

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

● MERGERS & ACQUISITIONS

● PROJECT FINANCE

● PEOPLE & FIRMS

First Solar taps banks for dev biz sale

First Solar has picked two investment banks as financial advisers on the sale of its US project development business. [Page 6](#)

Carlyle allocates Hamilton tickets

The Carlyle Group has launched its long-awaited \$1.015 billion Hamilton Holdings acquisition financing. [Page 8](#)

New job for Carlyle infra chief

The Carlyle Group's co-head of global infrastructure investment has taken a new role with **Generate Capital**. [Page 16](#)

Auction launched for 2.4 GW thermal portfolio

Taryana Odayar

A 2.4 GW portfolio of thermal generation located in PJM Interconnection has been put up for sale, amid prolonged uncertainty over the regional transmission operator's capacity market structure.

GenOn is selling its 100% stake in **Heritage Power Holdings**, which owns 16 gas-fired steam, combined-cycle and combustion-turbine facilities totaling

2,382 MW.

The portfolio is expected to generate about \$115 million of annual Ebitda, according to marketing materials circulated by sell-side financial adviser **Jefferies**.

Within PJM, almost half of the portfolio (46%) is located in the MAAC zone, with a further 28% in EMAAC and 15% in ATSI. These zones have historically captured premium and less volatile capacity pricing, according to the teaser. [PAGE 5 »](#)

Heritage Power portfolio

Asset	Fuel	Technology	Capacity*	Sub-region(s)
New Castle	Gas	Gas steam/diesel	328 MW	ATSI
Gilbert	Gas/oil	Combined-cycle/CT	443 MW	EMAAC
Sayreville	Gas/oil	Combustion turbine	221 MW	EMAAC
Shawville†	Gas	Gas steam/diesel	601 MW	MAAC
Brunot Island	Gas/oil	Combined-cycle/CT	267 MW	RTO
11 "CT-Pack" sites	Gas/oil	Combustion turbine	521 MW	ATSI/MAAC

* Includes 40 MW uprates by 2021/2022 delivery year; † Under long-term lease

Source: Marketing materials

Petrobras puts five more assets on the block

Juliana Ennes

Petrobras has issued a teaser for the sale of its stakes in five gas, oil, diesel-fired and small hydro plants in Brazil.

The portfolio has a total capacity of 682 MW, of which Petrobras' shares represent 172 MW.

Petrobras has hired **Crédit Agricole Brasil** as exclusive financial

adviser on the sale process.

The assets are:

- ◆ Brasympe Energia
- ◆ Energética Suape II
- ◆ Termoelétrica Potiguar
- ◆ Companhia Energética Manauara
- ◆ Brentech Energia

Petrobras owns a 20% stake in Brasympe, which owns the 49.7 MW Termocabo [PAGE 12 »](#)

Solar securitizers dance around disruption

Taryana Odayar

When the Covid-19 pandemic hit the US, the securitization market slammed shut, prompting **Vivint Solar** to pivot away from a deal that was "on the cusp of closing" to alternative sources of liquidity. But as Vivint put the finishing touches to its Plan B, a window opened up for ABS issuance and other solar securitizers began piling in.

Since its incep- [PAGE 10 »](#)

Calpine seals Geysers refi

Taryana Odayar

Calpine Corp has closed a \$1.1 billion refinancing for its 725 MW Geysers geothermal portfolio in Sonoma and Lake counties, California.

The independent power producer made an abortive attempt to finance the assets last year, but withdrew the hybrid bond and bank loan offering after the Kincadee wildfires broke out in the Geysers geo- [PAGE 8 »](#)



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● THE BUZZ

Timing is everything

One of the first pieces of advice a retail stock investor receives after opening their first brokerage account or downloading the Robinhood app is not to try to "time the market."

But in corporate finance – especially during weak markets – timing is everything. If a window of opportunity opens after a period of volatility, you go for it.

That, presumably, is what the CFOs and treasurers of **Sunnova**, **Loanpal** and **Mosaic** thought when the asset-backed security market appeared to calm down enough to support issuance of solar ABS (see our solar securitization feature on page 1).

In less "interesting" times, bookrunners **Credit Suisse**, **Goldman Sachs** and **Deutsche Bank** might have advised their clients against piling into the market on top of each other, for fear of overwhelming investors. But no one knows how long the window will stay open.

Another timing choice that has come under scrutiny is **GenOn Energy's** decision to put 2.4 GW of thermal assets in PJM Interconnec-

tion on the block, not only in the middle of a pandemic and possibly a recession, but as the capacity auctions they rely on for more than 70% of their gross margin face huge uncertainty (see story, page 1).

"When a generalist, global business paper posts to its homepage an article with the acronym 'MOPR', you know something is up," wrote **Rhynland's Patrick Verdonck** after London's *Financial Times* covered New Jersey, Maryland and Illinois' potential exit from the capacity market.

Some have speculated that GenOn will try to drag out the sale process until a capacity auction finally takes place, but others think the former creditors who now own the company just want to offload the assets before things get even worse.

"The only better time to sale a massive fleet of thermal generation in PJM would be yesterday," commented retail energy specialist **Preston Ochsner**. "Same will hold true tomorrow and for all of the tomorrows after that." ■

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Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of **PFR** is committed as ever to evolving with the markets and we welcome your feedback.

Feel free to contact **Richard Metcalf**, editor, at (212) 224-3259 or richard.metcalf@powerfinancerisk.com

GENERATION AUCTION & SALE CALENDAR ●

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

Generation Sale ■ DATABASE

Seller	Assets	Location	Adviser	Status/Comment
Beal Financial Corp.	Portfolio (3.5 GW Gas)	US	Cantor Fitzgerald	Indicative bids were in by May (PFR, 5/4).
● Bloom Energy	Orbit (6 MW Fuel cell)	New York		NextEra is the buyer (see story, page 6).
Castlelake	Summit Wind (57.5 MW Wind)	Alameda County, CA	FTI	Auction launched in May (PFR, 5/18).
Castleton Power	Portfolio (400 MW Gas)	Texas	Cantor Fitzgerald	An equity raise is in the works (PFR, 6/1).
● Copenhagen Infrastructure Partners	Greasewood (255 MW Solar)	Pecos County, Texas	CohnReznick	Auction relaunched this month (see story, page 7).
Ecoplexus	Portfolio (100 MW Solar)	North Carolina	CCA Group	First round bids were due June 8 (PFR, 6/8).
En-Trust	Operating Portfolio (8.6 MW [DC] Solar)	Ohio, Michigan	Fifth Third	CIM distributed in April (PFR, 5/26).
	Pipeline Portfolio (21.9 MW [DC] Solar)	Midwest		
● First Solar	Platform (Solar)	US	BofA, CohnReznick	Auction yet to launch officially (see story, 6).
● GenOn	Heritage (2.4 GW Gas)	PJM Interconnection	Jefferies	Auction launched this month (see story, page 1).
Glidepath Power Solutions	Clermont (80 MW Storage)	New York	Guggenheim	Teasers circulated on April 20 (PFR, 4/27).
Grasshopper Solar	Green Light (150 MW [DC] Solar)	Canada, US	Onpeak	Auction launched in May (PFR, 6/8).
Grenergy	Portfolio (52 MW Solar)	Chile		A sale is planned (PFR, 6/1).
Hanwha QCells	Dodgers (250 MW Solar)	Texas	Paragon	Seller had acquired the assets in February (PFR, 5/4).
HPS Investment Partners	Spruce Finance (Solar)	US	Onpeak	Auction launched in May (PFR, 6/1).
John Laing	Portfolio (243 MW Solar)	North Carolina	CohnReznick	Auction was underway by March (PFR, 3/30).
● Lightstar Renewables	Portfolio (18.5 MW Solar)	New York	Captura	Initial LOIs were due May 22 (see story, page 6).
Longroad Energy Partners	Muscle Shoals (227 MW Solar)	Colbert County, AL	Fifth Third	Sale process was underway in March (PFR, 3/23).
● Petrobras	Portfolio (578 MW Oil)	Brazil	Goldman Sachs	Teasers issued by May (PFR, 5/18).
	Portfolio (172 MW Gas, Oil, Hydro)	Brazil	Crédit Agricole	Teasers issued this month (see story, page 1).
	NTS (Pipeline, 10%)	Brazil	Santander	Teasers issued in May (PFR, 5/26).
PNE USE	Chilocco (167 MW Wind)	Kay County, Oklahoma	Marathon Capital	Auction launched in May (PFR, 6/8).
RWE Renewables	Portfolio (861 MW Wind)	US	Marathon Capital	Auction in second round (PFR, 6/8).
Shell New Energies	Silicon Ranch (Solar)	US	Morgan Stanley	Auction launched in May (PFR, 6/1).
Solterra Partners, Leyline Renewable Capital	Wilkes (75 MW Solar)	Wilkes County, NC		Initial bids had come in by May (PFR, 5/11).
● Southern Current	Portfolio (40 MW Solar)	Oregon	Fifth Third	US Solar Fund is the buyer (see story, page 7).
Sphera Energy	Portfolio (150 MW Chile)	Chile		An equity investor is sought (PFR, 6/1).
Starwood Energy	Stephens Ranch (376 MW Wind)	Texas	Marathon Capital	Auction launched in April (PFR, 5/18).
Sun2o Partners	Trinidad Solar (250 MW)	Douglas and Grant counties, WA		Teasers sent out in May (PFR, 5/26).
	Soda Springs Solar (80 MW)	Caribou County, ID		
Swift Current	Castle Gap (196 MW Wind)	Texas	Lazard	Auction was launched in May (PFR, 6/8).
● Tenaska	Central Alabama (915 MW Gas)	Autauga County, AL		Alabama Power is the buyer (see story, page 5).

