

# Power Finance & Risk

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

By the publisher of GlobalCapital

## ● PROJECT FINANCE

### Alterra Project Nets Hedge, Nears Financial Close

**Alterra Power Corp.** has sealed a hedge contract for a Texas wind project and is planning to close financing soon. [Page 5](#)

## ● INDUSTRY CURRENT

### PJM Auction Results Demand Rethink

Low gas prices and demand depress MW/day prices, changing the game for all parties, writes **MUFG's Louise Pesce**. [Page 7](#)

## ● PEOPLE & FIRMS

### Blackstone's Klimczak to Head \$40B Infra Fund

**The Blackstone Group** has promoted **Sean Klimczak** to oversee its new Saudi-backed infrastructure vehicle. [Page 8](#)

## Wind-Focused Developer Preps for Sale

Olivia Feld

A California-based renewable project developer with a pipeline totaling over 6.6 GW of predominantly wind projects has mandated a financial adviser to sell the company, deal watchers tell *PFR*.

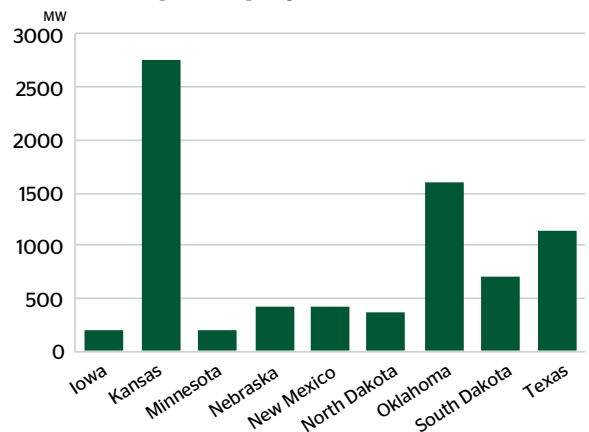
**Infinity Renewables** is looking for a new owner and is being advised on a sale process by Canadian bank **CIBC**, says a

deal watcher.

The company is one of a number of renewable project developers which is for sale, including wind project developer **Apex Clean Energy**, which has mandated **CohnReznick Capital** to find a strategic investor (*PFR*, 4/26).

"Infinity Renewables might be doing something similar to Apex. They're formalizing information [PAGE 2 »](#)

### Infinity Renewables portfolio of operational and development projects



Source: Infinity Renewables

## Construction to Begin on Wind Project Backed by Turbine Loan

Fotios Tsarouhis

Construction is due to start this year on one of several **Invenergy** wind projects that the sponsor qualified for the full production tax credit last year with a turbine loan.

The 300 MW project, called Santa Rita, is located in Reagan and Iron counties, Texas, and is slated to be online early next year.

**General Electric**, the parent company of one of the turbine loan providers, is supplying the project with 120 turbines as well as analytic and cyber

security software. The latter is part of an agreement announced last month under which **GE Renewable Energy** will provide cyber security for all of Invenergy's wind turbines.

**NordLB, Rabobank** and **GE Energy Financial Services** arranged the turbine loan of between \$125 million and \$200 million for Invenergy last year (*PFR*, 1/25).

The recourse loan is collateralized against a development pipeline of roughly eight or nine facilities and was priced at between 275 and 300 basis points over Libor, [PAGE 6 »](#)

## Texas Opens Door to PPAs with Public Bodies

Richard Metcalf

Government entities in Texas are able to purchase generation wholesale for the first time under a newly approved state energy contract, which could lead to a surge of renewable power purchase agreements in the state.

The statewide procurement division of the **Texas Comptroller of Public Accounts** awarded a four-year procurement and consulting services contract to Waco-based **Texas Energy Aggregation** on May 16, and several developers have contacted the consultancy firm about the possibility of securing off-takes for their projects.

