VOL. XVII, NO. 22 / June 9, 2014

Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

www.powerintelligence.com

Broker Offers PTC Insurance To Sidestep Qualification Concerns

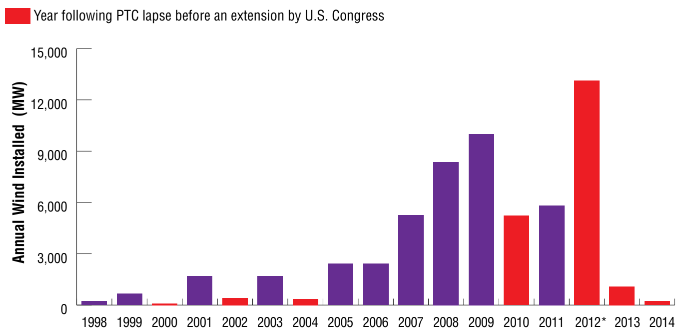
Aon Risk Services, a risk management and brokerage firm, is offering an insurance policy to safe guard tax equity investors from uncertainty about whether a wind project will qualify for the production tax credit.

The policy has been on offer since early spring and pitched to many developers who are still waiting on additional guidance from the U.S. **Department of Treasury** and **Internal Revenue Service** about what actions will qualify a project under the physical work requirement.

The insurance policy is designed to assuage tax equity investor concerns about whether a project will qualify. It is being offered to wind projects that receive "should-level" opinions from law firms

(continued on page 12)

PTC Expiration Impact on Wind Installation 1998-2014



Source: American Wind Energy Association, Global Wind Energy Council

*Expiration and extension

THE BUZZ

NRG Energy's yieldco, **NRG Yield**, has stepped to the plate to buy **Terra-Gen Power**'s remaining phases of the Alta wind series totaling 947 MW—the second major wind deal of the year by NRG companies. The Princeton, N.J.-based independent power producer finalized its acquisition **Edison Mission Energy** earlier this year, which netting it roughly 1.7 GW of wind. Between the two deals, NRG's presence in wind has taken it from a barely-there player to a family of companies with 2.6 GW of spinning assets (see story, page 6).

Securitization investors may see a new class of energy-related emerge later this year. **Clean Fund LLC**, at which **Ed Feo** is a managing director, has securitized and bought an $8 million portfolio of tax payment streams under the Property Assessed Clean Energy programs, or PACE. The

(continued on page 2)

11th Annual Deals & Firms Of The Year Awards

A record number of entities participated in voting for *Power Finance & Risk's* awards, recognizing excellence and innovation in the power project finance and M&A sectors in 2013. More than a dozen developers, lenders, investors and firms have been singled out by their peers for volume of activity, efficiency, leadership and savvy in executed transactions.

Several entities, including **Invenergy**, **Prudential** and **Barclays** have maintained their stature at the top of their market, compared to last year's winners. Barclays garnered the most awards for a single firm this year, taking Best Project Finance Bond Arranger, as well participating in the Best Non-Renewable and Renewable Project Finance and the financing backing the M&A Asset deals. "They're an industry leader with extensive comparable knowledge and experience," an executive at a developer

(continued on page 4)

Conversation & Cocktails

Join Orrick and Power Finance & Risk for a casual panel discussion on trends in private equity followed by #PowerDrinks, an informal PFR mixer for power and energy professionals. *See page 5*

Industry Current: Increased Mexican Investment

Dino Barajas, partner at Akin Gump Strauss Hauer & Feld in Los Angeles, looks at energy reforms are changing Mexico's energy investment landscape.

See feature, page 8

Generation Sale DATABASE

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

See calendar, page 3

IN THIS ISSUE

THE BUZZ

shop plans to debut a rated, roughly $50 million securitization in the fourth quarter—a size that would mimic the first-of-its-kind solar securitization from **SolarCity Corp**. in the fourth quarter (PI, 11/22).

As the typically slower summer season approaches, bankers, attorneys and developers took the time to remember a busy 2013 and recognize their peers in Power Finance & Risk's 11th Annual Deals & Firms Of The Year Awards (see winners, page 4). Roughly 18 entities were singled out for excellence, innovation and efficiency in executed transactions, including those that participated in **Exelon**'s $635 million Continental Wind offering (PI, 9/18), and **Highstar Capital**'s sale of its 800 MW Linden cogeneration facility in New Jersey to **GE Energy Financial Services** (PI, 12/18). **Barclays**, which participated in both of those transactions, will also take home a third award for Project Finance Bond Arranger of The Year.

pic: istock/ thinkstock

Bankers continue to swap chairs this week. The latest move sees **JPMorgan's John Colella**, managing director, is moving to **Moelis & Co.**, after a gardening leave. Colella will be advising power and utility companies in the U.S. and internationally (see story, page 10). The U.S. **Department of Energy** is also seeing a staffer exit. **Michael Park**, a senior investment officer in the DOE's loan guarantee programs office, has joined Noesis Energy in Austin, Texas (see story, page 10). Park will be growing the shop's relationships with lenders and investors in order to bring financing to clients.

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.

