Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

Innergex Seals Financing For Latest B.C. Hydro Project

Richard Metcalf

Innergex has signed C$198 million ($160.5 million) of loans for a hydro project in British Columbia, in the latest of several recent debt financings for the Canadian renewables developer.

The financing package will cover about 80% of the estimated C$216 million ($175 million) construction costs for the 40 MW Big Silver Creek project, located about 25 miles north of Harrison Hot Springs.

The **Manufacturers Life Insurance Company** (Manulife) arranged the loans as agent and lead lender while the **Caisse de Dépôt et Placement du Québec** (CDPQ) participated as a lender.

The deal comprises a three-tranche construction loan, of which C$51 million ($41.4 million) will convert into a 25-year amortizing term PAGE 6 »

REFF Wall Street: Iberdrola Plots IPO After UIL Marriage

Nischinta Amarnath

The U.S. offshoot of Spanish developer Iberdrola is planning to launch a partial initial public offering once it completes its merger with Orange, Conn.-based **United Illuminating Holding Co.**

Iberdrola and UIL Holding will create a new publicly traded U.S. holding company once the roughly $4 billion deal wraps in December, **Robert D. Kump**, ceo and chief corporate officer of **Iberdrola USA**'s networks business told *PFR* at the 12th **Renewable Energy Finance Forum Wall Street** conference in New York on June 25.

The as-yet unnamed holding company's capital structure will have equity and debt components of 73% and 27%, respectively. A large portion of those equity contributions will come from Bilboa, Spain-based parent **Iberdrola S.A.**

The IPO will not involve the creation of new incremental shares, and Iberdrola will continue to PAGE 5 »

Germany's Allianz Eyes US Tax Equity Market

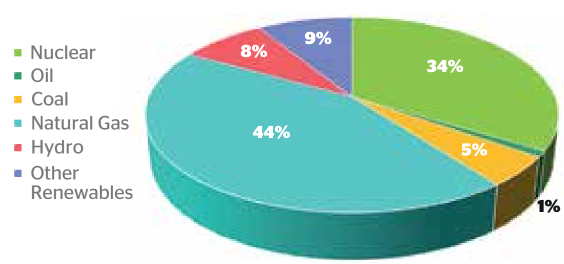
Olivia Feld

Allianz is planning to make its maiden tax equity investment in the U.S. wind market. **Allianz Capital Partners**, which makes renewables investments in Europe, is talking to sponsors about prospective deals.

"We have undertaken an analysis of the U.S. wind market and are now looking for a suitable opportunity to enter the market as a tax equity investor," **David Jones**, head of renewable energies at ACP, tells *PFR* in an emailed statement. "We are progressing a number of potential opportunities with sponsors which we hope will lead to investments this year."

This is not the first time that the Munich-based insurance giant has held talks with sponsors about potential investments in North America. In 2012 the company retained an external advisor and was reportedly in negotiations as a lead investor in a consortium of players looking to buy solar assets in Ontario, Canada. At the time Jones told *PFR* that his investment focus, for the time being at least, remained on the euro- PAGE 9 »

Opportunities in New England Based On Fuel Mix in 2014



Source: ISO New England 2015 Regional Electricity Outlook

POWER UP: CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 6

IN THIS ISSUE

CONFERENCE BUZZ

REFF Wall Street: Developers Grapple With New Challenges

Even as strategic investors are increasingly becoming involved in financing renewables projects, developers are facing a new set of risks and challenges in building their generation portfolios. Panelists at the 12th **Renewable Energy Finance Forum Wall Street** conference discussed the issues they would need to address to bring projects to fruition.

Developers in Turkey, Mexico and Asia are finding it more difficult to raise construction loans for their projects than those in the U.S., according to **Andrew de Pass**, ceo at **Conergy**, a solar financier headquartered in Hamburg, Germany. "COD [commercial operation date] assets are extremely competitive," he said. "It is also challenging to ensure the availability of capital for late-stage development projects. It is important to distinguish between late-stage development projects and COD assets."

Meanwhile, Morristown, N.J.-based hydro developer **Eagle Creek Renewable Energy** is looking specifically at projects that are not attractive to yield companies in view of their intrinsic challenges. As a result, the company doesn't participate in auctions, said **Bernard H. Cherry**, Eagle Creek ceo.

Santa Monica, Calif.-based **SolarReserve** has recently ventured into the nascent energy storage business. "The challenge is to find markets where storage is critical," said the company's CEO **Kevin Smith**, who adds that efforts to sell storage technologies in the U.S. meet with a lukewarm response, compared to Chile and South Africa, which are now key areas of focus for SolarReserve.

Tristan Grimbart, president and ceo of San Diego-based **EDF Renewable Energy** averred that renewable projects are in shorter supply than four years ago. He also pointed out the need for a quick response plan aimed at addressing construction and business risks, to help companies deliver on their business models.

