

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

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Details Emerge on Carlsbad Private Placement

NRG Energy placed its \$407 million placement with a group of investors led by a U.S. insurance company.

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NRG, GenOn Outline Potential Restructuring

NRG Energy and subsidiary, **GenOn Energy**, have reached an agreement with a group of creditors.

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Lacka-winner! The award for Conventional Generation Project Finance Deal of 2016 went to Invenergy's Lackawanna project.

Deals & Firms of the Year Awards: Winners Revealed

Power Finance & Risk announced the winners of its 14th Annual Deals and Firms of the Year Awards at a drinks reception at the Bryant Park Hotel in New York on May 24.

An industry wide poll determined the winners in 25 categories, including best financial adviser, best project finance lender and best borrower, identi-

fying which market players were the most innovative and impressive in 2016. The survey received roughly double the number of votes cast last year.

This year, there are also awards for best financial adviser for tax equity deals and best financial adviser for Latin America asset M&A, both new categories.

See pages 10 and 11 for the full list of winners.

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Bank Trio Markets Loan for Contracted AES Portfolio

Richard Metcalf

Three banks are leading on a roughly \$2.2 billion debt package for a portfolio of gas-fired and battery storage projects that **AES Corp.** is developing in California.

MUFG, JP Morgan and **Citi** are marketing the deal, which comprises a seven-year term loan, letters of credit and a 20-year private placement, say

deal watchers.

The leads were set to approach institutional investors for the \$1.4 billion private placement, which makes up the majority of the deal, last week, said a private placement banker, adding that there would be three passive placement agents in addition to the three active bookrunners.

The \$520 million term loan is priced at 175 basis

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Enel Runs Auctions to Exit Mexico and Panama

Olivia Feld

Enel has mandated financial advisers to run tandem sales processes for all of its generation assets in in Mexico and Panama, which total over 2.3 GW.

The Rome-headquartered company has mandated **Goldman Sachs** and **BBVA** to sell its more-than-2 GW portfolio of online and under-

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Sponsors Face Tougher Debt Terms After Mixed PJM Auction Results

Richard Metcalf

The results of the latest **PJM Interconnection** capacity auction, announced on May 23, could lead to more conservative lending terms for new-build gas-fired facilities in some regions.

Market participants highlighted the RTO region, where capacity cleared

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● AT PRESS TIME

Bank Trio Markets Loan for Contracted AES Portfolio

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points over Libor, says another deal watcher, who adds that the deal also features \$300 million of letters of credit.

AES is raising the debt to finance the construction of two brownfield gas-fired projects and a battery storage facility in southern California, which have offtake contracts with **Southern California Edison** (PFR, 5/12).

The portfolio, collectively known as AES Southland, comprises a 1,040 MW combined-cycle gas-fired project called Alamitos in Long Beach, an 844 MW combined-cycle gas-fired project called Huntington Beach, which is named for its location, and an up-to-300 MW battery storage project, called Alamitos Energy Center, near the Alamitos CCGT.

The projects will replace three existing projects whose power purchase agreements with SCE expire in 2018.

Spokespeople for AES in Arlington, Va., and the bookrunners in New York declined to comment.

Private placement activity in the North American power sector has been picking up

this year, says the private placement banker. Note offerings have become increasingly useful for construction financing in recent years as institutional investors have become comfortable with providing delayed draw features.

PRIVATE PLACEMENT UPTICK

In hybrid bank and private placement deals, the commercial bank tranche typically amortizes either fully or to a small balloon payment before the longer-term institutional tranche begins amortizing.

The financings in the last two months for **NRG Energy's** Carlsbad Energy Center project in California and **LS Power's** Gridiron Generating portfolio both had this structure, and the financing for AES Southland is expected to be similar, deal watchers tell PFR.

LS Power is said to be planning a return to the private placement market soon to finance one of several assets it is acquiring from **FirstEnergy Corp.**, a 713 MW interest in the 3,003 MW Bath County hydro project in Warm Springs, Va.

ING, BNP Paribas, Citi and Morgan Stanley are in the process of syndicating a \$410 million seven-year mini-perm loan to finance the other projects LS Power is buying from FirstEnergy, four merchant gas-fired projects in Pennsylvania (PFR, 5/18). ■

