

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● AT PRESS TIME

RETC Ropes Wells Fargo Financier

Renewable Energy Trust Capital has appointed **Nikolas Novograd** as v.p. of origination as it eyes wind financing deals and seeks to expand to Mexico. [Page 2](#)

● INDUSTRY CURRENT

IRS Spells Out Requirements For Aspiring MLPs

Keith Martin of **Chadbourne & Parke** delineates the framework laid out by the U.S. **Internal Revenue Service** for companies aiming to operate as master limited partnerships. [Page 6](#)

Q&A with Marco Krapels, SolarCity - Part II

SolarCity is gearing up to capture a bigger slice of a commercial and industrial solar market, which is replete with opportunities for new financing solutions. SolarCity, which was the first player to foray into the asset-backed securities market for distributed solar, has issued three securitizations backed by leased solar assets, even as it strengthens its relationships with banks and capital providers, and explores new ways of diversifying its funding sources.

SolarCity expects to issue multiple ABS products in 2015, **Marco Krapels**, senior v.p. of structured finance and strategy at SolarCity, says in the second instalment of this *PFR* exclusive. Krapels



Marco Krapels

sat down with Senior Reporter **Olivia Feld** to discuss trends in the evolving ABS market as well as the company's growth strategies in the C&I space.

PFR: You recently partnered with Google to raise \$750 million. Should we expect to see more partnerships with non-traditional lenders?

Krapels: I think you can expect SolarCity to continue its banking and non-banking relationships as it pertains to capital. You can expect us to continue growing bank relationships, as well as non-bank [PAGE 7 »](#)

Atlantic Mulls B Loan Upsizing

Nischinta Amarnath
and Olivia Feld

Atlantic Power Corp. is considering upsizing its seven-year \$600 million term loan B to retire a portion of \$315.7 million in four outstanding convertible debentures, a company official tells *PFR*.

"Investors would be open to an upsizing. We've seen the performance of these assets over the past year, since the APLP term loan. The result of that has been very strong cash flows to fund material cash sweeps," says a deal watcher, of the term loan backing **Atlantic Power Limited Partnership**. The term loan B is a part of an \$810 million package, arranged by **Goldman Sachs** and **Bank of America Merrill Lynch** in February 2014 (*PFR*, 2/20/14). As part of the package, Atlantic Power also secured \$210 million in revolvers. The \$600 million term loan B has been amortizing at 1% and a 50% cash sweep.

The Boston-based company has used proceeds from the package to redeem roughly \$140 million in outstanding debt from \$460 million in holding company notes that Atlantic [PAGE 8 »](#)

Invenergy Hunts Debt for PJM Project

Olivia Feld

Invenergy is looking for debt financing for its \$900 million 1.3 GW Lackawanna gas-fired project in Lackawanna County, Pa., according to a deal watcher. The

Chicago-based developer has not assigned lead arrangers yet, the deal watcher adds.

The quasi-merchant project will deliver output into the PJM market. The **Pennsylvania Department of Environment** is

reviewing multiple permit applications for the project, according to a department spokesperson, who notes that no time frame has been given for pending decisions. The Lackawanna project is on track to be online in 2017.

Invenergy has worked with various combinations of lenders on debt financings, including **Morgan Stanley**, **GE Energy Financial** [PAGE 8 »](#)



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● AT PRESS TIME



Credit: fotolia

RETC Taps Wells Fargo Exec

Nikolas Novograd, formerly a director at Wells Fargo's renewable energy and environmental finance group, has joined **Renewable Energy Trust Capital** as v.p. of origination and secretary of the company's investment committee.

Novograd, who began his role in San Francisco last month, will report to **Karen Morgan**, president and coo, for all originations, and CEO and Chairman **John Bohn** for his role as secretary of the investment committee.

RET Capital aims to foray into wind financing deals, while retaining its focus on solar, Bohn says. The middle market investment shop recently sealed financing from **NordLB** and **Babson Capital Management** to fund its acquisition of the 14 MW CityLights solar facility in Ontario from **Canadian Solar**. It sealed more than \$200

million, in the past year, from **KeyBank**, **NordLB** and **Massachusetts Mutual Life Insurance Co.** in debt backing a quartet of solar facilities across California and Ontario (PFR, 3/24). RET Capital is now planning to extend its geographic focus from North America to Mexico.

