

# Power Finance & Risk

Exclusive Insight on Power M&amp;A and Project Financing

By the publisher of GlobalCapital

## ● AT PRESS TIME

### AES Seals \$575M at 5.5% to Refinance Debt

AES is issuing \$575 million in senior unsecured notes at a fixed coupon rate of 5.5% as it seeks to redeem its outstanding debt.

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## ● MERGERS & ACQUISITIONS

### Pattern YieldCo Purchases Wind Asset Trio

Pattern Energy Group is acquiring a trio of wind facilities from Wind Capital Group and Pattern Development for a total price of \$372 million.

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## Rockland Fund Circles LS Power Portfolio

Nischinta Amarnath

**Rockland Capital's** second private equity fund, Rockland Power Partners II, has signed an agreement through **Zephyr Generation** to buy two natural gas-fired facilities totaling 503 MW from **Valley Road Holdings**, a subsidiary of **LS Power Development**.

RPP II set up Zephyr last month to seal the purchase. Zephyr will wholly own Valley Road Holdings, according to a filing with the U.S. **Federal Energy Regulatory Commission**. Rockland did not use an advisor for the transaction.

Valley Road Holdings' affiliate, **Valley Road Funding**, will transfer its ownership of the 176 MW Tilton Energy facility in Tilton and the 327 MW Rocky Road Power plant in East Dundee, both in Illinois.

Tilton Energy is connected to a MISO-operated transmission line owned by **AmerenIP** while Rocky Road Power is connected to a transmission system owned by **Commonwealth Edison Co.** and operated by PJM.

Rockland aims to complete its acquisition in time to bid the output of both facilities in at least three of PJM's capacity auctions that could take place this year,



pending regulatory approvals. PJM's planned capacity auctions will include its Capacity Performance Transition Auctions for the 2016/17 and 2017/18 delivery years as well as the Base Residual Auction for the 2018/19 delivery year.

The purchase price of the deal, and the identity of LS Power's advisor, could not be determined at this stage.

Rockland Capital acquired the 484 MW Elgin simple cycle facility as a part of a trio of gas-fired plants totaling 1,190 MW in Illinois from **Ameren Corp.** through RPP II in February last year (*PFR*, 4/9/14). The Woodlands, Texas-based private equity shop is looking to expand its portfolio in Illinois, says a Rockland official.

Both RPP and RPP II currently own roughly more than 1.4 GW of natural gas-fired generation in the PJM and MISO markets. ■

## GLP Fuels CPV With Portfolio Acquisition

Olivia Feld

**Global Infrastructure Partners'** second infrastructure fund, Global Infrastructure Partners II, is acquiring a majority of **Competitive Power Ventures'** business, and investing an undisclosed amount of capital in the company.

The acquisition includes equity interests in a num-

ber of CPV facilities, including several under-development projects, and a portfolio in excess of 5,000 MW under CPV's asset management platform, according to a deal watcher.

**J.P. Morgan** is advising CPV on the transaction, which is expected to close in the second quarter of 2015. CPV's management team will **PAGE 8 »**

## Sponsors Scope \$4B+ For Peruvian Pipeline

Olivia Feld

Financiers are eyeing a \$4.1 billion deal backing a 700-mile natural gas pipeline in Peru.

**Gasoducto Sur Peruano**, a consortium of Brazilian construction firm **Odebrecht** and Spanish natural gas transportation company **Enagás**, has assigned 14 book runners

to the transaction, which is slated to close by the end of June, according to a deal watcher.

Peru's private investment promotion agency **ProInversión** awarded GSP the 34-year tender to build, operate and maintain the pipeline in June 2014. The total cost of the tender is pegged at \$7.33 billion. **PAGE 8 »**



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## ● AT PRESS TIME



Credit: visdia/fotolia

## AES Clinches \$575M Issuance at 5.5%, Refinances Debt

AES Corp. has secured a fixed coupon rate of 5.5% to refinance its existing debt through an issuance of \$575 million senior unsecured notes maturing in April 2025. **Goldman Sachs** is the sole book running manager on the deal, which was priced on April 6.

