

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE

SunEd Finances Biggest New England Wind Farm

SunEdison has wrapped a \$360 million construction financing for the 185 MW Bingham wind project in Maine.

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● MERGERS & ACQUISITIONS

RET Capital Buys First Wind Asset

Renewable Energy Trust has acquired a 102 MW wind farm in California from **Brookfield U.S. Renewable Power Holdings**.

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● PEOPLE & FIRMS

BlackRock Lures Abengoa CEO For LatAm Expansion

The New York shop has hired **Manuel Sanchez Ortega**, who will lead the acquisition of a Mexican infrastructure investment firm.

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SunEdison Snares Renewables Assets, Shares In Brazil's Renova

Nischinta Amarnath

SunEdison is the latest private company to invest in Brazil despite concerns over a nationwide economic lull and the possibility of lower levels of funding from Brazil's development bank, **Banco Nacional de Desenvolvimento Econômico e Social (BNDES)**.

The Belmont, Calif.-based developer is making a two-fold investment in Brazilian renewables developer, **Renova Energia**, according to a deal watcher, who says that SunEdison is buying Renova's operating wind, solar and hydro assets totaling 830 MW for R\$1.6 billion (\$496 million). All projects have long-term offtake contracts. The second part of the investment is SunEdison's acquisition of a 15.7% stake in Renova through the purchase of shares for \$250 million from Rio de Janeiro-based developer **Light Energia S.A.**

Renova has leeway to offload its operating assets in exchange for either stock or cash, another source tells *PFR*, adding that it would be advantageous for the developer to obtain cash proceeds from the sale as it aims to invest in a roster of new greenfield projects

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Q&A: Mona Dajani, Baker & McKenzie

Baker & McKenzie recently won a headline-grabbing mandate as an advisor to **United Airlines** on its equity investment in a biofuel startup, **Fulcrum BioEnergy**. The Chicago-based global law firm represents lenders, sponsors, private equity players, tax equity investors, developers and underwriters in project financing deals and M&A transactions. In this exclusive inter-

view with *PFR*, **Mona Dajani**, a partner at **Baker & McKenzie's** banking and finance group who splits her time between Chicago and New York, talks about how the continuing transformation of the power industry is driving corporate restructuring (another client, **E.ON**, is in the process of restructuring its generation portfolio), the potential for consolidation, and a potential



Mona Dajani

uptick in M&A activity.

PFR: You repre-

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SunEdison Beats Competition To Invenergy Wind Assets

Richard Metcalf

SunEdison and its yield company **TerraForm Power** have acquired a 930 MW wind portfolio for \$2 billion from Chicago-based developer Invenergy after staving off competition from other potential buyers amid high demand for renewables assets.

"There's a significant interest in high quality assets," **Jim Murphy**, executive vice president and cfo of Invenergy, tells *PFR*. "We ran a process and the parties that were involved in the process were ones we thought would be most interested in these assets," he added, without disclosing the identities of the other bidders or whether they

included other yield companies.

Several new yieldcos have recently been launched or are in the works, increasing the potential competition for third party assets.

Lightbeam Electric filed for a \$100 million initial public offering in April (*PFR* 4/17), while **GE Energy Financial Services** and **Enel Green Power North America** are planning to form an \$880 million yieldco without a public listing (*PFR* 4/2).

Meanwhile, **Sempre Energy** is planning to hold solar and wind assets in

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



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● PROJECT FINANCE

SunEd Wraps \$350M+ Of Debt For Maine Wind

In a market best known for small-scale wind facilities, **SunEdison** has secured \$360 million in construction financing backing the 185 MW Bingham farm, pegged at a total project development cost of \$420 million. Located in Maine, it is the largest wind farm in New England.

KeyBanc Capital Markets was the joint lead arranger in the deal, while **KeyBank National Association** was an administrative agent. The construction loan converts to more permanent financing with a 10-year tenor, a KeyBanc official tells *PFR*.