● 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 Taryana Odayar at (212) 224 3258 or e-mail taryana.odayar@powerfinancerisk.com

PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
8minute Solar	Pipeline (Solar)	US	CIT	Letter of Credit	\$225M		Deal signed May 29 (PFR, 6/8).
ArcLight Capital Partners	Griffith Energy (570 MW Gas)	Mohave County, Ariz.	Crédit Agricole, ING Bank, CIT Bank, Siemens	Term Loan	\$115M	7-yr	Financing has closed (PFR, 6/8).
				Ancillary Facilities	\$38.9M		
Arroyo Energy	El Arrayán (115 MW Wind)	Chile	SMBC, Crédit Agricole	Debt	\$140M	7-yr	Closing delayed until August (PFR, 6/8).
Atlas Renewable Energy	Pimienta (400 MW (DC) Solar)	Campeche, Mexico	DNB, IDB Invest, Bancomext	Private Placement	\$200M		Closing is expected by early June (PFR, 5/18).
	Javiera, Sol do Desierto (314 MW Solar)	Chile	DNB	Private Placement	\$253M	16-yr	Deal closed June 1 (see story, page 14).
	Juazeiro (187 MW Solar)	Brazil	IDB Invest	Debt	\$90M		Negotiations are underway (PFR, 5/26).
Calpine Corp	Geysers (725 MW Geothermal)	California	BNP, Crédit Agricole, MUFG, Natixis	Term Loan	\$900M	7-yr	Deal closed at L+200 with step-ups (see story, page 1).
				Letter of Credit	\$200M		
Capital Dynamics	Ventura (100 MW/400MWh Storage)	California		Debt			Korean investors are working on a deal (PFR, 6/1).
The Carlyle Group, EIG Global Energy Partners	Hamilton (1,671 MW Gas)	Pennsylvania	Morgan Stanley (left), BNP, CS	Term Loan B	\$900M	7-yr	Deal allocated on June 11 (see story, page 8).
				Revolver	\$115M	5-yr	
Castleman Power Development	Portfolio (400 MW Gas)	Texas	ING Capital	Term loan	\$160M	7-yr	Price talk was said to be 325 bp before the Covid-19 outbreak (PFR, 4/13).
				Ancillary Facilities	\$20M		
DESRI	Hunter (100 MW Solar)	Emery County, Utah	CIBC, HSBC	Debt			Construction is underway (PFR, 6/8).
			Wells Fargo	Tax equity			
EnfraGen	Portfolio (200 MW Distributed Solar)	Chile					The financing is expected to close before the end of the summer (PFR, 4/13).
Fisterra Energy	Tierra Mojada (875 MW Gas)	Jalisco, Mexico		Bond refinancing			Morgan Stanley is understood to be pursuing the mandate (PFR, 5/4).
Grupo Ibereólica, EDF	Cabo Leones 1 (175 MW Wind)	Chile	DNB	Refinancing		18-yr	The sponsors are nearing financial close (PFR, 5/26).
Grupo Ibereólica, GPG	Cabo Leones 2 (204 MW Wind)	Chile	Crédit Agricole	Construction Debt			Cred Ag has won the mandate (PFR, 5/26).
Key Capture Energy	Portfolio (1.5 GW Storage)	US		Capital Raise			The sponsor is in talks with investment banks (PFR, 5/4).
Leclanché	St Kitts Solar (36.5 MW/44.2 MWh)	St Kitts	Unknown	Debt	\$47.8M		Financing has closed (PFR, 6/8).
OPDEnergy	Portfolio (150 MW Wind, Solar)	Chile	SMBC	Debt			Close expected in June (PFR, 6/8).
Polaris Infrastructure	Portfolio (33 MW Hydro)	Peru	Brookfield	Debt	\$27M		Deal has closed (see story, page 14).
Recurrent Energy	Pflugerville (144 MW Solar)	Travis County, Texas		Debt, Tax Equity			Deal is in the market (PFR, 6/1).
Solar Frontier	Central 40 (40 MW Solar)	Stanislaus County, CA	KeyBank	Debt	\$60.1M	7-yr	Deal has closed (see story, page 8).
Sonnedix	Unidentified (Solar)	Chile		Term loan			Sonnedix has been reaching out to commercial banks since last fall (PFR, 4/13.)
	Valleland (60 MW Solar)	Atacama, Chile					
Stonepeak, MPLX, WhiteWater, West Texas Gas	Whistler (Gas Pipeline)	Texas		Private Placement	\$800M	10.6-yr	The sponsors launched the placement at the end of April (PFR, 5/11).
Sunenergy1	Portfolio (100 MW Solar)	US	CIT, ING Capital	Construction Debt			Financing close is months away (PFR, 5/26).
Sunnova	TEP IV B & C (Solar)	US		Tax equity			Deal closed; CohnReznick advised (see story, page 6).
SunShare	Portfolio (4.5 MW Solar)	Scott County, MN	ANB Bank	Debt			Deal has closed (see story, online).
Vivint	Portfolio (Resi Solar)	US	Brookfield	Debt	\$300M	3-yr	Closed May 27 (PFR, 6/8).

New or updated listing

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NORTH AMERICA MERGERS & ACQUISITIONS ●

Auction launched for 2.4 GW thermal portfolio

◀ FROM PAGE 1

MOPR SPRINGS ETERNAL

The sale comes amid lingering uncertainty over the timeline and final rules for PJM's next capacity auction (PFR, 3/13).

The teaser paints an optimistic picture, stating that the US **Federal Energy Regulatory Commission's** Minimum Offer Price Rule order was a "positive development" that would lead to "higher capacity prices."

But deal watchers say potential buyers may be wary about betting on the final outcome.

"Because there are so many unknowns, it will be tough for investors to properly value," says one.

"Interesting timing," says another. "I'm assuming they drag the process out long enough for a good capacity auction print."

A third market participant thought that theory was far-fetched: "Not sure if that level of market timing is at play here. If MOPR is overturned they are worse off!"

Given the uncertainty, deal watchers said that the level of bidding would depend on which investors participated in the auction and how much of a discount they would apply. One source speculated that bidders would look for an unlevered internal rate of return in the mid-

single digits, while another thought that was probably too low.

PORTABLE FINANCING

The portfolio's existing term loan B financing is portable with the sale.

Jefferies was left lead and **Morgan Stanley** joint bookrunner on the \$520 million seven-year loan when it was priced last summer. The package also included \$100 million in ancillary facilities (PFR, 8/5/19).

The outstanding balance on the term loan package as of December 31, 2019, was about \$518.7 million. By the end of 2020 that is expected to have amortized down to about \$507 million.

Moody's Investors Service affirmed its B1 rating of the loan in a January 30 report, noting the portfolio's "exposure to power market price volatility" and "the older age of some of the plants, which could present operating challenges."

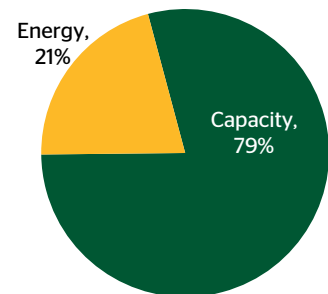
More than 94% of the portfolio's gross margin is fixed from June 2020 to May 2022 via cleared capacity payments and power hedges at two of the projects – Shawville and New Castle – which are understood to be heat rate call options running through March 2022.

Both of those projects were refurbished and converted to run on gas between 2015 and 2016.

The teaser also suggests other opportunities for enhancing the portfolio such as the potential addition of solar and energy storage, new project development at the Gilbert site and further hedging once the existing contracts expire.

