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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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Tenaska Scouts Debt For Texas CCGT

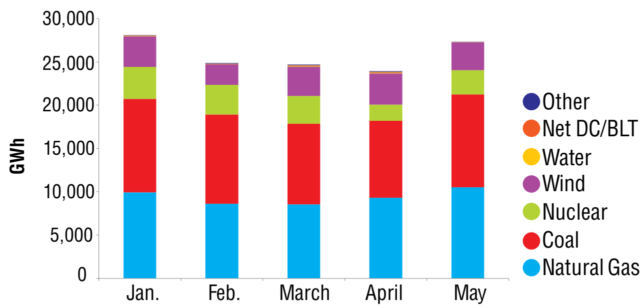
Tenaska is planning to arrange financing for an 800 MW gas-fired combined cycle facility in Texas by year-end.

The Brownsville project in Brownsville, Texas, is on track to be in construction in 2015, **David Kirkwood**, v.p. and treasurer of Tenaska, told *PFR* in a statement. Brownsville's development price tag could be in the neighborhood of $550 million, given the roughly $690 per kW cost of **Panda Power Funds**' 728 MW Sherman and Temple projects in Texas (PI, 8/10/12).

Brownsville Public Utilities Board bought a 25% stake in the project last year and will use the power from its share (PI, 1/29/13). Tenaska planned on arranging additional offtake agreements for the project when the BPUB bought its stake, **Greg Kelly**, v.p. of development told *PFR* in 2013. However, the project remains three-fourths merchant as of press time and Kirkwood declined to

(continued on page 16)

ERCOT Generation Mix Year-To-Date



Source: ERCOT

THE BUZZ

Private equity shops have been involved in two big deals in recent weeks that are targeted to end on the public markets, highlighting the clout of the investor class and the emergence of the yieldco as a preferred financing vehicle.

KKR has agreed to buy one-third of **Acciona**'s operational wind and solar portfolio for EUR417 million ($567 million). The duo plans to take a portion or all of Acciona's operating assets public in a yieldco. Acciona tapped **Lazard** in the first quarter to help find a minority owner for its 2.5 GW global wind and solar portfolio (PI, 2/28).

The deal is similar to an agreement between **Riverstone Holdings** and **PPL Corp**. to merge their merchant generation into a new entity, **Talen Energy Corp**., that will be an independent, public company. Talen Energy will be the fourth largest independent power producer in the U.S.

(continued on page 2)

Yieldco Hype Masks Uncharted Future

With the oldest yield company, **NRG Yield**, preparing to celebrate its first birthday on July 17, panelists at **Euromoney Energy Events**' Renewable Energy Finance Forum Wall Street examined issues facing the young class of power companies as they grow.

Yieldcos have crowded the buyer pools of recent portfolio sales but still face questions about what happens down the road. "These aren't appreciating assets," noted **Jerry Hanrahan**, managing director at **John Hancock Life Insurance Co.**, of projects that are being dropped into yieldcos and their viability in 10 to 20 years.

The characteristics of assets that are attractive to yieldcos — proven technology with power purchase agreements — raise questions about how the companies will continue expanding to pay dividends. Acquisitions and drop-downs from parents are immediate solutions, but observers note that prolonged stagnation in utili-

(continued on page 16)

Private Equity Perspectives

Read the second part of #PowerDrinks hosted by Orrick, Herrington & Sutcliffe LLP and Power Finance & Risk as investors talk about the impact of natural and shale gas development on investment strategy.

See transcript, page 10

PFR Awards Fete

See highlights from the awards reception and dinner celebrating the winners of the 11th Annual Deals & Firms Of The Year Awards.

See spread, page 8

Generation Sale DATABASE

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

See calendar, page 3

IN THIS ISSUE

THE BUZZ

by generation capacity when the deal is complete (PI, 6/10).

Yieldcos were the talk of **Euromoney Energy Events**' Renewable Energy Finance Forum Wall Street as panelists and attendees mused over what the future of the dividend paying vehicles will be (see story, page 1).

The financiers and investors at the conference waxed on about the obstacles that the middle market renewables sector faces when trying to arrange capital and how regional banks are staged to play a more assertive role in that space (see story, page 13). The middle market, loosely defined as wind projects under 100 MW and solar projects under 50 MW, gets overlooked by many project finance lenders who want to write larger check.

NorthWestern Energy is looking to spur some community scale renewables projects in Montana by launching a request for proposals for 45 MW (see story, page 5). **Arizona Public Service** is also in the market with an RFP for a pair of 10 MW solar projects (see story, page 6). There have been several RFPs around the country so far this year with an emphasis on solar projects as utilities rush to sign offtake agreements on projects that qualify for the investment tax credit, which will expire in 2016.

Recent Renewables Requests For Proposals

Issuer	MW
FLS Energy	100
Georgia PSC	495
Xcel Energy	150
Duke Energy	300
Board of Water & Light in Lansing, Mich.	5
Black Hills Energy-Colorado Electric	60
NorthWestern Energy	45
Arizone Public Service	20

Source: Power Intelligence

TELL US WHAT YOU THINK!