SunEdison's U.S. yield company, **TerraForm Power** will

acquire Bingham once it goes online in late 2016.

SunEdison has entered into separate 15-year power purchase agreements for the Bingham facility with three local utilities, **Eversource**, **National Grid** and **Unitil**.

Industry observers say that finding one or more offtakers in New England has always been a challenge for wind developers because local utilities tend to have a smaller load. SunEdison bagged all three contracts for Bingham through a competitive bidding process that took place through a request for proposals launched by Eversource in August 2013.

"It's a situation where they

[SunEdison] found a contiguous piece of land that gives them site control and access to a good interconnect," says a banker.

In contrast to the Midwest, where the scope for strong transmission infrastructure attracts large-scale wind farms, congested New England tends to draw projects of 50 MW or less. Years of planning had enabled SunEdison to avoid transmission constraints, among other challenges, the KeyBanc official says.

SunEdison's business strategy involves ramping up its wind production in the U.S. and overseas (*PFR*, 2/27). The Bingham project brings the global giant's total wind portfolio to 552 MW.

Construction of the windfarm is expected to start in a few weeks. ■

MUFG Affiliate Takes EDPR Project Tax Equity Again

MUFG Union bank subsidiary **Bankers Commercial Corporation** has joined **JPMorgan** in a \$117 million tax equity investment in **EDP Renewables North America's** 99 MW Rising Tree South wind farm in Kern County, Calif.

PFR had reported in May that EDPR, a Houston-based subsidiary of Portuguese util-

ity **Energias de Portugal**, had sealed a tax equity investment from JPMorgan for the project, although the size of the deal was not then known (*PFR* 5/27).

MUFG has already provided tax equity, through Bankers Commercial Corp., to the 79.2 MW Rising Tree I and 19.8 MW Rising Tree II phases of

the project, but is selling both stakes to unidentified investors (*PFR* 4/16).

According to an order issued by the **Federal Energy Regulatory Commission**, the project's output will be sold under interim bilateral agreements or directly into the wholesale market until January 2019, at which point a 20-year power purchase agreement with **Southern California Edison** comes into effect. ■

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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 U.S. Renewable Power Holdings	Coram (102 MW Wind)	Kern County, Calif.		RET Capital has bought the facility (see story, page 6).
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 (PFR, 6/28).
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).
Integrus Energy Group	Portfolio (23 MW Solar)	U.S.		TerraForm is acquiring the portfolio (PFR, 6/15).
● Invenergy	Portfolio (930 MW Wind)	U.S., Canada		SunEdison and TerraForm Power are buying the portfolio (see story, page 1).
	Sandringham (13 MW Solar)	Kawartha Lakes, Ontario		TerraForm Power has agreed to buy both assets (PFR, 5/25).
	Woodville (12 MW Solar)			
Mesoamerica Power, Actis Capital	Portfolio (650+MW Wind, Solar)	Central America		SunEdison is buying the portfolio (PFR, 6/21).
Oak Creek Renewable Energy	Tres Mesas Phase 3 (up to 240 MW, Wind)	Tamaulipas, Mexico		The Marubeni affiliate plans to sell a stake in the project (PFR, 7/6).
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).
● Renova Energia	Portfolio (830 MW Solar, Wind, Hydro)	Brazil		SunEdison is acquiring the assets and a 15.7% stake in Renova's shares (see story, page 1).
Soligent Holdings	Portfolio (60 MW Solar)	California		Duke Energy subsidiary REC Solar acquired the portfolio (PFR, 7/6).
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).
Alterra Power, Starwood Energy	Shannon (204 MW Wind)	Clay County, Texas	Citi, Stantander, RBC	Construction, Letters of Credit	\$287M	TBA	The loan is backed by \$219M of tax equity from Citi and Berkshire Hathaway (PFR, 7/6).
Caithness Energy	Long Island Energy Center (350 MW Gas)	Brookhaven, N.Y.	Investec	Mini-perm, holdco loan	\$200M	7-yr	Caithness is in the market for debt (PFR, 7/6).
Clean Energy Future	Lordstown (800 MW Gas)	Lordstown, Ohio	TBA	TBA	TBA	TBA	The deal is expected to close in December (PFR, 6/8).
Competitive Power Ventures	Valley Energy Center (720 MW Gas)	Orange County, N.Y.	MUFG Union Bank, Cr�dit 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 South (99 MW Wind)	Kern County, Calif.	MUFG, JPMorgan	Tax Equity	\$117 million	TBA	MUFG unit Bankers Commercial Corp. has joined JPMorgan in the financing (see story, page 2).
Freeport LNG	Quintana Island (LNG Export Facility)	Texas	A consortium that includes Bank of America, CIBC, BBVA, Cr�dit Agricole, Cr�dit 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 D�p�t et Placement du Qu�bec	Construction /Term	C\$198M	25-yr, 40-yr	The deal has closed (PFR, 6/28).
Invenergy	Lackawanna (1.3 GW Gas)	Lackawanna County, Pa.	TBA	TBA	TBA	TBA	Invenergy is in the market for debt (PFR, 5/18).
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, Cr�dit 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	
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	
SunEdison	Bingham (185 MW Wind)	Maine	KeyBanc Capital Markets, KeyBank National Association	Construction/Permanent	\$360M	10-yr	The deal has closed (see story, page 2).

