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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

AT PRESS TIME

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The Canadian developer has issued the convertible bond to refinance existing debt and fund acquisitions and projects. Page 2

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South Carolina Electric & Gas To Invite Solar Bids

The SCANA affiliate will seek PPAs as part of a plan to develop 84 MW of new solar capacity across South Carolina by 2020. Page 7

David Giordano

Q&A: David Giordano, BlackRock

BlackRock has been a driving force behind key M&A deals in the renewables space across the Americas. The New York-based investment manager joined hands with **First Reserve** to buy a stake in **PEMEX** and **IEnova**'s 462-mile Los Ramones II gas pipeline project in Mexico, earlier this year (PFR, 3/30). More recently, the company acquired a 90% stake in a pair of wind farms from Des Moines, Iowa-based sponsor **RPM Access** (PFR, 4/24). In this *PFR* exclusive, **David Giordano**, managing director at BlackRock, talks to *PFR* Managing Editor **Nischinta Amarnath** about the company's role in M&A transactions, the benefits of its partnership with **EDF Renewable Energy** and a burgeoning interest in investments involving greenfield renewable projects. Giordano also discusses the intrinsic risks renewables-focused project finance players face in Latin American markets like Brazil and Chile.

PFR: Tell me about the alternative investment group at BlackRock and your role there.

Giordano: BlackRock Alternative Investors is a division within the firm that focuses on less liquid or illiquid investments. BlackRock Alternative PAGE 9 »

PJM Auction Delay Puts Brake On Deals

Olivia Feld

A $900 million debt sought by **Moxie Energy** is the latest to emerge among several financings that are said to be unlikely to close until the delayed **PJM Interconnection** capacity auction for delivery year 2018/2019 takes place.

Moxie is talking to potential lenders about backing its 900 MW Freedom gas-fired project in Luzerne County, Pa.

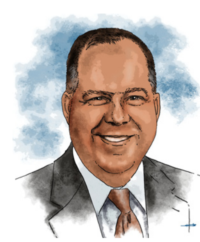
But financiers are expressing frustration at the slowdown in PJM deal flow, despite a high volume of projects in the market.

In April, the U.S. **Federal Energy Regulation Commission** granted PJM's request to delay May's base residual auction for delivery years 2018/2019, as FERC considers proposed amendments to market rules (PFR, 5/21). PJM submitted its capacity performance proposal to FERC in December 2014, and requested a decision by April 1 to have the changes in place prior to the May auction. With FERC's ruling still pending, PJM has requested that the auction be postponed until August, although an exact date is not fixed.

The delayed FERC ruling may result in a rush to seal deals at PAGE 5 »

Tennessee To Tee Up Power Bonds

Nischinta Amarnath



John Thomas, CFO

The **Tennessee Valley Authority** aims to snag up to $1 billion by issuing power bonds after summer, in part to refinance existing debt, and partly to finance a portion of two combined-cycle gas-fired assets totaling 1.7 GW — the roughly 850 MW Allen plant near Memphis, Tenn., and the 850 MW Paradise project in Drakesboro, Ky.

The facilities will cost $1 billion each PAGE 8 »

POWER UP: CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 11

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AT PRESS TIME

Boralex Sells Oversubscribed C$125M Convertible

Canadian renewables developer Boralex has issued a C$125 million ($100 million) five-year convertible bond to refinance existing debt, and fund acquisitions and capital projects.

The deal was oversubscribed, according to an official at one of the banks which underwrote the transaction.

National Bank Financial led the syndicate, which included **Bank of Montreal**, the **Canadian Imperial Bank of Commerce**, **Cormark Securities**, **Desjardins**, **Scotiabank** and the **Toronto-Dominion Bank**.

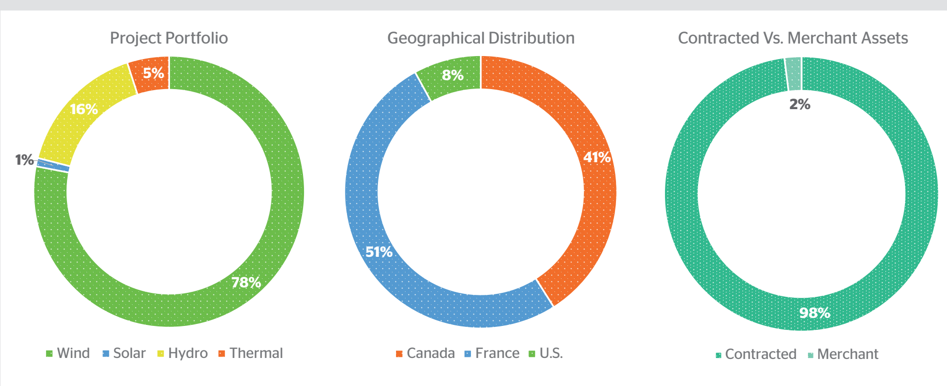
The banker could not confirm whether the syndicate had decided to exercise an over-allotment option of up to C$18.75 million ($15.1 million).

The bonds, which carry a 4.5% coupon, are convertible into Boralex' class A shares at a conversion price of C$19.60 ($15.7 million), representing a premium of about 40% on the share price on June 2, when the transaction was announced.

Boralex will use the proceeds of the issuance mainly to repay debts outstanding under its revolving credit facility. Some of the proceeds may also be used to redeem the company's existing 6.75% convertible bonds, which mature on September 30. The remaining portion will be used to fund acquisitions and capital projects.

