WWW.POWERFINANCERISK.COM
VOL. XX, NO. 13 / April 3, 2017

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing
By the publisher of GlobalCapital

Details Emerge on PJM Gas-fired Project Financing

Richard Metcalf

A debt financing that closed last week for **Competitive Power Ventures**' 1,050 MW Fairview gas-fired project in Jackson Township, Pa., included a fixed-rate tranche provided by three international institutional investors, *PFR* has learned.

Caisse de Dépot et Placement du Québec, **Macquarie** and Israeli insurance company **Migdal** took part in the deal through a roughly $115 million private placement.

The rest of the debt comprised a $360 million construction-plus-five-year mini-perm loan arranged by eight commercial banks, a $100 million fixed-rate bank tranche provided by South Korean institutions and about $125 million of working capital and letter of credit facilities.

The combined-cycle project, which will burn ethane as well as natural gas, is expected to be online in 2020. The PAGE 5 »

Sponsors have left no stone unturned in the search for new pools of capital for PJM projects.

Repricing Frenzy as Term Loan B Inflows Outweigh Supply

Richard Metcalf

Owners of gas-fired projects joined a general stampede to the term loan B market for repricings in the first quarter of the year, in a trend that is likely to continue as long as inflows of capital outweigh borrower demand for new debt.

"The first quarter of this year has been the highest volume quarter in the history of the term loan B market, but the nature of the activity has been weighted heavily towards refinancings and repricings," says **Ryan Williams**, director in leveraged finance capital markets at **Credit Suisse**, referring not just to the power sector but to the term loan B market in general. "New money supply has been PAGE 6 »

Sponsor Seals Solar Debt with Merchant Tail

Olivia Feld

CIT Group has arranged a $59.8 million financing with a merchant tail for a portfolio of **GCL New Energy** solar projects in North Carolina.

The deal consists of a construction loan, a tax equity bridge loan and a back-levered term loan.

The package finances an 84.5 MW portfolio of eight solar projects in Wilson County, PAGE 7 »

Rockland Finds Buyer for Three Illinois Peakers

Richard Metcalf

A private equity firm has agreed to purchase three out of a portfolio of four merchant gas-fired projects in **PJM Interconnection** that **Rockland Capital** put up for sale last year.

The Carlyle Group has emerged as the buyer of the three peakers, which are all located in Illinois, following a two-stage auction run for Rockland by **Barclays** (PFR, 12/14).

The peakers PAGE 10 »

IN THIS ISSUE

THE BUZZ

Beyond the Executive Order, the PJM Auction...

When *PFR* asked financiers and sponsors backing gas-fired projects in **PJM Interconnection** how President **Donald Trump**'s executive order to dismantle his predecessor's Clean Power Plan might affect development in the region, conversation quickly turned to other topics.

In theory, the measures in the Energy Independence Executive Order signed by the president on March 28 could allow coal-fired plants that would have retired under the full force of **Barack Obama**'s flagship climate change policy to operate for longer, weakening the economic case for further greenfield gas-fired development.

But bankers and developers think the impact will be minimal. "I think the 20 GW that closed in PJM under Obama are all that were going to close," says a financial adviser, adding that maybe a couple more coal-fired plants might have closed under **Hillary Clinton**.

"The economics are the issue with coal plants," says a v.p. at a gas-fired project sponsor. "With gas prices at this level for the foreseeable future, I don't think you need to get the CPP to shut them down. It's just, how long can you keep these facilities open and losing money?"

However, while dismissive of the executive order, gas-fired deal watchers are less complacent about the risk of overbuild more generally.

"Is there a risk of overbuild? Absolutely, but you can't pin it on any one factor like the coal plants," says the financial adviser. "I think your gas price assumption is a lot more critical than whether a coal plant closes or not."

Now that **Competitive Power Ventures** and its co-sponsors have sealed debt financing for their Fairview combined-cycle project in Pennsylvania, some deal watchers are predicting a lull as market participants await the results of PJM's annual base residual auction (see story, page 1).

"The auction is intended to be a signal that the market needs more capacity or it doesn't," says a project finance banker. "Last year the price softened more than expected."

The clearing prices in the 2019/2020 base residual auction that took place last May ranged from $80/MW-day for base generation in some regions to $202.77/MW-day for capacity performance resources in PJM's Comed zone.

"If we see another price that is below $100, that would be noteworthy, but again not something to panic over," says the project finance banker.

The auction window for 2020/21 capacity is scheduled to open on May 10 and close on May 16, with results due to be posted on May 23. ■

Power Finance & Risk

EDITORIAL
Richard Metcalf
Editor
(212) 224-3259

Olivia Feld
Managing Editor
(212) 224-3260

Fotios Tsarouhis
Reporter
(212) 224 3294

Stuart Wise
Data Associate

Kieron Black
Sketch Artist

PRODUCTION
Gerald Hayes
Manager
Kaela Bleho
Designer
Sam Medway
Associate

ADVERTISING
Kevin Dougherty
U.S. Publisher,
Capital Markets Group
(212) 224-3288

PUBLISHING
Laura Spencer
Senior Marketing Manager

Vincent Yesenosky
Head Of U.S. Fulfillment
(212) 224-3057

Nina Bonny
Customer Service Manager
(212) 224-3433

SUBSCRIPTIONS/ ELECTRONIC LICENSES
One Year $3,670
Alyssa Rinaldi
Global Account Manager
(212) 224-3043

REPRINTS
Dewey Palmieri
Reprint & Permission Manager [New York]
(212) 224-3675
dpalmieri@Institutional investor.com

CORPORATE
Andrew Rashbass
Chief Executive Officer

John Orchard
Managing Director,
Capital Markets Group

Directors:
John Botts (Chairman),
Andrew Rashbass (CEO),
Sir Patrick Sergeant,
The Viscount Rothermere,
Colin Jones,
Martin Morgan,
David Pritchard,
Andrew Ballingal,
Tristan Hillgarth

Customer Service
PO Box 4009, Chesterfield, MO 63006-4009, USA
Tel: **1-800-715-9195**
Overseas dial: **1-212-224-3451**
Fax: **212-224-3886**
UK: **44 20 7779 8704** Hong Kong: **852 2842 8011**
E-Mail: customerservice@iiintelligence.com

Institutional Investor Hotline
(212) 224-3570 and (1-800) 437-9997 or Hotline@iiintelligence.com

Editorial Offices
225 Park Avenue South, New York, NY 10003
Power Finance & Risk is a general circulation newsweekly.
No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Institutional Investor, LLC Issn# 1529-6652

Postmaster
Please send all undeliverable Mail and changes of addresses to:
PO Box 4009 Chesterfield, MO 63006-4009 USA

GlobalCapital

TELL US WHAT YOU THINK!