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MERGERS & ACQUISITIONS ●

SunEdison Beats Competition To Invenergy Wind Assets

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its new master limited partnership, **Sempra Partners** (PFR 6/22).

"This is the first time we have been in a process where there were other participants," said **Carlos Domenech**, ceo of TerraForm Power, in a conference call with analysts on Tuesday morning.

However, in response to a question asked by **Gordon Johnson**, senior analyst at **Wolfe Research**, Domenech said he had not seen an increase in competition.

"The short answer is we have not," Domenech said. "In fact, our proprietary pipeline has got bigger. People want certainty of execution and we've shown our ability to do that."

He adds that the size of this transaction limited the range of sponsors that could participate. "At this level, there's probably only a couple of companies that could play a role," he said.

When the transaction closes, three projects totaling 460 MW in the U.S. and Canada will drop into TerraForm Power's portfolio, and four U.S. assets totaling 470 MW will be funded with a new \$1 billion warehouse facility, **TerraForm Private Warehouse Tranche II**, ready to be dropped into TerraForm Power in the future.

The assets that will be dropped directly into TerraForm Power at financial close are:

- a 100% stake in the operating 78 MW Raleigh project in Ontario, which has a power purchase agreement with a contract life of 16 years with the **Ontario Power Authority**,
- a 90% stake in the operating

196 MW California Ridge project in Illinois, which has a PPA with a contract life of 18 years with the **Tennessee Valley Authority**, and

- a 90% stake in the 187 MW Rattlesnake project in Texas, which has a commercial operation date of August 2015 and a 13-year power hedge with **Merrill Lynch Commodities**.

The assets that will be financed using the TerraForm Private Warehouse Tranche II facility are:

- a 90% stake in the operating 190 MW Bishop Hill project, which

advisor and **Citigroup** is the joint financial advisor and lead financing structuring agent.

Orrick is TerraForm Power's legal advisor, while **Winston & Strawn** and **McCarthy Tétrault** are advising Invenergy on U.S. and Canadian law respectively.

The acquisition brings TerraForm Power's pro forma portfolio size to 6.8 GW, including the warehoused assets, and 3.6 GW of SunEdison projects to which it has call rights in 2015 and 2016.

SPECIAL RELATIONSHIP

Invenergy will initially retain an approximately 10% stake in the U.S. projects, which it will operate.

and we sized this transaction to match that," he said.

