# Power Finance & Risk

**Exclusive Insight on Power M&A and Project Financing** 

By the publisher of GlobalCapital

AWARDS

### AT PRESS TIME

### INDUSTRY CURRENT

### 12th Annual Deals & Firms Of **The Year Awards**

PFR is extending the voting process for our 12th Annual Deals & Firms Of The Year Awards to April 3. Visit www.powerfinancerisk.com to send in your votes.

### **TerraForm Power Nets Atlantic Power Wind**

SunEdison's yield company TerraForm Power has purchased a portfolio of wind assets from Atlantic Power.

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### **Examining Impacts Of Missis**sippi Power's Refund Order

Mona Dajani and Michael Reed of Baker & McKenzie explore the potential consequences of Mississippi Power Co.'s \$281M refund order.

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### **Enel, GE EFS Target YieldCo**

Nischinta Amarnath

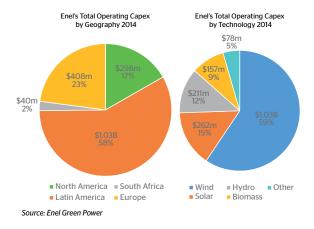
E Energy Financial Services and Enel Green Power North America are launching yield company EGPNA Renewable Energy Partners. An affiliate of GE EFS is paying roughly \$440 million to acquire a 49% stake in the yieldco, which will initially own a 760 MW portfolio of wind, geothermal, solar and hydro assets in North America. EGP-NAREP will not be publicly listed.

GE EFS subsidiary, EFS Renewable

Energy Holdings will own its stake in the EGPNAREP via class B shares and EGPNA will hold the remaining interests (PFR, 3/30). GE EFS, through EGPNAREP, will have the right of first offer on EGPNA's North American projects once they are completed or once EGPNA decides to sell them for the next three years. EGPNA will continue to operate all projects owned by the yieldco.

According to a filing with the U.S. Federal Energy Regulatory Commission, EGPNAREP's initial oper-

### **EGP's Total Operating Capex 2014**



### **BBVA Circles** Chilean **Transmission Deal**

Olivia Feld

**InterChile** is expected to close an \$800 million financing backing its transmission line project in Chile in the next few months. BBVA is the financial advisor and managing lead arranger on the club deal, which includes an international capital expenditure tranche and a VAT facility, according to a deal watcher.

The deal will fund 67% of the project's construction cost.

InterChile is the electricity transmission subsidiary of the Colombian group ISA in Chile.

The 590-mile project is slated to start operations in December 2017. The project is made up of two transmission lines, which will stretch from Cardones to Polpaico and Encuentro to Lagunas, respectively. InterChile was awarded the 500 kV Cardones to Polpaico line in November 2012 by the federal government, as part of the Expansion Plan of Trunk Transmission System of the Chilean Central Interconnected System. The 500 kV double circuit transmission line will connect a series of new substations and expand several existing substations at Cardones, Maitencillo, Pan de Azúcar and Polpaico. Chile awarded the 220 kV Encuentro to Lagunas line to InterChile in June 2013 as part of the Expansion Plan of PAGE 8 »

### **Duke Unit Nears Nuclear. Coal Stakes Purchase**

Nischinta Amarnath

Duke Energy Progress is buying back 700 MW of nuclear and coal-fired stakes in North Carolina, from the North Carolina Eastern Municipal Power Agency for \$1.2 billion. NCEMPA has also agreed to a wholesale contract to buy power from DEP as part of the sale.

The acquisition comprises:

- ♦ 150 MW of the 900 MW Harris nuclear plant in Wake
- ◆ 342 MW of the 1,870 MW Brunswick nuclear plant in Brunswick County.
- ♦ 117 MW of the 727 MW coal-fired Mayo plant in Rox-
- ♦ 90 MW of the 2,422 MW coal-fired Roxboro plant in Semora PAGE 8 »

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### AT PRESS TIME



Credit: Fotolia

### TerraForm Power Snares Atlantic Power Wind Stakes

TerraForm Power has purchased 521 MW of contracted wind assets from **Atlantic Power Corp**. for roughly \$350 million. **Goldman Sachs** advised Atlantic Power, while **Morgan Stanley** advised TerraForm on the transaction, which is slated to wrap this quarter.

