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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Q&A: Hannon Armstrong's Jeff Eckel On Its REIT Trailblazer

Jeff Eckel

Hannon Armstrong listed the industry's first mortgage real estate investment trust with sustainable and renewable energy characteristics on the **New York Stock Exchange**, going public with **Hannon Armstrong Sustainable Infrastructure Capital** (HASI) the week that the Boston Marathon bombings cast a dark shadow across the country.

Jeff Eckel, president and ceo of Hannon Armstrong, spoke with Senior Reporter **Holly Fletcher** about why investors were attracted to the REIT and how much capital the company will be investing.

What prompted the initial public offering of Hannon Armstrong Sustainable Infrastructure Capital?

Two things drove us as a management team to the conclusion that we should explore a public offering. First off, is our continued belief that sustainability is a generationally defining issue. Hannon Armstrong has a small, but important role in making sure we mitigate the impacts of carbon on climate change. The second thing is really so much of what we do: financings which are substitutions for appropriations of governments, whether it's federal, state or local governments. The state of public finances is such that critical infrastructure is just not getting done—this is stuff

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REFF Latin America and Caribbean

Corporate M&A Tipped To Boom In LatAm

The smaller size and relative inexperience of development companies in Latin America will pave the way for larger more experienced multinationals to buy up local companies, said panelists at **Euromoney Seminars**' Renewable Energy Finance Forum Latin America and Caribbean in Miami on May 1.

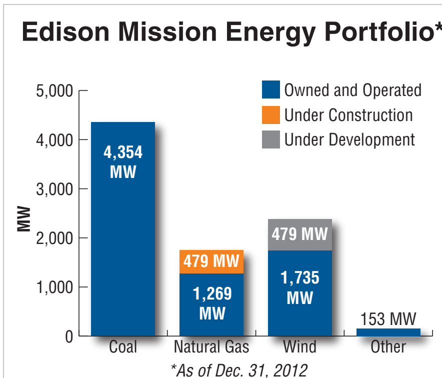
"We are seeing a lot of interest from big balance sheets to come in and play in this market," said **Ivan Oliveros**, v.p. of Latin America project finance at **Sumitomo Mitsui Banking Corporation**. "Larger developers can come in via the M&A market and that will open up more bank money, as they are trusted project builders."

Small Latin American shops find it harder to get significant bank debt. Panelists referred to companies such as **Ibedrola**

(continued on page 8)

EME Weighs Generation Sale

Edison Mission Energy has taken pitches from investment banks to sell its 7.5 GW generation portfolio. The move would be part of its Chapter 11 bankruptcy reorganization, bankers say. The auction would be a notable one as portfolios of this magnitude generally trade in bilateral corporate mergers.



Source: Edison Mission Energy

Executives were in New York last week to hear proposals for

(continued on page 12)

REFF Latin America & Caribbean

Check out the prospects for power markets in Latin America, according to bankers, developers and attorneys.

See feature, page 8

New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

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Generation Sale DATABASE

Get the rundown on the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database.

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THE BUZZ

LatAm Fever Hits Miami

Banker and developer focus on Latin America in some ways is the product of a serendipitous set of circumstances. Uncertainty surrounding regulations and subsidies, power prices and natural gas impacts in the U.S., as well as financial turmoil in Europe, is causing companies and lenders to hunt growth elsewhere. Meanwhile, investors, hungry for yield in a low interest-rate environment are open to taking on more risk inherent in those regions in order to garner a higher return. With an aging generation fleet, increasing power demand driven by a rapidly expanding middle class and increasing economic and political stability, Latin America fits the bill, as was evidenced by the record attendance at **Euromoney Seminars**' 3rd Annual Renewable Energy Finance Forum in Miami this week.

Attendee **Michael Eckhart**, managing director and global head of environmental finance and sustainability at **Citigroup**, likened the event to its sister conference REFF Wall Street, circa 2004, when industry officials were abuzz with the opportunities that renewables had to offer (see story, page 10). Senior reporter **Nicholas Stone** writes that French banks such as **Credit Agricole** and **BNP Paribas**, as well as Asian banks such as **Sumitomo Mitsui Banking Corp.** are looking to expand lending in a meaningful way in Latin America. But familiarities go beyond the names: financiers and sponsors, much like their U.S. counterparts, are also trying to crack the debt capital markets in hybrid bank and bond deals (see story, page 10).

The M&A market is chugging forward after several quarters of sluggish activity. The East coast is buzzing with assets: **Capital Power**'s New England trio, New York's **Astoria Power Generating Co.**, and now **LS Power**'s combined cycle-peaker duo in Virginia. One signal that the activity is likely to continue is that each seller has a different set of reasons for pitching the assets and none are in distress.

LS has tapped three banks to sell Doswell, an 850 MW gas-fired asset it acquired from **NextEra Energy Resources** in 2011 (see story, page 6). It's been just a matter of time before the facility was put up for sale because the private equity shop refinanced the facility early in the fourth quarter, along with the Riverside plant in Kentucky, to remove it from a B loan collateral package in preparation to sell.

Jamie Welch, co-head of the global energy group and head of the investment banking department in Europe, the Middle East and Africa at **Credit Suisse**, is leaving to become cfo and head of corporate development at **Energy Transfer** (see story, page 7). He's been heavily involved in European investment banking in recent years, observers say, but remains a heavyweight name in U.S. power circles, such as his involvement in the **Exelon**-**Constellation Energy** merger.