Under the updated state energy contract, state agencies, municipalities, universities [PAGE 6 »](#)



## ● IN THIS ISSUE

### PROJECT FINANCE

- 5 | Alterra Signs Hedge Agreement for Texas Wind Project
- 5 | OPIC Audit Unlikely to Hamper Chile's Access to Capital
- 6 | Enel Secures Tax Equity for First Missouri Wind Project

### MERGERS & ACQUISITIONS

- 8 | Kansas Regulators Refuse to Reconsider Westar Deal
- 8 | Chilean Mining Company Offloads Solar Project
- 8 | Saeta Yield Enters Uruguay with Wind Purchase

### PEOPLE & FIRMS

- 8 | Blackstone Appoints Infra Head for Saudi-backed Platform

### INDUSTRY CURRENT

- 7 | PJM Auction Results Demand Rethink

### DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 5 | PowerTweets

## ● AT PRESS TIME

# Wind-Focused Developer Preps for Sale

« FROM PAGE 1

around a bunch of inbound interest they've got," an investment banker tells *PFR*.

Founded by CEO **Matt Riley** and COO **Derek Harding** in 2008, Infinity has developed, constructed and sold eight operational wind projects in five U.S. states—Kansas, Nebraska, New Mexico, North Dakota, and Oklahoma—according to its website.

The company, which typically develops, builds and sells projects, has sold facilities to purchasers including **Westar Energy**, **Nex-tEra Energy Resources**, **EDF** and **Exelon**.

Headquartered in Santa Barbara, Calif., Infinity was initially solely a wind platform called **Infinity Wind** but changed its name to reflect an expansion into solar project development. The shop has offices in Oakland, Calif., Denver, Colo., and Marshall, Minn.

The privately held company's present ownership and amount of equity for sale could not be determined by press time.

The company could appeal to institutional investors, which are increasingly acquiring development platforms, say deal watchers.

**AES Corp.** and **Alberta Investment Management Corp.** recently announced

that they were jointly acquiring renewable developer **sPower** from hedge fund **Fir Tree Partners**. The Salt Lake City-based independent power producer owns a portfolio of 1,274 MW of mostly solar projects that are either operational or under construction and a more than 10 GW development pipeline (*PFR*, 2/24).

"More than operating assets, we're seeing investors buying up pipelines. That seems to be where we're seeing even more activity—people buying up developers," says an asset manager.

One major investor in the renewable sector, **D.E. Shaw**, recently founded a solar project development arm to build utility-scale projects in the U.S. The private equity shop and its **D.E. Shaw Renewable Investments** arm have long been prominent names in project ownership and management, but up until this year the firm focused on acquisitions rather than origination (*PFR*, 4/17).

An email to Infinity was not returned and a spokesperson for CIBC in Toronto declined to comment.

*Additional reporting by Richard Metcalf.* ■

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## TELL US WHAT YOU THINK!

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

### CORRECTION

We would like to correct an error in *PFR*'s announcement last week of its Deals and Firms of the Year Awards. **Laurae Rossi**, one of the two project finance attorneys of the year, is a partner at **Winston & Strawn** in Los Angeles, not **Milbank Tweed**. Apologies for any confusion.