Novograd will originate, develop and manage partner relationships at RET Capital, while overseeing transactions that are slated to wrap. At Wells Fargo, Novograd originated and structured more than \$300 million of tax equity investments in wind and solar facilities. Before joining Wells Fargo, he was v.p. of project finance at **First Solar** until August 2011, joining the Tempe, Ariz.-based photovoltaic developer at the time of its acquisition of **NextLight Renewable Power** in 2010. At FirstSolar, his team sold more than 500 MW of solar assets and secured \$1.5 billion in debt financing commitments. Previously, Novograd held positions at NextLight, **GE Capital**, **ABN AMRO Bank** and **Sanwa Bank**, a predecessor of **Mitsubishi UFJ Financial Group**.

RET Capital recently tapped **Michael Young** as v.p., legal and administration from **GCL Solar** to assist with the legal aspects of asset acquisitions and financing deals. The company scooped **Roger Johansson** from GCL Solar last month, and **Alton Lo** from **JPMorgan** in October, to act as managing directors of its project finance and corporate finance divisions, respectively (PFR, 4/1).

Whether Wells Fargo has any plans to replace Novograd could not be learned. Novograd and Young were unavailable for comment. ■

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

Feel free to contact **Nischinta Amarnath**, Managing editor, at (212) 224-3293 or nischinta.amarnath@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	Advisor	Status/Comment
AES Corp.	Armenia Mountain (101 MW Wind)	Pennsylvania		Allete Clean Energy is buying the asset (PFR, 4/27).
Bankers Commercial Corp.	Rising Tree I & II (98 MW Wind)	Kern County, Calif.		BCC is selling its Class B shares in the projects to unidentified investors (PFR, 4/20).
Brookfield Infrastructure Partners	Cross Sound Cable (24-Mile Transmission)	Long Island, N.Y. to New Haven, Conn.		Argo Infrastructure Partners is the buyer. Deal is set to close later this year (PFR, 4/27).
Competitive Power Ventures	Portfolio (5000 MW Wind, Gas)	U.S.	JPMorgan	Global Infrastructure Partners II is acquiring a majority of the portfolio (PFR, 4/13).
EDP Renewables	Portfolio (394.5 MW Wind)	U.S.		A consortium led by Fiera Axiom is buying a 35.9% stake in the 1.1 GW portfolio (PFR, 4/27).
Fortis	Various (24 MW Hydro)	New York		Energy Ottawa is buying the contracted assets (PFR, 4/20).
Freeport McMoRan	Luna (570 MW Gas)	Deming, N.M.		Samchully Asset Management is buying a stake (PFR, 4/20).
● GCL Solar, SolarReserve	Portfolio (140 MW Solar)	California		Con Ed has acquired the portfolio (see story, page 5).
Geronimo Wind Energy	Black Oak Getty (78 MW Wind)	Stearns County, Minn.		Sempra US Gas & Power has bought the facility (PFR, 4/27).
	Courtenay (200 MW Wind)	Jamestown, N.D.		Xcel Energy is looking to buy the farm for an undisclosed price (PFR, 5/11).
Longview Power	Longview (755 MW Coal)	Maidsville, W.Va.		Five lenders are acquiring stakes of between 10% and 45% in Longview (PFR, 4/13).
Marubeni Power International	Sr. Charles Center (725 MW Gas)	Charles County, Md.		An affiliate of Osaka Gas is buying a 25% stake in the project (PFR, 5/11).
Northwestern Mutual	Oasis (60 MW Wind)	Kern County, Calif.		JPMCC and Hannon Armstrong affiliates are buying stakes in the projects (PFR, 4/13).
	The Camp Springs projects (250 MW Wind)	Scurry County, Texas		
	Sand Bluff (90 MW Wind)	Sterling & Glasscock Counties, Texas		
Ormat Technologies	Portfolio (106 MW Geothermal)	U.S.	UBS Investment Bank	Northleaf Capital Partners has acquired a 36.75% stake (PFR, 5/11).
Pattern Development	Amazon Farm (150 MW Wind)	Benton County, Ind.		Pattern Energy Group bought a 77% stake in the farm (PFR, 5/11).
	K2 (270 MW Wind)	Ontario		Pattern's yield company, Pattern Energy Group is buying a 33% stake (PFR, 4/13).
Rockland Capital	Lakeswind (50 MW Wind)	Rollag, Minn.		Sale of the 71 MW portfolio launched on Tuesday (PFR, 4/20).
	Mass Solar (21 MW Solar)	Massachusetts		
RPM Access	Elk (42.5 MW Wind)	Iowa		BlackRock is acquiring a 90% stake in both wind farms (PFR, 4/27).
	Hawkeye (37.5 MW Wind)	Iowa		
Terra Firma Capital Partners	Portfolio (2 GW Wind)	U.S.	Bank of America Merrill Lynch	Terra Firma is scouting buyers for its U.S. subsidiary EverPower Wind (PFR, 5/4).
Valley Road Holdings	Tilton Energy (176 MW Gas)	Tilton, Ill.		Rockland Capital's fund, Rockland Power Partner II is buying both facilities (PFR, 4/13).
	Rocky Road Power (327 MW Gas)	East Dundee, Ill.		
Wind Capital Group	Post Rock (200 MW Wind)	Kansas		Pattern Energy Group is buying both facilities (PFR, 4/13).
	Lost Creek (150 MW Wind)	Dekalb County, Mo.		