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comments
▶ ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Funds make out the bulk of entities in the second round (see story, page 6).
	Juniper Generation (Cogen portfolio)	Various, California	TBA	An advisor is retained to sell ArcLight's stakes in nine plants (PI, 4/8).
BP Wind Energy	Various (Wind portfolio)	Various	None	Prospective investors are in preliminary due diligences (PI, 4/29).
Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Teasers went out recently (PI, 4/29).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
EmberClear	Good Spring (300 MW Gas)	Good Spring, Pa.	CCA Capital	Likely to sell a nearby development in addition to Good Spring (PI, 4/8).
Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	Teasers are out (PI, 12/10).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldma Sachs	Plans to sell the assets by year end (PI, 3/4).
GDF SUEZ Energy North America	Stakes (1,341 MW Hydro)	Northeast	TBA	Project level stake may be up for grabs as part of a parent-led divestiture program (PI, 1/28).
JPMorgan Capital Corp.	Tax Equity Stakes (524 MW Wind Portfolio)	Texas	JPMorgan	A Macquarie affiliate is creating a partnership to get the cash flow from the projects (PI, 4/22).
	Tax Equity Stakes (800 MW Wind Portfolio)	Various		
▶ LS Power	Doswell (708 MW CCGT) (171 MW Peaker)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Teasers went out in mid-April (see story, page 5).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	First round bids due between 2/18-2/15 (PI, 2/11).
	Forked River (86 MW Gas)	Ocean River, N.J		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	TBA	Mulling a sale of its Wyman and Cape stations to reduce merchant gen (PI, 4/1).
	Forney (1,792 MW Gas)	Forney, Texas	TBA	NextEra is looking for about $1B in debt and commodity hedges and may look to sell (PI, 3/18).
	Lamar (1,000 MW Gas)	Paris, Texas		
Pattern Energy	Various (1 GW Wind)	North America	Morgan Stanley	First round bids have come in for up to 49% of the wind portfolio (PI, 2/25).
Philip Morris Capital Corp.	Lessor Stake (192 MW Sidney Murray Hydro)	Vidalia, La.	Energy Advisory Partners	Teasers went out this month with an end Q2 timeline (PI, 4/29).
Project Resources Corp.	Ridgewood (25 MW Wind)	Minnesota	Alyra Renewable Energy Finance	PRC is looking to sell up to 50% of its lessee position in the farm (PI, 2/18).
Ram Power	Geysers (26 MW Geothermal)	Healdsburg, Calif.	Marathon Capital	In talks with several buyers amid a reorganization (PI, 2/4)
Rockland Capital	Harquahala (1 GW Gas)	Maricopa County, Ariz.	Goldman Sachs	FERC has rejected Wayzata's bid to buy it (PI, 3/18).
Sempra U.S. Gas & Power	Mesquite Power (1,250 MW Gas)	Arlington, Ariz.	TBA	Salt River Project financed its 50% stake with cash (PI, 3/11).
	Mexicali (625 MW Gas)	Mexicali, Baja California, Mexico		The Sempra Energy unit is talking with prospective advisors (PI, 10/22).
	Copper Mountain 1 (58 MW Solar)	Boulder City, Nev.		Infrastructure funds make up the bulk of first round bids for the solar assets (PI, 1/14).
	Copper Mountain 2 (150 MW Solar)	Boulder City, Nev.		
	Mesquite 1 (150 MW Solar)	Arlington, Ariz.		
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	The company is in talks with a handful of parties (PI, 4/22).

▶ **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 Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
BluEarth Renewables	Bow Lake (60MW Wind)	Algoma, Ontario.	TBA	TBA	$80M	TBA	Sponsor will be bringing a few deals to market this year (PI, 1/21).
▶ BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	The company is in the market looking for equity, before finalizing the debt financing (see story, page 5).
	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	The deal will likely be dominated by Japanese banks.
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	Developer taps BTMU to lead the financing (PI, 2/18).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	$3B	TBA	The sponsor has tpped the bond market again to free up bank capacity for the deal (PI, 4/22).
Coronado Power	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be $800 million (PI, 3/11).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	CCA Capital	TBA	$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
▶ Fiera Axium, Starwood Energy	Unknown (34 MW Solar)	Ontario	BTMU, NordLB, Natixis	TBA	$140M	TBA	Sponsors working with a trio of banks on the deal (see story, page 5).
Genesis Power	Keys Energy Center (750 MW Gas)	Brandywine, Md.	TBA	TBA	TBA	TBA	EIF is taking an equity stake in the project (PI, 3/4).
Geronimo Wind Energy	Black Oak and Getty (42MW & 40MW Wind)	Stearns County, Minn.	TBA	TBA	~$150M	TBA	The sponsor is waiting to secure an offtake agreement (PI, 12/17).
Innergex	Four Projects (170.5 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Sponsor is looking to tap lifecos to match the tenor of the debt to the length of the PPAs (PI, 3/25).
Invenergy	Stony Creek (95 MW Wind)	Orangeville, N.Y.	TBA	TBA	TBA	TBA	Sponsor fires up financing search after PTC extension (PI, 4/15).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	$1B+	TBA	The sponsor has tapped Banco Santander and Prudential to do a bank/bond financing (PI, 4/22).
MidAmerican Solar	Antelope Valley (579 MW Solar PV)	Kern & L.A. Counties, Calif.	Goldman Sachs	TBA	TBA	TBA	The company is looking to mimic the Topaz financing it completed last year (PI, 4/29).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	$800M	TBA	A third party investor has come on board and intercreditor agreement has been penned (PI, 4/8).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor heads straight back into the market looking to fund the next two phases (PI, 3/18).
▶ Pan-American Hydro	Chiacte (31 MW Hydro)	Guatemala	TBA				Sponsor is looking for $223 million in debt and equity (see story,
	Amalia (8 MW Hydro)	Guatemala	TBA				page 9).
	Mopa (5 MW Hydro)	Guatemala	TBA				
	Platanos (14 MW Hydro)	Guatemala	TBA				
	Verde Cluster (37 MW Hydro)	Mexico	TBA				
Panda Power Funds	Temple II (750 MW Gas)	Temple, Texas	TBA	TBA	$700M	TBA	Panda's oversubscribed deal is expected to tighten to LIBOR plus 600 basis points (PI, 4/8).
Pattern Energy	Grand (150 MW Wind)	Haldimand County, Ontario	TBA	TBA	TBA	TBA	The sponsor closed a deal with 16 banks contributing to sister project South Kent (PI, 3/18).
	Panhandle (322 MW Wind)	Carson County, Texas	BayernLB, Crédit Agricole, NordLB	Bridge to Tax Equity	$500M	2-year	The sponsor has mandated three leads for the bridge loan, as pricing emerges (PI, 3/25).
Rockland Capital, Broadway Electric Co.	Mass Solar (60 MW Solar PV)	Massachusetts	TBA	TBA	$200M	TBA	Sponsors talking to four lenders about financing (PI, 5/14).