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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 **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	Advisor	Status/Comment
● Ares-EIF	Plum Point (670 MW Coal)	Osceola, Ark.	Citi	Bids for the portfolio are due the first week of June (see story, page 8).
	Carneys Point (262 MW Coal)	Carneys Point, N.J.		
	Logan (219 MW Coal)	Logan Township, N.J.		
	Morgantown (62 MW Waste coal)	Morgantown, W.Va.		
● AEP	Zimmer (1,350 MW Coal, 25.4%)	Moscow, Ohio	Citi, Goldman Sachs (buyer)	Dynegy acquired AEP's stake in the plant as part of a swap that closed on May 9 (PFR, 3/6).
Apex Clean Energy	Portfolio (12 GW, mostly Wind)	U.S.	CohnReznick Capital	The company is looking to sell itself to a strategic investor (PFR, 5/1).
Ares-EIF, I Squared Capital	Oregon Clean Energy Center (869 MW Gas)	Lucas County, Ohio	Barclays, Credit Suisse	The two banks are running a sale process for the project (PFR, 5/15).
● Bronicki Investments, FIMI Opportunity Funds	Ormat Technologies (727 MW Geothermal, Solar)	U.S., Guatemala, Guadeloupe, Kenya		ORIX is acquiring a 22.1% stake in the company (see story, page 9).
BTG Pactual Infraestructura II, Pátria Investimentos, GMR Group	Latin America Power (114 MW Hydro, Wind)	Chile, Peru	BTG Pactual, Morgan Stanley	Several bidders have been shortlisted in the sale of the company, which also owns an 803.9 MW development pipeline that includes its first solar asset (PFR, 2/13).
Cemig	Santo Antônio (3.5 GW Hydro, 18.13%)	Brazil		The company is expected to circulate a list of further assets for sale in coming weeks (PFR, 5/22).
	Taesá (Transmission company, 31.54%)			
● Cypress Creek Renewables	Innovative Solar 37 (78.7 MW Solar)	Anson County, N.C.		Dominion Resources closed its acquisition of the project on May 11 (PFR, 3/6).
The Carlyle Group	Red Oak (766 MW Gas)	Sayreville, N.J.		Morgan Stanley Infrastructure has agreed to acquire the project from Carlyle (PFR, 5/15).
● Dynegy	Conesville Unit 4 (780 MW Coal, 40%)	Conseville, Ohio	Citi, Goldman Sachs (seller)	AEP acquired Dynegy's stake in the plant as part of a swap that closed on May 9 (PFR, 3/6).
● Enel	Portfolio (2,010 MW Wind, Solar)	Mexico	Goldman Sachs, BBVA	The Italian company is selling all of its generation assets in in Mexico and Panama, which total over 2.3 GW (see story, page 1).
	Portfolio (352 MW Hydro, Solar)	Panama	Morgan Stanley	
Eversource	Portfolio (1.2 GW Coal, Hydro, Oil)	New Hampshire	JP Morgan	JP Morgan has distributed teasers in preparation for a two-stage auction for the portfolio (PFR, 3/6).
Exelon Corp.	ExGen Texas (3,476 MW Gas)	Texas	PJT Partners	Exelon plans to sell the distressed Texas portfolio (PFR, 5/8).
First Reserve	Comanche (120 MW Solar)	Pueblo, Colo.	JP Morgan (buyer)	Novatus Energy closed its acquisition of the project on May 16 (PFR, 3/20).
First Solar, SunPower	8Point3 Energy Partners (432 MW Solar)	U.S.	BAML, Goldman Sachs	Bank of America Merrill Lynch is advising First Solar, with SunPower advising Goldman Sachs (PFR, 5/8).
First Solar	Switch Station (179 MW Solar)	Clark County, Nev.		EDF Renewable Energy is acquiring the project (PFR, 5/15).
● GE EFS	Drift Sand (108.8 MW Wind)	Grady, Okla.		Enel Green Power North America is increasing its managing interest in the project from 35% to 50% (see story, page 7).
● InterGen	Portfolio (2,200 MW Gas, Wind)	Mexico		InterGen is planning to launch a sales process for its Mexican portfolio (see story, page 8).
LS Power	Gridiron Generating (3.1 GW Gas)	Connecticut, Illinois, Kentucky, Virginia	Citi, Morgan Stanley (seller), Credit Suisse, Goldman Sachs (buyer)	A fund managed by LS Power sold the assets to a group of institutional investors through Gridiron Generating, a partnership also controlled by LS Power, in a transaction that closed on May 15 (PFR, 5/22).
Morgan Stanley	NaturEner USA (399 MW Wind)	Montana		Morgan Stanley has begun marketing NaturEner, which owns development wind assets in Alberta as well as the 399 MW operational wind portfolio in Montana (PFR, 5/15).
Northland Power	Portfolio (1,754 MW Gas, Solar, Wind)	Canada, Europe	CIBC, JP Morgan	Analysts expect the company to make an announcement on a potential sale of the company this quarter (PFR, 5/15).
Rockland Capital	Eagle Point Power Generating (238 MW Gas)	Westville, N.J.	Barclays	Rockland is still seeking a buyer for the project after agreeing to sell three others to The Carlyle Group in March (PFR, 4/3).
Terra Firma	EverPower Wind (752.25 MW Wind)	U.S.	Barclays, KeyBanc	Terra Firma is marketing the U.S. wind shop, whose assets also include an up-to-1,759 MW development pipeline (PFR, 3/6).
● VivoPower	NC-47 (33.8 MW Solar, 90%)	Maxton, N.C.		New Energy Solar Fund, an investment vehicle of Walsh & Co., closed its acquisition of a majority stake in the project on May 23 (see story, page 6).
York Capital Management Global Advisors	Idaho (54.6 MW DC Solar)	Ada County, Idaho	Whitehall & Co.	York Capital has mandated Whitehall to sell the project (PFR, 4/3).

● 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 Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@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
Acciona Energía México, Tuto Energía	Puerto Libertad (270 MW Solar)	Sonora, Mexico	Istituto de Credito Oficial, TBA	Debt	\$250M	18-yr	Two Mexican development banks, Spanish development bank Instituto de Credito Oficial and a European commercial bank are lining up a loan for the project (PFR, 5/1).
Advanced Power	South Field (1.1 GW Gas)	Columbiana County, Ohio	GE EFS	Debt	TBA	TBA	GE EFS is left lead on the debt raise. Other joint lead arrangers will be selected later this year (PFR, 5/1).
AES Corp.	AES Southland (1.4 GW Gas, Battery Storage)	Los Angeles and Orange counties, Calif.	MUFG, JP Morgan, Citi	Term Loan	\$520M	C+7-yr	MUFG, JP Morgan, Citi are marketing the loan at Libor+175 bps (see story, page 1).
				Letter of Credit	\$300M	C+7-yr	
				Private Placement	\$1.4B	C+20-yr	
American Power Ventures	Renaissance (1 GW Gas)	Greene County, Pa.	Fieldstone (adviser)	Debt, Equity	\$900M		The sponsor has mandated boutique investment bank Fieldstone Private Capital Group to raise debt and equity for the project (PFR, 4/17).
Calpine Corp.	Washington Parish (360 MW Gas)	Washington Parish, La.	TBA	Construction loan	TBA	TBA	Calpine plans to finance the project with debt that will be repaid upon sale of the project to Entergy Louisiana (PFR, 5/8).
The Carlyle Group	Elgin (844 MW Gas)	Elgin, Ill.	GE EFS (lead), Investec (lead), CIT Bank, SunTrust	Debt	\$280M	7-yr	The debt will back The Carlyle Group's acquisition of the portfolio (PFR, 5/22).
	Rocky Road (349 MW Gas)	East Dundee, Ill.					
	Tilton (180 MW Gas)	Tilton, Ill.					
Cheniere Energy	Corpus Christi (LNG)	San Patricio County, Texas	RBC	High Yield	\$1.5B	10-yr	The sponsor priced the high yield bond to refinance bank debt associated with the project on May 15 (PFR, 5/22).
EDP Renewables North America	Meadow Lake V (100 MW Wind)	White County, Ind.	BNY	Tax Equity			BNY Mellon is investing tax equity in the three projects (PFR, 5/22).
	Redbed Plains (99.1 MW Wind)	Grady County, Okla.					
	Quilt Block (98 MW Wind)	Lafayette County, Wis.					
Iberdrola	Topolobampo III (766 MW Gas)	Sinaloa state, Mexico	TBA	TBA	TBA	TBA	Iberdrola is close to mandating banks to finance the project's construction (PFR, 4/3).
LS Power	Gridiron Generating (3.1 GW Gas)	Virginia, Illinois, Kentucky, Connecticut	MUFG	Term Loan	\$590M	7-year	The term loan has been increased from \$500M to \$590M after it was oversubscribed (see story, page 7).
			Goldman Sachs	Private Placement	\$460	10-year	
LS Power	Aspen Generating (1.5 GW Gas, Hydro)	Pennsylvania, Virginia	ING, BNP, Citi, MS	Term Loan	TBA	7-yr	The deal will finance LS Power's acquisition of the assets from FirstEnergy Corp. (PFR, 5/22).
			TBA	Private Placement		TBA	
LS Power	Armstrong (753 MW Gas)	Schelocota, Pa.		TBA	TBA		The deal will finance LS Power's acquisition of the assets from Dynegy (PFR, 5/22).
	Troy (770 MW Gas)	Luckey, Ohio					
NextDecade	Rio Grande (LNG 27 mtpa), Rio Bravo (137-mile pipeline)	Brownsville, Texas	Macquarie Capital, Société Générale	Debt, Equity	TBA	TBA	The debt-to-equity ratio is expected to be approximately 55%-45%, with some 20 to 25 banks participating (see story, page 6).
NRG Energy	Carlsbad (632 MW Gas)	Carlsbad, Calif.	AIG	Private Placement	\$407M	21.4-yr	AIG led a group of investors following an auction process (see story, page 6).
			Crédit Agricole, MUFG	Term Loan	\$219M	C+10	Price talk on the fully-amortizing bank tranche is Libor+167.5 bps. (PFR, 4/24).
Quantum Utility Generation	Moundsville (643 MW Gas)	Marshall County, W.Va.		Debt	TBA		Quantum could launch a debt financing for the project this year (PFR, 2/6).
			BNP Paribas	Equity			
SolarPack	Pozo Almonte I, Calama Solar I and Puerto Seco (10.5 MW)	Atacama, Chile	TBA	Loan	\$104M	TBA	The company has signed a \$104 million package of syndicated and bilateral loans will partly finance the project (see story, page 6).
Swift Current Energy	HillTopper (175 MW-200 MW Solar)	Logan County, Ill.		Debt, Tax Equity	TBA		The sponsor plans to finance the project with debt and tax equity (PFR, 2/13).