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
● Abengoa	Norte III (924 MW Gas)	Mexico	Carl Marks	A consortium led by Macquarie and Techint is buying the project (see story, page 12).
American Electric Power	Zimmer (1,350 MW Coal, 25.4%)	Moscow, Ohio		Dynegy will acquire AEP's 25.4% interest in the project in exchange for Dynegy's 40% interest in the 780 MW Conesville project in Conesville, Ohio (PFR, 3/6).
Brookfield Renewable Partners	Price (189 MW Wind), Comber (166 MW Wind), Gosfield (51 MW Wind)	Sault Ste. Marie, Lakeshore, and Kingsville, Ontario	Scotiabank, TD Securities (seller)	Brookfield Renewable is selling the three facilities, plus an expansion project, in a portfolio (PFR, 7/18).
Capital Dynamics	Kings Mountain Energy Center (475 MW Gas)	Cleveland County, N.C.		Axium Infrastructure has acquired a portion of Capital Dynamics' interests in the projects (PFR, 3/27).
	Middletown Energy Center (475 MW Gas)	Butler County, Ohio		
Cricket Energy Group	Portfolio (Distributed Solar)	U.S.		Fengate has acquired a stake in Cricket Group, which includes a distributed solar company (PFR, 3/27).
Dynegy	Armstrong (753 MW Gas)	Shelocta, Pa.		LS Power has agreed to acquire the two peakers from Dynegy (PFR, 3/6).
	Troy (770 MW Gas)	Luckey, Ohio		
Dynegy	Conesville Unit 4 (780 MW Coal, 40%)	Conesville, Ohio		AEP will acquire Dynegy's 40% interest in the project in exchange for AEP's 25.4% interest in the 1,350 MW Zimmer project in Moscow, Ohio (PFR, 3/6).
Eversource	Portfolio (1.2 GW Coal, Hydro, Oil)	New Hampshire	JP Morgan	JP Morgan has distributed teasers in prepation for a two-stage auction for the portfolio (PFR, 3/6).
BTG Pactual Infraestructura II, Pátria Investimentos, GMR Group	Latin America Power (114 MW Hydro, Wind)	Chile, Peru	BTG Pactual, }Morgan Stanley	Several bidders have been shortlisted in the sale of the company, which also owns an 803.9 MW development pipeline that includes its first solar asset (PFR, 2/13).
Madison Gas and Electric Co., WEC Energy Group	Columbia Energy Center (1,112 MW Coal, 7.2%)	Pardeeville, Wis.		Alliant Energy is acquiring a 4.2% stake and a 3% stake from WEC and MSE, respectively (PFR, 3/13).
Mercuria	Danskammer (500 MW Dual-fuel)	Hudson Valley, N.Y.	Guggenheim Partners	The first round of a two-stage auction is underway (PFR, 10/3).
Panda Power Funds	Liberty (Gas 829 MW), Stonewall (778 MW), Patriot (829 MW)	Bradford County, Pa., Loudoun County, Va., Lycoming County, Pa.	Goldman Sachs	First round bids for the 2.5 GW portfolio were due in November (PFR, 10/31).
● Renewable Energy Systems Americas	Deerfield (149 MW Wind)	Huron County, Mich.		Algonquin Power & Utilities Corp. acquired RES Americas' 50% stake on March 14, assuming full ownership of the project (see story, page 6).
● Rockland Capital	Elgin Energy Center (484 MW Gas)	Elgin, Ill.	Barclays	The Carlyle Group is buying the three facilities (see story, page 1).
	Rocky Road (349 MW Gas)	East Dundee, Ill.		
	Tilton (180 MW Gas)	Tilton, Ill.		
	Eagle Point Power Generating (238 MW Gas)	Westville, N.J.		Rockland is still seeking a buyer for the project (see story, page 1).
Salka	Summit (55 MW Wind)	Alameda County, Calif.	Whitehall & Co.	Alternative investment firm Castlelake is acquiring the repowering project (PFR, 3/27).
Sorgent.e	Frosthall (15 MW Hydro)	British Columbia		Sammons Renewable Energy has acquired the projects from Sorgent.e. Franklin Park Investments is managing the projects on Sammons' behalf (PFR, 3/13).
	Clemina (10.5 MW Hydro)			
	Serpentine (10.5 MW Hydro)			
	English (6 MW Hydro)			
sPower	Portfolio (6.7 GW Solar)	U.S.	Barclays (lead), Marathon Capital, CohnReznick, Citi (co-leads)	AES Corp. and Alberta Investment Management Corp. are buying the independent power producer from hedge fund Fir Tree Partners (PFR, 3/6).
Sungevity	Portfolio (Solar)	U.S.		A group of investors has a stalking horse bid for the Sungevity's assets following the company's Chapter 11 filing (PFR, 3/20).
Terra Firma	Portfolio (752.25 MW Wind)	U.S.	Barclays, KeyBanc	Terra Firma is marketing the U.S. wind shop, whose assets also include an up-to-1,759 MW development pipeline (PFR, 3/6).
● US Renewables Group	Crescent Dunes (125 MW Solar-plus-storage)	Nye County, Nev.		Hedge fund Crestline Investors and an additional, unknown entity have acquired stakes in the project's parent company, SolarReserve, from US Renewables Group (see story, page 10).
● VivoPower	NC-31 (43.2 MW (DC) Solar)	Bladenboro, N.C.		New Energy Solar Fund, which is managed by Sydney-based Walsh & Co., has closed its acquisition of the project (see story, page 10).
● York Capital Management Global Advisors	Idaho (54.6 MW (DC) Solar)	Ada County, Idaho	Whitehall & Co.	York Capital has mandated Whitehall to sell the project (see story, page 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 Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@powerfinancerisk.com