▶ **New or updated listing**

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PROJECT FINANCE

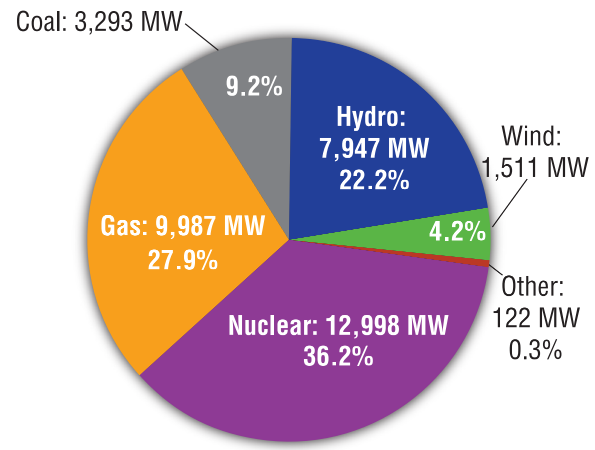
Starwood, Infra Fund Hunt Solar Deal

Starwood Energy and **Fiera Axium Infrastructure** are rounding up roughly $140 million in debt on a 35 MW solar project that they are developing in Ontario. **Bank of Tokyo-Mitsubishi**, **NordLB** and **Natixis** are reportedly working on the deal.

Infrastructure fund Fiera Axium is developing the Brockville and Beckwith solar projects that have 20 MW of combined capacity in Ontario. Details on the project in the deal and pricing, tenor and deal structure could not be learned by press time. Bank and company officials declined to comment or did not return calls.

Fiera, which has offices in Montreal and Toronto, took a 30% stake in **GDF Suez North America**'s renewable portfolio totaling 730 MW in Canada along with **Mitsui & Co**. (*PI, 12/19/2012*). Fiera and Mitsui worked with BTMU and a number of other lenders to secure $1.1 billion of financing for a portfolio of projects involved in that acquisition. Greenwich, Conn.-based Starwood worked with NordLB and **KfW IPEX-Bank** to finance its 69 MW Sault Ste. Marie solar projects in Ontario in March 2012.

Ontario Generation Mix



Source: PI via Independent Electric System Operator

MERGERS & ACQUISITIONS

BrightSource Talks To Equity Partners

BrightSource Energy is looking for equity investment at the corporate level. The Oakland, Calif.-based company is looking to secure the investment by mid-year, say observers, before it seals debt financings for two of its concentrated solar thermal projects in California.

Proceeds will go toward the global expansion of the business and its U.S. project pipeline, including injecting equity into the California projects, a spokesman says, adding that the amount of equity BrightSource invests in each project will depend on its project financing partners. The sponsor has offices in the U.K., South Africa, Israel and China. The spokesman declined to comment on the amount of equity sought or identify potential investors.

BrightSource is looking to round up around $3.2 billion in debt and equity backing two solar thermal projects, the 500 MW Hidden Hills and 500 MW Palen projects in Hidden Hills and Riverside County, respectively (*PI, 3/9/12* & *3/22*).

"They don't have the **Department of Energy** loan guarantee this time, so getting that equity slice is important for finding the right combination for the financing to work and making lenders comfortable," says a banker of financing CST projects. Increasing the equity portion in a project removes some of the refinancing risk by lessening the amount of overall debt needed, adds a deal watcher. Projects with CST technology require larger equity tranches, due to lenders' perceived risk in the technology, he adds.

Larger commercial corporations, such as **Chevron** and **Google**, have invested in the company before (*PI, 4/13/2011* & *3/9/2012*). **Goldman Sachs**, **California State Teachers Retirement System** and **Alstom** also contributed to an equity raise of $80 million last year (*PI, 10/29*). Paris-based Alstom has a larger than 20% stake in the company. **Abengoa** is a joint venture partner for Hidden Hills.

