.
- Evaluating the public market as a potential outlet for a primarily commercial solar developer as well as identifying the optimal portfolio and the ideal financing structure to attract additional lenders to the industry.
- Challenges in attracting tax equity investment to the space. Residential solar companies have established funds for tax equity portfolio investments and sponsors say returns are better with tax equity yet investors are largely absent from the sector but tax equity is still largely absent.
- The variety of financial products in R&D, such as leasing products and different power purchase agreements, and matching each of these options with the best scenario.
- The changing role of utility subsidiaries, evaluating the credit quality of the individual offtakers and the challenge it presents to lenders and investors. Outlining what lenders and investors want in individual projects and portfolios.
- The arrival of a diverse pool of investors looking for small equity checks and whether this leads to developers targeting portfolio sales to a large owner or using equity sales a path to raise development capital to build a larger portfolio. If the goal is to sell, who are the buyers?

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INDUSTRY CURRENT

State Tax Update: A Summary of Recent State Renewable Energy Tax Law Developments

THIS WEEK'S INDUSTRY CURRENT is written by **David Burton**, partner, and **David Snyder**, associate at **Akin Gump's** New York office.

Arizona

In a series of rulings, the Arizona **Department of Revenue** has clarified the effect of leases and power purchase agreements on a taxpayer's eligibility for the solar energy device tax credits available in the state. Arizona provides solar energy credits for corporations and individuals installing solar energy devices in an amount equal to 10% of the device's installed cost for corporations and 25% of the device's installed cost for individuals.

As it pertains to leases of solar energy devices, the commercial credit is available to lessee-taxpayers if their leases are structured as capital leases (an agreement providing that the lessee has acquired, or will acquire, title to or an equity in the property and is in reality a conditional sales contract) that have the purported lessee automatically acquire title to the property. Because the lessee incurs the cost of the device and is considered owner of it the day such property is placed in service, the lessee is entitled to claim the credit. On the other hand, an operating lease in which the lessee obtains no ownership interest in the device does not qualify for the tax credit. Also, the residential credit is not available to either of the individual taxpayer or the lessor when the leased device is installed on the taxpayer's residence.

Although the rulings use the terminology "capital lease" and "operating lease" from U.S. GAAP, it appears that the rulings are actually referring to a "conditional sale" that is treated as debt for tax and a "true lease." The Arizona property tax manual provides that the state follows GAAP lease characterization for property tax purposes. However, there does not appear to be comparable authority that extends the GAAP leasing definitions to Arizona income tax matters; as states generally start with federal taxable income in determining the state tax liability, most states, including Arizona, follow the federal income tax rules with respect to lease characterization.

Power purchase agreements do not enable an individual taxpayer to qualify for the commercial credit. Under a PPA, the individual resident pays for the power, while the PPA seller owns the solar property and incurs the costs associated with such property. In such a scenario, the individual taxpayer cannot claim the credit because the taxpayer does not pay for the device itself notwithstanding whether the individual taxpayer pays for the installation. Moreover, the PPA administrator cannot claim the commercial credit because the device is not installed on the commercial property of the administrator.

California

Signed into law on Oct. 4, 2013, the California Legislature enacted a bill that provides an exemption to the local utility user tax (a tax that the board of supervisors of any county may levy on the consumption of gas and electricity in the unincorporated area of the county), imposed by any local jurisdiction, for the consumption of electricity generated by a clean energy resource for the use of a single customer or customer's tenants. This exemption applies for any "clean energy resource," as such term is defined by the bill, "located on the customer's premises and used solely for the customer or the customer's tenants." As enacted, the exemption will remain in effect until Jan. 1, 2020, as of which date it will be repealed unless deleted or extended by another statute.

Louisiana

On Sept. 24, 2013, the Louisiana **Department of Revenue** issued an information bulletin explaining changes to the former Wind or Solar Energy Systems tax credit as enacted by Act No. 428 of the 2013 Regular Session of the Louisiana Legislature. Under Act No. 428, the tax credit for wind energy systems was repealed and replaced with a solar energy systems tax credit for which solar electric and solar thermal systems could qualify. In addition to the wind energy system repeal, the act limited the residential tax credit to installation at a residence or home that is a single family dwelling and repealed the credit for installations in a multi-family dwelling such as a residential real estate complex.