The Arlington, Va.-based company, which tendered \$500 million of existing senior unsecured notes, received net proceeds of roughly \$586.6 million from its new issuance, according to a filing with the U.S. **Securities and Exchange Commission**. It will channel those proceeds to redeem portions of its outstanding 8% senior notes due in 2017 and 2020, and 7.375% senior notes due in 2021.

AES, which is active in residential solar

and the commercial and industrial space, launched a 150 MW operating and under-development distributed solar portfolio across the U.S., Latin America and the Caribbean through its acquisition of **Main Street Power** last month (PFR, 3/16).

The opportunistic bond issue took advantage of a lower interest rate, which was partly a result of the size of AES's portfolio, according to deal watchers.

"The distributed solar business could have contributed to the bonds being priced as they were," says **Michael Ferguson**, associate director of U.S. Energy and Infrastructure at **Standard & Poor's**.

The pricing on AES' new issuance got a positive response from investors, according to a company spokeswoman. "Any interest rate below 8% is an advantage for AES, and investors look at the pricing as they are more focused on credit risk," says **Natividad Martel**, v.p. of the corporate finance group at **Moody's Investors Services**.

Ferguson notes that AES' new public offering would urge investors to view the company favorably by making its capital structure more stable and streamlined.

Moody's has awarded a Ba3 rating to the new senior unsecured notes and a Ba3-PD Probability of Default Rating, while **Fitch Ratings** has assigned a BB rating to the issuance.

Spokespeople at Goldman Sachs could not be reached for comment by press time. ■

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Feel free to contact **Sara Rosner**, editor, at (212) 224-3165 or [sara.rosner@powerfinancerisk.com](mailto:sara.rosner@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	Advisor	Status/Comments
Apex Clean Energy	Kay (299 MW Wind)	Kay County, Okla.		Southern Co. will complete its acquisition of the project after construction (see story, page 6).
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).
Competitive Power Ventures	Portfolio (5000 MW Wind, Gas)	U.S.	J.P. Morgan	Global Infrastructure Partners II is acquiring a majority of the portfolio (see story, page 1).
Canadian Solar	DiscoveryLight (12.6 MW Solar)	Ontario		RET Capital bought both projects and has raised \$92M to finance the purchases (PFR, 3/30).
	FotoLight (14 MW Solar)			
	CityLights (10 MW Solar)	Ontario		RET Capital is buying the facility (PFR, 3/30).
Enel Green Power North America	Cove Fort (25 MW Geothermal)	Cove Fort, Utah		GE Energy Financial Services is buying a 49% stake in the assets via its investment in the EGPNA Renewable Energy Partners yield company (PFR, 4/6).
	Stillwater (47 MW Geothermal)	Churchill County, Nev.		
	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 regulatory approval (PFR, 3/30).
	Merrimack Station (439 MW Coal)			
	Schiller Station (150 MW Coal)			
	Newington Station (400 MW Gas)			
FLS Energy	Portfolio (63 MW Solar)	North Carolina	CohnReznick	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 (PFR, 4/6).
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).
Longview Power	Longview (755 MW Coal)	Maidsville, W.Va.		Five lenders are acquiring stakes of between 10% and 45% in Longview (see story, page 5).
North Carolina Eastern Municipal Power Agency	Harris (150 MW Stake Nuclear)	North Carolina		Duke has agreed to purchase the stakes for \$1.2B (PFR, 4/6).
	Brunswick (342 MW Stake Nuclear)			
	Mayo (117 MW Stake Coal)			
	Roxboro (90 MW Stake Coal)			
Northwestern Mutual	Oasis (60 MW Wind)	Kern County, Calif.		JPMCC and Hannah Armstrong affiliates are buying stakes in the projects (see story, page 5).
	The Camp Springs projects (250 MW Wind)	Scurry County, Texas		
	Sand Bluff (90 MW Wind)	Sterling & Glasscock Counties, Texas		
Ormat Nevada	Heber Solar (13 MW Solar)	California		RET Capital is the buyer and has raised debt to fund the purchase (PFR, 3/30).
Pattern Development	K2 (270 MW Wind)	Ontario		Pattern's yield company, Pattern Energy Group is buying a 33% stake (see story, page 5).
Valley Road Holdings	Tilton Energy (176 MW Gas)	Tilton, Ill.		Rockland Capital's fund, Rockland Power Partner II is buying both facilities (see story, page 5).
	Rocky Road Power (327 MW Gas)	East Dundee, Ill.		
Wind Capital Group	Post Rock (200 MW Wind)	Kansas		Pattern Energy Group is buying both facilities (see story, page 5).
	Lost Creek (150 MW Wind)	Dekalb County, Mo.		