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
● Advanced Microgrid Solutions, Macquarie	Portfolio (50 MW Solar storage)	Los Angeles and Orange counties, Calif.	CIT	Debt	TBA	10-yr	CIT has closed the debt financing, which will back a portfolio of roughly 100 projects (see story, page 7).
● Algonquin Power & Utilities Corp.	Deerfield (149 MW Wind)	Huron County, Mich.	BAML, Citizens Bank	Tax Equity	$150M		Bank of America Merrill Lynch will syndicate a portition of its tax equity investment to Citizens Bank (see story, page 6).
ArcLight Capital Partners	Eastern Power, Eastern Covert Midco (5 GW Gas)	Illnois, New York, Ohio	Morgan Stanley	Term Loan B	$1.647B	6-yr	ArcLight is reducing the size of its term loan B and extending the loan's maturity by two years (PFR, 3/27).
● Atlantic Power Corp.	Portfolio (1.5 GW)	Canada, U.S.	Goldman Sachs (lead), Bank of America Merrill Lynch, RBC, MUFG, Wells Fargo Securities	Term Loan B	$615M	TBA	Atlantic is working on repricing its term loan B (see story, page 5).
The Blackstone Group, ArcLight Capital Partners	Lightstone Generation (5.3 GW Coal, Gas)	U.S.	Credit Suisse	Term Loan B	$1.625B	7-yr	The sponsors have repriced the term loan B for the portfolio (PFR, 3/27).
Carso Energy	Samalayuca-Sasabe (390-mile pipeline)	Mexico	BBVA, MUFG, SMBC, Mizuho	Debt	$535M		The debt financing has closed (PFR, 3/20).
● Competitive Power Ventures, GE Energy Financial Services, Osaka Gas USA	Fairview (1,050 MW Gas)	Cambria County, Pa.	CBA, BNP Paribas, CIT, Crédit Agricole, DNB, ICBC, MUFG, National Australia Bank	Term Loan	$360M	C+ 5-yr	CPV has closed financing for the PJM project (see story, page 1).
			CDPQ, Macquarie, Migdal	Private placement	$115M	TBA	
			Industrial Bank of Korea, JB Asset Management, Shinhan, Woori	Debt	$100M	TBA	
EDF Renewable Energy	Great Western (225 MW Wind)	Ellis and Woodward counties, Okla.	MUFG	Tax Equity	TBA		MUFG closed its acquisition of an approximately 23% stake in the project's tax equity on Feb. 28 (PFR, 3/27).
● GCL New Energy	Portfolio (84.5 MW Solar)	Wilson County, N.C.	CIT	Debt	$59.8M	15-yr	The financing, which includes a five-year merchant tail, has closed (see story, page 1).
● Iberdrola	Topolobampo III (766 MW Gas)	Sinaloa state, Mexico	TBA	TBA	TBA	TBA	Iberdrola is close to mandating banks to finance the project's construction (see story, page 7).
Longroad Energy Holdings	Portfolio (3 GW Solar)	U.S.	TBA	Debt			The sponsor plans to seek debt financing this year for the first of a portfolio of projects it acquired from 7X Energy (PFR, 1/23).
LS Power	Aurora (968 MW Gas)	Aurora, Ill.	MUFG, Bank of Montreal, GE Energy Financial Services, KEB Hana Bank, ING, BNP Paribas, ICBC and NH Investment & Securities	Term Loan	$300M	7-yr	Pricing on the term loan is 325bps over Libor (PFR, 3/13).
	Rockford (485 MW Gas)	Rockford, Ill.		Revolving Credit Facility	$25M	7-yr	
	Helix Gen (3.9 GW Gas, Wind)	U.S.	Credit Suisse	Term Loan B	$1.675B	7-yr	The term loan B grew from an expected $1.54 billion to $1.675 billion (PFR, 3/13).
				Working capital facility	$175M	5-yr	
Mackinaw Power (75.05% Carlyle, 24.95% GE)	Portfolio (1,066 MW Gas)	Georgia	Natixis, CoBank, MUFG	LOC	$193M	7-yr	The loan, which partly refinances the contracted gas-fired fleet after two assets were removed from the collateral package, closed on March 1 (PFR, 3/13).
				Debt Service Reserve LOC	$22.5M	7-yr	
				Working capital facility	$30M		
NextEra Energy Resources	Portfolio (600 MW Wind)	Colorado, Minnesota, North Dakota	Hannon Armstrong	Tax Equity	TBA		Hannon Armstrong is buying a 53.9% tax equity stake in the project from Morgan Stanley in a secondary tax equity deal (PFR, 3/27).
Panda Power Funds	Mattawoman (850 MW Gas)	Prince George's County, Pa.	BNP Paribas, ICBC, Investec	Loan		TBA	Panda has mandated three banks to raise debt for the project (PFR, 2/6).
	Temple I (758 MW Gas)	Temple, Texas	Jefferies	Refinancing	-$750M	TBA	The sponsor and arranger are considering a structure involving mezzanine debt (PFR, 2/21).
	Temple II (758 MW Gas)						
Quantum Utility Generation	Moundsville (643 MW Gas)	Marshall County, W.Va.		Debt	TBA		Quantum could launch a debt financing for the project this year (PFR, 2/6).
			BNP Paribas	Equity			
Sunnova Energy Corp.	Portfolio (55 MW Solar)	U.S.	TBA	Debt	$100M+		The sponsor expects to find a lender or lenders within the next month (see story, 3/27).
Swift Current Energy	HillTopper (175-200 MW Solar)	Logan County, Ill.		Debt, Tax Equity	TBA		The sponsor plans to finance the project with debt and tax equity (PFR, 2/13).

● **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 Managing Editor Olivia Feld at (212) 224-3260 or e-mail olivia.feld@powerfinancerisk.com

PROJECT FINANCE

Sponsor Trio Closes Debt for PJM Gas-fired Project

« FROM PAGE 1

tenor of the debt matches the project's five-year revenue put.

