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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PEOPLE & FIRMS

Barkley Swaps Duke For Piedmont

After 15 years at Duke, **Bruce Barkley** exits the company to moveto **Piedmont Natural Gas** in Charlotte, N.C. Page 12

● MERGERS & ACQUISITIONS

Barclays' Brazil Debut To Allay Investors

Barclays' private equity unit is courting a Brazilian roll-up for a stake purchase that could mark the foray of private financiers in the country. Page 6

● STRATEGIES

FERC Says Yes To PJM Auction

PJM gears up for its annual capacity auction following a seal of approval for its capacity performance proposals from **FERC**. Page 9

Expected Rate Hike Propels New Utility Issuances

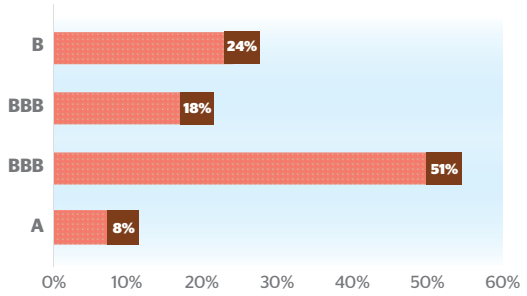
Nischinta Amarnath

At least three issuers in the U.S. have come to market last week against the backdrop of an expected rise in short-term interest rates during the fourth quarter.

DTE Energy is looking to issue $300 million in 7-year senior unsecured notes. A syndicate of bookrunners comprising **JPMorgan**, **UBS** and **TD Securities** will lead the offering.

A deal-watcher expects a fixed coupon of around 4%. His anticipation of a higher rate stems from the 7-year tenor of the new issuance, relative to the 5-year 2.4% fixed coupon notes that the company issued for $300 million last PAGE 10 »

Ratings Overview for the Midstream Sector - 2014



Source: Standard & Poor's

SF Sponsor Launches 572 MW Solar Portfolio Sale

Olivia Feld

Pristine Sun kicked off the sale of 572 MW of small scale distributed-generation solar projects on June 10, a deal watcher tells PFR. The sponsor is said to be looking for upwards of $900 million to finance the projects.

"The company is agnostic about how it meets its financing needs," the deal watcher says, adding that the San Francisco-based sponsor is inviting offers for mezzanine debt, senior debt and tax equity. Pristine will also evaluate offers to acquire a majority of up to 100% of equity in the company.

Whitehall & Co is a financial advisor to Pristine on the transaction.

The projects, which range from early stage development to those ready for construction are located in California, Minnesota, North Carolina and Texas, and range from 1 MW to 5 MW in size.

Various utilities and commercial entities have PAGE 5 »

SunPower Plans Debut ABS

Olivia Feld

SunPower Corp. is planning its first residential solar asset-backed securities deal, which is slated to be launched in the first quarter of 2016. The San Jose, Calif.-based company has assigned a bookrunner, thought to be **Citigroup** or **Credit Suisse**, a deal watcher tells *PFR*.

The company is expected to offer between $50 million and $125 million in residential solar asset-backed securities, notes the deal watcher, adding, "When you're doing something new, it's easier to start off smaller. As they do more, and the market does more, the deals will get bigger and bigger".

To date, **SolarCity** is the only company to have sponsored solar securitizations, all of which have been arranged by Credit Suisse. The San Mateo, Calif.-based residential, commercial and industrial solar sponsor issued $54.4 million in asset-backed securities in its first deal in 2013 (PFR, 11/5/13). The company offered $201.5 million in its third and most recent ABS deal last year (PFR, 7/22/14).

SunPower is building a fund of solar rooftop assets, backed with leases or power purchase agreements, the PAGE 9 »

● **POWER UP:** CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 12

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AT PRESS TIME

8minutenergy, D.E Shaw Circle $160M Solar Financing

Affiliates of **8minutenergy Renewables** and **D.E. Shaw Renewable Investments** are set to close a $160 million deal backing the 133 MW Springbok solar project in Kern County, Calif., this week.

KeyBanc, **Santander**, **OneWest Bank**, **CoBank** and **Siemens Financial Services** are joint lead arrangers on the club deal, which comprises a term loan A with a seven year tenor priced at 175 basis points over LIBOR, a deal watcher tells *PFR*.

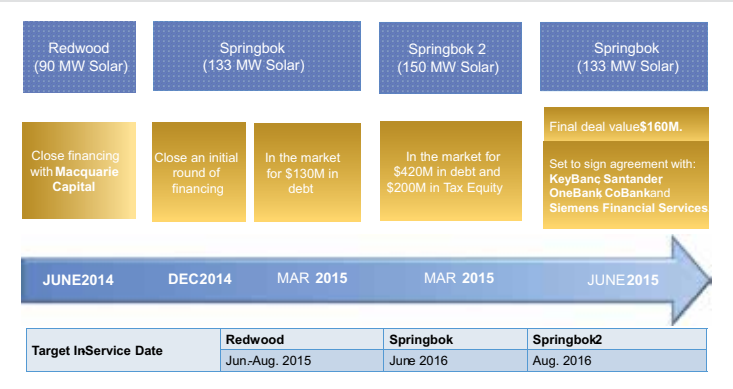
Minneapolis-based **US Bank** is investing tax equity in the project worth between $125 million and $127 million, the deal watcher says, adding that the two entities have previously worked together on similar deals.