The Kingsey Falls, Québec-headquartered company has a generation portfolio in excess of 1.1 GW, comprising wind, hydro, thermal and solar facilities across Canada, France and the U.S. ■

Boralex - Capacity Profile



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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 **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 isis 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).
● Caithness Energy	Long Island Energy Center (350 MW Gas)	Brookhaven, N.Y.	BNP Paribas	Caithness has taken first-round bids last week (see story, page 5).
● Clean Energy Future	Lordstown (800 MW Gas)	Lordstown, Ohio	Whitehall & Co.	The sponsor expects to wrap the deal by September (see story, page 6).
Community Energy	Butler (103 MW Solar)	Taylor County, Ga.		
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 Axium 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).
GCL Solar, SolarReserve	Portfolio (140 MW Solar)	California		Con Ed has acquired the portfolio (PFR 5/18).
Geronimo Wind Energy	Grand Prairie (400 MW Wind)	Holt County, Neb.		Berkshire Hathaway Energy subsidiary BHE Renewables is acquiring the portfolio (PFR, 6/1).
	Walnut Ridge (225 MW Wind)	Bureau County, Ill.		
	Portfolio (Capacity unknown, Solar)	Minnesota		
	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).
Invenergy	Sandringham (13 MW Solar)	Kawartha Lakes, Ontario		TerraForm Power has agreed to buy both assets (PFR, 5/25).
	Woodville (12 MW Solar)			
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).
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).
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		
Wind Capital Group	Post Rock (200 MW Wind)	Kansas		Pattern Energy Group bought a 60% stake. The deal has now closed (PFR, 5/25)
	Lost Creek (150 MW Wind)	Dekalb County, Mo.		Pattern Energy Group bought a 100% stake. The deal has now closed (PFR, 5/25)

● **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 Editor Richard Metcalf at (212) 224 3259 or e-mail richard.metcalf@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 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).
Apex Clean Energy	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).
● Clean Energy Future	Lordstown (800 MW Gas)	Lordstown, Ohio	TBA	TBA	TBA	TBA	The deal is expecetd to close in December (see story, page 6).
EDP Renewables North America	Rising Tree III (99 MW Wind)	Kern County, Calif.	JPMorgan	Tax Equity	TBA	TBA	The deal has closed (PFR, 6/1).
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, and 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).
Genesis Power, Energy Investor Funds	Keys (735 MW Gas)	Brandywine, Md.	Natixis, MUFG Union Bank	TBA	TBA	TBA	Price talk is 325bp over LIBOR (PFR, 5/25)
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	Buckeye (200 MW Wind)	Ellis County, Kan.	Morgan Stanley	Construction	TBA	TBA	The deal has closed (PFR, 5/25).
Invenergy	Lackawanna (1.3 GW Gas)	Lackawanna County, Pa.	TBA	TBA	TBA	TBA	Invenergy is in the market for debt (PFR, 5/18).
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).
● Moxie Energy	Freedom (900 MW Gas)	Luzerne County, Pa.	TBA	TBA	TBA	TBA	The project's construction costs are pegged at $900M (see story, page 1).
NTE Energy	Middletown (525 MW Gas)	Butler County, Ohio	BNP Paribas, Crédit Agricole	Debt	TBA	TBA	NTE Energy is in the market for debt. Each project is pegged at $400M+ (PFR, 6/1).
	Kings Mountain (475 MW)	Cleveland County, N.C.	MUFG Union Bank, ING	Debt	TBA	TBA	
Panda Power Funds	Hummel (1 GW Gas)	Snyder County, Pa.	TBA	TBA	TBA	TBA	The developer is considering a term loan B or other structure (PFR, 5/25)
Power Evolution	One project (40 MW Solar)	Utah	TBA	Term loan B, RCF	Up to $13M	10-yr	Deal expected to wrap in six months (PFR, 5/25)
	Three projects (30 MW Solar)	Louisiana, New Jersey, New York	TBA	TBA	TBA	TBA	
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).
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).

● New or updated listing

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

MERGERS & ACQUISITIONS

Caithness Sells L.I. Project Stake

Caithness Energy is selling a minority stake in the 350 MW Long Island Energy Center combined-cycle gas-fired project in Brookhaven, N.Y.

BNP Paribas is advising the New York-based independent power producer, which is looking to offload a 49% stake in the project, a deal watcher tells *PFR*, adding that first round bids were taken last week.

The baseload project went online in August 2009. The **Long Island Power Authority** has a 20-year power purchase agreement for 286 MW of the project's generation. The remainder of the generation is sold spot.

Citigroup arranged debt financing for the construction of the project. The financing package includes a $150 million loan, a letter of credit via a holding company and a $450 million private placement attached to the plant (PFR, 10/11/12), (PI, 4/5/07).

Caithness is developing another CCGT facility near the Long Island Energy Center. Construction of the 750 MW Long Island II CCGT plant in Yaphank is scheduled to begin later in 2015 and will be complete in 2018. Caithness' plans for financing the project could not be learned immediately.

Spokespeople for Caithness and BNP Paribas in New York either declined to comment or did not respond to inquiries. ■

PROJECT FINANCE

PJM Auction Delay Puts Brake On Deals

« FROM PAGE 1

the end of the year. "The capacity auction is in the air. That's put a little bit of uncertainty on when we can bring the project into the market," a sponsor with a project in PJM says. "It's not definite that we cannot finance the project before the decision is made, but most people would agree that it's probably better to see how the FERC ruling on the capacity auction will change," the sponsor adds.

There are four large-scale gas-fired facilities in PJM currently in the market for project financing:

- **Panda Power Funds'** 1 GW Hummel combined-cycle gas-fired project near Shamokin Dam in Snyder County, Pa. (PFR, 5/21),
- **Invenergy**'s 1.3 GW Lackawanna gas-fired project in Lackawanna County, Pa. (PFR, 5/13),
- **Moxie Energy**'s 900 MW Freedom gas-fired project in Luzerne County, Pa. (PFR 6/3) and,
- **NTE Energy**'s 525 MW Middletown CCGT project in Butler County, Ohio (PFR, 5/28).

FERC is due to rule on the proposals by June 9. If it approves the measures, the auction could go ahead as planned in August. But the regulator could instead decide to issue a set of questions, or schedule a hearing in several months' time. If there is a risk of the auction being further delayed, it is expected go ahead under existing rules, according to a PJM market watcher.