It is crucial to manage the growth of generation portfolios and scale them with improved efficiency, both on the operating and capital markets sides, according to **Greg Butterfield**, president and ceo at **Vivint Solar**, which, Butterfield added, is working with prospective lenders to explore possibilities of deploying energy efficiency tools to scale an undisclosed roster of projects. ■

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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	Advisor	Status/Comment
Bankers Commercial Corp.	Rising Tree I (79 MW Wind)	Kern County, Calif.		An affiliate of Slate Street is buying tax equity stakes in the projects (PFR, 6/21).
	Rising Tree II (19 MW Wind)			
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 (PFR, 6/15).
● Cielo Wind Power	Salt Fork (200 MW Wind)	Donley and Gray counties, Texas		EDF Renewable Energy is acquiring the project (see story, page 7).
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).
Enercon	Niagara (230 MW Wind)	Ontario		Boralex has bought a buy/sell option for a 25% stake in Niagara (PFR, 6/15).
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 (PFR, 6/15).
Genesis Power, Ares EIF Management	Keys Energy Center (755 MW Gas)	Brandywine, Md.		PSEG Power is buying the project (PFR, 6/21).
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		
	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 (PFR, 6/15).
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).
Mesoamerica Power, Actis Capital	Portfolio (650+MW Wind, Solar)	Central America		SunEdison is buying the portfolio (PFR, 6/21).
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).
Petrobras	Portfolio (1.5+ GW Thermal)	Brazil		The portfolio could be in the market soon, according to a source (PFR, 6/21).
Pristine Sun	Portfolio (572 MW Solar)	U.S.	Whitehall & Co.	The sale launched on June 11. No timeline has been determined for bids (PFR, 6/15).
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.

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 (PFR, 6/15).
			U.S. Bank	Tax Equity	TBA	TBA	The deal could be worth between $125M and $127M (PFR, 6/15).
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	Valley Energy Center (720 MW Gas)	Orange County, N.Y.	MUFG Union Bank, Crédit Agricole	Mini-perm	$985M	TBA	The deal has closed (PFR, 6/22).
	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 (PFR, 6/15).
EDP Renewables North America	Rising Tree III (99 MW Wind)	Kern County, Calif.	JPMorgan	Tax Equity	TBA	TBA	The deal has closed (PFR, 6/1).
Freeport LNG	Quintana Island (LNG Export Facility)	Texas	A consortium that includes Bank of America, CIBC, BBVA, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, and HSBC.	Senior debt, Mezzanine financing	$4.56B	7-yr	The deal has wrapped (PFR, 5/4).
Gasoducto Sur Peruano	Gasoducto Sur Peruano (700-Mile Gas Pipeline)	Pipeline	Various	TBA	$4.1B	TBA	The deal is slated to close by the end of June (PFR, 4/6).
Genesis Power, Energy Investor Funds	Keys (735 MW Gas)	Brandywine, Md.	Natixis, MUFG Union Bank	TBA	TBA	TBA	Price talk is 325bp over LIBOR (PFR, 5/25)
● Innergex	Big Silver Creek (40 MW Hydro)	British Columbia, Canada	Manulife, Caisse de Dépôt et Placement du Québec	Construction/ Term	C$198M	25-yr, 40-yr	The deal has closed (see story, page 6).
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 (PFR, 6/15).
	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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CONFERENCE COVERAGE

12th Renewable Energy Finance Forum—Wall Street

Areas of discussion at the **12th REFF Wall Street** conference in New York included the impact of oil and gas prices on renewables, the evolution of yield companies and the unique challenges facing developers from the U.S., Europe, Asia, Latin America and the Middle East. Managing Editor **Nischinta Amarnath** filed the following stories.

Iberdrola Plots IPO After UIL Marriage

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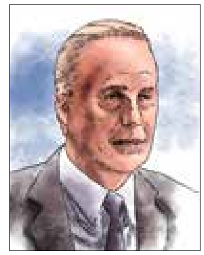
hold 80% of the stock. The target price of the IPO has not yet been decided.

Iberdrola USA and UIL Holdings gave the nod to the merger in February, with **Morgan Stanley** operating as UIL Holdings' financial advisor.

UIL is the parent company for four utilities: the **United Illuminating Co.**, **Berkshire Gas**, **Southern Connecticut Gas Co.**, and **Connecticut Natural Gas Corp**. United Illuminating, Southern Connecticut Gas and Southern Connecticut Gas are both located in Orange, Conn., while Connecticut Natural Gas is based in East Hartford, Conn. Berkshire Gas is headquartered in Pittsfield, Mass.

The integration of regulated utilities in the northeast supports Iberdrola's strategy of expansion in the U.S., Kump says. The developer is also exploring opportunities for project acquisitions in Canada and is currently in talks with various hydro developers, including **Hydro Quebec**.

Robert D. Kump



Richard Kauffman

Iberdrola USA, which has invested $30 billion in assets in the U.S. so far, is aiming to grow in the northeast, having set its sights on wind resources in northern Maine and shale gas reserves in New York and southern Pennsylvania. The developer has partnered with real estate developer **Amera Corp.** and New England energy delivery firm **Eversource** to construct a large transmission system in northern Maine. The project will be complete in roughly a month.

Meanwhile, Iberdrola is among a group of utilities that are developing projects as a part of New York State's *Reforming the Energy Vision* initiative aimed at increasing grid reliability while lowering costs for ratepayers.

"Utilities will bring forward demo projects, which will be deployed across the state. We're going to test those projects to see how effective they are," said **Richard Kauffman**, chairman of energy and finance for New York governor **Andrew Cuomo's** administration. At least a dozen REV demos will be filed with the **New York State Department of Public Service** on July 1.

