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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

Auction Underway for CCGT Quartet

Taryana Odayar

A Texas-based financial institution is auctioning off a portfolio of combined-cycle gas-fired power plants in the U.S.

Beal Financial Corp. is selling two assets that it owns through a vehicle called **CSG Investments**, while accepting offers for its senior debt position in the other two assets.

The projects in which Beal already holds the equity are:

- the 1,092 MW Harquahala facility in Tonopah, Ariz., which has also been online since 2004, and
- the 965 MW La Paloma facility in McKittrick, Calif., which has been online since 2003.

The projects to which it is the senior creditor are:

- the 1,080 MW Athens facility in Athens, N.Y., which has been online since 2004, and
- the 360 MW Millennium facility in Charlton, Mass., which has been online

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Beal CCGTs Under The Hammer

Assets	Capacity (MW)	Location	First Year of Operations
Harquahala	1,092	Tonopah, Ariz.	2004
La Paloma	965	McKittrick, Calif.	2003
Athens	1,080	Athens, N.Y.	2004
Millennium	360	Charlton, Mass.	2001

Source: Power Finance & Risk

Developer Preps "Biggest Storage Deal of the Year"

Taryana Odayar

A battery storage developer and independent power producer is preparing to launch a capital raise for what is being touted as "the biggest storage deal of the year."

Albany, N.Y.-based **Key Capture Energy** is in discussions with investment banks about the transaction, which would raise between $400 million and $600 million, and is close to picking an adviser.

The company has had talks with bulge-bracket firms as well as boutiques such as **Rubicon Capital Advisors** and **Marathon Capital**, and expects to launch the deal this summer.

"It will probably be the biggest storage deal of the

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Three Rivers Pushed Back Amid Hedge Counterparty Concerns

Taryana Odayar

The closing date for the debt financing of **Competitive Power Ventures**' 1,250 MW Three Rivers Energy Center in Grundy County, Ill., has been pushed back in part due to concerns over the project's proposed hedge counterparties.

CPV had already postponed the targeted April closing date to mid-June, due to worries over the impact of

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Atlas Mandates Banks for Mexican Solar Financing

Carmen Arroyo

Atlas Renewable Energy, the Latin American renewable energy portfolio company of private equity firm **Actis**, is working with a commercial bank and two DFIs to structure the financing of a 444 MW (DC) solar project in Mexico.

Norway's **DNB** won the mandate to act as placement agent on a private placement deal, which is being structured as a A/B transaction.

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IN THIS ISSUE

PPA PULSE

Double Deal for TVA

The **Tennessee Valley Authority** has signed power purchase agreements with two developers for solar projects totaling 212 MW in Tennessee and Mississippi.

The two agreements are part of TVA's Green Invest Program, which helps local power companies and other businesses meet their sustainability goals. In this case, the solar generation will go to the **Knoxville Utilities Board**.

The projects that were awarded the contracts are:

- **First Solar**'s 177 MW Ridgely Energy Farm solar project in Lake County, Tenn., and
- **Origis Energy**'s 200 MW MS Solar 5 Golden Triangle project in Lowndes County, Miss., which has 50 MW of storage capacity.

The 20-year PPAs cover all of the output of Ridgely Energy Farm and 35 MW from MS Solar 5 Golden Triangle.

And here is a round-up of the rest of this week's PPA news:

SCIENTIFIC APPROACH

Clearway Energy Group has signed two offtake contracts with a medical technology company.

Marlborough, Mass.-based **Boston Scientific Corp.** will purchase 42 MW from an undisclosed utility-scale solar project and has also subscribed for a portion of the output from a 12.9 MW community solar portfolio in Massachusetts.

Boston Scientific will use the energy to power its U.S. operations, which represent 45% of the company's total carbon footprint.

WINGING IT

Origis Energy has inked a PPA with **PowerSouth Energy Cooperative** for the output of an 80 MW solar project in Alabama.

The Wing Solar project is located in Covington County and is scheduled to come online in late 2022.

Headquartered in Andalusia, Ala., PowerSouth serves 16 electric cooperatives and four municipal electric systems in Alabama and northwest Florida. ■

PFR Power Finance & Risk

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Feel free to contact **Richard Metcalf**, editor, at (212) 224-3259 or richard.metcalf@powerfinancerisk.com

GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
Ansaldo Energia	Gas Turbine Servicing Business	North America and Europe	Rubicon	Non-binding offers are due at the end of April (PFR, 4/20).
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).
Beal Financial Corp.	Portfolio (3.5 GW Gas)	U.S.	Cantor Fitzgerald	Indicative bids have come in (see story, page 5).
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.		
Eolus North America	Wall Wind I (46.5 MW Wind)	Kern County, Calif.	Paragon	The developer is taking secound round bids (PFR, 4/20).
Foundation Solar Partners	Portfolio (305 MW Solar)	Pennsylvania		A sale is being prepared for a late April launch (PFR, 3/30).
Galehead Development	Portfolio (136 MW Solar)	U.S.	Basho Energy	The auction for the development-stage assets was launched in January (PFR, 3/9).
Glidepath Power Solutions	Clermont (80 MW Storage)	New York	Guggenheim	Teasers were circulated on April 20 (PFR, 4/27).
Hanwha QCells	Dodgers (250 MW Solar)	Texas	Paragon	The sponsor acquired the assets in February (see story, page 6).
Jinko Solar	Portfolio (155 MW (DC) Solar)	Mexico		White River Renewables is the buyer (PFR, 4/27).
John Laing	Portfolio (243 MW Solar)	North Carolina	CohnReznick	The company is in discussions with potential investors (PFR, 3/30).
KKR & Co.	Acciona Energia Internacional (2.3 GW Wind, Solar, 33.3%)	U.S., Mexico, Canada, Australia, South Africa, Portugal	Real Asset Advisers	Acciona and Axa Investment Managers are buying the stake (PFR, 4/20).
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	BlackRock is the buyer (see story, page 5).
	Cannon Falls (357 MW Gas, 49%)	Minneapolis		
	Hardee (370 MW Gas, 49%)	Tampa, Fla.		
Panda Power Funds, Siemens Financial Services	Hummel (1.1 GW Gas)	Shamokin Dam, Pa.		LS Power is the buyer (see story, page 5).
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).
PurEnergy	Red Hills (440 MW Coal, Lessor Stake)	Ackerman, Miss.		A buyer has been found (see story, page 6).
Sempra Energy	Luz del Sur, Tecsur (Utility)	Peru	BofA, Lazard	China Yangtze Power has closed its purchase (see story, page 22).
RWE Renewables	Portfolio (861 MW Wind)	Texas	Marathon Capital	RWE put the assets up for sale in February (PFR, 2/10).
TC Energy	Napanee (900 MW Gas)	Ontario, Canada	RBC Capital Markets (to the buyer)	Ontario Power Generation has closed its purchase (see story, page 7).
	Halton Hills (683 MW Gas)			
	Portlands Energy Center (550 MW Gas)			
Turning Point Energy	Escalante (200 MW Solar)	McKinley County, N.M.	CohnReznick	The developer is nearing a sale (PFR, 3/9).
South Carolina State	Santee Cooper (Utility)	South Carolina	Moelis & Co.	NextEra Energy is pushing ahead with its bid (see story online).

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

PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
Allianz Global Investors	Lotus (50 MW Solar)	Madera County, Calif.	Tenaska	Tax equity			The deal was signed on April 17 (PFR, 4/27).
AVAIO Capital	Mexico Pacifico (LNG)	Sonora, Mexico	MUFG (adviser)				MUFG has been apointed as financial adviser (PFR, 4/27).
● Arroyo Energy	Portfolio (219 MW Wind, Solar)	Chile	SMBC, Crédit Agricole	Term Loan	$400M	7-yr	Financial close has been delayed (see story, page 24).
	Pemcorp (131 MW Gas)	Nuevo León, Mexico	SMBC, Natixis	Term Loan	$170M	7-yr	The refinancing was expected to close in April (PFR, 3/2).
● Atlas Renewable Energy	Pimienta (400 MW (DC) Solar)	Campeche, Mexico	DNB, IDB Invest, Bancomext	Private Placement			The deal is structured as an A/B transaction (see story, page 22).
BayWa r.e.	Fern (133.6 MW Solar)	Edgecombe County, N.C.	Rabobank, Sabadell	Term Loan			The project will be brought online in the second half of 2020 (PFR, 4/27).
			RBC	Tax equity			
Boralex	Niagara Region (230 MW Wind)	Ontario		Refinancing			The sponsor has canvassed banks about the potential refi (PFR, 3/2).
Capital Dynamics	Portfolio (350 MW Solar)	California, Florida, Virginia, Arizona, Tennessee	MUFG, SMBC	Debt			CapDyn aims to close the deal by the end of April (PFR, 4/13).
Castletman Power Development	Portfolio (400 MW Gas)	Texas	ING Capital	Term loan	$160M	7-yr	Price talk was said to be 325 bp before the Covid-19 outbreak (PFR, 4/13).
				Ancillary Facilities	$20M		
EDF Renewables	Folha Larga 1 (147 MW Wind)	Bahia, Brazil	BNP Paribas	Debentures	$23.73M	18-months	The debenture offering was issued on April 16 (PFR, 4/27).
EnfraGen	Portfolio (200 MW Distributed Solar)	Chile					The financing is expected to close before the end of the summer (PFR, 4/13).
● Engie Energía Chile	Calama (151.2 MW Wind)	Antofagasta, Chile	IDB Invest	Term Loan	$110M	12-yr	The project is expected to be brought online by mid-2021 (see story, page 23).
				Ancillary Facilities	$15 M		
● Fisterra Energy	Tierra Mojada (875 MW Gas)	Jalisco, Mexico		Bond refinancing			Morgan Stanley is understood to be pursuing the mandate (see story, page 23).
IEnova, Saavi Energía	Sierra Juárez II (108 MW Wind)	Baja California, Mexico	SMBC, Mizuho	Term Loan	$170M	18-yr	Deal close has been delayed (PFR, 4/27).
			IDB Invest	Term Loan		21.5-yr	
● Key Capture Energy	Portfolio (1.5 GW Storage)	U.S.		Capital Raise	$400M-$600M		The sponsor is in talks with investment banks (see story, page 7).
KOSPO, Samsung	Kelar (517 MW Gas)	Chile					The sponsors are exploring a refi (PFR, 3/30).
Leeward Renewable Energy	Mountain Breeze (171 MW Wind)	Weld County, Colo.	Citi	Bridge loan	$163M		The bridge loan was signed on Jan. 10 (PFR, 4/27).
				Tax equity			
Macquarie Capital	Norte III (907 MW Gas)	Mexico	TBA	Refinancing			The sponsor has began talks with banks (PFR, 4/6).
● Mainstream Renewable Power	Huemul, Copihue (730 MW Solar, Wind)	Chile	Caixabank, DNB, KfW, SMBC, SocGen, Crédit Agricole, ABN Amro, IDB Invest	Term Loan	$500M-$600M	19-yr	Financial close has been delayed until the end of summer (see story, page 22).
Mosaic	Portfolio (Solar, Storage)	U.S.	BNP Paribas	Warehouse Facility	$200M		The bank has extended the loan's tenor by two years (PFR, 4/27).
● Nautilus Solar Energy	Portfolio (100 MW Community Solar)	Rhode Island, Maryland, New York, Minnesota	National Bank of Canada, RBC	Construction Loan	$75M		Nautilus has secured the debt financing (see story, page 7).
				Ancillary Facilities	$15M		
● OPDEnergy	Portfolio (150 MW Solar, Wind)	Chile	SMBC	Term Loan	$130M	7-yr	Financial close has been postponed until mid-May (see story, page 24).
ProEnergy Services	Topaz (Gas)	Galveston County, Texas	MUFG	Term Loan	$200M	C+7-yr	The deal is in the works (PFR, 4/13).
RWE Renewables	Peyton Creek (151 MW Wind)	Matagorda County, Texas	BofA	Tax equity			The project came online in Q1 (PFR, 4/27).
sPower	Spotsylvania (500 MW Solar)	Spotsylvania County, Va.	Wells Fargo	Tax equity	$350M		The sponsor expects to close a debt commitment in the coming weeks (PFR, 4/27).
Sonnedix	Unidentified (Solar)	Chile		Term loan			Sonnedix has been reaching out to commercial banks since last fall (PFR, 4/13.)
	Valleland (60 MW Solar)	Atacama, Chile					

● **New or updated listing**

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Buyer Emerges for Marubeni Stakes in Gas-fired Trio

A buyer has emerged for **Marubeni Power America**'s stakes in a trio of gas-fired projects in the U.S.

