

# Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

## ● PROJECT FINANCE

## ● LATIN AMERICA

## ● CASE STUDY

### Algonquin Seals Illinois Wind Farm Debt

**Algonquin Power & Utilities Corp.**

subsidiary **Liberty Power** closed financing for its Sugar Creek wind farm. [Page 9](#)

### Sponsor Tests Waters for Mexican CCGT Refi

**Macquarie Capital** has begun reaching out to banks to refinance its contracted 907 MW Norte III project. [Page 12](#)

### NextEra's Pennsylvania Pipeline Play

How **NextEra Energy Partners** acquired and financed its stake in the 185-mile Central Penn gas pipeline last year. [Page 11](#)

## German Developer Composes Amadeus Wind Deal

Shravan Bhat

German renewables developer **BayWa r.e.** has closed the financing for its 250 MW Amadeus project in Texas and has hired a financial adviser to sell the asset.

The deal comprises a construction loan from **Commerzbank** that bridges to a tax equity commitment from **GE Energy Financial Services** and a consortium of other investors.

The tax equity deal had already

been signed on Dec. 19 and the construction loan closed on March 17.

The project is under construction north of Rotan, in Fisher, Kent and Stonewall counties, and is being fitted with 94 **General Electric** turbines that are qualified for 100% of the wind production tax credit.

Its output will be hedged under a 10-year contract signed with **Morgan Stanley** on Oct. 18.

The legal advis- [PAGE 10 »](#)

## Bank Loan Market Enters Price Discovery Mode

Richard Metcalf

Covid-19 may have put an end to the days of two-digit margins on construction loans, but while project finance bankers generally agree that pricing is set to widen, the question remains—by how much?

Borrowers have grown used to tight margins on bank loans in

recent years, as intense lender competition has pulled pricing down to levels not seen since before the last financial crisis, in 2008.

Pricing on construction loans for wind farms dipped below 100 basis points over Libor sometime in 2018. For term debt on contracted renewables, it has been hovering around 125 bp, [PAGE 9 »](#)

### Resi Solar Shop Initiates Strategic Review

Richard Metcalf

After signing a new debt facility at the beginning of March, a U.S. residential solar company has hired an investment bank to conduct a strategic review that could lead to a capital raise or sale.

New Orleans-based **Posigen Solar**, which focuses on low- and middle-income households, is working with **Marathon Capital** as its financial adviser.

Posigen was [PAGE 6 »](#)

### Mexico Quietly Postpones Tenders Amid Economic Turmoil

Carmen Arroyo

Mexico has pushed back the procurement process for three combined-cycle gas-fired projects and a transmission line until the end of spring, as the country's economy reels and the **Federal Electricity Commission** (CFE), which is running the process, suffers a credit rating downgrade.

The CCGT projects are the 860 MW Salamanca [PAGE 13 »](#)



"Bringing the wind section to the forefront."



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## ● CORPORATE FINANCE

# Scatec Lands ESG-linked Loan

Norwegian independent power producer **Scatec Solar** has closed a \$165 million corporate debt refinancing, including a revolving credit facility linked to environmental, social and governance (ESG) metrics.

**BNP Paribas, Nordea Bank and Swedbank** provided two loans to the Oslo-based solar owner-operator, according to a statement issued on March 26.

The bank group replaced Scatec's existing \$90 million revolver with a three-year ESG-linked revolver of the same size, and also provided a new \$75 million 18-month bank loan.

The average margin across the two new loans is 280 basis points over Libor, versus 325 bp for the old revolver.

Nordea, **ABN Amro** and Swedbank were the lenders under Scatec's previous revolving credit facility, which could be drawn in dollars, euros, Norwegian kroner or other currencies with the banks' agreement.

Scatec's operational portfolio is spread across

emerging markets around the world, including Africa, the Middle East, Asia and Latin America.

In Latin America, the company has recently been active through a joint-development partnership with fellow Norwegian energy company **Equinor** (*PFR*, 3/20/18, 6/19/18). ■

## New Energy Solar Secures Revolver

Australian fund manager **New Energy Solar** has secured a \$55 million revolver to support the development, construction and operation of its 680 MW U.S. solar portfolio.

**KeyBank** provided the three-year loan, which closed on Feb. 14.

The Aussie fund manager's U.S. solar portfolio is spread across California, North Carolina, Oregon and Nevada.

**Thompson Hine** and **Foley & Lardner** acted as legal advisers on the deal. ■

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### 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](mailto:richard.metcalf@powerfinancerisk.com)

## GENERATION AUCTION &amp; 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
AltaGas Canada	AltaGas Canada	Canada	TD Securities	PSP and Alberta Teachers have closed their purchase (see story, page 6).
Antofagasta Minerals	Hornitos (177.5 MW Coal, 40%)	Chile		Engie Energía Chile is buying the stake (see story page 11).
Aura Power, ib vogt	Fox Coulee, Empress (114 MW Solar)	Alberta	Rubicon	The auction is in its second phase (PFR, 2/18).
Avangrid Renewables	Vertex (1.15 GW Wind)	U.S.	Wells Fargo	The final bid date is towards the end of April (PFR, 3/30).
Caithness Energy	Shepherds Flat (845 MW Wind)	Oregon	Greentech	First round bids were due on Dec. 6 (PFR, 3/9).
Community Energy	Halifax (80 MW Solar)	Halifax County, N.C.	Greentech	Binding bids were due in mid-March (PFR, 3/16).
	Great Cove (220 MW)	Fulton County, Pa.		
Copel	Foz da Areia (1,676 MW Hydro)	Brazil		A sale process was underway in February (PFR, 2/24).
Eletrobras	State Utility	Brazil		The privatization has been delayed (see story, page 11).
Emera Energy	Emera Maine	Maine	RBC, CIBC (buyer)	Enmax has completed its acquisition (see story, page 5).
Foundation Solar Partners	Portfolio (305 MW Solar)	Pennsylvania		A sale is being prepared for a late April launch (PFR, 3/30).
FIP-IEER	Laranjeiras III and IX (50 MW Wind)	Brazil		Omega Geração closed its acquisition (see story, page 11).
Galehead Development	Portfolio (136 MW Solar)	U.S.	Basho Energy	The auction for the development-stage assets was launched in January (PFR, 3/9).
Global Infrastructure Partners	Competitive Power Ventures (Gas, 95.2%)	U.S.	Morgan Stanley	Teasers were circulated in December (PFR, 2/10).
Invenery	Portfolio (1.4 GW Renewables)	U.S.	Rubicon	The assets for sale have been tweaked (PFR, 2/18).
John Laing	Portfolio (243 MW Solar)	North Carolina	CohnReznick	The company is in discussions with potential investors (PFR, 3/30).
Longroad Energy Partners	Muscle Shoals (227 MW Solar)	Colbert County, Ala.	Fifth Third	The sale process is underway (PFR, 3/23).
LS Power	Centilena (170 MW Solar)	Imperial County, Calif.	Citi (lead), BMO	LS Power put the assets up for sale in early 2020 under the codename Project Hornet (PFR, 3/2).
	Dover SUN (10 MW Solar)	Dover, Del.		
	Arlington Valley II (125 MW Solar, 30%)	Arlington, Ariz.		
Marubeni Power America	Spindle Hill (314 MW Gas/oil, 49%)	Fredrick, Colo.	Guggenheim	Bidding had entered a second round by the end of February (PFR, 3/9).
	Cannon Falls (357 MW Gas, 49%)	Minneapolis		
	Hardee (370 MW Gas, 49%)	Tampa, Fla.		
NaiKun Wind Energy	NaiKun (400 MW Offshore Wind)	British Columbia		The sale is expected to close in mid-2020 (see story, page 6).
Osaka Gas	Aurora (74 MW Solar, 50%)	Ontario	CohnReznick	Teasers went out in February (PFR, 2/18).
Renova Energia	Alto Sertão III Phase A (438 MW Wind)	Bahia, Brazil		Castlelake has made a bid for the project (PFR, 3/23).
Pacific Gas & Electric	Narrows (12 MW Hydro)	Nevada County, Calif.		The Yuba Water Agency is the buyer (see story, page 7).
Petrobras,	Mangue Seco 1 & 2 (52 MW Wind, 50%)	Brazil	CA CIB	Petrobras issued teasers in February (PFR, 3/16).
Petrobras, Wobben	Mangue Seco 3 & 4 (54 MW Wind)	Brazil	CA CIB (Petrobras), DNB (Wobben)	The sale process was launched in March (PFR, 3/23).
Posigen Solar	Portfolio (Residential Solar)	U.S.	Marathon Capital	The firm is conducting a strategic review (see story, page 1).
RWE Renewables	Portfolio (861 MW Wind)	Texas	Marathon Capital	RWE put the assets up for sale in February (PFR, 2/10).
Southern Company	Pivotal LNG	Alabama, Florida		Dominion Energy has bought the subsidiary (see story, page 8).
Turning Point Energy	Escalante (200 MW Solar)	McKinley County, N.M.	CohnReznick	The developer is nearing a sale (PFR, 3/9).
Unidentified	Unidentified (36.1 MW Solar)	Mexico		NextEnergy Capital has announced the acquisition (see story, page 11).