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

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Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
AES Corp.	Stakes (DPL Energy Coal, Gas, Oil)	Various	Barclays	Binding bids due after PJM capacity results (PI, 5/26).
Acciona	Portfolio (Wind, Solar)	Various	Lazard	First rounds bids submitted (PI, 3/31).
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PI, 3/17).
ArcLight Capital Partners	Peakers (2 GW Gas)	Various, Georgia	TBA	Carved peakers out of Southeast PowerGen to sell (PI, 3/24).
ArcLight Capital Partners	Victoria (330 MW CCGT)	Victoria, Texas	UBS	Sale is near launch (PI, 4/7).
ArcLight Capital Partners	Sun Peak (222 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PI, 5/12).
▶ Atlantic Power Corp.	Fleet (2.1 GW)	Various	Goldman Sachs, Greenhill	First round bids are in (see story, page 7).
▶ BlueWave Capital	Portfolio (30 MW Solar)	Massachusetts		SunEdison is buying the portfolio (see story, page 6).
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	First round offers due April 14 (PI, 3/31).
Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	First round bids due around 5/30 (PI, 5/26).
Energy Capital Partners	EquiPower (Portfolio)	Various	Goldman, Barclays	On a dual track to IPO or sale (PI, 6/23).
Entegra Power Group	550 MW Stake (2.2 GW Union Station CCGT)	Arkansas	Bank of America	Gearing up to sell the unit that has a tolling agreement (PI, 3/31).
Essar Group	Algoma (85 MW CCGT)	Algoma, Ontario	Barclays	Teasers are on the market (PI, 1/13).
Exelon Corp.	Stake (417 MW Safe Harbor Hydro)	Conestoga, Pa	None	Brookfield is buying the stake (PI, 5/26).
	Quail Run (488 MW)	Odessa, Texas	Morgan Stanley	Process launched recently (PI, 6/16).
	Fore River (726 MW CCGT)	North Weymouth, Mass.	Citigroup	Process launched recently (PI, 6/16).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Fieldstone	Fieldstone is advising on equity hunt in tandem to debt raise with Goldman.
Invenergy	Parc des Moulins (135.7 MW Wind)	Kinnear's Mills, Quebec		La Caisse has bought a minority stake (PI, 5/5).
MACH Gen	Portfolio	Various		Second lien creditors have taken it over via Ch. 11 deal (PI, 5/19).
Meridian Energy	CalRENEW-1 (5 MW Solar)	Mendota, Calif.		SunEdison bought the asset (PI, 5/26).
NRG Energy	Various (Gas, Solar)	Various	None	Dropdowns to NRG Yield (PI 4/14).
NextEra Energy Resources	Pheasant Run II (75 MW Wind)	Huron County, Mich.	None	DTE Electric is considering buying the farm via a PPA option (PI, 3/3).
Ontario Teachers Pension Plan Board	Stake (Northern Star Generation)	Various	Citigroup	CalPERS, Harbert emerge as frontrunners (PI, 4/28).
Optim Energy	Portfolio (1.4 GW Coal, Gas)	Texas	Barclays	Mulling a sale via bankruptcy filing (PI, 3/10).
PPL Corp.	Portfolio (10 GW Various)	Various	Bank of America, Morgan Stanley	Spinning off PPL Generation into a new company in deal with Riverstone (PI, 6/16).
Power Resources Cooperative	Stake (605 MW Boardman Coal)	Boardman, Ore.		Portland General is upping its stake as retirement, refueling loom (PI, 4/28).
Project Resources Corp.	Rock Aetna (21 MW Wind	Minnesota	Alyra Renewable Energy Finance	Looking for a buyer with access to turbines to qualify for PTC (PI, 1/13).
Riverstone Holdings	Portfolio (5.3 GW Various)	Various	JPMorgan	Putting generation into a new company in deal with PPL (PI, 6/16).
Southwest Generation	LV Cogen 1, 2 (274 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PI, 5/12).
SunShare	Portfolio (9.6 MW Solar)	Colorado	Infrastructure Finance Advisors	Looking for equity investor in community solar portfolio (PI, 6/23).
Terra-Gen Power	Alta (947 MW Wind)	California	Citigroup, Morgan Stanley	NRG Yield is buying the wind assets (PI, 6/13).
Upstate New York Power Producers	Cayuga (306 MW Coal)	Lansing, N.Y.	Blackstone	Teasers recently went out (PI, 6/23).

▶ **New or updated listing**

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

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
▶ 8minutenergy Renewables	Redwood Solar Farm Project	Kern County, Calif.	Macquarie	TBA	$30M	TBA	Proceeds to fund construction (see story, page X).
Alterra, Fierra Axium	Jimmie Creek (62 MW Hydro)	British Columbia, Canada	TBA	TBA	TBA	TBA	Sponsor will likely tap LifeCos for the detb (PI, 5/5).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor is shooting for pricing of L+175 bps (PI, 3/10).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU, Natixis, Rabo	TBA	TBA	TBA	Sponsor adds Natixis and Rabo as leads with BTMU (PI, 3/31).
Cheniere Energy	Sabine Pass Trains 3 & 4 (LNG Export Facilities)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Company issues $2B in notes to refi debt and fund construction (PI, 5/19).
Competitive Power Ventures	St. Charles	Charles County, Md.	GE EFS	TBA	~$600M	TBA	Sponsor is aiming for L+350 bps (PI, 6/2).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
▶ Energy Investors Funds	Newark Energy Center (705 MW)	Newark, N.J.	Credit Ag, GE EFS, MUFJ	TBA	$590M	TBA	Deal closed on strong interest (see story, page X).
Exmar NV	Floating Liquefaction Project	Colombia	TBA	B Loan	$170M	TBA	Sponsor looking to land a B loan for the debt on the project (PI, 5/5).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	Goldman Sachs	TBA	TBA	TBA	The sponsor is close to lining up equity and will tap Goldman Sachs to launch a B loan (PI, 1/27).
Freeport LNG	Freeport (LNG Export Terminal	Freeport, Texas	Credit Suisse, Macquarie	TBA	~$4B	TBA	More than 20 lenders are eyeing the deal, with some offering tickets of $600M (PI, 2/10).
Invenergy	Marsh Hill (16 MW Wind)	Jasper, N.Y.	Rabo	TBA	TBA	TBA	Rabo is the only arranger on the loan (PI, 6/2).
KSPC, Samsung	Kelar (517 MW Gas)	Chile	Natixis	TBA	TBA	TBA	The JV appoints Natixis as lead on the deal (PI, 1/13).
LS Power	Portfolio (Gas)	Various	BNP Paribas, Union Bank		TBA		Will finance via a series of three transactions (PI, 6/16).
Lake Charles Exports	Lake Charles (LNG Export Facility)	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially $11B project (PI, 8/26) .
Magnolia LNG	Magnolia LNG (LNG Export Facility)	Lake Charles, La.	BNP, Macquarie	TBA	$1.54B	TBA	Sponsor issues shares to bridge to closing of the debt (PI, 5/12).
NextEra Energy Resources	Bluewater (60 MW Wind)	Lake Huron, Ontario	TBA	TBA	TBA	TBA	Sponsor is talking to lenders in the U.S. to finance the project (PI, 5/19).
New Generation Power	NGP Texas (400 MW Wind)	Haskell County, Texas	TBA	Construction/ Term/Tax Equity	~$700M	TBA	This is the sponsor's largest deal to date (PI, 4/14).
NTE Energy	Multiple (Gas)	U.S.	Whitehall	TBA	TBA	TBA	Sponsor is looking to line up equity investors and then debt backing three projects in the U.S. (PI, 3/10).
OCI Solar Power	Alamo 4 (39.6 MW Solar)	Kinney County, Texas	North America Development Bank	Construction	$40M	TBA	This finances the fourth phase of a 400 MW project (PI, 6/16).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	TBA	TBA	TBA	TBA	Sponsor is looking for tighter pricing than its K2 financing (PI, 5/26).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Sempra U.S. Gas & Power	Energía Sierra Juárez (156 MW Wind)	Baja California, Mexico	BTMU	TBA	~$250M	TBA	On track to close within two weeks (PI, 6/2).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
Tenaska Solar Ventures	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	BTMU, Union	TBA	$450M	TBA	Closed the deal this week (PI, 6/23).
Transmission Developers	Champlain Hudson Transmission Line	New York	RBC	TBA	~$1.6B	TBA	Sponsor is aiming to line up the debt by year-end (PI, 3/3).

▶ **New or updated listing**

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PROJECT FINANCE

8minutenergy Finances 90 MW Solar

Solar developer **8minutenergy Renewables** has closed roughly $30 million from **Macquarie Capital** to finance the 90 MW Redwood project in Kern County, Calif.

Construction for the new project is scheduled to begin November 2014 with planned commercial operations by June 2015. It will be sited on 640 acres of low-productivity farmland. "We want to be compatible with the farm community," **Tom Buttgenbach**, president of 8minutenergy told *PFR*. "We don't like taking high productivity farmland out of production."