LS Looks To Sell Doswell

LS Power is out to sell the 850 MW Doswell gas-fired facility in Ashland, Va. Teasers for the asset, which is comprised of a 679 MW combined cycle facility and a 171 MW merchant peaker, went out about two weeks ago, says a deal watcher. **Citigroup**, **Credit Suisse** and **Morgan Stanley** are co-advisors.

The combined cycle facility is contracted to **Virginia Electric Power Co**. until May 2017 and has a two -year hedge that was arranged late in 2012 as part of a refinancing (*PI, 1/24*). LS inked individual club deals for the Doswell and Riverside plants to remove them from a term loan B to be able to sell them (*PI, 12/7*).

There is a development project under way that will expand the facility by about 150 MW to 1 GW. Doswell has about $381 million in debt.

Credit Suisse's **Ahmad Masud**, managing director and co-head of U.S. power and utilities, and **Pierre Bosse**, director, are the primary contacts according to the teaser. **Ray Spitzely** and **David Whitcher**, managing directors, are on the deal for Morgan Stanley along with Citi's **Jack Paris**, managing director, and **Michael Karafiol**, director.

ArcLight Fleet Lures Fund Players

ArcLight Capital Partners' auction of **Southeast PowerGen** has moved into the second round. **Highstar Capital**, **LS Power** and **Quantum Utility Generation** are reportedly among the shops still in the running.

The auction of 2.8 GW of gas-fired generation in Georgia has attracted a variety of players, primarily investment shops, looking to put capital to work, say observers. Initial bids came in the first week of April and shops were told soon after whether they made it to the next stage (*PI, 3/20*).

Highstar has capital to invest and is expected to hold the assets for several years to diversify its existing power portfolio, which is comprised of 1.66 GW in the west under **Starwest Generation**. QUG, too, would likely look to hold on to the assets under its investment strategy.

With LS as a buyer, the market would likely see the portfolio broken up and sold as pieces, say other observers, pointing out that LS needs to wrap up investing from its $3 billion LS Power Equity Partners II that closed in 2007. The identity of other buyers in the second round could not be learned.

ArcLight owns 50.1%, with **GE Energy Financial Services** and **Government of Singapore Investment Corp.**, each holding 24.95%. The company is being marketed as a full 100% sale and both GE EFS and GIC have waived their first rights of refusal (*PI, 3/20*). GIC could stay on with a new owner if a buyer makes a strong push for just a majority stake although GE EFS is likely to exit.

The first round garnered robust interest as it's a mostly contracted portfolio and because **Georgia Power** is planning to retire 2 GW of coal-fired generation in the coming years. The competition quickly thinned out investors that didn't want to write big equity checks or weren't particularly bullish on the region, says one investor that fell out of the process.

The auction is being run by **Citigroup** and **Barclays** and launched late on March 1 (*PI, 3/1*).

Bank spokesmen declined to comment while officials for the prospective buyers didn't reply to inquiries. An ArcLight spokeswoman was not immediately available.

STRATEGIES

NextEra B Loan Pitched At L+400

NextEra Energy Resources' $1 billion term loan B is being pitched to investors at LIBOR plus 400 basis points. The B loan for new subsidiary **LaFrontera Generation** was launched last Thursday and will be used to fund an $865 million dividend to NextEra Energy Resources. **Bank of America** is the lead arranger (*PI, 4/25*).

The seven-year B loan has a 125 bps LIBOR floor and a 99 original issue discount. **Moody's Investors Service** assigned it a preliminary B1 rating; **Standard & Poor's** a BB-.

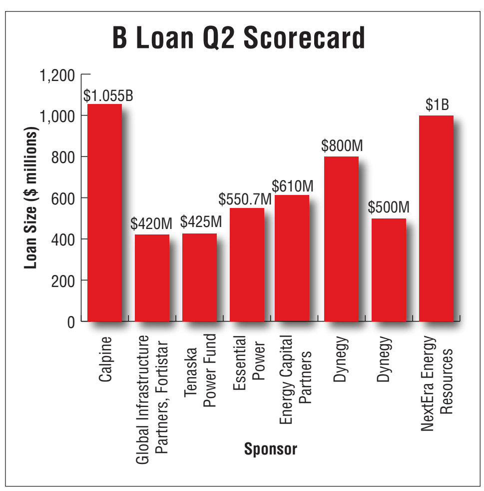
The loan launched about 50 bps points tighter than **Tenaska Power Fund**'s similarly rated **TPF Generation Holdings** B loan, which carries a B2 and B+ from Moody's and S&P, respectively. Tenaska has tightened the guidance by 25 bps, according to observers, on high investor demand. The commitment deadline had been slated for May 3.

LaFrontera is a new holding company that owns the 1,792 MW Forney and 1,000 MW Lamar facilities in Texas. Before launching the B loan, NextEra arranged hedges with **Merrill Lynch Commodities** through December 2015 for about 1,800 MW or 70% of the capacity to mitigate the merchant exposure of the facilities.

Forney is in Forney, Texas, and Lamar is in Paris, Texas, and don't have existing debt (*PI, 3/12*). The loan covenants allow for an asset sale or stake sale in the future.

Besides the dividend, cash will go toward a six-month debt service reserve of $36 million, a $15 million liquidity reserve, and a $66 million 12-month major maintenance reserve.