## ● 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](mailto:sara.rosner@powerfinancerisk.com)

## ● PROJECT FINANCE

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

### Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables & D. E. Shaw Renewable Investments	Springbok (133 MW Solar)	Kern County, Calif.	TBA	TBA	\$130M	TBA	Financing is slated to close in April 2015 (PFR, 3/9).
	Springbok 2 (150 MW Solar)	Kern County, Calif.	TBA	TBA	\$420M	TBA	Both players are in the market for debt and equity (PFR, 3/23).
8minutenergy Renewables	Lotus (50 MW Solar)	Madera County, Calif.	TBA	TBA	\$100M	TBA	Both players are in the market for debt and equity (PFR, 3/23).
Abengoa, EIG	Norte III (924 MW Gas)	Ciudad Juárez, Mexico	TBA	TBA	\$542M	TBA	The deal is slated to close in the third quarter (PFR, 3/23).
Advanced Power	Carrol County (799 MW Gas)	Oregon, Ohio	BNP Paribas, Crédit Agricole, TIAA-CREF, Chubu Electric Power Co., Ullico, Prudential Capital	Debt, Equity	\$899M	TBA	The deal has closed (see story, page 6).
	Cricket Valley (1 GW Gas)	Dover, N.Y.	TBA	TBA	TBA	TBA	Advanced Power is considering launching a deal to back the roughly \$1.4B project (PFR, 3/2).
Apex Clean Energy	Kay (299 MW Wind)	Kay County, Okla.	BayernLB, Rabobank, CIBC, Commerzbank, KeyBank, Siemens Financial Services	Construction loan	\$397M	TBA	The deal has wrapped (see story, page 6).
	Grant (150 MW Wind)	Grant County, Okla.	TBA	TBA	TBA	TBA	The project will be in the market for financing in the next few months (PFR, 3/30).
Deepwater Wind	Block Island (30 MW Wind)	Block Island, R.I.	Société Générale, KeyBank	TBA	\$290M	TBA	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.	TBA	Tax Equity	TBA	TBA	EDPR is seeking tax equity investment in the project (PFR, 3/2).
Freeport LNG	Quintana Island (LNG Export Facility)	Texas	TBA	TBA	\$4B	TBA	The deal is expected to wrap in the second quarter (PFR, 2/23).
Gasoducto Sur Peruano	Gasoducto Sur Peruano (700-Mile Gas Pipeline)	Pipeline	Various	TBA	\$4.1B	TBA	The deal is slated to close by the end of June (see story, page 1).
Innergex, Leducor Power Group	Boulder Creek (25.3 MW Hydro)	British Columbia	Manulife, Caisse de Dépôt et placement du Québec, the Canada Life Assurance Company.	Construction	\$191.6M	25-yr	The deal closed the week of March 16 (PFR, 3/30).
	Upper Lillooet River (25.3 MW Hydro)	British Columbia		Construction	\$250M	40-yr	
				Construction	\$50M	40-yr	
ISA	Interchile (590 Miles Transmission)	Chile	BBVA	International Capex tranche, VAT facility	\$800M	TBA	BBVA is leading the club deal, which is expected to wrap in the next few months (PFR, 4/6).
Northland Power	Nordsee One (332 MW Offshore Wind)	Germany	TBA	Term	\$847M	TBA	Developer is talking to lenders for financings (PFR, 3/16).
	Grand Bend (100 MW Wind)	Ontario	TBA	Term	\$212M	TBA	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	TBA	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 end of February (PFR, 3/9).
	Sabine (100 MW Gas)	Orange, Texas					
	Lakeswind (50 MW Wind)	Rollag, Minn.					
Solar Star Funding	Solar Star Projects (579 MW Solar)	Rosamund, Calif.	Barclays, Citigroup, RBS	Series B Notes	\$325M	TBA	The issuance was upsized by \$10M (PFR, 3/9).