The purchase includes:

- ◆ a 12.5% stake in the 124.5 MW Goshen North project in Idaho Falls, Idaho,
- ◆ a 27.6% stake in the 183 MW Idaho Wind project in Twin Falls, Idaho,
- ♦ a the 120 MW Meadow Creek project in Bonneville County, Idaho,
- ◆ a stake in the 80 MW Rockland project in American Falls, Idaho, and
- ♦ a 99% stake in the 298 MW Canadian Hills project in Reno, Okla.

The power purchase agreements on the assets have a weighted-average remaining

life of 18 years. **Carlos Domenech**, ceo of TerraForm, led the acquisition, which will further geographically diversify the yield company's assets, a TerraForm Power spokesman says. TerraForm wrapped its \$2.4 billion purchase of **First Wind**, which presents assets primarily in the Northeast and western U.S., last month (PFR, 1/27).

TerraForm will retire \$165 million of project debt on the assets and it has also secured a \$515 million bridge financing to back the acquisition. The projects will retain about \$110 million in outstanding debt. Details, such as the identities of lenders participating in the bridge loan, as well as the loan's pricing and tenor, could not be learned.

Boston-based Atlantic Power recently tapped **James Moore** as ceo (PFR, 1/29). Moore, the former chairman of the energy and power division at private equity shop **Diamond Castle Holdings**, was set to play a major role in evaluating Atlantic Power's generation fleet for potential sales. Atlantic Power is slated to use most of the proceeds from the sale to pay down debt, according to an analyst.

Goldman Sachs and **Marathon Capital** advised First Wind on its sale to Terra-Form, while Morgan Stanley and **Barclays** advised Terra-Form's parent company **SunEdison** on that transaction. Goldman had also been working with Atlantic Power on a strategic evaluation that was eventually shelved (PFR, 9/19).

A spokesperson for Atlantic Power did not respond to inquiries by press time.