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Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
AES Corp.	Stakes (Solar fleet)	Various		SunEdison is buying its stake in Silver Ridge Power (PI, 6/2).
AES Corp.	Stakes (DPL Energy Coal, Gas, Oil)	Various	Barclays	Binding bids due after PJM capacity results (PI, 5/26).
Acciona	Portfolio (Wind, Solar)	Various	Lazard	First rounds bids submitted (PI, 3/31).
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	Whitehall & Co.	TIAA-CREF has taken a stake (PI, 4/28).
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PI, 3/17).
ArcLight Capital Partners	Peakers (2 GW Gas)	Various, Georgia	TBA	Carved peakers out of Southeast PowerGen to sell (PI, 3/24).
ArcLight Capital Partners	Victoria (330 MW CCGT)	Victoria, Texas	UBS	Sale is near launch (PI, 4/7).
ArcLight Capital Partners	Sun Peak (222 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PI, 5/12).
Atlantic Power Corp.	Fleet (2.1 GW)	Various	Goldman Sachs, Greenhill	Tapped two advisors to run strategic evaluation (PI, 5/12).
BNB Renewable Energy	Mesquite (200 MW Wind)	Lamesa, Texas		Sumitomo bought the remainder of the project (PI, 5/5).
Calpine	Portfolio (3.5 GW Gas)	Various		LS Power is buying the fleet in the Southeast (PI, 4/28).
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	First round offers due April 14 (PI, 3/31).
DTE Energy	Marysville (167 MW Coal)	Marysville, Mich.		Redevelopment firm is buying it (PI, 6/2).
Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	First round bids due around 5/30 (PI, 5/26).
EmberClear	Portfolio (660 MW CCGT developments)	Good Spring, Pa.	CCA Capital	Tyr has partnered on the development assets (PI, 3/31).
Entegra Power Group	550 MW Stake (2.2 GW Union Station CCGT)	Arkansas	Bank of America	Gearing up to sell the unit that has a tolling agreement (PI, 3/31).
Essar Group	Algoma (85 MW CCGT)	Algoma, Ontario	Barclays	Teasers are on the market (PI, 1/13).
Exelon Corp.	Stake (417 MW Safe Harbor Hydro)	Conestoga, Pa.	None	Brookfield is buying the stake (PI, 5/26).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Fieldstone	Fieldstone is advising on equity hunt in tandem to debt raise with Goldman.
First Solar	Various (Solar)	Calif., N.M.		NextEra, Southern have bought two assets (PI, 6/2).
GE Capital	Stake (250 MW Wind)	Finney, Kansas		Enel is buying out the rest of the farm (PI, 5/19).
▶ Hess Corp.	Stake (50% Bayonne 512 MW Gas)	Bayonne, N.J.	Goldman Sachs	ArcLight buying out Hess' stake, up for refi (see story, page 5).
Invenergy	Parc des Moulins (135.7 MW Wind)	Kinnear's Mills, Quebec		La Caisse has bought a minority stake (PI, 5/5).
MACH Gen	Portfolio	Various		Second lien creditors have taken it over via Ch. 11 deal (PI, 5/19).
Meridian Energy	CalRENEW-1 (5 MW Solar)	Mendota, Calif.		SunEdison bought the asset (PI, 5/26).
NRG Energy	Various (Gas, Solar)	Various	None	Dropdowns to NRG Yield (PI 4/14).
NextEra Energy Resources	Pheasant Run II (75 MW Wind)	Huron County, Mich.	None	DTE Electric is considering buying the farm via a PPA option (PI, 3/3).
Norvento USA	Bloom (180 MW Wind)	Dodge City, Kan.	TBA	Capital Power bought the project (PI, 3/24).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	CalPERS, Harbert emerge as frontrunners (PI, 4/28).
Optim Energy	Portfolio (1.4 GW Coal, Gas)	Texas	Barclays	Mulling a sale via bankruptcy filing (PI, 3/10).
Pattern Development	Panhandle 1 (218 MW Wind)	Carson County, Texas	None	Pattern Energy Group, tax equity investors are buying it (PI, 5/12).
Power Resources Cooperative	Stake (605 MW Boardman Coal)	Boardman, Ore.		Portland General is upping its stake as retirement, refueling loom (PI, 4/28).
Project Resources Corp.	Rock Aetna (21 MW Wind	Minnesota	Alyra Renewable Energy Finance	Looking for a buyer with access to turbines to qualify for PTC (PI, 1/13).
Rainy Rivers Nations	Stake (25 MW Solar)	Pinewood, Ontario		Two infrastructure investors stook stakes (PI, 5/26).
Southwest Generation	LV Cogen 1, 2 (274 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PI, 5/12).
Starwood Energy Group	Neptune (25% Stake Transmission)	New York		Northwestern Mutual is buying Starwood's stake (PI, 5/19).
▶ Terra-Gen Power	Alta (947 MW Wind)	California	Citigroup, Morgan Stanley	NRG Yield is buying the wind assets (see story, page 6).
We Energies	Presque Isle (425 MW Coal)	Marquette, Wis.	None	No buyers submitted proposals in RFP (PI, 3/10).

▶ **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Managing editor ***Holly Fletcher*** *at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PFR AWARDS WINNERS 2014

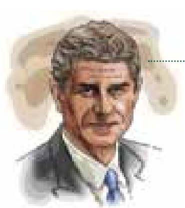
11th ANNUAL DEALS & FIRMS OF THE YEAR AWARDS

says of Barclays. Invenergy wrapped deals backing more than 2 GW of generation across the U.S., Canada and Europe.