Iberdrola operates a 25 GW wind generation fleet globally, and has a generation portfolio of more than 5.5 GW across 22 states in the U.S.. ■

Renewables Developers, YieldCos Backed By Liquidity

Developers are seeing an increasing level of liquidity in the market for transactions backing renewables projects while yield companies are finding more takers among investors against the backdrop of declining costs of capital for shovel-ready and operating projects, according to panelists at the **12th Renewable Energy Finance Forum Wall Street** conference in New York on June 24.

An evolving trend in the renewables space is behind-the-meter generation, where power is delivered to load without reliance on transmission systems or distribution facilities. "We see costs [of capital] come down because of scale. The next challenge will be how to optimize the behind-the-meter, whether that is a smart-grid application or another technology," said **Ray Wood**, managing director and head of U.S. power and renewables at **Bank of America Merrill Lynch** in New York.

Jeff Weiss

Project sponsors, developers and yieldcos are seeing an influx of longer-duration assets that are expected to generate higher yield over time, **PJ Deschenes**, partner at New York-based hedge fund **Greentech Capital Advisors** opined.

Furthermore, the growing creation of innovative warehousing facilities is boosting liquidity for yieldcos, according to BAML's Ray Wood. Earlier this year, Spanish developer **Abengoa** partnered with Washington, D.C.-based **EIG Global Energy Partners** to jointly invest in a warehouse venture aimed at funding contracted renewables projects going into construction (*PFR*, 2/25). "We see all that capital being very competitive with other private vehicles," Wood said.

Meanwhile, a combination of liquid markets and well-priced capital is encouraging a large number of utilities and independent power producers to grow their renewable asset base significantly in proportion to their overall generation portfolio, according to **Teddy Peters**, ceo of **Dearman**, a start-up zero emission power and cooling company in London.

Peters stated that energy storage facilities would find it challenging to raise financing to meet their development costs, since the concept of storage is still nascent. However, he added that storage facilities would drive hundreds of billions of dollars of business over the next decade.

Jeff Weiss, co-chairman and managing director at **Distributed Sun** in Washington, D.C., backs Peters' perspective on the scope for storage facilities. Storage currently has a long way to go in terms of raising capital, Weiss told *PFR* in a separate interview, adding that storage facilities needed to be integrated into the mainstream power space. ■

PROJECT FINANCE

Innergex Seals Financing For Latest B.C. Hydro Project

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loan, C$128 million ($104 million) into a 40-year amortizing term loan, and C$18 million ($14.6 million) into a 40-year bullet term loan, when the plant starts commercial operations.

The 25-year tranche bears an interest rate of 4.56%, while the two 40-year tranches carry a 4.76% rate.

Besides the construction costs, the proceeds will also be used to offset a C$24.7 million ($20 million) loss made on bond forward contracts that the developer used to fix the benchmark interest rate for the loans prior to closing.

The deal brings the Longueuil, Quebec-headquartered developer almost to the end of its current phase of project financing, leaving just one project still to finance: the 150 MW Mesgi'g Ugju's'n wind farm in Quebec.

A spokesperson for Innergex said the developer had received term sheets from prospective lenders for the wind project and that it expected financing to be in place by the end of the third quarter of this year.

In March, Innergex announced that it had closed C$492 million ($392 million) of loans with Manulife, CDPQ and the **Canada Life Assurance Company** for two other British Columbia hydro projects, Boulder Creek and Upper Lillooet River (*PFR*, 3/24). In October last year, the developer sealed a C$92.9 million ($83.4 million) loan for the Tretheway Creek facility (*PFR*, 10/2/14).

All four hydro projects have 40-year offtake agreements with **BC Hydro**.

Innergex plans to submit wind and solar projects for two rounds of calls for energy in Ontario this year and in 2016.

The province is looking for 300 MW of wind and 140 MW of solar capacity this year, and is expected to seek an additional 300 MW of wind and 150 MW of solar next year.

Meanwhile, Innergex is on the hunt for new sources of growth, both in its home market and abroad. The developer is working with local first nation communities on prospective projects in Canada, while setting its sights on expansion into new markets in Latin America and Europe.

The spokesperson said France and the UK were Innergex' key areas of focus in Western Europe while Mexico and Peru were at the top of its list in Latin America, noting that the company's 25-year record in run-of-river hydro projects put it in a strong position to capitalize on the potential for hydro generation in Mexico. "We are keen to duplicate the success we've had in Canada," she said, adding that Innergex would likely enter foreign markets at first through acquisitions and partnerships. ■

#PowerTweets

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

@Energy_Rich
Funny comment from @MLiebreich w/ @BloombergNEF saying he was bummed the Pope's encyclical failed to address demand side mgmt #reffws

@WinstonIMLR
Is permanent capital structure right for your fund? Join us for a panel on 7/21 in NYC http://goo.gl/hZVXtD

@KErecharge
.@SouthernCompany "less inclined" to pursue wind. "I have a few issues with wind," says CEO, esp. weak resource in US southeast. #REFFWS

@mperklin
Growing projects need growing teams. Very happy to bring aboard @winkelspecht @ethanwilding @pamelawjd & @aantonop