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## MERGERS &amp; ACQUISITIONS ●

# Pattern YieldCo Scoops Asset Trio

**Pattern Energy Group**, Pattern's yield company, is acquiring a trio of wind projects from **Wind Capital Group** and **Pattern Development** for a combined purchase price of \$372 million. The acquisitions are slated to wrap in the next few months, pending regulatory approvals.

"It's a seller's market. It's very competitive," a deal watcher tells *PFR* about the timing of the sale.

The deal includes the transfer of \$320 million in net debt and tax equity non-controlling interests. Pattern Energy will fund the acquisitions with available cash and revolving credit facilities.

Wind Capital is a subsidiary of Dublin-based **NTR**. "It was a great time for a Europe-based seller looking for liquidity to not only tap a hot market but also take advantage of a his-

torically sharp swing in currency," a third deal watcher says about Wind Capital's sale against the backdrop of the euro's increasing strength against the dollar. Pattern's acquisitions mark Wind Capital's exit from the U.S. market. Wind Capital hired **Marathon Capital** last year to sell its two remaining projects in the U.S. (*PFR*, 11/13). Wind Capital has been winding down its business in the U.S. since undertaking a strategic review last fall, a spokesperson for NTR says, adding that the shop will instead focus on project development in Ireland, the U.K. and Scandinavia.

Pattern Energy is acquiring the 200 MW Post Rock wind project in the Ellsworth, Lincoln and Rice counties in Kansas and the 150 MW Lost Creek wind project in Dekalb County, Mo., from Wind Capital. Lost Creek has a long-term power purchase agreement with **Associated**

**Electric Cooperative** and Post Rock has a PPA with **Westar Energy**.

Pattern Energy is also netting Pattern Development's 33% equity stake in the 270 MW K2 wind project in Ashfield-Colborne-Wawanosh, Ontario, for \$128 million as well as an estimated proportionate debt of \$218 million. K2 is jointly owned with **Samsung Renewable Energy** and **Capital Power**. The project, which is slated for commercial operation in 2015, has a 20-year PPA with the **Ontario Power Authority** (*PFR* 3/4).

The K2 acquisition will bring Pattern Energy's roster of right of first offer projects with Pattern Development to a total capacity of 887 MW. Pattern Development holds a development portfolio of more than 4,500 MW.

**Skadden, Arps, Slate, Meagher & Flom** is Pattern's legal advisor on the acquisitions. ■

## Northwestern Sells Wind Stakes to JPMCC, Hannon Armstrong

Northwestern Mutual is selling stakes in a portfolio of wind facilities totaling 400 MW to an affiliate jointly owned by JPMorgan Capital Corp. and a subsidiary of the Annapolis, Md.-based **Hannon Armstrong Sustainable Infrastructure Capital**.

The Milwaukee-based Northwestern Mutual will transfer its passive equity interests in the portfolio to **Strong Upwind II Holdings**, a new joint venture entity between JPMCC and **HA Wind I**, according to a recent filing with the U.S. **Federal Energy Regulatory Commission**.

HA Wind I is a Delaware-based affiliate of **Hannon Armstrong Capital**, which is a wholly owned subsidiary of HASI. For the past year, HASI and JPMCC have been looking to pool investments that sell a steady stream of cash flows (*PFR*, 9/18).

**Northwestern Mutual Invest-**

**ment Management Company** is the financial advisor to Northwestern Mutual on the transaction.

The Strong Upwind II portfolio will include equity interests in:

- ◆ the 60 MW Oasis facility in Kern County, Calif.,
- ◆ the Camp Springs I and Camp Springs II projects totaling 250 MW in Scurry County, Texas, and
- ◆ the 90 MW Sand Bluff wind farm in the Sterling and Glasscock counties in Texas

The Oasis wind farm, which has been running since 2004, has a long-term offtake contract with **San Diego Gas & Electric Co.**, and is connected to a 46-mile **Southern California Edison Co.** transmission line in CAISO. **Invenergy** owns and operates Camp Springs I and II, and **E.ON Climate & Renewables** is a co-owner and developer of Sand Bluff. Camp Springs I and Sand Bluff went online in 2007 and Camp Springs II entered service in

2008. Output from all three facilities in Texas is sold into ERCOT.

"It is possible that these projects may either never achieve their after-tax flip rate or will not achieve it for a number of years," a deal watcher says, adding, "Northwestern is probably uninterested in owning the operating cash flows that are being swept due to the projects under-performing. I suspect JPM does not want to hold these projects either and will monetize them in a transaction similar to its **Threshold Power** transaction."