Credit Suisse, **Goldman Sachs** and **Competitive Power Ventures** have made the ascent to claim honors in their respective categories. Credit Suisse was highlighted for its work on transactions backing **Cheniere Energy**'s Sabine Pass liquefied natural gas export project, as well as the number of deals, to win Best Non-Renewables Asset M&A Advisor. Goldman clinched the Best Corporate M&A Advisor award. "Goldman Sachs for its well-integrated perspective and deep relationships," noted an official at an independent power producer.

Competitive Power Ventures, **Exelon Corp.**, **Highstar Capital** and **GE Energy Financial Services** are among companies that were recognized for their transactions last year. A project finance head at a European lender selected the financing backing CPV's 725 MW Shore project, the winner of Non-Renewables Project Finance Deal Of The Year, because it was "difficult, innovative, and still extremely oversubscribed." A list of winners is below.

The Winners



Michael Polsky

Best Project Finance Borrower
Invenergy

Best Institutional Investor
Prudential

Best Project Finance Lender, Non-Renewables
Bank of Tokyo Mitsubishi - UFJ

Jon Lindenberg

Best Tax Equity Investor
JPMorgan Capital Corp.

Best Project Finance Lender, Renewables
Bank of Tokyo Mitsubishi - UFJ / Union Bank

Project Finance Bond Arranger of the Year
Barclays

Project Finance Renewable Deal of the Year
Continental Wind Sponsor: Exelon Corp.
Continental Wind Underwriters: Barclays, Citigroup and Royal Bank of Scotland

Best Non-Renewables Project Finance Deal of the Year
Competitive Power Ventures' Shore
Shore's Sponsor: Competitive Power Ventures, ArcLight Capital Partners, Toyota Tsusho
Shore Lead Arranger: GE Energy Financial Services

Best Project Finance Law Firm
Milbank, Tweed, Hadley & McCloy

Best Seller of Power Assets
LS Power

Best Acquirer of Power Assets
Energy Investors Funds

M&A Asset Deal of the Year
Asset: 800 MW Linden Cogen
Seller: Highstar Capital
Buyer: GE Energy Financial Services
Lead Arrangers for financing backing the asset: Barclays & Citigroup

Best Renewable Asset M&A Advisor
Morgan Stanley
Marathon Capital - pictured: Ted Brandt

Best Non-Renewable M&A Advisor
Credit Suisse

Best M&A Corporate Advisor
Goldman Sachs

Best Law Firm For Asset M&A
Chadbourne & Parke

MERGERS & ACQUISITIONS

BayWa's U.S. Unit Snags Maiden Wind Tax Equity

BayWa r.e. Wind, a subsidiary of German turn-key developer **BayWa**, has lined up a tax equity investment in a wind project in New Mexico from a subsidiary of **Union Bank**.

The tax equity investment in the 19.8 MW Brahms wind project in Curry County, N.M., is BayWa's first such deal since it has been involved in the development of wind projects.

"It's an accomplishment for BayWa to do its first tax equity deal in this environment," says **Jeffrey Chester**, partner at **Morrison & Forester**, which advised BayWa. Tax equity investors are seeing a wave of potential deals as projects that qualified for the production tax credit under the 5% safe harbor try to line up investments, he notes.

BayWa entered the U.S. wind market via a series of transactions in 2011-2013, buying out wind developer WKN USA, the U.S. subsidiary of **WKN A.G.**, one of Germany's oldest wind developers. BayWa wind is now developing WKN's wind pipeline as well as utility scale solar projects. WKN USA was renamed BayWa r.e. Wind in the buy-out process.

The company develops and finances wind projects on balance sheet. It will likely look to sell the farms in the future—similar to how First Solar sells assets—but BayWa wants to operate the farms for a while. It does not sell a project before it reaches commercial operation.

The Brahms project will be its third operational farm. It owns the merchant 30 MW Mozart farm in Texas and the contracted 6 MW Wagner farm in California. BayWa names all of its wind projects after composers—its Anderson, Chopin and Snyder are also in various stages of development in the West.

Florian Zerhusen is the ceo of BayWa r.e. Wind in San Diego. He was formerly with WKN.

A Union Bank spokeswoman could not immediately comment.

ArcLight Launches Bayonne Refi

ArcLight Capital Partners' has launched a $530 million term loan B package backing its purchase of a Hess Corp.'s stake in the Bayonne gas-fired facility. Price talk is LIBOR plus 375-400 basis points.

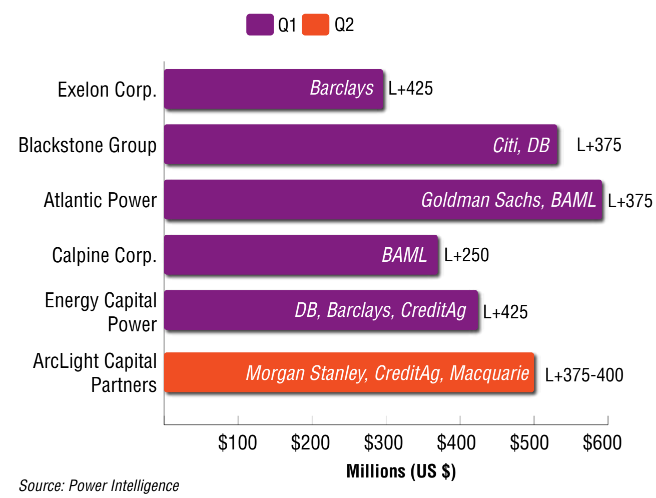
The **Bayonne Energy Center LLC** package includes a seven-year $500 million B loan and a five-year $30 million credit facility. The B loan has an original issue discount of 99 and a 1% LIBOR floor. **Moody's Investors Service** has rated the package Ba3.