The sponsors raised initial debt financing for the project in December (PFR, 12/19). **Southern California Public Power Authority** has a power purchase agreement with Springbok on behalf of the SCPPA member **Los Angeles Department of Water and Power**. The project is slated to be online in June 2016.

The joint sponsors are in the market for tax equity and debt financing for the adjoining 150 MW Springbok 2 project in Kern County, Calif (PFR, 3/16). **Paragon Energy Advisors** is acting as financial advisor to 8minutenergy. The California-based solar developer is also looking to finance its 50 MW Lotus project in Madera County, Calif.

New York-based DESRI acquired the 314 MW Balko wind project in Beaver County, Okla. from **Apex Clean Energy Holdings** in December (PFR, 1/7). ■

8minutenenergy & DE Shaw -Solar Financing Timeline For Kern County, Calif.



Target InService Date	Redwood	Springbok	Springbok2
	Jun.-Aug. 2015	June 2016	Aug. 2016

Source: Power Finance & Risk

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EDITORIAL
Richard Metcalf
Editor
(212) 224-3259

Nischinta Amarnath
Managing Editor
(212) 224-3293

Olivia Feld
Senior Reporter
(212) 224-3260

Stuart Wise
Data Associate

Kieron Black
Sketch Artist

PRODUCTION
Gerald Hayes
Manager
Emily Foster
Designer
Andy Bunyan
Associate

ADVERTISING
James Barfield
U.S. Publisher,
Capital Markets Group
(212) 224-3445

PUBLISHING
Emmanuelle Rathouis
Marketing Director

Vincent Yesenosky
Head Of U.S. Fulfillment
(212) 224-3057

Nina Bonny
Customer Service Manager
(212) 224-3433

SUBSCRIPTIONS/ ELECTRONIC LICENSES
One Year $3,147 (In Canada add $30 postage, others outside U.S. add $75)

Alyssa Rinaldi
Account Executive
(212) 224-3043

REPRINTS
Dewey Palmieri
Reprint & Permission Manager [New York]
(212) 224-3675
dpalmieri@Institutional investor.com

CORPORATE
Richard Ensor
Chairman

John Orchard
Managing Director,
Capital Markets Group

Customer Service
PO Box 4009, Chesterfield, MO 63006-4009, USA
Tel: **1-800-715-9195**
Overseas dial: **1-212-224-3451**
Fax: **212-224-3886**
UK: **44 20 7779 8704** Hong Kong: **852 2842 8011**
E-Mail: customerservice@iiintelligence.com

Institutional Investor Hotline
(212) 224-3570 and (1-800) 437-9997 or Hotline@iiintelligence.com

Editorial Offices
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Please send all undeliverable Mail and changes of addresses to:
PO Box 4009 Chesterfield, MO 63006-4009 USA

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Feel free to contact **Nischinta Amarnath**, Managing editor, at (212) 224-3293 or namarnath@powerfinancerisk.com

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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).
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 (PFR, 6/8).
Cia Positiva de Energia	Various (1.2+ GW Gas, Biomass)	Brazil		Barclays' private equity unit will buy a stake in the company (see story, page 6).
Clean Energy Future	Lordstown (800 MW Gas)	Lordstown, Ohio	Whitehall & Co.	The sponsor expects to wrap the deal by September (PFR, 6/8).
Community Energy	Butler (103 MW Solar)	Taylor County, Ga.		Southern Power has bought the facility (PFR, 6/1).
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).
Enercon	Niagara (230 MW Wind)	Ontario		Boralex has bought a buy/sell option for a 25% stake in Niagara (see story, page 7).
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).
GE Capital	Saranac (251 MW Gas)	Plattsburg, N.Y.		BHE Renewables is buying a 5% partnership interest in Saranac (see story, page 7).
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).
Integrys Energy Group	Portfolio (23 MW Solar)	U.S.		TerraForm is acquiring the portfolio (see story, page 5).
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).
Pristine Sun	Portfolio (572 MW Solar)	U.S.	Whitehall & Co.	The sale launched on June 11. No timeline has been determined for bids (see story, page 1).
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

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PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables, D.E. Shaw Renewable Investments	Springbok (133 MW Solar)	Kern County, Calif.	A syndicate comprising KeyBanc, OneWest Bank, CoBank and Siemens Financial Services	Term Loan A	$160M	7-yr	The deal has been set to wrap the week of June 8 (see story, page 2).
			U.S. Bank	Tax Equity	TBA	TBA	The deal could be worth between $125M and $127M (see story, page 2).
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 (PFR, 6/8).
Competitive Power Ventures	Fairview (980 MW Gas)	Cambria County, Pa.	TBA	TBA	Debt, Equity	TBA	The sponsor will be in the market for debt when the deal launches in Q3'16 (see story, page 9).
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)
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 (PFR, 6/8).
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	
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).
Soriana, GEMEX	Le Mesa (49 MW Wind)	Mexico	North American Development Bank, BANCORTE	Construction/ Term	$130M	TBA	The deal has closed (see story, page 8).
	Victoria (49 MW Wind)	Mexico			$130M	TBA	
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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MERGERS & ACQUISITIONS

TerraForm Upsizes Bonds To Acquire Solar Projects

TerraForm Power is acquiring 23 MW of operating distributed generation solar projects from a subsidiary of **Integrys Energy Group** for roughly $55 million.