Meanwhile, the presence of several peakers in the portfolio provides the opportunity to benefit from market volatility caused by meteorological events such as bomb cyclones, protects against capacity performance risk, and allows the portfolio to hedge day-ahead volatility. ■

Heritage Power gross margin breakdown *



* Projected average 2020-2023

Green light for Alabama CCGT deals as solar PPAs await approval

Alabama Power has received regulatory approval to proceed with the procurement of some 2 GW of gas-fired combined-cycle generation in the state, while approvals for solar and storage contracts languish.

The **Alabama Public Service Commission** (PSC) approved a certificate of convenience and necessity for the three gas-fired projects on June 9.

Alabama Power had filed for the certificates in September 2019, along with requests for approval of five solar and solar-plus-storage projects (PFR, 10/7/19).

But the PSC declined to

approve the solar PPAs, proposing that they should be evaluated under a separate docket under Alabama Power's renewable generation certificate, rather than as part of its resiliency plan.

The transactions that were approved were:

- ◆ acquisition of **Tenaska's** 915 MW Central Alabama Generating Station in Autauga County
- ◆ 19-year power purchase agreement with **LS Power's** 237 MW Hog Bayou project in Mobile County
- ◆ A turnkey EPC contract with **Mitsubishi Hitachi Power Systems Americas** and **Black & Veatch** for the 726 MW Barry

Unit 8 project in Mobile County, which Alabama Power will own.

The Central Alabama Generating Station and Hog Bayou facilities have been online since 2003, while Barry Unit 8 is to be delivered by November 2023, with an average heat rate of 6,210 Btu/kWh and an expected 40-year useful life.

The Alabama PSC authorized the recovery of actual costs for the construction of Plant Barry Unit 8 up to 5% above the estimated in-service cost of \$652 million, according to an Alabama Power filing with the US **Securities and Exchange**

Commission on June 9.

SOLAR SPURNED

Alabama Power had requested approval for 20- and 28-year power purchase agreements for five 80 MW solar projects with 160 MWh of storage each.

Three of the projects are being developed by **NextEra Energy** and one each by **Origis Energy** and **Southern Current**.

Although these PPAs have not yet been approved, Alabama Power did receive authorization to pursue up to 200 MW of unspecified demand-side management and distributed energy resource programs. ■

● NORTH AMERICA MERGERS & ACQUISITIONS

First Solar taps two for sale of development biz

First Solar has picked two investment banks to act as financial advisers on the forthcoming sale of its US project development business.

BofA Securities and **CohnReznick Capital** will run the auction, which has not yet officially been launched, says a source close to the situation.

First Solar said it was working to determine an “optimal path and timing” for the sale process in an investor overview released on May 7.

The company revealed that it was weighing a sale of its project development business in its annual earnings report on February 20 (PFR, 2/21).

“First Solar, at its core, is a technology and module manufacturing company,” said CEO **Mark Widmar** in the report, adding that the

evolution of utility-scale solar project development in the US has caused the company to evaluate its options.

Market participants are already speculating

as to how the company could be renamed after the spin-off, with one head of project finance in New York suggesting “**Second Solar.**” ■

NextEra eyes fuel cell deal

NextEra Energy Resources is finalizing a deal to acquire a 6 MW fuel cell portfolio on Long Island, New York, from **Bloom Energy**.

The Orbit portfolio comprises three natural gas fuel cells, each of which is made up of five 300 kW and two 250 kW solid oxide fuel generators, installed at a cost of \$32.8 million. They are expected to begin operating on June 20.

The acquisition by NextEra was expected to

close by June 8.

The fuel cells are contracted with **PSEG Long Island** for nine years under the Clean Renewable Energy Feed-In Tariff II scheme.

Bloom will stay on as operations and maintenance contractor for the assets, according to a May 28 cost benefit analysis produced for the **Brookhaven Industrial Development Agency.** ■

Community solar portfolio up for grabs

Boston-based developer **Lightstar Renewables** is working with a boutique advisory firm on the sale of a community solar portfolio in New York.

Atlanta-based **Captura Solar** is running the auction of the 18.5 MW portfolio, which comprises six projects.

Lightstar, led by president **Paul Wheeler**, was created in October 2019 by **TW Renewables** to pursue solar and other renewable energy development opportunities in the US.

The 18.5 MW portfolio is its first

to come to market, and makes up almost one-third of its roughly 84 MW (DC) project pipeline in New York and New Jersey.

Captura Solar is also a young company, having been established by **Gus Abalo**, a former director of origination at **Cypress Creek Renewables**, last July (PFR, 11/21/19).

The sale process, codenamed Project Alpha, is already well underway. Initial non-binding offers and letters of intent (LOIs) were due on May 22 and Lightstar expects to execute a LOI with a

chosen bidder by June 19, ahead of a targeted closing date of July 31.

Five of the six projects are located in Ulster County and Dutchess County in Zone G of NYISO, with the sixth located in Jefferson County in Zone E.

Zones G and E are “widely considered to be the most lucrative load zones” for community solar, according to a confidential information memorandum (CIM) distributed to prospective bidders, which cites premium Vder Rates, high solar generation, and the relative ease of signing up subscribers.

The company intends to sell the projects to a single party and is willing to receive phased payments against certain develop-

ment milestones, although higher upfront payments will be evaluated more favorably, according to the CIM.

By the time a deal is signed, Captura expects three of the projects will have met most of their development deliverables and be building permit-ready, while the other three are scheduled to meet their development deliverables by the fourth quarter of this year.

Lightstar is also willing to arrange customer subscription, tax equity and back leverage, according to the CIM.

LaBella Associates Engineering and **Mott MacDonald** are technical consultants for the projects, while **Elecnor Hawkeye** is the EPC contractor. ■

● PROJECT FINANCE

Sunnova lands tax equity

Sunnova Energy International has closed two tax equity investments for a more than 75 MW residential solar portfolio in the US and its territories.

The tax equity funds, TEP IV B and TEP IV C, are part of a five-fund series designed to meet the company’s 2019-2021 tax equity needs.

“This was part of a broader strategy that was started in 2019,” says a source close to the deal. “It was a diverse portfolio with key focus points

in areas that really need solar to supplement grid challenges, like California and Puerto Rico.”

The tax equity raises were clinched by two funds, TEP IV B and TEP IV C are part of a five-fund series designed to support Sunnova’s 2019-2021 tax equity needs. **CohnReznick Capital** is acting as financial adviser to Sunnova on the full five-fund series.

The identities of the two tax equity investors and the amount raised could not be learned by press time. Sunnova has raised tax equity repeatedly in the past with **JP Morgan** and **Bank of America.** ■

NORTH AMERICA MERGERS & ACQUISITIONS ●

CIP markets stake in Texas solar project

Copenhagen Infrastructure Partners is looking for a co-investor to take a stake in a contracted solar project that is under construction in Texas.

The marketing process for the 255 MW Greasewood project in Pecos County first began around the end of March and beginning of April, but was pulled back temporarily due to the economic slowdown caused by the Covid-19 pandemic.

“Out of the multiple Texas projects in the market, this has the best revenue profile”

The process was ramped up again in early June and CIP is now conducting targeted discussions with select potential co-investors.

CohnReznick Capital is acting as sell-side financial adviser.

Meanwhile, CIP is in advanced talks with a tax equity investor and a commitment is expected to be signed imminently.

This is likely to make the project stand out from others that are on the market,

given the uncertainty around the availability of tax equity, says a source familiar with the process.

CIP is not planning to add debt to the project.

The fact that the Danish fund manager is only selling a stake rather than the whole project also differentiates the process from others, the source adds. CIP is looking to sell between 49% and 51% of its membership interests, which it holds in its Copenhagen Infrastructure III fund.

CONTRACTED REVENUES

The Greasewood project has three PPAs with investment-grade municipalities, namely the **City of Garland**, **New Braunfels Utilities** and **Kerrville Public Utility Board**, with a weighted average contract length of 17 years.

The municipal PPAs account for 59% of the project's output.

A further 25% will be covered by a five-year hub-settled hedge with **Morgan Stanley** to minimize shape risk while retaining merchant upside.

“Out of the multiple Texas projects in the market, this has the best revenue profile,” says the source, who adds that

the project's location exposes it to limited basis and congestion risk.

The EPC contractor is **Mortenson**, with operations and maintenance to be carried out by **First Solar** and asset management by **Radian**.

The project received final notice to proceed in October 2019 and has not faced construction delays related to the pandemic.

It is being fitted with monofacial modules from **Jinko Solar**, inverters from **TMEIC** and single-axis trackers from **NEXTracker**, and is due to be online in December 2020.