A Bank of America spokeswoman declined to comment. A NextEra spokesman did not immediately comment on how the company will use the proceeds.



Source: Power Intelligence

Pricing Emerges On Channelview

Global Infrastructure Partner's term loan B for its Channelview cogeneration plant in Texas has been floated at a range of LIBOR plus 375-400 basis points.

The seven-year $375 million loan has a LIBOR floor of 125 bps and a 99 original issue discount. There is a five-year $45 million revolver. **Goldman Sachs**, **Deutsche Bank** and **Mitsubishi UFJ Financial Group** are the lead arrangers. The package is rated Ba3 by **Moody's Investors Service**. Commitments were due around May 3.

The proceeds will take out about $100 million in existing debt and the rest is earmarked for a dividend (*PI, 4/18*). GIP owns 90% of the facility and **Fortistar** owns the remainder.

Channelview is an 856 MW combined cycle facility near Houston that sells steam to **Equistar Chemicals** and has hedges in place for 56% of the power until 2017.

Spokesmen for the banks could not immediately comment.

ECP To Roll Out B Loan

Energy Capital Partners is preparing to float a $610 million term loan B to finance its acquisition of 3.4 GW of coal-, oil- and gas-fired portfolio from **Dominion** and repay existing debt.

Credit Suisse was tapped to arrange the B loan when ECP emerged as the buyer of the Dominion assets in Illinois and Massachusetts in March (*PI, 3/11*). As anticipated, ECP reached out to other relationship lenders and brought in **Goldman Sachs** and **Barclays** as lead arrangers. The bank meeting was held Wednesday in New York.

The B loan was originally penciled to be $325 million but was revamped to take out an existing $200 million second lien term loan in order to take advantage of tight pricing in the institutional market. The seven-year, second lien term loan was inked in the summer and carries pricing at LIBOR plus 850 basis points (*PI, 6/19*). A first lien B loan was included in the package and was repriced in the fall (*PI, 10/25*).

ECP is buying the 1,536 MW Brayton, three coal-fired units and one oil or gas-fired unit in Somerset, Mass.; Kincaid, a 1,158 MW facility with two coal-fired units in Kincaid, Ill.; and a 50% stake in Elwood, a 1,424 MW gas-fired peaker near Chicago. **EquiPower Resource Holdings**, a portfolio company of ECP, will own the assets. The loan will be backed by Kincaid and Elwood.

The acquisition will bring EquiPower's fleet to about 5.7 GW.

PEOPLE & FIRMS

CS' Welch Set To Join Energy Transfer


Jamie Welch

Jamie Welch, co-head of the global energy group and head of the investment banking department in Europe, the Middle East and Africa at **Credit Suisse**, is leaving to become cfo and head of corporate development at energy master limited partnership player **Energy Transfer Partners**.

Osmar Abib is co-head of the CS global energy group alongside Welch and works out of Houston. An energy replacement has not yet been named, according to an observer. Welch had been global head of power and renewables for eight years.

Welch has been based out of London and has spent the last 18 months focused on growing the investment bank division in Europe. Co-heads have been named to run that group, according to a CS memo this morning.

John Cogan and **Ahmad Masud** were appointed co-heads of power and utilities in the Americas last summer (*PI, 6/1*).

A CS spokesman confirmed the departure.

CONFERENCE COVERAGE

REFF Latin America & Caribbean

Roughly 200 developers, bankers and government officials attended **Euromoney Seminar**'s 3rd Annual Renewable Energy Finance Forum Latin America & Caribbean at the Four Seasons Hotel in Miami April 30-May 1. Securing more equity investments, local and regional bank participation and M&A prospects in the region were topics that created the most buzz at the event. Senior Reporter **Nicholas Stone** filed the following stories.

Four Seasons

Corp. M&A *(Continued from page 1)*

being able to provide a stable influence and a coterie of relationship lenders, when it buys at the corporate and project level.

"Trends tend to move the needle and there is a decrease in the cost of capital from an M&A aspect," said **Paul Leggett**, executive director at **Morgan Stanley**. "We are going into the next trend of international groups looking for project development teams in the region. They want the value of local expertise: the local contracts, political relationships, local financing knowledge. These large companies are looking for teams of 20. That has a lot of value for them."

The lower cost of capital will also help to push larger balance sheets into the region, said panelists. "This has opened up an opportunity to get into those dialogues around consolidation," said Leggett. "It gives larger companies an opportunity to think about the strategic partnerships in the region."

Bankers and developers have been looking to developing markets outside of the U.S. and Europe, as those regions are experiencing a prolonged period of stymied growth (*PI, 4/11*). ***—Nicholas Stone***

Equity Tagged As Key For Mexican Solar

Solar projects in Mexico will need more equity investments to push them forward, said panelists in Miami.

"Some developers have been working on projects for three or four years, but they are stuck. I would see a good opportunity for equity investors in the sector going forward," said **Jose Ruiz**, director of project development at the **North American Development Bank**. "There are several projects in the sector that we are working on that need that to push them along."

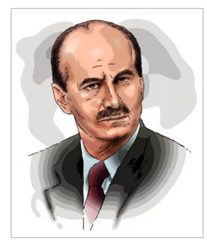
Lending to renewables projects in the country was up 600% last year to $1.9 billion. But a lack of upfront equity investment is stymieing development. "You need to put that money in upfront, and most of those countries don't have it," said **Jose Galindez**, founder and chairman of **SolarPack**.