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

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

### GENERATION AUCTION & SALE CALENDAR •

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

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

### **Generation Sale ■** DATABASE

	Seller	Assets	Location	Advisor	Status/Comment	
	American Electric Power	Portfolio (7,923 MW Gas, Coal)	Indiana and Ohio	Goldman Sachs	AEP has tapped Goldman to conduct a strategic evaluation of the assets (PFR, 2/9).	
	Apex Clean Energy	Kingfisher (298 MW Wind)	Oklahoma		The deal has wrapped. First Reserve bought the project (PFR, 2/9).	
	Calpine Corp.	Osprey (599 MW Gas)	Auburndale, Fla.		Duke Energy Florida is buying Osprey for \$166M. The deal will close in Jan. 2017 (PFR, 3/30).	
	Canadian Solar	DiscoveryLight (12.6 MW Solar)	Ontario		RET Capital bought both projects and has raised \$92M to	
		FotoLight (14 MW Solar)			finance the purchases (PFR, 3/30).	
		CityLights (10 MW Solar)	Ontario		RET Capital is buying the facility (PFR, 3/30).	
	EIG Global Energy Partners	Blue Mountain (50 MW Geothermal)	Nevada		Baseload Clean Energy Partners, a subsidiary of Khosla Ventures, bought the project (PFR, 3/16).	
•	Enel Green Power North America	Cove Fort (25 MW Geothermal)	Cove Fort, Utah		GE Energy Financial Services is buying a 49% stake in the	
		Stillwater (47 MW Geothermal)	Churchill County, Nev.		assets via its investment in the EGPNA Renewable Energy Partners yield company (see story, page 2).	
		Stillwater Solar (22 MW Solar)	Churchill County, Nev.			
		Origin (150 MW Wind)	Oklahoma			
		Goodwell (200 MW Wind)	Oklahoma			
		Portfolio (335 MW Hydro, Geothermal and Solar)	U.S.			
	Eversource Energy	Portfolio (69 MW Hydro)	New Hampshire		Eversource will run an auction sale in 18 months, pending	
		Merrimack Station (439 MW Coal)			regulatory approval (PFR, 3/30).	
		Schiller Station (150 MW Coal)				
		Newington Station (400 MW Gas)				
•	FLS Energy	Portfolio (63 MW Solar)	North Carolina	CohReznick	sPower is buying the portfolio (PFR, 3/30).	
	GDF Suez, IENova, PEMEX	Los Ramones II (462-Mile Gas Pipeline)	Pipeline		First Reserve and BlackRock are buying a 45% equity stake in Los Ramones II Norte & Sur (see story, page 5).	
	Gestamp Solar	Portfolio (280 MW Solar)	California		Solar Frontier Americas is buying the portfolio (PFR, 3/16).	
	Innovative Solar Systems	Portfolio (500 MW Solar)	Asheville, N.C.		ISS is talking to prospective buyers and expects to sell its projects by year-end (PFR, 3/23).	
	K Road Power	McHenry Solar (31 MW Solar)	California		RET Capital is the buyer and has raised debt to fund the purchase (PFR, 3/30).	
•	Leidos	Plainfield (37.5 MW Biomass)	Plainfield, Conn.	EA Markets	Greenleaf Power is buying the asset (PFR, 3/30).	
	Main Street Power	Various (150 MW Solar DG)	U.S., Latin America, the Caribbean	Marathon Capital	AES Corp. has bought Main Street Power for \$25 million (PFR, 3/23).	
•	North Carolina Eastern Municipal Power Agency	Harris (150 MW Stake Nuclear)	North Carolina		Duke has agreed to purchase the stakes for \$1.2B (see story,	
		Brunswick (342 MW Stake Nuclear)			page 1).	
		Mayo (117 MW Stake Coal)				
		Roxboro (90 MW Stake Coal)				
	Ormat Nevada	Heber Solar (13 MW Solar)	California		RET Capital is the buyer and has raised debt to fund the purchase (PFR, 3/30).	
	Quantum Utility Generation	Choctaw (760 MW Gas)	Mississippi		Tenessee Valley Authority has agreed to acquire the plant for \$34M (PFR, 2/23).	
	TradeWind Energy	Decatur Parkway (80 MW Solar)	Georgia		Southern Power will own 100% of the two solar projects (PFR,	
		Decatur County (19 MW Solar)			3/2).	