● New or updated listing

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

To report updates or provide additional information on the status of financings, please call Managing Editor Nischinta Amarnath at (212) 224 3293 or e-mail nischinta.amarnath@powerfinancerisk.com

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables & D. E. Shaw Renewable Investments	Springbok (133 MW Solar)	Kern County, Calif.	TBA	TBA	\$130M	TBA	Financing is slated to close in April 2015 (PFR, 3/9).
	Springbok 2 (150 MW Solar)	Kern County, Calif.	TBA	TBA	\$420M	TBA	Both players are in the market for debt and equity (PFR, 3/23).
8minutenergy Renewables	Lotus (50 MW Solar)	Madera County, Calif.	TBA	TBA	\$100M	TBA	In the market for debt and equity (PFR, 3/23).
Abengoa, EIG	Norte III (924 MW Gas)	Ciudad Juárez, Mexico	TBA	TBA	\$542M	TBA	The deal is slated to close in the third quarter (PFR, 3/23).
Advanced Power	Carrol County (799 MW Gas)	Oregon, Ohio	BNP Paribas, Crédit Agricole, TIAA-CREF, Chubu Electric Power Co., Ullico, Prudential Capital	TBA	\$899M	TBA	The deal has closed (PFR, 4/6).
Apex Clean Energy	Kay (299 MW Wind)	Kay County, Okla.	BayernLB, Rabobank, CIBC, Commerzbank, KeyBank, Siemens Financial Services	Construction loan	\$397M	TBA	The deal has closed (PFR, 4/6).
	Grant (150 MW Wind)	Grant County, Okla.	TBA	TBA	TBA	TBA	The project will be in the market for financing in the next few months (PFR, 3/30).
Deepwater Wind	Block Island (30 MW Wind)	Block Island, R.I.	Société Générale, KeyBank	TBA	\$290M	TBA	The project will be complete by the fourth quarter of 2016 (PFR, 3/9).
Freeport LNG	Quintana Island (LNG Export Facility)	Texas	A consortium that includes Bank of America, CIBC, BBVA, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC	Senior debt, Mezzanine financing	\$4.56B	7-yr	The deal has wrapped (PFR, 5/4).
Gasoducto Sur Peruano	Gasoducto Sur Peruano (700-Mile Gas Pipeline)	Pipeline	Various	TBA	\$4.1B	TBA	The deal is slated to close by the end of June (PFR, 4/6).
Innergex, Ledcor Power Group	Boulder Creek (25.3 MW Hydro)	British Columbia	Manulife, Caisse de Dépôt et placement du Québec, the Canada Life Assurance Company.	Construction	\$191.6M	25-yr	The deal closed the week of March 16 (PFR, 3/30).
	Upper Lillooet River (25.3 MW Hydro)	British Columbia		Construction	\$250M	40-yr	
				Construction	\$50M	40-yr	
Invenergy	Lackawanna (1.3 GW Gas)	Lackawanna County, Pa.	TBA	TBA	TBA	TBA	Invenergy is in the market for debt (see story, page 1).
ISA	Interchile (590 Miles Transmission)	Chile	BBVA	International Capex tranche, VAT facility	\$800M	TBA	BBVA is leading the club deal, which is expected to wrap in the next few months (PFR, 4/6).
Northland Power	Nordsee One (332 MW Offshore Wind)	Germany	TBA	Term	\$847M	TBA	Developer is talking to lenders for financings (PFR, 3/16).
	Grand Bend (100 MW Wind)	Ontario	TBA	Term	\$212M	TBA	Developer is talking to lenders for financings (PFR, 3/16).
Quantum Utility Generation	Passadumkeag (40 MW Wind)	Penobscot County, Maine	Mizuho, Sumitomo Mitsui Banking Corp.	Construction /Term	\$95M	TBA	Construction of the project will be complete by year-end (PFR, 3/16).
RPM Access	Marshall Wind (74 MW Wind)	Marshall County, Iowa	TBA	Construction/ Term, Tax Equity	TBA	TBA	RPM Access is currently in talks with commercial banks (PFR, 4/27).
Solar Star Funding	Solar Star Projects (579 MW Solar)	Rosamund, Calif.	Barclays, Citigroup, RBS	Series B Notes	\$325M	TBA	The issuance was upsized by \$10M (PFR, 3/9).
Western Energy Partners	Clean Path (750 MW Gas, Solar)	Waterflow, N.M.	TBA	TBA	TBA	TBA	The sponsor will seek debt once it secures a PPA for the project (PFR, 5/4).