The NADB is working alongside some of the developers, which Ruiz did not identify, to promote solar development in the border region between the U.S. and Mexico. "What you have in Mexico, at least the way we see it, is that you have a strategy to have an energy mix that is going to promote the renewable projects," Ruiz said.

The immediate challenge is finding a legal structure that will bring security to the financing community in order to secure equity capital upfront, and later debt. Mexico will need about 20 GW of renewables installed in the next 10 years, according to NADB estimations, which is why the agency is bullish on the opportunity.

"High electricity prices Mexico also give renewable projects grid parity and an opportunity that they don't enjoy in other countries," said **Jorge Kamine**, counsel at **Skadden, Arps, Slate, Meagher & Flom**.

Ex-Costa Rican Prez: LatAm Renewables Set For Growth



José Figueres

José María Figueres, former President of Costa Rica and ceo of sustainable development consultant **Carbon War Room**, told *PI* in an interview that he is "very bullish" on renewable energy in Latin America.

Speaking to PI on the sidelines of the conference at the Four Seasons in Miami, he said "The sky is the limit for renewables in Latin America. It is a region that has every renewable resource available with very impressive qualities." He cited significant growth in investment in renewable projects in the region last year as an indicator that it is now a safer and more lucrative market for investment

Latin America also suits investors hungry for yield in a low interest rate environment. "There are now opportunities for that capital looking for yield and for longer-term investment opportunities," he said.

Carlos St. James, ceo at private equity fund **VOLA Investments**, also told *PI* he sees the numbers growing in the region. "Investment in Brazil cooled off last year, but it was a blessing in disguise as the money was still flowing into the region and it opened the door for other countries that are growing now, like Peru and Chile," he said.

The major challenges facing Latin America include regulatory issues, such as certain countries maintaining subsidies for investment in fossil fuels, and dealing with the shale gas boom, which is changing the way many countries are looking at their energy mix. "People see shale gas as a silver bullet solution that will fix all our problems," St. James said. "Instead we need to generate a mixture with renewables for security."

CONFERENCE COVERAGE

Citi Alum's Hydro Shop Hunts Funds

Jose Ordoñez

Pan-American Hydro Corp., which is led by **Jose Ordoñez**, former head of the Latin America power group at **Citigroup**, is seeking $223 million in debt and equity to develop a pipeline of small-scale hydro projects in Guatemala and Mexico.

The Vancouver-based sponsor is looking for $74 million in equity and $161 million in debt, said Ordoñez, president and ceo. It is contemplating a public offering on the **TSX Venture Exchange** and welcomes all types of financial partnerships and debt. "The price signals are there to do these renewable deals in the region," Ordoñez told attendees. "These are really attractive target markets."

The company is looking for equity at the company and project level, with a view to developing a pipeline of five projects—four in Guatemala and one in Mexico—which Ordoñez noted will be shovel-ready by year-end. "At the point when you are shovel-ready, there is a tremendous amount of capital available," said Ordoñez. "Lenders and investors are willing to take on construction risk, but Latin America has issues with that capital taking on permitting and development risk."

Ordoñez said that Pan-Am Hydro has mitigated much of that risk, and is close to penning U.S. dollar-denominated power purchase agreements for the projects. It has also entered royalty agreements with local landowners. The projects include the 31 MW Chiacte, 8 MW Amalia, 5 MW Mopa and 14 MW Platanos in Guatemala, as well as the 37 MW Verde Cluster in Mexico.

Pan-Am Hydro was founded in 2008 and has a team of around 20, spread between Vancouver, Mexico City and Guatemala City. **Héctor Monterroso Viau**, cfo, formerly of **Hidro Xacbal**, will handle the financing of the projects. **Luis Arriaza**, country head in Guatemala and formerly of **Enel Green Energy**, is also on the team. Ordoñez is also a former ceo of **ArcLight Capital Partners** subsidiary **Global 3 Energia**.

Locals Increase LatAm PF Roles

Local lenders are increasingly looking to participate in power project finance transactions and even showing an interest in merchant projects, said panelists at the conference in Miami.

Local financiers are becoming more comfortable with lending to renewable projects in the region in light of political stability, better sovereign credit ratings and a growing political and social push toward renewables. Regional and local lenders are critical to getting many deals done, with specific knowledge and connections vital to building out the project pipeline, bankers and developers said.

"In financings from five years ago, we could raise $1 billion, but it would be with 12 international banks that could not do merchant risk," said **Ivan Oliveros**, v.p. of Latin America project finance at **Sumitomo Mitsui Banking Corp.** "Now there are local, regional banks, with less experience, looser terms and higher pricing, but they are willing to take on that merchant risk."

Todd Alexander, partner at **Chadbourne & Parke**, said in Mexico, local banks are willing to take those risks. "They are very flush with cash right now," he said. "But the overall transaction costs might be better if we can improve the way we structure the deals." One of the legal issues that has emerged surrounds mezzanine debt. Some of the civil law countries in the region don't recognize subordinated debt as such when projects default.

Another issue is the high cost of foreign banks doing U.S. dollar-denominated deals in the region. "One of the advantages of local banks is that the local currency is cheaper," said **José Antonio Aguilar**, principal at **Vive Energía**. "Using pesos in Mexico lowers the overall cost, which is why local banks can play an important role." Foreign banks trading for pesos and with swaps can often add as much as 7% to repayment rates, said Aguilar, which means that with the initial spread, foreign financing can mean pricing at about 10%, much more than if local currency is used in the first place. "Local banks are also important for longer tenors," he said. "With the local lenders you can get up to 16 years."