## ● New or updated listing

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

To report updates or provide additional information on the status of financings, please call Taryana Odayar at (212) 224 3258 or e-mail [taryana.odayar@powerfinancerisk.com](mailto:taryana.odayar@powerfinancerisk.com)

## PROJECT FINANCE

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

### Live Deals: Americasw

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
Alupar	Nueva Esperanza-La Virginia (Transmission)	Colombia	MUFG	Term Loan	\$160M		The deal is in the works (PFR, 3/16).
Arroyo Energy	Portfolio (219 MW Wind, Solar)	Chile	SMBC, Crédit Agricole	Term Loan	\$400M	7-yr	The refinancing is expected to close in April (PFR, 2/10).
	Pemcorp (131 MW Gas)	Nuevo León, Mexico	SMBC, Natixis	Term Loan	\$170M	7-yr	The refinancing is expected to close in April (PFR, 3/2).
BayWa r.e.	Amadeus (250 MW Wind)	Texas	Commerzbank	Construction Debt			Rubicon Capital Advisors has been retained to find a buyer (see story, page 1).
			GE EFS	Tax Equity			
Boralex	Niagara Region (230 MW Wind)	Ontario		Refinancing			The sponsor has canvassed banks about the potential refi (PFR, 3/2).
Capital Dynamics	Cal Flats (280 MW Solar)	California	CBA, Rabobank	Term Loan	\$240M	7-yr	The deal closed in early March (PFR, 3/30).
Carlyle, EIG	Patriot (829 MW Gas)	Lycoming County, Pa.	Morgan Stanley	Term Loan B	~\$1B	7-yr	Price talk is said to be Libor+400 bp to 450 bp (PFR, 3/16).
	Liberty (829 MW Gas)	Bradford County, Pa.					
Competitive Power Ventures	Three Rivers (1,250 MW Gas)	Grundy County, Ill.	BNP, CIT, CA, ICBC, ING, Mizuho, MUFG, Starwood	Term Loan A	\$750M		The financing has been delayed (PFR, 3/30).
				Ancillary Facilities	\$150M		
GCL New Energy	Portfolio (18 MW Distributed Solar)	California	East West Bank	Term Loan	\$45M		The deal closed on March 24 (PFR, 3/30).
Gestión Solar	Portfolio (22 MW Distributed Solar)	Chile	CIFI	Debt	\$17.2M		The financing has closed (see story, page 12).
IEnova, Saavi Energia	Sierra Juárez II (108 MW Wind)	Baja California, Mex.	SMBC, Mizuho	Term Loan	\$170M	18-yr	The deal was expected to reach financial close by mid-March (PFR, 3/9).
			IDB Invest	Term Loan		21.5-yr	
ISA Peru	Orazul Energy Group (Transmission)	Peru		Debt			Financing for ISA's acquisition of Orazul from I Squared (PFR, 3/23).
Kepco, Sprott	Tastioti (100 MW Solar)	Sonora, Mexico	SMBC	Term Loan	\$70M		The deals are both expected to close in April (PFR, 3/9).
	El Mayo (99 MW Solar)	Sonora, Mexico	SMBC	Term Loan	\$70M		
Kinetricor, Macquarie, OPTrust	Cascade (900 MW Gas)	Yellowhead County, Alberta	Macquarie	Debt			The sponsor signed gas supply contracts in February (PFR, 2/18).
KOSPO, Samsung	Kelar (517 MW Gas)	Chile					The sponsors are exploring a refi (PFR, 3/30).
Liberty Power	Sugar Creek (202 MW Wind)	Logan County, Ill.	CIBC, HSBC, Mizuho, Rabo, SMBC	Construction Loan	\$284.83M		The Algonquin subsidiary will seek to attract tax equity (see story, page 9).
Macquarie Capital	Norte III (907 MW Gas)	Mexico	TBA	Refinancing			The sponsor has began talks with banks (see story, page 12).
Mainstream Renewable Power	Huemul (630 MW Wind, Solar)	Chile	Caixa, DNB, KfW, Natixis, SMBC, SG, IDB, CA, ABN	Debt	\$500M+		A bank meeting took place on Feb. 26 (PFR, 3/23).
	Copihue (100 MW Wind)	Chile					
Ørsted Onshore	Sage Draw (338 MW Wind)	Texas	BHE, GE EFS	Tax Equity			The plant is approaching COD (PFR, 3/30).
Renova	Alto Sertão III Phase A (438 MW Wind)	Bahia, Brazil	ARC, G5, XP				Renova has accepted a binding offer (PFR, 3/30).
Rio Energy	Serra da Babilonia 3 (144 MW Wind)	Brazil	BNB	Construction Loan			The sponsor is negotiating with the development bank (PFR, 2/10).
Sunpin Solar	Titan Solar 1 (98 MW)	Imperial County, Calif.	Morgan Stanley	Tax Equity			Sunpin is working with Morgan Stanley on a power hedge for the project as well as the tax equity (PFR, 2/3).
			China National Building Material	Construction Loan			
WPD	Malleco (273 MW Wind)	Malleco, Chile	Caixa, KfW	Term Loan	\$443M	19-yr	Syndication expected to wrap by end of March (PFR, 3/23).
	Negrete (39 MW Wind)	Biobio, Chile					
	Lomas de Duqueco (58.8 MW Wind)	Biobio, Chile					

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## NORTH AMERICA MERGERS &amp; ACQUISITIONS ●

## FERC Places Condition on El Paso Electric Sale

The U.S. **Federal Energy Regulatory Commission** has conditionally approved the \$4.3 billion sale of **El Paso Electric** to **JP Morgan Investment Management**, but insists that the asset manager come up with a mitigation plan to address potential market power screen failures.

FERC's is the last regulatory approval needed for JP Morgan's Infrastructure Investments Fund (IIF) to acquire the publicly-listed regional utility. Approvals from the Texas and New Mexico utility commissions have already been obtained.

JP Morgan agreed to pay \$2.78 billion and assume \$1.52 billion in debt to buy the utility (*PFR*, 6/3).

In its March 30 order, FERC asked the parties involved, namely El Paso Electric, **IIF US Holdings** and its affiliate, **Sun Jupiter Holdings**, to submit a mitigation plan within 45 days to counter power market competition concerns.

At issue is IIF US Holdings' ownership of another gas-fired facility, the 595 MW Mesquite

Generating Station in Arizona, which has two upcoming changes to its electricity supply contracts that could affect competition.

The plant currently sells 271 MW of its output to 20 parties under the terms of a power purchase agreement, while the remainder is sold through three surplus output contracts with parties not related to the JP Morgan fund or El Paso.

The surplus output contracts are due to expire at the end of April, 2021, at which point the capacity contracted under the PPA is due to increase from 271 MW to 483 MW, reducing the amount of Mesquite's capacity that is not committed under the PPA from 324 MW to 112 MW.

In their analysis submitted in support of the acquisition, JP Morgan and El Paso had shown that there would be no market screen failures, assuming those contract changes went ahead as planned.

However, their alternative sensitivity analysis showed that, if the surplus output contracts were

to terminate ahead of time, generation capacity from Mesquite would become available for sale into the El Paso Electric balancing authority area (BAA), potentially reducing competition.

If El Paso and Mesquite were both owned by IIF at that time, the utility would be able to purchase the surplus generation from its affiliate, resulting in "significant" screen failures in "moderately to highly concentrated markets," according to FERC.

The commission suggested in its March 30 order that the applicants could either propose to relinquish operational control of a sufficient amount of capacity or sell the capacity under a long-term firm contract.

Meanwhile, the commission denied a request from consumer advocacy group **Public Citizens** for an evidentiary hearing to discuss the financial and contractual ties between Sun Jupiter, the IIF companies and JP Morgan, which the Washington D.C.-based non-profit says was not fully disclosed.

FERC said that the relationship between JP Morgan and fund would not change the outcome of its section 203 analysis of the proposed deal.

The deal between El Paso Electric and JP Morgan Investment Management came about as the result of an auction run by **Lazard**, which took final-round bids last summer (*PFR*, 5/23).

Other advisers on the deal included:

- ◆ **Bank of America Merrill Lynch** (financial adviser to JP Morgan)
- ◆ **Skadden** (legal adviser to JP Morgan)
- ◆ **Baker Botts** (sell-side legal adviser). ■

## FAST FACT

### 45 Days

The amount of time the parties to the deal have to come up with a mitigation plan to address potential market power screen failures.