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SunEdison Preps Emerging Markets YieldCo IPO

SunEdison has filed an initial registration form for **TerraForm Global**, its proposed emerging markets yield company. **JPMorgan, Barclays, Citigroup** and **Morgan Stanley** are joint book runners on the planned IPO.

The S-1 was filed with the U.S. **Securities and Exchange Commission** on Thursday. The issuer and book runners aim to raise a maximum of \$700 million. The pricing and the number of shares offered have not been determined. A timetable for a roadshow could not immediately be established.

TerraForm Global will generate an aggregate of \$164.8 million of cash available for use in 2016, according to the filing. The initial portfolio comprises 987.8 MW of contracted solar, wind and hydro projects in China, India, South Africa, Uruguay, Malaysia, Thailand, Brazil, South Africa and Peru. The portfolio includes 758 MW of projects acquired by SunEdison in seven recent deals. **Renova Energia, Latin American Power and Solarpack Corporación Tecnológica** have sold projects to SunEdison which are slated to drop into the new yieldco.

The initial TerraForm Global portfolio includes:

- the 195 MW Salvador wind project in Guanambi, Caetité, and Igaporã in Bahia, Brazil,
- the 99 MW Bahia wind project in Guanambi and Igaporã in Bahia, Brazil,
- the 42 MW ESPRA hydro project in Teixeira de Freitas, Vereda e Itamaraju in Bahia, Brazil,
- the 57 MW El Naranjal solar project in Salto Department, Uruguay,
- the 26 MW Alto Cielo solar project

in Artigas Department, Uruguay,

- the 17 MW Del Litoral solar project in Salto Department, Uruguay,
- the 39 MW LAP-Junín hydro project in the Junín region, Peru, and
- the 33 MW LAP-HSC hydro project in the Ancash and Junín regions, Peru.

The facilities in Peru and Brazil are operational, while the projects in Uruguay are slated to enter service by year-end. The portfolio also includes renewable projects in China, India and South Africa.

The yieldco will seek to acquire renewable assets from parent SunEdison, and third parties with long-term offtake contracts. TerraForm Global's right of first offer list from the parent includes wind, solar and hydro assets in Brazil, China, India and South Africa.

Maryland Heights, Mo.-

based SunEdison announced plans last year to form a second yieldco with international assets (PFR, 10/3). SunEdison's first yieldco, **TerraForm Power** launched in July (PFR, 7/17). **Goldman Sachs, Barclays, Citigroup, JPMorgan, Macquarie Capital, Santander** and **FBR** were underwriters in the offering. Since its launch, TerraForm Power has raised approximately \$3.9 billion in financing to fund project acquisitions exceeding 1.7 GW.