HASI acquired tax equity stakes in 10 wind assets from **Strong Upwind Holdings 1**, including Sand Bluff and the Camp Springs projects, for \$144 million in October last year (*PFR*, 10/23). The portfolio, totaling more than 1.2 GW, is also co-owned by **EDF Renewable Energy** and **EDP Renewables North America**.

Spokespeople at Northwestern Mutual, JPMCC and HASI did not respond to inquiries by press time, and a spokeswoman at Invenergy declined to comment. ■

## Creditors Zero in on Longview Minority Stakes

A consortium of at least five creditors is looking to acquire minority stakes in Longview Power, even as the **First Reserve**-backed independent power producer awaits approval on a plan that converts the debt held by its lenders to equity interests.

Three of Longview's heavyweight lenders, **American Securities**, **Bain Capital** affiliate **Sankaty Advisors** and **KKR Credit Advisors** could net an equity interest of up to 35% while a fourth creditor, **Centerbridge Partners**, is eyeing an equity ownership of up to 45%.

Longview anticipates a stake sale of PAGE 8 »



## ● PROJECT FINANCE

# Apex Seals Financing For Kay Wind

**Apex Clean Energy** has closed a \$397 million construction loan for its 299 MW Kay wind project in Kay County, Okla. A subsidiary of **Southern Company** is slated to wrap its acquisition of the project when construction is completed.

**Bayerische Landesbank** and **Rabobank** are joint lead arrangers, coordinating lead arrangers and joint book runners on the debt financing (PFR, 23/3). **CIBC**, **Commerzbank**, **KeyBank National Association**, and **Siemens Financial Services** are also joint lead arrangers. Rabobank is administrative agent.

Kay will utilize 130 **Siemens** 2.3-MW tur-

bines and is being acquired by **Southern Company** subsidiary **Southern Power**. The U.S. **Federal Energy Regulatory Commission** granted approval for the acquisition late last month, after the parties filed paperwork with FERC in December (PFR, 1/5).

Kay will be Southern Company's first wind project and its largest renewables plant. Southern Power recently announced plans to develop a 131 MW solar facility in Taylor County, Ga. (PFR, 1/9), and two solar projects in Decatur County, Ga., totaling 99 MW (PFR, 2/25).

Apex has sold a number of projects currently

under construction in Oklahoma. **D. E. Shaw** acquired the 314 MW Balko wind project in Beaver County (PFR, 1/8) and **First Reserve** picked up the 298 MW Kingfisher wind project in Northern Canadian County and Southern Kingfisher County, Okla. (PFR, 1/27).

**Westar Energy** and **Grand River Dam Authority** have 20-year power purchase agreements with the project and may resell the energy purchased to third parties.

Representatives for Apex in Charlottesville, Va., and Southern Company declined to comment on the terms of the deal and whether the companies used advisors. Spokespeople for **Bayerische Landesbank** in Germany and **Rabobank** in New York did not comment immediately. ■

# Advanced Power Wraps \$899M For Carroll County

**Advanced Power** has closed an \$899 million debt and equity project financing deal for the 700 MW Carroll County Energy combined-cycle gas-fired project in Oregon, Ohio.

**TIAA-CREF**, **Chubu Electric Power Company**, **Ullico** and **Prudential Capital Group** are investing \$411 million in equity commitments. **BNP Paribas**, **Crédit Agricole** and eight other commercial banks are providing \$488 million in senior secured credit facilities for construction of the project.

Construction costs are pegged at \$800 million. Carroll County is slated to be online in December 2017.