New or updated listing

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To report updates or provide additional information on the status of financings, please call Managing Editor Olivia Feld at (212) 224-3260 or e-mail olivia.feld@powerfinancerisk.com

Sponsors Face Tougher Debt Terms After Mixed PJM Auction Results

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at \$76.53/MW-day in the auction for service years 2020 to 2021, as a particularly challenging area. Last year, capacity cleared in the region at \$100/MW-day.

The clearing price in the MAAC region was also down, at \$86.04/MW-day, while other parts of the market, such as EMAAC, Comed

also in New York. “\$80 to \$90 [per MW-day] might have been a long-term stress case for RTO 24 hours ago. I think that’s obviously going to need somewhat of a haircut to \$76 now.”

“That’s going to be a direct hit to debt capacity for commercial bank lenders.”

LEVERS TO PULL

Sponsors with projects in RTO will therefore either have to agree to less aggressive terms for debt financings in the commercial bank market or seek to raise more debt in the institutional market, say deal watchers.

“There are a number of levers that sponsors can pull to make the loan more attractive to market participants,” says Investec’s Cho. “It could be more equity, a lower balloon, more sweeps or maybe higher pricing. I’m not saying we’ll need all of those things, but sponsors are going to have to modify the structure of the loan.”

Jefferies expects term loan B financings to make up an increasing portion of financing activity for new combined-cycle plants in the region, according to a report produced by its power, utilities and renewables team, which notes that this will mean a higher cost of capital.

“You’re looking at a world where, for projects that are economic but can’t get as much

leverage as they would like, there is room for the institutional market to step in,” says Phillips, adding: “It’s also good for junior capital”.

For projects located in the regions where pricing held firmer, such as Comed, financing terms are likely to remain unchanged,

“You’re looking at a world where, for projects that are economic but can’t get as much leverage as they would like, there is room for the institutional market to step in.”

“That’s going to be a direct hit to debt capacity for commercial bank lenders.”

and DEOK, suffered less.

“The RTO number is tough,” says **Ralph Cho**, co-head of power and infrastructure finance at **Investec** in New York. “Sponsors will have to be more creative to clear the market.”

The impact of the lower-than-expected prices on how commercial banks view the market will lead to a decrease in bank market debt capacity and could see some lenders sidelined, say deal watchers.

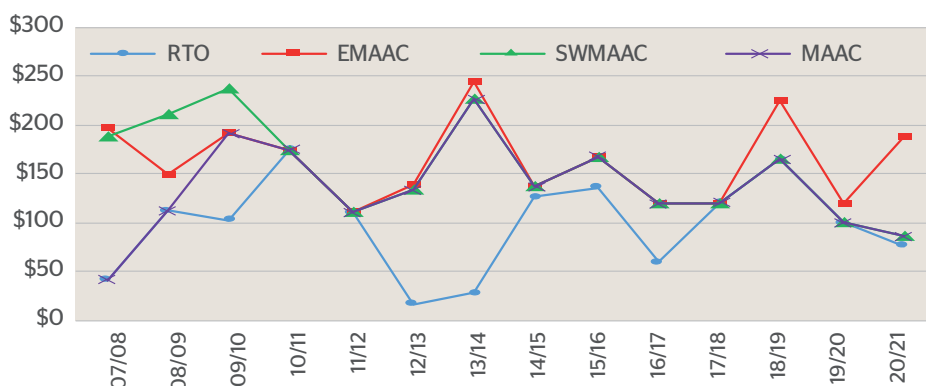
“There will be a reset on some of the commercial bank downside cases for capacity,” says **Kevin Phillips**, m.d. and global joint head of power and utilities at **Jefferies**,

say deal watchers.

“The Comed pricing levels will help our financing for Carlyle,” says Cho, referring to an acquisition finance loan that Investec and **GE Energy Financial Services** are marketing for **The Carlyle Group**. “The strong capacity payments create an opportunity to upsize the loan.”