Credit Agricole, **Macquarie Capital** and **Morgan Stanley** are lead arrangers.

ArcLight already owns 50% of the 512 MW Bayonne gas-fired facility in Bayonne, N.J.and will be the full owner once the deal is complete. Hess launched a sale of its stakes in Bayonne and the Newark peaker project in New Jersey last fall as it exited its downstream energy business lines (PI, 9/9). Hess is selling its stake in the Newark project to co-owner **Energy Investors Funds** (PI, 4/4).

The refinancing puts additional leverage back onto the facility, says a deal watcher, noting that some of the existing loan had already been paid down. ArcLight has indicated that it would like to see pricing in the neighborhood of the existing LIBOR plus 325 basis points. Bayonne was financed in the fall of 2010 with a $370 million loan that is set to mature in 2016 (PI, 9/30/10).

B Loan Scorecard 2014



Source: Power Intelligence

Bayonne sells power into the New York City market via a seven-mile transmission line. The plant has tolling agreements with **Direct Energy Business** and a subsidiary of ArcLight. The plant's capacity factor has averaged around 30% since it went online two years ago, according to a Moody's report. ArcLight owns the facility through its **ArcLight Energy Partners III** fund.

Proceeds will be used to repay outstanding debt and finance the acquisition.

A spokeswoman for Morgan Stanley did not respond to an inquiry.

DTE Moves To Buy NextEra Wind Farm

DTE Energy has exercised its option to acquire the 75 MW Pheasant Run II in the Thumb region of Michigan from **NextEra Energy Resources**.

DTE will rename the farm Brookfield wind park. The farm is in

(continued on page 6)

(continued from page 5)

Huron County, Mich., and went online earlier this year. DTE has been mulling the possible acquisition since the first quarter (PI, 2/26).

The acquisition helps DTE meet its renewable portfolio standard, which requires the utility to have roughly 1 GW, or 10% of its power sales, from renewable by 2015. The company plans to acquire assets totaling about half of the 1 GW. It anticipates wind will make up the majority of its acquisitions.

NextEra Energy Resources will continue to own and operate Pheasant Run I; DTE will remain its offtaker.

DTE Launches Gas-Fired RFP

DTE Electric, the utility subsidiary of **DTE Energy**, has issued a request for proposals for a gas-fired facility of at least 50 MW.

DTE Electric plans to acquire and operate the peaker or combined cycle facility with the winning bid. There is no upper bound placed on the size of the facility under the RFP, according to an observer. Notices of intent to bid are due by 5 p.m. EDT on June 9. Proposals are set to come in on July 11. **Charles River Associates** is overseeing the RFP. The utility has launched the RFP as a way to meet future resource adequacy requirements.

DTE Electric's acquisition of the 75 MW Brookfield wind farm, neé Pheasant Run II, in Huron County, Mich., from **NextEra Energy Resources** stemmed from an RFP, according to a spokeswoman. The utility is in the market to buy wind farms to meet state renewable portfolio standards (PI, 6/3).

The spokeswoman declined to comment on details of the RFP such as anticipated final deadlines citing the confidentiality of the competitive process.

NRG Yield Ropes Alta Wind

NRG Yield has agreed to buy the Alta wind series that totals 947 MW in Kern County, Calif., from **Terra-Gen Power** for $2.5 billion, including debt assumption.

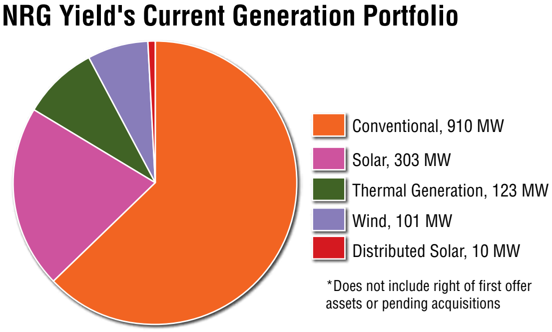
NRG Yield has agreed to pay $870 million in cash on top of the assumption of $1.6 billion of project finance debt associated with the seven farms, comprised of Alta phases I-V, X and XI. The company will issue new debt and equity to fund the acquisition as well as use some cash on hand. The deal is expected to close in the third quarter.

Southern California Edison has offtake agreements with farms although the PPAs with phases X and XI will take effect in 2016. Those two will run as merchant farms until the PPAs begin.

Terra-Gen has been out since the first quarter trying to sell either itself or the Tehachapi, Calif.-based wind series. Whether it is still in the market with its solar and geothermal assets could not be immediately learned. Terra-Gen is backed by **ArcLight Capital Partners** and **Global Infrastructure Partners**.

Bank of America Merrill Lynch advised NRG Yield on the deal. **Citigroup** and **Morgan Stanley** have been advising Terra-Gen on the sale.