Marubeni launched an auction for its 49% stake in the 1,041 MW gas-fired portfolio late last year and sell-side financial adviser **Guggenheim Securities** took second round bids in February (PFR, 11/22, 2/28).

On April 27, Marubeni closed a deal to sell the assets to **BlackRock**'s Global Energy and Power Infrastructure Fund III, *PFR* has learned.

The deal was relatively quick to close, in part because it did not require the approval of the U.S. **Federal Energy Regulatory Commission**, says a source close to the transaction.

"It was very competitive," says the source. "They were great assets and it was interesting signing during the height of the coronavirus."

Argo Infrastructure Partners and **JP Morgan** had previously been touted by deal watchers as likely bidders (PFR, 2/28).

> **"It was very competitive, they were great assets and it was interesting signing during the height of the coronavirus."**

The portfolio comprises:

- the 314 MW gas- and oil-fired Spindle Hill peaker in Fredrick, Colo.,
- the 357 MW gas-fired Cannon Falls peaking unit near Minneapolis, Minn., and,
- the 370 MW gas-fired Hardee project, which has both combined-cycle and peaking capabilities, near Tampa, Fla.

Marubeni co-owned the three contracted generation facilities with **Invenergy**, which is holding onto the remaining 51% interest. Marubeni and Invenergy also jointly own the 78 MW Raleigh wind project in Ontario, but that asset was not included in the sale.

The three gas-fired projects are contracted through long-term tolling agreements with investment-grade counterparties with an average credit rating of A3/A-, according to a copy of the teaser seen by *PFR*. The portfolio has a weighted average contract term of nine years.

However, the remaining life of the contracts was said to be likely too short for some investors who would otherwise consider buying long-term contracted assets.

Marubeni acquired its stake in the projects from Invenergy through a subsidiary called **Lexington Generating** in 2009 (PFR, 5/5/09). ■

New Owner Lined Up for Panda Hummel

Panda Power Funds and **Siemens Financial Services** have lined up a buyer for their interests in the 1,124 MW Hummel Station Power Plant in Shamokin Dam, Pa.

LS Power has agreed to acquire the combined-cycle, gas-fired unit, according to paperwork filed with the U.S. **Federal Energy Regulatory Commission** on April 23. The parties have requested approval on or before June 19.

Hummel is one of the newer CCGTs within **PJM Interconnection**. Construction began in June 2015 and **Bechtel** completed work on the facility in July 2018.

Legal advisers on the sale include:

- **McDermott Will & Emery** (to LS Power),
- **Latham & Watkins** (to Panda), and
- **Mayer Brown** (to Siemens).

Panda financed the project in 2015 with senior debt in both the term loan A and term loan B markets as well as preferred equity from several investors, including Siemens (PFR, 10/28/15).

Siemens previously attempted to divest its pref share stake in 2018 (PFR, 2/22/18).

The Carlyle Group and **EIG Global Energy Partners** agreed to acquire two other Panda project in Pennsylvania—the 829 MW Patriot and 829 MW Liberty CCGTs—earlier this year (PFR, 3/1). FERC approved the deal on March 26.

The asset sales are part of Panda's efforts to set its general partner entity on a sounder financial footing (PFR, 10/31/19). ■

Auction Underway for CCGT Quartet

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since 2001.

Three of the assets included in the sale—Harquahala, Athens and Millennium—were previously collectively known as **MACH Gen**, which has been through three restructurings.

Cantor Fitzgerald, acting as sell-side adviser, took indicative bids at the end of April.

Beal came into possession of the La Paloma and Harquahala projects through foreclosures in 2017 and 2018, respectively.

La Paloma was previously majority-owned by **EIG Global Energy Partners**, which held a 52.3% stake in the project, while **Rockland Capital** held an 11.7% managing interest (PFR, 10/12/17).

Talen Energy subsidiary **New MACH Gen** handed over Harquahala to Beal in July 2018 in exchange for the forgiveness of $150 million of debt (PFR, 7/31/18).

Beal also provided debtor-in-possession and exit financing to New MACH Gen as it went through the pre-pack restructuring, which was its third.

As part of the 2018 deal, New MACH Gen held on to its two other CCGTs, Athens and Millennium.

Talen had acquired MACH Gen for $1.175 billion in the second of its three restructurings, in 2015 (the first was in 2003) (PFR, 7/21/15). ■

NORTH AMERICA MERGERS & ACQUISITIONS

Rockland Backs Solar Shop

Rockland Capital has committed equity to a joint venture with Colorado-based solar investment fund **SolRiver Capital**.

Rockland will provide a little over $30 million to an entity called **SolRock**, in which it owns a majority stake that is made up of preferred shares. SolRiver owns the minority, subordinated interests.

SolRock will acquire, own and operate distributed, commercial and industrial, and small utility-solar projects ranging in size from 2 MW to 50 MW.

The J.V. closed late last year but was announced on April 23. It is designed to support a total investment of $200 million, including debt and tax equity.

Rockland had begun funding projects as long ago as late November—mainly in an effort to safe harbor assets for the investment tax credit.

"Some of our projects are in Opportunity Zones, which give tax equity partners an extra kicker, since it allows you to defer capital gains for 10 years," says SolRiver's managing partner, **Brandon Conard**. "The government is trying to incentivize longer-term investment where tax equity has to be there for 10 years, and we've seen interest from the same investors that do normal tax equity deals."

Having secured cash equity from Rockland, SolRock is in discussions with lenders and tax equity investors to finance individual projects separately.

"We're going after smaller utility-scale projects, so we're also targeting more opportunistic providers of debt and tax equity," says Rockland's managing partner, **Scott Harlan**.

Legal advisers on the joint venture agreement were:

- **Norton Rose** (to Rockland), and
- **Sheppard Mullin** (to SolRiver).

SolRiver buys projects at various stages of development from across the U.S. before feeding them into the SolRock J.V., subject to Rockland approval.

The platform recently acquired a 25 MW portfolio spread across four states.

"We look at nearly 2 GW of projects every year," said **Nick Gazzolo**, head of business development at SolRiver in a statement on April 23. "That volume requires a streamlined process to underwrite, close, and fund deals. Our partnership with Rockland has enabled us to continue doing that at a larger scale."

The J.V. financing structure has been employed by many sponsors over the past year and is among a smörgåsbord of options available to C&I and distributed solar developers looking for equity (PFR, 2/13, 1/17).

SolRiver was founded in 2016 and has five employees, based mostly in Denver. ■

PurEnergy to Sell Mississippi Coal-fired Plant

NAES subsidiary **PurEnergy** has agreed to sell its lessor interest in the 440 MW Red Hills coal-fired project in Ackerman, Miss., to an individual investor.

The proposed buyer is **Kerry Cusick**, according to a U.S. **Federal Energy Regulatory Commission** filing dated April 29.

Cusick is acquiring the plant through a vehicle called **Orion Acquisitions**. Her LinkedIn-profile describes her as a private equity investor in the energy sector. Further details could not immediately be learned.

Legal advisers on the sale are:

- **Nichols & Ash** (buyer), and
- **Wright & Talisman** (seller).

The parties to the deal have requested FERC approval by June 29.

Red Hills was financed through a levered sale-leaseback with **Southern Co.** and has faced financial difficulties in the past (PFR, 8/13/18). Senior notes were issued through a sale-leaseback financing vehicle called **Choctaw Generation Limited Partnership** (CGLP).

In July 2019, **Fitch Ratings** affirmed its ratings and maintained a negative outlook for CGLP's $294 million lessor note debt, which is split between:

- a $235 million ($197 million outstanding) series due December 2031, rated B, and
- a $59 million ($90 million outstanding) series due December 2040, rated CCC.

Red Hills has a power purchase agreement with **Tennessee Valley Authority** for its full capacity and energy output through mid-2032. ■

Texas Solar Trio Goes Back on the Market

A sponsor that acquired three solar projects in Texas in February has already put them back up for sale.

Hanwha QCells USA Corp. is looking for investors for the 250 MW portfolio, which it purchased from developer **Belltown Power Texas** (PFR, 4/22).

The South Korean sponsor has retained **Paragon Energy Capital** as sell-side financial advisor.

Paragon co-founder **Ben Jacoby** and director **Dave Fisher** are leading the sale process—codenamed Project Dodgers—according to marketing materials seen by *PFR*.

The assets are qualified for the 30% investment tax credit.

The portfolio comprises:

- the 60 MW Rippey project in Cooke County, which is contracted with an affiliate of **Vistra Energy** via an as-delivered **Ercot** North Hub settled power purchase agreement,
- the 60 MW Kellam project in Van Zandt County, which is contracted with **Rayburn Country Electric Cooperative** under a busbar PPA for 100% of its output, and
- the 130 MW Coniglio project in Fannin County, which is also contracted with Rayburn County Electric. ■

FAST FACT

Feb. 14

The date that Hanwha closed its acquisition from the units from **Belltown Power.**

NORTH AMERICA PROJECT FINANCE

Developer Preps "Biggest Storage Deal of the Year"

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year," says a deal watcher.

The equity will sit at the holdco level and fund the development and deployment of standalone battery storage projects between 10 MW and 200 MW in size.

Key Capture already owns operational projects totaling some 50 MW, of which 30 MW is in Texas.

A further 1.5 GW is in development across the U.S., including:

- The 20 MW KCE NY 1 project in Saratoga County, N.Y., which Key Capture claims is the largest lithium-ion battery project in the northeastern U.S.,
- The 12 MWh KCE NY 3 build-transfer project for **Orange & Rockland Utilities** in Pomona, N.Y., which is expected to be online later this year, and
- The 20 MW KCE NY 11 project in Orange County, N.Y.

Key Capture was co-founded in 2016 by CEO **Jeff Bishop** and chief operations officer **Dan Fitzgerald**. The company relocated its headquarters from Houston to downtown Albany in 2018.

The company is backed by Boulder, Colo.-based venture capital firm **Vision Ridge Partners**, which focuses on sustainable real assets.

Prior to founding Key Capture, Bishop was senior director, governmental policies, at **Brookfield Renewable Partners**.

He spent nearly eight years with **EDP Renewables North America** before that, and was senior manager, government and regulatory affairs when he left for Brookfield in 2014. He has also worked as an economic consultant at **Compass Lexecon** in Houston.

Fitzgerald is also an EDP Renewables (formerly Horizon Wind Energy) veteran, having served as project manager for nearly five years until 2012. He joined **Apex Clean Energy** in 2013 and rose to the position of senior director of project development in 2016.

They brought in **Ann Anthony** as CFO in November 2019. Prior to joining Key Capture, Anthony spent over a decade at **South Jersey Industries** in various roles, including vice president and treasurer, as well as principal financial officer of their utility holding company **SJI Utilities**.

Key Capture's chief commercial officer, **Nicole Wolf**, is a former vice president, origination at **Panda Power Funds**, where she executed hedges totaling $600 million to secure $4.1 billion in financing for gas-fired plants with a combined capacity of 3,560 MW.

She has held various positions in the wholesale origination groups at **NextEra Energy**, **BP Energy**, **Sempra Energy & Trading**, **Duke Energy Trading & Marketing** and **GDF Suez** (**Tractebel**), having started her career at **Enron Capital & Trade Resources**.