8minutenergy has signed up three offtakers for Redwood: **Pacific Gas & Electric Co**. is buying 45 MW, **Southern California Edison** is buying 20 MW and the municipal utility of City of Palo, Calif., is buying 25 MW.

8minutenergy is planning to start construction on 400 MW of contracted projects before the investment tax credit expires in 2016. 8minutenergy has a portfolio of more than 20 projects that total 1 GW.

It sold the 260 MW Mt. Signal solar project in Imperial Valley, Calif., to **Silver Ridge Power**.

EIF Inks $590M For Newark

Energy Investors Funds has closed a $590 million loan to finance the purchase of a stake in the 705 MW Newark Energy Center in Newark, N.J., which is currently under construction.

Credit Agricole, **GE Energy Financial Services** and **Mitsubishi UFJ Financial Group** are joint lead arrangers on the deal. Pricing was around LIBOR plus 350 basis points in weeks prior to the closing (PI, 6/9). **ING**, **Natixis** and **Union Bank** are among the lenders participating in the deal.

EIF is using proceeds from the loan to finance its acquisition of a 50% stake from **Hess Corp**. as well as the last year of construction and operation of the project. An EIF spokesman declined to further comment on how the loan will be distributed.

EIF is expecting the project—developed on 23 acres of brownfield industrial land—to begin commercial operations in May 2015. Newark will sell into the PJM capacity market.

Newark is the sixth thermal project for which GE EFS has been a lead arranger in the last year.

Northwestern Kicks Off RFP

NorthWestern Energy has launched a call for up to 45 MW of community-scale renewable energy in Montana.

The utility is looking for power from qualified community-scale projects that are majority owned by in-state residents or entities that generate less than 25 MW.

NorthWestern is considering power purchase agreements with an option to buy the asset at a later date as well as build-transfer agreements to buy the project upon completion, according to the request for proposal document. Seattle-based **Lands Energy Consulting** is overseeing the RFP.

The utility is open to any type of renewable including wind, solar, biomass, geothermal and hydro or other fuel-type, such as landfill gas-to-energy, says **Stephen Fisher**, a Lands Energy consultant. "Our last two RFPs were for wind projects and most of the bids will most likely be for wind projects," Fisher told *PFR*.

Qualified projects will have an expected commercial operation date before the end of 2015. Fisher says the projects' sponsors will be responsible for project financing. Proposals are due July 14.

Late last year, NorthWestern signed a PPA with B&H Wind on a 41 MW wind project near Tripp, S.D. NorthWestern Corp. is the Sioux Falls, S.D.-based parent of a utility that operates in Montana, Nebraska and South Dakota.

The PPAs or acquisitions will help NorthWestern fulfill its Montana energy resource portfolio requirements.

STRATEGIES

SunEd Pitches Yieldco B Loan

SunEdison is out to arrange a $425 million financing package for its proposed yieldco, **TerraForm Power**.

The package includes a five-year term loan B that is pitched at LIBOR plus 450 basis points with a 1% floor. The original issue discount is 99. The underwriters for the initial public offering, **Barclays**, **Citigroup**, **Goldman Sachs** and **JPMorgan**, are leading the B loan. Commitments are due June 30.

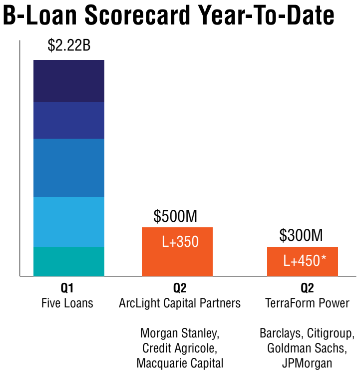
Initial funding could primarily be used for acquisitions as the cash flows from offtake agreements will be used for debt service and dividends, according to a report from **Moody's Investors Service**.

The debt, including a $125 million credit facility, will sit at **TerraForm Power Operating LLC**. The package is rated Ba3 by Moody's and BB by **Standard & Poor's**.

The ability to draw down on the loan is contingent upon a successful IPO. TerraForm has filed its S-1 and two amendments with the U.S. **Securities and Exchange Commission**. The IPO is expected shortly, says a deal watcher.

TerraForm's intial portfolio of 808 MW will be 83% utility-scale assets and 17% distributed generation. The portfolio will consist of contracted assets in the U.S., Canada, Chile and the U.K (PI, 5/29).

B-Loan Scorecard Year-To-Date



Source: Power Intelligence *Price talk

MERGERS & ACQUISITIONS

Dominion Adds EDF Solar Project To Growing Portfolio

Dominion has acquired the 20 MW CID solar project in California from **EDF Renewable Energy**.

The CID project, located in King's County near the city of Corcoran, has secured a 20-year power purchase agreement with **Pacific Gas & Electric** as well as the interconnection agreement and the engineering, procurement and construction contract.

The latest acquisition brings Dominion's solar portfolio to 232 MW. In April, Dominion purchased six other solar projects in California with a total capacity of 139 MW from **Recurrent Energy** (PI, 4/3). A month later it bought two Tennessee projects that will generate 32 MW (PI, 5/8). Dominion also has 41 MW of solar energy facilities in Connecticut, Georgia and Indiana.

The deal is expected to close later this year before the project, which is expected to qualify for the investment tax credit, begins operations. Terms of the deal were not disclosed.

Exelon Takes Quail Run Bids

Exelon Corp. has received the initial bids for its Quail Run gas-fired facility in Texas.

First round offers for the 488 MW combined cycle facility in Odessa, Texas, were submitted on June 20, say deal watchers. **Morgan Stanley** is running the sale.

The facility is attracting the attention of private equity shops and strategics, say observers. The Texas summer has to-date not been as hot as last summer, so prospective buyers are reminded that extreme temperatures are volatile and not guaranteed, says one investor looking at the state. Valuing assets in ERCOT is taking a stance on how a buyer thinks the market will go, he adds. There is, however, sustained interest in the state as ERCOT forecasts running short on capacity in the coming years.

Exelon is also selling the 726 MW Fore River combined cycle in North Weymouth, Mass., in an auction that is being run by **Citigroup**.

APS Issues RFP To Buy Solar Pair

Arizona Public Service has issued a request for proposal from solar developers and installers for two 10 MW utility-scale solar photovoltaic facilities in Arizona.

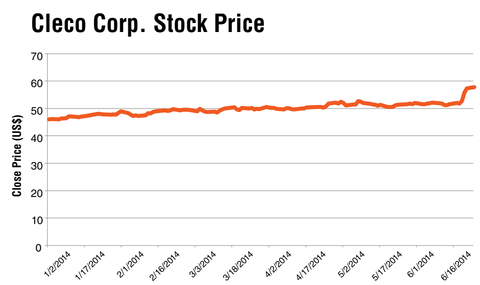
APS is looking for proposals to develop a 10 MW project on Luke Air Force Base in Glendale, Ariz., along with another 10 MW project that will be developed in partnership with the City of Phoenix. The projects should be able to be operational in 2015.