The loan closed at LIBOR plus 325 basis

points, with two step-ups to 350 basis points and 375 basis points over the eight-year tenor. The quasi-merchant project has put in place a commodity hedge, which could either be a heat-rate call option or a revenue put floor contract, according to a deal watcher.

Participants in the syndicate included many of the same banks involved in the BNP Paribas and Crédit Agricole deal backing the 869 MW Oregon combined cycle project in Oregon, Ohio, co-owned by **Energy Investors Fund** and **I Squared Capital**, according to a deal watcher (PFR, 11/17). The pricing and structure of the Carroll County deal are nearly identical to those of Oregon,

notes the deal watcher.

**TIAA-CREF** previously invested \$1.4 billion to acquire a 35% equity stake in Advanced Power's 1 GW Cricket Valley CCGT project in Dover, N.Y. The transaction, which closed in April 2014, was the first in what was expected to be a series of partnerships (PFR, 4/25). Advanced Power is eyeing a summer launch for a deal to finance the construction of Cricket Valley (PFR, 2/23).

**Whitehall & Co** advised Advanced Power, and has previously worked with the Zug, Switzerland-based shop on the equity raise for Cricket Valley (PFR, 7/12). **Morgan Lewis & Bockius** is the legal counsel for the project. ■

## ● PEOPLE & FIRMS

# Mizuho Tags RBS Bankers for Debt Financings

**Mizuho** has tapped three senior debt capital markets executives from the **Royal Bank of Scotland** for its investment banking and capital markets subsidiaries, **Mizuho Bank** and **Mizuho Securities USA**.

The appointments include **Jennifer Powers** as managing director and joint head of investment grade debt capital markets, **Richard Smith** as managing director and head of leveraged debt capital markets, and **Victor Forte**,

managing director and joint head of syndicate. All three hires will be based in New York and will report to **Jerry Rizzier**, executive managing director and head of fixed income at Mizuho Securities USA.

Powers, Smith and Forte will collaborate closely with Rizzier as well as **James Shepard**, managing director and head of investment grade debt capital markets, and **Vincent Murray**, managing director and head of syndicate,

on origination and syndication.

Powers will lead Mizuho's origination of all investment-grade debt products while Smith will take charge of non-investment grade debt product originations. Powers and Smith previously headed RBS' North America Investment Grade credit markets and high-yield debt markets respectively.

Meanwhile, Forte will focus on marketing, syndicating and pricing Mizuho's fixed income securities offerings. He was previously managing director at RBS Markets and International Banking in Stamford, Conn., and worked at Lehman Brothers from 1990

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## INDUSTRY CURRENT ●

# New York State Passes Budget that Continues Tax Incentives for Solar Installations

This week's Industry Current is written by **David Burton**, partner, and **Richard Page**, associate at **Akin Gump Strauss Hauer & Feld** in New York. Burton and Page, who specialize in tax structures focused on energy transactions, examine the effects of the New York State budget on solar tax incentives.



David Burton



Richard Page

Last week, New York State enacted a budget for the fiscal year 2015-16 (i.e., April 1, 2015 to Mar. 31, 2016) that continues two tax incentives for the installation of solar energy systems: (1) tax credits conferred to partially offset the costs of such installations, and (2) a sales tax exemption for the retail sale and installation of residential and commercial solar equipment.

In 2012, we expected New York State's solar energy tax incentives to spur a significant increase in solar energy systems across the state. That expectation has materialized. From 2012 to present, more solar energy equipment was installed in New York State than in the entire decade prior. In 2014, enough solar power was installed in New York State to power 25,000 homes. According to the **Solar Energy Industries Association**, only six states added more solar energy capacity in 2014. In the order of capacity added, these states are California, North Carolina, Nevada, Massachusetts, Arizona, and New Jersey. This article briefly summarizes the continuing tax-related solar incentives provided by New York State.

## TAX CREDIT

New York State taxpayers can claim a tax credit against state income tax liability to partially offset the costs of solar energy equipment installed on a principal residence located within the state. A taxpayer is entitled to the credit if the taxpayer either:

- (1) purchases solar energy equipment

installed at the taxpayer's residence,

(2) enters into a written lease agreement of at least 10 years with respect to solar energy equipment installed at the taxpayer's residence, or

(3) enters into a written power purchase agreement to buy solar energy power for at least 10 years from another party that installs solar energy equipment at the taxpayer's residence.