The yield company, set up by **SunEdison** in 2014, is purchasing the portfolio of small-scale projects for $45 million in equity consideration and will assume $10 million in project debt. The Bethesda, Md.-based entity is funding the acquisition by upsizing a bond offering by $150 million.

"Distributed generation has been a priority for both SunEdison and TerraForm," **Alex Hernandez**, cfo of TerraForm Power tells *PFR*, adding that DG projects account for around 20% of TerraForm's assets.

"Although most of our assets are utility-scale, we do have a very nice mix of DG assets. This is the third DG portfolio that we've purchased out of the seven acquisitions we've done since we've went public," he adds.

The portfolio consists of 48 small-scale projects totaling 34 MW, each with an average size of 0.7 MW. An undisclosed investor has a partial ownership of some of the projects. The assets, which are all contracted under long-term power purchase agreements, are in Arizona, California, Connecticut, Massachusetts, New Jersey and Pennsylvania.

The acquisition follows TerraForm's previously announced plans to acquire two solar projects from **Invenergy**. The 13 MW Sandringham project and the 12 MW Woodville facility, both in Kawartha Lakes County, Ontario, have been online since 2013 and have feed-in-tariff contracts with the **Ontario Power Authority** (PFR, 5/15).

TerraForm is upsizing an $800 million bond offering by $150 million to fund the Integrys and Invenergy portfolio acquisitions. The $150 million new issuance will be used to offset the cost of the acquisitions, which were initially funded with cash on hand and balance sheet liquidity, Hernandez says. The company issued $800 million of senior secured notes in January (PFR, 1/27).

The yieldco has priced the $150 million of senior secured notes, due in 2023, at 5.875%. **Morgan Stanley**, **Citi**, **Barclays**, **JPMorgan** and **Macquarie Capital** are bookrunners on the deal, which is slated to close on Thursday. The issuance has a spread of 428 basis points over Treasuries.

MAINTAINING FOCUS

TerraForm maintains its core focus in wind and solar assets, although it is also looking at opportunities to expand its footprint in hydro, Hernandez notes.

The yieldco has a portfolio of 1.7 GW in assets and drop-down inventory of 3.6 GW of projects from SunEdison. TerraForm's third party acquisitions to date have included 521 MW of contracted wind assets from **Atlantic Power** and the acquisition of **First Wind** (PFR, 4/1), (PFR, 11/18).

"We're been active in the market, both in developing our own assets but whenever we see high quality portfolios come to market. We oftentimes speak bilaterally to some of the potential sellers, but we will continue to be active in that segment on both fronts," Hernandez says.

TerraForm has executed its acquisitions bilaterally, rather than participating in auctions, Hernandez adds, arguing that it gives the seller more certainty of the deal closing as well as attractive and fair pricing for both parties.

"We've been pretty active on the strategic M&A front. There are many things that we haven't executed on. We continue to see a proprietary list of opportunities that we work on. Our focus is to grow organically but when we do see attractive opportunities that are third party acquisitions we certainly evaluate and have done seven since our IPO," Hernandez adds.

Integrys is merging with **We Energies** in a $9.1 billion deal, slated to close by the end of the summer. The combined entity, **WEC Energy Group**, will serve nearly 4.3 million customers across Wisconsin, Illinois, Michigan and Minnesota (PFR, 3/19).

A spokesperson for Integrys in Chicago did not respond to a request for comment. ■

SF Sponsor Launches 572 MW Solar Portfolio Sale

« FROM PAGE 1

secured power purchase agreements for most of projects' generation, adds the deal watcher. The facilities will be connected to existing substations for local distribution. Pristine is seeking capital with a view to meeting the deadline to qualify for the 30% investment tax credit before it is retired at the end of 2016.

Pristine Sun is an independent power producer that develops small utility-scale solar facilities in the US. The sponsor has nearly 1 GW of projects either in construction or late-stage development as well as an additional 5 GW of projects that are in early or mid-stage development.

A spokesperson for Pristine Sun in San Francisco declined to comment on the transaction. ■

Credit: fotolia

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MERGERS & ACQUISITIONS

Barclays' Brazil Foray Could Quell Investor Concerns

An unassuming start-up based in Rio de Janeiro has elicited the interest of Barclays in a stake purchase, which would be the first time the London-based bank's natural resources private equity group has invested in the country.

If the deal achieves fruition, it could significantly mitigate investor concerns over what alternatives would emerge to offset a potential shortage of project-level funds from **Banco Nacional de Desenvolvimento Econômico e Social's** cache, a deal watcher says.

The financial challenges the BNDES is facing are part of a nationwide economic contraction, which has prompted the central bank to raise borrowing costs as an anti-inflationary measure.

Barclays Natural Resources Investments will acquire an ownership stake in **Cia Positiva de Energia**, founded by former executives who worked under oil and gas business magnate and **EBX Group's** chairman **Eike Batista** in Brazil.

"Energy prices in Brazil are very high. So, they will be able to make significant returns on the investment," says another deal-watcher of BNRI's interest in buying a stake in Cia Positiva de Energias.