The utility will buy and finance the winning projects under its AZ Sun Program, which already has seven other solar facilities totaling 170 MW either online or under construction around the state. The bidding period for the projects closes July 28.

Cleco Hires Advisory Pair To Parse Inbound Interest

Cleco Corp. has hired two advisors to help it evaluate recent interest from potential acquirers.

Cleco, based in Pineville, La., has retained **Goldman Sachs** and **Tudor Pickering Holt & Co**. to evaluate offers. **Locke Lord** will be its legal advisor, according to Cleco. The advisors will work with Cleco's board of directors to evaluate offers that have come in, although the company has not committed itself to pursuing a merger.



Cleco owns **Cleco Power**, a regulated utility that has a footprint entirely in Louisiana. It owns about 3.34 GW of generation, 11,830 miles of distribution lines and 1,300 miles of transmission lines. It serves about 284,000 customers in the state. Cleco Power began serving wholesale power in April to **Dixie Electric Membership Corp**. under a contract that extends for 10 years. DEMCO has about 103,000 customers with a peak load of approximately 600 MW.

FAST FACT

The company has been a potential acquisition target for about a year, deal watchers say.

The company has been a potential acquisition target for about a year, deal watchers say, noting that some interested parties have been watching a Cleco rate case that's on track to be finalized in the first half of the year. The Louisiana **Public Service Commission** voted last week to extend the company's rate case.

Cleco's stock price was trading at $58.02 at press time.

SunEdison Buys Solar Portfolio From Boston Developer

SunEdison has agreed to purchase 50 MW of solar projects in Massachusetts from Boston-based renewable developer **BlueWave Capital**. The acquisition of 12 projects is the largest acquisition of solar assets in Massachusetts history, according to both firms. The two companies jointly developed the portfolio; several projects are expected to be operational by the end of June.

SunEdison expects to sell the net metering credits to several cities, state colleges and municipal housing authorities.

BlueWave Capital is developing about 500 MW of solar projects in the U.S., South Africa and the Caribbean. **John DeVillars** is managing principal of BlueWave.

MERGERS & ACQUISITIONS

Questions Bog Atlantic Power

Atlantic Power Corp. has received fewer bids than expected as some prospective buyers were stymied by questions about the company's preferred transaction and uncertainty about a class action lawsuit.

About half of the first round bids, submitted around June 13, made it into the second round, says a deal watcher. **Goldman Sachs** and **Greenhill & Co**. are running the sale (PI, 5/5).

Atlantic Power indicated closer to the outset that it preferred a minority stake sale of up to 49% on some of its assets, so as to keep a stake in generation ownership and remain an independent company, say analysts. The company has been keeping quiet on the progression of the sale and its timeline, analysts add.

Atlantic Power's hydro and wind assets in the U.S. and Canada could be attractive to companies in Canada such as **Innergex Renewable Energy** or **Brookfield Renewable Partners**, says another observer, who adds that Atlantic Power executives have been watching the minority sales done by **Invenergy**. It owns 2.1 GW in a 3 GW fleet of biomass, coal-fired, hydro, gas-fired and wind assets.

The company is open to a full sale on some of its assets. However, a takeover of the company, or its entire fleet, could be challenging for buyers, due in part to change of control stipulations on some of the company's existing debt, say deal watchers that either track Atlantic Power or are interested in buying some portion of the assets.

The company is the target of a class action securities lawsuit on behalf of shareholders who bought stock between July 23, 2010 and Feb. 28, 2013. Law firm **Saxena White** is representing shareholders, who claim that Atlantic Power misled shareholders about the sustainability of its dividend, according to the complaint. The lawsuit is seeking a payout from Atlantic Power for the shareholders. A judge in Massachusetts has not yet ruled on whether the case can proceed.

Terrence Ronan, cfo of Atlantic Power in Boston, declined to comment on either the process of the sale or the status of the lawsuit, saying that the company does not have immediate plans to make public more information.

Potential bidders are watching and discussing the lawsuit, which is complicating their attempts to compose offers, say deal watchers. Many observers are surprised that the lawsuit, which is not going after a portion of the company's assets, is making waves. Bidding for a minority stake or a subset of assets could be easier for a prospective buyer than trying to take on all the assets and getting indemnification from lawsuits, say analysts. To this point, Atlantic Power has not agreed to indemnify prospective buyers.

A timeline for second round bids was not immediately learned. A spokeswoman for Goldman declined to comment while a spokesperson for Greenhill was not immediately available to comment.

POWER TWEETS

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

@heinzerlaw: EPA GHG rule on modified/reconstructed power plants: plant "reconstructed" - not "new" - even if capital cost >50% of brand-new plant. Ouch

@TracySchario: Why send wasted heat up the chimney when we can use it to generate more #energy? http://ow.ly/ydPfr

@PeterMarrin: Winter's brutal price spikes may not convince many #natgas buyers to hedge http://bit.ly/1npKNlG #LDCNE

@Alectris: New investment models attract billions to #solar assets @Solarplaza http://ow.ly/ylZuk #SolarChat #cleanenergyfinance

@SaraReports: More people are employed by the #solarpower industry than by coal mines- #reffws #renewablenergy

@SaraReports: A lot of #rps around the US are full, so there's not a massive demand on the #policy side- #reffws #RenewableEnergy

@hollyfletcher: Social impact investors bought 34% of $24.3M resi #ee bonds from NYSERDA, NY EFC in August. 1.7x oversubscribed.

@NA_Asiamah: Up to 13 GW of wind power in Brazil has been contracted by auctions since 2007. #REFFWS

@hollyfletcher: NYSERDA had early trouble getting investment grade rating on those resi #ee bonds. Lesson: keep trying. There is appetite #reffws

@GEEnergyFinServ: There is absolutely an M&A market outside of yieldcos, says Blackrock's David Giordano #REFFWS

@distributedsun: Hot topics at REFF Wall St.: #Standardization; Public/Private Partnerships. #REFFWS

@johnjoshiNYC: #REFFWS "Lydon Rive indicated solar securitization is an important part of their strategy to raise capital"

11th Annual Deals & Firms Of The Year Awards

Power Finance & Risk hosted a select group of award winners and industry officials on June 24 at the Loft at Bryant Park Hotel to celebrate stand-out deals. The evening was abuzz with guests' jokes and lively speeches as they highlighted some high jinks that come along with negotiating deals.

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

PFR has the privilege of covering an ever-changing market that is home to a skilled cast of characters that always seem to push new deal to the fore. We would like to congratulate not only the award winners but also the firms and deals that didn't make 2014 spotlight because the awards are only a snapshot of a varied and complex landscape.

PROJECT FINANCE BORROWER OF THE YEAR

Invenergy

BEST NON-RENEWABLE GENERATION ASSET ADVISOR

Credit Suisse

BEST PROJECT FINANCE LENDER FOR NON-RENEWABLES

Bank of Tokyo-Mitsubishi UFJ

BEST TAX EQUITY INVESTOR

JPMorgan Capital Corp.