### New or updated listing

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

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

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### • PROJECT FINANCE

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

### **Live Deals: Americas**

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables	Springbok (133 MW Solar)	Kern County, Calif.	ТВА	ТВА	\$130M	TBA	Financing is slated to close in April 2015 (PFR, 3/9)
& D. E. Shaw Renewable Investments	Springbok 2 (150 MW Solar)	Kern County, Calif.	ТВА	ТВА	\$420M	ТВА	Both players are in the market for debt and equity (PFR, 3/23).
8minutenergy Renewables	Lotus (50 MW Solar)	Madera County, Calif.	ТВА	ТВА	\$100M	ТВА	Both players are in the market for debt and equity (PFR, 3/23).
Abengoa, EIG	Norte III (924 MW Gas)	Ciudad Juárez, Mexico	ТВА	ТВА	\$542M	ТВА	The deal is slated to close in the third quarter (PFR, 3/23).
Advanced Power	Cricket Valley (1 GW Gas)	Dover, N.Y.	ТВА	ТВА	ТВА	ТВА	Advanced Power is considering launching a deal to back the roughly \$1.4B project (PFR, 3/2).
Algonquin Power & Utilities Corp.	Odell (200 MW Wind)	Minnesota	NordLB, BayernLB, Santander, CIBC, Deutsche Bank	ТВА	ТВА	ТВА	Deal is likely to wrap in Q2 (PFR, 2/16).
Apex Clean Energy	Kay (300 MW Wind)	Kay County, Okla.	CIBC	ТВА	ТВА	ТВА	CIBC is currently arranging a financing (PFR, 3/30).
	Grant (150 MW Wind)	Grant County, Okla.	ТВА	TBA	ТВА	ТВА	The project will be in the market for financing in the next few months (PFR, 3/30).
Competitive Power Ventures	Orange County (650 MW Gas)	New York	ТВА	ТВА	\$900M	ТВА	The project is slated to be online in 2016 (PFR, 2/23).
Deepwater Wind	Block Island (30 MW Wind)	Block Island, R.I.	Société Générale, KeyBank	ТВА	\$290M	ТВА	The project will be complete by the fourth quarter of 2016 (PFR, 3/9).
EDP Renewables North America	Rising Tree III (99 MW Wind)	Kern County, Calif.	ТВА	Tax Equity	ТВА	ТВА	EDPR is seeking tax equity investment in the project (PFR, 3/2).
First Reserve	Kingfisher (298 MW Wind)	Oklahoma	Morgan Stanley, OneWest Bank, Santander	Construction, LOC	ТВА	ТВА	Rabobank pulled out of the deal before close (PFR, 2/23).
Freeport LNG	Quintana Island (LNG Export Facility)	Texas	ТВА	ТВА	\$4B	ТВА	Deal is expected to wrap in the second quarter (PFR, 2/23).
Innergex, Ledcor Power Group	Boulder Creek (25.3 MW Hydro)	British Columbia	Manulife, Caisse de Dépôt et	Construction \$191.6M 25-yr The deal closed the week of Mar	The deal closed the week of March 16 (PFR, 3/30).		
	Upper Lillooet River (25.3 MW Hydro)	British Columbia	placement du Québec, the Canada Life Assurance Company.	Construction	\$250M	40-yr	
				Construction	\$50M	40-yr	
ISA	Interchile (590 Miles Transmission)	Chile	BBVA	International Capex Tranche, VAT facility	\$800M	ТВА	BBVA is leading the club deal, which is expected to wrap in the next few months (see story, page 1).
Northland Power	Nordsee One (332 MW Offshore Wind)	Germany	ТВА	Term	\$847M	ТВА	Developer is talking to lenders for financings (PFR, 3/16).
	Grand Bend (100 MW Wind)	Ontario	ТВА	Term	\$212M	ТВА	Developer is talking to lenders for financings (PFR, 3/16).
Quantum Utility Generation	Passadumkeag (40 MW Wind)	Penobscot County, Maine	Mizuho, Sumitomo Mitsui Banking Corp.	Construction/ Term	\$95M	ТВА	Construction of the project will be complete by year-end (PFR, 3/16).
Rockland Capital	Eagle Point (240 MW Gas)	Westville, N.J.	Investec	Refinancing	\$170M	TBA	The deal wrapped on an oversubscription at the
	Sabine (100 MW Gas)	Orange, Texas					end of February (PFR, 3/9).
	Lakeswind (50 MW Wind)	Rollag, Minn.					
Solar Star Funding	Solar Star Projects (579 MW Solar)	Rosamund, Calif.	Barclays, Citigroup, RBS	Series B Notes	\$325M	ТВА	The issuance was upsized by \$10M (PFR, 3/9).

### New or updated listing

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**MERGERS & ACQUISITIONS** 

### First Reserve, BlackRock Net Mexico Pipeline Stake

First Reserve and BlackRock have taken an equity stake in GDF Suez, PEMEX and IEnova's Los Ramones II gas pipeline projects in Mexico. The two picked up a 45% stake in the Los Ramones II Norte and Los Ramones II Sur pipelines, which together comprise the 462-mile Los Ramones II gas pipeline.

The purchase is expected to close in the next quarter, pending anti-trust and other regulatory approvals.

**Santander** closed a \$1.3 billion deal to finance 80% of the construction cost of Los Ramones II Norte. The deal was oversubscribed, according to a financier (PFR, 3/25). Gasoductos de Chihuahua, a joint venture between PEMEX and IEnova, own 50% of the Los Ramones II Norte pipeline, and PEMEX subsidiary Tag Pipelines will hold the remaining 5% stake.

BNP Paribas and Santander acted as advisors to the syndicate of approximately 20 banks in the financing for Los Ramones II Sur. The deal closed late last year. GDF Suez will own 50% of Los Ramones II Sur and Tag Pipelines will hold the remaining 5% stake.