Positiva, founded in 2014, is developing the second, third and fourth phases of the roughly 1 GW natural gas-fired UTE Linhares project in the city of Linhares in southeastern Brazil. Positiva recently acquired 80% of the rights to design these phases of the project.

FAST FACT

Barclays' private equity unit will acquire a stake in **Cia Postiva de Energia** funded by former executives who worked with ex-billionaire **Eike Batista**.

The first phase of this facility has 205 MW of generation, and has been completed through a partnership between the **Differential Power** and **BTG Pactual**. The second and third phases will generate a combined additional capacity of 300 MW, and the fourth phase will look at a further expansion of 700 MW.

BIOMASS-FRIENDLY

Brazil is a biomass-friendly country partly because it is home to a thriving paper industry. Positiva's portfolio also comprises a roster of five biomass thermal projects totalling 265 MW in the states of Minas Gerais, Rio Grande do Sul and Mato Grosso do Sul. All projects use eucalyptus and pine trees, as opposed to the sugarcane that is a conventional fixture in biomass development across the country.

The second deal-watcher emphasizes that Barclays would profit from the construction timeline associated with Positiva's ongoing biomass projects. "It takes much less time [to develop a biomass facility] than to build a hydro plant. You can build a cogeneration plant in a year to 1.5 years," he notes.

Positiva's partners include **Eduardo Karrer**, former ceo of **Eneva SA**, a utility which launched an initial public offering in 2007, and **Flavio Godinho**, who held positions in some of Batista's companies.

BNRI generally commits between $50 million and $200 million of investment funds to each of its management teams, which operate out of London, New York and Doha.

The percentage of ownership that BNRI would acquire in Positiva has not been publicly disclosed. An official from Barclays in New York was unavailable to respond to a request for comment. Officials at Positiva in Rio de Janeiro could not be reached for comment by press time. ■

Berkshire Hathaway Circles GE Gas-Fired Stakes

General Electric Capital is looking to sell its stake in the 251.6 MW Saranac natural gas-fired cogeneration facility in Plattsburgh, N.Y., to **BHE Renewables**, an affiliate of **Berkshire Hathaway Energy**.

TIFD III-A, an indirect wholly-owned GE Capital subsidiary, which holds a five percent limited partnership interest in the Saranac facility, will transfer its share of ownership to BHE Renewables' geothermal outfit, **CE Generation**, according to a recent filing with the U.S. **Federal Energy Regulatory Commission**.

BHE Renewables, which holds 75% of ownership interests in Saranac, will own an additional five percent as a limited partner, once the deal is finalized. **Osaka Gas Energy America Corp**. owns the remaining 20% of partnership interests in the facility.

Neither GE Capital nor BHE Renewables has tapped a financial advisor on the deal, according to a banker.

Saranac has a long-term offtake agreement to sell its output to the **NYISO** through **EDF Trading North America**. The project, which has two General Electric gas turbines, also supplies natural gas to the **New York State Electric Gas Corp**. and the **Georgia-Pacific Corp**. through its 22-mile North Country gas pipeline in upstate New York. The pipeline connects Saranac to **TransCanada's** gas transportation network.

Berkshire Hathaway recently acquired a portfolio of wind and solar assets totaling more than 600 MW from **Geronimo Energy** (PFR, 5/26). During the era of its former identity as **MidAmerican Energy**, the company similarly bought stakes in a trio of gas-fired assets totaling 530 MW across Arizona, New York and Texas from **TransAlta Corp**. through subsidiaries CE Generation and **Cal Energy** (PFR, 2/24/14). Cal Energy divested 50% of its ownership interests in CE Generation to an affiliate of Houston-based natural gas producer **El Paso Energy Corp**. earlier this year.

Spokespeople at GE Capital in New York and BHE Renewables in Irvin, Calif., and Omaha, Neb., either declined to comment or did not respond to requests for comment by press time. ■

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MERGERS & ACQUISITIONS

Boralex Opens Up To Enercon Collaboration

Boralex has bought a conditional buy/sell option for a 25% stake in a 230 MW wind project in Ontario from German turbine maker Enercon, according to an announcement made on June 8.

The Québec-based renewables developer will pay C$5 million ($4 million) for the option, and expects to pay about C$60 million ($48 million) in equity if it goes ahead with the purchase of the stake in the Niagara Region wind farm.

"It's not that common that you have an option to buy," says a deal watcher. "Usually companies get in and buy a portion of a project. Maybe the return is on the lower side, so they want to be protected."

Boralex is obligated to exercise the option if certain financial conditions are met at the closing of a project financing agreement.

If the project does not meet those conditions by the time financing is in place, Boralex will exercise the option after the project is commissioned, if it finds the deal attractive.

Boralex will operate the wind farm, which will consist of 77 Enercon 3 MW turbines, if it proceeds with the acquisition.

The Niagara Region project, located in the Haldimand County, Ontario, is slated to cost between C$900 million ($724 million) and C$950 million ($764 million) to develop.

The financing will consist of non-recourse project-level amortizing debt, according to the deal watcher, who expects the transaction to close in the third quarter of this year.

Based on a consideration of C$60 million for a 25% equity stake, the deal watcher puts the size of the debt financing at 75% of the total cost, between C$675 million ($543 million) and C$712 million ($573 million).