WAREHOUSE EXTENSION

The acquisition of the Raleigh, California Ridge and Rattlesnake projects, which will be dropped directly into TerraForm Power's portfolio, will be funded with \$330 million of cash in hand, the issuance of a \$300 million long-term bond, and the assumption of about \$450 million of project debt.

TerraForm Private Warehouse Tranche II, which will fund the other half of the Invenergy acquisition, will be SunEdison's third warehouse facility. The first was

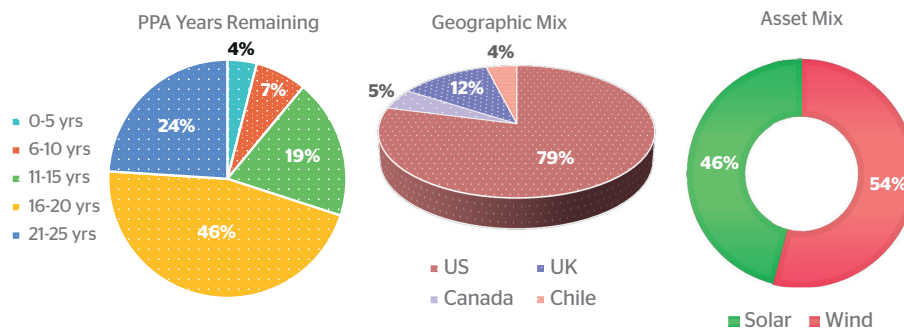
the \$1.5 billion non-recourse Warehouse 1.0 facility, created with capital from six banks and **First Reserve Infrastructure** to fund its \$2.4 billion acquisition of **First Wind** last year. The second, the \$500 million TerraForm Private Warehouse Tranche I facility was established with equity from **Macquarie**

Capital and **John Hancock** to finance SunEdison's \$525 million acquisition of a 521 MW wind portfolio from **Atlantic Power**.

"We believe these warehouse financing vehicles represent a significant strategic innovation by SunEdison and TerraForm, which has enhanced the visibility of our growth trajectory while driving value for our shareholders," said **Alex Hernandez**, TerraForm Power's cfo, in Tuesday's call.

SunEdison is not the only sponsor to introduce warehouse facilities. In March, Madrid's **Abengoa** partnered with Washington, D.C.-based **EIF Global Energy Partners** to form a warehouse facility to fund contracted projects in Latin America (PFR 21/25). ■

TerraForm Power Portfolio - Pro Forma for Invenergy Assets



Source: SunEdison's Invenergy Presentations - July 6, 2015

has a PPA with a contract life of 17 years with the TVA,

- a 90% stake in the operating 181 MW Prairie Breeze project in Nevada, which has a PPA with a contract life of 24-years with **Omaha Public Power**,

- a 90% stake in the 66 MW Prairie Breeze II project in Nevada, which has a COD of October 2015 and a 25-year PPA with **Lincoln Electric System**, and

- a 90% stake in the 32 MW Prairie Breeze III project in Nevada, which has a COD of March 2016 and a 25-year PPA with the **City of Grand Island**.

Morgan Stanley is the lead financial advisor to TerraForm Power on the deal, **Goldman Sachs** is Invenergy's financial

Terraform plans to purchase Invenergy's stake over the next three years, Domenech says.

The deal is a further sign of a strong relationship between TerraForm Power and Invenergy, after the yieldco agreed to buy 25 MW of solar assets in Canada from the developer less than two months ago (PFR 5/15).

"They [Invenergy] continue to be the leader in the market. They have a very attractive pipeline, and our goal is to continue to work together," said **Brian Wuebbels**, SunEdison's cfo, in Tuesday's call.

However, Murphy tells *PFR* that he isn't expecting to be involved in another similarly-sized transaction any time soon. "We looked at our needs over the next few years

● MERGERS & ACQUISITIONS

RET Capital Makes Debut Wind Acquisition

Renewable Energy Trust Capital has sealed its purchase of the 102 MW Coram wind park in Kern County, Calif., from Marlborough, Mass.-based **Brookfield U.S. Renewable Power Holdings** in a deal that marks its debut investment in wind.