## Enmax Completes Acquisition of Emera Maine

**Enmax Corp.** has closed its roughly C\$1.3 billion (\$959 million) acquisition of Emera Maine.

The deal closed on March 24, about a week after it received the approval of the **Maine Public Utilities Commission**, which was the final regulatory hurdle (*PFR*, 3/18).

The Bangor-based utility will operate under a new name, yet to be revealed, reflecting the fact that it is no longer owned by **Emera Energy**.

"We are pleased to have completed this acquisition, as it reflects our strategy to grow ENMAX's regulated utility business in North America, leveraging our expertise in the provision of safe, reliable, regulated transmission and distribution electricity services," said **Gianna Manes**, president and CEO of Enmax.

Enmax paid \$959 million and assumed the utility's \$341 million debt (*PFR*, 3/26/19).

**CIBC Capital Markets** advised Enmax and has underwritten an acquisition bridge loan to cover the \$959 million purchase price. The permanent debt financing will comprise private notes issued at the corporate level to institutional investors.

The deal stems from an **RBC Capital Markets**-led auction process.

Other rumored bidders included **Avangrid**, **Eversource** and **National Grid** (*PFR*, 2/6/19).

The financial and legal advisers on the deal were, on the sell-side:

- ◆ **RBC Capital Markets**, led by managing director **David Dal Bello**, with M.D.s **Corey Frai-**

**berg**, **Chris Adams** and **Kyle Walker**.

- ◆ **Skadden, Arps, Slate, Meagher & Flom**, led by M&A partner **Paul Kraske**.
- ◆ New England regional law firm **Verrill Dana**. On the buy-side, the advisers were:
- ◆ **CIBC World Markets**, led by M.D. **Kelsen Vallee**, with M.D.s **Scott Keyworth**, **Mark Siconolfi** and head of global infrastructure and power, investment banking **David Williams**.
- ◆ **Bracewell**, led by M&A partner **John Klau-berg**.
- ◆ Canadian law firm **Blake, Cassels & Graydon**.
- ◆ New England law firm **Bernstein, Shur, Sawyer & Nelson**. ■



## ● NORTH AMERICA MERGERS & ACQUISITIONS

# Northland to Buy Canadian Offshore Wind Farm

**Northland Power** has signed a deal to acquire a development-stage offshore wind farm located off the coast of British Columbia.

The Canadian independent power producer is buying the NaiKun Offshore Wind Farm, which is in the advanced stages of development, from Vancouver-based **NaiKun Wind Energy Group**.

The proposed 400 MW project will be situated across a 212-square mile area in the Hecate Strait.

The sale to Northland is expected to close in mid-2020, subject to regulatory and shareholder approvals.

Construction is expected to start within two years of the project being awarded a power purchase agreement, according to NaiKun's first quarter 2020 financial results, which were released on Feb. 19.

"Northland can apply both its global offshore wind experience and long track record developing Canadian power projects to this Project," said **Mike Crawley**, president and CEO of Northland Power. "However, before anything else happens we will be reaching out to the **Haida Nation** to discuss the Project and how it could potentially move forward."

Northland will pay NaiKun an amount based on the size of the developed project, which

is expected to repay the majority of NaiKun's historical development costs, at financial close, and an annual cash distribution once the project is operational.

The developer will also receive an option to buy back an up-to-10% interest in the project at a later date.

NaiKun's board of directors has unanimously approved the transaction and recommended it to shareholders, who will vote on the deal at a special meeting soon.

NaiKun and Northland entered into negotiations for the deal last summer. In August, NaiKun announced that it had signed an indicative

offer with a major offshore wind developer, without naming Northland (PFR, 8/26).

NaiKun has been plotting the development of the project since 2007 (PFR, 12/14/07). In 2009, **Bank of Tokyo Mitsubishi** was advising on the financing, while a PPA with **B.C. Hydro** was in the works (PFR, 10/2/09). At the time, the project was being developed with **Enmax Green Power** and Canadian native entity **Haida Enterprises**.

Northland recently appointed **Pauline Alimchandani** as CFO, effective April 13. She is taking the reins from **Paul Bradley** who is retiring (PFR, 3/9). ■

## Resi Solar Shop Initiates Strategic Review

« FROM PAGE 1

founded by CEO **Thomas Neyhart** in 2011 and provides energy efficiency as well as solar solutions. CFO **Song Yi** joined from **Standard Solar** in 2016.

Besides New Orleans, the company has offices in Baton Rouge, La., Bridgeport, Conn., Hartford, Conn., and Ewing, N.J.

Posigen recently signed a debt facility originated by **Ares Management's** infrastructure and power team.

**Connecticut Green Bank, Inclusive**

**Property Capital** and **New Island Capital** participated in the \$100 million loan alongside Ares funds. The deal was announced on March 5.

"PosiGen is leading the way for energy affordability across America and we are pleased that our integrated team was able to provide a flexible and creative financing solution for their continued growth," said **Keith Derman**, partner and co-head of Ares Infrastructure and Power. ■

# AltaGas Canada Gets New Name as Take-Private Closes

**AltaGas Canada** will be known as **TriSummit Utilities** following the closing of its acquisition for C\$1.7 billion (\$1.3 billion) by the **Public Sector Pension Investment Board** and the **Alberta Teachers' Retirement Fund Board**.

The all-cash transaction closed on March 31 and the company's shares will be delisted from the **Toronto Stock Exchange** in the coming days.

"Changing our name to TriSummit Utilities Inc. is a

reflection of the next step for our organization while providing acknowledgment to our three utilities which are the foundation of our company," said **Jared Green**, AltaGas Canada's president and CEO. "Most importantly, we will continue to deliver the same safe, reliable and affordable service to our customers while continuing the strong relationships we have built with our regulators."

AltaGas Canada owns three Canadian utilities as well as

wind and hydro projects totaling 132 MW in British Columbia.

PSP and Alberta Teachers' paid C\$33.50 (\$23.37) per share, of a total consideration of \$1.005 billion, for the equity.

The close comes days after the parties won the blessing of regulators in Alberta and British Columbia (PFR, 3/25).

PSP Investments and Alberta Teachers' initially agreed to buy the listed utility and renewable energy company in October 2019 (PFR, 10/21), after AltaGas Canada enlisted **TD Securities** to reach out to a "small group" of potential buyers.

Besides TD Securities, the other advisers on the deal were:

◆ **Beacon Securities** (sell-side financial adviser)

◆ **Stikeman Elliott** (legal adviser for the seller)

◆ **National Bank Financial** (co-lead financial adviser to the buy-side consortium)

◆ **Citi** (co-lead financial adviser to the buy-side)

◆ **Blake, Cassels & Graydon** (legal adviser to the buy-side). AltaGas Canada had only been a public company for about a year when the transaction was announced.

Former parent **AltaGas** floated it at C\$14.50 a share in October 2018, raising about C\$274 million. The IPO was supplemented with a C\$635 million debt raise (PFR, 11/21, 10/25/18). ■

## NORTH AMERICA MERGERS &amp; ACQUISITIONS ●

# PG&E Offloads Small Hydro Project

**Pacific Gas & Electric Co.** has sold a small hydro project in Nevada County, Calif., to a public agency serving a neighboring county.

The **Yuba Water Agency**, which serves Yuba County, paid \$507,500 for the Narrows Hydroelectric Project, which comprises the 12 MW Narrows No.1 Powerhouse, located on the Yuba River below Englebright Dam, and associated water infrastructure and 23 acres of land.

The sale—which is unrelated to PG&E's bankruptcy—was finalized on April 1.

The Yuba Water agency noted that the 78-year-old plant was “marginally economic”

for PG&E, and that it was far from the utility's hydro generation headquarters, whereas Yuba already owns the Narrows No. 2 Powerhouse, which is just upstream of Narrows No. 1. The two companies had coordinated the operations of the two powerhouses, including water flows, for decades.

PG&E and Yuba Water began negotiations for the sale in December 2017, reached an agreement in September 2018, and then won approvals from the U.S. **Federal Energy Regulatory Commission** and **California Public Utilities Commission**.

There will not be any impact to PG&E

employees as a result of the sale, which will add to Yuba Water's already nearly 400 MW strong hydro portfolio.

PG&E has agreed to sell other small hydro projects recently, including the 7 MW Chili Bar hydro project, located on the South Fork of the American River, north of Placerville, Calif., to the **Sacramento Municipal Utility District** (PFR, 8/16). The deal is subject to FERC and California PUC approvals.