In the case of purchasing the equipment, the credit is worth 25% of qualified expenditures on the equipment, which includes labor costs but not any financing or interest charges. In the case of a taxpayer entering into a lease, the credit is worth 25% of all of the lease payments to be made over the course of the lease agreement. Yet, the credit is still fully available in the year the equipment is placed in service. And in the case of a taxpayer entering into a power purchase agreement, the credit is worth 25% of payments made in a given tax year, but only through the 15<sup>th</sup> year of the agreement. Under all three scenarios, a taxpayer may not include as costs any payments made with non-taxable federal, state, or local grants.

The credit is capped at \$5,000 per taxpayer with respect to a given solar energy system. Any unused credits in the year the property is placed in service can be carried forward for a period of five years. For example, if a taxpayer earns \$5,000 in credits in the year the property is placed in service, but only has \$4,000 of taxable income that year, the

unused \$1,000 of credits may be carried forward and used in one of the subsequent five years. The credits are not refundable—the credits are only payable as a reduction of taxable income.

If the solar energy equipment is installed by a condominium management association or a cooperative housing corporation, a resident may attribute a proportionate share of solar energy equipment expenditures with respect to his/her unit. The credits cannot be earned with respect to second homes.

When a taxpayer produces electricity using solar energy equipment, the taxpayer must enter into a "net energy metering" contract with the taxpayer's utility company or otherwise comply with the utility company's net metering schedule. Without such compliance, tax credits will not be conferred. A "net energy meter" is a meter that measures the reverse flow of electricity from a taxpayer to a utility company for purposes of determining how much electricity the utility company has provided to the taxpayer.

New York State taxpayers who would also like to claim the federal solar tax credit for homeowners may "double dip" by claiming both state and federal credits. The federal tax credit of 30% of the eligible cost of solar equipment purchased by homeowners is not reduced by state tax credits, and the New York State tax credit is not reduced by federal tax credits. That is, a New York State homeowner may claim both the federal tax credit of 30% and the state tax credit of 25%, subject to the state's \$5,000 tax credit ceiling, for a total of 55%.

## SALES TAX EXEMPTION

The New York State Tax Law section 1115 describes the state's sales tax (and use tax) exemptions. It notes: "[t]he following shall be exempt from tax . . . [r]eceipts from the retail sale of . . . residential solar energy systems equipment . . . [and] [r]eceipts from the retail sale of . . . commercial solar energy systems equipment." ■

## GIP Fuels CPV With Portfolio Acquisition

« FROM PAGE 1 continue to lead the business and develop further investment opportunities in the U.S.

GIP is taking out **Warburg Pincus'** majority stake in CPV. Warburg Pincus led an initial equity financing for CPV in 2000 and has since provided additional equity financing in a number of transactions.

Neither GIP nor CPV has disclosed which assets are being acquired, but the portfolio will include a majority of CPV's nine projects, according to deal watchers.

CPV's portfolio comprises one wind project and eight natural gas fired projects:

- ◆ the 152 MW Keenan II Wind Farm in Woodward County, Okla.,
- ◆ the 725 MW St. Charles Energy Center in Charles County, Md.,
- ◆ the 800 MW Sentinel Energy Center in Riverside County, Calif.,
- ◆ the 700 MW Smyth Energy Center in Smyth County, Va.,
- ◆ the 805 MW Towantic Energy Center in Oxford, Conn.,

- ◆ the 660 MW Vaca Station Energy Center in Solano County, Calif.,
- ◆ the 650 MW Valley Energy Center in Orange County, N.Y.,
- ◆ the 700 MW Woodbridge Energy Center in Woodbridge, N.J., and
- ◆ the 900 MW Pondera King Energy Center in Houston, Texas.