@EIAgov
The Ontario-Quebec market is slowly moving to source all of their #natgas from the #MarcellusShale. -Margaret Skwara, NEB, Canada #EIAConf

@brianreports
.@bankofamerica's Ray Wood says that growth of distributed #solar should withstand potential reduction of US investment tax credit. #REFFWS

@JinjLee
There's 90GW of renewable capacity in US, and only 5% is owned by yieldcos, says Goldman Sachs banker #REFFWS

@solarcity
Now more people than ever can go #solar. Get the details on our new #communitysolar program: http://hubs.ly/y0VTmC0

@Siemens_Energy
Today's most effective way of maintaining #Offshore #Wind power plants – our SOV: http://sie.ag/1RtzzKS #MakingWaves

@NYSERDA
There are currently $338M worth of proposals that we consider active in our portfolio – Alfred Griffin, #NYGreenBank #REFFWS

MERGERS & ACQUISITIONS

Okla. Natural Gas Co. Mulls Acquisitions

Williams Cos. is evaluating strategic alternatives following its rejection of an unsolicited $53 billion takeover bid by **Energy Transfer Equity**. The alternatives it is eyeing include one or more portfolio or individual asset acquisitions, or both, according to a source close to the matter.

Other options that are a part of Williams' strategic evaluation include a sale of certain assets.

The Tulsa, Okla.-based natural gas pipeline operator has tapped a consortium of undisclosed bankers as financial advisors on its strategic review.

Williams is already in the process of buying back its publicly traded master limited partnership,**Williams Partners** for $13.8 billion.

The source adds that Williams will either move forward with its acquisition of the MLP or eventually accept Energy Transfer Equity's merger proposal. The merger deal is contingent on the termination of Williams' acquisition of Williams Partners.

Energy Transfer has four master limited partnerships in its family, including **Energy Transfer Partners**, **Energy Transfer Equity**, **Sunoco Logistics Partners** and **Sunoco**. The company has said that it isn't giving up on its bid.

Williams' portfolio includes 19 pipeline expansion projects across Maryland, Alabama, Georgia, Louisiana, New York, New Jersey, Oregon, Pennsylvania, Washington, Virginia and West Virginia. All of those assets sit in the alcoves of the company's MLP unit, Williams Partners.

"If ETE successfully acquires Williams assets, the MLP [Williams Partners] would be a nice strategic fit in its family," said **Kathleen Connelly**, director at **Fitch Ratings** in New York.

MLPs in the midstream sector have been fairly stable over the past few months. Furthermore, the market is seeing a proliferation of new MLP registrations, especially since early May, when the U.S. **Internal Revenue Service** drew a sharp line of distinction between in terms of what types of companies would be eligible to operate as MLPs (*PFR*, 5/14).

Market observers are uncertain about how Williams' strategic evaluation will shake out. Over the last six months, Energy Transfer Equity has approached Williams' senior management several times to engage in friendly dialogue over its proposed merger. It then made an initial offer to Williams President and CEO **Alan Armstrong** on May 19 and issued a letter to the board of directors at Williams on June 11 before confirming its offer with the board of directors on June 18.

Energy Transfer Equity's deal to buy Williams' outstanding common stock at $64 a share represents a 32.4% premium to Williams' closing price on June 19 and a consideration of common shares in an entity that would be taxed as a C-corp.

Fitch Ratings placed Williams' BBB- rating on a positive Rating Watch on May 13, following the company's announcement that it would buy back Williams Partners. The same rating agency has accorded Energy Transfer Equity a BB rating with a stable outlook.

Meanwhile, **Moody's Investors Services** has assigned Baa3 ratings to both Williams and Energy Transfer Equity, while giving Energy Transfer Equity a stable outlook and revising Williams' outlook from stable to negative.

A spokesman for Williams declined to comment on the company's strategic alternatives, and spokespeople for Energy Transfer did not respond to inquiries by press time. ■

EDF Buys Third Texas Wind Farm From Cielo

EDF Renewable Energy has added 200 MW to its wind portfolio in Texas with the acquisition of the Salt Fork Wind project in the Donley and Gray Counties from **Cielo Wind Power LP**.

The project is slated to be online by the end of 2016. EDF Renewable Energy did not disclose the purchase price of the deal.

Garland Power & Light has signed a power purchase agreement for 150 MW of the facility's output.

Salt Fork is the third wind farm EDF Renewable Energy has bought from Austin-based Cielo in late-stage development. The acquisition will expand the company's Texas wind portfolio to 1.2 GW.

EDF Renewable Energy has brought equity and tax equity investors in on two other projects it purchased from Cielo, Spinning Spur and Spinning Spur II, both located in Oldham County, Texas, and totaling 322 MW.

Google took a $200 million tax equity stake in Spinning Spur in 2013 (*PFR*, 1/11/13), while **UBS** bought into Spinning Spur II in 2013 (*PFR*, 12/30/13). Spinning Spur II secured tax equity investments from **GE Energy Financial Services** and **MUFG** in 2014 (*PFR*, 7/11/14). ■

DTE Could Stretch To 100 MW With Solar RFP

Detroit-based utility **DTE Energy** has issued a request for proposals for one utility-scale solar facility of up to 50 MW, but has signaled that it will also consider bids of up to 100 MW.