Also subject to FERC and CPUC approvals is PG&E's sale of the 5.7 MW Deer Creek powerhouse and part of a canal to the **Nevada Irrigation District**. ■



**PFR** Power Finance & Risk

During this unique time, we recognize the power & renewables project finance and M&A community faces many challenges due to the Covid-19 pandemic.

Power Finance & Risk has taken steps to ensure our valued community continues to receive the level of service they are used to and our teams are working remotely at full capacity. We will continue to provide daily news, analysis and insight across power and renewables project finance and M&A in the Americas and remain committed to keeping you updated on the impact of the crisis.

From Monday, March 30, and until further notice, our weekly print edition has gone digital.

To ensure you never miss an issue, we will be sending you a weekly email update with a download of the digital PDF. As always, you will also be able to view the weekly edition on the Power Finance & Risk website.

We thank you for your continued support and wish you and your families good health.

## ● LNG

## Shell Abandons Lake Charles LNG Investment

**Royal Dutch Shell** has abandoned its planned equity investment in **Energy Transfer's** Lake Charles LNG export terminal project on the U.S. Gulf Coast, as it attempts to preserve cash following the drop in energy demand and crash in oil and gas prices.

The proposed 50:50 project between **Shell US LNG** and Energy Transfer involves the conversion of Energy Transfer's existing import terminal in Lake Charles, La., to an export facility. Shell is the project lead and also the only customer for the existing regasification facility.

"This decision is consistent with the initiatives we announced last week to preserve cash and reinforce the resilience of our business," said **Maarten Wetselaar**, director of integrated gas and new energies at Shell. "Whilst we continue to believe in the long-term viability and advantages of the project, the time is not right for Shell to invest. Through the transition, we will work closely with Energy Transfer."

Energy Transfer will take over as lead project developer and will seek to bring in one or more equity partners to replace Shell. The size of the project will be reduced from three trains with a combined capacity of 16.45 mtpa to two trains totaling 11 mtpa.

"We remain in discussions with several significant LNG buyers from Europe and Asia regarding LNG offtake arrangements

as well as, in some cases, a potential equity investment in the project," said **Tom Mason**, executive vice president and president of LNG at Energy Transfer. "In light of the advanced state of the development of the

**"This decision is consistent with the initiatives we announced last week to preserve cash and reinforce the resilience of our business"**

project, we remain focused on pursuing this project on a disciplined, cost efficient basis and, ultimately, the decision to make a final investment decision will be dependent on market conditions and capital expenditure considerations."

Energy Transfer and Shell had signed a project framework agreement in March 2019 under which they would have split the costs of developing the project. Since then, they jointly undertook the engineering, procurement and construction (EPC) bidding process, which Shell will continue to support Energy Transfer with. Commercial EPC bids are due in the second quarter of this year.

Around this time last year, Energy Transfer was also planning to work with **JP Morgan's**

London branch to raise debt for the project (PFR, 3/28/19). The plan was for Shell to fund its half of the project on balance sheet and for the bulge-bracket bank to begin to raise debt later this year.

"We don't comment on clients," said a spokesperson for JP Morgan when asked if the bank was still involved with the project.

The export project won approval from the U.S. **Federal Energy Regulatory Commission** in 2015 and has permits from the **Department of Energy** to export LNG.

Another LNG project developer, **Tellurian**, recently managed to buy time for its Driftwood LNG export terminal project, also in Lake Charles, La., with an 18-month extension of its 2019 term loan (PFR, 3/25). **GNL Quebec** is also soldiering on with a funding round for its C\$9 billion (\$6.56 billion) **Energie**

**"We remain in discussions with several significant LNG buyers from Europe and Asia regarding LNG offtake arrangements"**

Saguernay LNG export terminal at Port Saguernay, northern Quebec, after **Berkshire Hathaway** pulled out of a potential investment (PFR, 3/10). ■

## Southern Co. Offloads LNG Subsidiary

**Southern Co.** has sold its **Pivotal LNG** subsidiary, which includes stakes in two small-scale liquefied natural gas facilities, to **Dominion Energy**.

The two facilities are Pivotal's LNG facility in Trussville, Ala. and a 50% stake in the JAX LNG facility in Jacksonville, Fla.

The remaining stake in JAX LNG is held by **NorthStar Midstream**, which is backed

by funds that are managed by **Oaktree Capital Management** and **Clean Marine Energy**.

Both facilities have a combined storage capacity of 7 million gallons of LNG and can supply 180,000 gallons a day.

"The acquisition of Pivotal LNG will play an important role in our broader strategy to help decarbonize the marine shipping industry," said **Roger Williams**, Dominion Energy's

vice president of gas develop-

**"The acquisition of Pivotal LNG will play an important role in our broader strategy to help decarbonize the marine shipping industry"**

ment services. "The acquisition of Pivotal and our exist-

ing Cove Point LNG facility in Maryland positions us well to lead the transformation of the marine industry and to serve other growing LNG markets along the east coast."

JAX LNG is the U.S.'s first small-scale LNG facility with the capability to load LNG into both marine vessels and trucks. It has space to add 480,000 gallons per day of production capacity to meet growing demand. ■



## NORTH AMERICA PROJECT FINANCE ●

# Bank Loan Market Enters Price Discovery Mode

◀ FROM PAGE 1

with no premium for structural subordination in back-levered deals. For quasi-merchant gas-fired projects, meanwhile, debt has been priced at 300 bp for new builds and inside that for refinancings of operational assets.

But the economic impact of the pandemic will alter this dynamic, say project finance bankers. Banks' internal funding costs are on the rise, concerns about liquidity abound and some more cautious lenders are simply not funding new deals, reducing the depth of the loan market.

"For deals that have not yet closed, for a bank to hold open its commitment, that costs them real money," says **Allan Marks**, a partner at **Milbank** in Los Angeles, referring to the higher cost of capital banks now face. "And they have to be compensated for it."

Pricing on short-term construction loans would probably come in 25 bp to 50 bp wider than before if they were priced now, said **Ralph Cho**, co-head of power and infrastructure at **Investec** in New York, citing conversations with other project finance bankers, during a

webcast hosted by **Norton Rose Fulbright** partner **Keith Martin** on March 26.

Bankers speaking with *PFR* agreed with his assessment, though the extent of the widening remains unclear and is likely to depend on factors such as the strength of the relationships between each borrower and its lenders.

"There is a lot of price discovery going on right now," says the head of a North American project finance team. "For deals where you had signed a mandate letter, I suspect people are going to try and hold pricing, but it's going to be hard to do that, going up to committee, if you have the opportunity to place capital today at twice that rate."

"Where relationships are strong, you'll be able to keep the pricing," he added.

## CORPORATE COMPS?

As a guide to where project finance pricing may eventually settle down, the senior banker recommended looking at the recent shift in pricing in the investment grade corporate bond market, particu-

larly for triple-B-rated utilities.

There has been a glut of issuance in that market, providing ample data for comparison. **Xcel Energy**, **Exelon Corp.** and **Dominion Energy** all issued 10-year bonds in the past two weeks, and all have triple-B ratings.

Xcel's \$600 million offering on March 26 was priced at 270 bp over Treasuries to yield 3.438%, Exelon's \$1.25 billion bond was priced on March 30 at a spread of 337.5 bp to yield 4.075%, and Dominion's \$1.5 billion issuance came in at 280 bp to yield 3.495% on March 31.

The average spread across the three deals was 295.8 bp and the average yield was 3.67%.

Back on Feb. 18, before the coronavirus had really started to send markets into turmoil, **FirstEnergy Corp.** (Baa3/BBB-/BBB) had been able to price a \$600 million 10-year bond at a spread of just 110 bp over Treasuries to yield 2.658%.

Even accounting for the drop in benchmark treasury yields, utilities are paying debt investors an additional percentage point of overall yield compared with just over a month ago.

"It's moving fast and spreads change on a daily basis," says the project finance banker. "How can we continue to do project deals at Libor plus 125?"

Another senior project finance banker was less convinced that the corporate bond market would prove to be a reliable proxy, pointing out that most investment grade corporate bonds are unsecured, and lack the covenant and security package of a project finance deal. "How many basis points is that worth in this market?" he mused.

Either way, the second banker expects margins for term debt to widen by between 12.5 and 25 basis points, using the 2008 financial crisis as a yardstick.

"Prior to 2008, pricing was in the low 100s—I remember one-and-one-eighth—and it did creep up in the shorter term by 25 and in some cases even 50 basis points," he said, referring to high-quality, fully-contracted projects.

For quasi-merchant gas-fired projects in **PJM Interconnection**, meanwhile, pricing could rise from 275 to the low 300s, he added. "The dynamics have shifted toward lenders." ■

## Algonquin's Liberty Seals Debt for Illinois Wind Farm

**Algonquin Power & Utilities Corp.** subsidiary **Liberty Power** has closed construction financing for its 202 MW Sugar Creek wind project in Logan County, Ill.