Analysts at **RBC Dominion Securities** indicate that the option agreement will have a positive impact on Boralex shares, according to a research note published on June 8.

The deal increases Boralex' development pipeline and is likely to take the company's EBITDA growth beyond its 2017 target of $250 million ($200 million), the analysts note.

Boralex could use the proceeds of a C$125 million ($100 million) convertible bond it issued last week to fund the acquisition. **National Bank Financial** led a seven-bank syndicate on the convertible issuance, which was oversubscribed (PFR, 6/4).

A spokesman for Boralex did not respond to a request for comment by press time. ■

PROJECT FINANCE

CPV Eyes $900M PJM Financing

Competitive Power Ventures is planning to launch financing for its 980 MW Fairview Energy Center, a combined-cycle gas-fired project in Cambria County, Pa., next summer.

CPV will look for debt and equity investors for its $900 million project, **Mike Resca**, vp at CPV and project manager of Fairview tells *PFR*. The deal is likely to be launched in the third quarter of 2016, he adds. CPV is considering the debt-to-equity ratio for the project financing.

The Braintree, Mass.-based sponsor is evaluating a hedge structure for the quasi-merchant project, which is due to online at the end of 2019. Major permits for the project are slated to be filed this summer.

CPV says it continues to see opportunity in the region, on top of the four PJM gas-fired projects currently in the market for financing (PFR, 6/5).

Competitive Power Ventures' Project Portfolio

Project	Capacity/Type	Location
Keenan II	152 MW Wind	Woodward County, Okla.
Saint Charles	752 MW Gas-fired	Charles County, Md.
Sentinel	800 MW Gas-fired	Riverside County, Calif.
Smyth Energy Center	700 MW Gas-fired	Smyth County, Va.
Towantic Energy Center	785 MW Gas-fired	Oxford, Conn.
Vaca Station	660 MW Gas-fired	Vacaville, Calif.
Valley Energy Center	650 MW Gas-fired	Orange County, N.Y.
Woodbridge	700 MW Gas-fired	Woodbridge, N.J.
Fairview	980 MW Gas-fired	Cambridge County, Pa.
Pondera King	900 MW Gas-fired	Houston, Texas

Source: Competitive Power Ventures

"We're constantly evaluating the market and obviously there's a bunch of plants that are expected to retire. We understand that there's competition in the market, but that's the case in pretty much every market we're in," Resca says. "It comes down to the development and getting a project that makes sense in the financial markets," he adds.

The last two projects CPV financed were its 725 MW St Charles CCGT facility in Charles County, Md., and its 700 MW Woodbridge CCGT plant in Woodbridge, N.J. **Osaka Gas**, **Marubeni** and **Toyota Tsusho Corp** took equity stakes in St. Charles (PFR, 4/5). **GE Energy Financial Services**, **Crédit Agricole** and **ING Capital** were joint lead arrangers on a debt financing sealed last summer (PFR, 8/11). **ArcLight Capital Partners** and **Toyota Tsusho** have equity stakes in the Woodbridge project. **GE Energy Financial Services** closed a $585 million debt package backing the facility in 2013 (PFR, 9/23).

Global Infrastructure Partners, CPV's new principle owner, has aggressive goals for continued development, Resca says. GIP bought out **Warburg Pincus**'s majority stake in CPV in April. The acquisition included equity interests in a number of unnamed projects, including several under development (PFR, 4/7).

CPV is evaluating whether to appoint an advisor on the Fairview deal. ■

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PROJECT FINANCE

Mexican Retailer With Permit Clinches $260M For Wind

Organización Soriana, a retailer in Monterrey in northern Mexico, has secured $260 million in debt financing and equity investments to construct a pair of wind farms totalling 99 MW in Güemez, Tamaulipas, partly because it was able to secure a grandfather permit before Mexico's new energy reforms kicked in.

The financing package for the La Mesa and Ciudad Victoria wind farms comprises construction loans and term loans from **North American Development Bank** and local commercial bank **BANORTE**, which have disbursed $80 million and roughly $90 million respectively.

Meanwhile, Mexican company **Grupo de Energia GEMEX** has contributed an equity investment of approximately $90 million for both projects. Each facility is pegged at a project development cost of $130 million. The two wind farms have a 20-year offtake contract with Soriana and are due to enter service by the fourth quarter of 2016.

"Both La Mesa and Victoria have already performed their due diligence. We've evaluated the risks of both farms, and we think they're in a good position to start construction," **Carlos Carranza**, a project development director at NADB in San Antonia, Texas, tells *PFR*.

"A renewables project is helpful for retailers like Soriana who don't have to worry about transmission losses," says a deal-watcher of the retailer's incentive to develop the two wind farms.

Those transmission losses can be avoided because of stamp tariffs that the retailer can utilize through its grandfather permit. Stamp tariffs allow specific amounts of payment to be made based on how much capacity is loaded on to the interconnection grid. "All those stamp tariffs will go away with the grandfather permit, of course," the deal watcher adds.

Both projects are also a part of the retailer's goal to supply all its stores with 100% renewable energy as a part of its sustainability policy.

OTHER PROJECTS

Meanwhile, Carranza of NADB adds that the bank is currently reviewing opportunities to invest in four or five other projects, which have similarly qualified for the grandfather permit within the zonal division that lies 186.4 miles (300 kilometres) to the south of Mexico's U.S. border. All the projects are at varying stages of development.