The loan was being marketed last week as a \$280 million seven-year loan with pricing at 325 basis points over Libor (PFR, 5/16). ■

PJM Capacity Auction Clearing Prices(\$/MW-day)



Source: PJM Interconnection

2020/2021 Capacity Cleared & Resource Clearing Prices

Zone	Base Residual Auction	
	Total Resources Cleared for PJM LSEs (MW)	Resource Clearing Price (\$/MW-day)
RTO *	165,109.2	\$76.53
MAAC	65,817.9	\$86.04
EMAAC	29,608.2	\$187.87
SWMAAC	10,354.4	\$86.04
PS	5,097.2	\$187.87
PSNORTH	2,975.4	\$187.87
DPLSOUTH	1,647.2	\$187.87
PEPCO	5,918.6	\$86.04
ATSI	9,925.1	\$76.53
ATSI-CLEVELAND	1,857.9	\$76.53
COMED	23,960.3	\$188.12
BGE	2,296.9	\$86.04
PL	10,345.0	\$86.04
DAYTON	1,527.1	\$76.53
DEOK	2,430.3	\$130.00

* RTO resources include resources from External Source Zones.

Source: PJM Interconnection

● PROJECT FINANCE

Starbucks Takes First Sip of Tax Equity

U.S. Bank has completed the syndication of a tax equity deal to a debut investor—**Starbucks Corp.**

The Seattle-based coffee company is acquiring more than 50% of the tax equity interests in **New Energy Solar's** 47 MW NC-47 project in Maxton, N.C., from the Minneapolis-based bank. The combined investment totals \$28.5 million (PFR, 3/28).

Starbucks has been weighing a utility-scale solar tax equity investment since at least 2015, says a deal watcher. "It's interesting to see them pull the trigger," he says.

"It's something that they've

made a priority of at the corporate level," says a second deal watcher, predicting similar deals in the future.

Tax equity investors that are new to the market often try to learn by initially "piggybacking" on deal struck by a more experienced investor, notes **Keith Martin**, partner at **Chadbourne & Parke** in Washington, D.C.

Starbucks was one of 12 companies identified by Chadbourne as potential tax equity investors in a 2015 webinar.

New Energy Solar, a fund managed by North Sydney-based **Walsh & Co.**, acquired a 90% stake in the NC-47 proj-

ect from VivoPower in a deal that closed on May 23, **Carl Weatherley-White**, cfo of VivoPower in New York, tells *PFR*. White declined to disclose the purchase price. The deal was reached last year (PFR, 10/28).

CohnReznick advised VivoPower on the initial tax equity investment.

The project, which came online earlier this month, has a 10-year power purchase agreement with **Duke Energy Progress**.

Representatives of Starbucks in Seattle and U.S. Bank in Minneapolis did not respond to inquiries. ■

SolarPack Secures Funding for Chilean Expansion

Spain's SolarPack has signed \$104 million of syndicated and bilateral loans, partly to finance three solar projects in the Atacama desert in northern Chile.

A syndicate of Chilean banks provided \$35 million of financing. The three projects, which each generate 10.5 MW, consist of the Pozo Almonte I, which has been operational since 2015, Calama Solar I, which came online in March this year, and Puerto Seco, which is due online in June.

The energy produced will go into Chile's northern energy grid.

As well as the Chile financing, SolarPack received \$69 million in funding from a single financial institution in India to finance six solar projects in the south Asian country.

The dual trade "is a new milestone for the company, which is moving forward in its plans to increase its international presence and deepen the local experience of those markets in which it operates," said m.d. **Pablo Burgos**, managing director of SolarPack in a statement earlier this month.

The company, alongside Chile's **National Copper Corp.** launched South America's first industrial power plan in 2012, according to SolarPack.

SolarPack says its planning to expand into America with solar projects ranging from community projects to "those aimed at large businesses," says the statement.

When contacted by *PFR*, SolarPack declined to name the banks providing the financing. ■

Details Emerge on Private Placement for Carlsbad

NRG Energy placed a \$407 million private placement with a group of investors led by a large U.S. insurer as part of the financing for its Carlsbad Energy Center in California, *PFR* has learned.

American International Group was selected as the lead investor following an auction process, say deal watchers, who add that the insurance company bought between \$60 million and \$70 mil-

lion of the notes.

Priced at 4.12%, the debt has a final maturity of 21.4 years and begins amortizing in the eleventh year, with an average life of 16.4 years.

The private placement also features a delayed draw feature which means that it will be partially funded this month with a second funding scheduled for September.

MUFG and **Crédit Agricole** arranged the financing for the 632 MW contracted gas-fired project, which also included a construction-plus-10-year bank loan priced at 167.5 basis points over Libor (PFR, 4/19).

NRG is building the project on the site of its 964 MW Encina gas-fired project in Carlsbad, which is slated for retirement this year. The new facility has a 20-year power purchase agreement with **San Diego Gas & Electric**.

Spokespeople for AIG, Crédit Agricole and MUFG in New York and NRG in Princeton N.J., either declined to comment or did not respond to inquiries. ■

NextDecade LNG Financing Takes Shape

Details have begun to emerge of NextDecade's plans to finance the Rio Grande LNG export project at the Port of Brownsville in Texas and its associated 137-mile Rio Bravo pipeline.

The debt-to-equity ratio of the project is expected to be approximately 55% to 45%, deal watchers told *PFR* on the sidelines of the **Platts Northeast Power & Gas Markets Conference** at the New York Marriott Downtown

on May 22.

Société Générale and **Macquarie** are advising NextDecade on the financing (PFR, 5/3).

Banks have started lining up for arranger roles for the project debt, and some 20 to 25 institutions are expected to participate.

The project, which is expected to include up to six liquefaction trains with nominal output capacities of 4.5 million tons per annum, is awaiting permitting.

Representatives of NextDecade in The Woodlands, Texas, and Société Générale and Macquarie in New York were not immediately available for comment. ■

PROJECT FINANCE ●

Moody's Downgrades Lonestar Term Loan B

Moody's Investors Service has lowered the credit rating of **Lonestar Generation**, a **Blackstone** portfolio company that owns a group of merchant gas-fired projects in Texas, but says that sales into Mexico are beginning to buoy the company's finances.

Moody's downgraded Lonestar from B1 to B2 on May 22, citing "persistently weaker than anticipated cash-flow and lack of any appreciable deleveraging in the highly volatile and weak **ERCOT** market."

Tough conditions in **ERCOT** have put pressure on several generation assets in Texas recently, including **Panda Power Funds'** Temple I project, which filed for bankruptcy in April (PFR, 4/19).