**CIBC**, **HSBC**, **Mizuho**, **Rabobank** and **Sumitomo Mitsui Banking Corp.** provided the \$284.83 million loan on Feb. 28.

The same five banks had signed a nearly \$500 million construction loan for Liberty's 490 MW Maverick Creek wind farm in Texas the week before (*PFR*, 3/13).

The Sugar Creek project has a 10-year energy hedge while sales of its renewable energy certificates are split between three 15-year agreements.

Liberty will seek to attract tax equity later, says a person familiar with the project.

The company acquired 100% of the equity in Sugar Creek from **Apex Clean Energy** in December 2018 (*PFR*, 12/21/18).

Construction began in September 2019. **Infrastructure and Energy Alternatives** is the engineering, procurement and construction contractor, and **Vestas** is providing 57 turbines.

The wind farm is expected to be online by December.

**Atlantica Yield**, the former **Abengoa** yield company, announced a preliminary

agreement to buy a stake in Sugar Creek in December 2018. It was to be the first drop-down from Algonquin into the yieldco after the two companies entered into a strategic partnership in 2017 (*PFR*, 11/2/17).

However, sources tell *PFR* these plans are no longer going ahead. A spokesperson for Atlantica in Madrid declined to comment.

## REPEAT CUSTOMER

Since acquiring Sugar Creek, Algonquin has also bought another asset from Apex, namely a stake in the 80 MW Altavista solar project in Campbell County, Va. The deal closed in late 2019. ■

## ● NORTH AMERICA PROJECT FINANCE

# German Developer Composes Amadeus Wind Deal

« FROM PAGE 1

ers on the deal were:

- ◆ **Greenberg Traurig** (borrower counsel),
- ◆ **Sidley Austin** (tax equity counsel),
- ◆ **Clifford Chance** (advising Commerzbank), and
- ◆ **Katten Muchin Rosenman** (advising Morgan Stanley).

**Jeff Chester**, global head of energy project finance at Greenberg Traurig, led the firm's deal team. He joined Greenberg Traurig last summer from **Morrison & Foerster**, where he was head of project finance (PFR, 7/11/19). BayWa had also been a client of his at MoFo.

The Amadeus project is expected to be online by the end of the year. BayWa has retained **Rubicon Capital Advisors** to find an investor to buy the project when it

is complete.

"In line with providing quality projects to the U.S. market for almost two decades, we started this project as a greenfield asset and have been able to uniquely develop and structure the deal where we expect to have little curtailment and basis risk," says **BayWa r.e. Wind's** San Diego-

**"For good sponsors, relationship banks are still supporting them for new deals. Otherwise, it's wait-and-see mode."**

based CEO, **Florian Zerhusen**.

The project is located in the West zone of **Ercot**.

The Amadeus deal is the latest of several project finance transac-

**"We continue to work with our customers in this time of uncertainty to ensure that we are delivering outcomes that support their long-term interests,"**

tions to close in recent weeks as broader markets have been roiled by the Covid-19 crisis and oil price shock. Project finance professionals say that the bank loan and tax equity markets remain open for deals that have already been in the works for some time (PFR, 3/16).

"People are doing both debt and

tax equity for existing deals," says the head of project finance at a utility-scale solar developer. "For good sponsors, relationship banks are still supporting them for new deals. Otherwise, it's wait-and-see mode."

"We continue to work with our customers in this time of uncertainty to ensure that we are delivering outcomes that support their long-term interests," said **Gaurav Raniwala**, global renewable energy leader at GE EFS, in a statement on April 1.

BayWa names its projects for classical music composers. They include the 30 MW Mozart project—also in Kent and Stonewall counties—that came online in 2012 and the 19.8 MW Brahms plant in Curry County, N.M., which was placed into service in 2014 (PFR, 7/7/14). ■

## C&I Solar Developer Tweaks Portfolio Debt

Commercial and industrial-scale solar developer **True Green Capital** recently amended a loan package for a portfolio of projects across the U.S. to accommodate the addition of two projects totaling 20.8 MW.

The original \$53 million seven-year term loan commitment was signed on Dec. 7, 2018 and was drawn by \$40 million at closing. The package, provided by **KeyBank**, also included a \$3.5 million letter of credit facility.

True Green and Key amended the deal in

February 2020 as the developer added two assets to the portfolio—a 16.5 MW project located at Joint Base McGuire-Dix-Lakehurst in New Jersey, and a 4.3 MW portfolio of rooftop assets located at the Port of Los Angeles in California.

True Green drew an additional \$4 million under the term loan and increased the letter of credit facility to \$5.3 million. At the same time, the total commitment under the term loan facility was reduced to \$44.6 million.

The debt is now allocated to six assets in

New Jersey, Massachusetts and California (see table, online).

"There is still an ability to do an incremental increase in the term loan commitment and add additional projects," says a person familiar with the deal.

Legal advisers included:

- ◆ **Winston & Strawn** (lenders' counsel)
- ◆ **Kirkland & Ellis** (borrower's counsel)

KeyBank has been financing True Green portfolios since as long ago as 2014 (PFR, 4/28/14). ■

## ● PPA PULSE

# Puget Inks Hydro PPA with Tribe-owned Project

**Puget Sound Energy** has signed a power purchase agreement for the output of the major hydro project in the U.S. to be fully owned by Native American tribes.

The Bellevue, Wash.-based utility will buy 40 MW from the 208 MW Selis Ksanka Qlispe hydro project under the terms of the PPA.

The **Confederated Salish and**

**Kootenai Tribes** of Montana acquired the plant from **North-Western Energy** for \$18.2 million in 2015.

They own and operate the proj-

ect through a company called **Energy Keepers**.

The hydro dam is located at Flathead Lake on the Flathead Indian Reservation in Lake County, Mont. It has been operating since 1938, originally as the Kerr Hydroelectric Project. ■

## LATIN AMERICA MERGERS &amp; ACQUISITIONS ●

## Omega Suspends M&A Due to Covid-19

Brazilian renewable power generator **Omega Geração** has suspended all of its prospective M&A transactions due to the Covid-19 pandemic.

The company's CEO **Andrea Sztajn** signed a document saying that the company would suspend its participation in all ongoing M&A processes, including both public and private assets, "until current scenario and future consequences can be better evaluated."

"Such suspension will allow the company to correctly focus on critical activities such as the continuity of our operations with no negative impact to our clients," he wrote.

The announcement came together with the disclosure that an acquisition announced in December 2019 was now concluded.

Omega has closed its acquisition of Centrais Eólicas Assuruá III (CEA III) from **Fundo de Investimentos em Participações em Infraestrutura Energias**

**Renováveis** (FIP-IEER).

CEA III comprises the Laranjeiras III and Laranjeiras IX wind projects, which are both located in the Brazilian state of Bahia. They have a total combined capacity of 50 MW.

Omega paid R\$19.7 million (\$3.8 million) for 10% of the portfolio and R\$447,749 plus

five million shares of its own stock for the other 90%.

Both of the projects are partially contracted through national power auctions. The 25 MW Laranjeiras III project has a contract for 8.899 MW while the 25 MW Laranjeiras IX wind farm has a PPA for 7.274 MW. ■

## Eletrobras Privatization Likely Delayed Until 2021

The president of Brazilian state-controlled electric utility **Eletrobras**, **Wilson Ferreira Jr.**, says he now expects the company's privatization to be delayed.

The privatization, through the sale of a majority stake, will now most likely take place in 2021, according to Ferreira.

A presentation to analysts on the company's 2019 results highlighted a potential delay in the approval of law number 5,877/2019, which will allow the sale of the

controlling position. The bill was sent to Congress in 2019 but is yet to be voted on.

According to Ferreira, the company's leadership expected the bill to be approved in the first half of 2020, but this is now more likely to happen in the second half, pushing the privatization into next year.

In the meantime, Eletrobras will continue to divest assets with the aim of reducing the number of special purpose vehicles under its control from 136 to 92. ■

## Engie, Antofagasta Ink Deal to Switch from Coal-fired Power to Renewables

**Engie Energía Chile** has agreed to acquire a stake in a coal-fired power plant from Chilean copper producer **Antofagasta Minerals** while inking an 11-year renewable energy power purchase agreement with the mining company.

Antofagasta will sell its 40% stake in the 177.5 MW Hornitos

power contract inked between the two companies on April 1.

Engie already owns the remaining 60% stake in the Hornitos plant through its subsidiary **E-CL**—formerly **Edelnor**.

The plant is less than 10 years old, having been brought online in 2011.