NRG Yield's Current Generation Portfolio



Source: NRG Yield

Hudson Looks For Element Buyer

Hudson Clean Energy Partners is looking to sell renewables developer **Element Power**.

The auction of Element, a developer based in Portland, Ore., is being marketed as a platform sale that includes an operating asset, a U.S. development pipeline and staff. **Marathon Capital** is running the sale. First round bids are on schedule to be submitted around June 13.

Element's crown jewel is the 50 MW Macho Springs wind farm in Deming, N.M., that is contracted to **Tucson Electric Power**. **MetLife** took the available tax equity capacity and provided long-term debt to Macho Springs. The farm received a Sect. 1603 cash grant so the partnership flip is likely to be triggered in 2016.

The developer has a 2.1 GW development pipeline that is comprised of about 60-70% wind, according to an observer. In January, the company signed a 20-year power purchase agreement with **KCP&L Greater Missouri Operations** for its 200 MW Mill Creek wind project in Holt County, Mo. The remainder of the project pipeline is comprised of solar projects.

FAST FACT

In January, the company signed a 20-year power purchase agreement with KCP&L Greater Missouri Operations for its 200 MW Mill Creek wind project in Holt County, Mo.

Mike O'Neill, a founder of Element, is the president and chief operating officer in London. He replaced **Raimund Grube** who vacated those positions in April, according to LinkedIn. **Ty Daul**, who was the ceo also departed the company earlier this year.

HCEP folded Madrid-based **Helium Energy** into Element in 2008, establishing a developer with a global development pipeline (PI, 10/10/08). However, Element has been whittled down over the years through a series of transactions. Most recently, **GE Energy Financial Services** bought two wind projects totaling 51 MW in Ireland while **First Solar** bought the 50 MW Macho Springs solar project in New Mexico last year while **EDF Renewable Energy** bought the 150 MW Bobcat Bluff wind farm in Texas (PI, 2/7/13 & 3/29/12).

Officials or spokespeople for Hudson and Marathon did not respond to inquiries.

Power Finance & Risk and Orrick

Invite you to join them for an evening of cocktails & conversation

Please join ***Power Finance & Risk*** and ***Orrick*** for an evening of discussion and casual cocktails.

Orrick energy & infrastructure lawyers **Kyle Drefke** and **Chris Gladbach** will be moderating a panel discussion on private equity perspectives on trends and changes in the energy industry:

- Preferred opportunities in the energy space (fuel type, geographic reach, stage of development)
- The impact of yieldcos and direct investment by pension funds
- Renewable energy investments over the next decade: what's next in a post-incentive world
- Attractiveness of different segments of the capital structure (equity, mezzanine debt, hybrid instruments)
- Portfolio companies in the energy space with potential for disruptive innovation or otherwise poised for success

#PowerDrinks, an informal *PFR* mixer for power and energy professionals, will immediately follow.

RSVP: http://ow.ly/xp06u | **Wednesday, June 11, 2014**
Panel Discussion: **5:00 – 6:00 p.m.**
#PowerDrinks, Cocktail Reception: **6:00 – 7:00 p.m.**

Orrick's New York Office, 51 West 52nd Street (at 6th Ave.) New York, NY 10019

Contact **Holly Fletcher**, managing editor, at hfletcher@iiintelligence.com for more information.

ORRICK

INDUSTRY CURRENT

Industry Current: All Roads Lead to Increased Mexican Investment

THIS WEEK'S INDUSTRY CURRENT *is written by* **Dino Barajas***, partner specializing in project finance and Latin America transactions at* **Akin Gump Strauss Hauer & Feld** *in Los Angeles.*

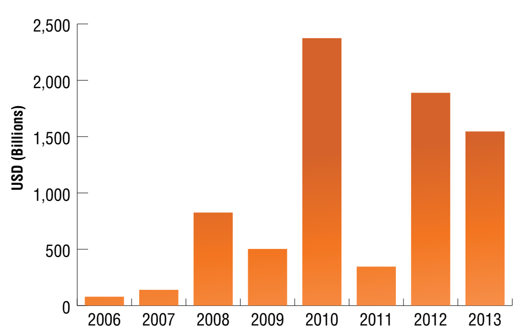
Dino Barajas

Last December marked a sea change moment in Mexico's energy sector. The Mexican government announced the long-awaited proposed reforms allowing for greater private investment in the energy sector, particularly with respect to hydrocarbons. Historically, given the results of the Mexican revolution and the ousting, in the 1930s, of private investors involved in Mexico's oil sector, suggested reforms to the status of the government's ownership and control of hydrocarbon resources were the third rail in Mexican politics. Public sentiment and national pride kept oil and gas reserves firmly within the control of **Petróleos Mexicanos**.

Recently, declining production and the realization that the introduction of deep water drilling technology held by the private sector was gravely needed in order to help Pemex maintain its position within the global stage as one of the world's leading oil producers have forced the Mexican government to reassess its stance regarding the opening of the oil and gas sectors to private investment. Additionally, the power sector, which was already opened to limited private investment in 1992, may also benefit from further liberalization under the current reforms.