Other requirements of the act include the mandatory installation and purchase by someone licensed by the Louisiana State Licensing Board of Contractors and compliance with the federal American Recovery and Reinvestment Act. There were also additional restrictions placed upon leased energy systems--both relating to the systems that may qualify for the credit and the eligible costs for determining the amount of the credit.

The act also created a sunset date that only allows systems installed before Jan. 1, 2018, to qualify for the solar energy tax credits.



David Burton



David Snyder

"Because the lessee incurs the cost of the device and is considered owner of it the day such property is placed in service, the lessee is entitled to claim the credit."

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INDUSTRY CURRENT

Industry Current *(Continued from page 9)*

New York

In an advisory opinion issued on Sept. 9, 2013, the New York State **Department of Taxation and Finance** clarified the meaning of “at the time” as contained in New York Tax Law § 606(g-1)(2)(A). Under that law, “the term ‘qualified solar energy expenditures’ means expenditures for the purchase of solar energy system equipment that is installed in connection with residential property located in New York and is used by the taxpayer as his or her principal residence at the time the solar energy system equipment is placed in service.” The advisory opinion concludes that “at the time” refers to “when the installation of the qualified solar energy system equipment is complete and the taxpayer has begun to use the residence as his or her principal residence.” This credit is allowed at the time the equipment is “placed in service,” which is when “the solar energy equipment installation in the new home is complete and the new home construction is ready for occupancy.”

North Carolina

Various state tax credits are scheduled to sunset beginning with

the 2014 tax year. In light of this, the North Carolina Department of Revenue issued a notice on Sept. 18, 2013, that allows remaining installments and carryforwards of various tax credits to be taken after their sunset. More specifically, a taxpayer may continue to take any remaining installments and carryforwards of its tax cred-

its—despite the sunset of such credits—as long as “the taxpayer continues to meet the statutory eligibility requirements for each particular credit.”

Such tax credits to which this notice applies include, among other tax credits, the tax credit for a renewable energy property facility which sunsets for any renewable energy property facility placed in service on or after Jan. 1, 2014. However, as indicated in the notice, the requirements for install-

ments and carryforwards must still be met in order to claim such credits for the 2014 tax year and beyond.

Hawaii

Hawaii’s **Department of Taxation** recently proposed administrative rules governing the renewable energy technologies income tax credit. Such proposed rules added additional definitions to the temporary rules, requirements to claim the credit, and allocation systems used by multiple or mixed use properties.



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Sun Edison *(Continued from page 1)*

North America, the U.K. and Chile. The company is expected to retain some of its assets to ensure a steady flow of prospective dropdowns.

The portfolio that is earmarked for the yieldco could raise \$300-500 million by several estimates although that range doesn't hint at the overall valuation of the IPO without clarity about what percentage is being sold. The company will own at least 51% in what it calls **SunEdison YieldCo** in its annual report.

SunEdison is leaning toward listing in the U.S. given the recent successes of **NRG Yield** and **Pattern Energy**. In choosing a market, the company will be considering how investors view its pipeline and growth potential. "A lot has to do with how people perceive growth," according to one banker whose firm met with the company.

MEMC Electronic Materials bought SunEdison for \$200 million in 2009, subsequently changing the corporate name to SunEdison a year ago. The company took a portion of its semiconductor business public in September raising about \$239.6 million.

A spokesman for SunEdison could not immediately respond to an inquiry while spokespeople for the potential bookrunners either declined to comment or could not immediately. **- Holly Fletcher**

ITC Expiration *(Continued from page 1)*

gating project financing solutions for the Rice project since last fall," **Kevin Smith**, ceo at SolarReserve, tells PFR. "The level of difficulty on financing large-scale solar projects in the U.S. has increased significantly with the expiration of the DOE loan guarantee program, the Treasury grant program and with the investment tax credit expiration in 2016 affecting projects with longer construction periods, like CSP projects such as the Rice."