## GENERATION AUCTION &amp; SALE CALENDAR ●

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

## Generation Sale ■ DATABASE

Seller	Assets	Location	Adviser	Status/Comment
Antofagasta Minerals	Javiera (69.5 MW Solar, 40%)	Atacama, Chile		Actis platform Atlas Renewable Energy has acquired the stake in the project (see story, page 8).
Ares-EIF	Plum Point (670 MW Coal)	Osceola, Ark.	Citi	Bids for the portfolio are due the first week of June (PFR, 5/30).
	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.		
Apex Clean Energy	Portfolio (12 GW, mostly Wind)	U.S.	CohnReznick Capial	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 (PFR, 5/30).
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%)			
Corporación América, Grupo San José	Carapé I and II (95 MW Wind)	Maldonado Province, Uruguay		Saeta Yield has acquired both projects (see story, page 8).
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).
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 (PFR, 5/30).
	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 prepatation 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 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).
Infinity Renewables	Portfolio (6.6 GW Wind, Solar)	U.S.	CIBC	The company is for sale (see story, page 1).
InterGen	Portfolio (2,200 MW Gas, Wind)	Mexico		InterGen is planning to launch a sales process for its Mexican portfolio (PFR, 5/30).
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 (PFR, 5/30).
Westar Energy	6.4 GW (Coal, Gas, Wind)	Kansas, Missouri, Oklahoma	Guggenheim Securities (seller), Goldman Sachs (buyer)	The Kansas Corporation Commission has declined to reconsider a decision blocking the sale of Westar to Great Plains Energy. Whether the companies will seek approval for a revised deal is yet to be determined (see story, page 8).
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](mailto: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)	Deal Type	Loan Amount	Tenor	Notes
Acciona Energia México, Tuto Energia	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 (PFR, 5/30).
				Letter of Credit	\$300M	C+7-yr	
				Private Placement	\$1.4B	C+20-yr	
Alterra Power Corp.	Flat Top (200 MW Wind)	Comanche and Mills counties, Texas	TBA	Tax Equity	TBA		The sponsor plans to close financing for the project soon, having obtained a 13-year hedge (see story, page 5).
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).
Canadian Solar	IS-42 (73 MW Solar)	Bladen and Cumberland counties, N.C.	Prudential	Debt	\$92M	TBA	CohnReznick Capital advised the sponsor on the financing of the project, which has a 10-year PPA (PFR, 5/1).
			US Bank	Tax Equity			
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).
Enel Green Power North America	Rock Creek (300 MW Wind)	Atchison County, Mo.	BAML, JPM	Tax Equity	\$500M		Enel has secured a tax equity investment backing Rock Creek, its first wind project in Missouri (see story, page 6).
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 (PFR, 5/30).
			Goldman Sachs	Private Placement	\$460M	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)	Scheloceta, 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 (PFR, 5/30).
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 (PFR, 5/30).
			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	Moundville (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 (PFR, 5/30).
Sunlight Financial	Portfolio (Residential Solar)	U.S.	Technology Credit Union	Loan	\$500M		The financing will back the installation of approximately 20,000 solar systems (PFR, 5/30).
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).
Walsh & Co. (90%), VivoPower (10%)	NC-47 (47 MW Solar)	Maxton, N.C.	Starbucks	Tax Equity	>\$28.2M		The commitment represents Starbucks' maiden tax equity investment (PFR, 5/30).

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## PROJECT FINANCE ●

## Alterra Seals Hedge for Texas Wind Project

**Alterra Power Corp.** has signed a hedge agreement for a 200 MW Texas wind project and plans to close on the financing in the next few weeks.

**Citi** is providing a 13-year hedge for the project, which is called Flat Top and located Comanche and Mills counties.

Alterra's financing plan for the project includes tax equity and possibly also back leverage, a spokesperson for the company in Vancouver, British Columbia, told *PFR* in January (*PFR*, 1/6).

Whether the company was going ahead with the back leverage part of the plan could not immediately be established. The spokesperson did not respond to an inquiry by press time and **John Carson**, the company's ceo, was not available for comment.

The project's hedge provider, Citi, backed Alterra's first U.S. wind project, the 204 MW Shannon facility in Clay County, Texas, with a construction loan and tax equity in 2015.

**Santander** and **Royal Bank of Canada** also contributed to the construction loan,

while **Berkshire Hathaway Energy** co-invested tax equity alongside Citi (*PFR*, 7/1/15).

Alterra sold a portion of the Shannon project to **Starwood Energy Group Global**, and was looking at potential equity partners for the Flat Top project earlier this year.

**Vestas** is supplying the Flat Top project with 100 turbines and **Blattner Energy** is the engineering, procurement and construction contractor. The project is slated to be online in the first half of next year. ■

## OPIC Audit Unlikely to Hurt Chile Risk Appetite

An audit into loans approved by the **Overseas Private Investment Corporation** to Chilean solar projects that have since struggled is unlikely to hurt the country's access to funding for other generation deals, say project finance bankers.