She has also worked as a manager, energy business development, at **Bracewell & Giuliani**. ■

Nautilus Nabs Community Solar Debt

Nautilus Solar Energy has secured debt financing from a pair of Canadian banks for a multi-state portfolio of community solar projects in the U.S.

National Bank of Canada led the $90 million debt financing, while **Royal Bank of Canada** acted as a lender.

The debt comprises a $75 million revolving construction facility and a $15 million letter of credit facility.

The construction loan will fund about 100 MW of community solar projects in Rhode Island, Maryland, New York and Minnesota. It is expected to be taken out with a term loan from the same bank group.

"This transaction fits well within our strategy to expand our renewables banking and advisory practice outside Canada," said **Alexandre Huot**, managing director at NBC. "We look forward to growing our relationship over the next several years." ■

NORTH AMERICA MERGERS & ACQUISITIONS

TC Energy Closes CCGT Portfolio Sale

TC Energy Corp. has sold a clutch of combined-cycle gas-fired power plants in Ontario for C$2.8 billion ($2.01 billion).

A subsidiary of **Ontario Power Generation** has bought TC Energy's interests in the assets, namely:

- The 900 MW Napanee generating station, which was recently completed,
- The 683 MW Halton Hills facility, which came online in September 2010, and
- A 50% stake in the 550 MW Portlands Energy Centre, which came online in April 2009.

OPG already owned the other 50% of Portlands Energy Centre.

"Completing this transaction further strengthens our financial position, helps fund our industry-leading secured capital program and maximizes value for our shareholders," said **Russ Girling**, TC Energy's president and CEO in a statement.

RBC Capital Markets acted as financial adviser to OPG on the deal, as previously reported (PFR, 7/31/19).

The Halton Hills plant sells its electricity to the Ontario **Independent Electricity System Operator** (IESO), while Portlands Energy Centre sells its output to the **Ontario Power Authority** under a 20-year contract.

With the sale of the three plants, TC Energy's portfolio now includes investments in six gas-fired power plants and the Bruce Power nuclear facility, resulting in a combined generating capacity of about 4.2 GW.

Bruce Power, which provides Ontario with over 30% of its electricity, is undertaking a life-extension program that will see TC Energy invest about C$2.4 billion by 2023, with the potential for another $5.8 billion thereafter, under a long-term agreement with the Ontario IESO. ■

NORTH AMERICA PROJECT FINANCE

Three Rivers Pushed Back Amid Hedge Counterparty Concerns

« FROM PAGE 1 Covid-19 (PFR, 3/23).

Now, the sponsor has pushed the closing back even further, "given the pandemic and some of the challenges that the project finance community is having with liquidity and other considerations," says a source close to the process.

Several wholesale power market participants point to lender concerns regarding the credit quality of the counterparties under the project's proposed hedging arrangement as a key driver of the latest delay.

The project has secured an up-to-10-year gas netback deal with a handful of Canadian natural gas producers, whose credit quality has taken a double hit as the coronavirus crisis and the oil price war between Saudi Arabia and Russia have sapped demand for oil and lowered associated natural gas production.

"With new-build netback transactions, your exposure when you're financing the project is the credit risk of the producers, and even though they haven't been beat up that much, it's still adverse, so financing is reluctant," explains a deal watcher who is familiar with the hedging arrangement for Three Rivers. "New-build gas plants depend on an enormous amount of leverage and that is widening the spreads on those projects."

The spread on the debt for Three Rivers is expected to widen by between 25 and 50 basis points, also in part owing to falling reference rates. When the deal was launched in March, the margin being discussed was 300 bp over Libor for the first three years, stepping up to 325 bp for years four and five and again to 350 bp for year six.

This is despite investment grade credit supports having been in place backing the project's netback arrangements since CPV first started talking to the market about a year ago.

"A combination of pricing and credit issues with producers has thrown that deal in a bit of doubt," says a second deal watcher. "It's a fantastic sponsor, so not reflective of them."

"There aren't many Canadian gas producers with good credit," the second observer adds. "Trying to hedge with oil and gas producers, with Covid and the oil slump, it really affects credit in the sectors deteriorating rapidly, so it becomes difficult to hang financing on that credit."

The identities of the hedge counterparties for Three Rivers could not be established by press time, but a third deal watcher noted that **Cabot Corp.** and **EQT Corp.** have historically been active in the market.

Some of the biggest Canadian natural gas producers include **Suncor Energy**, **Canadian Natural Resources**, **Imperial Oil**, **Cenovus Energy**, **Husky Energy**, **Encana Corp.** and **Tourmaline Oil Corp.**

"Each name is different but a lot of these producers have both oil and gas production. That's perhaps the biggest reason why the oil slump is impacting these Canadian producers," says the third deal watcher. "Also, if the overall economic outlook is negative, that has an impact on natural gas as well."

Meanwhile, the lender group for Three Rivers has not been finalized, and commitments have not yet been taken.

Teasers for the Three Rivers debt were circulated in the first half of March. The proposed deal comprises an approximately $750 million term loan and about $150 million in ancillary facilities (PFR, 3/12).

When the financing was launched, one deal watcher found the project's high debt service coverage ratio, 1.8 times, suspiciously high, and attributed it to banks worrying that falling oil prices at the time would result in gas trading higher, making dispatch uneconomic (PFR, 3/12).

Brent was trading at around $30 then, but by April 20, U.S. crude prices had turned negative for the first time in history.

Since going subzero, oil prices have been recovering, with the U.S. benchmark crude oil – West Texas Intermediate (WTI) – at around $18.59 a barrel on April 30, while international benchmark Brent Crude hovers around $25.39.

CPV initally took financing proposals from prospective lenders over a year ago, in March 2019 (PFR, 3/27/19), with the aim of closing a deal before that year's **PJM Interconnection** capacity auction, originally scheduled for May.

However, the capacity auction was delayed indefinitely and has still not taken place (PFR, 1/9, 8/1, 7/26).

The coordinating lead arrangers appointed a year ago were:

- **BNP Paribas**,
- **CIT Bank**,
- **Crédit Agricole**,
- **Industrial and Commercial Bank of China**,
- **ING Capital**,
- **Mizuho**,
- **MUFG**, and
- **Starwood Property Trust**.

The same banks are still understood to be involved at this stage.

Milbank and **Saul Ewing Arnstein Lehr** are providing legal counsel to the lenders.

The project is expected to be online in the first quarter of 2023.

It has secured gas supply from Canada via the Alliance pipeline. ■

CORPORATE FINANCE

Texas Utility Issues Private Placement

A Texas utility has issued a $185 million first mortgage bond in the U.S. private placement market.

Texas New-Mexico Power issued $110 million of the bonds on April 24 and retained the remaining $75 million to be issued by July 15.

The company is a subsidiary of **PNM Resources**. Despite its name, it no longer serves any territory in New Mexico.

It will use the proceeds of the bond to fund system upgrades and maintenance and to repay short-term debt.

The financing is consistent with TNMP's authorized regulatory capital structure of 55% debt.

MUFG was sole lead placement agent and bookrunner on the offering, which has a weighted-average tenor of 19 years and a weighted-average coupon of 3.01%.

U.S. Bancorp Investments and **Wells Fargo Securities** acted as co-agents. ■

PFR Power Finance & Risk

PFR Distributed Solar Roundtable 2020

PFR DISTRIBUTED SOLAR ROUNDTABLE 2020

EDITOR'S NOTE

The horizons of renewable energy finance are ever expanding, as investors and lenders chase the high returns that come with the risk of backing new technology and concepts. But when an asset class is in its infancy—whether it is offshore wind in the U.S., the securitization of residential solar assets, or project-financed standalone battery storage—there is typically more talk than transacting.

But in the case of distributed solar generation, which encompasses residential, commercial and industrial arrays as well as community solar projects, the pace of activity on the ground has been undeniable.

Developers of non-residential distributed solar brought some 2 GW of capacity (DC) online in the U.S. in 2019, bringing cumulative installed capacity within the segment to 14.4 GW, according to a Solar Market Insight Report published by the Solar Energy Industries Association and Wood Mackenzie Power and Renewables U.S. at the end of last year.

And this is despite the well-documented challenges that C&I solar developers face in raising capital, whether debt or tax equity, at a manageable cost.

However, the sector has recently been increasingly showered with attention by investors across a broad spectrum ranging from utility holding companies and well-capitalized developers to private equity and infrastructure fund managers, and from project finance banks to mezzanine lenders (PFR, 1/17/20).

Meanwhile, state initiatives in places like New York are spurring the development of an adjacent subsector, community solar, which has pulled in equity recently from international investors such as NextEnergy Capital.

All the signs appeared to point to steady growth. In their report, SEIA and Wood Mackenzie predicted that a similar amount of C&I solar, 1.9 GW, would be installed again in 2020.

But that was before the Covid-19 pandemic threw global markets and the U.S. economy into disarray. Suddenly, businesses large and small found themselves in a precarious situation, including many that are at the end of C&I solar power purchase agreements.

How much of a setback will this be for the industry, what will the recovery look like, and what are the prospects for C&I solar once the dust has settled?

To address these questions and more, PFR brought together (virtually, of course) a panel of individuals at the forefront of C&I solar finance. Those who are seeking to stay ahead of the curve in this fast-moving asset class will surely find the discussion enlightening.

Enjoy!

Richard Metcalf
Editor

PFR DISTRIBUTED SOLAR ROUNDTABLE 2020

PARTICIPANTS

Paula Zagrecki,
CEO, Zorya Energy Advisors

James Bowen,
CEO, Energetic Insurance

Richard Walsh,
Managing Partner,
Madison Energy Investments

Scott Lechky,
CFO, OYA Solar

Rich Dovere,
Managing Member,
C2 Energy Capital

Shravan Bhat, Reporter,
Power Finance & Risk
(moderator)

PFR: To start with, how have your businesses been impacted in the last month or so by the Covid-19 situation?

Paula Zagrecki, Zorya Energy Advisors: In general, work hasn't been impacted very much at all, but that's because we've had deals in the pipeline that were already moving ahead. We've been placing debt and tax equity over the period and anything that was signed and committed to prior to the crisis seems to be moving forward, although the banks are asking about supply chains a little bit more.

The banks are looking at things a little bit more closely, but what has been impacted is new commitments—at least for tax equity. There's been a pause there.

By the time the markets open up and people can actually stop social distancing, hopefully by July, we can then have all those commitments put to rest and start on new stuff.

James Bowen, Energetic Insurance: I would agree with Paula, in particular on tax equity. Projects that were already transacting before Covid-19 generally have moved along, maybe a little bit slower. We did have some COD delays on some projects due to the inability of the utility to get out for interconnection, and we've heard about some construction delays.

But we underwrite credit risk, so that is very different now, because industries like the hotel industry, for example, look very different now. We're just a lot more cautious, doing a lot more research, really thinking hard about the new risks that we're being asked to underwrite and that's been the biggest challenge. Because if we clam up and stop underwriting risk, then we have no business.

Richard Walsh, Madison Energy Investments: Have you had any claims?

Bowen, Energetic: We have not had any claims. Our team has been watching our projects really closely. Basically, for a good portion of our existing deals, the offtakers are closed, so we're watching that. There's a mall, some hotels that are closed, but they're in good locations that should bounce back. But we have had no claims yet.

Scott Lechky, OYA Solar: I joined OYA Solar just over a year ago, and prior to me joining, our company had largely been selling community solar projects at NTP or preconstruction. With me joining and adding two others to our finance team, my thesis was to begin to build some of our projects and eventually own and operate a portion of them as well.

Fast forward to where we are now and I echo everyone in terms of the financing markets. But as we step into procurement and construction, the big question for us is the supply chain, in terms of procuring equipment, inverters, panels. We'll see what happens in China. Some of our early insights—and we're still formulating our in internal view—is that China's coming back, so a lot of the procurement and logistic supply chain issues may not be so much of a problem. But for us, as we get into the construction, it's going to be whether projects are going to get done in 2020 or slip into 2021.