Meanwhile, **Exelon Corp.** is attempting to sell a distressed portfolio of gas-fired assets it owns in the state, after hiring **PJT Partners**

as a restructuring adviser and negotiating an agreement with the projects' lenders (PFR, 5/4).

'ANEMIC'

Lonestar's debt service coverage ratio for 2015 and 2016 was about 1.0 times, says Moody's, which blames "extremely weak power pricing" in **ERCOT** for the portfolio's "anemic historical performance".

The rating agency says the outlook for the portfolio's \$656 million term loan B and \$50 million revolving credit facility remains negative, but sees potential at the 535 MW **Frontera** project, which sells its output at the **Reynosa** node across the border in Mexico.

"Despite today's rating downgrade, Moody's expects that Lonestar is nearing a turn-around

in its financial profile," wrote credit analysts **Charles Berckmann** and **A.J. Sabatelle**, noting that prices at the **Reynosa** node averaged around \$41/MWh on an around-the-clock basis during the first four months of the year, around 80% higher than the price on the same basis in the **ERCOT** South region.

Even if the Mexican market performs as expected, however, Moody's estimates that more than 60% of the Lonestar term loan will remain outstanding when it matures in 2021.

"Given the lack of appreciable debt reduction the past two years, owing in large part to the excess supply in **ERCOT**, refinancing risk remains elevated," wrote the analysts.

S&P Global Ratings downgraded the portfolio from B+ to B, with a stable outlook, in November.

A spokesperson for **Blackstone** in New York did not respond to a request for comment by press time. ■

FAST FACT

1.0x

Lonestar's DSCR for 2015 to 2016, according to Moody's.

LS Power Upsized Gridiron Loan

LS Power increased the size of the bank loan for a more-than-3 GW quasi-merchant gas-fired portfolio known as **Gridiron** Generating in response to strong demand, *PFR* has learned.

The seven-year term loan was initially marketed as a \$500 million transaction, but it was increased to \$590 million after it was oversubscribed.

Crédit Agricole, **GE Capital**, **ICBC**, **ING** and **NordLB** were the bookrunners on the bank loan tranche of the deal, alongside **MUFG**, which led on the financing as previously reported.

Baring, **BMO**, **BNP Paribas**, **CoBank**, South Korean lender **KEB Hana Bank** and Israeli insurance company **Migdal** were co-lead arrangers on the deal, while **Associated Bank**, **CIT Bank**, **IFM Investors** and **Sentinel Capital Partners** participated as lenders.

The deal also included a \$125 million five-year revolving credit facility. Pricing could not immediately be established.

The size of a simultaneous 10-year private placement tranche led by **Goldman Sachs** was reduced from \$550 million to \$460 million to keep the over-

all debt amount the same after the size of the term loan was increased.

Kroll Bond Rating Agency gave the private placement, which is *pari passu* with the bank debt, a **BBB-** rating.

LS Power raised the debt to finance the acquisition of the-

7 portfolio by a partnership it controls, called **Gridiron Generating**, from a fund it manages, **LS Power Equity Advisors II** (PFR, 5/18).

The financing and acquisition closed simultaneously on May 15. **LS Power's** New York-based cfo, **Joe Esteves**, and spokespeople for the bookrunners either declined to comment or did not respond to inquiries. ■

MERGERS & ACQUISITIONS ●

Enel Ups Stake in Oklahoma Wind Project

Enel Green Power North America is increasing its stake in an Oklahoma wind project it co-owns with **GE Energy Financial Services**.

A subsidiary of the developer, **Enel Kansas**, will increase its shareholding in the 108.8 MW **Drift Sand** project in **Grady, Okla.**, to 50% from the 35% managing interest it now owns.

The purpose of the deal is to bring each entity's ownership of the project, which is held in the joint venture **EGPNA Renewable Energy Partners**, in line with the other assets in the j.v., which are owned 50-50 (PFR, 10/20).

Enel will remain the managing stakeholder.

MUFG invested tax equity in the project in a deal that closed in Jan-

uary and later syndicated 49.01% of the tax equity shares to **Citizens Bank** (PFR, 1/6, PFR, 9/29).

Drift Sand has a 20-year power purchase agreement with **Arkansas Electric Cooperative Corp.**

Representatives of Enel in **Andover, Mass.**, were not available for comment. A spokesperson for **GE EFS** in **Stamford, Conn.**, declined to comment. ■

● MERGERS & ACQUISITIONS

Ares Seeks Buyer for Coal-fired Quartet

Ares-EIF has put a portfolio of contracted coal-fired assets in New Jersey, West Virginia and Arkansas on the block.

The projects are the 262 MW Carneys Point project in Carneys Point, N.J., the 219 MW Logan project in Logan Township, N.J., the 670 MW Plum Point facility in Osceola, Ark., and the 62 MW Morgantown waste coal-fired plant in Morgantown, W.Va.

Funds controlled by Ares-EIF own 60% of the Carneys Point project, 100% of Logan, 34% of Plum Point and 65% of Morgantown. The stakes represent a combined 644 MW interest in the 1.2 GW portfolio.

The co-owners of Carneys Point, Plum Point and Morgantown may also be willing to sell their stakes, according to a teaser seen by *PFR*.

Citi is advising Ares-EIF on the sale, and the bank began marketing the portfolio in late April. Bids are due in the first week of June.

NINETIES PRICES

While the type of generation limits the potential audience for the assets, the rich contracts, most of which were signed in the 1990s, when power prices were much higher, will appeal to potential buyers that are comfortable with owning coal-fired plants, says a deal watcher, adding: "There is a universe of buyers—private equity or infrastructure—that are able to take a rational view."

The portfolio makes between \$590/MW-day and \$900/MW-day under the terms of its various offtake contracts, according to the teaser.

The oldest of the projects, the Morgantown waste coal-fired plant, has been online since 1992 and has an offtake contract with **Monongahela Power Co.** that expires in 2027. The facility also sells steam to **West Virginia University** under a contract of the same length.

The Chambers and Logan projects have been online since 1994 and are almost fully contracted until 2024 with **Atlantic City Electric Co.** The two New Jersey projects also have steam offtake contracts which expire in 2024. **The Chemours Co.** buys the steam from Chambers while **Valtris Specialty Chemicals** is the steam offtaker for Logan.