The U.S. development finance institution is being audited by the **Office of Inspector General** for the **U.S. Agency for International Development** after loans totaling around \$890 million to three out of five projects in Chile financed by OPIC needed to be restructured, *Reuters* has reported. A spokesperson for OPIC did not respond to *PFR*'s request for comment.

Project finance bankers tell *PFR* that the problems will be con-

tained and will not have a knock-on negative impact to other potential deals in the country.

This is because the troubled solar project financings were based on an unusual merchant offtake structure, where instead of selling generation through the usual method of fixed-price contracts with third parties, the projects sell their output at the market spot price, which changes by the hour.

"Some people have been badly burned on the merchant deals," said a New York-based banker, who notes that commercial as well as development banks have been affected. "My understanding is that no one is going to do them anymore. Those who have not

been involved certainly wouldn't now."

A second banker said that he would "never" be able to get a merchant deal through his compliance office.

"We looked at it in 2013 and 2014 when they were first tabled," the banker added. "It's just too risky."

### HARD-TO-IMAGINE PRICES

Merchant solar financing became hugely popular in Chile in the early part of the decade while the price for power was high, but plunging prices have squeezed the industry.

In August of last year, Spain's **SolarPower** won an auction to sell energy for \$29.10/MWh, compared to an average spot price on the

Chilean grid in 2013 of \$112.3/MWh (*PFR*, 3/22/16).

"It's hard to justify making the risk model work on any level," said the second banker. "Though when these deals were signed, it was hard to imagine \$29."

Chilean solar plants that OPIC has financed include **First Solar's** 144 MW Luz del Norte facility in the Atacama desert, which OPIC put up a \$230 million investment guaranty for in June 2014.

In 2015, a group of four commercial banks provided a \$187 million loan to a 146 MW portfolio of two merchant solar projects (*PFR*, 9/3). **EDF Energies Nouvelles** and **Marubeni** joint sponsored the projects, called Laberinto Este and Laberinto Oeste. ■

## POWER TWEETS: REACTIONS TO U.S. PARIS AGREEMENT EXIT ●

**Elon Musk @elonmusk**

Am departing presidential councils. Climate change is real. Leaving Paris is not good for America or the world.

**Mike Bloomberg @MikeBloomberg**

.@BloombergDotOrg and partners will provide up to \$15M in funding the @UNFCCC stands to lose from Washington.



**Lloyd Blankfein @lloydblankfein**

Today's decision is a setback for the environment and for the U.S.'s leadership position in the world. #ParisAgreement

**Administrator Pruitt @EPAScottPruitt**

@POTUS Mr. President, your decision today to exit the #ParisAccord reflects your unflinching commitment to put the American people first.



● PROJECT FINANCE

# Texas Opens Door to PPAs with Public Bodies

« FROM PAGE 1 and school districts will be able to sign PPAs with individual renewables projects as another option alongside the retail agreements they have with utility companies.

“It will be one of the largest renewable energy buys that’s ever been done in Texas.”

“It will be one of the largest renewable energy buys that’s ever been done in Texas,” **T.J. Ermoian**, Texas Energy Aggregation’s founder and president, tells *PFR*.

The largest potential offtakers, in terms of power consumption, are the **Texas Department of Criminal Justice, Texas Department of Transportation, Texas Parks and**

**Wildlife and Texas Health and Human Services**, says Ermoian.

“The biggest sell for them is budget certainty,” he adds. “Over the past decade we’ve seen 200% to 300% fluctuations in the price of electricity in Texas.”

In order to secure this certainty, the public bodies are expected to seek power purchase agreements for terms of between 10 and 30 years. Those that are located in parts of the state that have not been deregulated are limited to contracts of up to 25 years.

The total capacity that will need to be procured is yet to be established, and is likely to grow as interest in the program spreads among smaller entities such as municipalities and schools.

Texas Energy Aggregation will ramp up the marketing of its wholesale procurement

services to cities, counties, school districts this summer to build up a pool of potential offtakers before launching a request for proposals, possibly next year.