CPV, headquartered in Silver Spring, Md., has four projects under active development. It is currently seeking \$900 million in financing for the Valley Energy Center, due to be completed in the third quarter of this year (PFR, 2/17). CPV has started construction on the Woodbridge and St. Charles Energy Centers. Construction is slated to begin on the Towantic Energy Center later this year. Financing for St. Charles and Woodbridge closed last year (PFR, 9/26), (PFR, 11/8). Woodbridge is expected to be online later this year while St. Charles is stated to be online in 2016.

GIP closed its second infrastructure fund worth \$8.25 billion in 2012. The New York-based shop is not using a financial advisor on the transaction.

Spokespeople for CPV in Braintree, Mass., and GIP in New York either did not respond to inquiries or declined to comment. ■

## Sponsors Scope \$4B+ For Peruvian Pipeline

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When GSP submitted its bid, it had secured commitment letters worth \$2.75 million from 10 commercial banks, a spokesperson for Odebrecht in San Paolo, Brazil tells *PFR*. GSP has since added four book runners to the transaction.

Construction started on the pipeline after the sponsors closed a bridge loan facility with a group of banks for \$600 million in August 2014, the spokesperson adds.

The pipeline will transport natural gas from central Peru to the country's southern regions. The route, which starts in the Peruvian jungle and crosses the Andes, poses a number of challenges, according to a spokesperson for Enagás in Madrid. More than one-half of the route is over 3,000 meters above sea level, where the temperature can drop quickly and equipment performance can decline to 30%.

Odebrecht owns a 75% stake in the consortium, while Enagás has a 25% share. The project has given both sponsors a platform to work together for the first time.

The first two sections of the pipeline, from Malvinas to Urcos, are due to be completed in March 2017. The final section, from Urcos to Ilo, is on track to be online in March 2018.

A competing bid for the project from **GDF Suez, Sempra, Techint** and **Transportadora de Gas Internacional** was disqualified in the bidding process in 2014, when GDF reduced its group stake after submitting technical proposals. ■

## Creditors Zero in on Longview Minority Stakes

« FROM PAGE 5 between 10% and 20% to its fifth lender, **Third Avenue Management**, according to a recent issuance submitted to the U.S. **Federal Energy Regulatory Commission**.

All creditors currently hold the debt under two separate credit facilities. The equity purchase will result in their majority ownership of a 755 MW super-critical cycle pulverized coal-fired facility in Maidsville, W. Va. (PFR, 1/24/14). The plant is connected to the PJM-operated **West Penn Power Co.** transmission line.

The stake sales will take place once Longview's parent company,

**Longview Intermediate Holdings C**, completes a reorganization process aimed at repaying all of the Longview facility's debt.

Longview, which filed for Chapter 11 bankruptcy in August 2013 (PFR, 9/3/13), recently raised a senior secured term loan and a line of credit facility from **Morgan Stanley** and **KKR Capital Corp.** It will channel \$40 million from its term loan package to finance its plant rehabilitation program (PFR, 3/31).

The term loan was upsized from \$250 million to \$300 million, prompting **Standard & Poor's** to lower its preliminary debt rating from BB- to B+, according to a report from the rating agency.

Spokespeople at Longview Power and officials at American Securities, Sankaty Advisors and Third Avenue did not respond to inquiries. ■

## Mizuho Tags RBS Bankers for Debt Financings

« FROM PAGE 6 until it filed for bankruptcy in 2008.

The appointments come in the wake of the Japanese bank's \$3 billion acquisition of a majority of RBS North America's asset portfolio, which comprises \$36.5 billion in loan commitments across the U.S. and Canada. The RBS portfolio caters to at least 200 clients, 90% of which are blue-chip companies.

Mizuho has been strengthening its focus on the Amer-

icas over the past year. It recently led a construction and term loan deal for Houston-based **Quantum Utility Generation's** wind project in Maine along with **Sumitomo Mitsui Banking Corp.** (PFR, 3/10). It was also among a consortium of lenders who participated in financings for the first train of Freeport LNG's facility in Quintana Island, Texas (PFR, 2/19) and a senior secured facility for **GDF Suez** and **PEMEX'** Los Ramones II Sur pipeline in Mexico last December (PFR, 3/25).

RBS' plans for replacing Powers, Smith and Forte could not be learned, and RBS officials could not be reached for comment by press time. ■