On April 30, 2014, President **Enrique Peña Nieto** formally presented to the Mexican Congress the much-anticipated proposed secondary legislation needed to implement the reforms which were passed in December. Although the regular session of Mexican Congress had concluded at the end of April, a decision was made to call an extraordinary session during the second half of June to review and vote on the legislation. Given that this legislation only requires a majority affirmative vote to pass, as opposed to the underlying constitutional reforms that required an agreement among the PRI and PAN political parties (Mexico's two largest political parties) to satisfy the supermajority vote of at least two-thirds of the Mexican Congress, PRI leaders (whose party holds the executive branch and a majority in Congress) believe that the reforms will be passed in the extraordinary session and it will not be necessary to carry the debate over to the regular congressional session in September. Once majority approval is secured, the proposed legislation will be returned to the President for final approval.

Mexico New Investment In Renewables*



*Includes marine, biofuels and waste-fired.
Source: Bloomberg New Energy Finance

In straddling the delicate balance between attracting greater private investment into the Mexican energy sector and avoiding public outcry that the government was abandoning cherished self-determination principles held close to the hearts of Mexicans, the government was shrewd in noting that all hydrocarbons were still the property of the State while the resource laid in the ground but that private investors could nonetheless reflect those same resources on their balance sheets for accounting purposes. This will prove to be an important distinction for both the government and private sector investors and, more importantly, their respective constituents.

These historic reforms will permit the private sector direct investment (and co-investment alongside Pemex) in the hydrocarbon sector utilizing production sharing and profit sharing arrangements, among other creative structures to be proposed as the investment program develops.

The primary attraction for the new private sector investors will be in the exploration and exploitation of oil and natural gas resources. International oil companies have been waiting patiently for decades for an opportunity to work with Pemex on deep water drilling opportunities in the Gulf of Mexico and now their day has come. There are a number of known reserves in the Gulf Coast which Pemex has been unable to convert into producing reserves due to lack of necessary technology. These properties will provide for low risk initial investments for private investors and near term high revenue producing properties for the Mexican government and Pemex. This is a true win-win scenario and the makings of a success story, which the Mexican government can utilize to attract additional investment dollars for riskier properties in the future as the low hanging fruit is harvested.

Another area of pent up investment demand is the exploration and exploitation of shale gas along the United States-Mexican border, particularly with respect to the Eagle Ford formation along the Texas-Tamaulipas/Coahuila border. Shale gas development comes to an abrupt end at the U.S.-Mexico border given the inability, to date, of private investors to profit from the exploitation of the resource in Mexico. Today, Mexico imports up to 30% of its annual national

INDUSTRY CURRENT

consumption of natural gas from U.S. producers. With the proposed development of its own shale gas resources, Mexico stands to once again become a net exporter of natural gas to the world.

Although the Mexican power sector has already benefited from vast amounts of private investment since the mid-1990s, the renewed interest in the Mexican energy sector as a whole by the international infrastructure development and private equity investment communities will have spillover effects which will bring new participants and increased investment dollars into the sector. Renewable energy development has already been on the uptick during the last five years as the Mexican government has adopted policies, which have made renewable generation cheaper and more efficient. Given increased competition and uncertain tax policy in the U.S., wind and solar developers have poured into the Mexican energy market as a means of diversifying their development pipelines and increasing profit margins.

> "The primary attraction for the new private sector investors will be in the exploration and exploitation of oil and natural gas resources."

Mexico has had the blessing of being in the "perfect storm" where challenges in other Latin American markets and in the U.S. have forced investors to reconsider their investment strategy for the Americas while Mexico has had the benefit of sustained domestic growth and an investment grade rating. Uncertainty in other oil and gas producing regions around the world has also repositioned Mexico as a key area for hydrocarbon resource development in order to promote energy security for European countries and the US.

The key to Mexico's success in transforming its energy sector will be to make transparent and consistent strides in establishing a comprehensive design for an open market. Investors must believe that the new reforms will have staying power despite changes in the political winds and that there is a level playing field between themselves and Pemex. Domestic considerations must also be managed to ensure that the Mexican public supports these reforms and views the benefits of reintroducing private investment into the oil and gas sector as bettering the standard of living for everyone.

As new energy investors move into uncharted waters, they would do well to study the lessons learned from past investors in the Mexican power sector during the last 20 years. Edmund Burke's statement that "those who don't know history are destined to repeat it" holds true for the new generation of investors looking to make their fortunes in the bonanza which is the newly opened Mexican energy sector.

POWER TWEETS

The #Power Tweets feature tracks trends in power project finance and M&A in the Americas on **Twitter**. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @HollyFletcher and Editor @SaraReports.

@Sol_Systems: Sol Systems welcomes Joe Song to the team. #solarjobs http://bit.ly/1nSg3i0

@jrpais: News on the elec. muni front in Boulder. Xcel decides to sue the City for forming an electric utility. http://goo.gl/abzlBH

@Ed_Crooks: .@FT editorial attacks US tariffs on solar panels: "a benighted policy", damaging to the economy and the environment. http://on.ft.com/1kES1Ee

@nextera_energy: More solar on the horizon! We completed the purchase of the Silver State South Solar project in Calif.