San Francisco-based RET Capital, better known for its prolific investments in solar projects, has been eyeing a wind acquisition for the past few months and had entered into its first wind transaction this spring, CEO **John Bohn** told *PFR* in May. The investment shop aims to diversify its business through acquisitions of similar wind projects across the U.S., Canada and Mexico.

"We see ourselves as broadening our focus," John Bohn says, of RET Capital's evolving strategy to expand its renewables portfolio to include more wind assets. "We would expect to do more of those, as well as continue our focus on solar. Wind is a thriving sector. In fact, it was the largest source of new electric generation in the U.S. last year. So, it's an auspicious time to add wind generation to RET Capital's portfolio."

The Coram facility has a long-term power purchase agreement with **Pacific Gas & Electric Co.**

RET Capital has acquired many Canadian projects in the recent past, including the 14 MW CityLights solar farm in Ontario from **Canadian Solar**. In May, it raised C\$66 million (\$51.8 million) in non-recourse loans from **Nord/LB** in Hannover, Germany and **Babson Capital Management** in New York to fund its CityLights acquisition (*PFR*, 5/13). In the past year, the renewables financier secured more than \$200 million from Nord/LB and **Massa-**

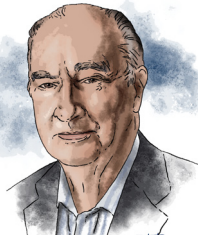
chusetts Mutual Life Insurance Co. to fund its purchase of a quartet of solar facilities in California and Ontario from **K Road Power, Ormat Nevada** and **Canadian Solar**, respectively (*PFR*, 3/24).

With a view to bolstering its overall expansion strategy and portfolio diversification efforts, RET Capital has also made a number of executive appointments over the past year. In May, **Nikolas Novograd** joined the company as a vice president of origination from his previous stint as a director at **Wells Fargo's** renewable energy and environmental finance group (*PFR*, 5/13). At RET Capital, he works closely with COO **Karen Morgan** to oversee all deals that are on the verge of financial close.

Other appointments include legal specialist and former **GCL Solar** maven **Michael Young** and **Roger Johansson** also hired from GCL Solar as managing director of project finance, as well as **Alton Lo** tapped from **JPMorgan** as managing director of corporate finance last October (*PFR*, 4/1).

RET Capital is backed by **Blue Mountain Capital Management**, a London and New York-based employee-owned hedge fund sponsor that manages more than \$20 billion of assets.

The purchase price of the Coram deal has not been disclosed. Whether RET Capital worked with a financial advisor on the acquisition was not revealed. ■



John Bohn

SunEdison Snares Renewables Assets, Shares In Brazil's Renova

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that are at varying stages of development. The source reveals that those under-development projects include roughly 2 GW of wind farms in southwest Bahia as well as 58 MW of solar facilities and 190 MW of hydro plants.

The agreement that SunEdison and its emerging markets yield company, **TerraForm Global** have signed with the Brazilian developer also covers future sales of roughly 1.8 GW of operating assets to SunEdison.

TerraForm Global scooped 336 MW of hydro and wind projects in Bahia from Renova in May this year (*PFR*, 5/12).

The Brazilian government is focused on encouraging a greater inflow of private capital into the infrastructure and midstream power sectors in the country. Last month, **Barclays'** natural resources private equity unit announced its debut investment in Brazil through the purchase of an ownership stake in a Rio de Janeiro-based start-up, **Cia Positiva de Energia** (*PFR*, 6/10).

SunEdison is stepping in at a time when the BNDES is said to be providing less financing. "All projects have been financed by BNDES historically," says a dealwatcher. "Now, developers will need to access alternative funding such as equity contributions from other companies or capital market funding."