Sponsors developing projects in PJM will likely have to wait for the third or fourth quarter to seal financings, a financier tells *PFR*. But new projects would benefit under the revised market rules, making the delay worth the wait, the market watcher says. "Next week's order will be incredibly important. Frankly, it will be more important to project developers than the fact that they had to wait three months to realize the results of it," he adds.

However, not all sponsors are worried about financing for their projects being delayed. Advanced Power's 700 MW Carroll County Energy combined-cycle gas-fired project in Oregon, Ohio., sealed its financing in April without participating in the current auction, stresses a sponsor (PFR, 4/9). "It's a nuance. The capacity performance issue will get resolved satisfactorily, because if it isn't, the lights will probably go out in PJM," he adds.

The PJM proposals, which would apply to all capacity resources, incentivize projects which can be called upon on a "no excuses basis," the market watcher notes. Under the proposals, bonus payments would be awarded to resources that perform well in an emergency, such as wind projects. Sentence moved down from here. "If you're not performing there are very significant penalties. It wasn't all that clear in the existing capacity construction," the market watcher says, adding that PJM paid for capacity resources which were not online during the polar vortex power outages.

Sentence from above: The proposed changes are similar to ISO New England's pay-for-performance model, which was approved in large part by FERC in May 2014.

Although largely welcoming of the proposals, sponsors say that the changes may require increased lines of credit so that their projects meet new capacity criteria. "The upside of the FERC ruling in favor of the changes is that may drive up the capacity price auction results. It would certainly help to give us better economic benefits going forward. I think everybody who's an independent power producer is probably favoring that we do that, to make sure people put their money where their mouth is," a sponsor with a project in PJM tells *PFR*, adding that obtaining more credit is a significant hurdle for power plant producers. "But in the long term it's probably better because it makes sure that the markets function," he says.

Further revised capacity rules could soon be implemented in other U.S. regions, including New York ISO, according to the market watcher. "FERC have asked all the regional transmission organizations to address the fuel security performance issues. Every RTO has to file what they were doing to enhance generation performance," he says. "To me it's a signal that the status quo is not sufficient." ■

MERGERS & ACQUISITIONS

Mass. Sponsor Launches Lordstown Stake Sale

Clean Energy Future is selling an equity stake in its 800 MW Lordstown combined-cycle gas-fired facility in Lordstown, Ohio. The Manchester, Mass.-based sponsor is looking to retain a piece of the quasi-merchant project and is eyeing a financial close by September, a deal watcher tells *PFR*, adding that CEF will launch a debt financing to close the deal in December, once equity financing is in place. **Whitehall & Company** is advising CEF on the equity sale.

Lordstown has a five-year hedge and will be 60% to 70% merchant. The project is in the process of securing interconnection agreements with PJM. The sponsor anticipates receiving state and local authority permit approvals in October 2015. The project is due to be online in December 2018.

The sale is the latest in a spate of recent deals backing gas-fired projects in Ohio. In April, **Advanced Power** closed an $899 million joint debt and equity project financing for its 700 MW Carroll County Energy combined-cycle gas-fired project in Oregon, Ohio. **TIAA-CREF**, **Chubu Electric Power Company**, **Ullico** and **Prudential Capital Group** made equity commitments of $411 million for investments in the project (PFR, 4/9).

In November, infrastructure investor **I Squared Capital** bought an equity stake in **Energy Investors Funds**' 869 MW Oregon CCGT project, also in Oregon, Ohio (PFR, 11/17). Energy Investors Funds was acquired by a unit of **Ares Management** in January. **BNP Paribas** and **Crédit Agricole** led a $591.4 million debt financing in tandem with the equity raise for the gas-fired project (PFR, 10/30).

NTE Energy is currently in the market to raise debt for a pair of CCGT projects which will serve PJM. BNP Paribas and Crédit Agricole are joint book runners on a debt financing for the 525 MW Middletown CCGT facility in Butler County, Ohio, while **MUFG**, **Union Bank** and **ING** are book runners on the developer's 475 MW Kings Mountain Energy Center CCGT project in Cleveland County, N.C. Each plant has an estimated construction cost of more than $400 million (PFR, 5/28).

Who the likely buyers are could not be learned. A spokesperson for Whitehall & Co in New York declined to comment and **Bill Siderewicz**, president of CEF could not be reached. ■

STRATEGIES

AES Ponders Options For 3 GW Of Ohio Gen.

AES Corp. will evaluate its options for up to 3 GW of unregulated generation in Ohio, owned by its affiliate **Dayton Power & Light**, once more clarity emerges on PJM's capacity performance proposal, the company's CFO **Tom O' Flynn** told analysts and investors at the RBC Global Energy and Power Conference in New York on June 1.

DP&L could retain its ownership of the Ohio portfolio if the U.S. **Federal Energy Regulatory Commission** approves PJM's proposal. However, if the proposal faces a delay in approval or fails to get a sign-off, AES will file a proposal for power purchase agreements with the **Public Utilities Commission of Ohio**.

DP&L's generation fleet in Ohio comprises gas-fired assets totaling 900 MW, coal-fired facilities totaling 2,051 MW, and oil-fired peakers totaling 49 MW.

AES is not working with an advisor on the evaluation, but is confident that it will win PUCO's seal of approval for the PPAs if a similar proposal submitted by **American Electric Power** is successful, a company spokeswoman says.

AEP submitted an expanded PPA filing to PUCO in October 2014, seeking sign-off on long-term contracts for roughly 2.6 GW of generation in Ohio, after it sent out an initial proposal for PPAs involving 435 MW of coal-fired assets in 2013.

The PUCO originally expected to decide on AEP's expanded PPA filing by June 1 (PFR, 2/2). However, that decision remains pending because AEP filed a supplemental testimony for the expanded PPA proposal on May 15. The commission will need to ensure a procedural schedule and set a hearing for AEP's expanded PPA filing, but no timetable for the decision has been set, a PUCO representative tells PFR.