Walsh, MEI: Fortunately we haven't experienced any major issues, but we are facing new challenges within multiple aspects of the business. On the debt side we feel pretty good and, fortunately, we have committed capital on the equity side. We have tax equity for this year, but there might be some deals late this year or early next year that will need tax equity, because a lot of the tax equity is unsure of what their tax bills are going to be in 2021 and even this year.

And then on the permitting side, yes, some utilities have been late for inspection, we've received some *force majeure* notices, but for most of those, construction is still ongoing—it was just required as part of the contract. We're also closely monitoring off-taker risk but most of ours are investment grade so that hasn't been a problem

"It's important to understand the functional sequencing. There will always be people paying taxes. It's not that tax equity is going away"

Really, the chief concern is six months from now. We haven't been to see our partners, we haven't been to conferences, and so it's hard to know what the impact's going to be from the folks on the front end. The front end of the funnel of acquisition and development opportunities appears fine for now, but I have to think there will be consequences resulting from the lack of business travel.

Rich Dovere, C2 Energy Capital: From our side, we have a level of comfort on our financial position. However, there has definitely been an impact on the team. We have 20 people in New York and other folks all over the place. Closing the office has been rough from a morale standpoint, as our corporate culture is very integrated, and team members have had to deal with this pandemic on a personal level as well.

On the construction side, we were about to start construction in places where the "stop work" is not necessarily as aggressive. We also have 30 MW under construction in New York and then probably another 20 MW under construction in Illinois. So, in some cases, we're just waiting. We're fine in terms of dealing with the supply chain issues. We're actually seeing some movement on panel prices which should be helpful to mitigate the extra carrying cost of interest expense. We've signed small tax equity commitments that we initiated after this got started.

There's a little bit of commentary on debt markets in terms of movement of pricing. We've heard people talking about 100 bps, but realistically it's moving 50 bps. For the investor side of things, there is in fact a lot to do now, because you've got to triage and get through everything. It's making sure that we've got something to do six months from now.

PFR: The theme that I keep hearing about is tax equity. That has always been an issue in C&I solar, but it is being highlighted even more now. What have your experiences been on the tax equity side? Are investors leaving the tax equity market?

Dovere, C2: It's important to understand the functional sequencing. There will always be people paying taxes. It's not that tax equity is going away. The issue is a sequencing one, where, typically, in order to get construction financing closed, you would need to get a tax equity commitment at the outset. So, again, if you're thinking six months down the road, you need a tax equity commitment *now* in order to get those projects developed.

There's also another way. You could just make an election to equity-fund, to the extent that you have those resources, and move projects forward. We have a bunch of lenders who are willing to work with us, but it will ultimately come down to the balance sheet of the sponsor.

In terms of the ability to leverage tax equity, the ability to have projects in inventory in the fourth quarter will prove to be very valuable. People are going to pay taxes either in the fourth quarter or they'll pay taxes next year, and then inevitably, somebody will call you and say, "I need to fill a hole of XYZ," and those that have projects at that time will be able to do that.

This is a strategy we've employed basically for the last five years. You're not going to end up in a position where there isn't going to be a need for the tax credits from your project. What may happen though, is you end up in a position of waiting to have projects placed in service for a little bit longer, but we have been able to take advantage in those scenarios.

Zagrecki, Zorya: I agree with Rich. You have to have the tax equity commitments to get the construction financing, so it's kind of a house of cards, or dominoes. I don't think it's going to be an issue of not having tax equity, but everybody's pausing because they're trying to figure out what their tax equity appetite is going to be for this year.

Even though people will be paying taxes, with a slowdown in the economy, especially depending upon what their core business is, their income may be a little lower this year, so their tax appetite might be a little lower.

On high-value C&I solar, it's not that hard, because in those high-value projects even if equity doesn't get their 80 cent development fee, maybe they get a 30 cent dev fee and they've got to share a little bit more with tax equity. But if you're looking at North Carolina, for example, where load-serving entities dominate, those are not hugely high-value projects, so tax equity's getting very picky.

In the Southeast, they are going to find it a little bit more difficult to find tax equity, at least for the next three months.

Bowen: Energetic: I'm curious to know whether there's a chance that the high-value projects could just forego using tax equity at all, if it starts to dry up significantly and profits are really affected in the corporates and banks that would normally invest the tax equity. Are there projects that will pencil out without tax equity?

" A lot of tax equity guys are claiming to be interested and saying, "Yes, we're open. Yes, we're interested." When you ask for the commitment, that's when they pull back"

Zagrecki, Zorya: I think there probably are some projects, but I don't think there are huge numbers of projects. Frankly, if this hadn't happened, and the market were going as well as we thought it was, there was probably a point where companies would be needing some of that tax equity for their own income. So we can keep some of those credits and carry them forward, but it's got to be some of those super-high-value projects. If the project can support 60% debt, and if you're used to putting in 10 -15% equity, you start choking on that extra slot that tax equity had been taking.

Lechky, OYA: We're new to the tax equity market and where we're going to notice it most is in pricing. We're still able to talk to a lot of people that are interested and say they have capacity; of course, in the last few weeks, that has really been all over the place. So a lot of volatility. But where it will likely hit us in our first few projects is in the overall cost. If where we want to be, long-term, is constructing, owning, operating, unfortunately for us, it's probably a near-term hit to get access to the tax equity market.

Zagrecki, Zorya: A lot of tax equity guys are claiming to be interested and saying, "Yes, we're open. Yes, we're interested." When you ask for the commitment, that's when they pull back. We have projects that we need tax equity for *now*, that we need to start construction on *now*, and at that point they say, "We are interested, but in three months."

They don't want to say no. Nobody wants to say no. They want to be there. When they're open, they want you to come back to them. So there are some that are open, but for very specific sectors. Everybody has said, "We're interested," and then when it's down to brass tacks, it's been quite frustrating. I feel like I'm dialling for dollars every day.

Dovere, C2: I don't know how you could have a high-value project for tax equity that also supports that much of a debt advance. It could be high-value in terms of high credit quality, size and simplicity of deal, but that does not necessarily go along with a huge amount of cash flow. So, the ability to apply so much debt doesn't usually end up in the same project.

The tax equity risk dynamic has always been such that, while people like investment grade, this, that and the other, they're really not taking any of that payment risk. So, to the extent that there's a payment cash flow stream that is simplified or a project that is easy to get into, that will definitely be part of it. But in terms of developers making a decision on whether or not to keep the project, Paula, to your point, the difference between putting a 10% check in versus a 60% check is that, if you are a developer that has raised capital, you probably have not raised it, as a developer, to be infrastructure capital.

If you're a group like Rich Walsh's, backed by an infrastructure fund, then writing a larger check for an infrastructure-like return is probably more feasible.

But if you've raised private equity or higher-cost money, you're probably not going to be able to make the return just on a cash basis by increasing your net equity position from 10% to 40%. The economics of the projects are not there.

I actually think it's a good opportunity, ultimately, to look at the developer business model as a whole. We were very proud of ourselves when we got the company started for doing the first 40 MW as a small team. That's really not the hard work. The hard work is doing the next 40 MW while onboarding the first 40 MW, and then doing the next 100 MW and so on and so forth. We've gotten through that pain and suffering, but I ultimately think it's an opportunity for developers to really look at the business model of owning some of the assets, which has been an attractive notion. People hear about what it is to have the annuity of the cash flow, but it's not attractive when you're in exactly this type of moment. That's the whole thing about development. You can make a lot of money in fees when everything is good and working well. But when it isn't working well, you end up in this position where you've got to come up with a lot more cash and continue to pay people and run the business.

I do think that there is an opportunity for a level of reordering of the market, taking folks who are the developers, folks who are owners, and then reconsidering the market in a political environment without the same level of federal incentives for renewables on a go-forward basis.

Developing the internal equity knowledge and asset management and building a balance sheet to provide the indemnities with less than three years left in order to maximize the ITC may not necessarily be worth all of the time and effort. So there might be a level of reprioritization of business models and that could drive a market rationalization event.

PFR: Rich Walsh, can you respond to that?

Walsh, MEI: I'll start with the realignment. That's a good point, and something we have been thinking about for a while. We may come at it from a (seemingly) selfish angle, because we want to own the assets. But we do think there's value in the developer doing what they do well and the owner doing what they do well and focusing on that. There are opportunistic times when a developer wants to own; maybe to build the balance sheet up because they're thinking of selling in the next year or two. We've certainly seen that. But I do think a lot of people over-engineer that model. The developer will spend six months going to get tax equity and then getting this perfect construction facility and then lining up the takeout or playing sponsor themselves. But then it never happens the way you set it up to happen. So we are big believers in "do one deal" and then, if the deal works like that, then you can build off of that. But trying to just guess how the six months is going to be—especially when you have five different counterparties involved, multiple law firms, consultants, bankers, independent engineers—is way more challenging in practice.

So, yes, I couldn't agree more with what Rich said. There are times where it makes sense. Maybe it's the college you went to, and you want to own it. Or maybe it's in the town where your company is, or you have a little bit of taxable income you need to offset. But more often than not, it is challenging to vertically integrate while also achieving scale in the C&I solar sector.

Regarding tax equity, we've talked to everybody that has claimed to be a tax equity investor in C&I, and the party line from all the banks—and this goes for lending as well—is: "We're just going to lean into our current relationships." They don't ever want to say they're out of the market, and you can't really call their bluff, so you have no idea if they're in the market or not.

A lot of the corporates are trying to tie sustainability into their tax equity, but they'd much rather write one check for a 100 MW project than do 50 2 MW projects with us.

"On the cash grant, it's a lovely idea, but given that the federal government has been decimated under the current administration, I don't think there are people in the Treasury Department that could actually manage that program"

We're starting to see if we can pull people into C&I, more as a back-up plan.

Dovere, C2: The comment you're hearing has much less to do with the project and much more to do with the sponsor. Ultimately, with the tax equity, you're paying their legal fees anyway. There might be a little bit of work that's done by their internal asset management team to look through it, but, realistically, the more difficult the deal is, the more it costs you as the sponsor. It doesn't actually cost the tax equity investor all that much. There is an annoyance in terms of planning. The difference between a 100 MW deal and 50 2 MW deals is that maybe ten of them aren't placed in service and the tax equity investor can't plan for it.

The people that have a balance sheet can weather a storm, in terms of continuity, but also just to be able to support the tax equity indemnity. What does it mean that banks are leaning into their existing relationships? They want to deal with the publicly-traded IPPs. They don't really want to necessarily deal with folks that don't have a large balance sheet.

PFR: Do you think there is any likelihood of legislative help, on the cash grants or anything like that? How likely is it to happen? And even if implemented how easy will it be to access that?

Zagrecki, Zorya: On the cash grant, it's a lovely idea, but given that the federal government has been decimated under the current administration, I don't think there are people in the Treasury Department that could actually manage that program. So maybe you have it, but when do you get it? Three years from now?

PFR: How about origination? Has that been impacted? Are you still seeing demand from offtakers? Or has that also tailed off?

Lechky, OYA: There's been a lag with people attending conferences and your traditional pipeline for deal origination and M&A. We're really focused on developing what we have in our pipeline because that's something we can control. We're busy in 2020, I just don't know what that's going to translate into in 2021, '22 and '23.

PFR: James, as an insurer, this must be not the worst time for you?

Bowen, Energetic: It's not the worst for us, because there is more uncertainty around offtaker credit quality and our credit insurance product can be the solution that developers need to obtain project financing. I am in the position of talking to a lot of different developers, and something I'm concerned about is whether businesses are still looking to transact in solar. For the most part, unlike residential, where I'm hearing there's a lot of problems, it seems like, especially for negotiations that have already started, businesses are still able to work from home, they're still able to continue transacting, and the value proposition of solar still exists. I suspect that perhaps we will hear even more of the argument that solar-plus-storage or microgrids can help with resiliency.