TerraForm Global's executive management will be similar to its sister yieldco TerraForm Power. **Ahmad Chatilia**, president of TerraForm Power, will become director and chairman of TerraForm Global. **Carlos Domenech Zornoza**, ceo and president of TerraForm Power, will become director and ceo of the new yieldco. **Jeremy Avenier**, cfo of solar materials at SunEdison, will become cfo.

Ismael Guerrero Arias moved from **Canadian Solar**, where he was v.p. in the global utility project business, to be president and head of origination at TerraForm Global.

Morgan Stanley previously advised TerraForm Power on the purchase of 521 MW of contracted wind assets from **Atlantic Power Corp.**, for roughly \$350 million (PFR, 4/1). Barclays and Citigroup were book runners, along with **Bank of America Merrill Lynch, Goldman Sachs** and **Macquarie Capital**, on \$800 million of senior notes issued by TerraForm Power in January (PFR, 1/27).

Spokespeople for SunEdison in Los Angeles and the San Francisco Bay Area did not respond to requests for comment and spokespeople for JPMorgan, Barclays, Citigroup and Morgan Stanley in New York either declined to comment or did not respond to inquiries. ■

● MERGERS & ACQUISITIONS

Con Ed Nets Calif. Solar From GCL, SolarReserve

Consolidated Edison Development has boosted its presence in California with its acquisition of six shovel-ready solar projects totaling 140 MW from **SolarReserve** and **GCL Solar Energy**.

The projects, in Tulare, Kings and Fresno counties, range from 20 MW to 25 MW, are fully permitted, and have interconnection and power purchase agreements in place.

Southern California Edison has signed PPAs for four of the

projects, and **Pacific Gas & Electric** has agreed to purchase output from the other two facilities.

The projects were developed by a joint venture between Santa Monica, Calif.-based developer SolarReserve, and GCL Solar Energy, a wholly owned subsidiary of Hong Kong-based polysilicon and wafer supplier **GCL Poly Energy Holdings**.

GCL Solar Energy has completed at least one deal with CED before, when it sold four utility

projects in central California to the Valhalla, N.Y.-based renewable developer in 2012.

Before the latest acquisition, CED's solar portfolio in California consisted of four facilities totaling 170 MW, in Tulare and Kings counties.

Con Ed's unregulated subsidiary owns and operates more than 500 MW of renewable assets it has developed across 10 states.

Neither party worked with a financial advisor, according to spokespeople for SolarReserve and Con Ed. The purchase price of the acquisition has not been disclosed. ■

● INDUSTRY CURRENT

IRS Clarifies Which Companies May Operate as MLPs

This week's Industry Current is written by **Keith Martin**, a partner and co-head of the project finance group at **Chadbourne & Parke** in Washington, D.C. Martin, who works with the U.S. **Treasury Department** on policy issues, examines the regulatory framework for oil, gas, paper and renewable developers and producers that are eyeing master limited partnerships in the U.S., and lays out what types of income and activities qualify for companies to function as MLPs.

The U.S. **Internal Revenue Service** made clearer on May 5 where it plans to draw the line on the types of minerals and natural resources businesses that may operate as master limited partnerships.

It said it will give most companies that are already operating as MLPs at least 10 years to adjust to the new rules.

The new rules are in the form of proposed regulations. They interpret section 7704(d)(1) (E) of the U.S. tax code. The IRS is accepting comments through August 4.

An MLP is a partnership whose ownership interests are traded on a stock exchange or secondary market. The U.S. usually taxes publicly-traded companies as corporations. However, it makes an exception for partnerships that receive at least 90% of their gross income each year from passive sources, like interest or dividends, or from activities tied to minerals or natural resources. Such companies are able to operate without having to pay corporate income taxes. Their income is taxed to the owners directly.

The proposed regulations explain how closely tied a partnership's activities must be to minerals and natural resources to produce good income.