Crédit Agricole, **MUFG**, **BNP Paribas**, **CIT Bank**, **National Australia Bank** and **ICBC** were the initial coordinating lead arrangers on the commercial bank tranche. **Commonwealth Bank of Australia** and **DNB Markets** joined the tranche later, also as coordinating lead arrangers.

Industrial Bank of Korea and **Woori Bank** arranged the South Korean debt, and **Shinhan Investment Corp.** and **JB Asset Management** participated in the loan, IBK told *The Korea Times* on March 28.

South Korean banks also participated in the commercial bank loan, taking tickets totaling $50 million, bringing the total amount of debt sourced from the Asian country to $150 million.

The overall debt package was one-and-a-half-times subscribed, CPV said in a statement on March 27.

"It's noteworthy how well this financing drew from several, vastly different sources of financing," said **William Bice**, a partner at **Milbank Tweed**, which acted as legal counsel to the lenders on the deal, in a statement. "The alliance of this large, international funding group is indicative of the confidence that lenders and long-term investors have in the [**PJM Interconnection**] capacity market for power generation."

Latham & Watkins was the sponsors' counsel.

"BETTER EXECUTION"

The sponsors may have been able to raise the full $700 million in the commercial bank market, but tapping multiple pools of capital likely helped them to secure more favorable terms, says a banker who was not involved in the deal.

"I think they just got better execution," he says. "I'm sure they got attractive pricing from the U.S. institutional market and I imagine from the Koreans as well."

"At this point it's becoming clear that a lot of traditional lenders have accumulated a large exposure to PJM, so it's becoming challenging," says another deal watcher. "The interesting thing is the Korean lenders coming in a filling the void."

Riverside Advisors advised the sponsors on interest rate hedges they obtained to swap most of the floating-rate debt to fixed-rate.

The pricing on the three tranches could not immediately be learned. Spokespeople for the project's three sponsors—**Competitive Power Ventures**, **GE Energy Financial Services** and **Osaka Gas**—and the lead arrangers either declined to comment on the transaction or did not respond to inquiries.

JAPANESE BUY-UP

Meanwhile, CPV has closed the sale of a 20% stake in its 725 MW Woodbridge Energy Centre gas-fired project in Woodbridge, N.J., to Osaka Gas for an undisclosed sum.

It is the Japanese company's third equity investment in a CPV gas-fired project, the others being its 50% stake in Fairview and a 25% interest in the St. Charles Energy Center in Maryland that it acquired in 2015.

"These transactions confirm our dedication to grow the North American power business," says **John Drake**, v.p., business development, at **Osaka Gas USA** in New York, while declining to go into further detail regarding the deals.

OVERBUILD WORRIES

Although there is no shortage of gas-fired projects in PJM looking for debt, some deal watchers have predicted a slow-down in financing in the run up to the regional transmission operator's residual baseload capacity auction in May (see The Buzz, page 2).

"The market should accommodate the better deals, but lenders have become very selective," says the second deal watcher.

Some market participants have voiced concerns around potential overbuild in the region as a result of the fast pace of development and financing in recent months and years.

"When you go through these cycles, you may go through a bit of overbuild, but it works itself out over time," says the second deal watcher. "As long as you take a long view on this market, you anticipate some of these bumps in the road." ■

Atlantic Power Seeks to Cut Pricing on Term Loan B

Atlantic Power Corp. has held a lender meeting with a view to repricing a term loan B it originally issued about a year ago, during a more turbulent time in the market.

Goldman Sachs is lead left on the repricing for the independent power producer, which owns a 1.5 GW fleet of largely contracted, mainly gas-fired projects. The portfolio comprises interests in 23 facilities in the U.S. and Canada.

The original $700 million loan was priced in April last year at 500 bps over Libor and sold at an original issue discount of 97. The deal came at the tail end of a period of volatility in which some other term loan Bs were pulled, and the borrower had to make concessions to investors on pricing (PFR, 4/13/16).

Following the lender meeting, which took place on March 29, price talk on the repricing was set at 425 bps. Commitments are due on April 4.

Bank of America Merrill Lynch, **RBC**, **MUFG** and **Wells Fargo Securities** are also bookrunners on the deal.

About $615 million is outstanding under the loan, which is rated Ba3 and BB- by **Moody's Investors Service** and **S&P Global Ratings**.

Moody's affirmed its rating, which has a positive outlook, on March 27. "[W]e expect the company's credit metrics to improve with additional cost and debt reductions over the next twelve to eighteen months," wrote the rating agency in its report.

The borrower under the loan is a subsidiary of Atlantic Power called **APLP Holdings Limit Partnership**, and the debt is secured on most of the group's generation assets and benefits from a 50% cash flow sweep.

Nine of the company's projects have power purchase agreements or other offtake arrangements that will expire in the next five years, according to its 2016 annual report, published on March 2. Atlantic Power's stakes in these projects represent a net ownership of about 375 MW.

Officials at Goldman Sachs in New York declined to comment. Representatives of Atlantic Power in Dedham, Mass., did not immediately respond to inquiries. ■

PROJECT FINANCE

Repricing Frenzy as Term Loan B Inflows Outweigh Supply

« FROM PAGE 1

fairly modest."

Atlantic Power joined the action last week, setting price talk for the $615 million remaining under its existing term loan B at 425 basis points over Libor, 75 basis points inside where the deal was originally priced last year (see story, page 5).

Repricing activity began to pick up last year and has been gathering pace since then, says **Jean-Pierre Boudrias**, v.p. and head of project finance at **Goldman Sachs**.

"We had a wave of repricings back in 2013 and '14 and then really nothing until mid- to late summer 2016, and that has accelerated in 2017 in the face of limited supply to offset the wall of funds coming into the market," he says.

While collateralized loan obligation (CLO) managers make up about 60% of the investor base for term loan Bs, the acceleration of inflows to the asset class has been driven by retail funds channeled by investment managers such as **Eaton Vance** and **Fidelity**. Retail inflows to the market reached about $15 billion in the first quarter of the year.

As a result of the strong investor demand, pricing has tightened so much in such a short space of time that it has made sense for some borrowers to pay a premium to redeem their loans early in order to reprice them.