Los Ramones II will run from Los Ramones in the state of Nuevo Leon to San Luis Potosi and connect to Los Ramones I, which runs to Agua Dulce, Texas (PFR, 23/15). The Los Ramones pipelines will span 621 miles and be capable of importing up to 2.1 bcf of gas capacity from the U.S. into Mexico.

Both Los Ramones Norte and Sur have 25-year, take-or-pay transport services agreements with Pemex Gas y Petroquímica Básica.

PEOPLE & FIRMS

**STRATEGIES** •

### **RET Capital Scoops GCL Financier**

Renewable Energy Trust Capital has tapped Roger Johanson, former director of structured finance at GCL Solar Energy, as managing director of project finance. Johanson joined the San Francisco-based shop in February and reports to Tim Distler, v.p. and head of project finance.

Johanson will collaborate closely with RET Capital CFO Christian Fong and work with banks, financial advisors and investment managers to structure and execute deals, including term loans and tax equity. for projects.

At GCL Solar, Johanson raised \$550 million in financing for 250 MW of projects in North America and Japan last year and raised \$900 million in debt and tax equity for 325 MW the year before. GCL Solar is a subsidiary of Chinese renewables company, GCL-Poly Energy Holdings. Prior to joining GCL Solar in February 2011, Johanson was v.p. of portfolio trading and acquisitions at Bank of America Merrill Lvnch.

RET Capital also tagged Alton Lo, former v.p. of corporate banking and corporate finance at JPMorgan, as managing director of its corporate finance division last October. Lo reports to Scott Rosebrook, v.p. and treasurer. Lo helped clients at JPMorgan raise more than \$20 billion of capital through bond issuances, convertibles, equity financing and lending.

RET Capital closed \$213 million in debt from NordLB. Massachusetts Mutual Life Insurance Company and Key-Bank National Association to finance its acquisitions of solar projects across Ontario and California from Canadian Solar. K Road Power and Ormat Nevada (PFR, 3/27). The renewables finance shop is currently working with NordLB and Mass Mutual to fund its purchase of the 10 MW CityLights solar facility in Ontario from Canadian Solar (PFR, 3/24).

Whether GCL Solar is looking to replace Johanson could not be learned. Johanson and Lo did not respond to inquiries.

### **Pricing, Over-subscription Surface On Longview**

Price talk has emerged on the \$275 million term loan package backing Longview Power, which was launched by Morgan Stanley and KKR Capital Management last week. The deal is oversubscribed at \$350 million. says a deal watcher.

The transaction kicked off at a

bankruptcy in 2013. The transaction comprises a \$250 million term loan B and a \$25 million letter of credit

Longview Power filed for

bank meeting in New York and comprises a \$250 million term loan B and a \$25 million letter of credit. Pricing on the six-year term loan is slated to be in the region of 625-650 basis points over LIBOR, with a 1% floor and 98 OID. Commitments are due April 8. The LOC has a five-year tenor, maturing on March 25, 2020. Pricing on the LOC was not immediately available.

Longview Power is an independent power producer that owns a 700 MW super-critical coal-fired facility in Maidsville. W. Va., and is backed by First Reserve. The company and other affiliates filed for bankruptcy in 2013, citing technical difficulties and a weaker than anticipated power market in PJM (PFR, 9/3/2013). Proceeds from the sale will be used to enable the Longview's exit from bankruptcy (PFR, 3/24). A plant rehabilitation project will be financed by \$40 million from the term loan package. That portion of the package's proceeds will be placed in a major maintenance reserve account.

A spokesperson for Longview in Maidsville, W. Va., did not immediately respond to inquiries and spokespeople for Morgan Stanley and KKR Capital Management in New York declined to comment.

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### INDUSTRY CURRENT

## Mississippi Power's \$281M Refund Order: An Isolated Attack on CWIP Financing or Populist Politics?

This week's Industry Current is written by **Mona Dajani**, partner, and **Michael Reed**, associate of the North America energy, banking & finance group at **Baker & McKenzie**.