Developers who hold grandfather permits against the backdrop of the new regime are typically given a deadline of Dec. 31, 2016 to raise financing for their projects and pay at least 30% of the project's total cost. "But we don't know how many of those projects will be complete [by the end of 2016]," Carranza says of the new investment prospects the bank is reviewing. He declined to comment on the names of those projects and the identities of their sponsors.

Carlos Carranza

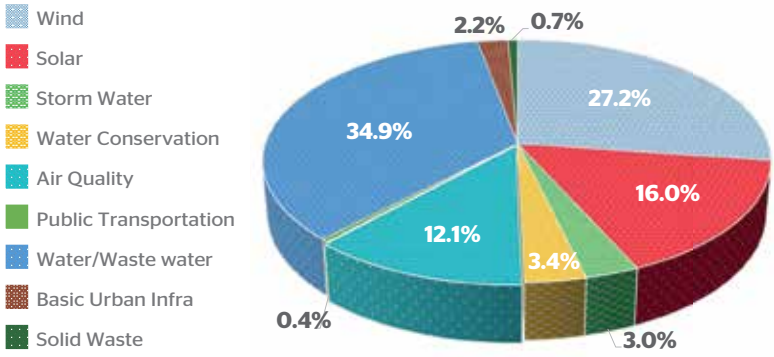
NADB will make a decision on those projects following an assessment by its internal committee and a final review by its ten-member board, which consists of an equal number of representatives from the U.S. and Mexico. A timeline for when the decision would be made could not be established.

Mexico's historic energy reform legislation package came into effect last August. The subsequent new legal framework for renewables development could urge developers to secure long-term anchor customers with attractive pricing that covers the majority of a project's available capacity and supports long-term nonrecourse financing, notes **Dino Barajas**, partner in the global project finance and corporate practice group at **Akin Gump Strauss Hauer & Feld** in Los Angeles (PFR, 2/9).

The **Comisión Reguladora de Energía** processes applications for permits from developers and independent power producers along the lines of the old energy regime, if those applications have been pending as of Aug. 12, 2014. The earlier regime allows grandfathering of development-stage and operating projects. Permit-holders that have informed the CRE about their plans to continue the project by Oct. 11, 2014, usually retain their right to a 20-year grandfathered interconnection agreement for their projects.

A spokesperson at Organización Soriana did not respond to inquiries from PFR. Officials at BANORTE and GEMEX in Mexico either declined to comment or could not be reached for comment by press time. ■

NADB –Cumulative Financing



Source: North American Development Bank

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STRATEGIES

SunPower Plans Debut ABS

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deal watcher says. Once a tax equity investor is in place, SunPower will seek to refinance the fund with an asset-backed security.

"ABS lenders need to see what their receivables actually are", the deal watcher notes. "SunPower doesn't have the on-balance receivables for ABS right now", he says. The sponsor is in the process of launching a joint yield company with **First Solar** called **8 Point 3 Energy Partners**. The IPO will be launched later in June, according to the deal watcher. **Goldman Sachs** and Citigroup are the lead bookrunners and advisors for 8point3 (PFR, 4/30). The initial portfolio will include approximately 5,900 SunPower residential solar installations totaling 48 MW.

SunPower secured financing from **Bank of America Merrill Lynch** to support approximately $220 million of solar residential lease projects last year (PFR, 2/7/14).

A number of developers are eyeing securitizations for solar installation portfolios (PFR, 5/1). The step-down of the investment tax credit, a lack of PPAs and the need for a lower cost of capital are expected to drive a significant growth in the nascent solar ABS market over the next few years. Sponsors cite the hesitancy of rating agencies to rate leased or loaned solar assets as a barrier to entry.

Credit Suisse, Citigroup, Goldman Sachs and Bank of America Merrill Lynch are considered to be likely bookrunners on upcoming securitizations, according to deal watchers.

"From an issuer's point of view, you want to reward the banks that provide capital. And if you look at who's provided capital for the likely issuers, it's Credit Suisse, Citigroup and Goldman Sachs," a deal watcher says. "Those are the banks that will do the first deals. As the market matures then other banks will start to participate."

Spokespeople for SunPower in San Jose, Calif., and Credit Suisse in New York did not respond to inquiries immediately. A spokesman in Citigroup in New York declined to comment. ■

FERC Green Lights PJM Auction

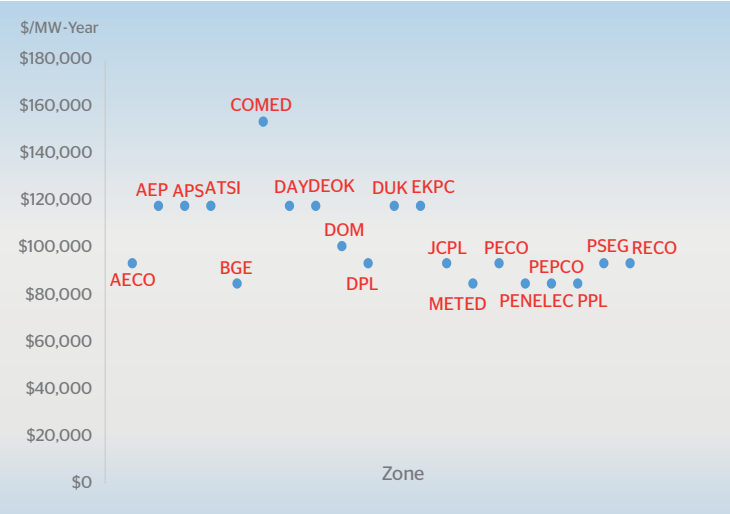
The annual **PJM Interconnection** capacity auction is going ahead this summer following the **Federal Energy Regulatory Commission**'s approval of PJM's capacity performance proposals late on June 9.