Under the terms of the agreement, Engie will supply power from renewable sources to

Antofagasta's Centinela copper mine, also in the Antofagasta region. The PPA will run from 2022 to 2033.

The miner has also agreed to cancel Centinela's two existing PPAs, which would have run until 2026 and 2027.

The mining company said in a statement that the sale of the coal-fired plant stake will result in a \$43 million post-tax

write-down, but that the PPA is "value accretive" because it will reduce its power costs from 2020.

"With the completion of this agreement, from 2022 all our mining division's power will be from renewable sources and at a lower cost as well," said Antofagasta's CEO, **Iván Arriagada**.

Engie owns five renewable projects in the country. ■

**"With the completion of this agreement, from 2022 all our mining division's power will be from renewable sources and at a lower cost as well"**

plant, located in Mejillones, in the region of Antofagasta, to Engie as part of the renewable

## NextEnergy Buys Mexican Solar

British asset manager **NextEnergy Capital** has announced the acquisition of a 36.1 MW (DC) solar project in Mexico.

The asset, which is under construction, is the first phase of a 108 MW (DC) solar park in the state of Guanajuato.

The project has a power

purchase agreement with an investment grade corporate off-taker.

The name of the project and the identities of the off-taker and the developer of the project were not disclosed.

The first phase of the project is expected to be brought online

before the end of June, with the second portion of the project starting commercial operations by the end of this year.

It will be the first Mexican asset in NextEnergy's solar fund, NextPower III.

NextPower III owns four projects totaling 185.4 MW (DC). ■

## ● LATIN AMERICA PROJECT FINANCE

# Sponsor Tests Waters for Mexican CCGT Refi

The sponsor of a combined-cycle gas-fired plant in Mexico has begun talks with bankers to refinance the asset after it starts operations.

**Macquarie Capital's** 907 MW Norte III project in Ciudad Juárez, Chihuahua, was expected to be brought online by the end of 2019 and is due to begin fulfilling its 25-year power purchase agreement with the **Federal Electricity Commission** in the first half of this year.

"It will be hard for the sponsors to get better terms on their refi," says a deal watcher in New York, noting that the original financing had already aggressive terms.

The primary financing was a \$716 million five-year debt package arranged by **Natixis** and **SMBC** in 2017.

The deal comprised a \$675 million mini-perm loan and a \$41 million letter of credit facility. Eight financial institutions par-

ticipated (PFR, 9/12/17).

The mini-perm replaced earlier bridge financing that had been put in place when the PPA was awarded in 2015, shortly before the project's original sponsor, **Abengoa**, filed for bankruptcy in its home country, Spain (PFR, 3/19/15).

In the midst of a protracted debt restructuring, Abengoa sold the Norte III facility in September of 2017 to Macquarie (90%) and **Techint Engineering & Con-**

**struction** (10%) (PFR, 9/6/17).

Seven months later, **Macquarie** sold minority stakes in the project to two investment funds. **InfraRed Capital Partners** acquired a 35% stake in the facility, with **InveX Infraestructura** buying a 10% (PFR, 3/16/18).

Techint was the engineering, procurement, and construction contractor for the project, which was fitted with **General Electric** gas turbines and **Toshiba** steam turbines. ■

## Cap Vert Plots Small-scale Solar in Chile

The Chilean subsidiary of French developer **Cap Vert Energie** has begun the permitting process for two solar projects that are expected to qualify under the country's PMGD (*Pequeños Medios de Generación Distribuida*) distributed generation scheme.

The first two assets in the portfolio are the 9 MW Perséfone solar project in the municipality of Salamanca, Coquimbo, and the 6 MW Clementina solar park, in the commune of Til-Til in the Metropolitan Region.

The Perséfone project will cost \$22 million and the Clementina project \$7.6 million, according to filings with Chile's **Environmental Evaluation Service**.

Construction for Perséfone will start in March of 2021, with Clementina's construction beginning a month later.

Chile's PMGD program, which is limited to projects up to 9 MW in size, confers benefits including stabilized prices and avoidance of trunk transmission tolls (PFR, 1/26/18).

However, the law regarding how the stabilized price is calculated is about to change, which could negatively impact solar projects.

Projects that are already under development will be grandfathered into the existing scheme for 14 years. To qualify for this treatment, they must either be operational already or obtain interconnection rights before April 17, 2020, and construction per-

mits by March 17, 2021 (PFR, 3/20).

Cap Vert already has experience with PMGD projects, having reached financial close on two such portfolios in the past couple of years.

Chile's **Banco Security** provided a \$35.6 million loan for the first in 2018 (PFR, 1/22/18) and **Natixis** underwrote an \$87 million debt package for another last year

(PFR, 12/12/19).

Cap Vert has also been active of late in the U.S. community solar market. The developer's North American branch reached financial close on the 31.3 MW CVE SMART solar portfolio in Massachusetts on Feb. 14. **Avana Capital** structured the \$57 million debt package. **NextPower Capital** provided financial advice to CVE on the deal. ■

## Solar PMGD Portfolio in Chile Closes Financing

The non-bank financial institution **Corporación Interamericana para el Financiamiento de Infraestructura** (CIFI) has provided a debt package for a solar portfolio developed under Chile's PMGD (*Pequeños Medios de Generación Distribuida*) distributed generation scheme.

The \$17.2 million loan will be used to finance the development of a 22.8 MW solar portfolio owned by Chilean developer **Gestión Solar**.

The portfolio, which will require a total investment of \$24.6 million, comprises five small-scale solar projects in the regions of Valparaíso and O'Higgins.

Chile's PMGD program, which is limited to projects up to 9 MW in size, confers benefits, including stabilized prices and avoidance of trunk transmission tolls (PFR, 1/26/18). The urgency to finance PMGD projects has grown in the past couple of months ahead of a law

change that is expected to make the program less attractive (PFR, 3/23).

CIFI, which only funds infrastructure and energy projects in Latin America, has been very active funding small-scale power projects in the region.

In December of last year, the institution issued a \$200 million bond in the Panamanian market with Panama's **MMG Bank** as placement agent. The proceeds of the bond will be used to finance wind, solar, thermal, and hydro projects with a capacity of 25 MW or less in Panama.

**Bankia** and the **Inter-American Development Bank** founded CIFI in 2001. **Caixa-bank**, Ecuador's **Banco Pichincha** and the **Norwegian Investment Fund for Developing Countries** (Norfund) are among the stakeholders of the Panama City-based institution. ■



## LATIN AMERICA PROJECT FINANCE ●

# Mexico Quietly Postpones Tenders Amid Economic Turmoil

◀ FROM PAGE 1

plant in Guanajuato, the 42 MW Baja California Sur VI facility in La Paz, and the 804.8 MW San Luis Potosí unit, in the state of the same name, in the municipality of Villa de Reyes.

The three CCGTs are among the six tenders announced by President **Andrés Manuel López Obrador's** administration in October of last year (PFR, 10/11/19).

CFE opened the bidding processes for Salamanca in early November, for San Luis Potosí on Nov. 28, 2019, and for Baja California Sur tender on Dec. 5 of last year (PFR, 11/8/19, 12/6/19).

However, CFE has since updated the bidding timelines, without making an announcement. Under the new schedule, bids are due for Salamanca by May 18, San Luis Potosí unit by June 22, and Baja California Sur VI by June 3.

In each case, the winning bidders will be announced between three and four weeks later.

The CCGT plants are not the only projects to be postponed. CFE has also rearranged the schedule for the 275-mile (441.8 km) Huasteca-Monterrey transmission line, near Mexico City, which was meant to be resolved in January (PFR, 1/6). Proposals are now due on May 7, with CFE expected to publish a resolution by May 22.

The state-owned utility has not commented on the delays, but project finance bankers point to the Covid-19 pandemic as the explanation.

In the meantime, CFE's fuel supply subsidiary **CFEnergía** is holding a tender for the supply of natural gas to five gas-fired projects in the state of Baja California Sur, including the Baja California Sur VI facility. Bidders had until March 17 to register for this tender (PFR, 3/10).

CFE still has to launch the tenders for three announced CCGT projects:

- ◆ The 642 MW plant in Lerdo, state of Mexico,
- ◆ The 500 MW project in San Luis Río Colorado, Guanajuato, and
- ◆ The 500 MW expansion of the existing 529 MW Mérida IV facility in Yucatán.

All the projects are being procured under the *Obras Públicas Financiadas* (OPF) framework, through which CFE awards concessions to design, build, and finance the assets. CFE pays the developer and takes ownership of the asset once the project is ready to start commercial operations.

## DOWNGRADE

On March 27, **S&P Global Ratings** downgraded CFE's credit rating from BBB+ to BBB, citing "a pronounced hit to the Mexican

economy following the combined shocks of COVID-19 [...] and lower oil prices."