FAST FACT

PUCO's decision on AEP's expanded PPA filing remians pending because AEP's supplemental testimony was filed only on May 15.

AEP has asked PUCO to make a decision by Oct. 1, 2015. "It is critical that we get a timely answer on whether Ohio is interested in adopting the company's PPA proposal," an AEP spokeswoman says.

PJM's capacity performance proposal, if approved, will bring in larger capacity payments for bidders who over-perform, and higher penalties for non-performers.

FERC deemed the proposal incomplete in April and gave the grid operator 30 days to provide additional information. PJM's base residual auction has subsequently been delayed. It is set to take place in the third quarter, if FERC approves the PJM proposal, rather than in May, as was originally planned, the PUCO representative says.

The delay to the auction might also be affecting the timing of debt financing transactions for projects in PJM (see front page story) . A debt financing for Panda Power Funds' 1 GW Hummel combined-cycle gas-fired project in Snyder County, Pa. is unlikely to launch until FERC rules on PJM's proposal, according to a financier (PFR 5/21).

AES, which acquired **Main Street Power** to launch a distributed solar portfolio earlier this year (PFR, 3/16), has also reiterated its strategy to strengthen its battery storage business in California, and is developing an LNG pipeline in the Dominican Republic, according to **Shelby Tucker**, a utility and power analyst and managing director at **RBC Capital Markets**. ■

STRATEGIES

Calpine Seizes Lower Margin With $1.6B Loan Refi

Calpine has taken advantage of market conditions to chop away at margins, while extending its debt maturity profile, by signing a $1.6 billion seven-year first lien term loan B to replace facilities maturing in 2018.

Morgan Stanley, **Goldman Sachs**, **Mitsubishi UFJ Financial Group**, **Barclays** and **RBC Capital Markets** were lead arrangers on the deal.

The Houston-based company will pay a margin of 275 basis points over Libor on the new loan, subject to a 75 bps Libor floor. The previous term loans, a $1.3 billion deal signed in March 2011 and a $360 million facility signed three months later, carried a margin of 300 bps, and had a 100 bps floor.

FAST FACT

275bps

The margin on Calpine's new term loan B is 25 basis points inside the margin on the loans it replaces.

"Given current market conditions, Calpine viewed the recent refinancing as a favourable opportunity to lower overall costs by 50 bps, increase free cash flow, and extend debt maturity by four years while retaining the existing terms and covenants," says a spokesman for Calpine. "We were able to execute the refinancing due to both the strong market and, perhaps more importantly, our greatly improved credit quality."

Calpine added a layer of unsecured debt to its capital structure last year, bolstering its secured debt.

Moody's Investor Services upgraded the company's first lien term loans from B1 to Ba3 in July 2014, following the company's announcement that it would issue $2.8 billion of senior unsecured notes, the proceeds of which would be used to pay down secured debt. The rating agency assigned the unsecured debt a B3 rating.

Calpine then duly priced $1.25 billion nine-year and $1.55 billion 11-year unsecured bonds at 5.375% and 5.75% respectively, on July 8 (PFR 7/11/14).

Calpine's secured term loans are part of the company's strategy of bringing project finance debt up to the corporate level to reduce interest costs and simplify the company's capital structure.

The 2018 loans, which have been repaid in full with proceeds of the latest refinancing, were each originally priced at 325 basis points over Libor, with a 125 bps Libor floor, but, in February 2013, the company successfully amended the pricing to 300 bps over Libor with a 100 bps floor. ■

SCANA Affiliate To Invite S.C. Solar Bids

SCANA affiliate **South Carolina Electric & Gas** has reached an agreement with state environmental groups during the first week of June to develop up to 84 MW of solar generation across South Carolina by 2020. The Cayce, S.C.-based utility is planning to issue a request for proposals to contract at least 50% of the planned capacity from utility-scale facilities.

SCE&G aims to enter into power purchase agreements with multiple solar projects that each range from 1 MW to 10 MW, and is seeking a contract term of 20 years.

The SCANA subsidiary will host the RFP once it receives approval from the **South Carolina Public Service Commission**, which is set to hold a hearing on June 2. The PSC is expected to provide a sign-off on the utility-scale RFP program by late July or early August.

From the proposals, SCE&G expects to select between 10 and 15 projects from 2015 to 2020. Roughly two-thirds of those projects will have a scheduled completion date before the end of next year, in time to avail of the 30% federal investment tax credit, a SCANA official tells *PFR*. The ITC expires on Dec. 31, 2016. Another factor that SCE&G will consider is how competitively bidders price their output, the official adds.

Qualifying projects must also have strong transmission lines that offer a good interconnection to the utility's grid.

To generate the remainder of the planned 84 MW of solar capacity, SCE&G has proposed a customer leasing program, which will allow local installers to lease solar systems to customers. The utility is also drawing up performance-based incentives to system owners and lessors. The incentive will start at $0.04 per kWh for the first 2.5 MW of installations, and decline in value as more capacity is installed.

SCE&G expects the utility-scale program and the customer lease initiative to cost roughly $37 million to implement, according to filings with the PSC.

Both programs are an offshoot of Act No. 236 of the Distributed Energy Resource Program signed into law by South Carolina governor **Nikki Haley** last June. The utility has a solar generation target that is 2% of the state's retail peak demand over a five-year period, according to the legislation.

This week's agreement is the result of a petition that the **Southern Environmental Law Center** filed with the commission in February on behalf of the **South Carolina Coastal Conservation League** and the **Southern Alliance for Clean Energy**, requesting a distributed resource program from SCE&G.

All three groups were major forces behind a similar agreement reached with **Duke Energy** in May, to deploy 110 MW of solar in the state by 2021 (PFR 5/18). ■

SCE&G: RFP Schedule in 2014

Last year, SCE&G hosted RFPs to enter into offtake agreements for two of its project sites.