The IRS has been fielding a growing number of requests for private letter rulings from companies that provide services to the oil and gas trade and want to operate as MLPs. It put a hold on any further rulings in March 2013 while it evaluated where to draw the line. For



Keith Martin

example, is a business that sends catering trucks to sell meals to workers at gas fracturing sites related closely enough to the production of natural gas to be able to operate as an MLP? The agency lifted the hold in early March, and said that proposed regulations would follow. It said it received more than 30 ruling requests in 2013 compared to fewer than five a year, before 2008.

The proposed regulations treat income as qualifying income only if it is from engaging directly in the exploration, development, mining or production, processing or refining, transportation or marketing of minerals or natural resources or from providing a limited class of services to companies that are directly engaged in such activities.

The agency said the regulations provide an exclusive list of what direct activities qualify. Any additions to the list in the future will require an IRS notice or other written guidance that may be time-consuming to obtain.

In general, any activity that involves retail sales or distribution to retail sellers or end users goes too far. For example, supplying gasoline to service stations does not qualify. However, there are exceptions for certain bulk and wholesale sales to end users, such as supplying fuel to electric utilities.

A number of paper companies had been considering converting parts of their operations into MLPs. The proposed regulations make clear that converting timber into wood chips, sawdust, untreated lumber, veneers, without any substances added, wood pellets, wood bark and rough poles is an acceptable activity for an MLP. However, it goes too far to produce pulp, paper, paper products, treated lumber, oriented strand board, plywood or treated poles. Many paper company shares were down on U.S. stock exchanges shortly after the IRS announcement.

The IRS said making plastics and similar petroleum derivatives is not a qualifying activity. At least two chemical companies are using

MLPs to own facilities that convert ethane and propane into olefins that are used to make plastics after receiving private rulings from the IRS in 2012 and 2013 that such businesses qualify. It appears that MLPs will still be able to earn income from some refinery-grade olefins, like ethylene, that are produced as an adjunct to making gasoline and other fuels.

Services to the oil and gas trade qualify only if they pass three tests.

The services must be specialized, essential and significant to the direct activity being undertaken by the oil or gas company.

They are "specialized" if the workers who perform them require special training unique to minerals or natural resources industries. If the company is providing property, the property must be of limited use outside the direct activity and not be easily converted to another use. An MLP can provide injectants, like water, lubricants and sand, for use in fracturing, provided it collects the injectants after use and cleans, recycles or otherwise disposes of them as required by law.

Services are "essential" if they are physically necessary to complete the direct activity or comply with federal, state or local laws regulating the direct activity. An example is water delivery and disposal to a gas fracturing site. Legal, financial, consulting, insurance and similar services are not considered essential.

To be considered significant, the services must require partnership employees to be an ongoing or frequent presence at the site, and employees must be doing something that is necessary for the direct activity. The IRS said the work can also be offsite. An example is offsite monitoring.

Renewable energy companies have been lobbying **Congress** since 2004 for the ability to operate as MLPs. They are not currently able to do so mainly because their income does not come from "minerals or natural resources." Energy sources like the sun or wind are not natural resources as they are inexhaustible. The term refers only to energy sources that deplete. Senator **Christopher Coons** of Delaware will shortly reintroduce a bill in Congress to allow MLPs to own a broader class of assets. The assets include not only renewable projects, but also fuel cells,

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Q&A: MARCO KRAPELS, SOLARCITY ●

Q&A: Marco Krapels, SolarCity – Part II

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capital provider relationships.

PFR: Going through some of the innovative structures SolarCity has pioneered, SpaceX recently announced that it would invest \$90 million in bonds for the company's own online platform. Could you talk about SolarCity's plans for large scale bond issuances? What you are planning in terms of many more such innovative deals?

Krapels: SpaceX purchased \$90 million in bonds and that was a decision made by the SpaceX CFO Bret Johnsen. He reviewed the materials and he bought the bonds online from us, which was really exciting. They purchased the bonds online and under the same terms as any other investor. SpaceX had a certain amount of excess cash on its balance sheet and was looking for attractive returns relative to the risk. They concluded that we provided higher returns than those they could have achieved through comparable investments with the same maturities available in the market. That was an issuance that we made and that was a great start to a relationship.