The base residual auction for delivery year 2018-19 will start the week beginning August 10, after FERC issued a decision to incorporate most of PJM's tariff reforms.

The changes will provide greater reliability during emergencies, FERC says in the order, adding that PJM can establish a system of charges and credits for capacity resources based on performance. PJM is reviewing the order and says it will make a compliance filing within the next 30 days.

PJM's capacity performance proposals were submitted to FERC in December, following the previous winter's polar vortex when 22% of the region's generation was unavailable to customers. The auction for delivery year 2018-19 was originally scheduled to take place in May, but PJM requested a delay while FERC considered the proposals.

PJM -Maximum Capacity Performance Penalty in the 2013/2014 Delivery Year



Source: PJM

The three month delay in running the auction has slowed down PJM deal flow, despite a high volume of projects in the market, financiers say, adding that there is likely be rush to seal deals at the end of the year (PFR, 6/5).

There are four gas-fired projects in PJM currently in the market for 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).

The Commission approved PJM's proposals in a 4-1 vote. Chairman **Norman Bay** issued a dissenting opinion criticizing the plans as being uneconomical. "One way of viewing the CPP is that it fixes a several hundred million dollar uplift problem in the energy market with a multi-billion dollar redesign of the capacity market," Bay writes.

FERC has asked all Regional Transmission Organizations and Independent System Operators to submit reports on the status of their efforts to address reliability issues. ■

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STRATEGIES

Expected Rate Hike Propels New Utility Issuances

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November.

The deal watcher added that DTE Energy was initially eyeing a size of $350 million for the deal. He declined to comment on when the developer was rooting for the additional $50 million. No upsizing has been forecast for the impending rollout, and an exact timeline for the issuance could not be established.

DTE Energy will use some of the proceeds from its notes to repay its short-term debt. **DTE Energy Holding Co**. has $166 million in short-term debt, as of March 2015, according to company filings.

Given the size of the issuance, investors are expected to scramble for DTE's notes. The Detroit, Mich.-based developer will most likely receive a BBB rating from **Fitch Ratings**, if it sells senior unsecured notes.

"We're seeing a timing element where companies may be trying to get ahead of a material move in interest rates," a market observer says.

JOINING THE FRAY

The second quarter has been robust for utilities. Also in the pipeline is Southern Co.'s proposed sale of $600 million in 5-year notes. **BNP Paribas**, **Goldman Sachs**, **JPMorgan**, **Wells Fargo Securities** and **USB Bank** are joint bookrunners on the deal.

Southern Co. will channel proceeds from its issuance partly toward paying down a portion of roughly $765 million in outstanding debt, as of June 5, PFR understands. The Atlanta-based utility will also tap into the proceeds for investments in its subsidiaries, and other general corporate purposes.

Southern Co. owns more than 42 GW of renewable and thermal generation across 10 smaller businesses, including **Southern Power**, **Southern Nuclear**, **Georgia Power**, **Mississippi Power**, and **Alabama Power**.

BACKGROUND NOISE

In spite of buoyancy in the bond market, investor responses to Southern Co.'s emerging $600 million sale could be more lukewarm than for DTE Energy and other comparable issuers.

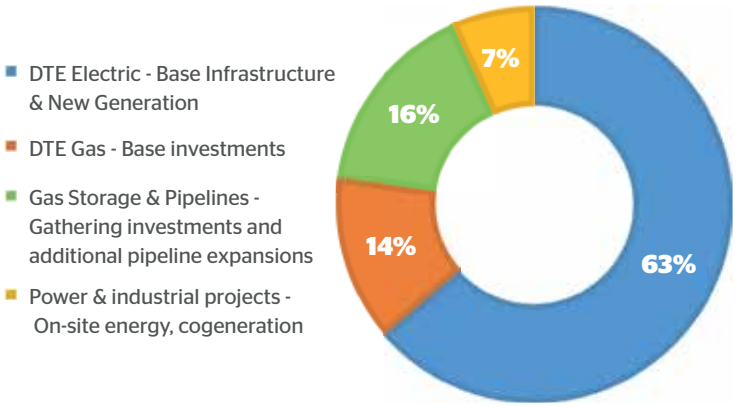
Fitch Ratings has assigned a negative outlook to Southern Power after recent developments involving its affiliate, Mississippi Power's 582 MW coal-fired Kemper project in Kemper County, Miss., as well as construction and regulatory risks associated with the 2.2 GW Vogtle nuclear units 3 and 4, in Waynesboro, Ga.

South Mississippi Electric Power pulled out from a planned investment in Mississippi Power's Kemper plant because of significant cost overruns and project delays (PFR, 5/27), while the Vogtle nuclear units, in which Georgia Power holds a 45% stake, have been lagging behind the schedule mandated by the **Georgia Public Service Commission**.