Another factor that has led to the foray of a rising number of private financiers in Brazil is the declining participation of state-owned **Petrobras** in generation projects in the wake of its planned divestment of non-core assets, a banker says. Three of Petrobras' thermal facilities in Rio de Janeiro, including a

gas-fired merchant project, could soon be up for sale, according to two other sources close to the situation at Petrobras (*PFR*, 6/16).

SunEdison, which will assign the 830 MW operating portfolio to its emerging markets yield company, **TerraForm Global**, has a risk mitigation plan in place to protect itself against the deleterious effects on revenue of Brazil's national inflation rate of 8.8%, the banker says.

Meanwhile, SunEdison, which is keen to invest in Mexico, is looking at investments in other countries as it waits to see how the country's energy legislation reform pans out, according to another deal watcher who spoke to *PFR* about the renewables giant's buyout of a renewables outpost in Costa Rica from **Mesoamerica Power** and **Actis Capital** last month (*PFR*, 6/18).

With its investment in Brazil's Renova, SunEdison stands to gain from long-term contracts that are tied to market prices. This is in contrast to Mexico, where it is becoming harder to negotiate new offtake contracts, which are tied to **Comisión Federal de Electricidad**-imposed tariffs, the banker says, adding that local developers in Mexico lack the protection they received under old energy rules via a pricing floor structure.

"SunEdison wants its yieldcos to get visibility in its cash flow and dividend profile on a long-term basis," he notes. "It's trying to wait and see where things end up in Mexico."

Officials and spokespeople at SunEdison in California either declined to comment or were unavailable to respond to inquiries. Officials at Renova could not be reached for comment by press time. ■

Q&A: MONA DAJANI, BAKER & MCKENZIE ●

Q&A: Mona Dajani, Baker & McKenzie

◀ FROM PAGE 1 sent investors, lenders and sponsors in the global energy transactional space. Do you see any trends that stand out to you with these clients in terms of transactions, structures or terms?

DAJANI: There has been a real focus on industry transformation — with transformative deals in the power and utility sectors.

There are a lot of moving pieces such as outdated infrastructure, increasing customer interaction, managing distributed generation, electricity demand, renewable energies, the price of oil, fuel prices, and a lot of forward-looking utilities and private equity infrastructure shops that are focused on power and utilities. They're looking at defensive strategies to help utilities strengthen their balance sheets through cost reduction and leveraging, M&A synergies, and monitoring the playing field with new technologies and business models.

The other trend that I see is in the M&A space, where there are a lot of changes of ownership and corporate restructurings. We're seeing, for example, utilities like **Duke Energy**, **NextEra Energy** and **SunEdison** have moved to break up their portfolios through various kinds of transactions including spin-offs, asset sales, and the creation of bond-like investment vehicles called yieldcos that hold generating assets with long-term supply contracts.

We're also seeing a lot of industry change. For example, E.ON, a major investor-owned utility, is splitting its business into two different cores, one that is focusing on renewables, and the other on conventional generation, to reflect differences in risk, business outlook and policy support.

PFR: Do you see a lot more room for consolidation in the sector, especially with newer players coming into the market, such as financial investors?

DAJANI: Yes. With the defensive strategies that I was talking about, companies want to strengthen their balance sheets. To do that, they are monitoring the playing field, and

discussing the risks of new technologies and business models. With respect to acquisitions of utilities, it's not just small and mid-sized. There is also a very large one right now — the **Exelon-Pepco** merger — and there are a lot of deal cost-savings and synergies. Both the utilities and these new purchasers, the financial investors, benefit from steady cash flows, and smart deployment of capital to improve customer value, which also includes studying the impact of new technologies.

PFR: It seems that we're talking about an industry that's really in transition. It's dealing with a lot of uncertainty — low interest rates, fuel and oil prices and the impact of distributed generation on utilities. How do you see that shaking out in the next couple of years — short to mid-term?