SolarReserve appointed **Morgan Stanley** as advisor in its search for debt, tax equity and equity investment backing the \$750 million project in Blythe, Calif., and had initially aimed to close the financing by the end of the first quarter this year, but the ITC expiration concerns have extended the search (PI, 8/21).

Another issue facing developers is that some power purchasers won't start buying generation from these projects until 2017, even if they are completed by that year, which will also means that they fail to garner the full 30% ITC. These projects could sell power into the spot markets, but that merchant element raises more financier concern, according to an observer. "It is hard to finance a project based on that, but hedges are not that uncommon anymore," he says.

"SolarReserve is continuing to investigate financing alternatives with a goal to reach financial close in mid-2014, but a key part of that may be the requirement for an extension of the ITC to provide the necessary schedule comfort to potential investors," says Smith. Lobbyists in Washington are trying to work with Congress to amend the ITC to make it similar to the wind production tax credit's "meaningfully under construction" stipulation; a project would merely need to be in construction by the end of 2016 to qualify. Sen. **Michael Bennet** (D-Colo.) and Sen. **Dean Heller** (R-Nev.), proposed this measure when they introduced the Renewable Energy Parity Act of 2014 bill to Congress

earlier this month. The **Solar Energy Industries Association** is backing the proposed legislation and spent \$650,000 lobbying government officials last year.

The majority of opposition to the bill is coming from House Republicans, observers say, adding that there is little chance of any resolution before the mid-term elections later this year given the bipartisan contention in Congress. Several amendments to tax codes could be combined into a larger bill, but that legislation wouldn't make it through Congress in the near-term.

Officials from the U.S. **Department of Energy's National Renewable Energy Laboratory** wrote in recent report that the absence of the 30% ITC, "not only renders the current system of tax equity finance uncertain but also the economic competitiveness of solar power in general". **- Nicholas Stone**

ArcLight Retooled *(Continued from page 1)*

- 640 MW Sandersville in Sandersville

The Southeast PowerGen sale launched about this time last year and took a twisted path before ArcLight called off the sale in late summer. **Quantum Utility Generation** was the frontrunner after second round bids were submitted in June. However Quantum received word, after it began looking for financing commitments, that it was no longer in the lead (PI, 8/1). Market scuttle indicated that **Highstar Capital** emerged late as the prospective buyer at a purchase price tagged

around \$900 million. The auction, however, was put on the shelf. ArcLight reached out to a select pool of potential buyers in a quiet, targeted effort later in the year,

Southeast PowerGen Fleet

320 MW Monroe	Monroe County, Ga.	Tolling agreement with Georgia Power Co. through May 2024
450 MW Monroe	Monroe, Ga.	Tolling agreement with Georgia Power Co. through May 2024
602 MW Washington	Linton, Ga.	Tolling agreement with Constellation through 2015; Georgia Power Co. through May 2024
640 MW Sandersville	Washington County, Ga.	Merchant
515 MW Effingham*	Rincon, Ga.	Tolling agreement with Constellation through Dec. 2015
300 MW Mid Georgia Cogen	Kathleen, Ga.	Power purchase agreement with Georgia Power until 2028; steam contract with Frito-Lay

*Combined cycle facilities are not included in the current sale process
Compiled from the U.S. Federal Energy Regulatory Commission and Power Intelligence

deal watchers said.

A sale of only the peakers—three of which have tolling agreements—is likely to find a different audience from the first process, say observers, including a buyer that wanted the original portfolio. **First Reserve**, **NRG Energy**, **Highstar** and **QUG** made the final round.

Citigroup and **Barclays** ran the original process. Bank spokesmen declined to comment on whether they are again running the sale. **- Holly Fletcher**

ONE YEAR AGO

ArcLight Capital Partners was expecting initial bids for its Georgia-based **Southeast PowerGen** portfolio company. [The Boston-based is re-launching a modified version of the portfolio after icing the sale late last year (see story, page 1).]