"Where we've been getting a lot of increased calls is in operating projects, just because people are looking out three, six, 12 months, and they're not sure how secure their offtaker PPA payments will be"

Greenfield projects are still being transacted upon. Where we've been getting a lot of increased calls is in operating projects, just because people are looking out three, six, 12 months, and they're not sure how secure their offtaker PPA payments will be. Some of their offtakers might have closed, and they're not sure what the credit situation is going to be. And they either want to shore up their existing cash flows or they are looking forward to a refinancing event, perhaps to take advantage of interest rates.

Walsh, MEI: James, do they normally call you for the refinancing or do people actually take a proactive look at their portfolio and want to just feel better about it?

Bowen, Energetic: Mostly, it's been driven by the financers, so a bank calling and wanting to shore up their existing portfolio, and working with their development channels to do that. I would say it has been predominantly transaction-driven, but some of it is about shoring up existing cash flows.

Dovere, C2: On the origination side, as far as corporate PPAs go, C2 does have development business in doing bilateral corporate contracts with our key accounts. The downtime has actually helped move a couple of those forward, which is exciting. The thing that we're trying to deal with now is, we took a sizable safe harbor position at the end of last year, and a lot of that was predicated on an M&A strategy—would we be buying projects? Would we be developing projects? We're going to have to now carry that equipment load and the associated carrying costs for probably at least another 12 months longer than we expected. We're still seeing a fair amount of inbound M&A, as this period is encouraging people to be more aggressive about their internet outreach.

Zagrecki, Zorya: I agree. We haven't seen any slowing in my clients at all. In fact, it's gotten a little bit stronger. I do think that pricing has changed a bit. If you're buying a mid-stage or late stage or even operating asset, the pricing was pretty harsh, the returns were pretty low. So pricing has improved a little. But what is really interesting is that these pipelines are still moving, but when we go back to the supply chain discussion, tier-1 panel manufacturers in January were saying, "Sorry, we're full. Go somewhere else." And now they're coming back and calling and saying, "We have panels. Do you need panels?" So there's some contradictory information in the market, and it's going to take a little while to really shake out and to see where we're going to be. Some of these pipelines might be 2021 and not 2020.

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Dovere, C2: On the pricing point, it's interesting to hear that, because the approach that we took on this was that we have mandated capital that we are investing. Our return hurdles haven't gone up, so the only difference in pricing for developments is whether or not we want to take advantage of the situation. So, yes, you can price in a little bit of the risk associated with the carrying costs or tax equity or things like that—that's not as material—but what we've said to any of the development partners is, we'll look at your deal, but for us, we're not going to transact at this moment in time on individual projects, or we're not going to participate in processes. So if you want to work with us, we're very happy to work with you. But, for us, it was just a thing about our team—doing the bid process letters and running 15 different models when we're competing against 20 different people for a couple of megawatts' worth of deals —I just wasn't going to do that to my team. So the approach that we've taken is we actually will preserve pricing and will continue to price as we were, but it has to come in the same way that tax equity is looking at this, within the context of a relationship. Understanding what is happening to my team, I cannot put the burden on them as a manager or as a colleague or as somebody who cares about them, to continue to throw darts at the board. We have very specifically sought to not adjust our pricing, but to adjust who we're working with.

> **"We were underwriting a theater before Covid-19. That's clearly going to be more challenging now as a sector going forward. Places where people congregate like entertainment venues are challenging"**

Zagrecki, Zorya: But, on that point, it was less a question of winning, before, but of being able to win a few deals now, with your hurdle rate and your pricing, as opposed to taking advantage of the situation. I don't think that's happening with people I'm working with. I do think it's happening with some tax equity providers.

PFR: James, where are you seeing the highest risk pockets at the moment, in terms of offtaker credit quality, and what measures are developers and lenders taking to prepare for that?

Bowen, Energetic: I have a nice little cheat sheet diagram that I can share. It is a very simple chart that shows high, medium, and low stress by sector post Covid-19, that I've been using, plastered on my wall. We were underwriting a theater before Covid-19. That's clearly going to be more challenging now as a sector going forward. Places where people congregate like entertainment venues are challenging.

PFR: Cruise ships?

Bowen, Energetic: Cruise ships we have not done. Some sectors were obvious, but we're looking at other things that were more speculative or difficult pre-Covid, like grocery stores, which have been distressed as a result of online disruption—some of the grocery store chains have suffered in terms of ratings—but maybe that's a better sector. The one big one is the general tourism industry, because we do have a lot of projects that are related to that industry, whether through hotels or amusement parks. That is an area I really want to pay close attention to.

Moody's North America Coronavirus Heat Map

High Exposure	Moderate Exposure	Low Exposure
Automotive & Auto Supplies	Aerospace & Defence	Construction & Homebuilding
Apparel	Business Services	Food & Beverage
Consumer Durables	Consumer Services	IT Software & Services
Gaming	Consumer Non-durables	Natural Products Processors
Lodging/Leisure & Restaurants, incl. Cruise Lines	Chemicals	Packaging
Passenger Airlines	Healthcare & Pharma	Real Estate
Transportation & Services, incl. Shipping	Manufacturing	Steel Processors
	Mining	Telecoms & Media
	Non-food Retail	Waste Management
	Oil & Gas	
	Tech Hardware	
	Wholesale Distribution	

Source: Moody's Investors Service, March 2020

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PFR DISTRIBUTED SOLAR ROUNDTABLE 2020

PFR: James, you've been having conversations with tax equity folks, and they've been interested in looking at risk mitigation tools, isn't that right?

Bowen, Energetic: I hear from tax equity that investment grade offtake is becoming even more important. In the partnership flip context, they have not historically been so concerned with cash flows as much as recapture risk. Post Covid-19 they really just want offtakers to be investment grade, and that's putting some constraints on what deals are eligible for the large tax equity institutions.

"From some of the conversations we've been having, base rates have come down, but it's the credit spreads that are the issue"

On the sale-leaseback side, that is a market where—we just did our first sale-leaseback transaction—and that's a market where cash flows *are* important, because that's what makes the lease payment. That is somewhere where we're going to see a lot of increased business. But it's also an applicable tax structure for the C&I market, where it's a little bit more conducive, from my understanding, to these smaller and medium-sized C&I projects. In general, when we started this product a couple of years ago, we were really focused on unlocking debt. We didn't realize how important it would become for tax equity.

Tax equity is probably more than 50% of the product requests this year. There is an oversupply of debt, and debt can be a little more flexible than they were before. But tax equity is in short supply, and therefore they can command whatever terms that they really want.

PFR: That's a nice segue into debt. I wanted to just get a read from our developer colleagues here, do you see margins on construction and term debt going up at the moment? How much and for what assets?

Walsh, MEI: On a lot of behind-the-meter stuff, we've definitely seen spreads go up a little bit. But we do feel good about the lender we are working with now. It has been as close to business as usual as anything has been for us.

Lechky, OYA: From some of the conversations we've been having, base rates have come down, but it's the credit spreads that are the issue. A couple of the lenders that we're talking to, the big thing for them is trying to understand what the credit spreads are going to do. That's the biggest concern that I'm hearing.

Dovere, C2: Fifty basis points. It's a 50 bp difference in terms of spread from what we priced a month and a half ago.

Zagrecki, Zorya: Really? Because I haven't seen very much increase on the spread. It may just be the banks you're talking to versus some of the banks I'm talking to. But I've found that the requirement is for much higher structuring. It used to be "Boom, boom, done," and now people are looking into every single corner. And much more talking about differences in loan-to-value and what sort of equity might your sponsor have, even though it's non-recourse project finance.

PFR: Have you seen any kinds of new types of deals that lenders have grown increasingly comfortable with? And what are they still a little uncomfortable with?

Walsh, MEI: I'd like to hear Scott's opinion. We're doing some community solar, and I can just give our quick take—the C&I community solar deals are good, though we haven't dipped our toes in the residential piece, yet. And on the SMART [Solar Massachusetts Renewable Target] assets, we had to do a lot of coaching in that program to get lenders comfortable with some of the adders.

Lechky, OYA: The one thing that we're having challenges educating people on is what subscriber risk looks like. In New York, the market is eventually moving toward consolidated billing, where that will just all run through the utility in one bill. So that will remove a lot of the subscriber risk issues of two bills. i.e. one bill to OYA and then one to **ConEd**, for example. So, that really streamlines things, and that's going to change the whole cost-of-capital dynamic in New York. It just takes a big piece of the risk out of the equation of trying to deal with individual subscribers, whether it's demand-metered or non-demand-metered resi and C&I subscribers. This really simplifies the market.

Walsh, MEI: It's not like a POR [purchase of receivables]-type thing with the utilities, right? They're just doing it administratively? They're managing it, but they're not taking on any risk, right?

Lechky, OYA: Yes, that's my understanding.

Dovere, C2: If we could get a POR-type program, that would be wonderful. We have a bunch of the New York community solar stuff and we're doing it with resi. The deals that we were working through were the ones that we had started prior to COVID-19 delays. There's a different challenge with community solar, especially on the resi side.

All of these groups were talking about customer acquisition. Realistically, the way

"I've found that the requirement is for much higher structuring. It used to be "Boom, boom, done," and now people are looking into every single corner"

that they were doing customer acquisition is that they were asking retail energy guys who were going door-to-door to do customer acquisition. I don't think anybody is knocking on their door these days, so there's a major drop off in that business. So, to the extent that you have other aggregation channels, there is more thinking that has to go into the community customer acquisition side of resi.

You're going to see a lot of those businesses that, at least in my mind, didn't deserve to exist in the first place, probably go away.

But that is ultimately going to be one of the major paradigm shifts in how this is going to work. People are going to want to save money these days, but how that is going to be done? It's going to be a lot more web and ad-based, but also, the value of strategic relationships, in terms of customer acquisition, will be really important.

> **"You go to the regional banks and build your balance sheet, build your portfolio, and then you can move back to New York for your debt"**

PFR: Do you see the C&I and community solar debt market remaining the domain of regional banks and specialty lenders? Or do you think we'll see the larger global banks also getting into the space maybe next year and going forward?

Dovere, C2: **CIT Bank** did a deal with **True Green Capital** last year, so there are larger banks that are doing it. If you think about it, those are the deals that really should have the equity participation. If you have tax equity coming in for 35% to 40% of the costs, then you have a **NYSERDA** rebate for another 30% to 40%, then there is material capability to limit your debt exposure. It is an appropriate place for there to be equity participation and its subsequent equity upside. So maybe the debt ratios end up becoming lower, which may actually end up being one of the major reasons why, on the community solar side, it probably isn't going to be the best product for a lot of the larger banks, simply because the net LTV, or ratio-driven debt, is going to be a relatively small amount. So you need to do all these megawatts in order to get in 10% to 15% debt, maybe a little bit more, when realistically it needs to be thought of differently, in terms of what the capital stack participation should look like.

Zagrecki, Zorya: Right now, this is a great test of community solar, because a lot of the bigger banks are very uncomfortable with the residential portion. But they've done it. **MUFG** has closed community solar facilities, but there is always the question of what happens if there is some major disruption. Are we going to have larger defaults? This period would be actually a very interesting time to see whether defaults have increased. I don't think they will increase, because people need power while they're staying home. If you can show that community solar is resilient through a crisis, you're going to be able to have a few more banks come into the space and get a little bit more comfortable with it. I do think that community solar is actually way easier to finance today than it was three or four years ago, because you can see track records.

ING has been doing deals, CIT has been doing deals, **Rabobank**, MUFG, they have been coming into the space, and the hope is to go to those guys. But you have to have a balance sheet. You have to have some serious megawatts under your belt for those banks to be interested in your product. So you go to the regional banks and build your balance sheet, build your portfolio, and then you can move back to New York for your debt.

Dovere, C2: It's important to distinguish the unfortunate reality of the community solar stuff, which is that, while homes need power, they get the power, but under the current billing regime, what they're getting actually are credits on a bill that they have to pay separately. They're getting the service, they're getting the commodity, one way or another, and I agree that it's probably a moment in time to prove it out, but unfortunately this is the type of thing where they need power, but they don't necessarily need credits—which you're still billing them for. And in the scheme of the waterfall of bills that people are getting, I worry that you probably will see a lot of people who will just ignore the bill.