Utilities, their investors and their lenders want to know whether a Mississippi Supreme Court ruling, mandating Mississippi Power Co. to refund roughly \$281 million to ratepayers, represents a concerted blow against construction work in progress cost recovery for large generation projects, or whether it is merely political whiplash against cost overruns on a controversial project employing unproven technology. A close read of the Court's opinion points toward the later conclusion, but stakeholders should still be alerted to the fact that, even where CWIP recovery is permitted, courts and regulatory bodies will push for investors and lenders to bear some project risks, particularly with respect to cost overruns.

In a recent 5-4 split decision, the Mississippi Supreme Court vacated a previously approved rate-increase for Mississippi Power Co. and ordered Mississippi Power to refund all revenues collected under the vacated rate order to its ratepayers, amounting to approximately \$281 million under the previously approved rate design. The case is Miss. Power Co., Inc. v. Miss. Public Service Comm'n and Thomas Blanton (No. 2012-UR-01108-SCT) (Feb. 12, 2015).

The decision, particularly the refund order, came as a surprise to many in the industry, as Mississippi had previously joined the growing list of jurisdictions allowing electric utilities to recover generation plant construction costs, including financing costs, throughout the plant construction phase, rather than having to wait until a project is placed in service - commonly referred to as construction work in progress recovery. CWIP is a utility rate setting financing mechanism allowed in





Mona Dajani

Michael Reed

certain states whereby the company building the project may include debt and carrying costs in its electric rates while the project is under construction.

### I. MISSISSIPPI POWER'S KEMPER – A TROUBLED PROJECT

Following a 2010 approval order by the Mississippi Public Service Commission, Mississippi Power began construction on the Kemper County Energy Facility, originally budgeted at \$2.2 billion and scheduled for completion in 2014. However, Mississippi Power's most recent MPSC status report projected the cost at \$6.172 billion, with completion in 2016. To put the revised project budget in perspective, the Court pointed out that the Kemper Project will now cost more than the \$6.073 billion budget for the entire State of Mississippi for the 2015 fiscal year. Given the unproven technologies involved and the significant cost and schedule overruns, there has been a growing public and political blowback against the Kemper project.

#### II. CWIP

Mississippi Power originally requested approval for the Kemper project under a new rate design, based on Mississippi's Base Load Act (Miss. Code Ann. §§ 77-3-101-109 (Rev. 2009)) which became law in 2009 after intense lobbying by the industry. The Base Load Act allows inclusion of CWIP in a utility's base rates, and permits the utility to earn

its allowed return on such costs, "whether or not the construction of any generating facility is ever commenced or completed" subject to a prudency finding by the MPSC. Historically, Mississippi's regulatory scheme disallowed CWIP from base rates on the theory that after a plant is placed into service the utility is made whole, including capitalized financing costs under so-called "allowed funds used during construction" or AFUDC rate making, and that by requiring existing ratepayers to pay costs that would benefit future ratepayers, the utility would obtain double recovery.

### **III. THE COURT'S OPINION**

In the Mississippi Power case, the Court vacated the MPSC's rate order primarily on the grounds that the MPSC failed to examine or rule on the prudency of the CWIP costs, as required under the Act. The Court reasoned that, "by not conducting prudency hearings, the Commission ignored dictates of the Act and thus acted arbitrarily". The opinion also invalidated a 2013 settlement agreement previously entered into between Mississippi Power and the MPSC, that had allowed Mississippi Power to raise its rates 15% in 2013, and another 3% in 2014, based on CWIP recovery and ordered Mississippi Power to refund revenues collected under those rate increases (the aforementioned \$281 million). The Court reasoned that the settlement agreement was negotiated without proper public notice or input, thereby violating statutory restrictions against ex parte communications in contested proceedings.