Oliveros said Sumitomo is working on making peso financing available for its lending activity in Mexico.

CONFERENCE COVERAGE

Lenders Eye Hybrid Bank/Bond Structures

Hybrid bank/bond structures are being floated for renewable energy projects in Latin America, said panelists at the conference in Miami.

Bond deals backing renewable projects emerged as a key way to access capital over the past year, with Mexico, Chile and Peru seeing notable transactions close. "Pricing was coming in at the high range of commercial bank debt for bond transactions last year, at around the equivalent of LIBOR plus 350 basis points," said **Gonzalo Ruiz de Angulo Gómez**, head of power & renewable project finance in Latin America at **BBVA**. "But you can get investment grade paper with a 20-year tenor, which is longer dated than bank debt."

Acciona Energy Mexico tapped $332 million in bonds last year to refinance a pair of wind farms in Oaxaca (*PI, 7/30*). It was the first U.S. dollar-denominated bond backing a renewable energy project in Latin America. "It was a pretty good transaction, but it wasn't that simple to get the investors," said Gómez. BBVA, **Crèdit Agricole**, **Banco Santander** and **Socièté Gènèrale** worked on the deal, with **BNP Paribas** taking the lead.

BBVA and **Sumitomo Mitsui Banking Corp.** are working on a bond deal to refinance a bullet loan backing **Inkia Energy**'s 400 MW Cerro del Aguila hydro project in central Peru (*PI, 8/23*). "The private placement market is very aggressive now," said **Ivan Oliveros**, v.p. of Latin America project finance at Sumitomo, which is why banks are looking to the bond market.

Under the right structure and with sponsor guarantees, bonds can take merchant risk and construction risk, added panelists. "In order to do that, you really need a strong offtaker. Acciona got it done as it had **Comisión Federal de Electricidad**," said **José Antonio Aguilar**, a principal at **Vive Energía**.

Euros, Asians Pouring Into LatAm

French and Japanese banks are increasing their activity in Latin America, as the renewable energy sector in the region becomes a more stable and attractive proposition, said panelists at the conference in Miami.

"I feel now that it is the rest of the world that is the growth market and Latin America is part of that," said **Michael Eckhart**, managing director, global head of environmental finance & sustainability at **Citigroup**. "It is where you can make money going forward and banks are noticing that. It reminds me of the feeling at REFF Wall Street with renewable energy in 2004."

FAST FACT

Sumitomo Mitsui Banking Corp. is opening an office in Chile to take advantage of the stronger market conditions.

Sumitomo Mitsui Banking Corp. is opening an office in Chile to take advantage of the stronger market conditions. **BNP Paribas** and **Crédit Agricole** are also looking to increase lending, noted panelists. "It is hard to find a deal in a Latin America that isn't attracting French interest," said a deal watcher on the sidelines of the conference. Drivers include improved sovereign credit ratings, political stability and attractive electricity prices.

"The pricing is more likely to come down in the next couple of years," a financier at an Asian lender said of deal terms. "Some European players have come back in the last two years and that will trend pricing down."

Like elsewhere in the world, Japanese banks have filled part of the void left by European project finance lenders. But as the Latin America power market is still relatively new to these entities, international banks are still trying to find their optimal risk appetite and niches, panelists said.

Reporter's Notebook

- **Bart Goossens**, founder of **SolarSI**, decided the Miami heat was too much and decided to wear a hat with a fan on it to keep himself cool around the conference.

- The thirst for knowledge was apparent, with most panels going up to 30 minutes overtime. One attendee who had been to all three REFF LACs described it as "better, bigger and more interesting every year."

- Lunch on the second day consisted of chicken, pepper-rubbed beef and breaded fish and plantains, with accompanying green beans, potatoes and salads.

- **Brendon Oviedo Doyle**, a partner at **Rubio Leguía Normand**, relished the opportunity to request an increase to Peru's 5% renewable energy standard, as the government official in charge of the decision, **Roberto Tamayo Pereyra**, the director general of electricity at the ministry of energy and mines in Peru, was sitting in the audience.

- Former Costa Rican President **José María Figueres** was honored with the inaugural LAC-CORE Clean Energy Award on the morning of the second day of the conference.

Q&A: Hannon

(Continued from page 1)

that needs to get done. It's economic to do but it is hard to replace economically outdated central energy plants when you're laying off teachers and police. We think it's a terrific business opportunity and we think there is a terrific need.

There is public interest in sustainable initiatives so did you find that investors were excited to be a part of an investment opportunity that had sustainable characteristics?

No. We structured our deal such that we have been advertising that we have a superior risk adjusted yield to any other real estate investment trust that's out there. You get sustainability for free. We're not asking investors to pay for sustainability.

This is what we do for a living. I think there are some investment attributes of sustainable investments that reduce credit losses, or things like that, that are financially tangible. These are important but are perhaps not visible to the historical investors in real estate investment trusts. Our business model can be described historically as to be on the right side of sustainable issues but we have always appealed to investors on the basis of financial merits alone.

If investors were primarily interested in the merits of Hannon Armstrong Sustainable Infrastructure Capital as a mortgage REIT, was there anything you needed to do to get them comfortable with the so-called free sustainable characteristics?