The newest of the four plants, Plum Point, which has been online since 2010, is contracted with several offtakers, including **Cooperative Energy**, **Empire** and the **Missouri Joint Municipal Electric Utility Commission**, until 2040. The contracts cover about 80% of the project's output.

The projects are fitted with emission control technology, and no material capital expenditure is expected to be required to comply with environmental regulations, according to the teaser.

LEVER UP!

All of the projects have project finance debt in place, but a buyer could add leverage at the holding company level, the teaser notes.

Energy Investors Funds refinanced the Logan and Carneys Point projects in 2014 and the Morgantown project in 2016 with amortizing, tax-exempt revenue bonds.

The Logan project issued \$63.8 million of 10-year bonds and the Carneys Point project \$5.2 million of five-year and \$113.6 million of nine-year bonds in April 2014. The Morgantown project came to the market in July 2016 with a \$51.65 million 10-year offering.

Moody's Investors Service rates the bonds of the Logan project Ba1 and those of the Carneys Point and Morgantown projects Baa3.

The Plum Point project was refinanced when it was under construction in 2007 by its developer and then-majority owner **LS Power**. The refinancing consisted of an \$817 million 33-year loan, enhanced with a triple-A mono-line guarantee from **Ambac Assurance Corp.** **Royal Bank of Scotland**, the lead arranger, bought the entire deal, *PFR* reported at the time (*PFR*, 4/5).

Ares-EIF is offloading its stakes because the funds that hold them are reaching the end of their fund life, says the deal watcher. A spokesperson for Ares-EIF did not respond to a request for comment. An official at Citi in New York declined to comment. ■

InterGen to Quit Mexico As Debt Wall Approaches

Burlington, Mass.-based **InterGen** will soon launch a formal sales process for its Mexican businesses, marking the end of a 20-year venture into the country as the group looks to chop assets to tackle incoming debt maturities.

InterGen is one of the largest independent power producers in Mexico, with more than 2,200 MW in operation in the country.

The company has around \$1.8 billion of debt maturing between 2018 and 2023 via loans and bonds.

"InterGen's revolving credit facility will mature in June 2018 and its corporate debt facilities will start coming due approximately two years after that," a company spokesperson told *PFR* on May 24.

"The company's management and shareholders want InterGen to be a financially sustainable and healthy company, so addressing these maturities and right sizing the capital structure is a priority."

The spokesperson added: "They determined that the most practical way of achieving this is to divest the Mexico portfolio."

Ratings agency **Moody's Investors Service** warned in March 2016 that there was a high refinancing risk for InterGen's debt, should weak merchant power prices continue.

In total, six InterGen combined cycle gas turbine plants will be sold, including the 220 MW San Luis de la Paz plant and 155 MW wind farm Energia Sierra Juaraz, part owned with Mexican energy company **IEnova**. Both sites came online in 2015.

InterGen also owns three compression stations and a 40-mile gas pipeline in the country.

Bank of America Merrill Lynch and **Barclays** have been hired as financial advisors to oversee the sale. ■

MERGERS & ACQUISITIONS ●

Enel Runs Auctions to Exit Mexico and Panama

« FROM PAGE 1 development renewable generation assets in Mexico and **Morgan Stanley** to run a separate auction for its operational and development-stage renewable assets in Panama, including the country's largest hydro project.

Enel is moving to a 'build, operate and sell' model and plans to transfer ownership of the projects once they are online, add the deal watchers.

The auction of the Panamanian assets is in the early stages and solicitations have been sent to interested parties, says a deal watcher. The Mexico process is slated to be complete by the end of the year, adds another deal watcher.

The solar and wind assets in Mexico include development-stage assets which won power purchase agreements with the **Comisión Federal de Electric-**

idad in the most recent power auction (PFR, 4/20).

Enel Green Power México calls itself the largest renewables operator in the country with 728 MW of installed capacity and a further 1,282 MW under development.

The parallel sales process in Panama is for a stake in the 300 MW Fortuna hydro project and five solar projects in the Chiriquí and Coclé provinces totaling 42 MW, plus other renewable development assets.

An Enel subsidiary of Enel owns 51% of the Fortuna project, with the remaining 49% owned by the Panamanian government.

The Panamanian solar projects include the 5 MW Caldera Solar and 8 MW Sol de David projects in Chiriquí and the 11 MW Sol Real, 10 MW Milton Solar and 8 MW Vista Alegre facilities in Coclé in central Panama.

"As part of 2017-2019 strategic

plan announced in November last year, the Enel Group disclosed its new 'build, sell and operate' business model for renewables," a spokesperson for the company tells *PFR* from Rome, while declining to comment on Panama, saying that "nothing specific has been defined yet."

The M&A market in Latin America has heated up recently, with a number of independent power producers announcing portfolio sales, including most recently **InterGen**, which is looking to exit Mexico entirely, and **Cemig**, which is seeking to sell assets in Brazil (see story page 8, PFR, 5/18).

Enel's fully contracted assets are likely to appeal to pension funds and sovereign wealth funds, among others potential buyers, says a deal watcher.

Spokespeople for Goldman Sachs, Morgan Stanley and BBVA declined to comment. ■

ORIX Files for Acquisition of Ormat Stake

Japanese conglomerate ORIX has filed with the U.S. **Federal Energy Regulatory Commission** for its acquisition of a 22.1% stake in geothermal developer **Ormat Technologies**.

ORIX will acquire approximately 11 million shares of Ormat common stock from Israeli private equity firm **FIMI Opportunity Funds** and family fund **Bronicki Investments** for \$627 million under the terms of the deal.

Ormat owns a 727 MW portfolio of geothermal assets located in the U.S., Guatemala, Guadeloupe and Kenya. As a result of the deal, the company will have exclusive rights to develop, own, operate and provide equipment for all of ORIX's geothermal projects outside of Japan.

ORIX owns biomass, geothermal, solar and wind assets throughout Asia and holds interests in the 17.5 MW Nevada Valley Solar Solutions II photovoltaic project in Nye County, Nev., as well as interests in several assets in the northeastern U.S. totaling 22.8 MW.

Reno, Nev.-based Ormat also owns solar storage company **Viridity Energy**.

ORIX's relationship with financiers in Asia will assist will assist Ormat with future project financings, Ormat ceo **Isaac Angel** said on an earnings call earlier this month.