Regarding the bond platform that we have, we will continue to evaluate how we can leverage that to achieve our objectives. There is definitely potential there and there is interest for it. We have a great relationship with our institutional placement agents. You look at our securitizations and the question really is to what extent we issue more through the bond platform vis-à-vis our long-term institutional relationships that have also done a great job in achieving low, long-term fixed rates in the institutional market through our securitizations. We'll continue to evaluate both and we will always execute where we can get the best deal. The solar bonds platform is a great tool to have at our disposal, and we'll evaluate the uses of that on an ongoing basis.

PFR: Looking at the solar securitizations pioneered by SolarCity, could you tell us whether the company has plans to do further securitizations? Also, what are your

impressions of the market and how the investor class is maturing in the solar space?

Krapels: The ABS market has served us well and we're happy with how we've been able to tap the ABS market. We continue to view ABS as an attractive market and expect to have multiple issuances in 2015 and continue to lead the industry.

PFR: I've spoken to other developers who have given me the impression that they are looking at ABS. Can you give me your sense on how this market is developing? Do you think there is going to be a lot more of this activity?

Krapels: We've proven that this is an investment-grade asset class, and it's great to be able to lead the industry and help diversify its funding sources. I think we've set the stage for what's possible. Further broadening this asset class is a good thing. I'll leave it up to our competitors to make use of the fact that we established this as an investment-grade asset class. It really depends on individual companies to what extent they want to use ABS as a tool to maximize the cash they can raise against installed assets, and to also lock in rates on a longer-term basis.

PFR: What do you think is next for the residential solar industry and what areas of growth would you encourage our readers to watch out for?

Krapels: That's a great question. First of all, the penetration in the U.S., which is still below 2%, is extremely low. That alone presents a phenomenal opportunity. Solar competes in many states vis-à-vis utility rates, and I think that SolarCity is uniquely positioned to compete very well on a cost basis, now and post 2016. So, there is going to be a lot of activity in this space now through the end of 2016, when the ITC steps down from 30% to 10%. I think there are folks out there that are probably relying on that because their construction cost is still relatively high. They've got a lot that they need to finance

and they are relying on being able to monetize tax equity to be able to do so. We are in a fortunate position to see our costs continue to decline, in part aided by the vertical integration we've achieved, and partly by having much more control over our cost structure by nature of vertical integration. We're executing extremely well on lowering our cost structure and we will be very well positioned to compete post-2016.

I think a lot of folks in the industry need to work hard on trying to be in the same position. I think that is certainly going to be very interesting for you and others. I think you are going to see an addressable market for residential solar that is already vast with a very low penetration, and that addressable market is going to continue to increase.

I think the residential space and commercial and industrial solar are big focus areas for us as well that we will continue to pursue aggressively. If you are a business owner and you have seen your cost of power increase by 50% over the last 10 years, and someone comes to you and allows you to lock in at a rate equal to or below the rate you are paying and avoid those future increases, it's the right decision to make.

So, we're really allowing a lot of people to buy long-term fixed power at a cost lower than they are currently paying the utility, and effectively being a hedge against future rises in electricity rates. So it's a massive market and we have plenty of financing options at our disposal.

PFR: I want to follow up on a point you were making about C&I. Within C&I, what are the areas of focus at the moment?

Krapels: Within C&I, you'll see us execute with the larger retailers and the middle markets as well. Municipalities will be a focus too. We'll continue to evaluate ways to expand and capture a larger slice of that vast market. Given where our costs are, we were competing quite well in many of the geographical areas where you have middle markets and retailers that are still paying higher utility rates each year. I think you are going to continue seeing us grow our

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Atlantic Mulls B Loan Upsizing

« FROM PAGE 1 Power issued at a 9% coupon to fund a portion of its purchase of **Capital Power Income** in 2011. The holdco notes are callable at \$104.50, according to a deal watcher.

A move to upsize the term loan B is among three alternatives the company is evaluating to redeem or refinance convertible debentures. The other two strategies, according to **Terrance Ronan**, cfo, executive v.p and principal accounting officer at Atlantic Power, include:

- refinancing its 6.25% and 5.6% convertible subordinated Cana-

dian debentures maturing in 2017 as well as a Canadian and a U.S. dollar-denominated debenture, both due 2019, and,

- potentially extending the maturity date of the debentures maturing in 2017.