The RFP is likely to be open to operational facilities that have uncontracted capacity and expansions of existing projects as well

“Over the past decade we’ve seen 200% to 300% fluctuations in the price of electricity in Texas.”

as entirely new facilities, says Ermoian.

Texas Energy Aggregation has procured generation for the State of Texas and other government entities since winning the previous procurement contract in 2011. ■

# Enel Seals Tax Equity for Missouri Wind Project

**Enel Green Power North America** has secured a tax equity investment from two banks for a 300 MW wind project in Missouri, the sponsor’s first such facility in the state.

**Bank of America Merrill Lynch** and **JP Morgan** are investing a combined \$365 mil-

lion of tax equity in the project, which is located in Atchison County and called Rock Creek.

The project requires a total capital expenditure of \$500 million, according to a statement issued by Enel on May 29. Whether the remaining \$135 million would be entirely financed

with sponsor equity could not immediately be learned.

Spokespeople for Enel in Rome and JP Morgan and BAML in New York declined to comment.

Enel began construction on the Rock Creek project in October and plans to complete the

facility by the end of the year.

Rock Creek will sell 180 MW of its output to **Kansas City Power & Light** and 120 MW to **KCP&L Greater Missouri Operations Co.** under two 20-year power purchase agreements. The PPAs also include renewable energy credits.

In their 2017 annual renewable energy standard compliance plans, both dated April 13, the two **Great Plains Energy** subsidiaries noted that they had entered into the PPAs “as a result of favorable economics” and not primarily in order to comply with state renewable energy standards. ■

# Construction to Begin on Wind Project Backed by Turbine Loan

« FROM PAGE 1 a project finance banker said at the time.

The Santa Rita project will sell its output to **Denton Municipi-**

**pal Electric** under a long-term power purchase agreement (*PFR*, 3/2). Whether Invenergy has secured a tax equity investor or plans to raise back lever-

age for the project could not immediately be established.

Representatives of Invenergy in Chicago did not respond to inquiries. ■

## Turbine Loans Signed Last Year

Sponsor	Invenergy	Pattern Development	Terra-Gen
Size	\$125M-\$200M	<\$100M	- \$75 million
Arranger/s	NordLB, Rabobank, GE Energy Financial Services	Siemens Financial Services, unidentified party	Rabobank

Source: *PFR* data

FAST FACT

250 GWh

Projected annual output of Rock Creek

## INDUSTRY CURRENT ●

# PJM Auction Results Demand Rethink

Continued low gas prices and depressed demand lower megawatt-per-day payments and change the game for all parties involved, writes **Louise Pesce**, m.d., project finance, at **MUFG**, in this week's Industry Current.

**PJM Interconnection** announced payment pricing in their May 23 capacity auction. The combination of inexpensive natural gas, coupled with stagnant load growth and higher energy efficiency, has pushed most prices well below expectations. For the 2020/2021 period, suppliers in the rest of the regional transmission organization (RTO) and Mid-Atlantic Area Council (MAAC) are set to receive \$76.53/MW-day and \$86.04/MW-day, respectively, which is well below the prices of \$80 to \$100 from last year's auction. Nevertheless, pricing in the more congested zones of Eastern Mid-Atlantic Area Council (EMAAC), ComEd, and Duke did break out positively.

Expectations were for RTO and MAAC prices to be low, but not this low. The impact of 100% capacity resource procurement by PJM seemed to be ignored by bidders in these two regions or suggests that they can manage capacity supply risks such that there was no pricing premium against the backdrop of the lower demand curve and environmental regulation easing.

In the face of lower margins and reduced revenue, project sponsors will reassess their equity returns under existing loan structures and may need to rethink their approach to new projects. The entire industry is set to take a brief, reflective pause. Sponsors, developers, and financiers must look at the results, understand the impact, and plot a course forward.

Both positive and negative changes call for innovation. These recent auction results beg the question: What will be the impact on new and existing PJM project financing? As of now, existing deal structures are holding up well despite the lower-than-forecast pricing.