The company is asking bidders to submit pricing for engineering, procurement and construction contracts for between five and 50 MW of photovoltaic capacity, but developers who file bids for 50 MW projects can also put forward bids for projects between 50 MW and 100 MW, according to the RFP document issued on Thursday.

DTE is seeking to buy a project which will be online by the end of 2016. The project must be located in DTE's service territory, which is spread across thirteen counties in south east Michigan.

DTE will hold a conference call for respondents on July 15 and the deadline for bidders to give notice of their intent to submit proposals is July 22. Bids are due Aug. 19. ■

STRATEGIES

Germany's Allianz Eyes US Tax Equity Market

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zone (*PFR*, 10/26).

ACP, which describes renewable power as a major part of its investment strategy, holds a portfolio of roughly 50 wind projects and seven solar projects with over 1.74 GW of installed capacity in Europe.

A spokesperson for the company would not comment on which sponsors it is speaking to or the size of investment under consideration. "In general we never state how much we want to invest because it always depends on if we find assets that fit to our investment strategy, that they offer a return that fits to the risk and that the quality of the asset is high," the spokesperson in Munich tells *PFR*. It could not be established whether ACP is using an external advisor.

The window for tax equity investments in wind projects in the U.S. is narrowing. The U.S. production tax credit expired at the end of 2014, following a short extension approved by Congress in December (*PFR*, 12/5). However, new wind projects can still qualify for the PTC under safe harbor rules. The U.S. **Internal Revenue Service** issued guidance earlier this year that says that sponsors have until Jan. 1, 2017, to complete construction of facilities that have been under construction since before Jan. 1, 2015 in order to qualify for the PTC. ■

Greenshoe, Private Placement Boost NRG Yield Funds

NRG Yield's haul from a rights issue and convertible bond issuance this week was boosted when the underwriters on both transactions agreed to exercise in full their options to buy additional securities.

Bank of America Merrill Lynch, **Citigroup**, **Credit Suisse**, **Goldman Sachs**, **JP Morgan**, **Morgan Stanley** and **RBC Capital Markets** are the bookrunners for the class C common stock issuance, while **Barclays**, **Deutsche Bank**, **KeyBanc** and **MUFG** are co-managers.

For the convertible notes, BAML, Barclays, Citigroup, Goldman Sachs, Morgan Stanley and RBC Capital Markets are acting as bookunners, and Credit Suisse, Deutsche Bank, JP Morgan, KeyBanc and MUFG are co-managers.

The proceeds of the rights issue will be used to fund NRG Yield's $285 million acquisition of a 25% stake in the 550 MW Desert Sunlight solar project in Riverside County, Calif., from **GE Energy Financial Services** and repay debt associated with its Alta X and XI wind farms totaling 220 MW in Kern County, Calif.

The proceeds of the convertible note sale are earmarked for the repayment of debt drawn under its revolving credit facility as well as more of the Alta X and XI project debt.

Any leftover proceeds could be used to acquire assets from **NRG Energy** or third parties.

NRG Yield initially priced 24.5 million class C common stock shares at $22 a share. It then priced the convertible bonds due 2020 with a coupon of 3.25% on Tuesday. The issuer set the initial conversion price for the convertible bonds at $27.50 a share, representing a 25% premium.

NRG Yield's common stock had been trading at up to $24.50 a share on June 22, but dropped to about $22.50 on June 23. By June 24, the shares had recovered to almost $23.50 after a sharp increase in trading.

Then on Thursday, the renewables yield company announced that the banks on rights issue had provided notice that they would exercise in full a greenshoe option to buy an additional 3,678,000 shares, bringing the total number of shares issued to 28,198,000.

The underwriters will pay the initial offering price of $22 a share minus an underwriting discount.

NRG Yield also revealed that the banks on its convertible bond issue had also agreed to exercise in full a similar option. The underwriters will purchase an additional $37.5 million of the convertible notes.

Equity analysts at Goldman Sachs raised their estimates of NGR Yield's cash available for distribution by 4% to 11% in response to the announcement of its equity and convertible financing operation.

According to the analysts, NGR Yield's existing right of first offer list is sufficient to enable it to realize dividend growth of up to 18% in five years, which is the high end of its target.

In preparation for its debut bond issuance in August last year, NRG Yield obtained credit ratings from **Moody's Investor Services** and **Standard & Poor's**. The long term ratings remain unchanged since then, at Ba1 and BB+ respectively.

DESERT SUNLIGHT

NGR Yield announced the acquisition of the equity interest in the 550 MW Desert Sunlight solar project in Riverside, Calif., which it claims is the largest operating solar farm in North America, on Friday.

In addition to the $285 million purchase price, NGR Yield will assume $287.4 million of non-recourse project debt.

NextEra Energy and **Sumitomo Financial** own the rest of the project, with a 50% and a 25% stake respectively. **First Solar**, which developed the plant, has operated it since it came online in December 2014.

Southern California Edison has a power purchase agreement for 250 MW of the plant's output for the next 20 years, and **Pacific Gas & Electric** is contracted for the remaining 300 MW for 25 years.