Bowen, Energetic: I'm actually really curious about that trend in community solar, because as we move towards potentially on-bill financing—but also just in this COVID-19 situation—if people have no penalty for stopping paying community solar, and they know they can also not pay their utility, and because there's all these governors' orders that they can't shut off the electricity, wouldn't the rational person just not pay anything?

Dovere, C2: That's exactly the point. And it's not only the rational person! What you're seeing is, this is not just community solar. This is energy market-wide, with retail energy providers as well. You have small businesses that have signed retail energy supply agreements that the government is now telling them they don't need to pay.

PFR: To what extent in the last year or so have you seen more standardization in C&I solar finance?

Walsh, MEI: I've written about this before. I don't think it will ever standardize. We are starting to see more imitation, at least across states with policies that try to look like one another, and that makes the leases more closely mirror one another, and the PPAs or the subscriber agreements.

But if you're a county in Maryland, you're never going to have the same procurement laws as a county in California. They are utilizing the same procurement contract they use to pave roads or do anything else. They shove in solar, just change it around a bit and the end result is really clunky. You're never going to see organizations like **Amazon** or counties or governments shape the procurement to match up with the **SEIA** standard or anything like that, I don't think.

> **"You have small businesses that have signed retail energy supply agreements that the government is now telling them they don't need to pay"**

But you are starting to see the folks that don't have really strict procurement guidelines becoming more comfortable using the SEIA-form PPA. At least we've seen a lot more of those. Investors, too, have had to evolve. A few years back, our position was: "Here's our PPA. If you want us to finance it, use it," and then it slowly bled into, "Okay, we'll have to just look at each one."

PFR: Let's talk about sponsor equity, platforms and M&A. Paula, I know that you do this for a living, but how do you tell when there is a good fit between two teams when there is an M&A deal? What have you learned and what are the lessons that you can share?

Dovere, C2: I can answer that. It's when the price is right. That's usually when there's a good fit.

Zagrecki, Zorya: I completely disagree. That's absolutely not the right answer, because when the price is right it works out for a little while, but then the cracks start forming, and as soon as there's a problem, the issues escalate. There's a lot of value to emotional intelligence and being more about the matchmaking, and the emotional fit, and that people get along together. We all know that in the teams that we work with, if you've got somebody who isn't quite fitting, it is very disruptive.

And when you have disruptions in the market, where you've got to come together and figure it all out, it works a lot better when people really value each other as opposed to just valuing the money that you can put in your pocket. I do actually think that you might take a lower price, but at the end of the day, when something goes wrong, you're not getting totally taken in the shorts. Whereas, if you take the highest price, value will be extracted on the back end.

"There's a lot of value to emotional intelligence and being more about the matchmaking, and the emotional fit, and that people get along together"

We're in a crisis, and people are getting sick, and people are having issues. I'm working on some things where people are trying to take advantage, and I'm working on some things where people just all come together and work it out as a team. And we all know which one is going to work better at the end of the day. Maybe it's just because I'm a woman and I have a bit of a different view that it's not the all mighty dollar at the end of the day, but if you try to make matches that just don't actually fit, you're grateful when they don't close. Over time, I have seen that companies where values align have more successfully worked out the issues that invariably come up, not just with Covid-19, but in the industry in general.

PFR: Wrapping up, how do you keep legal fees down?

Bowen, Energetic: We're in the insurance industry, so that's pretty hard to do. We have about seven different lawyers for different things, but I would say that when we were a pure start-up with zero money in the bank, we came up with some interesting negotiations with lawyers to either postpone fees or come up with some other ways of getting around that. Now that we're funded and making revenue, it's about really having a lot of clarity and clearly scoping out work, setting caps and regular check-ins and not letting the clock run. That is really hard to do. It takes a lot of effort, but it's really just a lot of brute force.

Zagrecki, Zorya: If you have the right lawyers, you can keep your legal fees down. Lawyers who take a commercial approach aren't going to look at that last risk and don't go down those rabbit holes.

If you can do repeat business, that's the easiest way, right? The first credit agreement is painful, and somewhat expensive. The next one is half the price, and the next one is another haircut off of that. If you can standardize, you've just cut your legal bill in half.

Walsh, MEI: Paula's spot on with the repeat business. I was just going to say good partners help a lot, because we don't bring in legal unless it's for financing. A lot of developers bring in legal in every deal, but with the majority of ours there is no external counsel. Any debt or tax equity financing, usually requires external counsel so you're going to have them there.

Lechky, OYA: For us that's kind of an easy one. We hired **Bernadette Corpuz** as general counsel last year and that was probably one of our first really big specialized recruits. We took over six months to find the right candidate, because it was a pretty big investment to decide to do stuff in-house, and decide what work that person is going to be doing, versus what you've got your external counsel doing.

Part of Bernadette's task is to negotiate legal bills down a little bit. But it's also, for her, finding the right law firms to be doing the right work, as opposed to going with the one large firm that does everything. Leveraging her relationships to potentially find the boutique firms that are not only cheaper, but also with the expertise, capacity and willingness to devote senior resources to our engagements, where necessary. So for us, it's as much about Bernadette finding the right lawyers as it is finding the right firm.

Dovere, C2: I don't know that I agree with all of what's been said. On the corporate side of things, you can hire in-house counsel, which should be able to drive that cost down. On the project side of things, realistically, yes, there are certain tasks that can be done internally. When we're doing our EPC agreements or PPAs, we can manage that internally. But realistically, when it comes to financing, we have not ever seen, even on repeat deals, the efficiency derived from the second or third agreement. That's largely derived from the fact that we've never found lawyers on the other side that—when we're on the hook for the bills—are necessarily interested in being all that charitable. You end up in a position where it's just smarter to book it as an expense in the deal and make sure it's appropriately budgeted for. I literally did three tax equity deals with two different investors using the same law firm, using the same documents, and there's just usually an amount of money that people are expecting to make on a deal, however many deals there are, especially when each project has its own nuances, which is often the case in D.G. From our experience, the most expensive thing in the market is the cost of bad advice, and so it's a consequence where we may be guilty of over-investing in some of these things, but we think it's the right thing to do. ■

Power Finance & Risk

17th Annual Deals & Firms of the Year Awards

Power Finance & Risk is pleased to announce the launch of its 2019 Deals and Firms of the Year Awards.

PFR has been recognizing excellence in power and renewable energy finance for 17 years.

This year, we are doing something different... We have selected 100 leading individuals from the top ranks of power and renewable energy finance in North America to pick the winners. We are now accepting nominations for the Deal of the Year categories. The deadline for submitting deals is May 29, 2020. After submissions close, the editorial team will carefully review and consider all nominations before drawing up a shortlist of deals to be voted on by a hand-picked panel of your peers, industry experts.

In the meantime, *PFR* is conducting a series of research interviews with the panel that will form the basis of the firm and individual awards.

We will be asking:

- Which firms and individuals were the most impressive over the past year?
- Which companies, banks and law firms came up with the most creative solutions?
- Who has the strongest commercial acumen?
- Where do you go for the best market knowledge and insights?
- Who went the extra mile?

We are looking forward to working with the industry to tell a positive story about power and renewable energy finance during these challenging times.

Should you have any questions about the awards, nominations or submissions process, or about *PFR* in general please contact:

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LATIN AMERICA MERGERS & ACQUISITIONS

Sempra Closes Sale of Peru Assets

Sempra Energy has completed the sale of its Peruvian assets to a Chinese buyer, bringing to an end a process that began in January 2019.

Sempra closed the divestment on April 24, two weeks after receiving all government approvals.

China Yangtze Power Co., controlled by state-owned **China Three Gorges Corp.**, has paid $3.59 billion for Sempra's 83.76% stake in **Luz del Sur** under the terms of the deal, which was initially announced in September of last year.

The sale also includes a stake in **Tecsur**, which provides electric construction and infrastructure services to Luz del Sur, as well as an interest in **Inland Energy**, to which Luz del Sur transferred the 99.71 MW Santa Teresa hydro plant in Cusco in 2018.

"We are very pleased with today's announcement as the sales proceeds will be used to further strengthen our balance sheet and our already solid liquidity position," said **Jeffrey W. Martin**, chairman and CEO of Sempra, in a statement.

Advisers included:

◆ **BofA Securities** (financial, seller),
◆ **Lazard** (financial, seller)
◆ **Citigroup** (financial, buyer),
◆ **White & Case** (legal, seller),
◆ **Rodrigo, Elias and Medrano** (legal, seller).
◆ **Baker & McKenzie** (legal ,buyer), and
◆ **Beijing Tian Yuan** (legal, buyer).

Sempra is still working on the sale of Chilean electricity distributor **Chilquinta Energía**, and **Tecnored**, which provides infrastructure services to Chilquinta. Sempra announced an agreement to sell the 100% stake in Chilquinta and Tecnored, as well as its 50% interest in **Eletrans**, which operates transmission facilities in Chile, in October of 2019 (PFR, 10/14/19).

State Grid International Development, a subsidiary of **State Grid Corporation of China**, will pay $2.23 billion for the assets. ■

LATIN AMERICA PROJECT FINANCE

Bankers Expect Delay in Huemul Financing

Project finance bankers predict a four-month delay to the financial close of the debt package for the second and third phases of **Mainstream Renewable Power**'s 1.3 GW Andes Renovables portfolio in Chile.

The Irish developer has been structuring the financing for the 730 MW Huemul and Copihue portions of the portfolio since November, when the first phase, Condor, reached financial close (PFR, 11/5/19).

The sponsor was pushing to close the $500 million to $600 million 19-year Huemul and Copihue loan by April, said deal watchers at the time.

However, the closing has been pushed back until July or August, say two sources, pointing to problems in construction caused by the Covid-19 pandemic.

Spokespeople for Mainstream in Chile did not respond to a request for comment.

Bankers also expect some lenders to drop out of the financing, as the group is too cumbersome and the market very volatile (PFR, 3/18). Still, none have defected yet, they say.

"We will have to see if all banks reach the close," says one source.

The institutions in the transaction are:

◆ **Caixabank**
◆ **DNB**
◆ **KfW IPEX-Bank**
◆ **Sumitomo Mitsui Banking Corp.**,
◆ **Société Générale**,
◆ **Crédit Agricole**,
◆ **ABN Amro**, and
◆ **IDB Invest**.

IDB Invest, Crédit Agricole, and ABN Amro were not in the Condor deal (PFR, 2/24). IDB has requested approval to provide a ticket of up to $200 million (PFR, 3/2).

The Huemul project portfolio is made up of five assets with a total capacity of 630.2 MW. The projects are:

◆ The 100 MW Pampa Tigre solar plant in Antofagasta,
◆ The 105 MW Valle Escondido solar park in Atacama,
◆ The 109.2 MW Ckani wind farm in Calama,
◆ The 160 MW Llanos del Viento wind project in Antofagasta, and
◆ The 156 MW Puelche Sur wind facility, in the region of Los Lagos, which will be fitted with **Nordex** turbines.

The final portion of the portfolio, Copihue, consists of a 100 MW wind farm. ■

Atlas Mandates Banks for Mexican Solar Financing

« FROM PAGE 1

IDB Invest and **Bancomext** will provide the A tranche. IDB's ticket comprises a $50 million loan, while Bancomext is arranging a $30 million long-term debt package.

The asset is the La Pimienta solar project, in the municipalities of Ciudad del Carmen and Palizada, in the state of Campeche.

The facility is being developed through the special purpose vehicle **La Pimienta Solar**.

Further details of the financing structure could not be learned by press time. Representatives of Atlas in Miami and Mexico City did not immediately respond to inquiries.

The project's output will be injected into the state-owned **Federal Electricity Commission** (CFE) grid through a 1.34-mile (2.17 km) transmission line.