BEST PROJECT FINANCE LENDER FOR RENEWABLES

Bank of Tokyo-Mitsubishi UFJ / Union Bank

PROJECT FINANCE BOND ARRANGER OF THE YEAR

Barclays

BEST INSTITUTIONAL INVESTOR IN POWER

Prudential Financial

PROJECT FINANCE LAW FIRM OF THE YEAR

Milbank, Tweed, Hadley & McCloy

BEST SELLER OF POWER ASSETS

LS Power

BEST ACQUIRER OF POWER ASSETS

Energy Investors Funds

BEST LAW FIRM FOR ASSET M&A

Chadbourne & Parke

M&A ASSET DEAL OF THE YEAR

Linden Cogen

Asset: 800 MW Linden Cogen
Location: Linden, N.J.
Buyer: Highstar Capital
Seller: GE Energy Financial Services
Lead Arrangers: Barclays and Citigroup

RENEWABLES PROJECT FINANCE DEAL OF THE YEAR

Continental Wind
Transaction: $635 million 144A issuance of 20-year notes.
Sponsor: Exelon
Underwriters: Barclays, Citigroup and Royal Bank of Scotland
Assets: 13 wind farms totaling 667 MW across six states

NON-RENEWABLE PROJECT FINANCE DEAL OF THE YEAR

Transaction: $585 million debt package comprised of a $400 million term loan and $185 million in working capital and letters of credit.
Sponsor: Competitive Power Ventures
Lead Arranger: GE Energy Financial Services
Asset: 700 MW Shore gas-fired project in Woodbridge, N.J.

BEST RENEWABLE ASSET M&A ADVISOR

Marathon Capital, Morgan Stanley

BEST CORPORATE M&A ADVISOR

Goldman Sachs

PANEL TRANSCRIPT

Private Equity Perspectives – Part 2

THE FOLLOWING FEATURE is the final installment of a transcript of a panel co-hosted by ***Orrick, Herrington & Sutcliffe LLP*** *and* ***PFR*** *as part of our #PowerDrinks series.*
The panel was moderated by ***Kyle Drefke*** *and* ***Christopher Gladbach****, attorneys in Orrick's energy and infrastructure group in Washington D.C. For the first installment, visit www.powerintelligence.com.*

The panelists were:

-Andrew Ellenbogen, Senior Vice President, **EIG Global Energy Partners**,
-Tim Short, Director of Clean Energy and Infrastructure, **Capital Dynamics**, and
-Mark Voccola, Partner, **Energy Investors Funds**

Drefke: Over the past few years, natural gas has been the 800 lb. gorilla in the room as a result of the explosive growth in the extraction of shale gas. We have clients in Texas and North Dakota and we have had times when it's difficult to get a hotel room near their offices because of all the construction and extraction work in the area.

Given the factors driving the development of the gas market, what is your perspective on strategies that you believe have a better likelihood of success over the long-term as you look at natural gas projects?

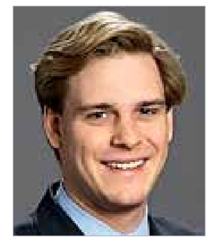
Short: We primarily invest in the generation sector, as opposed to upstream or midstream natural gas. So the impact of new gas supply on us is much more driven by the generation it's enabling. We've seen a lot of generation development around some of that new supply. I think the uncertainty in that supply just highlights the conservative view you have to take of those assets, like those that have a lot of merchant risk associated with them. They tend to be in Texas and PJM and markets where you're not getting long-term offtake.

Unless there is long term off-take in place, we prefer not to be involved in regions where you're likely to have significant gas supplies coming online in the near future - or uncertainty around that - because we don't pretend to be able to predict how that will move and it can have a very material impact upon regional power pricing. That said, and this is not my area of expertise, but we are seeing some interesting opportunities around the build-out of the infrastructure for some of these shale plays, especially the smaller gathering systems and so on.

Voccola: I would just echo that. We're seeing lots of opportunities in Pennsylvania, primarily Pennsylvania and Marcellus plays. More gathering and smaller, shorter haul pipes to get to the trunk lines to get the gas to market. Over the past 12 to 18 months, there's a bit more opportunity there than there has been before.

It's not all with the smaller players. Some of the larger players are looking to bring in partners to tag along and allow them to further extend the network of pipelines that they're building.


Kyle Drefke


Christopher Gladbach

Ellenbogen: You guys have covered a lot. I would just add that we've liked a lot of situations where power plants are acting almost as a midstream alternative, moving that gas effectively by wire rather than by the otherwise constrained gas transmission system. We're seeing a lot of opportunities in that, particularly in Pennsylvania.

The other one is of course the power demand that we've seen in places like Midland, Texas, which was once a sleepy town and is now one of the fastest growing cities in the country because of these opportunities, but the window could be short.

Gladbach: Let's talk about the overall investment environment. For several years now, coordinated central bank easing and low bond yields have resulted in compressed returns all across the risk curve. In this environment, how do you perceive the impact of so much liquidity today and how do you manage challenges associated with finding mispriced assets, or assets with unlocked value?

Voccola: On the M&A side, it's tough. I think it's the combination of low yields and the definition of infrastructure becoming a lot broader. I think as opportunities with classic infrastructure deals have either been capitalized on or haven't made it to market. It feels like power is squarely in the infrastructure definition right now. There's a lot of money there chasing those deals so it's driving the equity returns in that space down.

With the liquidity on the debt side, and it feels like there's a whole bunch of it. Rates continue to move lower. It feels like with every deal that gets done, there are more institutions participating who eight or 10 years ago pulled away from deals that aren't 100% contracted. Every deal that gets done, there's another two or three of those banks that are involved in the deal.

The institutional term loan market has been as strong as it was six or seven years ago and they seem to be competing with each other back and forth, driving the cost down. I think there's an abundance of capital there in term loan A and term loan B, mezzanine

PANEL TRANSCRIPT

capital and equity capital.

I don't think getting capital is an issue, I think it's just the compression of the returns that everyone is seeing. They can only go down for so long and rates can only stay low for so long. At some point, after you've refinanced everything you can refinance, borrowed every cheap dollar you can find and driven the price down, there's only so much further south you can go.

Gladbach: Tim, how do you see the debt market?

Short: I think the lower cost of debt is really nice, it helps, but we don't subscribe to getting our returns from that. Its biggest impact is on the way its forced some of those marginal players that might be in the debt markets to move in to the equity markets and say 'well, if I can only get a few percent in debt but can move to levered project equity return that's in the high single digits, that risk-return equation makes sense for me.' That's for us, I think, behind the influx of capital for clean, operating, contracted assets.

That's meant that it's very difficult to play in the debt space for folks like ourselves. We need to look elsewhere and take intelligent risks in other places. Clean, operating assets with long-term contracts can be difficult to acquire at attractive levels of return. As Mark alluded to before, 10 years ago, there was a greater supply of these deals to bring to investment committee; that was feasible. These days it is more challenging. So I think the influx of liquidity on the debt side has the greatest effect on us by driving down the cost of equity.