Project	Site Location	Capacity
North Charleston	Ottare	3,800 MW
Cayce	Leeds Avenue	500 MW

Activity	Date
RFP Issued	Aug. 18
Mandatory bidder meetings	Sept. 3
Proposal Due Date	Sept. 8
SCE&G Evaluation Complete	Oct. 3
Contract Negotiations	Nov. 3
Contract Executions	Dec. 1

Source: Clean Power Authority

STRATEGIES

Tennessee To Tee Up Power Bonds

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to develop. The Paradise plant, on which construction started in early March, is due to be online in the spring of 2017. The TVA secured a seal of approval from its board to start construction work on Allen last August. Allen is scheduled to begin commercial operation in mid-2018.

Power bonds will be significantly more cost-effective for the federally owned and operated utility than obtaining construction and term loans from banks, **John Thomas**, cfo at the TVA tells *PFR*. The TVA's power securities, which are accorded a triple-A rating by both **Moody's Investors Services** and **Fitch Ratings**, are particularly attractive to investors because the interest that accrues is exempt from federal taxes.

Since the Knoxville-based utility receives about 60% of its revenue in the summer months, its management has not yet approached prospective book runners, confirmed the target size of its upcoming bond issuance or decided on its tenor.

The Watts Bar Unit 2 nuclear facility in Rhea County

The TVA rolled out $1 billion in global power bonds last September in a deal led by a quartet comprising **Barclays**, **Morgan Stanley**, **Bank of America Merrill Lynch**, and **Royal Bank of Canada** (PFR, 9/26). The authority will use that issuance to repay $1 billion in debt which matures next week.

Bill Johnson, CEO

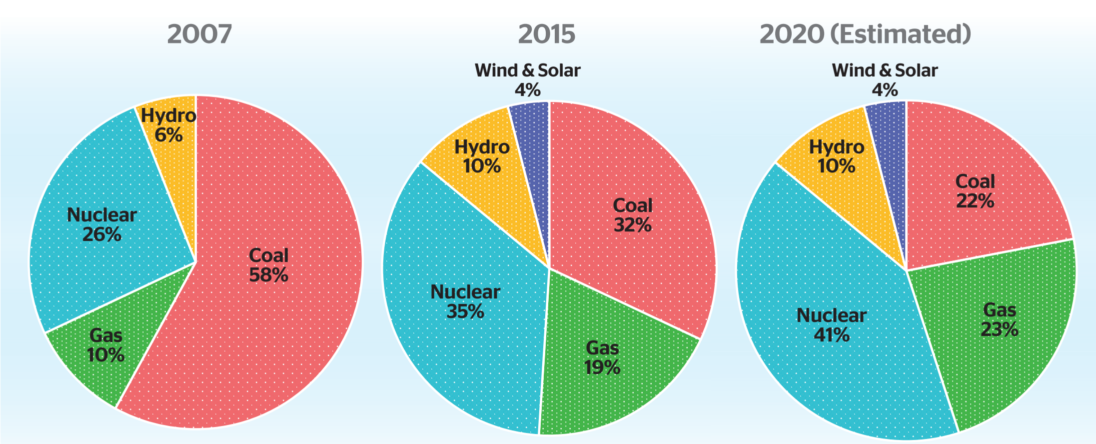
The utility has already earmarked $2.5 billion in capital investments for new generation assets in its fiscal year 2015, which will be funded entirely from operating cash flows, starting from October. Over the last three years, TVA has invested $10 billion of new capital in power generation, Thomas says. The TVA has $23 billion of net long-term debt and nearly $1 billion of net short-term debt, according to its latest balance sheet.

The agency has nearly completed construction of its 1,150 MW Watts Bar Unit 2 nuclear facility in Rhea County, Tenn. Watts Bar Unit 2 has a total project development cost of approximately $4.5 billion and is expected to go online in December. The TVA is currently awaiting a licensing permit for the plant from the **Nuclear Regulatory Authority**.

The nuclear facility and the new CCGT projects will replace more than 40% of coal capacity lost because of the retirement of 6.8 GW from 33 stacks across 11 coal-fired plants, including the ongoing shutdown of four facilities. The coal plants are situated on the same sites as the proposed gas-fired projects. In addition, the TVA acquired the 760 MW Choctaw CCGT plant near Ackerman, Miss., from **Quantum Utility Generation** earlier this year (PFR, 2/17) and the 960 MW Magnolia combined-cycle facility near Benton County, Miss., from **Kelson Energy** in 2011.

The TVA's 30 GW portfolio has conventionally comprised coal, nuclear and hydro assets. It is now diversifying its generation mix to include a larger proportion of renewables, especially solar, says **Bill Johnson**, ceo at the TVA, noting an offtake agreement that was signed with **NextEra Energy** in early March for an 80 MW solar farm in Alabama. That project, which brings TVA's total solar portfolio to 200 MW, is on track to enter service in 2018. ■

TVA's Generation Portfolio



Note: The year refers to TVA's fiscal year, which starts in October.

Source: Tennessee Valley Authority

Q&A: DAVID GIORDANO, BLACKROCK

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Investors, has $114 billion under management as of March 31, 2015. This includes hedge funds, real estate, private equity, fund of funds and the infrastructure group, which is what we fit into. My role is heading up the North American investment platform within the renewable power infrastructure group — serving the sector there. We are focused on equity investments in renewable projects, primarily in Canada and the U.S., but we do have the ability to look at other jurisdictions and we continue to evaluate investment opportunities in those core markets as well as other places including Asia, South America and Mexico.

PFR: You've been with BlackRock since 2011. How has your role in the company evolved since then until now?