Observers expect investors to respond positively to the upsizing. "The market has been characterized by continuous inflows, and we have not seen a corresponding amount of deal volume. This could drive down pricing," another deal watcher notes, adding that an upsized term loan B from Atlantic Power would draw in cash-rich investors.

APLP, formerly Capital Power Income, owns a portfolio of 17 renewable and thermal assets

totaling more than 1 GW across six U.S. states and two Canadian provinces.

Atlantic Power is in the process of selling more than 500 MW of contracted wind assets to **SunEdison's** yield company **TerraForm Power** for \$350 million (PFR, 4/1). Atlantic Power, which tapped Goldman Sachs as an advisor on the transaction, plans to use proceeds from the asset sale to pay down a portion of \$310.9 million in outstanding debt from the 9% notes, says a spokeswoman for Atlantic Power.

The company will arrive at a decision on alternatives for its convertible debentures after its sale to TerraForm Power wraps next month. ■

IRS Clarifies Which Companies May Operate as MLPs

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combined heat and power projects of up to 50 MW, electricity storage devices, renewable chemicals companies, installers of energy efficiency improvements, large industrial facilities that capture and store their carbon dioxide emissions, and gasification projects that gasify coal, petroleum residue, biomass or other materials and which capture and store at least 75% of the carbon dioxide emissions.

Interest in MLPs among renewable energy companies has been waning after the industry discovered yield companies, which are a form of synthetic MLP and do not require any action by Congress to implement.

Most companies already operating as MLPs will have 10 years from the end of the partnership tax year in which the IRS republishes the proposed regulations in final form to adjust to the new rules. Republication will take at least another year. This transition relief will be given to any existing MLP that, before May 5, 2015, had a private letter ruling, treating as a qualifying activity, an activity that the IRS regulations now treat as ineligible, or an existing MLP that was treating an activity as qualifying under a reasonable interpretation of the U.S. tax code before the proposed regulations were issued. The IRS said merely having a "reasonable basis" for a position is not good enough.

At least 149 MLPs are trading currently on U.S. exchanges. Of that number, 93 involve oil and gas, including oilfield services MLPs. The remaining MLPs include seven that own coal mines, 10 that are engaged in marine transportation, four that are propane MLPs and 10 that are in other natural resources. ■

Invenergy Hunts Debt for PJM Project

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Services, CoBank, BNP Paribas, Union Bank, Rabobank and BayernLB. The developer recently sold two solar projects in Ontario to **SunEdison's** yield

company **TerraForm Power**.

A spokesperson for Invenergy in Chicago declined to comment on the Lackawanna project and on whether a hedge is already in place. ■

Q&A: Marco Krapels, SolarCity – Part II

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C&I business quite significantly.

PFR: In terms of the wider renewable industry, what trends are you seeing at the moment?

Krapels: I see tremendous, repeatable growth in residential and C&I. The reason why I say that is that the utility-scale business to some extent really still does depend on renewable portfolio standards that need to be met in certain states, which drive utilities to sign up large power purchase agreements

to procure a certain amount of their generation from renewable sources. It's not to say utility-scale also does not compete on a different economic basis since that certainly is the case in certain states. But all of our products compete on an economic basis. Our homeowners go and buy renewable energy from us. They buy solar energy from us because it's fixed, it's cheaper and it's clean. But being able to offer power at an economically attractive rate is what is driving a lot of the demand. That's an important distinction to make. Therefore, we have tremendous confidence in our growth because it's an economic extrapolation of where we currently are – our costs relative to what those of utility rates are. Right now, the overall renewable contribution to our power

mix is 7%. When it comes to new electricity generation in the U.S., year-to-date last year in 2014, we've seen renewables grow to substantially more new electricity generating assets built in the U.S. and I do believe that that is a sustainable trend.

PFR: Finally, have you have made any new hires to your 20-person team since you've been at SolarCity?

Krapels: We are positioning our team for substantial, multi-year growth and have been constantly hiring top notch people at all levels. As we continue to expand into these different categories, it really starts to add up and we are a multibillion-dollar capital raising machine for which we will continue to attract top-notch people. ■