@EIAgov: US #naturalgas inventories on 05/30/14= 1,499 Bcf; UP 119 Bcf from week ago: http://go.usa.gov/87tz #energy pic.twitter.com/Qj1jzTtOi5

@Opower: #EnergyEfficiency appears 227 times in @EPA's new standard for power plants: http://bit.ly/1n4ZJaa

@MdBidProtest: US appeals court rules against Maryland on contracts over gas-fired plant. See http://bit.ly/1pOTV50

@_NEPGA: Mt. Tom shutting down coal operations in #MA http://www.masslive.com/news/index.ss-f/2014/06/mount_tom_coal_power_plant_in.html …

@cjhinklc0: With investments in efficiency, electricity bills will be 8% cheaper.."that's how you write a rule" - @GinaEPA #ActOnClimate

@JesseJenkins: How the EPA's new climate rule actually works — in 8 steps by @bradplumer @voxdotcom http://www.vox.com/2014/6/4/5779052/how-to-figure-out-which-states-get-hit-hardest-by-obamas-climate-rule#30percent …

@glennpisani: US federal court denies requests to halt NYISO capacity zone despite concerns that the zone will lead to a sharp spi…http://lnkd.in/dWk9Dga

PEOPLE & FIRMS

Moelis Hires JPMorgan M.D.

Moelis & Co. has hired JPMorgan's **John Colella** as a managing director.

He will begin in Moelis' New York office in September following a gardening leave. He will be advising power and utility companies and in the U.S. as well as internationally.

Colella was a managing director at JPMorgan and worked with utility clients. He previously worked at UBS (PI, 6/29/07). Colella worked with **Rick Leaman**, managing partner at Moelis, at UBS.

DOE Staffer Joins Texas Shop

Michael Park, a senior investment officer in the loan guarantee programs office at the U.S. **Department of Energy**, has joined **Noesis Energy** in Austin, Texas, as a v.p. of project finance. Park started in the newly-created role last month.

Noesis works with developers across the energy efficiency spectrum, including renewables generation, providing tools to measure and verify energy savings of proposed installations and related financing. Park will grow relationships with lenders and investors in order to bring funding to clients' projects.

"The value that they're bringing to the market is really leaning more to the financial services and really helping a lot of those developers securing financing. They decided to bring someone in who has the energy and project finance experience," Park says of Noesis, adding that the company will likely continue to grow its project finance team in the next 12-18 months.

Park reports to **Scott Harmon**, cfo and **Scott Jones**, ceo. The company targets projects with price tags between $500,000 and $3 million size, though it occasionally sees facilities in the $7 million to $13 million range.

Prior to joining the DOE in 2010, Park worked at the **National Cooperative Bank** in its corporate banking group, where he focused on credit underwriting and relationship management in structured finance transactions.

STRATEGIES

Bay Area Shop Preps For 1st Rated PACE-Backed Securitization

Clean Fund LLC, a specialty finance shop out of Sausalito, Calif., is aggregating a portfolio of commercial energy efficiency and solar assets that it plans to securitize in a rated transaction in the fourth quarter.

Clean Fund has bought an $8 million pool of bonds, backed by 11 completed commercial real estate properties in Connecticut that have had energy efficiency and, or, solar retro fits, from Connecticut's **Clean Energy Finance and Investment Authority**. The deal allows CEFIA to "recycle" the proceeds back into more investments, **John Kinney**, ceo of Clean Fund, told *PFR*. Clean Fund expects to buy another $22 million of bonds by year-end. The terms of the private deal could not be immedia

The Connecticut deal is among the first transactions to emerge out of energy efficiency and renewable energy upgrades to commercial real estate via state or even county-run Property Assessed Clean Energy programs, or PACE. The PACE programs allow property owners to finance up-front 100% of energy efficiency and renewable energy projects to improve or retrofit their buildings and repay the financing through an additional charge on their property tax bill. A lien is also put on the building as collateral under the pace program that entitles investors to the property in an event of default.

Clean Fund has a $20 million portfolio and expects to grow that to $50 million by the fourth quarter when it is targeting selling its first rated securitization. The shop has been in touch with rating agencies, says Kinney, noting that the agencies are interested and open to the idea because the stream of cash from property taxes is a familiar model to them. To date, Clean Fund has done commercial deals in six states—Minnesota, Wisconsin, California, Florida, Connecticut and Texas.

Clean Fund did not use an advisor on the Connecticut bond deal although it would look to mandate an arranger for the rated transaction later this year, Kinney says. **Ed Feo**, formerly of **USRG Renewable Energy Finance** and **Milbank, Tweed, Hadley & McCloy**, is a managing director of Clean Fund.

An advantage of PACE is that it transposes the risk of the deal from the renewable energy angle to a commercial real estate transaction, says Kinney, explaining that it converts the building upgrades to a mortgage-like structure that is familiar to commercial real estate investors. Investors have fewer questions about the deal because they understand their cash flow is coming from a line item on the property tax, thereby eliminating the renewable energy concerns.

FAST FACT

Clean Fund has a $20 million portfolio and expects to grow that to $50 million by the fourth quarter when it is targeting selling its first rated securitization.

Nationwide, 31 states have adopted laws that allow PACE programs. Connecticut started is commercial PACE program in 2013 and is active in 80 municipalities.

Clean Fund is focusing on commercial deals because there are uncertainties at the federal level about how to structure residential securitizations, Kinney says. To date, the Federal Housing Financing Agency has been hesitant about programs that widely allow energy efficiency or solar retro fits because of questions about whether homes see increased value in the same way of commercial buildings.