Representatives of Orix, in New York, and Ormat, in Reno, did not respond to requests for comment. ■

STRATEGIES ●

NRG, GenOn Outline Potential Restructuring Deal

« FROM PAGE 12 \$1.83 billion of GenOn Energy notes and \$695 million of GenOn Americas Generation notes.

The proposed restructuring would involve the issuance of \$700 million of new notes.

While the GenOn noteholders would take ownership of the subsidiary under the terms of the tentative agreement, the holders of the GenOn Americas Generation notes would receive 92% of the face value of their investments plus accrued interest. An exit facility will be raised to pay the interest.

NRG has agreed to provide at least \$243 million as part of the

settlement, rising to \$261.3 million if more than two-thirds of the holders of both series of notes support the proposed term sheet underpinning the deal.

As of May 22, 39 institutions had signed the consent agreement, representing the holders of about 60.6% of the GenOn notes and more than two-thirds of the GenOn Americas Generation notes.

The parties to the deal intended to hammer out a comprehensive restructuring support agreement by May 26, when a mutual cooperation agreement between them expired.

A group of six investors that own

27% of the GenOn notes is opposing the deal and has made a series of three alternative proposals, none of which have been accepted by NRG and GenOn.

"We await final approval terms but believe the restructuring will significantly limit NRG's risks and exposure to GenOn," wrote **Daniel Fox** and **Ross Fowler**, equity analysts at **Barclays**, in a note circulated on May 23.

NRG acquired GenOn in 2012, and the subsidiary accounts for just over 35% of NRG's generation portfolio, with 16.7 GW of merchant generating capacity.

Representatives of NRG in Princeton, N.J., and Ducera in New York declined to comment. An official at Rothschild in New York could not be reached by press time. ■

● PFR'S DEALS AND FIRMS OF 2016

FINANCIAL ADVISERS OF THE YEAR

Financial Adviser of 2016 for Asset M&A

Marathon Capital

Financial Adviser of 2016 for
Conventional Generation M&A

Whitehall & Co.

Financial Adviser of 2016 for
Renewables M&A

**CohnReznick Capital &
Marathon Capital (tie)**

Financial Adviser of 2016 for
Latin America Asset M&A

Bank of America Merrill Lynch

Financial Adviser of 2016 for
Tax Equity Deals

CohnReznick Capital

INDIVIDUALS OF THE YEAR

Project Finance Banker of 2016

Nuno Andrade, Santander

Sponsor Finance Official of 2016

Meghan Schultz, Invenenergy

Project Finance Attorney of 2016

**Amy Maloney, Latham & Watkins, &
Laurae Rossi, Milbank Tweed (tie)**

SPONSORS OF THE YEAR

Best Seller of Power Assets in 2016

Apex Clean Energy

Best Buyer of Power Assets in 2016

**C2 Energy (formerly C2 Special Situations
Group)**

Project Finance Borrower of 2016

EDF & Invenenergy (tie)

Yield Company of 2016

Pattern Energy Group

LENDERS OF THE YEAR

Project Finance Lender of 2016

MUFG

Project Finance Lender of 2016 for
Conventional Generation

MUFG

Project Finance Lender of 2016 for
Renewables

Santander

Tax Equity Investor of 2016

U.S. Bank

LAW FIRMS OF THE YEAR

Asset M&A Law Firm of 2016

Chadbourne & Parke

Project Finance Law Firm of 2016

Milbank Tweed



PFR'S DEALS AND FIRMS OF 2016 ●

DEALS OF THE YEAR**North America Power M&A Deal of 2016****NRG Energy's acquisition of a portfolio of distributed generation and utility-scale projects from SunEdison**

NRG swooped in to acquire a more-than-1.5 GW portfolio of utility-scale and distributed generation solar and wind projects from SunEdison in a bankruptcy court-run sale for its stalking horse bid of \$183 million. Interestingly, an auction never took place, suggesting that other parties either could not complete the due diligence process in time or decided not to. The portfolio comprised operational assets and projects at various stages of development in nine U.S. states.

One voter praised NRG's "quick execution on a strategic play," while another who voted for the deal said the SunEdison bankruptcy made it a "complicated" transaction.

North America Renewables Project Finance Deal of 2016**ArcLight Capital Partners' Leeward wind portfolio**

In July 2015, ArcLight Capital Partners agreed to acquire Sydney-based Infigen Energy's U.S. wind portfolio for \$257 million as the Australian sponsor prepared to exit the U.S. market (PFR, 7/16/15). Renamed Leeward by ArcLight, the portfolio comprises 18 mostly contracted, operating projects totaling 1,560 MW across nine U.S. states. ArcLight refinanced the assets in July 2016 with \$256 million of five-year, back-levered, senior secured debt from seven banks. The deal was structured to provide the sponsor with the flexibility to jettison or add projects and included a \$50 million accordion feature which was used later in the year.

One voter described the transaction as "emblematic," adding that it "serves as a blueprint for renewable portfolio financings going forward." Another said it was "the most innovative and complex of all the renewable transactions", and a third said it

"represented a unique approach."

Crédit Agricole and Santander were coordinating lead arrangers. KeyBank was joint lead arranger. Latham & Watkins advised the sponsor and Winston & Strawn advised the lenders.

North America Conventional Power Project Finance Deal of 2016**Invenergy Lackawanna**

The roughly \$1 billion debt financing for the 1,485 MW gas-fired Lackawanna project in Pennsylvania involved five-year fixed and floating-rate commercial bank loans and an eight-year fixed-rate privately placed note and attracted the participation of investors including South Korean funds. The transaction achieved a dry close in December, which a deal watcher notes was a difficult period amid post-election uncertainty in the U.S.

A voter described the deal as a "complicated financing, drawing on multiple investor pools".

BNP Paribas, GE Energy Financial Services and MUFG were the initial coordinating lead arrangers. Commonwealth Bank of Australia, ING Capital and Hana Financial were coordinating lead arrangers. Prudential Capital Group was institutional placement advisor. Lazard advised Invenergy on the equity raise. First Reserve provided equity financing. Latham & Watkins advised the sponsor, Milbank Tweed advised the lenders and Chadbourne & Parke advised First Reserve.

Latin America Power M&A Deal of 2016**I Squared Capital's acquisition of Duke Energy's Latin American assets**

I Squared Capital's ISQ Global Infrastructure Fund purchased Duke Energy's assets in six countries—Argentina, Chile, Ecuador, El Salvador, Guatemala and Peru. The portfolio comprises over 2 GW of coal-fired, gas-fired, hydro and oil-fired

assets, as well as transmission and natural gas processing facilities. The purchase price was \$1.2 billion, which included the assumption of \$350 million of debt.