A banker says these circumstances will make financings more expensive but that "deals will eventually close." Others say the one-notch downgrade of CFE will not have a substantial impact, but that they are keeping an eye on the rating, fearing further drops to below investment grade.

"The important thing is that the rating does not keep falling," says one.

Project finance bankers expect the bidders for the projects to be construction companies and are looking to provide construction loans. **Grupo ACS** is understood to be bidding for Salamanca (PFR, 1/9).

Commercial operations are scheduled for the delayed CCGT projects as follows:

- ◆ Baja California Sur VI - April 11, 2023.
- ◆ Salamanca - April 14, 2023.
- ◆ San Luis Potosí - May 25, 2023.

## FAST FACT

# BBB

The new credit rating for Mexico's state-owned CFE. S&P Global Ratings downgraded the utility on March 27.

# Celsia Develops Colombian Gas-Fired Plant

Colombia's **Celsia** is moving forward with the development of an almost 200 MW gas-fired project in the country.

The 198.7 MW Tesorito I project, located in Sahagún in the department of Córdoba, will require an estimated investment of 435 billion Colombian pesos (\$107.23 million), according to filings with Colombia's **National Authority of Environmental Permits** (ANLA).

The project was awarded 20-year Firm Energy Obligations (*Obligaciones de Energía Firme*

or OEFs) during the March 2019 grid reliability auction.

Under these capacity contracts, the plant must be available to provide power to the grid to earn a fixed dollar-denominated price per kilowatt-hour. The mechanism was designed in 2006 to ensure power supply during droughts like those caused by the El Niño phenomenon.

The OEFs for Tesorito come into force on Dec. 1, 2022.

Celsia filed environmental paperwork for the project on

March 20.

Celsia holds a majority stake in the project through its subsidiary **Empresa Energía del Pacífico** (EPSA).

The company acquired a 57.5% stake in the project for \$6 million in May of last year from generation company **Proeléctrica de San Andrés**, which supplies power to the San Andrés islands in the Caribbean.

Oil company **Canacol Energy** also owns a 10% stake.

The plant will receive natural gas from Canacol's fields in Cór-

doba.

Earlier this month, Celsia won the contract to develop the transmission work that will allow the project to connect to the national grid, including the 500 kV Sahagún substation and two 0.62-mile (1km) transmission lines that will connect the substation with the existing Cerromatoso - Chinú I line, in Córdoba.

Colombia's **Mines and Energy Planning Unit** (UPME) declared Celsia the winner on March 12 (PFR, 3/13). ■

## ● CASE STUDY

# Case Study: Central Penn Gas Pipeline

One of the last remaining publicly-listed renewable energy yield companies in the U.S., **NextEra Energy Partners**, made a major fossil fuel investment last year when it acquired a stake in the 185-mile Central Penn gas pipeline in Pennsylvania for \$1.37 billion. The financing included tightly priced term debt and a complex convertible equity deal.

The yieldco signed the deal to acquire a 39.2% stake in Central Penn by buying a holding company called **Meade Pipeline Co.**, on Sept. 29, 2019.

Meade's owners were **AltaGas**-subsidiary **WGL Midstream**, **Cabot Oil & Gas Corp.**, funds controlled by **Ares Management Corp.** and **Vega Energy Partners**.

NextEra formed an acquisition vehicle called **Meade Pipeline Investment** and closed its purchase on Nov. 13, paying an initial sum of \$1.28 billion.

The remaining \$90 million will be paid through 2022 to fund an expansion project that will increase the pipeline's capacity by 0.6 Bcf/day.

"Meade Pipeline is a very attractive acquisition for NextEra Energy Partners, and is expected to yield a double-digit return to NextEra Energy Partners' limited partner unitholders and generate a cash available for distribution yield of roughly 14%," said **Jim Robo**, NextEra's chairman and CEO in a Sept. 30 announcement.

WGL got \$657 million for its 55% position in Meade, Ares sold its 22.5% for around \$286 million, and Cabot sold its 20% stake for \$256 million, the latter using the funds for a corporate share buyback. The smallest shareholder, Vega received \$81 million for its 2.5% share.

"Our Meade Pipeline investment demonstrates Ares' investment strategy to partner in the development of critical infrastructure assets, bring them online and ultimately create value for our fund investors," said **Keith Derman**, co-head of Ares infrastructure and power in a statement on Oct. 22.

Advisers on the sale included:

- ◆ **BMO Capital Markets** (financial, to Ares),
- ◆ **Wells Fargo Securities** (financial, to NextEra),
- ◆ **Morgan Lewis** (legal, to NextEra)

◆ **Locke Lord**, led by partner **Bill Swanstrom** (legal, to NextEra), and

◆ **Orrick**, led by partner **Brad Gathright** (legal, to the sellers).

Although it is best known for its renewable energy investments, NextEra Energy Partners is no stranger to the pipelines business—it already owned and operated seven such assets in Texas. Including its stake in Central Penn, its pipelines now run to 727 miles, with a total capacity 4.3 Bcf/day.

However, the Central Penn investment was unusual for the NextEra yieldco because it will not operate the asset itself.

Instead, operations will be handled by the majority owner of the pipeline, with a 61% stake, **Transcontinental Gas Pipe Line Company** (Transco), a Houston-based subsidiary of **The Williams Companies**. Transco built the Central Penn project as a part of its larger Atlantic Sunrise pipeline.

NextEra's return on its investment will take the form of fixed annual payments from Transco under lease agreements.

Transco leases the project's initial capacity under a 14-year lease that comes with a five-year extension option, and will pay for the expansion capacity under a further 20-year fixed-price lease.

"NextEra usually run their businesses but this time they took the role of a financial player with Transco running the pipe," says a source close to the deal. "The lenders are lending to an expansion they don't control—Transco controls the expansion."

Transco has Baa2 and BBB credit ratings from **Moody's Investors Service**, **S&P Global Ratings** and **Fitch Ratings**.

## FINANCING

NextEra used around \$915 million in seven-year mini-perm debt from a group of banks as well as \$168 million in convertible equity from **BlackRock** to fund the acquisition.

**Citibank** and **MUFG** led on the debt package, which comprised:

- ◆ a \$757 million term loan for the operating pipeline, and
- ◆ a \$158 million delayed draw construction-to-term loan for the expansion.

Pricing on the term loan was 162.5 basis

points over Libor, while the loan for the expansion project was priced at 200 bp, stepping down to 162.5 bp during the operations phase.

The deal was sized with a debt service coverage ratio of less than 1.1 times, says the source, who described the structure as "super tight."

**CoBank**, **Industrial and Commercial Bank of China**, **Helaba**, **Mizuho** and **Société Générale** were co-lead arrangers and joint-bookrunners on the loans. **Bank of China**, **Kookmin Bank** and **MetLife** also took tickets, according to data from *IJGlobal*.

The deal closed on Nov. 16.

"It's a regulated pipeline with a contract and a strong sponsor like NextEra pushing every button imaginable," said the deal watcher. "The deal had all kinds of crazy structural stuff—it was a great deal."

The remaining \$365 million acquisition cost was split between \$197 million in equity from NextEra's and a \$168 million convertible equity deal with **BlackRock**.

As with other convertible equity deals NextEra has struck with firms like **KKR & Co.** (*PFR*, 3/4/19), this **BlackRock** deal involved the purchase by the convertible equity investor of a partnership interest in the assets to be acquired, with the expectation that NextEra will begin to periodically buy back the stake after a certain amount of time has elapsed.

In the case of Central Penn, NextEra is expected to begin buying back **BlackRock**'s partnership interest starting three-and-a-half years into the deal. The equity buy-backs are calculated to give **BlackRock** a levered fixed pre-tax annual return of approximately 11%.

If NextEra does not exercise its entire buyout right by the end of year six—or year five if certain minimum buyouts have not occurred—**BlackRock**'s allocation of distributable cash flow for the portion of the asset it still owns increases to 99%.

Legal advisers on the acquisition financing include:

- ◆ **Squire Patton Boggs** (to NextEra on the loans),
- ◆ **Latham & Watkins** (to the lenders), and
- ◆ **Skadden**, led by partner **Allison Land** (to NextEra on the convertible equity). ■

## PEOPLE &amp; FIRMS ●

## CenterPoint Energy CFO Joins WEC Amid Reshuffle

**CenterPoint Energy's** CFO **Xia Liu** has left the company to take up the same role at **WEC Energy Group**, amid a C-suite leadership reshuffle at WEC.

Liu will replace **Scott Lauber** as CFO of WEC, effective June 1. Liu has previously served as CFO of two **Southern Co.** subsidiaries, namely **Gulf Power** and **Georgia Power**, and as senior vice president, finance and treasurer for Southern Co.