“CIP's name speaks for itself, the equip-

“CIP's name speaks for itself, the equipment is pretty strong, everything about it is strong. The only question is if you like Texas or not.”

ment is pretty strong, everything about it is strong,” says a second person familiar with the process. “The only question is if you like Texas or not.” ■

US Solar Fund closes acquisition of Oregon solar portfolio, inks debt and tax equity

London Stock Exchange-listed US Solar Fund has acquired and financed a 40 MW solar portfolio in Oregon from **Southern Current**, bringing to an end a sale process that was launched over a year ago.

Fifth Third Bank is providing the term loan for the four under-construction projects, which are expected online by the third quarter of 2020. **US Bank** has committed tax equity financing. The financing closed on June 1.

US Solar Fund began exclusive talks with Southern Current for

the assets in February and executed binding agreements at the end of May (PFR, 5/28).

Foley & Lardner served as US Solar Fund's legal counsel.

The sale was the handiwork of the recently-assembled power and renewables transaction advisory team at **Fifth Third Securities** – the investment banking arm of Fifth Third Bank – which has been advising Southern Current since last year.

The investment banking team, led by managing director **Ari Citrin**, had originally won the

mandate to run the sale process while at **MVP Capital** in the spring of 2019, before they relocated to Fifth Third in the fall of that year (PFR, 5/8/19, 8/5/19).

The debt financing provided for the projects by Fifth Third's commercial lending business highlights the firm's one-stop-shop capabilities since the combination.

The portfolio is one of two adjacent 40 MW projects in Oregon, the other of which was developed by **New Sun Energy** and sold to **Soltage** and **Basalt**

Infrastructure Partners earlier this year (PFR, 2/4). Fifth Third and US Bank also provided debt and tax equity for these assets.

Both of the portfolios have power purchase agreements with **Portland General Electric**. ■

FAST FACT

\$23 million

The amount of cash equity – together with \$43 million in debt – that US Solar Fund is using to acquire the 40 MW portfolio.

● NORTH AMERICA PROJECT FINANCE

Calpine seals refi for Geysers geothermal portfolio

« FROM PAGE 1

thermal field (PFR, 11/13).

The return to the market with a smaller and simpler bank loan-only deal was launched in May, as previously reported (PFR, 5/12).

The financing comprises:

- ◆ \$900 million seven-year term loan
- ◆ \$200 million letter of credit facility

The loan was priced at 200 bp over Libor, in line with price talk circulating in May. Pricing steps up by 12.5 bp every three years.

The lead arrangers on the deal are:

- ◆ **MUFG** (administrative agent and first lien

collateral agent)

- ◆ **BNP Paribas** (syndication agent)
- ◆ **Crédit Agricole** (green loan coordinator)
- ◆ **Natixis** (green loan coordinator)
- ◆ **Mizuho**
- ◆ **National Bank of Canada**
- ◆ **Sumitomo Mitsui Banking Corp**
- ◆ **SunTrust Robinson Humphrey**
- ◆ **CoBank**
- ◆ **Rabobank**
- ◆ **ING Capital**
- ◆ **DZ Bank**

Calpine will use the funds to reimburse itself for its equity investment in the 13-proj-

ect Geysers portfolio and to fund operations, maintenance and capital expenditures.

With some of the cash from the equity reimbursement, the company intends to repay corporate and project-level debt.

White & Case acted as borrower's counsel and **Latham & Watkins** acted as lenders' counsel.

DNV GL performed pre-issuance verification of the green loan.

Last year's cancelled bank loan and bond offering was being led by **Barclays**. It would have been a \$2.07 billion deal split into four tranches. ■

Carlyle allocates Hamilton tickets

The **Carlyle Group's** Hamilton Projects Acquiror loan to finance the acquisition of two gas-fired projects in Pennsylvania has been priced inside initial price thoughts and was allocated on June 11.

The final pricing was 475 bp over Libor and the loan was sold at an original issue discount (OID) of 97 to yield around 6.45%.

That margin was 25 bp inside previous price thoughts of 500 bp and the OID was also at the borrower-friendly end of the initially touted range of 96 to 97. The loan has an index floor of 1%.

Morgan Stanley was the left lead on the deal. **BNP Paribas**

and **Credit Suisse** were book-runners.

The deal comprises a \$900 million seven-year term loan B and a \$115 million five-year revolver. The term loan comes with a \$100 million accordion feature.

The deadline for commitments was June 10.

The loan will finance Carlyle and **EIG Global Energy Partners'** acquisition of the Liberty and Patriot combined-cycle projects from **Panda Power Funds**.

Carlyle subsidiary **Cogentrix Energy Power Management** will provide operations and maintenance, asset management

and energy management services to the 1,671 MW portfolio.

The deal's ratings were split, with **Moody's Investors Service** grading it B1 and **S&P Global Ratings** scoring it a notch higher at BB-.

S&P noted the expiration of "out-of-the-money" and "poorly structured" heat rate call

options at the two plants as a potential boon for cash flows in its June 2 pre-sale report. The contracts had "put a significant drag on cash flows due to power basis and plant availability," the analysts wrote.

Liberty's HRCO expired in May and Patriot's contract is set to expire in June. ■

Solar Frontier seals California solar financing

Solar Frontier Americas has reached financial close on a solar project that sells its output to a California community choice aggregator.

KeyBank provided the \$60.1 million debt package for the 40 MW Central 40 facility in Stanislaus County.

The deal is made up of:

- ◆ \$28.7 million seven-month tax equity bridge loan
- ◆ \$27.9 million seven-year term loan
- ◆ \$3.5 million letter of credit facility

The transaction closed in May. Legal advisers were:

- ◆ **Winston Strawn** – lenders' counsel
- ◆ **Stoel Rives** – borrower's coun-

sel

The Central 40 project has a 20-year power purchase agreement with **Silicon Valley Power**, the CCA for the **City of Santa Clara**. The project is expected to be online by the end of the year.

Solar Frontier purchased the project from **Samsung Renewable Energy** and local family-owned firm **Coldwell Solar** last year (PFR, 9/18/19).

The identity of the tax equity investor could not be learned by press time. **Morgan Stanley** recently committed the tax equity for Solar Frontier's 150 MW Mustang 2 solar project in Kings County, California, which KeyBank also financed on the basis of a CCA offtake (PFR, 12/18/19). ■



"Men give me credit for some genius"

Wind, solar solicitations in Arizona, South Carolina

Salt River Project (SRP) has recently launched a 500 MW request for information for wind generation while **Santee Cooper** has launched a request for proposals for 500 MW of solar.

SRP is seeking responses from developers that can provide wind energy from new or existing projects ahead of a request for proposals. Responses to the RFI are due by July 31, 2020.

SRP does not have specified preferences for commercial operation dates or project locations, but is gathering information on projects that could be delivered to its transmission system and help achieve its carbon-intensity and cost reduction goals.

Meanwhile, Santee Cooper and **Central Electric Power Cooperative** have launched a joint RFP for 500 MW of new utility-scale solar projects to be built in South Carolina.

Santee Cooper has sent the RFP to nearly 30 solar developers, according to a June 8 announcement.

Proposals are due to be submitted by July 30.

The RFP comes as **NextEra Energy** seeks to acquire Santee Cooper, South Carolina's largest electric utility, through a privatization process (*PFR*, 4/24).

Here is a round-up of the rest of this week's PPA news:

MIDWEST NICE

Geronimo Energy has executed power purchase agreements with **Consumers Energy** for two solar projects in Michigan.

Construction is underway on the Bingham and Temperance facilities, which are located in Clinton and Monroe counties, respectively. They total 40 MW and are part of the MiSolar portfolio.

The two projects are expected to be online by the end of the year.

Geronimo was among a clutch of developers to reach a settlement with Consumers regarding PURPA avoided cost rates last year (*PFR*, 9/13/19).

TEXAS SUN

Latinoamericana de Energía has retained a boutique advisory

firm to market the energy from the 517 MW Misae II solar project it is developing in Childress County, Texas.

Preston Ochsner's Ochsner Interests has won the mandate to secure power purchase agreements for the project.

The minimum PPA size on offer is 172 MW and energy can be delivered as a fixed shape to the Ercot North Hub.

INTUITIVE DEAL

Software company **Intuit** has emerged as one of several non-utility offtakers for **Clearway Energy Group's** 419 MW Mesquite Star wind farm in Fisher County, Texas.

The project is already online and sells its output to customers including **Brown University** (8 MW), **Ecolab** (100 MW), **Lowe's** (100 MW) and **Cisco Systems**.

BHE Renewables has invested tax equity in the project and **Mizuho** provided a construction loan (*PFR*, 11/6/19).

FOOT ON THE GAS

Argentinian developer **Cen-**

tral Puerto has begun selling generation from a wind project in Córdoba province to Swedish auto company **Scania** under a long-term power purchase agreement.

The car maker's local subsidiary, **Scania Argentina**, started buying power from the 22.8 MW Los Olivos project in Achiras in April to power its factory in Tucumán province.