I think the fact that we have a top law firm, a top auditing firm and a private letter ruling confirming our status, there was no pushback on why we are a REIT. The reason we're a REIT is that it's friendly to investors and our investment returns will look like virtually every class of REIT out there. We will return a reliable dividend. REITs are more income producing than share appreciation-type investments yet we have a much advantaged credit profile from other REITs because of the benefits from the sustainable elements.

How did you select the bookrunners?

We talked to a number of investment banks and really there was quite a good reception from all of them. **Bank of America Merrill Lynch**, **UBS Investment Bank** and **Wells Fargo Securities** simply got the story quicker and were more enthusiastic than the others. We were very impressed with their institutional and retail placement capabilities. Within each of the bookrunners they have the REIT organizations, they have specialty finance organizations, they have clean tech organizations and we generally fit within the specialty finance organizations.

The target price was $14-16 and HASI listed at $12.50. How would you characterize the market the week of April 15?

It was a tough week with the sad events in Boston. The outcome was absolutely acceptable for Hannon Armstrong's existing shareholders. So, it's a very good outcome for us in what turned out to be a challenging market.

The private letter ruling from the IRS has generated a lot of hype from people who are curious about whether it will unlock a broader area of investment. Given that you've seen it, what's the outlook for growth opportunity?

I've heard there's a lot of interest in reading the PLR and, frankly, having read it a number of times I can say that it is one of the most boring documents in the history of the English language.

Private letter rulings are exactly what the name implies. They apply only to the company that applied and only to the questions that the company asked. Our company—with a 30-year balance sheet built up—has a different set of assets than virtually any other company that we know but I think there are some things that people will get out of it. What the IRS answered were the questions that we asked and they confirmed our understanding of the reading of the rules.

What are some of the initial investments that will be made and could you elaborate on the clean energy project mentioned in the S-11?

It's a nice portfolio of initial assets that in their own, small way do the right things. In the initial portfolio there's some wind with **Siemens** turbines. There are a lot of energy efficiency assets.

The clean energy project is a set of very advanced refueling projects on a military base. Where this thing is a real winner for the government client is the loitering time for the vehicle will be nearly eliminated. The emissions from diesel engines as they loiter, well it's ugly. This will have a very big impact on the fuel consumption at the base just by cutting down the loitering time.

What about solar?

There are none in the initial portfolio. We've got a lot on our balance sheet and we certainly plan to do a lot. The REIT structure will permit us to do a significant volume of solar transactions in the next 12 months. We look forward to a lot of solar volume.

Do you have a target amount of capital to invest a year or a quota?

There is about $600 million of capital available right now, I wouldn't say that it's per year. As soon as we can put it to work we will go out and raise more capital. The first thing to do is get the first $600 million put to work.

What's next for the REIT?

We all showed up and got back to work and started talking to clients about new projects. I'm delighted to be back at my desk and talking to people about doing really good things that will be profitable and sustainable. The REIT doesn't change what we do. It just allows us a different set of shareholders and, now, a lot more capital to go do more good projects.

EME Weighs *(Continued from page 1)*

selling its 4.35 GW coal-fired portfolio, 1.23 GW of gas-fired assets and 1.73 GW wind fleet, bankers familiar with the situation say. EME is holding the meetings and will make a selection on who to hire; creditors have given their assent to a sale.

Banks on the dance card were said to include **Bank of America**, **Barclays**, **Citigroup**, **Credit Suisse**, **Goldman Sachs**, **JPMorgan**, **Morgan Stanley** and **UBS**. **Marathon Capital** is also reportedly vying for the mandate to sell the wind portfolio.

The sale would be a departure from the expected investor takeover of the **Edison International** subsidiary (*PI, 12/18*). Recent interest in buying larger portfolios has encouraged the view that sales could recoup more cash, say observers. EME filed for bankruptcy in December in the U.S. Bankruptcy Court Northern District of Illinois. It has $3.7 billion in debt.

EME is considering a variety of options, including a 363 court-run sale of the portfolio and a sale of a portion to serve as a recapitalization and reorganization, deal watchers say.

A court-run sale would likely consist of parallel auctions for different types of generation as a buyer interested in picking up the wind portfolio would not want it bundled with 4.5 GW of coal-fired generation.

A potential advisor would need the approval of the bankruptcy court. EME has a hearing set for May 15 to extend its exclusivity period, or the time in which it has to formulate a plan to exit bankruptcy. Whether EME is planning to select advisors before the court hearing has not been made clear, says a banker.

Several scenarios are on the table for the coal-fired fleet as executives try to parse what's next. Two of the larger plants, Powerton and Joliet, are under sale leaseback agreements and the recent rise in natural gas prices point to a time when the financial outlook is rosier for coal-fired generation. "Decisions have to be made about whether plants, and which, could be shutdown," says a banker, noting that the inching up in natural gas prices will be a determinant.

Edison Mission Wind has long been the bright spot in the EME fleet and was not included in the bankruptcy filings because its 2.1 GW portfolio is made up of stand-alone assets supported by power purchase agreements. It's a 16-asset portfolio and that has seen its development platform sheared over the last 18 months so that it's primarily a set of operating assets. There is project debt on many of the assets and there is a significant amount of available tax equity that is currently sitting on Edison International's balance sheet that will factor into how the portfolio is marketed, say bankers.

Moelis & Co. has been advising EIX, while **Perella Weinberg Partners** is advising EME (*PI, 8/20*). ***—Holly Fletcher***