It is likely that plants will continue being built or financed, although we may see a slowdown in new construction as banks revisit deal structures (with the potential for refinancing) to free up equity distributions though mergers & acquisitions. Deals may also transition from the bank market to the

institutional.

For the past four years, more than 15 financing transactions for quasi-merchant PJM gas-fired projects have closed in the bank or term loan B markets. The loan structures have followed similar formats, evolving to exhibit many of the following distinct characteristics:

To provide a level of cash flow certainty, lenders require an element of energy hedging through revenue put, heat rate call option, or cross-commodity hedge; the latter of which has been available for tenors of up to five years. This requirement is unlikely to change moving forward but the question remains: Are there sufficient hedge providers?

Other common terms for banks have been tenor (to match the hedge), pricing and repayment, where the ZIP code has been

**“Sponsors, developers, and financiers must look at the results, understand the impact, and plot a course forward.”**

Libor plus 325 basis points for bank deals with scheduled amortization of approximately 5% per annum.

Leverage and debt sizing have been the primary variants between deals depending on a project's location, capital costs, gas supply pricing, and hedging arrangements. Lenders spend most of their time with consultants preparing and analyzing cash flow forecasts, debt service coverage ratios (DSCRs) under a base case, sponsor case, and a plethora of other downside sensitivities. The ultimate goal is to ensure a comfortable closing debt level. This figure, which is usually expressed as \$/kW, is reduced to approximately \$350/kW to \$400/kW by loan maturity, or a slightly higher level in the term loan B market with comfortable DSCRs on the downside. Historically, this has yielded leverage between 50%

and 60%.

To account for variability in cash flows, debt reduction to the levels described above can be achieved with cash flow sweeps on top of scheduled amortization. The sweeps in term loan B deals are usually a fixed percentage, thereby providing guidance to the sponsors on the level of dividends that can be expected in a given scenario. For term loan A deals, the sweeps have been structured to achieve annual target debt balance levels based on assumptions for capacity prices.

Only the first few deals closed in the term loan A market incorporated this binary sweep. However, in early 2014, MUFG developed a dynamic sweep mechanism to monitor subsequently settled capacity prices. This sweep enhancement—known as the “Target B balance sweep”—has been incorporated into all successive term loan A deal structures. This treatment can require an up-to-100% sweep of the available cash to meet the lower target debt balances.

With capacity pricing for delivery years 2019/2020 and 2020/2021 having settled well below expectations and lenders' initial base case and downside forecasts, a number of the early PJM deals will be operating under the Target B balance sweep. Hence, sponsors will receive lower or no distributions.

If sponsors want some returns in the next three-to-five years—for existing deals caught in the Target B balance sweep zone—a refinancing into the term loan B market is one option. Alternatively, it is certainly possible that we will see more M&A activity as sponsors look to generate returns through asset sales. My advice for new dealmakers would be to focus on the main structural elements. Monitor a few of the components that may need alteration such as pricing increases, lowering leverage, or lower debt/kW at maturity. ■



Louise Pesce

## ● MERGERS & ACQUISITIONS

# Midwestern Utility Tie-up at Crossroads After Regulatory Ruling

The **Kansas Corporation Commission** has declined to reconsider its order denying approval for **Great Plains Energy's** \$12.2 billion acquisition of **Westar Energy**, leaving the Midwestern utilities to mull whether they should revise the terms of the deal or abandon it entirely.

The KCC rejected the two companies' merger in an April 19 order that stated that the proposed purchase price of \$12.2 billion (representing a total equity value of \$8.6 billion) was too high.

The utilities had intended to close the deal this spring.

The companies will explore the possibility of a revised transaction, according to a

joint statement issued on May 23. Should a new agreement emerge, Great Plains and Westar would have to begin the process of filing for regulatory approvals anew.

Great Plains, which is the holding company for utilities **Kansas City Power & Light** and **KCP&L Greater Missouri Operations**, agreed to acquire Westar in May 2016 (PFR, 5/31/16). An acquisition of Westar's 6.4 GW portfolio of coal-fired, gas-fired and wind projects would increase Great Plains' owned capacity to 13 GW.