We read the majority opinion as less of an attack on the concept of CWIP recovery, as allowed under the Act, and more of a reaction to public outcry over the Kemper Project's significant cost overruns and delays. Furthermore, in a concurring opinion, several justices specifically pointed out that the primary purpose of the Act

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### **INDUSTRY CURRENT**

≪ FROM PAGE 6 (and CWIP recovery) was to allow a utility to collect construction costs as they are incurred, in order to reduce the overall costs of financing a long-term construction project, which would ultimately benefit ratepayers. Given the narrow scope of the majority opinion and the concurring opinion's nod toward the potential benefits of CWIP recovery (not to mention the four dissenting justices who voted to uphold the rate increase), it seems likely that Mississippi Power may prevail, and the Company has already filed a petition for a rehearing before the Mississippi Supreme Court. Regardless, in its filing, Mississippi Power stated that the court's decision will require a rate increase of up to 40% if the ruling stands rather than the 24% increase under the rate proposed by the PSC.

### IV. KEY TAKEAWAYS

◆ Create and follow a proportional and reasonable construction budget and schedule with careful documentation of process. In regulated states, when a power plant is

completed, the utility requests approval from the Public Service Commission to place the cost of construction in its rate base, which means that the utility begins charging its electric customers for the construction costs. State public service commissions analyze the costs to determine if they were spent "prudently." If the PSC deems the costs to have been prudent, then they can be passed on to ratepayers. This occurs with or without CWIP.

- ◆ When CWIP is allowed, public service commissions exercise even greater oversight and cost control. Costs are audited, reviewed and subject to a prudence determination by the PSC, typically on a quarterly or semi-annual basis. The utility must also demonstrate the economic viability of the project before it begins construction.
- ◆ Regardless of whether CWIP recovery is permitted in a jurisdiction, state public utility commissions and courts will continue to favor ratepayers over investors when there are significant cost overruns and delays on projects.

- ◆ Comply with all federal and state regulatory requirements to validate that the utilities' standards are consistent with all regulatory guidelines.
- ◆ Conduct a thorough review of costs to ensure conformance to regulatory requirements and company policies before filing for recovery. Maintaining credibility through the identification of potential adjustments before undergoing commission scrutiny is essential for mitigating financial and reputational risks. Implementing detailed and consistent review testing procedures of cost data and documenting results before submission to the commission will provide greater assurance that all expenses are storm and jurisdictional appropriate and will serve as evidence during any regulatory prudency review undertaken.
- ◆ It is critical to strictly follow all procedural guidelines including proper notice of the rate increase request to rate payers as well as making information about the requests public and not confidential. ■



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### @EIAgov

#ICYMI #California is the top #US producer of #electricity from #geothermal #energy http://go.usa.gov/3rAHx

#### @JesseJenkins

Did you know? #California 1st state to get 5% of electricity from utility-scale #solar says @St-phn\_Lacey (citing @ElAgov) in @TheEnergyGang

#### @ArnoHarris

Today is my last as CEO of @RecurrentEnergy. I'm honored to have worked with so many amazing people in #solar power. http://arnoharris.ty-pepad.com/ cleanenergyfuture/...

### @arikring

Great! #Peru Is Giving Free #Solar #Power To Its 2Mill.
Poorest Citizens http://bit.ly/1AVLU5v #LatAm #Energy

### @ANGAus

New @WSUPullman study shows US #natgas industry cut methane emissions 70% through voluntary improvements - http://ow.ly/L5DuB

#### @JimHarris

#Solar Power Market Massive: \$5 Trillion by 2030. Vishal Shah, Deutsche Bank Speaking at @DBCSMc-Gill Mar 28 #Montreal

### @BarackObama

Renewable energy investments are up 17 percent globally from 2013. Read more: http://ofa.bo/d4BT

#### @MoodysRatings

Impact of carbon reduction policies is rising for corporates globally http://dlvr.it/9BMf4d

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### **Enel, GE EFS Target YieldCo**

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ating portfolio will include:

- ♦ the 25 MW Cove Fort geothermal facility in Cove Fort, Utah,
- ♦ the 47 MW Stillwater geothermal project in Churchill County, Nev.,
- ♦ the 22 MW Stillwater Solar in Churchill County, Nev.,
- ♦ the 150 MW Origin wind farm in the Carter, Garvin and Murray counties, Okla., and
- ◆ stakes in 335 MW of hydro, geothermal and solar generation facilities across the U.S.