That was the case with **Lightstone Generation**, a joint venture between The **Blackstone Group** and **ArcLight Capital Partners** which repriced its term loan B just three months after closing the original deal (PFR, 3/20). Lightstone paid a 1% premium to redeem the loan because the six month soft call period had not yet expired, but reduced the pricing by 100 basis points.

"Still very attractive relative to what's out there."

At 450 bps over Libor, the new loan is "still very attractive relative to what's out there" in terms of similarly rated debt, says a banker. Lightstone is rated Ba3 and BB- by **Moody's Investors Service** and **S&P Global Ratings**.

"The nature of the activity has been weighted heavily towards refinancings and repricings."

Project finance-style deals backed by generation assets generally yield more at issuance than corporate deals with the same rating, making them particularly attractive in a market where incremental spread is difficult to find, says Williams.

Investors also like power deals because they tend to come with "all of the project finance bells and whistles, such as debt service reserve funds, cash flow waterfalls and a financial maintenance covenant," he adds.

Furthermore, while new supply is scarce, the CLO managers that make up the bulk of the investor base have little option but to agree to a repricing on the terms set by the borrower, since they need the cash flows to pay coupons to CLO investors.

"They have to earn more than the liability side of the house," says Boudrias. "When repricings come, they can't afford to go into cash because they wouldn't be earning enough to cover their liabilities, so they have to agree to them because they don't have any alternative."

The borrower-friendly conditions will continue until there is more supply to the market, say bankers, adding that this could take the form of acquisition finance, dividend recapitalizations or, in a more unlikely scenario, refinancings of commercial bank loans backing gas-fired projects.

"I had suggested publicly that maybe these could get taken out in the term loan B market," says Boudrias. "That said, when we've spoken to sponsors, often the reaction has been relatively muted, so I suspect that's going to be driven by where merchant markets ebb and flow."

"If you want to take a larger dividend, you probably need better markets than we have today before the sponsors are willing to pay the higher cost of greater leverage," he adds. ■

BAML Nears Close on Tax Equity Deal, Plots Syndication

Bank of America Merrill Lynch is nearing financial close on a tax equity investment in a Michigan wind project **Algonquin Power & Utilities Corp.** recently took full ownership of.

BAML will invest $150 million of tax equity in the 149 MW Deerfield wind project in Huron County, Mich., and plans to syndicate a portion of the deal to **Citizens Bank**.

The percentage of the tax equity to be acquired by Citizens could not immediately be learned. A spokesperson for BAML in Charlotte, N.C., declined to comment. BAML's acquisition of the tax equity interests in Deerfield is expected to close early in the second quarter of 2017.

Algonquin assumed full ownership of the project on March 14 when it acquired **Renewable Energy Systems Americas**' 50% stake.

In doing so, Algonquin was exercising an option written into the purchase agreement governing its initial acquisition of half of the project (PFR, 11/17).

The Deerfield project, which is expected to be online this year, will sell its output to **Wolverine Power Supply Cooperative** under a 20-year power purchase agreement (PFR, 11/5/15).

A spokesperson for RES Americas in Broomfield, Colo., referred inquiries to Algonquin. Representatives of Algonquin in Oakville, Ontario, and Citizens Bank, in Boston, did not respond to requests for comment. ■

PROJECT FINANCE

Sponsor Seals Solar Debt with Merchant Tail

« FROM PAGE 1

N.C., ranging from 2 MW to 10 MW in size. All of the facilities have 10-year power purchase agreements with the **North Carolina Eastern Municipal Power Agency**.

The tenor of the term loan is 15 years, says a deal watcher, adding that the pricing steps up to 300 basis points over Libor.

That means that the deal has a five-year merchant tail, during which the projects in the portfolio qualify under PURPA and will sell their capacity to utilities in **Duke Energy**'s service territory, adds the deal watcher.

The projects represent the first of several U.S. solar investments recently made by Hong Kong-based GCL, the company announced on March 23. The first of the three projects was slated to be online by March 31.

GCL acquired the projects earlier this year from **Mount Olive I** and **Hive Energy** for $4.9 million (PFR, 2/18).

CIT Seals Debt for Solar Storage Portfolio

Macquarie Capital has secured debt financing from **CIT Bank** for a 50 MW solar storage portfolio in which it acquired an equity stake last year.

The $200 million portfolio of commercial and industrial storage projects, which **Advanced Microgrid Solutions** is developing in Los Angeles and Orange counties, Calif., is expected to be online within one to two years.

CIT, the sole bank on the deal, is planning to syndicate the fully-amortizing construction and term loan in the second half of this year. Syndication is expected to close in the third quarter, say **Mike Lorusso**, m.d. and group head of energy finance at the bank, and **Rhys Marsh**, who is a director in the same group.

The bankers declined to comment on the size, tenor and pricing of the loan, which closed in the second half of March. The bankers declined to comment on the size, tenor and pricing of the loan, which closed in the second half of March, though a person familiar with the deal puts the tenor at 10 years.

The portfolio comprises some 100 projects with individual capacities of around 500 kW, according to people familiar with the deal. **Southern California Edison** has signed a 10-year power purchase agreement with AMS for the projects' output, which will serve customers in the utility's West Los Angeles Basin service territory.

The projects will utilize **Tesla**'s Powerpack 2 lithium-ion battery system, according to a statement issued by Macquarie. The investor claims that the deal is the first non-recourse project financing of battery storage assets.

"Kudos to them," says a banker who was not involved in the deal, noting that while battery storage has been included in project financing deals alongside renewable generation assets, he was not aware of a pure storage project financing.

In July, **Kelly Warner**, president of AMS, described Macquarie's equity investment in the portfolio as the largest storage project financing to date (PFR, 7/11).

Representatives of AMS in San Francisco did not respond to inquiries. Officials at **Macquarie** declined to comment.

FAST FACT

100

Approximate number of storage projects included in the portfolio

FAST FACT

10 years

The length of the power purchase agreement which Southern California Edison has with the projects.

Iberdrola Gives Nod to Banks on Mexico Gas-fired Project

Spanish utility Iberdrola is on the cusp of mandating banks to finance the construction of a 766 MW gas-fired plant in the Mexican state of Sinaloa, two bankers tell *PFR*.