Voccola: Where I do like that influx of liquidity is when we are selling assets. Buyers who weren't there five years ago or six years ago, some buyers who used be in the fixed-income space, have moved in to the equity side and are buying the more contracted deals, looking for a higher yield in an asset with an operating history.

Gladbach: Andrew, what is your perspective?

Ellenbogen: It's clearly difficult. We are, in a lot of ways, an alternative source of capital that sometimes competes with the debt markets. Not being as much of an equity player as these guys, we don't take as much of an advantage of that availability of capital and that cheap capital through our portfolios.

It really means that the origination radar has to be absolutely up and accurate and very strong; we have to be unearthing every possible opportunity. Beyond that, the liquidity really tests your patience and your conviction and your ability to say 'we've got long-term capital and we're not going to chase these deals.' We at EIG think, in a lot of cases, that these deals are fairly underpriced. But, it's difficult.

Drefke: One of the areas, Andrew, that you touched on, is in the mezzanine space. Can you talk to me about your typical investment and the investment horizon? Also, what are your internal markers when you're looking at a potential investment?

Ellenbogen: Each investment is structured for the needs of the particular issuer. It's a very bespoke product and I'm generalizing a bit, but the typical structure is going to be holding company debt, maybe subordinated debt, maybe in some cases preferred equity. It's usually going to have a mix of a cash-pay component, payment-in-kind component and some kind of equity participation.

We typically need to, if there's senior debt on the project, be prepared to have a tenor that fits outside of that senior. We need to be prepared to be deeper in the capital structure than they are.

We'd probably be prepared to have a little bit less by way of covenants. Relative to private equity capital, we'd say lower costs and that we're looking for less control.

The pitch really is, to a developer, that if you have a great project that you love and you have enough capital to get it going but not to get it done, then this capital could allow you to get the project done, keep much of the equity and the upside and keep the operational control that you're looking for.

The downside of course, is that if things go wrong, there's another tranche of capital that's sitting above your equity, as opposed to your being alongside someone.

Drefke: You mentioned yield. I'd like to hear preferences on levels of control, terms and conditions, and covenants, compared to other providers of capital. How has the competitive landscape for you changed? What are some of the factors driving where you are today compared to where you were a couple of years ago?

Ellenbogen: Well, the term loan B market is certainly making it difficult because it becomes a reference point for everything. The argument naturally becomes, 'well the TLB allows me to do this, or didn't demand this and therefore, the mezz should be above this…' It presents a challenge and it reduces one's ability to argue for control mechanisms.

But, it really depends on the situation. We'll look at some projects that are quasi-merchant and some projects that are a lot more contracted. It also depends on the geography. If we're doing preferred equity, there are different levers you could pull, maybe it's a cost differential to match a control differential. But overall, the market is certainly harkening back to the cov-lite trend of old.

Drefke: That's something we've seen. Obviously, lawyers are focused on terms and conditions. Over the past couple of years, terms and conditions in the space have really lightened up in many areas as liquidity has been out searching for deals.

Gladbach: Let's switch gears a little bit and talk about renewables. We've got an environment where there's a good deal of policy uncertainty with respect to near-term incentives. There's the investment tax

(continued on page 12)

PANEL TRANSCRIPT

(continued from page 11)

credit expiration on the horizon for solar and there's the debate right now whether to extend the production tax credit. Beyond that, thinking longer term about renewables, are there opportunities there? What should we be thinking about on a long-term basis?

Short: I think in renewables, we're going to have to move to an unsubsidized model eventually. Grid parity is a term that's thrown around far too much because really, the cost of generation from solar may be comparable to gas in some markets, but it's not dispatchable. When an intermittent technology approaches that "grid parity", query whether or not it's delivering the value that people think it does. Nonetheless, as we march toward grid parity, I think we'll see increasing penetration of renewables.

"The part of the market that is interesting, in the solar space, is the distributed, large commercial market where you can achieve attractive returns."

— Tim Short

We would probably say that the utility-scale solar opportunity is declining. Really, those projects were made possible by large, mandated PPAs and utility procurement programs that are no longer there. The part of the market that is interesting, in the solar space, is the distributed, large commercial market where you can achieve attractive returns. The reason for that, primarily, is that you are offsetting the retail cost of power and you can get a little bit of scale. On the residential side, you're offsetting the retail cost of power, but the lack of scale, the cost of operations and the cost to manage those are, in our view, prohibitive to creating value. In the mid-market for solar, you're offsetting retail power prices but you do run up against the challenge of credit because you're not facing investment grade utility off-takers. If you can get your head around that, then it's an interesting space where we'll see a lot of growth in that part of the solar market going forward.

Wind, obviously, is rather reliant on the PTC. We'll continue to be involved in wind and opportunities will be there, but wind also needs to address the challenges of grid integration and the volatility it creates for utilities.

On the biomass side, we struggle with many biomass deals unless there's real fuel cost protection. That's unlikely to change with time. Fixed costs aren't coming down and technology isn't changing on the biomass side, unless utilities and other customers that procure biomass power do so on terms that give you protection to the exposures you take as the investor to the biomass fuel. That remains a challenging investment.

Gladbach: Mark, what is your perspective?

Voccola: I agree with that. For us, we're very tax inefficient as a fund. We haven't participated as much in wind or solar assets, or other tax credit driven investments. We're looking to get cash equity invested in deals. We have other opportunities where we can put cash to work that we think have better pre-tax returns.

Where we have been able to play on the renewable side, is with baseload renewables. The classic hydro assets, run-of-river hydro assets and landfill gas. Looking at the geothermal and biomass, I agree that with biomass it's difficult to match up your fuel and your cost and revenues on deals, as well as securing the fuel long-term. It's a unique risk and you really need to make sure that you have that covered.

It's been my experience that it typically costs twice as much as you planned to drill for geothermal. But once you get it going, it's baseload power that's available all of the time and the utilities really seem to like that. With landfill gas, each asset is a lot smaller, but again, it's something you can build up to scale in a platform and that is dispatchable renewable power. Eventually, you'd hope that some of these tax subsidies would go away and let the market react to the power and get real pricing signals from these technologies, letting them set the price of what we're actually trying to develop here.

Gladbach: Andrew, you probably have a bit of a different perspective, a bit more global on the renewable side. Can you talk about where you're seeing opportunities on the solar side, wind, Latin America or otherwise?

Ellenbogen: There's a lot going on in a number of places. One of the challenges, for a lot of folks looking at them from the U.S. market, is that size and geography is substantially smaller.

Take Peru or Colombia, which have received a lot of attention in the last few years. They've each got total generation capacity in the 7-10 GW range. A big project there is a 700 MW combined cycle--that really changes the entire stack. Renewables projects are going to be far smaller than what you're seeing here.

That being said, Brazil is a much bigger market and we've spent a lot of time there. There's a lot being done there and they are incentivizing a lot of renewable build. They're struggling with these same issues we're running into, in terms of incorporating it into the grid and managing an auction system that is, in some ways, discouraging dispatchable generation.