Atlas and DNB have worked together in the region before, having closed a private placement in Chile in early March. The bonds were used to finance two solar projects—one under construction, the other operational—that had power purchase agreements with corporate off-takers (PFR, 3/20). ■

Blackstone's Fisterra Eyes Mexican CCGT Refi

Blackstone company **Fisterra Energy** is pursuing the refinancing of a combined-cycle gas-fired plant in Mexico, which was meant to start operating in December of last year.

Fisterra is in talks with financial institutions to refinance the 875 MW Tierra Mojada CCGT in the state of Jalisco through a bond issuance, sources tell *PFR*.

Morgan Stanley is understood to have been among the banks pursuing the mandate.

Issuing bonds at this time will be difficult, notes an observer away from the deal, adding however that one option could be high-yield bonds.

Further details of the status of the proposed financing could not be ascertained by press time.

Morgan Stanley representatives and spokespeople for Blackstone in New York declined to comment.

The Tierra Mojada CCGT was initially financed through a $620 million debt package from a club of banks in June 2017.

Crédit Agricole, **Intesa Sanpaolo**, **Natixis**, **Société Générale**, **Mizuho** and **Sumitomo Mitsui Banking Corp.** provided a $500 million six-year mini-perm and a $120 million letter of credit (PFR, 6/26/17).

The project has a 20-year dollar-denominated power purchase agreement with state-owned **Federal Electricity Commission** (CFE) to sell 70% of its output.

Tierra Mojada is fitted with **General Electric** and **Alstom** turbines. Construction began in June 2017, with COD scheduled for Dec. 31 2019.

The sponsor, Fisterra, is meanwhile still working on the construction financing of its 1,350 MW Energía de Celaya CCGT in Cortázar, Guanajuato. The project has a 20-year PPA with steel company **Grupo deAcero**, which also owns a stake in the project. The plant is expected to be brought online in January 2023 (PFR, 10/11/19). ■

IDB to Finance Engie's Wind Debut in Chile

Development finance institution **IDB Invest** is in the process of structuring a debt package to finance **Engie**'s first wind project in Chile.

The $125 million loan is split between a $110 million 12-year tranche and a $15 million portion from IDB's Clean Technology Fund.

It will finance the 151.2 MW Calama wind farm, located near the city of Calama in Antofagasta, which has an estimated total cost of $152.9 million.

Engie is developing the asset through its local subsidiary, **Engie Energía Chile**.

Construction started last fall after **Global Energy Services** (GES) was awarded the engineering, procurement, and construction contract. **Siemens Gamesa** is supplying 36 wind turbines with a capacity of 4.2 MW each.

The project's output will be injected into the grid through the existing 220 kV Calama-Jama Solar transmission line.

Construction was briefly halted after **Asachi**, the indigenous association of Chiu Chiu, a locality of Antofagasta, filed an arbitration claim against the project in September of 2019. According to the association, the project was located in an area critical for their agricultural pursuits. Engie reached an agreement with Asachi, which withdrew the claim four months later (PFR, 3/3).

The Calama project is expected to be brought online by mid-2021.

The offtaker for the project has not yet been disclosed but Engie has inked power purchase agreements with several companies in Chile as it has developed a pipeline of mostly solar projects in the country.

In early March, the developer signed a five-year PPA with Chilean fishing company **Corpesca** to supply its operations in the Arica y Parinacota and Tarapaca regions (PFR, 3/12).

Then, Engie inked an 11-year PPA with Chilean copper producer **Antofagasta Minerals**. Simultaneously, the developer agreed to buy a stake in a coal-fired power plant owned by the copper company (PFR, 4/1).

In each case, Engie did not disclose whether the generation would come from specific projects or the developer's whole portfolio.

DECARBONIZATION

Engie announced the Calama project in October of last year as part of its plan to build a 1 GW portfolio of wind and solar assets in Chile (PFR, 10/7/19).

The developer inked a letter of intent for the Calama loan with IDB on Dec. 9 of last year, during the **United Nations Climate Change Conference** (COP 25) in Madrid. At the time, the institutions said that the debt package would finance Engie's future investments in renewable energy projects, without naming specific assets, as it closed down its coal-fired assets in the country (PFR, 12/11/19).

The switch from coal to renewable energy was reinforced on June 4, 2019, when Engie reached an agreement with the Chilean government to shut down its coal-fired assets, in line with the administration's decarbonization strategy.

Engie retired units 12 and 13 of its 439 MW coal-fired plant in Tocopilla, Antofagasta, in June, and units 14 and 15 are expected to cease operations by January 2022. The Calama wind farm will replace the output of Tocopilla units 14 and 15.

On Dec. 9, Engie announced that it would shutter another two coal-fired plants—the 162 MW Mejillones CTM1 and 172 MW Mejillones CTM2 facilities, both in Antofagasta—by late 2024.

The other renewable energy assets Engie is developing in the country are:

- ◆ the 97 MW Capricornio solar park in Antofagasta,
- ◆ the 120 MW (DC) Tamaya solar project, also in Antofagasta,
- ◆ the 54 MW Los Loros solar park in the province of Copiapó, and
- ◆ The 1.3 MW Andacollo solar facility in Copiapó.

Engie Energía Chile acquired the Los Loros and Andacollo solar units from another affiliate of Engie, **Solairedirect**, in April 2019 (PFR, 4/2/19). Capricornio and Tamaya represent a total investment of roughly $150 million (PFR, 3/3). ■

LATIN AMERICA PROJECT FINANCE

Closing Delayed for OPDE's Chilean Duo

Spain's **OPDEnergy** was aiming to reach financial close on a pair of renewable assets in the country by February, but the closing has been pushed back due to the Covid-19 crisis.

Sumitomo Mitsui Banking Corp. won the mandate to structure the $130 million seven-year loan in November of last year, outbidding Norway's **DNB** and other financial institutions (PFR, 1/8, 2/26).

The sponsor had been pushing for a January close but even before the coronavirus began spreading around the world, bankers had thought late February or March would be more realistic. Now the deal has been pushed back to mid-May.

"Most projects that were about to close have been delayed because of liquidity costs," says a deal watcher in New York.

The deal will finance OPDE's 100 MW Sol de Los Andes solar park in the commune of Diego Almagro, Atacama, and the 50 MW Estrella wind farm in La Estrella, O'Higgins.

> **"Most projects that were about to close have been delayed because of liquidity costs"**

OHL, also a Spanish company, is the engineering, procurement, and construction contractor for La Estrella, with a €10 million ($10.88 million) contract. The same contractor will also be in charge of balance of plant, says a source familiar with the project. **Siemens Gamesa** is supplying the turbines.

Construction is expected to start by the end of the third quarter of this year (PFR, 10/17/19).

A subsidiary of OPDE will build the Sol de Los Andes facility, meanwhile.

OPDE is scheduled to bring the projects online by January 2021.

They both have 20-year, dollar-denominated power purchase agreements with Chile's **National Energy Commission**, awarded during the 2016 auction. However, the assets are only partially contracted and will sell the rest of their output merchant.

Spot prices have been on a downward trend in Chile of late. ■

Arroyo's Chile Refi Delayed

The financial close for a pair of renewable energy projects owned by **Arroyo Energy** in Chile has been delayed by a month due to the Covid-19 crisis.

The developer had mandated **Sumitomo Mitsui Banking Corp.** and **Crédit Agricole** to arrange the roughly $140 million seven-year mini-perm to refinance the two projects.

The deal was expected to close in early April after syndication (PFR, 1/30) but this has been pushed back until mid-May, says a source close to the deal. Lenders are working on due diligence this month.

Astris Finance is Arroyo's financial adviser on the deal.

The projects being refinanced are the 115 MW El Arrayán wind park in Coquimbo and the 104 MW Conejo solar park in the Atacama desert.

Arroyo acquired the assets from **Pattern Energy** in September 2018, when Pattern decided to close its Chile operations (PFR, 5/24/18).

Pattern's stake in El Arrayán was 70.5% but Arroyo acquired the remaining 29.5% interest from co-investor **Antofagasta Minerals** at the same time. Pattern received a cash consideration of $70.5 million for its 81 MW, and Antofagasta got $29 million.

The projects sell 70% of their output to mining company **Minera Los Pelambres**, which is owned by Antofagasta Minerals, under 22-year power purchase agreements.

Pattern originally financed El Arrayán in 2012 with a $220 million 15-year loan arranged by **MUFG**, Crédit Agricole, and SMBC (PFR, 4/30/12), while Crédit Agricole, SMBC and **Société Générale** arranged the $184 million 18-year term loan financing for Conejo in 2015 (PFR, 8/13/15). ■

Voltalia Buys Nordex Turbines for Brazil Wind Project

French power generator Voltalia has signed a contract with Germany's Nordex to supply the turbines for a wind farm under development in Brazil.

The contract includes 17 model AW132/3465 turbines with a total capacity of 59 MW. They will be locally assembled in Brazil. The deal includes operations and maintenance services for 15 years.

The turbines will be installed in the Serra do Mel 4 project, which is part of the larger Serra Branca complex.

The operational phases of Serra Branca total 413 MW and there is an additional 883 MW under development and space for 700 MW more. Voltalia has bilateral contracts for 329 MW that are not yet under construction.

"With 2.4 GW in total, this is the world's largest wind-and-solar site," said Voltalia in a statement. The company has already built transmission infrastructure with enough capacity for the whole complex.

Serra do Mel 4 has two PPAs in place. A 20-year contract for the sale of 7 MW to distribution companies was awarded in auctions held by the government in June 2019, and a 10-year PPA for 63 MW has been signed with a large corporate client.

Serra do Mel 4 is expected to start generating power in the first half of 2022 but the PPAs do not kick in until December of that year. Voltalia has secured short-term contracts for the intervening period, which it says will allow it to "sell the electricity on the free market at attractive prices." ■

LATIN AMERICA PROJECT FINANCE

Guatemala Awards Short-Term PPAs

Guatemala's power distributor **Energuate** has awarded five-year power purchase agreements to four companies as a result of a tender process that began earlier this year.

The winners will supply a total of 46.83 MW from renewable, biomass, and oil-fired power plants, with the PPAs running between May 1 of this year and April 25 2025.

Four of the ten participants that presented bids won the PPAs on April 23. They were:

- **Alternativa de Energía Renovable** (AER),
- **Generadora Eléctrica Del Norte** (Genor),
- **Ingenio Tululá**, and
- **Renovables de Guatemala**.

Energuate aimed to award 15.8 MW more in offtake contracts, so the distributor has asked Guatemala's power regulator **CNEE** to allow the structuring of a new tender for the remaining capacity.

The procurement process had been launched in February, and bids were due on April 14.

The awarded PPAs must be inked before the end of July.

Energuate supplies 20 of the country's 22 departments through its two companies **Deocsa** and **Deorsa**. Deocsa covers the departments of Quetzaltenango, Retalhuleu, San Marcos and Quiché, while Deorsa supplies power to the departments of El Progreso, Jalapa and Izabal. ■

Brazil Urged to Fast-track Auctions

Brazilian state agency **Investment Partnerships Program** (PPI) has recommended that the federal government give priority status to power and transmission line procurements that it recently postponed.

PPI has recommended that the forthcoming A-4 and A-6 new generation auctions and two auctions for transmission lines be categorized as "qualified", making them a national priority, which means the government has to make all necessary efforts to follow the established timeline.

At the end of March, the **Ministry of Mines and Energy** postponed all power auctions scheduled for this year due to the Covid-19 pandemic, without indicating a new date to hold the procurements.

But PPI cited the "necessity of expanding public infrastructure quality" and the need to "extend the opportunities for the national economic development stimulus" in its recommendation.

The A-4 auction provides contracts for hydro, wind, solar and biomass projects to start generation four years after the bidding, while the A-6 auction additionally includes thermal power.

The transmission line procurements are for 300 km of high-tension lines in Rio Grande do Sul, Mato Grosso do Sul, Sao Paulo, Ceara and Amazonas, estimated at R$2 billion ($357.4 million), and 2,500 km of transmission lines pegged at R$8 billion ($1.5 billion). ■

PEOPLE & FIRMS

New Infra Head at ICBC

Industrial and Commercial Bank of China has hired a new head of infrastructure in New York.