Giordano: Our team is the first renewable power infrastructure equity investment platform within the firm. Initially, it was really about setting up and launching this first product, and both developing the strategy and systems in place to facilitate those investments. As we've grown and evolved, my primary role continues to be heading up the investment activities of the investment team here, based out of New York. But we're also thinking more strategically about a broader geographical focus in the renewable energy industry and looking at other equity infrastructure investments and places where we might see opportunities or potential strategies for how to grow into some of these opportunities. Finally, as we've invested the capital, the role evolves from less about capital deployment and more into managing those investments, the commercial aspects around those assets, and thinking strategically about the portfolio as a whole.

PFR: Could you elaborate on the strategic evaluations that BlackRock is making in terms of geographical expansion as well as harnessing avenues in the renewables space?

Giordano: We're continuing to pay attention to how the market is moving and evolving both in our core markets and also in other attractive markets with a particular focus on OECD member countries. We are also focusing on places where our sponsor partners are very active in developing new projects and avenues where we think we could play a role as a capital partner to those sponsors. With that, we have done a fairly significant analysis around opportunities in Japan. With what's happening there, we think that's an exciting market. While we have not made an investment off the equity platform, it is a region that we remain very interested in. While not a renewable investment, we had the announcement about the Los Ramones pipeline project in Mexico. That is also a market where we think a lot of exciting things are going to happen. So, it's a place where we continue to look at real opportunities but also try to learn and pay attention to the broader market dynamics and work with primarily our sponsor partners to see whether there is an opportunity for us to invest. We're also looking at places in South America along the same themes. There are some very attractive markets there. In particular, Columbia and Chile are places we are paying attention to very closely. We're also looking at places where our sponsor partners are active.

PFR: How do current renewables financing trends in the U.S. compare with those in Latin America?

Giordano: The U.S. is a very mature market that continues to evolve as the market itself has grown not only in terms of scale but also in terms of investors, capital providers and debt providers — all along the capital stack. In Latin America, there have been fewer opportunities to invest. So, you don't necessarily see this same depth of capital looking to be deployed in those markets. You also have, in Latin America, financing — either direct government involvement or export credit agencies, institutions like the BNDEs (**Banco Nacional de Desenvolvimento Econômico e Social**) in Brazil, and the ECA financing in Chile. I think that reflects some of the inherent sovereign and/or currency risk associated with those markets. As they mature further, you'll see less involvement of government and quasi-government agencies.

PFR: What types of trends are you seeing in M&A transactions for renewables in the U.S.?

Giordano: Generally in the U.S., I think we are seeing an increasing number of players interested in deploying capital in the space — everything from yieldcos to institutional investors to broad infrastructure funds and broad energy funds, and then in some cases, folks like us who have a particular mandate focused on renewables.

PFR: How is the project finance landscape evolving for greenfield renewable projects?

Giordano: As the asset class has matured, you see more investors getting comfortable with greenfield projects or new projects. I think it's becoming more competitive, but I would also say that, generally, you have a conservatism that is applied to greenfield projects in particular, where you don't have operating history. It has stayed fairly consistent. I think there are more things that are known because we have more experience with the asset class. So, there is less sensitivity to big shifts in the assumptions going in, but I'd say the same fundamentals of investments have stayed pretty consistent.

PFR: BlackRock has increasingly been participating in M&A deals across the Americas in the recent past, including the stake purchase in RPM Access, and the Los Ramones pipeline in Mexico. How does buying equity stakes in projects, as opposed to 100% acquisitions, fall in line with BlackRock's core focus investment strategy?

Giordano: I think it's very consistent. To be specific on the Los Ramones opportunity that was announced, we are partnered there with **First Reserve**. So, we don't own a 100% undivided stake there in the equity. From our perspective, we are looking for fundamentally sound, true core infrastructure investment opportunities on behalf of our clients. And when we find those opportunities, we are not constrained by either being a majority or a 100% owner all the way down to being a minority owner. We can be comfortable with everything along that spectrum of ownership percentages. The key for us is just being sure that we have the right governance in place in situations where we have partners — particularly where we're a PAGE 10 »

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minority partner. We will be interested in fundamentally sound assets that deliver long-term uncorrelated cash-on-cash yield.

PFR: I understand that a BlackRock-managed fund has partnered with EDF Renewable Energy on the 200 MW Longhorn and the 194 MW Spinning Spur 3 Wind facilities, once they are completed by year-end. Is BlackRock looking at a long-standing partnership with EDF at the moment? What do you hope to achieve from this partnership?

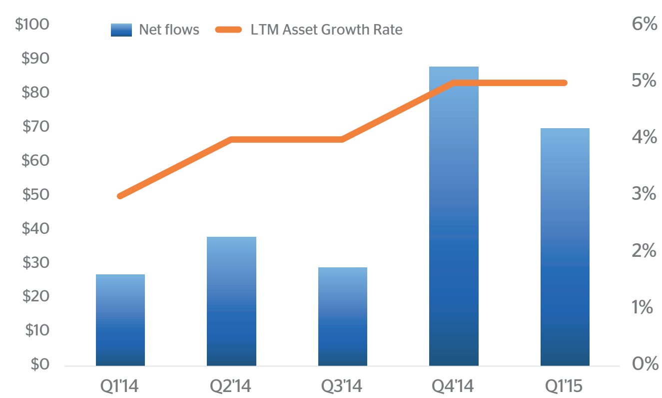
Giordano: The first part of the answer is that we have had a partnership with **EDF Renewable Energy**. We were also investors in the Spearville 3 project in Kansas in December 2012. We are a 40% owner in that asset, partnered with two other parties, **Eurus** owns 40% and EDF owns 20% of that asset. We really saw this portfolio as an extension of that existing partnership. We are very attracted to strong sponsors, which EDF clearly is. They also have a very deep history in operating renewable power assets in North America. So, they are an excellent partner for us, bringing that operating expertise to the assets. I think the attraction from their side is having a capital partner that allows them to leverage their own internal capital into a broader set of assets, year over year, as they continue to have success on the development side. I think it is a really good example of the broad range of partnerships that we can have, and the broad range of sponsors where our type of equity capital involvement makes sense for them — everything from **RPMA**, where we're buying 90% of the asset there to an EDF, where we're a 50% owner.