The project, called Topolobampo III, will cost around $400 million to construct and is slated to begin operations in 2020, according to Iberdrola.

"Banks have been selected," said a project finance banker. "The mandate hasn't been signed yet, but they've been selected."

"The mandate hasn't been signed yet, but they've been selected."

A second banker confirmed that the banks had been chosen but not officially mandated. The identities of the banks could not immediately be learned.

Iberdrola will be responsible for the construction, operation and maintenance of the plant and will sell all of its output to the Mexican **Federal Electricity Commission** through a 25-year contract with fixed capacity fees.

Once operational, the combined-cycle project will bring Iberdrola's installed capacity in Mexico to more than 10 GW.

FAST FACT

$400M

Expected construction cost of Topolobampo III

PROJECT FINANCE

BlackRock Arranges Green Bond for Hannon Armstrong

Hannon Armstrong has issued an $84 million green debt private placement to finance solar and energy efficiency projects in an offering arranged by **BlackRock**.

The bonds refinance a portfolio of lease agreements that funded seven solar and energy efficiency projects at more than 90 public schools and more than 20 county government properties in four U.S. states.

The 20-year, fully-amortizing, non-recourse bonds were issued at par and bear interest at 4.35%. BlackRock placed the debt with unidentified institutional investors.

"There is an education process going on within the entire investing community."

The issuance of the green bonds is part of the sponsor's strategy to increase its leverage and the proportion of its debt that is fixed-rate in preparation for expected U.S. **Federal Reserve** interest rate rises, **Jeffrey Eckel**, Hannon Armstrong's president and ceo in Annapolis, Md., tells *PFR*.

The sponsor is aiming for its total debt to be 2.5 times equity, and for 60% to 85% of that debt to be fixed-rate.

The deal with BlackRock is Hannon Armstrong's third green bond offering, following similar transactions in December 2015 and September 2016.

"Being green doesn't substitute for good credit quality, structure or pricing."

HOW GREEN IS A BOND?

The sponsor, which labels its green bonds "sustainable yield bonds", could in theory market all of its debt as green because it is focuses solely on renewable generation and energy efficiency. However, it sees third party certification as an important part of building credibility in environmentally sustainable investment among investors.

"While I applaud everybody's efforts to aspire to issue green bonds and do sustainable investing, the reality is we don't believe green bonds trade at a premium," says Eckel. "And a good reason for that is that it's hard to tell how green a bond is."

Hannon Armstrong's solution is to have its sustainable yield bonds assessed for their environmental credentials by **Moody's Investors Service** and the **Alliance to Save Energy**.

Moody's placed the notes in its highest green bond assessment (GBA) category, GB1, while the Alliance to Save Energy gave the bonds a score of 0.27 tons of greenhouse gas per $1,000 under its CarbonCount system.

"People who invest in bonds want to know the term, the rate, the credit, and some day they're going to want to know the carbon count," says Eckel. "There is an education process going on within the entire investing community."

Hannon Armstrong has obtained CarbonCount scores from the Alliance to Save Energy for its previous bond offerings, but this is the first time its debt has been rated under Moody's GBA program.

Moody's published the methodology underpinning its GBA ratings about a year ago and assigned its first GBA in May to a Dutch residential mortgage-backed securitization. In August, the **Upper Mohawk Valley Regional Finance Authority** became the first U.S. issuer to obtain a GBA from the rating agency, for a series of water system revenue bonds.

Eckel believes that the green attributes of the deal were an important factor in BlackRock's decision to invest its clients money.

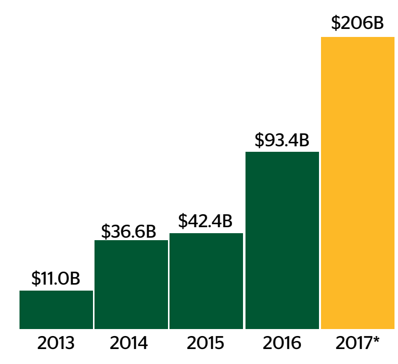
"Being green doesn't substitute for good credit quality, structure or pricing," Eckel says. "But we think BlackRock is a leader along with us in thinking through why investors should care about the carbon content of bonds and equities."

"As part of BlackRock's commitment to sustainability, we are pleased to partner with Hannon Armstrong on a project with such tangible impact," said **Jeetu Balchandani**, head of BlackRock's North American infrastructure debt team, in a statement issued on March 27. ■

Moody's GBAs Are Distilled From An Evaluation Of Five Broad Factors

40% Use of proceeds	» Clean water » Sustainable land use » Sustainable waste mgmt » Sustainable water mgmt » Clean transportation » Biodiversity conservation » Renewable energy » Climate change adaptation » Energy efficiency
20% Ongoing reporting	» Monitoring » Frequency and quality of reporting » Environmental impacts
15% Organization	» Governance » Mission » Framework for deployment of proceeds » Project evaluation
15% Management of proceeds	» Allocation and tracking of proceeds » Temporary investment practices » Audit
10% Disclosure on use of proceeds	» Project disclosure practices » Funding practices » Reliance on external assurances

Green Bond Issuance Volume



Source: Moody's Investors Service

PFR Power Finance & Risk
www.powerfinancerisk.com

PFR AWARDS DINNER 2017

The 14th Annual Deals & Firms of the Year Awards

PFR'S DEALS & FIRMS OF THE YEAR POLL IS NOW CLOSED!

Thank you to everyone who voted in the poll. To inquire about sponsorship opportunities and attending the event, please call Kevin Dougherty on +1 212 224 3288 or e-mail him at kevin.dougherty@powerfinancerisk.com

The awards for 2016 will be presented at a ceremonial dinner in New York on May 24, 2017.

Rockland Finds Buyer for Three Illinois Peakers

« FROM PAGE 1

Carlyle is buying are the 484 MW Elgin simple-cycle facility in Elgin, the 349 MW Rocky Road simple-cycle project in East Dundee and the 180 MW Tilton simple-cycle project in Tilton.

Carlyle has agreed to pay approximately $400 million for the 1,013 MW portfolio, say deal watchers.

Rockland is still looking for a buyer for the unsold 238 MW Eagle Point combined-cycle project, adds one of the deal watchers.