Drefke: Andrew, can you talk a bit about the investment environment in Mexico? The Mexican government has made several announcements about potential restructurings of potential markets. How do you view the potential opportunities based on the headlines with the resulting risks?

Ellenbogen: The short answer is that the jury is out and that it's going to take a few years and a lot of work to sort it out. The implementing legislation and regulation is incomplete in a lot of cases, so we'll have to see if the fundamentals are there. The devil is going to be in the details.

Correction: An earlier version of Part I of this transcript incorrectly stated **EIG Global Energy Partners**' assets under management. The correct figure is $15.4 billion as of March 31, 2014.

REFF - WALL STREET

Renewable Energy Finance Forum – Wall Street

Hundreds of bankers, lawyers and executives packed the ballroom at the Grand Hyatt New York for **Euromoney Energy Events' REFF** Wall Street on June 25-26. Tax subsidies, availability of capital, middle market projects and yield companies are some of the topics that created the most buzz at the event. Managing Editor **Holly Fletcher**, Editor **Sara Rosner** and Associate Reporter **Nancy Asiamah** filed the following stories.

Grand Hyatt New York

N.Y. Green Bank Sees Variety In RFP Response

Developers and financiers have bid a bounty of different technologies and project sizes into **New York Green Bank**'s request for proposals.

The lender, which has about $1 billion to deploy, is accepting submissions on an ongoing basis from developers and financial institutions. The bank will not work on transactions that can garner financing through the commercial market, Griffin explained, though each deal must have a third party capital provider before the Green Bank will finalize its participation.

Solar, wind, waste-to-energy and battery storage are among the technologies coming across desks at the bank, which launched the RFP in February after starting operations in January. "I would say the biggest surprise has been the breadth of proposals," says **Alfred Griffin**, president of the bank at **Euromoney Energy Events**' Renewable Energy Finance Forum Wall Street on Wednesday.

The Green Bank can offer mezzanine, subordinated debt and credit enhancement to winning proposals. When it builds a large enough portfolio, the lender will also consider aggregating its loans and selling them to third parties, Griffin says, adding that he has seen some interest in this structure from investors.

The firm is looking at projects that range in size from residential to utility scale, Griffin notes, adding that proposed facilities are all over the state. The RFP fields a wide range of technologies in power and energy efficiency.

Developers Look To Squeeze Project Costs

Solar and wind developers are looking to decrease project development costs in the face of expiring subsidies and dwindling renewable portfolio standards. "U.S. policy is uncertain and fails to create consistent market signals," said **Laura Lovelace**, founding and managing partner at **Lovelace Energy Advisors**.

"Some states are reaching their renewables mandates and some states are even pulling back," said **Kyung-Ah Park**, managing director and head of the environmental markets group at **Goldman Sachs**. Without RPS to drive utilities into contracting renewables generation, sponsors are increasingly focused on achieving grid parity.

"Every penny that comes down is a geometric increase in the number of projects that get banked," said **Jeff Weiss**, co-chairman and managing director of **Distributed Sun**, a shop that partners with EPCs and sponsors to finance construction-ready projects, develop early-stage assets or acquire assets.

On the solar side, Weiss noted that price per kilowatt hour has declined dramatically from $0.40 per kWh about five years ago to about roughly $0.16 this year and said there's still room to go down. "We have to get the costs down and that's all about soft costs and cost of capital," Weiss said at **Euromoney Energy Events**' Renewable Energy Finance Forum Wall Street.

Jerry Hanrahan, managing director of **John Hancock Life Insurance Co.**, said that he's seen solar pricing on power purchase agreements around $0.10 per kWh and wind in the range of $0.05 per kWh. However, he's cautious on how much lower debt pricing can go, regardless of project costs.

Wind developers are using larger, taller wind turbines in order to achieve greater economies of scale and making more areas viable for wind generation. "I think that will make a real difference in the economies of these projects," said **Marlene Motyka**, U.S. alternative energy leader, principal at **Deloitte Financial Advisory Services**.

Sparse Capital Dogs Middle Market

Many wind and solar developers with smaller projects are having difficulty locking in debt and equity, despite a widely acknowledged increase in the amount of capital available to the power sector. "Smaller to mid-size companies are still having difficulty accessing capital," said **Kyung-Ah Park**, managing director and head of environmental markets group at **Goldman Sachs** at **Euromoney Energy Events**' **Renewable Energy Finance Forum Wall Street** in New York on Wednesday.

"There's a lot of capital ready to go into a $50 million-plus deal. But the middle market still struggles for capital coming into it," noted **Izzet Bensusan**, founder and ceo of advisory firm **Karbone**. Markets have not yet developed to bring funds into all levels of the capital stack for these middle market transactions, Bensusan said, adding that wind projects smaller than 100 MW

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and solar projects smaller than 50 MW are particularly susceptible to this gap in funding.

While financiers pointed to scarce deal flow, smaller transactions don't achieve economies of scale for putting capital to work. "For a $500 million transaction, you can see bankers rolling up their sleeves and getting creative but not with these smaller transactions," says **Alfred Griffin**, president of the **New York Green Bank**.

Pricing on bank debt for large, utility-scale, and even merchant, projects continues to decrease. However, pricing is still out of sync for middle market transactions. "There's not cheap cost of capital or appropriate cost of capital for the middle market," Bensusan told attendees.

Reporter's Notebook

• Attendees had some seriously healthy options for snacks between panels on Wednesday. Greek yogurt, granola bars, fruit spears and carrot cake with an optional cream cheese spread rounded out the offerings.

• Stats: roughly 40% of attendees on Wednesday believed that there will be some form of a carbon tax in the U.S. by 2020.

• "Whoever came up with the name 'merchant,' should be shot. Why are you saddling me with the term merchant?" queried **Andrew Redinger**, managing director and group head of power and renewable energy at **KeyBanc Capital Markets**, adding that power is the only industry in banking where contracted long-term receivables are a must.

• Crosstown Traffic! The cocktail reception on Wednesday night was hosted at Ink48 on 11th Avenue. It may be a mere 1.6 miles from the Grand Hyatt to the other side of Manhattan but rush hour traffic moves at a snail's pace. Many attendees skipped the free bus ride to sip booze atop a trendy hotel with Hudson River views to attend dinners on the East Side.

Photo: istock / Thinkstock

Room For Regionals

The paucity of lenders looking at the space is opening the door for regional lenders to get involved, panelists said. Regional banks such as **KeyBank** and **PNC Bank** are increasingly turning their gaze to middle market deals, one lender told PFR on the sidelines. KeyBank, which has played in both middle market and large cap deals, is turning more of its focus to deals that need smaller chunks of capital.

With steep competition for large greenfield projects, such as the quasi merchant gas-fired deals rumbling through the finance market, regional banks see room for growth in the community scale wind and solar projects that are cropping up around the country.

Chris Diaz, senior v.p. of renewable energy at **Seminole Financial Services**, highlighted that his firm financed a 22 MW solar portfolio that is comprised of nine projects on mostly brownfield sites in Massachusetts. The shop arranged $57.9 million in construction debt, $29 million in longer term debt and brought U.S. Bank in as the tax equity investor.