Power Intelligence

11th ANNUAL DEALS & FIRMS OF THE YEAR AWARDS

TUESDAY, JUNE 24, 2014, NEW YORK

Power Finance & Risk is proud to present the winners of the 11th Deals & Firms of the Year Awards, a process that lauds excellence across the power industry in 2013.

The winners in the 16 award categories are advisors, investors, lenders, law firms, sponsors and transactions that have been singled-out as best in class by industry peers in a digital poll. We received a record amount of participation and PFR would like to thank all of our voters who took the time to reflect upon and commend distinction in the power industry in 2013.

Project Finance Borrower Of The Year

Best Institutional Investor In Power

Best Project Finance Lender For Non-Renewables Generation

Best Project Finance Lender For Renewables Generation

Project Finance Bond Arranger Of The Year

Renewables Project Finance Deal Of The Year

Non-Renewables Project Finance Deal Of The Year

Project Finance Law Firm Of The Year

Best Seller Of Power Assets

Best Buyer Of Power Assets

M&A Asset Deal Of The Year

Best Renewable Asset M&A Advisor

Best Non-Renewable Asset M&A Advisor

Best Corporate M&A Advisor

Best Law Firm For Asset M&A

Best Tax Equity Investor

To attend the awards ceremony please contact our Publisher:

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Power Intelligence

PTC Insurance *(Continued from page 1)*

as opposed to "will-level" opinions. Additional guidance could be released at the end of this month, say lawyers on both coasts.

The flow of tax equity deals has paused until there is additional guidance because investors don't want to commit o a project that ultimately does not qualify (PI, 5/9). There could be 3.5-6 GW of projects on hold, according to various estimates. .

The gap between what investors want and the prevailing legal opinions is "a perfect place for insurance," says **Gary Blitz**, managing director of Aon's financial solutions group in New York. Developers and investors want clarity on what types of site work, or whether projects bought in 2014 with master turbine framework agreements paid for in 2013, will qualify.

The insurance offering has prompted many discussions between developers and investors, although whether any policies have been officially put in place could not be learned. Observers agree, however, that several developers have come very close to signing a policy. Blitz declined to comment on individual situations.

Players are skeptical about the advantages of the policy. Investors are wary of entering into a deal with a project that could result in a legal battle if its qualification is questioned or overturned. Tax equity investors have taken the stance in many discussions over the policy that "'we don't get into deals where we think the outcome is the settlement of a legal dispute,'" says one official who has spoken with several investors.

The insurance policy will pay legal fees to fight any overturned qualifications. If the appeals process is not successful and the project does not qualify, then the payout would be a lump sum of the net present value of the stream the tax equity investor would have received over the life the agreement. "The type of loss this is being pitched to cover is essentially legal risk," notes one attorney. While the policy would be in place for 10 years, coverage would most likely only be required in the policy's first year or two.

Extraneous Cost

The added expense of the policies have raised questions about whether they are prudent, given that Congress could nullify their necessity and that tax equity investors are wary of projects that could utilize such an offering. Theoretically, the policy premiums could be paid by the sponsor or investor, says Blitz. People involved in discussions between developers and tax equity investors say that developers are being asked to pay the premiums even though the investor receives the guaranty.

The premiums are bespoke and based on the risks of an individual project. Roughly 5% of the amount investors expect to commit, is what developers could expect to pay for premiums on many projects. For example, a project with $175 million in tax equity commitments at that rate would be an $8.75 million premium.

Blitz says that tax insurance policies have been offered hundreds of times in a variety of instances and sectors, including M&A deals as well as affordable housing and historical housing tax credit deals. The broker's policy to the wind industry has been developed in "real-time" and is a temporary transaction, says Blitz, adding that the team does not usually work on new products on such timelines.

There was a type of PTC insurance offered a few years ago that offered protection against turbines that went offline in force majeure situations, notes an attorney.

— Holly Fletcher

ALTERNATING CURRENT

Fore! Driving Range Trades In For Solar

A couple in Belchertown, Mass., are giving up the green for solar. **Barbara** and **Richard Greene** are turning their 11.3-acre driving range into a 1.5 MW solar installation.

Solar developer **Nexamp** is leasing the property from the Greenes over the next 20 years, providing an income stream into their retirement. "We put it on the scale and said 'let's see, mow the lawn once a week and pick up golf balls every day or let it sit there as a leased piece of land?' Hello?" Greene said to the Daily Hampshire Gazette, adding that several developers had approached her and her husband because of the sites southern exposure and proximity to interconnection.

Foregoing golf for ground-mounted solar

Belchertown (pop. 14,649) is also getting a sweet deal. It will collect roughly $25,000 annually on the solar project, up from about $400 annually, under a 20-year tax agreement. Nexamp will pay the town roughly $528,557 during the life of the contract.

The Greenes will still provide some opportunities for a round as they plan to maintain **Evergreene Golf**, their miniature golf operations nearby.

QUOTE OF THE WEEK

*"It's an accomplishment for **BayWa** to do its first tax equity deal in this environment."*

— **Jeffrey Chester,** partner at **Morrison & Forester**, on the savvy that subsidiary **BayWa r.e.** Wind showed in its first tax equity deal in an environment where equity investors have their choice of deals as developers try to finance projects that qualify for the production tax credit (see story, page 5).