The Texas-based private equity firm first attempted to sell the Eagle Point facility in 2014, hiring Barclays to run an auction (PFR, 7/7/14), before postponing the sale after deciding instead to build a new steam turbine on the site.

The project, which initially came online in 1990, is located in the **PSE&G** zone of PJM. Rockland acquired the facility from **Sunoco Power** in 2012 (PFR, 2/10/12).

James Maiz, a partner at Rockland in The Woodlands, Texas, and spokespeople for Barclays in New York and Carlyle in Washington, D.C., declined to comment. ■

Australian Fund Seals Acquisition of N.C. Solar Stake

An Australian fund manager has closed its acquisition of a majority stake in a U.S. solar project from **VivoPower**.

The 43.2 MW (DC) project, which is called NC-31 and was originated by **Innovative Solar Systems**, came online last month in Bladenboro, N.C.

New Energy Solar Fund, an investment vehicle managed by Sydney-based **Walsh & Co.**, acquired a 51% stake in the asset for approximately $50 million.

Whether VivoPower used an external financial adviser on the asset sale could not be immediately established.

KeyBanc Capital Markets arranged a $61 million debt financing for the project in 2015 (PFR, 10/28). **U.S. Bank** is the sole tax equity investor in the project, committing $26.8 million last year. **CohnReznick** advised VivoPower on the tax equity deal.

NC-31 has a long-term power purchase agreement with **Duke Energy Progress** for its full output. ■

Hedge Fund Puts Operational Solar Asset on the Block

York Capital Management Global Advisors is seeking to sell a contracted and operational utility-scale solar project in Idaho.

The 54.6 MW (DC) Idaho solar project, which has been online since August, is located in Kuna, Ada County. **Idaho Power Company** has a 20-year power purchase agreement with the facility for its generation and half of its Renewable Energy Certificates.

The project is financed partly through an inverted-lease tax equity investment from an undisclosed investor, with a time-based flip structure, a deal watcher tells *PFR*.

Charlotte, N.C.-based **Entropy Investment Management**, which is majority-owned by York Capital, is investment manager for the project. **Cypress Creek Renewables** is the facility's operations and maintenance provider and asset manager, and holds a minority equity stake in the project.

In addition to projects under Entropy's platform, York Capital has developed 452 MW of solar facilities in Japan and the U.K.

Whitehall & Co. is advising York Capital on the sale. ■

Hedge Fund Acquires Stake in SolarReserve

Two entities, including a Texas-based hedge fund, have acquired ownership interests in concentrated solar developer SolarReserve, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

Fort Worth, Texas-headquartered **Crestline Investors** and a second, undisclosed party closed their investment in the solar shop on Dec. 12, but paperwork was not filed with the FERC to request approval of the deal until March 24.

Tonopah Solar Energy, the SolarReserve subsidiary which filed the request with FERC, said its "untimely" request for approval was due to its not learning of the ownership change until after the transaction had closed.

Tonopah Solar Energy directly owns SolarReserve's 125 MW Crescent Dunes solar project in Nye County, Nev., which means it must seek authorization from federal regulators before a change in upstream ownership. The project company has notified FERC's Office of Enforcement of the late filing.

Officials at Crestline in Fort Worth and New York, SolarReserve in Santa Monica and the attorneys who filed the FERC request did not respond to inquiries.

SOLAR HOLDCO

The two investors obtained their interests in SolarReserve through the acquisition from funds managed by **US Renewables Group** of two classes of shares in **Solar Holdco**, a holding company that owns 46.32% of SolarReserve.

One fund managed by Crestline acquired 100% of the Class A interests in the holding company, while another Crestline fund acquired 25% of the Class C interests.

The remaining 75% of the Class C interests in Solar Holdco were acquired by **Ascent Holdings Distribution Company**, whose owner could not immediately be identified. Unnamed investors own the passive Class B interests in Solar Holdco, according to the filing.

The overall economic interest in SolarReserve that is owned by the two investors could not immediately be established. The 56.38% stake in SolarReserve that is not owned through Solar Holdco is held by various other investors.

Besides Crescent Dunes, which obtained a tax equity commitment from **Capital One** earlier this year, SolarReserve is in the early stages of developing 10 concentrated solar projects with capacities of 150 MW to 200 MW each in Nye County and is in the late stages of developing several projects in Chile (PFR, 1/20). ■

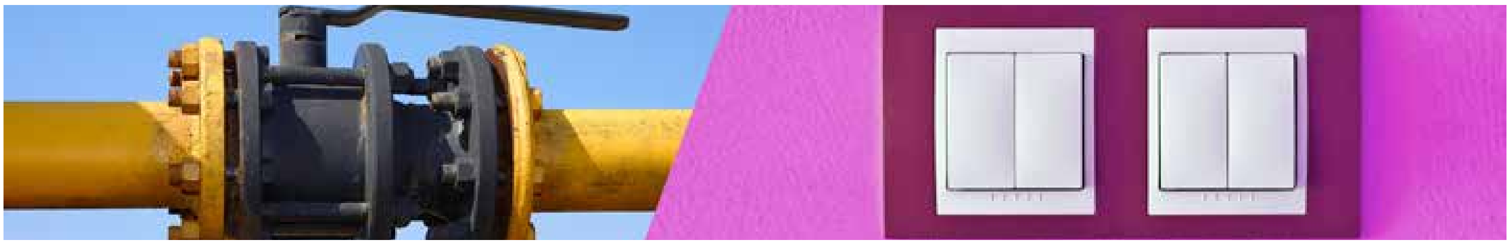
S&P Global
Platts

Register by April 7, 2017 and
Save $300

12th Annual

Northeast Power and Gas Markets Conference

Main Conference—May 22–23, 2017 | Post-Conference Workshop—May 23, 2017
New York Marriott Downtown Hotel | New York, New York



Attend **Platts 12th Annual Northeast Power and Gas Markets Conference** to explore which key trends are driving changes in power generation. Network with a diverse group of professionals from power generation, regulation, renewable, gas pipeline, and electric transmission backgrounds, while gaining valuable insight into where the Northeast energy markets are headed.