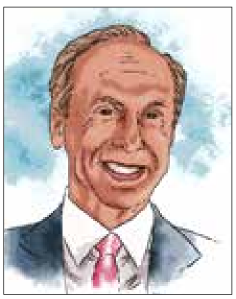
The acquisition will bring NRG Yield's solar portfolio to 600 MW. The yieldco expects its purchase to increase its run-rate EBITDA by about $45 million and its cash available for distribution by $22 million by 2016. The deal is slated to close by the end of June.

The yieldco's portfolio includes 3.6 GW of contracted generation assets, which have an average remaining offtake agreement duration of 17 years. ■

INDUSTRY CURRENT

IRS Says Partnership Flip Guidelines Do Not Apply To Solar

Many solar developers and yield companies are opting for partnership flip transactions as an effective alternative to sales-leaseback options (PFR, 1/5). This Industry Current is written by **Keith Martin**, a Washington, D.C.-based partner at **Chadbourne & Parke**. Furnished with illustrative examples, Martin's narrative analyzes the U.S. Internal Revenue Service' guidelines for partnership flip transactions in the context of benefits to solar developers and tax equity players.



Keith Martin

The IRS said in an internal memo made public on June 12 that its guidelines for tax equity partnership flip transactions do not apply to solar facilities or other projects on which investment tax credits are claimed. Instead, the IRS said, transactions involving investment credits should be tested under general partnership principles.

The IRS national office wrote the memo to the part of the IRS that audits taxpayers. It should not cause the solar market to back away from partnership flip transactions or alter the core terms of such transactions, but it may require law firms to revise how they analyze the transactions in tax opinions.

There has been an internal debate within the IRS for a number of years about whether the agency should issue separate guidelines for solar transactions. Some IRS lawyers have wondered whether the fact that the tax equity investor in a solar project is likely to reach its return much more rapidly than in a wind deal, through an upfront investment credit plus possibly a depreciation bonus and utility rebates, and the fact that these elements of the return are not tied to project performance, require that solar transactions be analyzed differently from wind deals.

At the end of the day, the basic question remains the same: Is the tax equity investor a real partner with meaningful upside and downside risks of a business, or is it a bare purchaser of tax benefits or a lender earning a fixed return?

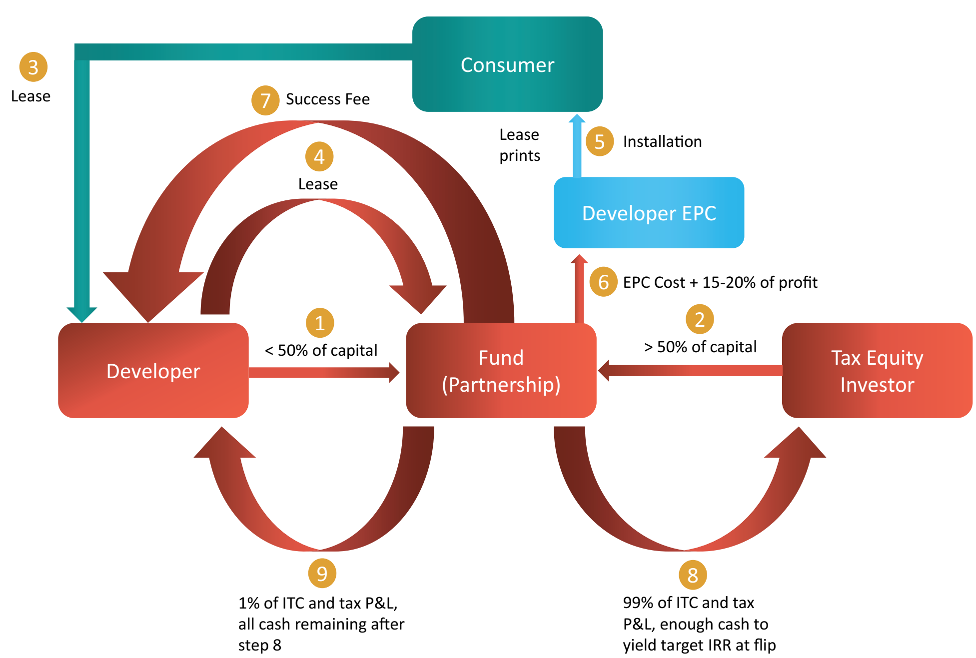
> **"The IRS has debated periodically, since 2007, whether to issue separate guidelines for solar transactions."**

The IRS issued partnership flip guidelines for wind transactions in 2007 after it received several private letter ruling requests that suggested the wind market was adding embellishments to the basic partnership flip structure.

In a partnership flip, a developer brings in a tax equity investor to own a renewable energy project with the developer. The partnership allocates the tax benefits and taxable income largely to the tax equity investor until a set date in the future or when the investor reaches a target yield, after which the investor's interest drops usually to 5% and the developer has an option to buy out the investor's remaining interest. Cash flow may be split in a different ratio.

The embellishments that PAGE 11 »

Illustrative Partnership Flip Structure (Before The Flip)



Source: Woodlaw Associates

INDUSTRY CURRENT

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some wind companies wanted to add before the IRS guidelines were issued included pay-go features where the tax equity investment is made over time as a percentage of tax credits, or where the investor is guaranteed a minimum return. The guidelines were an attempt to draw lines and allow the IRS to save on resources by not having to repeat itself in numerous private letter rulings. The guidelines are in Rev. Proc. 2007-65.