The wind project also sells a portion of its generation to fruit manufacturing company **Frutas y Verduras San Miguel** under a 10-year contract announced in October of last year (*PFR*, 10/23/19).

Both of the dollar-denominated contracts were signed in Argentina's renewable energy term market, known as MATER.

Scania's contract means all nine of its production facilities worldwide will be powered exclusively by renewable energy. The company has been owned by **Volkswagen Group** since 2008.

The Los Olivos wind project has been online since February 21. ■

NORTH AMERICA PROJECT FINANCE ●

Broad Reach plots Texas battery portfolio

Utility-scale energy storage developer **Broad Reach Power** plans to bring a 150 MW lithium-ion battery portfolio online in Texas by the end of the year.

The portfolio comprises 15 standalone storage facilities in areas near Houston and Odessa, each with a 10 MW/10 MWh capacity.

The one-hour discharge configuration was chosen due to project economics in Ercot. Projects fulfilling resource adequacy contracts in California, in contrast, tend to have four-hour discharge.

Broad Reach will fund construction costs

from its balance sheet and is talking to local retail electric providers (REPs) and municipalities about short- and long-term risk management contracts, says managing partner and CEO **Steve Vavrik**.

"For some, they may want a financial swap for ancillary services that Ercot is procuring, while others are looking for a collar or put and call option, or a virtual battery, where you buy power in the morning and get it in the evening."

Six of the 15 sites are expected to be operational this summer and construction on the

rest is due to begin in the fall. Broad Reach has selected different vendors and contractors for the facilities and there is no single wrapped EPC provider.

Broad Reach, which was formed in July 2019, has been on a hiring spree in recent months (*PFR*, 4/29, 6/3). Among the recruits, the company is assembling an in-house trading team, including associate power trader **Michael DuBois**, who joined last month.

The Houston-based firm is backed by investors **EnCap Investments**, **Yorktown Partners**, and **Mercuria Energy**. ■

● FEATURE

Solar securitizers dance around disruption

◀ FROM PAGE 1

tion in the early 2010s, new issue volumes in the solar securitization market have grown to roughly \$6 billion a year, as rooftop solar installations become more popular and investors acquire a taste for the asset class.

And despite the sun setting on the investment tax credit for residential solar in 2021, the growth of this so-called esoteric ABS asset class remains on an upward trajectory, thanks to state-level mandates, PACE (Property Assessed Clean Energy) programs and the increasing competitiveness of solar panels.

The cost of capital was steadily falling and solar ABS issuance had become almost routine when the onset of the Covid-19 pandemic threw a wrench in the works in late March, not just for Vivint's deal but for offerings of various sizes, both in 144a and private placement format.

In the investment grade bond market more broadly, the pandemic-related uncertainty actually led to record issuance in April and May, as corporations bolstered their cash reserves. But for securitizers – whether in established asset classes like residential and commercial mortgages or more esoteric areas including solar leases, power purchase agreements and loans – the market suddenly closed.

"Everything ground to a halt in March," says a senior finance official at a solar finance company. "Not necessarily due to fundamental economic conditions, but because the world changed pretty much overnight."

VIVINT'S PLAN B

Faced with a market shutdown of indeterminate length, Vivint decided not to wait out the storm but instead to pursue an alternative source of funding late in the first quarter (PFR, 5/13).

"We didn't wait for the market to open, because given where BB- paper was trading in the secondary market, we didn't think we'd get terribly good execution in the public ABS market," says **Thomas Plagemann**, chief commercial officer and head of capital markets at Vivint Solar. "It was largely a question around timing and wanting incremental liquidity at the company."

The abandoned ABS deal would have refi-

nanced assets held under Vivint's warehouse facility, freeing up capacity there, and injected cash to Vivint's balance sheet. So the company set about trying to achieve the same goals through other means, allowing it to operate without significant liquidity constraints for the next 12 months.

"It will be a little more expensive than what we would have been doing with an ABS, but still a good capital structure for us," said the company's CFO, **Dana Russell**, during an earnings call on May 7, by which time the company was close to clinching its alternative non-recourse transaction.

"Sometimes you want your capital now and may not really care about the cost of the funds," says **Ron Borod**, managing director at **Ram Island Strategies**, a structured finance advisory firm. "So you may get a higher rate in one-off deals, but get other benefits like fewer covenants or raising more proceeds."

"We didn't wait for the market to open, because given where BB- paper was trading in the secondary market, we didn't think we'd get terribly good execution in the public ABS market"

By the end of May, Vivint had obtained the sought after liquidity through two separate transactions – a holding company loan from **Brookfield Asset Management's** Infrastructure Debt Fund and an expansion of its existing warehouse facility, provided by commercial banks. The two deals added \$545 million to Vivint's total debt capacity (PFR, 6/3).

The first of the two transactions – the brand new \$300 million holdco loan from Brookfield – closed on May 27. The initial \$200 million of the loan was funded two days later.

The three-year loan bears interest at 8% and allows for additional borrowings on future contracted cash flows of up to \$100 million.

The final structure of the deal was determined in part by the nature of the market recovery after the initial shock caused by the pandemic.

"When we got shut out of the ABS market, we weren't sure how long the disruption would last, and particularly the sub-investment grade portions of the ABS market were impacted most severely," explains Plagemann. "The investment grade tranches have recovered nicely since mid-March, so instead of taking a vertical slice of assets for a term transaction, we pivoted and did a horizontal holdco structure over multiple senior debt facilities."

From Brookfield's point of view, Vivint's sudden lack of access to the capital markets provided a unique opportunity to lend against assets underpinned by a strong customer value proposition, long contracted cash flows and strong underwriting requirements, including high FICO scores.

"We're always looking for good investment opportunities like Vivint, and because they could not tap the securitization market, they considered the private credit market," says **Hadley Peer Marshall**, Brookfield's managing director and head of infrastructure credit for the Americas. "From our lens, this is a way to support them through providing liquidity above and beyond what they need today in order to continue to grow their business."

Brookfield's prior exposure to residential solar portfolios meant that the firm had in-house knowledge, putting it at an advantage from a timing perspective.

All diligence and documentation was carried out remotely by the Vivint and Brookfield teams, and the deal was done in about two months. "Our due diligence is very thorough and they were able to provide detailed information and knew the kinds of questions lenders would have," says Marshall.

"The fact we got it done as smoothly as we did is testament to our ability to access multiple markets, the level of confidence investors have in our assets, and the level of sophistication of the investors we're dealing with," adds Plagemann.

BofA Securities acted as sole structurer and arranger for the holdco loan, while **Latham & Watkins** acted as legal adviser to Vivint and **Mayer Brown** to Brookfield.

In the second of the two transactions, Vivint topped up its existing multi-lender warehouse facility by

CONTINUED PAGE 11 »

Window opens for resi solar deals

◀ FROM PAGE 10

\$245 million, bringing the total commitments under this line of credit to \$570 million. The amendment was signed on May 29.

The four-year loan was originally priced at

“Cost of funds may be a little bit higher right now, so if someone has the ability to wait for things to settle down, it’s worth waiting”

237.5 basis points over Libor and signed in 2019 (PFR, 8/6/19). With the additional flexibility comes an increase in cost, as the margin has risen to 310 basis points. The maturity date, advance rate and other commercial terms remain as before.

Despite having been forced to resort to alternative sources of liquidity, Vivint noted that the two deals implied an all-in interest rate of about 4.4% on new assets originated, which it says is still about 70 bp inside what it paid on its first securitization of 2018.

The \$466 million offering in 2018 comprised a \$400 million Class A tranche and a \$66 million Class B tranche, priced with coupons of 4.73% and 7.37%, respectively (PFR, 5/6/18).

Vivint’s financing strategy has been slightly different to some of its competitors in the residential solar space, in that it has taken less upfront cash. “We haven’t fully leveraged all of our assets and that’s how we raised the new debt,” says Plagemann.

Vivint also recently expanded an existing tax equity partnership by an additional \$50 million to fund investments in leases and power purchase agreements (PFR, 5/1).

CHOICES, CHOICES

Vivint’s deal with Brookfield is emblematic of the wide range of financing options that has become available to residential solar companies in recent years, such that bilateral transactions in the private credit market are sometimes favored over new issuances in the public market, particularly at moments of market volatility.

“There’s always a choice between one-off

deals and ABS execution, and a lot of times there’s something in between which is the private 4(a)(2) market,” says Borod. “It’s really a function of how does your timeline converge with market forces at the time you want your money.”

The more “vanilla” route of issuing solar ABS in the 144a market requires engagement with about 100 investors, going through price discovery and building a book. But residential solar companies have taken to streamlining the time-consuming process by finding the most likely investor and dealing with them one-on-one.