The 335 MW portfolio consists of roughly 40 projects smaller than 30 MW. The yieldcos' holdings will also include EGPNA's 200 MW Goodwell wind farm that is under construction in Texas County, Okla. Goodwell is slated to begin operating at year-end. All of EGPNAREP's assets are under long-term offtake con-

Foregoing a public listing would save on initial public offering registration and related costs as well as avoid the hassle of regulatory filings, according to analysts. The yieldco structure will still provide EGPNA with a key source of capital and GE EFS with an opportunity to put capital to work during a period of constrained deal flow. "Enel is so large in terms of its utility operations that the amount of positive impact on its market value is not going to be as high, compared to FirstSolar and SunPower," says Swami Venkataraman, v.p. and senior credit officer at Moody's Investors Services, of EGPNAREP's decision to eschew an IPO.

Whether the sponsors are working with banks or advisors to privately sell shares in the yieldco could not be learned.

### BBVA Circles Chilean Transmission Deal

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Trunk Transmission System of the Chilean for the Norte Grande Interconnected Sys-

tem. The double circuit line will connect the substations Encuentro and Lagunas substations.

### **Duke Unit Nears Nuclear, Coal Stakes Purchase**

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The sale will reduce NCEMPA's annual debt servicing costs from roughly \$275 million to \$60 million. As a part of the wholesale contract, the agency will buy energy from Duke for \$33 per MWh.

NCEMPA acquired ownership interests in the facilities from Progress Energy in the 1980s and the agency's \$1.7 billion debt load prompted the agency to approach Progress regarding a potential re-purchase of the stakes in 2009. Duke became interested in the agency's proposal after its merger with Progress. DEP agreed to purchase the stakes last July.

Proceeds from the sale will retire about 70% of NCEMPA's debt. The agency aims to issue \$480 million in bonds and liqui-

date \$20 million in bond reserve funds to fund remaining obligations. Whether the NCEMPA is in talks with potential book-runners, and the timeline for issuing bonds, could not be learned by press time. Servicing debt currently accounts for 35% of NCEMPA's power costs, according to a spokeswoman.

How Charlotte, N.C.-based DEP will immediately fund its purchase could not be learned. The North Carolina Senate passed a legislation to allow Duke to increase ratepayer rates and approve the Agency's bond issuance proposal. The North Carolina House of Representatives is hearing the legislation this week.

DEP secured approval for the acquisition from the U.S. Federal Energy Regulatory Commission last December, and is waiting for a rider from the North Carolina Public Utilities Commission. The rider, based on the legislation, lays out how Duke will recover the costs of its purchase from customers.

### Sparks Fly in Indiana



anhole covers flew into the air at a busy downtown Indianapolis intersection after a phenomenon known as electrical arcing triggered a series of underground explosions.

Arcing, when an electrical current jumps a gap in a circuit, caused systems made up of 120-volt underground cables to short-circuit. No one was injured but several nearby buildings were evacuated as a precaution.

The problem is not new in Indianapolis. More than a dozen arcing incidents have occurred over the last decade. In 2005, at least three blasts took place over a nine-day period, including one that injured three



Indianapolis

tions.

Power & Light officials say this latest occurrence has

people. Those blasts

were blamed on win-

ter weather condi-

caused significant

Credit: Fotolia

damage to electrical infrastructure. Regulators at the Indiana Utility Regulatory Commission stressed the seriousness of the situation and say that the utility is working to prevent additional issues, ahead of the Final Four colleague basketball tournament that's set to take place in the city this month.

### ONE YEAR AGO



Renato Plastina left his post as managing director of energy, infrastructure and project finance at BNP Paribas. [Plastina surfaced at

newly minted asset manager Varagon Capital Partners as head of energy (PFR, 6/13).]

### FIVE YEARS AGO



First Wind tapped Credit Suisse, Deutsche Bank, Goldman Sachs and Morgan Stanley as lead agents for its planned initial public offer-

ing. [The developer pulled the IPO after investor appetite fell short of expectations (PFR, 10/29/2010). SunEdison's yield company TerraForm Power wrapped a \$2.4 billion acquisition of First Wind last month.]