Michael Peist, former managing director, projects and structured finance at **China Merchants Bank**, started at ICBC on Mar. 30. He reports to head of structured finance **Michael Fabisiak**.

Peist has previously held roles at **Investec** (PFR, 7/23/14), **Natixis** (where he was head of metals and mining), **Mizuho**, **WestLB** and **ING**.

His industry experience spans the gamut of oil and gas, power and renewables, mining and metals, and infrastructure. ■

Engie Adds to Energy Management Team

Engie North America has added a renewables originator to its team in Houston.

Jared Johnson is the new hire. He started work in April.

Johnson had previously been a vice president in **Swiss Re**'s weather and energy origination team. He worked there for four years.

Prior to that, he was at **Southern Co.**, where he focused on setting up the wind investment program for **Southern Power**.

Johnson has held previous commodity risk and power trading positions at **Amerex Energy Services** and **ACES**. ■

Compton Makes Partner at Linklaters

Andrew Compton, a New York-based energy and infrastructure attorney at **Linklaters**, has been elected to the partnership in the firm's latest round of promotions round of promotions.

Andrew Compton

Compton has been with the British firm for five years with the title of counsel. His promotion to partner was effective May 1.

Linklaters has been active in European and Asian offshore wind transactions and has sought to translate this to the U.S., where the sector is just emerging.

For instance, the firm was retained by **Ørsted** to advise on its sale of a 50% stake in a portfolio of U.S. offshore wind projects to New England utility **Eversource Energy** last year (PFR, 2/8/19).

Compton has also advised on the financing of U.S. distributed solar assets.

Earlier in his career, he worked as an associate at **Latham & Watkins** and as a senior associate at **Milbank**. ■

PEOPLE & FIRMS

New Role for Ex-sPower Exec

Makarand "Mak" Nagle, former senior director of origination and commercial strategy at sPower, has started in a new position at another renewable energy developer.

Ashville, N.C.-based solar developer **Pine Gate Renewables** hired Nagle last month as vice president of development strategy.

"Mak joins our team at an integral time in our company's evolution," said **Ben Catt**, CEO of Pine Gate, in a statement.

At sPower, Nagle had been responsible for origination across wind and solar projects. He was there for three years.

He previously held senior roles at **Apex Clean Energy**, where he negotiated over 1 GW of power purchase agreements, and **Southwest Power Pool**, where he led the development of the congestion hedging market. ■

C-Suite Change at Waste-to-Energy IPP

Independent power producer **Brightmark Energy**, which focuses on waste-to-energy projects, has brought in a new chief operating officer.

The new COO, **John Keller**, replaces **Andrew Nekus**, who has left the company after three years. The COO also holds the title of vice president, asset management

Keller has previously held positions at mobile battery storage developer **Power Edison**, independent power producers **North American Energy Alliance** (later rebranded **Essential Power**) and **United American Energy Corp.**, as well as **Enron Corp.** He is also the founder and former CEO of consulting firm **InventivEnergy**.

Brightmark develops, owns and operates waste and energy projects, including plastics-to-fuel and renewable natural gas plants.

A year ago, the San Francisco-based company announced a $260 million financing package for the construction of a plastics-to-fuel plant in Ashley, Indiana. The funds for Brightmark Energy Ashley Indiana included $185 million in Indiana green bonds, which were underwritten by **Goldman Sachs**. ■

Manulife Veterans Retire

Two senior executives have retired from **Manulife Financial**'s Canadian power and infrastructure project finance team in recent months.

The most recent retiree is **Richard Lee**, who stepped down in March. His exit follows that of **David Jesty**, who withdrew at the end of December.

Michael Gadacz has taken on Jesty's business development activities in **Manulife Investment Management**'s renewable energy finance programm in an expanded role, while **Kate Roscoe** is assuming Lee's responsibilities in the Canadian infrastructure equity team, says a spokesperson for Manulife in Boston.

Lee was senior managing director for infrastructure investments, responsible for both debt and equity financings across Canada. He had joined the company in 2005.

He has formed his own M&A and capital structuring advisory and consulting practice called **Plumtree Advisory**.

Jesty, meanwhile, had been managing director, project finance. He led the origination, syndication and closing of debt investments in the U.S. and Canada, with an emphasis on renewables. At one point, he managed a portfolio in excess of $500 million.

"Building a project finance business at Manulife with a focus on the renewable energy industry was a very rewarding experience," he wrote on LinkedIn. He had joined Manulife in 2002. ■

P.E. Firm Makes Double Hire

Minneapolis-based private equity firm **North Sky Capital** has added two new staff members this month.

Patrick Kay joins as a principal in the Boston office and **Ryan Fraser** as vice president in Minneapolis.

Kay was previously senior director at **BlueWave Solar**, where he spent a year leading development activities on more than 30 solar-plus-storage projects in Massachusetts. He has held past positions at **SunEdison** and **Tenaska**.

Fraser meanwhile had previously been a principal at Los Angeles-based **Archer Venture Capital**.

North Sky last year purchased a stake in **Invenergy**'s 100.5 MW Grand Ridge wind expansion in LaSalle County, Ill., from **Credit Suisse** (PFR, 9/25/19). ■

Swiss Re Adds to Origination Team

Swiss Re Corporate Solutions has hired a former power trader into its weather and energy originations team.

Stacy Havlicek will join the company in mid-May. She will join the New York-based team—once social distancing ends—and report to the head of Americas energy and weather, **Brian Beebe**, in Houston.

Havlicek had previously served as chief commercial officer at retail energy provider **Powervine Energy**. Before that, she was vice president, commodity supply, at **North American Power and Gas**. She has also worked at **NYSE Blue**, **Hess Corp.**, **Morgan Stanley**, **Mirant** and **Amerex Energy Services**.

Swiss Re's client roster includes independent power producers, banks and other swap dealer trading participants, regulated utilities and retail energy companies.

"Recently, many client conversations have focused around the sharp drop in prices for natural gas and wholesale power, and associated reduction in electric load before the peak summer season," Beebe tells *PFR*. "Many of our renewable power clients seeking term loans or project finance backing have also been negatively impacted by the short term squeeze in capital markets." ■

PFR EXECUTIVE ROUNDTABLES & REPORTS

The PFR Editorial Team hosts monthly deep-dive discussions on hot-button issues & challenges in energy infrastructure development and project finance. Roundtable discussions take place at PFR's offices in midtown Manhattan; they are recorded, transcribed, and published as a special supplement in PFR WEEKLY (print and digital editions). Roundtable reports are 8-12 pages in length, co-branded with the roundtable sponsors, and aggressively promoted to the PFR audience.

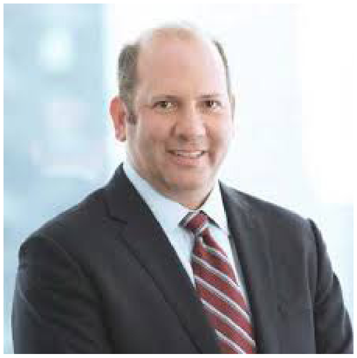
POWER FINANCE & RISK - 2020 EDITORIAL CALENDAR

Planned PFR Executive Roundtable and Report Series

PUBLICATION	ROUNDTABLE DATE	TOPIC
June	Tuesday 09 JUN	North America Thermal Power Finance
July	Tuesday 14 JUL	Mid-Year Review of 2020 Power Finance Deals/ Trends in North America
August	Tuesday 04 AUG	Private Placements in Power Finance
September	Tuesday 15 SEP	Power Project Finance – Latin America
October	Tuesday 13 OCT	Offshore Wind Finance
November	Tuesday 10 NOV	Offtake and Hedge Roundtable
December	Tuesday 08 DEC	Solar Securitization Finance

PEOPLE & FIRMS

Infra Credit Team Splits with CapDyn



Paul Colatrella

Capital Dynamics is parting ways with its New York-based infrastructure credit team by mutual consent after establishing the platform two years ago.

The group, led by managing director **Paul Colatrella**, was nearing first close on its debut debt fund at CapDyn before the decision to leave was made at the end of March, sources tell *PFR*.

CapDyn hired Colatrella from **Ares Management**'s private credit team in April 2018 (PFR, 4/30/18).

The team he built at CapDyn included director **Katherine McElroy** and associate **William Kim** (PFR, 6/4/18).

The group's strategy revolves around renewables, energy storage, natural gas and infrastructure related to the transition from coal to natural gas.

The credit fund was targeting deals between $50 million and $100 million—or larger on a club basis—and eyeing yields of 8% to 10%, in the niche between bank debt and pricier mezzanine financing.

The group closed one deal before its departure, according to a person close to the strategy.

Members of the team and spokespeople for CapDyn in New York either declined to comment or did not respond to inquiries by press time.

Leeward CEO Departs

Greg Wolf, former CEO of **Leeward Renewable Energy**, left the company earlier this year.

The executive departed "some time ago by mutual agreement with the board," says a person familiar with the situation.

Spokespeople for Leeward declined to comment. Wolf could not be reached by press time.

Jason Allen, Leeward's chief operating officer, took over as interim CEO in February.

Wolf worked at **Duke Energy** for a decade before joining Leeward as CEO in 2016, at which time the wind-focused developer was a portfolio company of **Arclight Capital Partners**. **OMERS** acquired Leeward from ArcLight in 2018 (PFR, 3/22/18).

Following the acquisition, Leeward embarked on a growth strategy dubbed Leeward 2.0, which also involved diversifying into utility-scale solar through acquisitions.

"We're looking to either acquire or partner with other developers who may have pre-PPA and/or mid-stage projects," Wolf told *PFR* in a March 2019 interview. "We're also looking at selectively acquiring one to two operating solar projects within the next year" (PFR, 3/25/19).

Besides Leeward and Duke, Wolf has also previously held positions with **Cinergy Corp.** and **GE Capital**.

Battery Storage IPP Grows Team

Utility-scale storage independent power producer **Broad Reach Power** has made two hires in recent months.

Commodity markets specialist **Paul Choi** is the more recent of the two recruits—he started in April as executive vice president. **Nitin Gupta** joined as vice president, finance and M&A, in March.

Steve Vavrik, Broad Reach's CEO and managing partner, confirmed both of the hires and said that they report to **Josh Prueher**, the company's managing director and CFO.

Before joining Broad Reach, Choi had been a V.P. in **Swiss Re**'s weather and energy team since 2013. He has also worked in commodity risk management at **Merrill Lynch**, **Deutsche Bank, Credit Suisse, Constellation Energy** and **Enron Corp.**

Gupta, meanwhile, had spent the past eight years with **GE Energy Financial Services**.

Houston-based Broad Reach is a portfolio company of private equity firms **EnCap Investments** and **Yorktown Partners** (PFR, 9/23/19). The company acquired a portfolio of solar projects in the Pacific Northwest last year.

KKR Makes Double Hire

KKR & Co. has recently recruited two senior executives with energy and infrastructure backgrounds.

The new hires are long-time **Citi** banker **Lawrence Cyrlin** and former **McKinsey & Co.** partner **Florian Christ**.

Both joined the firm in March as managing directors, though in different parts of the company.

Cyrlin has joined the structured capital markets team in New York. He was with his previous employer, Citi, for 20-years, most recently as M.D. and head of infrastructure and natural resources finance for the Americas.

CAPSTONE

Christ meanwhile joins **KKR Capstone**—an internal operations optimization team—as global lead for energy and infrastructure operations. He is the firm's first operating partner dedicated solely to energy and infrastructure.

KKR Capstone is a global team of over 70 operating professionals that supports KKR deal teams and portfolio companies by identifying and executing strategic investments, managing capital allocation, improving organizational efficiency, introducing go-to-market strategies and executing management changes, among other things.

Christ remains in Houston, where he spent 13 years with McKinsey—most recently as a partner supporting energy and infrastructure clients on enterprise transformations.