Featured Topics Include:

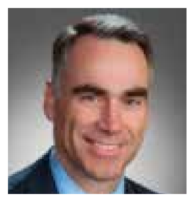
- New state procurement initiatives and their impact on the Northeast
- New York's Zero Emissions Credits (ZEC) program and the issue of state support surrounding nuclear
- Pricing carbon in wholesale markets
- What might new administration changes in DC mean for the Northeast?
- How could new non-emission requirements affect capacity requirements?
- Untangling infrastructure build-out roadblocks and restrictions

Learn More

Find further details, including a complete agenda, at:
www.platts.com/northeast

For questions about the program or to request a brochure, contact:
Erica Giardina
Conference Manager
Tel. 857-383-5718
erica.giardina@spglobal.com

This Years' Can't-Miss Keynote Address



Dynegy's Expanding Footprint in the Northeast—Why the Northeast? Why Now?

Robert C. Flexon
President, Chief Executive Officer
Dynegy Inc.

Top ISO Executives Lend Perspective

Brad Jones
President, Chief Executive Officer
NYISO

Gordon van Welie
President, Chief Executive Officer
ISO-New England

Platts to Host Post-Conference Workshop

Black Swans of the Northeast Energy Markets
Platts Analytics will share insights and facilitate discussions among industry professionals on the flow of gas into the Northeast. Participants will leave with a better understanding of how these strategic levers can drive improvements and enhance business operations.

Register Now
www.platts.com/northeast
registration@platts.com
800-752-8878 (toll free)
+1 212-904-3070 (outside USA & Canada)

Electric Power | Natural Gas

Registration Code: PD711PFR

MERGERS & ACQUISITIONS

Acquisition Finance for Mexico Project Heads to Syndication

The financing package backing the acquisition of a gas-fired project in Mexico has been launched into syndication, says a banker who has seen the syndication invitation.

A consortium led by **Macquarie** and **Techint** is acquiring the 924 MW project, called Norte III, from Spain's **Abengoa**, which has seen dozens of its subsidiaries file for bankruptcy as it struggles to restructure around $10 billion of debt.

Lenders are expected to be added to the syndicate for the acquisition loan over the next few weeks, the banker adds.

The identity or identities of the bank or banks arranging the financing and the size and tenor of the deal could not immediately be learned.

New York-based advisory firm **Carl Marks** is advising Abengoa on the restructuring and sale of the asset.

Once the purchase is complete, the Macquarie-Techint consortium will take over a 25-year power purchase agreement awarded to Abengoa in January 2015 by Mexico's **Federal Electricity Commission**.

Abengoa had hoped to stay on as the engineering, construction and procurement provider for the project, a deal watcher told *PFR* in September (PFR, 9/21/16).

Representatives of Macquarie did not respond to requests for comment. ■

STRATEGIES

Talen to Refi Corp Debt in $1.5B Multi-Tranche Deal

Talen Energy is undertaking a corporate refinancing involving the issuance of a new $400 million secured term loan B, a repricing of its existing $600 million term loan and an offering of up to $500 million of senior unsecured notes.

The independent power producer plans to use the proceeds of the new loan and the bond offering to refinance, repurchase and/or repay existing debt, the company announced on March 30.

Morgan Stanley, **Goldman Sachs**, **Deutsche Bank**, **MUFG**, **Credit Suisse** and **RBC Capital Markets** are arranging the new term loan B.

The corporate-level refinancing will be launched on April 6, a deal watcher tells *PFR*, adding that the tenor of the new loan is seven years. Both the new term loan and the repricing will be syndicated *pari passu*.

Price talk on both loans is 400 basis points over Libor. The new term loan will have a 1% Libor floor and be offered at a 99.5 original issue discount, adds the deal watcher.

Talen's existing $600 million term loan B was initially priced on Oct. 19 at 500 bps over Libor with a 1% Libor floor and an original issue discount of 98.5 (PFR. 10/20).

The transaction announced last week is similar in style to recent corporate refinancings by **Calpine Corp.**, **Dynegy** and **NRG Energy**, says the deal watcher.

The bonds, which are being issued in a private offering and have not yet been priced, are due in 2022. **S&P Global Ratings** has rated the private placement BB+.

INSTITUTIONAL MARKET DEFROSTS

The announcement follows a number of repricings in the term loan B market, which is described as "pretty active" by a financier at an international asset management firm.

The Blackstone Group and **ArcLight Capital Partners** repriced a term loan B two weeks ago, three months after the deal was originally sealed (PFR, 3/20). **Atlantic Power** has followed suit and announced that its also repricing a term loan B (see story, page 5).

RIVERSTONE MERGER

The proceeds of Talen's existing term loan B were expected to be used to in connection with the company's merger with **Riverstone Holdings**, which was announced last summer. The seven-year loan is secured on all of Talen's assets except for three gas-fired projects totaling 2.5 GW.

Riverstone's merger with Talen was completed in December.

S&P has since downgraded the outlook on Talen's term loan from stable to negative, while reaffirming its B+ issuer credit rating.

"Based on the current portfolio assets, we expect the enterprise company to maintain adjusted debt to EBITDA at well over 5.5x during the next two years, based on our assumptions about commodity pricing and capital structure under the new ownership structure," wrote credit analyst **Michael Ferguson** in a note published last month. "We anticipate some leverage reduction in 2018 as the company pursues cost-cutting measures."

A spokesperson for Talen did not respond to inquiries by press time. ■

PEOPLE & FIRMS

BMO Hires Ex-BNP Head of Energy

A former head of energy at **BNP Paribas** in New York has landed at **BMO Capital Markets**.

Jerome Doucet was previously head of energy and natural resources at BNP Paribas in New York. He left the bank in September.

Doucet started as global head of metals and mining corporate banking at the Canadian bank last week. Doucet reports to **Phil Lunn**, head of corporate banking, Canada and America at BMO.

Doucet joined **Paribas** in 1992, before its 2000 merger with **BNP**. He spent 22 years in senior management at the French bank, 19 of which were spent covering energy and natural resources.

Cristina Roberts, who has been at BNP for 17 years, has taken over Doucet's coverage area as m.d., head of energy and national resources coverage.

A spokesperson for BNP in New York confirmed Doucet's departure but declined to comment further. ■