Credit Suisse and JP Morgan advised Duke on the sale. Santander and Chadbourne & Parke advised I Squared and Deutsche Bank provided acquisition financing.

Latin America Project Finance Deal of 2016**Interchile's Cardones-Polpaico and Encuentro-Lagunas transmission lines**

In February 2016, Interchile, a subsidiary of Colombian state-owned utility ISA, inked a \$739 million 15-year loan from six banks to finance two transmission lines. The financing marks ISA's entry into the Chilean market and the project is intended to service growing demand in central and southern Chile and mining operations in the North.

BBVA advised Interchile on the financing and participated in the loan alongside BancoEstado, Crédit Agricole, MUFG, Natixis and SMBC. Milbank Tweed advised the lenders.

Americas LNG Project Finance Deal of 2016**Cheniere's Sabine Pass 'cross-over' bonds**

Cheniere Energy's Sabine Pass LNG project came to the public bond market as a 'cross-over' credit—i.e. an issuer with one investment grade rating and one sub-investment grade rating—for the first time in September, following an upgrade by S&P Global Ratings. Although the project's bonds no longer offer enough spread for some high yield accounts, the bookrunners had no trouble raising \$1.5 billion. High grade accounts had already begun buying the project's debt in June, before the S&P upgrade, when it issued \$1.5 billion.

Bank of America Merrill Lynch was the lead left on the June deal and Goldman Sachs led the September offering. ■

● CONFERENCE COVERAGE

Platts Northeast 2017: Panelists Clash on ZECs, Bemoan Pipeline Delays

The impact of nuclear subsidies on gas-fired generation and the difficulty of approving natural gas pipelines in New York state were hot topics at **Platts Northeast Power & Gas Markets Conference**, which was held at the New York **Marriott** Downtown on May 22 and 23.

Speakers on the first panel of the conference sparred over the value of zero emission credits for nuclear projects in New York, with advocates of ZECs arguing that a loss of nuclear generation would lead to over-reliance on gas-fired assets.

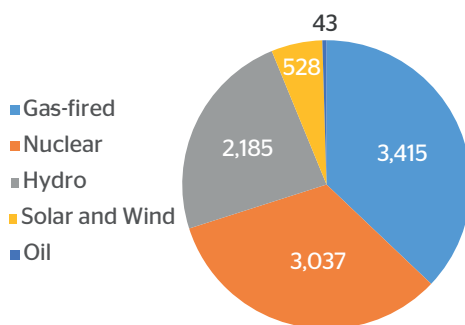
Michael Twomey, v.p., external affairs, at **Entergy Wholesale Commodities**, cautioned that, should natural gas prices spike, opposition to ZECs may prove to have been unwise.

"There are folks who say they [gas prices] will be low forever. Some of the same folks, back in 2006, said they would be high forever."

The topic is a pressing one in New York state, where the 2,069 MW Indian Point nuclear facility is scheduled to begin shutting down next year. While New York state has said it plans to replace the plant's capacity with non-carbon-emitting generation, market participants have questioned this proposition (PFR, 1/10).

"Chances are that a majority of retired nuclear generation will be replaced with gas-

New York Net Generation by MWh in 2017



Source: U.S. Energy Information Administration

fired plants," one conference attendee familiar with the New York market told *PFR* on the sidelines of the conference.

Among those opposing ZECs was **Gavin Donohue**, president and ceo of **IPPNY**, who spoke on the same panel as Twomey and criticized New York state's willingness to "pick winners and losers". Donohue characterized state intervention in the energy market as being "at an all time high".

New York has 5.4 GW of nuclear capacity at its four remaining projects, which make up approximately 30% of generation in the state (PFR, 8/16). A fifth facility, the 820 MW Shoreham nuclear plant, was decommissioned in 1989. A gas-fired project sits on the site of the former project in Suffolk County,

Long Island.

ZECs have been credited with helping to keep the Fitzpatrick nuclear plant afloat. The facility will stay open after Entergy sold it to **Exelon** earlier this year (PFR, 8/23).

AUX ARMES, INVESTORS!

Panelists criticized New York Gov. **Andrew Cuomo**, under whose watch the **New York State Department of Environmental Conservation** blocked construction of **National Fuel's** planned 97-mile Northern Access Pipeline, which would have carried natural gas derived from fracking in Pennsylvania to western New York state, and **Williams Companies'** 124-mile Constitution Pipeline, which would have carried natural gas from Pennsylvania to Vermont.

"Gov. Cuomo has basically dismissed all the significant projects in New York," said IPPNY's Donohue.

Dena Wiggins, president and ceo of the **Natural Gas Supply Association**, agreed, expressing exasperation that the New York projects have been tied up so long.

Speaking on a panel on May 23, Wiggins cautioned that delays in pipeline construction could create difficulty in transporting natural gas to New England gas-fired projects. She also urged industry participants with an interest in the construction of pipelines to make their voices heard.

"We can't sit on the sidelines and let the people who are protesting and the people who are organizing against these projects be the only voices that our local, state and federal regulators hear from." ■

● STRATEGIES

NRG, GenOn Outline Potential Restructuring Deal

NRG Energy and its subsidiary, **GenOn Energy**, have reached an agreement with a group of GenOn creditors that could pave the way to a consensual Chapter 11 restructuring.

On May 19, the culmination of five days of negotiations, the two companies and certain holders of bonds issued by GenOn and another

company in the group, **GenOn Americas Generation**, reached an agreement in principle that would result in the GenOn creditors taking ownership of the NRG subsidiary.

Rothschild is advising NRG on the restructuring, while **Ducera Partners** is advising the creditor group.

The details of the restructuring plan, which would eliminate more than \$2.5 billion of debt if implemented, were described in paperwork NRG filed with the U.S. **Securities and Exchange Commission** on May 23. The debt to be restructured comprises **PAGE 9 »**

● QUOTE OF THE WEEK

"There are a number of levers that sponsors can pull to make the loan more attractive to market participants. It could be more equity, a lower balloon, more sweeps or maybe higher pricing."

Ralph Cho, co-head of power and infrastructure finance at **Investec**, discussing the state of projects financings following May 23rd's PJM auction (see story, page 1).