In turbulent markets, established borrowers with strong lender relationships will have the most financing options, especially given the impact of lockdown measures and travel restrictions on networking face-to-face.

OPEN WINDOW

But as the market recovers, more traditional structures are making a come-back. Several other residential solar companies – **Sunnova**, **Mosaic** and **Loanpal** – sat out the storm in the ABS market, and over the past few weeks have launched a spate of securitizations in the 144a market as confidence returned, boosted by a rally in the stock market.

Although the economic shutdown and rise in unemployment are still weighing on investors’ minds – particularly for assets with direct exposure to consumers like residential solar – and pricing is wider than it was before the crisis, deal watchers point out that issuing into imperfect conditions is better than not being able to access the markets at all. “You take it as you find it, and there is a do-it-now mentality,” says the official at the solar finance company.

“Cost of funds may be a little bit higher right now, so if someone has the ability to wait for things to settle down, it’s worth waiting,” adds Borod. “But there is another psychology which is that before things get better, they could get a lot worse – like if there is a second spike in Covid-19. So we could be in a very attractive window right now for someone to go into the ABS market or debt market and get a deal done rather than wait.”

Sunnova – which kicked off the solar securitization market for 2020 with a \$313.5 million

dual-tranche offering in February (PFR, 2/6) – is back with a \$158.5 million offering led by **Credit Suisse**.

Meanwhile, **Goldman Sachs** is lead structuring agent for Loanpal’s \$161.6 million triple-tranche Mill City Solar Loan 2020-1 transaction.

And **Deutsche Bank** is leading on a \$271.3 million quadruple-tranche deal for Mosaic.

Pricing on the double-B tranche of Mosaic’s offering is between 735 bp and 750 bp over swaps, says a deal watcher, who notes that this is not dissimilar to the cost of capital Vivint secured for its alternative financing with Brookfield.

HARDSHIP PLANS

On the buy-side, investors are paying more attention than usual to the credit fundamentals of residential solar customers, and **Kroll Bond Rating Agency** has increased its base case default assumptions for pools of residential solar assets as a result of rising unemployment.

“Solar loan issuers and servicers have begun to offer borrowers temporary financial hardship plans, such as modifications, extensions, or deferrals to their loan payments”

“Solar loan issuers and servicers have begun to offer borrowers temporary financial hardship plans, such as modifications, extensions, or deferrals to their loan payments,” the rating agency noted in a report on May 12.

And while the percentage of borrowers taking advantage of these plans so far is low, Kroll expects the figure to rise.

On the other hand, because of the sheer size and diversity of residential solar portfolios, and the fact that FICO scores of borrowers in residential solar ABS are in the mid-600s and higher, Borod expects the asset class to be protected from wider market risks: “People for the most part will continue to pay their utility bills.” ■

● LATIN AMERICA MERGERS & ACQUISITIONS

Petrobras puts five more assets on the block

« FROM PAGE 1

oil-fired project in Pernambuco. The plant has a 15-year PPA that expires in 2024.

The portfolio also includes 20% of the 381.25 MW Suape II oil-fired thermal power plant. The unit has a 15-year power purchase agreement set to expire in 2026.

Termoelétrica Potiguar, in which Petrobras also has a 20% stake, is a holding company with a 60% interest in the dual-fuel Companhia Energética Manauara (CEM) project and 70% stakes in two hydro projects called Areia Energia and Água Limpa Energia.

The small hydro projects are located in the state of Tocantins and have an installed capacity of 11.4 MW and 14 MW, respectively.

Areia has a 20-year PPA expiring in 2031 and Água Limpa has a 20-year PPA running into 2030.

Petrobras also owns a direct 40% stake in the 85.4 MW CEM project

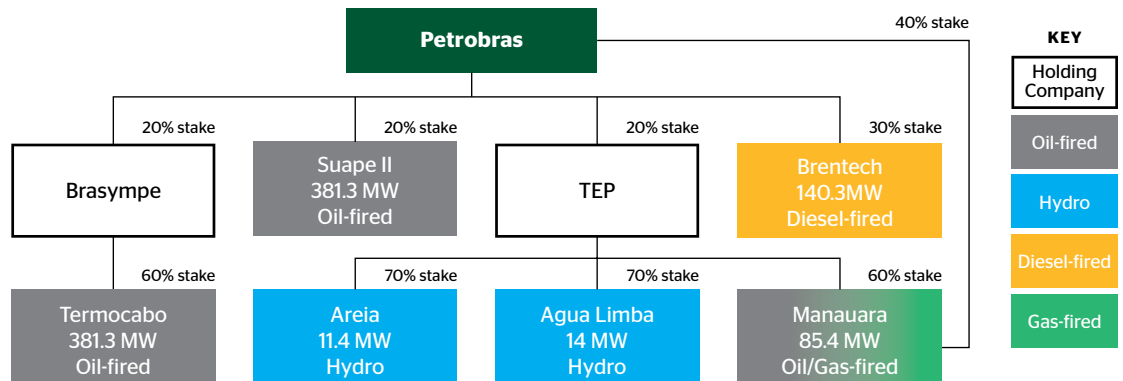
in Amazonas, which can run on diesel or natural gas.

Also for sale is a 30% participation in **Brentech**, which owns the 140.3 MW Goiânia II diesel-fired

project in Goiás.

The launch of the sale process follows that of a similar auction for four Petrobras thermal projects totaling 578 MW (PFR, 5/14). ■

Petrobras assets for sale



Source: Petrobras

Sempra targets June close for Chile asset sale

Sempra Energy is aiming to close the previously announced sale of its Chilean assets to **State Grid International Development** on June 24.

Sempra is selling its electric distribution, transmission and infrastructure services assets in Chile to the **State Grid Corporation of China** subsidiary for \$2.23 billion, as agreed in October 2019 (PFR, 10/14/19).

The assets are:

- ♦ Utility electricity distributor **Chilquinta Energía**
- ♦ Infrastructure services company **Tecnored**
- ♦ Transmission line operator **Eletrans**

Sempra only owned 50% of Eletrans but is acquiring the other one-half stake, through Chilquinta, from **Sociedad Austral de Electricidad** for \$217 million.

Both transactions were approved by Chile's competition authority, **Fiscalía Nacional Económica**, on February 27.

"We expect confirmation on the last remaining filing in China with the **National Development and Reform Commission** (NDRC) very soon," said **Hu Yuhai**, chairman of SGID, in a statement on June 10.

Advisers include:

- ♦ **Bank of America** – financial to Sempra

- ♦ **Lazard** – financial to Sempra
- ♦ **White & Case** – counsel to Sempra
- ♦ **Claro & Cia** – local counsel to Chilquinta
- ♦ **Carey** – counsel to State Grid.

Chilquinta has more than two million customers in Chile. Sempra first acquired a 50% stake in the company in 2009, and the remaining 50% in 2011.

Sempra closed the sale of its Peruvian assets to another Chinese investor on April 24, two weeks after receiving all government approvals. **China Yangtze Power Corp**, a subsidiary of **China Three Gorges Corp**, acquired the stakes in **Luz del Sur**, **Tecsur** and **Inland Energy** (PFR, 4/24).

Sempra initiated the divestment process for the Chilean and Peruvian assets in January 2019 (PFR, 2/26/19). ■

DFI loan to support Ecuador energy diversification

The **Inter-American Development Bank** is arranging a \$280 million debt package for Ecuador to diversify and improve the country's energy matrix and boost renewable energy sources.

The DFI loan is part of a strat-

egy to help the South American nation reduce its reliance on fossil fuels.

The debt package will also be used to support the implementation of policies that will help the country fulfill its climate change

goals and consolidate its fiscal accounts, according to a statement from the IADB on June 5.

Ecuador's economy is expected to be hit particularly hard by the Covid-19 pandemic and drop in oil prices, given that it is an oil

producing nation.

This past year, the country has taken steps to diversify its energy mix, including the launch of tenders for solar and wind projects, which have attracted international developers (PFR, 4/14, 3/30). ■

LATIN AMERICA PROJECT FINANCE ●

Transmission fee hike to hit 251 projects in Mexico

Transmission fees are set to be drastically increased for 251 operational power and renewable energy projects in Mexico that were approved before the country's 2014 Energy Reform, with consequences for equity investors and lenders.

The measure passed by the **Energy Regulatory Commission** will increase transmission fees by up to 775% for projects operating under the self-supply framework that existed prior to the recent market reforms.

This includes some projects owned by **EDF Group** and **Enel Green Power** that supply customers including baker **Grupo Bimbo**, beverage company **FEMSA**, construction firm **Cemex**, retailer **Walmart**, automobile maker **Nissan** and miner **Industrias Peñoles**. Some of the end customers also own stakes in the projects.