Lauber is vacating the CFO position to become chief operating officer of the group and president of two of WEC's utility subsidiaries, **Michigan Gas Utilities** and **Minnesota Energy Resources**.

He reports to **Kevin Fletcher**, president and CEO.

Meanwhile, **Rick Kuester** will be retiring from his senior officer position at WEC later this year. He will continue to act as a consultant, advising on the company's capital investment plan and enterprise risk mitigation.

"As we focus today on health, safety, and providing essential service to our customers through this pandemic, we also continue to plan for the next chapter of the company's growth and development," said **Gale Klappa**, executive chairman of WEC. "The appointments we're announcing today will bring additional depth

and experience to an already strong team – a team that has delivered industry leading results over many years. Our future is bright."

**"I would like to thank Xia for her contributions and dedication during her time with the company"**

CenterPoint, meanwhile, has appointed senior vice president and chief accounting officer **Kris-**

**tie L. Colvin** to be interim CFO until a permanent successor to Liu can be chosen. The company is already searching for a CEO to replace **Scott M. Prochazka**, who stepped down in February.

"I would like to thank Xia for her contributions and dedication during her time with the company, including helping to deliver strong fiscal 2019 results, working to realign the company's portfolio to focus on its regulated businesses, and continuing our track record of disciplined cost management," said **John W. Somerhalder II**, who is serving as CenterPoint's interim president and CEO. ■

## Long-time Orrick Attorney Departs

**Chris Gladbach**, a long-time lawyer at **Orrick, Herrington & Sutcliffe's** Washington, D.C. office has joined another law firm.

Gladbach, who joined Orrick in 2007 and has been a partner since 2016, left the firm on March 27 to start at **McDermott Will & Emery** as a partner the following day.

"It's an entrepreneurial group, and they are really focused on growing the energy practice," Gladbach tells *PFR*. "They have a lot of marquee clients, and they're involved in some really sophisticated transactions at the highest levels. They are really dynamic and have a deep bench of expertise, so I'm very excited to be here."

He adds that M&A mandates on both the

buy- and sell-side as well as financings for development-stage renewable energy projects will be keeping him "very busy."

At Orrick, Gladbach advised energy and infrastructure clients on M&A, project development, tax equity and project finance transactions.

He has advised on cross-border investments in energy projects and companies, working with project sponsors and investors from Germany, Italy, Spain, Portugal, the U.K., South Korea, China and Japan.

At Orrick, Gladbach was also co-head of the firm's Defense Energy Task Force, advising on the development and financing of U.S. **Department of Defense** energy projects. ■

## TC Energy Hires Veteran for Mexico Gas Marketing Ops

**TC Energy** has hired **Frédéric Bathy** as a director tasked with establishing the company's new gas marketing business unit for Mexico, based in Mexico City.

Prior to this, Bathy spent 21 years with **Engie**, handling business development, mergers and

acquisitions, energy trading, commercial and regulatory affairs and operations throughout Latin America, with a focus on Mexico.

Early in his career, Bathy worked as a chief engineer within facility management at **Cofreth**. ■

## DC Green Bank Gets CEO

Former project finance attorney **Eli Hopson** has been appointed the first CEO of the DC Green Bank, an independent agency established by the **District of Columbia** Green Finance Authority Establishment Act of 2018.

Like other green banks, it is intended to use public capital to accelerate private sector investment in clean energy.

"With the current COVID-19 challenge we all face, the importance of accessible, affordable, and sustainable energy solutions for all District residents and businesses is greater than ever," Hopson said in a statement on March 31. He begins his new role on April 13.

Hobson was previously vice president of legal, regulatory, and policy at **Cube Hydro** and also briefly served as V.P. of legal and chief compliance officer at **Eagle Creek Renewable Energy**. **Ontario Power Generation** acquired and then merged the two hydro plant owner-operators over the course of 2018 and 2019 (*PFR*, 8/10/18, 6/25/19).

Hobson joined Cube Hydro in 2015 after five years with **Latham & Watkins**, where he had been an associate in the finance and environmental departments. ■

## ● PEOPLE &amp; FIRMS

## Fossil Fuel Fund Taps Renewable Energy Talent

A low-carbon investment fund run by fossil fuel industry group **Oil and Gas Climate Initiative** (OGCI) has recently expanded its U.S. team with the addition of two project finance professionals from the renewable energy sector.

The OGCI, which counts 13 oil and gas companies among its members, launched the \$1 billion OGCI Climate Investments fund in November 2016. Since then, it has invested in 16 companies that develop technology to reduce methane or carbon dioxide emissions, including carbon capture projects.

Many of the fund's investment professionals come from OGCI's members, which include **Chevron**, **Occidental** and **Saudi Aramco**. More recently, however, the fund has begun to bring in additional expertise from the renewable energy business.

**Tarik Kamel**, for instance, joined the fund as structured finance principal in Jan-

uary from **Engie North America**, while **James Mackey** joined from **Apex Clean Energy** and will oversee carbon capture, utilization and storage projects as managing director.

Kamel and Mackey will both bring firsthand knowledge of the tax equity market to their new roles, which will likely come in useful after tax equity investors received long-awaited **Internal Revenue Service** guidance on the framework for investing in carbon capture technology earlier this year (PFR, 2/20).

Kamel was previously a director in Engie's acquisitions, investments and financial advisory team, specializing in tax equity. He has also previously worked for **Saudi Aramco** and **DTE Energy Services**.

Mackey was senior vice president, finance, at Apex, and had also worked at **NextEra Energy Resources**, **Dynegy**, **JP Morgan** and **Duke Energy**. ■

## Schlumberger Eyes Carbon Capture

Oilfield services company **Schlumberger** recently formed a team to focus on investing in low-carbon technologies, including carbon capture and storage (CCS).

The **Schlumberger New Energy** division was formed in February and is led by **Ashok Bellani**, an executive vice president, out of Houston.

Bellani has been with Schlumberger for almost 40 years, most recently as V.P. technology, a title he had held since 2011.

His new group will invest in:

- ◆ businesses working to develop new energy technologies,
- ◆ companies which require expertise in subsurface characterization and drilling activities, and
- ◆ what Schlumberger calls "new energy deployments" in new domains and associated business opportunities.

Another Schlumberger veteran of 20-plus years, Paris-based **Marlene Pham**, has taken up the role of head of finance for the team. Though she was previously Schlumberger's head of digital strategy, she has

spent the bulk of her career across various corporate finance functions.

### CAPTURING CARBON

Part of the division's focus will be CCS. Schlumberger brought in **Damien Gerard** from **OGCI Climate Investments** to run its CCS business in January.

Gerard will look to participate in CCS projects requiring carbon storage in saline formations. He is based in the San Francisco Bay Area.

He had been with OGCI Climate Investments for two years, where he was commercial director, focusing on project origination and structuring.

Gerard previously spent a decade in senior positions at **BP Alternative Energy** in London, including as CFO of **BP Ventures**.

His departure from OGCI comes at a time when the fund has been hiring project finance professionals from the renewables sector (see story, above). The OGCI fund received over 450 applications for investments in the year 2018 (EF, 11/2/19). ■

## ● ALTERNATING CURRENT

## Keeping the Lights on in the Time of Covid-19



In an unprecedented move to keep the lights on in the Empire State amid the Covid-19 pandemic, NYISO grid operators are living in camping trailers at control centers in upstate New York.

A 37-person team, including 31 grid operators and two café workers, are voluntarily living in isolation in the campers, which are stationed outside **NYISO's** main office near Albany and at a backup site about 15 miles away.

Groups of seven take turns working 12-hour shifts. The day shift works from one facility and the night shift from the other, practicing safe hygiene, social distancing and checking their temperatures twice a day.

The highly skilled workers cannot easily be replaced, having gone through time-consuming interviews, a grueling mathematics and linguistic exam, and an interview with a psychologist before being hired. Most of them have electrical engineering backgrounds, or have come from the U.S. **Navy**, running nuclear plants to power submarines and aircraft carriers, or have experience operating air traffic control centers.

At NYISO's main control center, operators analyze patterns in thousands of data points displayed on dozens of computer screens and a 2,300 sq ft video wall representing the grid to keep the transmission system in balance.

A maintenance worker completely sterilizes the control room between shifts, and operators take their own telephone handsets away with them when their shift is over.

"We know what all this is about and why we're here," said one of the operators, **Bernie Mignacci**, who is 61. "Everybody's pitching in. That's part of what we do."

The isolated workers have found ways to keep themselves entertained during downtime. They have brought acoustic guitars, bongos, a basketball (there's a court outside each building), a jump rope, and beanbag toss game cornhole, all of which were thoroughly disinfected beforehand.

One operator even brought a kite, although he has not had a chance to use it yet. ■