The lines the IRS drew in these guidelines should remain relevant to solar, but, the IRS said in the new memo, they are not a "safe harbor" which ensures that a solar flip transaction will be respected.

The IRS has debated periodically, since 2007, whether to issue separate guidelines for solar transactions.

The Office of Chief Counsel's Senior Technician Reviewer, Richard Probst, who wrote the IRS memo, said most of the pressure for such guidelines has come from the IRS field. The new memo was written last November, but only just made public. It is heavily redacted. It is Chief Counsel Advice 201524024.

Probst said he tells IRS agents in the field to apply basic case law, going back to a 1949 Supreme Court decision called Commissioner v. Culbertson, to determine whether there is a real partnership. He said he hopes that a solar transaction will be referred to the IRS national office by a field agent as part of a request for technical advice so that there can be something for people to read beyond the heavily redacted memo. The national office would then issue a technical advice memorandum, which is a memo written to settle a legal dispute between a taxpayer and an agent on audit.

The new memo analyzes a solar partnership flip deal with aggressive terms that go well beyond anything that the mainstream tax equity market does.

THE TRANSACTION HAD THE FOLLOWING FEATURES:

A limited liability corporation acquires a portfolio of solar systems from an S corporation owned by two individuals, A and B. The S corporation took back a nonrecourse note for part of the purchase price. It represented that the LLC would be able to claim the full purchase price, including the note, as basis in the solar systems for purposes of calculating tax benefits.

The LLC then leased the systems to another S corporation owned by A, who is one of two individuals that own the seller, and one other related individual. The rent appears to be a fixed amount per month. The length of the lease term is redacted. The rent paid under the lease is the sole source of revenue for payment of the purchase money note that the LLC gave the seller for the balance of the purchase price. If the LLC stops payments on the note, then the seller's remedy is to take back the systems.

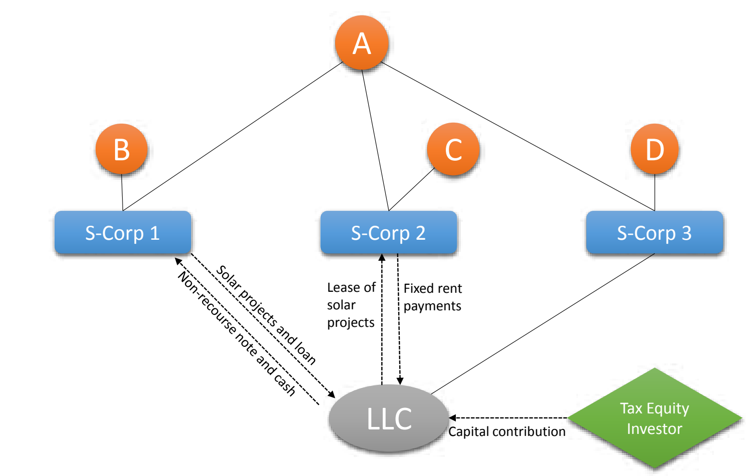
The LLC is owned partly by the same individual, A, that owns both the seller and the lessee of the systems. A owns its interest through yet another S corporation.

The part of the purchase price that the LLC paid for the systems in cash, as opposed to agreeing to pay over time under a nonrecourse note, was paid in three increments: a little at inception, a little more "on the date" the systems are placed in service, and the balance when the LLC files its tax return for the year it claims the investment tax credits on the systems. The second and third cash payments were contingent in amount.

The S corporation, through which A owns part of the LLC, guaranteed the other investor — the tax equity investor — the amount of investment tax credits that it would receive and stated that it would have a sufficiently sized capital account to absorb the full tax credits and depreciation bonus on the systems. If the tax credits are less than expected, including due to a recapture event or an IRS audit, the S corporation must make capital contributions to the LLC, plus interest on the shortfall, that are distributed to the tax equity investor. If the tax credits are more than the guaranteed amount, the tax equity investor must make capital contributions to the LLC that are distributed to the S corporation. If the solar systems have been already in service before the sale to the LLC, the S corporation can buy out the tax equity investor by refunding its money plus interest.

The tax equity investor receives annual preferred cash distributions from the LLC

The partnership flip structure analyzed in CCA 201524024



Source: Power Finance & Risk

that are presumably a small percentage of the capital it put into the deal plus an annual "asset management fee." A letter of credit has been posted to ensure that the preferred cash distributions will be made each year. The preferred cash distributions stop after the flip date.

If there is an operating deficit in the LLC, the S corporation must fund it by making a non-interest-bearing loan to the LLC that is repayable only out of LLC cash flow after the LLC has made the cash payments to the tax equity investor: the annual preferred cash distributions and management fee and any tax indemnity payments.

The S corporation has a call option to buy the tax equity investor's interest in the LLC 90 days after the flip for fair market value. If the call option is not exercised, the tax equity investor has a "put" to force the LLC to buy its interest a year later for fair market value or, if less, the balance in the tax equity investor's capital account. ■

STRATEGIES

LNG-Rich Sempra Eyes MLP Listing

Sempra Energy is gearing up for the initial public offering of **Sempra Partners LP**, a master limited partnership, as it focuses on ramping up its liquefied natural gas projects. The IPO is slated to launch this year.