**Goldman Sachs** advised, and arranged acquisition financing for, Great Plains, with **Guggenheim Securities** advising Westar. ■

# Chilean Mining Co Sells Solar Project Stake, Seeks PPA

Chile's **Antofagasta Minerals** has sold its 40% stake in a solar project in the north of the country and has also announced its first ever auction for a long-term power contract for its Minera Zaldívar copper mine.

The copper miner is selling its stake in the 69.5MW (DC) Javiera solar project to **Actis**-owned **Atlas Renewable Energy** as it attempts to cut costs and refocus on copper production. The Javiera project supplies

Antofagasta's Los Pelambres mine under a fixed-price power purchase agreement.

The financial terms of the sale have not been disclosed, though the company did say that it had renegotiated the price it will pay for the project's generation as part of the deal.

Meanwhile, the miner is set to launch its first ever tender for a long-term PPA for its Minera Zaldívar mine. The PPA will take effect in 2020. ■

# Saeta Yield Acquires First Uruguayan Assets

Saeta Yield has purchased two wind projects in Uruguay from **Corporación América** and **Grupo San José**.

The Madrid-based yield company, which is owned by **Grupo ACS**, **Bow Power** and **Global Infrastructure Partners**, acquired the Carapé I and II projects in a \$65 million deal that closed at the end of May.

The projects, which have a combined capacity of 95 MW, are located in Maldonado Province. Saeta Yield used funds from its balance sheet to finance the purchase.

The projects have dollar-denominated power purchase agreements that have an average remaining lifespan of 21 years with Uruguay's national utility **Administración Nacional de Usinas y Trasmisiones Electricas**.

The Carapé projects represent Saeta Yield's first acquisitions in Uruguay, though the yield-co is weighing the purchase of two additional projects, Kiyú and Vientos de Pastore, which total 98 MW, from ACS and Bow Power. Both Kiyú and Vientos de Pastore are on Saeta Yield's right of first offer list.

The **Inter-American Development Bank** led a group of lenders that included Montevideo, Uruguay-based **Banco de la Republica Oriental** and **World Bank** affiliate **International Finance Corp.** in a \$132.6 million debt financing for the projects in 2013 (PFR, 11/4/13, PFR, 5/15/14). ■

## ● PEOPLE & FIRMS

# Blackstone Appoints Head of Infra for \$40B Investment Platform

The **Blackstone Group** has promoted a senior m.d. with over a decade of experience in power to be head of its new Saudi-backed infrastructure vehicle.

**Sean Klimczak**, who is based in New York, has been appointed head of infrastructure for the business at Blackstone, having previously been a senior m.d. in the private equity group.

The 12-year veteran of the firm has experience working on a number of high-profile Blackstone portfolio investments, including **Che-**

**niere Energy** and the **Fisterra Energy** 252 MW Ventika wind project in Mexico. Klimczak is a director of Cheniere and sits on the company's executive committee. The Ventika project, which is claimed to be the largest wind farm in Mexico, has since been sold to **Infraestructura Energética Nova**.

Klimczak's move follows the announcement that Blackstone is launching a new \$40 billion standalone business dedicated to infrastructure, principally in the U.S. The **Public Investment Fund of**

**Saudi Arabia** has agreed to provide \$20 billion of anchor funding in a non-binding memorandum of understanding. **M. Klein and Co.** advised PIF on the strategic partnership.

Blackstone plans to hire an unspecified number of staff both internally and externally to work on the new vehicle, says a source.

The firm intends to raise a further \$20 billion of equity commitments from other investors. With these equity commitments and additional debt financing, the

firm expects to invest more than \$100 billion in infrastructure projects mainly in the U.S., the firm announced in a statement on May 20.

Prior to joining Blackstone in 2005, Klimczak was an associate at private equity firm **Madison Dearborn Partners**. Before that, he worked in the mergers & acquisitions department of the investment banking division of **Morgan Stanley**.

A spokesperson for Blackstone in New York declined to comment. ■