One example is Grupo Bimbo's 90 MW Piedra Larga wind farm in Oaxaca, which has been online since 2012.

It was financed with a loan from development finance institutions **Banobras**, **FONADIN**, **Nafin** and **Bancomext** and commercial banks **Caixabank**, **Santander** and **Espirito Santo**.

The increase in transmission fees will initially hurt equity investors and will dramatically reduce valuations of affected assets, says a source in Mexico City.

"Right now, it is an equity problem, but it will eventually move to the lender side," he says. "All investors in Mexico need to take a look at their financial models and make determinations."

An official at a developer agrees: "It will force sponsors and banks to reevaluate their assets."

Other projects that fall into this category are:

- ◆ La Mata-La Ventosa – a 67.5 MW wind project in Oaxaca, developed by EDF, that sells its output to Walmart Mexico under a 15-year power purchase agreement
- ◆ Mareña Renovables – a 396 MW

wind farm also in Oaxaca, whose owners include **PGGM** and **Mitsubishi Corp**, and which sells its output to **FEMSA** and **Cuauh-témoc Moctezuma**, an operating company of **Heineken**

POLITICS

The transmission fee hike follows a review of self-supply contracts requested by state-owned utility **Comisión Federal de Electricidad** (CFE) last year.

The utility owns and operates the transmission infrastructure that the self-supply projects – known in Spanish as *proyectos legados* – use to transmit generation to their customers.

Under the self-supply framework, these projects enjoyed discounts on transmission fees, promoting the development of renewable energy and cogeneration projects.

But with the most recent change of government, CFE representatives began to claim that the program was causing a deficit to build

at the state-owned utility, arguing that private firms were taking advantage of its infrastructure for their own benefit.

On May 28, CRE approved the raise in transmission fees, asserting that generators were not paying enough to sustain the transmission infrastructure, creating "conditions of unfair competition."

CFE published the prospective fee increases on June 10. Based on June's transmission costs, fees will rise as follows:

- ◆ 446% increase – high voltage transmission
- ◆ 407% increase – medium voltage transmission
- ◆ 775% increase – low voltage transmission

CFE has not said when the measure will come into effect.

Deal watchers expect a flurry of legal action against the measure, which will drag on for months. "The administration will come to its senses at some point," says a source in Mexico City, pointing to the renegotiation of gas pipeline contracts last year as a precedent (**PFR**, 8/28/19). ■

Mexico preps transmission tender

Mexico's state-owned **Comisión Federal de Electricidad** (CFE) is planning a procurement process for a transmission project in the state of Baja California, adding to the country's transmission pipeline.

The tender is for the 115 kV, 1.86-mile (3 km) Maneadero entronque - Ciprés Cañón transmission line, in Maneadero.

The procurement process has not been launched yet, but the projects will be structured under the *Obras Públicas Financiadas* (OPF) build-transfer framework.

CFE launched a tender for a 25 MW geothermal power plant, in

the state of La Puebla, in late May under the same OPF scheme (**PFR**, 5/29).

The state-owned body had launched other tenders for transmission and gas-fired projects in the fall of 2019. However, those

were quietly postponed because of the Covid-19 pandemic (**PFR**, 4/4).

The postponed tenders included the procurement processes for the 860 MW Salamanca plant in Guanajuato, the 42 MW Baja California Sur VI facility in La Paz, and the

804.8 MW San Luis Potosí unit, named for the state, in the municipality of Villa de Reyes – all CCGT projects.

CFE also pushed back the tender for the 275-mile (441.8 km) Huasteca-Monterrey transmission line, near Mexico City, which was meant to be resolved in January (**PFR**, 1/6). ■

Mexico transmission tender pipeline

Project	Details	Location	Estimated Cost	Contract Length	Status
Oaxaca-Huatulco	A 115 kV, 55.9-mile (90 km) line and a 230 kV, 94.4-mile (152 km) wire	State of Oaxaca	\$26 million	1-year	Not launched
Kilómetro 110-Tulancingo	A 85 kV, 2.6-mile transmission line	State of Hidalgo	\$2 million	1-year	Not launched
Interconexión Baja California-Imperial Irrigation District	A 161 kV, 2-mile (3.3 km) line	State of Baja California	\$4 million	1-year	Not launched
Maneadero entronque - Ciprés Cañón	A 115 kV, 1.86-mile (3 km) line	State of Baja California	\$2 million	1-year	Not launched

Source (table) – Mexico's CFE

● LATIN AMERICA

Polaris closes hydro loan in Peru

Canada's **Polaris Infrastructure** has closed a \$27 million debt package from **Brookfield Asset Management's** Infrastructure Debt Fund for a portfolio of hydro projects in Peru.

Polaris owns three operational hydro projects in Peru, all of which have 20-year power purchase agreements in place with Peru's **Ministry of Energy and Mines**:

- ◆ Canchayllo – 5 MW in Juajo, Junin department – operational since 2015
 - ◆ El Carmen – 8 MW in Maravillas, Huanuco department – operational since November 2019
 - ◆ 8 de Agosto – 20 MW in Aucantagua, Huanuco – operational since December 2019
- Polaris will use a part of the proceeds

of the loan to repay \$4 million of existing senior debt at Canchayllo and could use some of the rest for acquisitions.

“This capital will enable us to continue to pursue corporate development opportunities that we see in the market.”

“I am very pleased to have raised capital from such a reputable party in our industry and during such a difficult market environment,” said Polaris' CEO **Marc Murnaghan**

in a statement on June 5. “This capital will enable us to continue to pursue corporate development opportunities that we see in the market.”

The loan includes a first lien on the Canchayllo project and second liens on the two other assets.

Polaris came to own the portfolio in October of 2018 when it acquired hydro developer **Union Energy Group (UEG)**.

UEG also came with the 20 MW Karpa project in Tantomayo, Huanuco – which has a 20-year government PPA – and a 189 MW portfolio of early-stage assets, most of which is accounted for by a single 119 MW project. ■

Solek adds to Chilean pipeline

Solar developer **Solek** is plotting a sixth small-scale solar project in Chile, adding 7 MW (DC) of capacity to its 49.27 MW (DC) portfolio.

According to the filings with Chile's **Environmental Evaluation Service**, the Aeropuerto unit, located in the Talca commune, in the region of Maule, will require an investment of \$7.5 mil-

lion.

The project's output will be injected into the grid through a 15 kV, 0.74-mile (1.2 km) transmission line, owned by Chilean transmission company **CGE**. **Naturgy Energy** acquired CGE in 2014.

The Aeropuerto project will qualify under the PMGD (*Pequeños Medios de Generación Distri-*

buida) distributed generation scheme, which is limited to projects up to 9 MW in size. The regulatory framework confers benefits, including stabilized prices and avoidance of trunk transmission tolls (PFR, 1/26/18).

The other assets in the portfolio are:

- ◆ The 10.56 MW (DC) Colina park, in Colina,
- ◆ The 10.63 MW (DC) Medialuna project, in the Huechuraba commune, both in Santiago's Metro-

politan region,

- ◆ The 10.56 MW (DC) Quilmo unit, in the Chillán Viejo commune, in the region of Ñuble,
- ◆ The 7 MW (DC) Trupan facility, in the commune of Tucapel, in the Biobío region, and
- ◆ The 10.52 MW (DC) Villa Longaví park, in the Longaví commune, in the region of Maule (PFR, 4/30).

The sponsor is developing the portfolio through its local subsidiary **PV Power Chile**. ■

● PEOPLE & FIRMS

Mattos Filho promotes six to partner

An infrastructure and energy lawyer is among six attorneys recently promoted to partner by Brazilian law firm **Mattos Filho**.

Alexandre Arlota has been with the firm for four years, one of which he spent on secondment in **Milbank's** global projects and infrastructure finance department in London.

Before joining Mattos Filho, Arlota he worked at **Faveret Lampert Advogados**, where he

was seconded to oil and gas EPC contractor **Sete Brasil**. The other attorneys promoted to partner are:

- ◆ **Camilla Martes** – corporate and M&A
- ◆ **Flavia Magliozzi** – capital markets
- ◆ **Maria Abreu Guido de Souza** – litigation and arbitration/funds
- ◆ **Nicole De Barros Moreira Reis** – litigation and arbitration
- ◆ **Pâmela Gottardini** – tax ■

● EQUITY CAPITAL MARKETS

Cox Energy looks to list Americas sub in Mexico

Spanish renewable energy developer **Cox Energy** has begun the regulatory process to list its **Cox Energy Americas** subsidiary on Mexico's **Bolsa Institucional de Valores** stock market.

The company is aiming to raise about \$1 billion Mexican pesos (\$45 million) with the flotation.