The San Diego, Calif.-based natural gas holding co. received a private letter ruling from the U.S. **Internal Revenue Service** last week, and expects to assign Sempra Partners a right of first offer on LNG-related infrastructure projects. The ROFO list will include Sempra Energy's 50% interest in the Cameron LNG export facility in Hackberry, La., and a 100% ownership interest in the 21-mile Cameron Interstate pipeline in Cameron Parish, La. Cameron LNG, which is one of Sempra Energy's core assets, comprises three fully subscribed terminals that are due to enter service by 2019 (PFR, 3/4/14).

Sempra Partners' initial portfolio will include an interest in a U.S. entity that is contracted to deliver liquefied natural gas at the Energia Costa Azul regasification facility near Ensenada, Baja California in Mexico, as well as undisclosed interests in Sempra Energy's contracted wind and solar projects. An attorney notes that Sempra Energy is considering becoming a subsidiary of Sempra Partners so that income generated by its renewables projects can qualify for corporate tax exemption under the MLP.

The income generated by LNG infrastructure projects usually qualifies for corporate tax exemption under an MLP structure. This is a cheaper source of raising capital rather than banking on borrowings or equity contributions, another attorney and MLP specialist at a high ranking law firm says.

The attorney adds that registering Sempra Partners as an MLP is a more attractive proposition for the holding co. than making an S-1 filing for a yield company. "They [yieldcos] replicate tax treatments. But, if you have an MLP, why not use it?" he says.

Sempra Energy is evaluating the possibility of getting dividends from its overseas subsidiaries to make good on the loss of upstream dividend payments from one of its utilities, **Southern California Gas Co.**, a deal-watcher notes. Southern California Gas Co. is currently focusing on a $6 billion capital expenditure program (*PFR*, 6/17).

The second attorney points out that registering Sempra Partners as an MLP, rather than a yieldco, will minimize its tax liabilities because such entities are exempt from corporate income tax.

Market observers were questioning the structure of entities registered as MLPs until the IRS brought more clarity to the eligibility requirements for becoming one last month. One deal watcher had thought fewer applications would be made to register MLPs in the wake of **Sol-Wind Renewable Power's** delayed IPO.

New York-based Sol-Wind, which was eyeing an MLP structure, pushed back its IPO because of ambiguities around how the small scale developer would monetize the tax benefits accruing from its tax equity transactions while avoiding corporate income tax payments (*PFR*, 2/19), (*PFR*, 2/18).

The IRS placed a hold on private letter rulings in March 2013 to evaluate where to draw the line on what types of minerals and natural resources would make businesses eligible to operate as MLPs. The federal agency made that line of distinction clearer on May 5, when it introduced new rules for MLP registrations in the form of proposed regulations delineating how closely tied a business's activities must be to minerals and natural resources to generate income qualifying for the MLP. Since its announcement last month, the IRS has been fielding a large number of requests for private letter rulings from oil and gas companies (*PFR*, 5/14).

Once the IPO floats, Sempra Energy aims to own all of Sempra Partners' incentive distribution rights and subordinated units as well as a portion of its common units.

Sempra Partners will be listed on the **New York Stock Exchange** under the ticker symbol "SREP."

Officials at Sempra Energy could not immediately comment. The identities of bookrunners on the IPO have either not been decided or disclosed. ■

REPORTER'S NOTEBOOK

◆ During the 2015 **REFF Wall Street's** opening reception hosted by **Lockheed Martin** on the evening of June 23 at the exotic Café St. Barts in New York, delegates were busy identifying business prospects over champagne, wine and cheese balls. "I'm here for more business," said **Joe Amara**, president of **HEI Search**, a Chicago-based executive search firm that specializes in senior-level or C-suite appointments in the midstream, power generation and private equity space.

◆ At the opening keynote address the following day, **Tom Fanning**, president and ceo of **Southern Co.**, professed his belief in the Internet of Things and revealed a desire to move beyond distributed generation to harness the potential for storage technologies, alluding to Southern Co.'s solar partnership with **Tesla Energy** and **Nest Labs**.

Tom Fanning

◆ A variety of high-end canapes including crab cakes, beef carpaccio-wrapped asparagus spears, mini-quesadillas and micro-caprese salads fuelled intense networking activity at an evening cocktail reception at the Loeb boathouse overlooking Central Park's picturesque lake on June 24. Delegates with larger appetites could also enjoy a roast meat and pasta buffet.

The Loeb Boathouse, Central Park

◆ **Jeff Weiss**, co-chairman and managing director of Washington, D.C.-based **Distributed Sun**, expressed his enthusiasm at the potential for storage businesses to drive renewables financing deals in the U.S. He acknowledged that storage business was still at an embryonic stage of growth. "I pray every night that it picks up steam. But that could take a year or two," he said. ■

ONE YEAR AGO

As the oldest yield company, **NRG Yield** approached its first birthday, delegates at the 2014 **REFF Wall Street** conference were asking themselves how yieldcos would keep up their dividend payments if power purchase agreement signings stagnated. Additional leverage was one option on the radar. "They have to keep feeding the beast," said **Jorge Camiña**, head of project and acquisition finance U.S. at **Santander Global Banking & Markets**. "I am convinced there is room for debt." ■