"If there is any further stretch on these two projects, [Southern Co.'s] debt will skyrocket because of pressures on the parent company to issue hold co. debt," says another deal-watcher of the Kemper and Vogtle facilities.

The deal-watcher adds that Southern Co., which has issued $1.5 billion in equity over the past two years, is unlikely to issue a significant amount of equity going forward. These considerations could influence investor responses to Southern Co.'s $600 million issuance by adversely impacting its credit metric.

DTE Energy Capital Project Investments through 2019



Source: Company Presentation June 2015

CP REFINANCING

Meanwhile, **Pacific Gas & Electric** has announced a sale of $400 million 10-year notes to repay outstanding commercial paper, which the San Francisco-based utility harnesses to fund its capex program involving costs of roughly $315 million per year, as well as a variety of power projects.

The issuance will be executed through bookrunners **Citigroup**, **Mizuho Bank** and JPMorgan. Fitch Ratings has accorded issuer default and senior unsecured ratings of BBB and A- respectively.

Investors are waiting for the outcome of a case concerning the explosion of a PG&E-owned San Bruno gas pipeline in San Bruno, Calif., in 2010. PG&E filed a gas transmission and storage rate case in December 2013, submitting a comprehensive proposal to state regulators for 2015-17 to revolutionize roughly 6,750 miles of its gas pipelines as well as its storage facilities.

The **California Public Utilities Commission** slammed PG&E with a $1.6 billion penalty in April, along with a mandate for investments in safety measures for its pipelines. While the utility has announced that it would fund the penalty entirely through equity, industry players are gauging how exactly PG&E will cover the hefty fine.

"We're expecting the gas transmission and storage rate case to be pushed back to the fourth quarter, rather than this August as was originally the case," says another market participant, adding, "The outcome of that case will be a key consideration for its (PG&E's) credit worthiness, and investors will take that into account while responding to its issuance." ■

Note: This article was written on June 9 before public announcements about the ratings were made.

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PEOPLE & FIRMS

Barkley Swaps Duke For Piedmont

Bruce Barkley is leaving **Duke Energy Progress** to assume the role of vp of regulatory affairs, rates and gas cost accounting in Charlotte, N.C.-based **Piedmont Natural Gas**. Barkley will start his new job in Charlotte, N.C. on Aug. 10, 2015 and report to **Karl Newlin**, cfo and senior vp at Piedmont.

Barkley, who joined Duke in 2000, will resign from the utility on June 30, according to a Duke spokesperson in Charlotte, N.C.

Barkley's position as manager of regulatory affairs at Duke's Raleigh, N.C. office, a role he has held since 2012, will be duly filled, but the company is yet to arrive at a decision on the exact timeline for a replacement, the spokesperson says.

At Duke, Barkley played a key role in resolving numerous regulatory issues ranging from rate cases to fuel proceedings and customer problems. Barkley is carrying that experience forward to Piedmont, where he will oversee rates in the company's three-state service area and take charge of the firm's gas cost accounting function.

Piedmont and Duke worked closely together last year when they jointly launched a request for proposals for a natural gas pipeline with an average initial capacity of 900 million cubic feet per day (PFR, 4/7/14).

Piedmont is currently working on the second phase of a 2.5 mile natural gas pipeline enhancement project in Charlotte, N.C. The second phase is slated for completion in July. The natural gas distributor has three other in-service pipeline projects in North Carolina, including:

- a 13.5 mile South Nashville pipeline in South Nashville, Tenn.,
- a 21 mile Line 5B pipeline in the Johnston, Wayne and Green Counties, and,
- a 128-mile pipeline, which served Duke Energy Progress' predecessor **Progress Energy**'s 575 MW Sutton coal-fired facility in Wilmington, Del., until it was retired in 2013.

Barkley was unavailable for comment, and a spokesman at Piedmont did not respond to inquiries. ■

ALTERNATING CURRENT

Utility Drones Take Off In California

AC

Credit: fotolia

San Diego Gas & Electric has become the first utility to receive the **Federal Aviation Administration's** permission to use drones.

The FAA administers applications for the commercial use of small unmanned aircraft systems. SDG&E has been awarded a special airworthiness certificate to use drones for conducting research and training flight crews in a sparsely populated airspace in Eastern San Diego County. The drones, which weigh less than a pound and measure 16 inches in diameter, will use a camera to inspect equipment and transmission lines.

The approved program aims to investigate how the utility can use drones in daily operations, particularly in areas that are off-limits to helicopters or difficult to access by road. SDG&E says that the technology will allow it to locate the causes of outages faster and improve its response to emergencies including fires. ■

PFR #PowerTweets

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Setting The Record Straight On The Wind Energy Tax Credit, by our CEO Mike Garland http://ow.ly/Obupj @AWEA #windworks #windpower #PTC

@morphizm
@SunPower + @FirstSolar file the #8Point3 yieldco: http://www.sec.gov/Archives/edgar/-data/1635581/000119312515218889/d876955ds1a.htm … 20M shares at $19-$21 = $1B in Tvalue, 432MW in US projects. #BOOM

@KrollWire
After two years of amendments, legislation and restructuring of state agencies, #Mexico's #EnergyReform takes shape http://ow.ly/Naafs

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