The announcement comes as the government of Mexico's President **Andrés Manuel**

López Obrador spurs with private investors, renewable energy industry associations and environmental groups over various policies said to be detrimental to wind and solar development and investment (PFR, 5/21/20).

Cox is developing a 1.8 GW portfolio of wind and solar projects in Latin America, around 57% of which is located in Mexico. The rest are in Chile and Colombia. ■

PEOPLE & FIRMS ●

Solar Frontier Americas CEO moves on

Charles Pimentel, the former CEO of **Solar Frontier Americas**, has left the developer and solar panel supplier to take up a new position at **Erthos**, a solar technology start-up based in Tempe, Arizona.

Cary Vandenberg, managing director of development and vice president of business development at SFA, has taken over Pimentel's responsibilities, says a spokesperson for the company.

Pimentel had been with SFA for 10 years, overseeing its transformation from being the US module sales arm of its Japanese parent company – thin-film solar module manufacturer **Solar Frontier** – into an active acquirer, developer and seller of solar projects.

The expansion of the subsidiary's scope began in 2015 – the year Pimentel was appointed CEO of SFA – with the purchase of a pipeline of development-stage projects in California from **Gestamp Solar** (PFR, 3/12/15).

Pimentel's successor, Vandenberg, played a key role leading the acquisition, and has overseen development and financing of the company's project pipeline since then.

The company recently financed its 150 MW Mustang 2 project in Kings County, California, which has power purchase agreements with **Peninsula Clean Energy Authority** and **Modesto Irrigation District** (PFR, 12/18/19).

Pimentel's new job title at Erthos is chief commercial officer. He says the company's mission is "to utilize technology to fundamentally transform the way in which utility scale solar projects are developed, designed, constructed, financed, and operated."

Erthos is led by former **DEPCOM Power** co-founder **Jim Tyler**, who serves as CEO. He and Erthos' chief operating officer **Keith Symmers** are both alumni of **First Solar**'s project management division. ■

Investment banker leaves BofA for buy-side

A member of **Bank of America's** renewable energy group has left the firm for a position at an institutional investor.

The banker, **Helen McNamee**, has joined **Queensland Investment Corp**, which manages the investments of the Australian state of Queensland, as a manager in the global infrastructure and renewable energy investing team.

McNamee had been with BofA since 2014 and worked on deals in the equity and debt capital markets.



Helen McNamee

She has held previous positions at **GE Energy Financial Services**, **Metalmark Capital** and **Lehman Brothers**. ■

Quinbrook adds to origination team

Quinbrook Infrastructure Partners has hired a new director of origination who will be based in Austin.

Shalini Ramanathan will join the infrastructure fund manager in July, after 13 years with **RES Americas**. She was most recently vice president, origination – a role she took up in 2014.

She has closed wind and solar deals totaling 1.4 GW with a combined value exceeding \$2.5 bil-

lion in her career to date.

One groundbreaking deal she worked on at RES was **Microsoft Corp's** maiden PPA – a 20-year contract for the 110 MW Keechi wind farm in Jack County, Texas – which was signed in 2013 (PFR, 11/6/13).

Before joining RES in 2007, she worked at British emerging markets-focused renewables developer **CAMCO** in Nairobi, Kenya, and the **National Renewable Energy Lab**. ■

Infra outfit ramps up investor relations

Sustainability-focused fund manager **Ember Infrastructure** has added a new recruit to its capital development and investor relations team as it raises its first fund.

Bradford Yankiver joined the firm this week at the rank of director, having previously spent five years as principal and chief of staff at financial technology-focused private equity firm **Motive Partners**. He has also worked at **Simplyinsured** and **Goldman Sachs**.

He reports to managing partner **Elena Savostianova**, a former principal at **Global Infrastructure Partners** who left to set up Ember in 2018. She is also a former investment banker, having worked in **Credit Suisse's** power and renewable energy team for nearly a decade.

Ember invests in middle-mar-

ket companies and assets with carbon reduction and resource efficiency goals in the low-carbon energy, water, waste, industrial and agriculture sectors in North America. The firm is looking to invest between \$25 million and \$75 million at a time.

Within energy, the firm is looking at biofuels, waste-to-energy, and energy storage.

"We see a new generation of infrastructure business operating in the low carbon energy and resources efficiency space, which are both proven and poised for growth, yet are underserved by capital providers," said Yankiver.

The firm is said to have secured a \$150 million anchor commitment for its debut fund from **Ontario Power Generation Pension Fund**. Yankiver declined to comment on this development. ■

● ONE YEAR AGO



Vivint Solar signed a \$360 million multiparty forward-flow agreement to finance roughly 100 MW of residential solar systems (PFR, 6/5/19).

See page 1 for the latest on the company's fundraising efforts.

● PEOPLE & FIRMS

New job for Carlyle infra chief

The **Carlyle Group's** co-head of global infrastructure investment **Andrew Marino** has left the firm to take up a new role with **Generate Capital**.

Marino had been with Carlyle for more than 16 years, including for a while as chief operating officer of the natural resources group. As managing director and co-head of global infra, he jointly oversaw the firm's \$2.2 billion Global Infrastructure Opportunities Fund.

His new job title at San Francisco-based infrastructure finance company Generate Capital is senior managing director and head of strategy.

The company also recently brought in seasoned project finance banker **Sven Semmelman** as a vice president (PFR, 6/1).

Marino was an investment banker before joining Carlyle in 2004, handling M&A and



Andrew Marino

restructurings as a vice president at **Morgan Stanley**. Having made the jump to private equity, he focused on chemicals, metals and energy as a member of Carlyle's buyout team, working on investments in **Kinder Morgan**, **Axalta**, **PQ Corp** and **JMC Steel**. ■

NY Green Bank staffs up



Gregory Randolph

NY Green Bank has bolstered its investments and portfolio management team with a series of hires in recent months, including the appointment of a replacement for group co-head **Nicholas Whitcombe**, who left at the end of last year.

The new managing director and co-head, **Gregory Randolph**, is a long-time investment banker who had been with **Greenhill & Co** for 15 years. He has been in place since April.

In this role, he oversees the investments and portfolio management team jointly with **Andrew Kessler**, who has been with the state agency since 2018. They report to **Alfred Griffin**, president of New York Green Bank.

Meanwhile, the lender has also added two directors to the team:

- ◆ **Lindsay Drogin** – a former leveraged and project finance client executive at **SMBC**
 - ◆ **Sara Roccisano** – who has previously worked in investment banking and infrastructure fund management
- Drogin, who started in March, had been with SMBC for 12 years, while Roccisano, who joined in May, has worked at **UBS**, **TIAA**, **Greenbacker Renewable Energy** and most recently **District Energy** (now **Centrica Business Solutions**).

Earlier this year, NY Green Bank also hired a managing director for strategy, impact and investor relations – **Kim Erle** (PFR, 1/24).

SPRING/SUMMER COLLECTION

In the first quarter of 2020 – before the new members of the team had arrived – NY Green Bank closed four new investments totaling \$50 million:

- ◆ increased bridge loan for **Eden Renewables** by \$1.8 million
- ◆ \$25 million multi-draw facility for **Inclusive Prosperity Capital**
- ◆ increased credit facility for a **Spruce Finance** residential solar portfolio by \$12.9 million
- ◆ additional \$10 million as part of a \$84 million safe harbor loan for **Sunrun**, as first reported by PFR (PFR, 1/30). ■

Student loan servicer branches out into community solar

Student loan servicer and occasional tax equity investor **Nelnet** has launched a new offering for developers of community solar projects.

The payment services company says it can help with subscriber acquisition, management and support services through its new Nelnet Renewable Energy brand.

"Community solar is an exciting area of growth for investors and developers, and it's a big win for the residents and business owners who previously were unable to support renewable energy use," said **Jeff Noordhoek**, Nelnet's CEO, in a statement.

The company's community solar product suite includes customer service, billing, payment processing, utility coordination and management, subscriber replenishment and a developer management platform for portfolio oversight.

Nelnet – which manages a \$21 billion book of mostly student loans – is listed on the **New York Stock Exchange** and has Ba1 and BBB- corporate credit ratings from **Moody's Investors Service** and **S&P Global Ratings**.

In 2018, the company began to invest tax equity in US solar projects, signing commitments totaling \$142 million, most of which went to community solar projects.

Scott Gubbels, an executive director based in Lincoln, Nebraska, oversees these investments. "They're pretty flexible and creative," says a market participant. ■

● QUOTE OF THE WEEK

"When we got shut out of the ABS market, we weren't sure how long the disruption would last, and particularly the sub-investment grade portions of the ABS market were impacted most severely."

Thomas Plagemann, chief commercial officer and head of capital markets at **Vivint Solar**, on the company's decision to move forward with an alternative financing strategy (see story, page 1).