Diaz echoed other panelists who said that regional businesses are realizing the benefit in developing renewables, which is going to continue to provide a steady project pipeline.

Mexico Energy Reform Highlights Emerging Markets Risk

Companies interested in establishing operations in Mexico as the country paves the way for energy reform will have a variety of risks to overcome, panelists said at **Euromoney Energy Events**' Renewable Energy Finance Forum Wall Street.

Doing business in the country share hurdles with other emerging markets, including currency, political and regulatory risks, panelists said. Mexico is preparing another wave of legislation as it opens its energy sector to private investment—a process that is leaving companies trying to get a toehold in the market unsure of how the future terrain will look (PI, 5/30).

For companies and lenders interested in investing in renewable projects in the country but used to U.S.-style tax incentives and power purchase agreements, adjusting to the new market may bring surprises. Off-taker risk will be a factor in the economics of project given that corporates, such as **Wal-Mart**, **Coca-Cola** and **Volkswagen**, are off-takers. While many corporate have investment grade credit ratings there could be some that want to buy power that have more risky ratings—a dilemma that that the investment community will need to get comfortable with.

Companies setting up shop in the country should be prepared to do due diligence and work within largely uncharted territory as Mexico opens up its energy sector to private investors, according to **Slav Gatchev**, director at **Delphos International**.

REFF - WALL STREET

REFF-Wall Street: Fast Forward

Bankers and lawyers on Thursday's "Navigating the Debt Markets" panel were asked by moderator **Kenneth Locklin**, managing director at **Impax Asset Management**, to gaze into their crystal balls to forecast what they will be saying on the same panel in 2015. Here's what the soothsayers predict:

Michael Eckhart, managing director and global head of environmental finance at **Citigroup Capital Markets**: There will "be some panic" in the next year as interest rates rise putting pressure on projects. Solar projects that bid low power prices to get power purchase agreements could be particularly hard hit. Later, Eckhart told *PFR* on the sidelines that aggressive bidding has brought some solar PPAs from about $0.10 per kWh to closer to $0.05 per kWh and some developers will be challenged to arrange debt on those terms. The shockwaves won't be resounding, he said, but noted that there will be an undercurrent to the booming solar industry that has developers with low-cost PPAs being unable to finalize the early commitments they received from financiers.

Jorge Camiña, head of project and acquisition finance U.S. at **Santander Global Banking & Markets**: Financings for yieldcos will keep commercial banks busy as bridges to equity or acquisition financings.

Edward Zaelke, partner at **Akin Gump Strauss Hauer & Feld**: An extension for the production tax credit will be on the books and financiers will see a spurt in wind financings. He expects distributed wind and solar will have a broader base of financing to tap as some firms that are doing due diligence begin to write checks.

Tenaska Scouts *(Continued from page 1)*

comment on contracting plans, citing competition. Tenaska had considered several approaches to offtake agreements, including tolling agreements and selling generation into Mexico.

With recent appetite for merchant greenfield development in Texas and Tenaska's reputation, financiers say that the private equity shop would be able to finance the project without arranging additional contracts. Tenaska had initially planned on of arranging a non-recourse project finance loan. Kirkwood declined to comment on the structure of the deal.

News of the project has not widely traversed the financing market as of press time and several financiers at commercial and investment banks are eager to see another greenfield project in the immediate pipeline. Omaha, Neb.-based Tenaska likes to structure a rough model for its financing deals in-house before sending out a request for proposals to lenders to provide debt for the projects.

Project finance deal flow has slowed and deal terms have been very competitive as more shops have capital to lend. **Energy Investors Funds** recently closed a $590 million financing its acquisition and construction of the 705 MW Newark CCGT (see story, page X). While **Competitive Power Ventures** is nearing financial close on its 725 MW St. Charles project in Charles County, Md. (PI, 5/28).

— Nancy Asiamah & Holly Fletcher

Yieldco Masks Future *(Continued from page 1)*

ties signing power purchase agreements will decrease the number of assets that can be added to the portfolios down the road.

Another option for yieldco growth is to put on leverage to pay dividends — essentially dividend recapitalizations going back to the public shareholder. "They have to keep feeding the beast. I am convinced there is room for debt," said **Jorge Camiña**, head of project and acquisition finance U.S. at **Santander Global Banking & Markets**

Camiña told *PFR* on the sidelines that commercial banks are actively providing loans as a bridge to equity offerings and will be on tap to lend to yieldcos for acquisition financings as they arise. Down the road, when renewable assets begin to hit the trigger point in tax equity partnership flips, there will also be opportunities to refinance assets, he said.

Tax Equity Component

The need to pay a dividend is not at odds with tax equity investors who get cash flow in exchange for credits, **John Eber**, managing director of **JPMorgan Capital Corp** said. He adds that "we work quite well" but that complications can arise, but that yieldcos will likely need the tax equity community to remain involved. "I don't expect companies that are acquiring these operational wind portfolios to be able to use the credits efficiently," he told the audience.

The company that goes public can be either a financial entity or an operating entity that has staff to manage the assets, Eber noted. For the tax equity community, it's important to have a competent operating company between the investors and the assets.

Follow The Leader

The management of yieldcos will be important because missteps could lead to reductions in dividends—a situation that Atlantic Power has been battling for months, panelists and attendees said.

Yieldco parents will need to manage their holdings as the companies age and see valuations shift with market perceptions, said **Edward Zaelke**, partner at **Akin Gump Strauss Hauer & Feld**.

— Holly Fletcher & Sara Rosner

ALTERNATING CURRENT

Pack Mules Go Solar In Western Turkey

There is no debating—you have got to be careful not to run out of battery. Between necessities and digital compulsions, you'll be paddle-less in the creek of life if the phone isn't charged, if the laptop is dead, if the iPad is on emergency battery, burning up in your soft hands.

Photo: istock / Thinkstock

What if you're overzealous in killing green pigs with Angry Birds you can forget your charger? Someone who is reasonably nearby probably has one. It's not like you're in the desert.

But for those who are actually in the desert, sheepherders in Western Turkey are going to greater lengths than any modern internet junkie traverse to logon: They are tethering solar panels to their pack donkeys.

Accompanying the sheep, the donkey and the man on unforgiving rocky terrain are these cutting-edge conduits of sun energy—mobile distributed geneneration, if you will. Each panel generates 5-7 kW, allowing the herders to access the web during their long treks through remote expanses.

Confounded about whether it's ethical to strap photovoltaic modules onto a sweating beast of burden? Rest assured, the **Sheep and Goat Breeders Association** fully approves, according to the *BBC*.

It seems that innovation comes when beckoned by circumstance. Maybe we need a few less wall outlets around the city and a few more wandering donkeys.

ONE YEAR AGO

ArcLight Capital Partners had received the final bids for its 2.8 GWt Southeast PowerGen portfolio. [The deal stalled and in March 2014 ArcLight put a subset of the portfolio back on the market (PI, 3/17).]