Because EDF has such a deep pipeline of assets under construction and development, it allows us to deploy capital efficiently on consistent terms and conditions with a sponsor that we have an existing long-standing relationship with.

PFR: What sorts of projects is BlackRock looking to acquire going forward? What qualities are you looking for in those assets?

Giordano: We'll continue to be a very active player in equity investments in renewable energy projects, particularly onshore wind and solar PV projects. But we're primarily focused on fundamentally sound projects where we can make equity investments. It's an opportunity to deliver uncorrelated yield to our partners and investors in the assets, and have projects that offer particular strategic advantages and meet the true definition of core infrastructure projects with consistent revenue propositions and proven technologies in stable markets.

Long-Term Net Flows At BlackRock ($ in Billions)



Source: Company Earnings Release Supplement –Q1'15

PFR: What is your view on offshore wind?

Giordano: It is a part of the market we continue to pay attention to, although we have not deployed any capital, to date, into offshore wind. We do believe that that is a technology that continues to mature. For the right assets, we are certainly interested. I'd say in North America, it's probably less of a focus than it is for our European counterparts on the team, but it is absolutely an area we are paying attention to. From a core focus perspective, we are much more focused on onshore wind.

PFR: What is your take on how the yieldco space is evolving? Do you think the yieldco model is sustainable? Also, do you see more yieldco IPOs coming to market in the year ahead?

Giordano: If I take the broadest possible view from the industry's perspective, yieldcos are a very positive development and I think it's just a great illustration of how far the industry has come for investors — all the way down to retail investors in the public markets.

You see a high demand for these investments, a lot of comfort around the fundamental technologies and also a continued general consensus that the growth that is expected in these yieldcos is supportable and continues to be a story retail investors are comfortable with. Hence, the enthusiastic response to the yieldcos that have come to market for the most part, save for a couple. We are private investors in equity. So, I do think there are some differences about yieldcos. In our approach, we've taken a different tack. I think one of the things that's attractive about the asset class is an uncorrelated yield to public markets. I think when investors look for alternative investments, that's part of what's attractive about them. While the yieldco offers great liquidity and exposure to this asset class, which are all very positive, I think you do have some risk of correlation to the broader public market trends. Whereas investing directly at the project level, not through a public vehicle, insulates you from that. Going forward though, it's been an enthusiastic space and for the right sponsor companies that have the right management teams and have demonstrated the ability to continue to grow year-over-year and have depth in terms of a pipeline of projects that can be moved into their yieldco, I think we'll continue to see successful yieldcos coming to market. At least from what you hear at the conferences, and in talking to some of the other development companies, I think we can absolutely expect to see new yieldcos coming to market.

PFR: Do you see yieldcos coming to be a source of capital for developers like Atlantic Power, for example, which sold more than 500 MW of contracted wind assets to TerraForm Power last month. Is that a trend that you think will catch up among developers that are selling assets to yieldcos?

Giordano: Yes, absolutely. I think the challenge that many yieldcos have is that they can only invest in projects post-

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commercial operations date. So, for many developers, the capital pinch actually happens earlier in the cycle — either at the start of construction or even slightly pre-construction. So, that will be a challenge. But for those sponsors that can finance through construction, yieldcos will be a source of capital and are adding a lot of competitive pressure to returns for operating assets.

PFR: What are your key focus areas in terms of BlackRock's renewables investment portfolio over the next couple of years?

Giordano: I think we will continue to build off of the success of our renewable power investments in Europe, the U.S. and Canada. We will continue to look at these markets where you are seeing continued growth and where you've got attractive fundamental economics as well as fundamental sovereign stability.

PFR: What roles is BlackRock looking to take in transactions going forward?

Giordano: I think we are very flexible in terms of the roles that we will take on in the transaction, but I think what we are really focused on are strategically advantaged, fundamentally sound project investment opportunities. If you look across our infrastructure platform here, BlackRock continues to grow. We have a debt team that is separate from the equity team. We also have some other opportunistic funds that will all continue to look for opportunities to make attractive investments.

PFR: What other areas to watch out for in terms of growth?

Giordano: With the expiring policy of production tax credit and investment tax credits in 2016, I think you'll see a lot of activity in the U.S. for new projects as sponsors continue to push to get their projects completed within the current deadline of the federal policy in the U.S. I think you will continue to see the maturation of capital providers coming into the market. It will be highly competitive for project-level equity. Depending on some trends in the broader energy market, and given the continued decline in the cost per megawatt hour for new projects as technology advances and evolves, I think we'll see places where renewable power plays a key role in the overall generation mix.

PFR: Do you plan to make additions to your team in the year ahead? If so, what types of roles do you see opening up in your group?

Giordano: This is a strategic priority for the firm, and we continue to see areas for growth. We'll look to build a team that brings real experience in the spaces in which we are investing. I think that's a key advantage, especially on our renewable power team – having folks who come from the industry and understand the industry. That is such an important part of infrastructure, investing broadly. Strategically, that will continue to be a focus for us. As we grow the platform we'll fill out the executives and professionals on the team that are consistent with the strategy. ■

PFR #PowerTweets

For more news and coverage, follow @PowerFinRisk on Twitter, as well as @RichMetcalf, @NishAmarnath and @OliviaFeld.

@CouncilNAmerica
Petroleos Mexicanos ("Pemex"), and BlackRock have signed a Memorandum of Understanding (MOU) to accelerate the... http://fb.me/3l3cQfgkl

@hollyfletcher
Holly Fletcher retweeted Power Finance & Risk
macquarie's approach to development capital is interesting. probably worth a read for #projectfinance + #MnA #power

@GDFSUEZEnergy
@FERC has approved @PJMinterconnect request to Delay Capacity Auction - Get the whole story here: http://ow.ly/NzjOE

@Lgoudarzi
Potential Impacts of Privatizing the Tennessee Valley Authority: Energy, Economics and Finance http://flip.it/WeMw9 via @flipboard

@Nathan_Inc
IIC approves loan for development of Yarucaya #Hydroelectric Project, after our feasibility study http://bit.ly/1la6GB1 #projectfinance

@airlucas
$TERP #yieldco buys 23MW of bundled distributed #solar assets from $TEG @TEGinvestors for $45mn + $10mn in assumed project debt.

@RichardMeyerDC
Strong US #natgas storage build this week. Inventories now in excess of both last year (+51%) & 5-year average (+1%). Lotta gas out there.

@SunEdison
By 2020, emissions reductions from #windpower in ME will be like taking 400K cars off the road http://bit.ly/1IRMJ3A

@AWEA
Victory! Bill to end Texas Renewable Portfolio Standard, CREZ transmission lines dies in House http://ow.ly/NMGzT

@waypointbldg
How #energy #efficiency #financing can help states meet Clean Power Plan goals http://tinyurl.com/nwng63n @ACEEEdc #energyefficiency

PEOPLE & FIRMS

Power Doyen Fires Up Skanska's Pittsburgh Operations

Skanska USA, the U.S. affiliate of Stockholm-based **Skanska AB**, has appointed local power maven **Geoffrey Murken** to lead the company's operations in Pittsburgh in the energy and infrastructure space. The Swedish construction and project development group opened its Pittsburgh office in May.

Murken, who is v.p. of operations, reports to **Mike Diggiano**, executive v.p. of civil operations in the North East. Murken will collaborate closely with Skanska's in-house industrial and power think tank to take charge of organically growing Skanska's power division as well as its infrastructure, industrial and civil businesses.


Geoffrey Murken

Murken joined Skanska last June and has been working with the company's team in New York City since then to open the office in Pittsburgh.

Skanska USA is primarily eyeing EPC contracts to develop gas-fired facilities, while also evaluating opportunities for wind farm construction and biomass project development, Murken tells PFR.

The company has submitted proposals for projects in Indiana and Connecticut, and is currently mulling a bid for an EPC contract with the 525 MW Middletown combined-cycle gas-fired facility in Butler County, Ohio. Middletown sponsor **NTE Energy** has launched debt financing for the project, which is pegged at more than $400 million, in a deal led jointly by **BNP Paribas** and **Crédit Agricole** (PFR, 5/28).

Murken will also look into public-private partnerships for diverse infrastructure projects, including the implementation of a waste water treatment program with the **Allegheny County Sanitary Authority** in Allegheny County, Pa., after the passing of a P3 legislation.

Murken, who brings more than 40 years of experience in construction and power, was previously senior v.p. in the energy and environmental division at Southfield, Mich.-based construction firm **Barton Malow Co.**, where he led the construction of the 608 MW Otay Mesa combined-cycle gas-fired facility for **Calpine Corp.**, and the 200 MW Canyon gas-fired plant in Anaheim, Calif. for the **City of Anaheim**.

Skanska has previously built several large CCGT facilities, including the 500 MW Dresden project near Dresden, Ohio for **American Electric Power**, a 500 MW combined-cycle plant in Astoria, N.Y., for the **New York Power Authority,** and the 250 MW Ravenswood facility in Long Island City, N.Y. for **KeySpan Energy Development Co.** ■

Barclays Banker Heads to BAML

Bank of America Merrill Lynch has hired **Brad Hutchinson** from **Barclays** as co-head of the Americas energy investment banking in Houston. Currently on gardening leave, Hutchinson will join the bank in September.

At BAML, Hutchinson will work alongside fellow co-head Oscar Brown on growing the bank's advisory and capital markets energy business. The two previously worked together at **Lehman Brothers**.

Hutchinson was formerly managing director and head of energy investment banking in Houston for Barclays, where he worked on upstream IPOs and mergers and acquisitions including **Freeport-McMoRan**'s sale of **Eagle Ford Shale Assets** to **Encana** and **BHP**'s acquisition of **Petrohawk**.

In his new role, Hutchinson will report to London-based **Julian Mylchreest**, head of global energy and power investment banking at BAML.

Hutchinson and Mylchreest were not available for comment. ■

ALTERNATING CURRENT

Wind Hits a Home Run

The 2015 NCAA Men's College World Series is going green. The **Metropolitan Entertainment & Convention** Authority has teamed up with the **Omaha Public Power District** to offset the power used in the upcoming 11-day tournament, which starts on June 13 in Omaha, Neb.

MECA, which runs the **TD Ameritrade Park** where the Series is being hosted, will counter-balance every MWh of output for the event with renewable energy certificates. MECA has purchased 350 MWh of certificates to match the amount of electricity that is estimated to power the 11-day event.

The certificates will be channeled toward a power purchase agreement between Omaha Public Power District and the **Gestamp Eolica** 40.5 MW Petersburg wind project in Boone County, Neb. Gestamp acquired the project from **Third Planet Windpower** in 2011 (PFR, 12/20/11). The Omaha Public Power District plans to have 33% of its generation mix from renewable projects by 2017, a spokesperson tells PFR. ■

ONE YEAR AGO

The PJM capacity auction for the 2017-2018 delivery year was priced at $120 per MW-day for all regions except one zone in the east in light of transmission constraints in the eastern PJM market. The area around **Public Service Enterprise Group**, also known as PSEG LDA, closed at $215 per MW-day. The resource clearing price for last year's action was much higher than industry expectations. Also, PJM's clearance of combined-cycle assets totalling 4.8 GW was one of the largest generation additions in a single auction cycle.

QUOTE OF THE WEEK

"We are not constrained by either being a majority or a 100% owner all the way down to being a minority owner."

David Giordano, managing director at **BlackRock** in New York, on the investment manager's approach to recent investment opportunities involving generation assets.