DAJANI: I think the only ways utilities can survive is to change. With respect to new financial investors, private equity players, and infrastructure investors, there are going to be a lot of changes of ownership in the power sector. We're seeing, for example, **NiSource**, which owns both regulated gas and electric utilities, and gas midstream

“M&A activity is going to be a compelling and expedient strategy for delivering value in the near-term”

assets, spin off their midstream business. We also saw **Dominion Resources** offer midstream assets like the Cove Point LNG export project to the public through an initial public offering just to fund the construction. There are going to be a lot of changes going on structurally to make companies more competitive. We're seeing a lot more infrastructure, private equity firms and financial investors thinking that they can really put some more capital and cost-saving synergies in place.

PFR: I've noticed from your profile you have done a tremendous amount of high profile M&A in the energy space. What transactional trends are you seeing in the power and energy sector?

DAJANI: Well, besides the yieldcos, there are huge changes going on in the electric power sector. Declining demand, aging infrastructure, rising environmental compliance costs, and shifting customer expectations. There is competition coming from distributed generation providers and other market entrants, and declining rates of return on equity. In the natural gas distribution sector, local distribution companies are facing high capital expenditures and their rates of return are falling. At the same time, because of low oil prices, we're seeing a huge supply of shale gas, and local gas distribution companies scrambling to work out the implications for their operations. All of these factors are making the existing business model change.

There are going to be disruptive changes, and some of these are going on now. In the future, although right now it's not booming, I do see that M&A activity is going to be a compelling and expedient strategy for delivering value in the near-term, and managing strategic risks in these businesses. There is still some risk with M&A, because right now we have challenging regulatory requirements. We have long approval timelines and there are uncertainties concerning the boundaries of the alternatives available to them.

Some companies are going to have trouble quantifying the benefits or what the savings will be. But those that are really going to succeed, like the Exelon-Pepco merger, are the M&A deals and corporate restructurings that are revealing expanding opportunities that will benefit both customers and shareholders. These will be synergistic cost savings which typically go to customers in a regulated market, but it will also be an impetus for more M&A activity. These transactions will then yield more competitiveness, innovation, increased reliability and resilience, making it easier to comply with environmental and other regulatory mandates. We are in a changing marketplace and I think we're going to see an uptick for power and utilities and regulators to re-evaluate how these companies can execute critical elements of their strategy, while simultaneously benefitting their shareholders and customers. ■

Check back next week for the second instalment of this Q&A.

● PEOPLE & FIRMS

BlackRock Hires Abengoa CEO Ahead Of Mexico Acquisition

Manuel Sanchez Ortega has left his position as ceo of Spanish developer **Abengoa S.A.** to join BlackRock as managing director and head of strategic development for the New York-based company's infrastructure investment group. Ortega began his role at BlackRock in New York on Monday, July 6.

Ortega will report to **Jim Barry**, who heads the infrastructure investment group out of Dublin, Ireland, *PFR* understands. Ortega will also take on responsibility for the company's expansion into Mexico and other parts of Latin America as head of Latin America infrastructure, reporting to **Armando Senra**, head of the Latin America and Iberia region at BlackRock, according to an internal memo.

Ortega's appointment at BlackRock comes as the investment manager prepares for the acquisition of Mexican infrastructure investment firm **Infraestructura Institucional** — a deal that will increase BlackRock's global \$6 billion infrastructure investment portfolio by about 16% to more than \$7 billion. Ortega will lead and manage the acquisition, which is slated to wrap by year-end. The pur-

chase price of the deal has not been publicly disclosed.

Earlier this year, BlackRock made a debut infrastructure investment in Mexico with its purchase of a 45% stake in **Pemex** and **IEnova's** 462-mile Los Ramones II natural gas pipeline project along with **First Reserve**. Los Ramones II comprises the Los Ramones II North and the Los Ramones II South pipelines (*PFR*, 3/30). The pipeline is expected to enter service in mid-2016.

Other Latin American markets that BlackRock is eyeing include Colombia and Chile, where its sponsor partners are actively developing new projects, BlackRock's managing director **David Giordano** told *PFR* (*PFR*, 6/8).

Ortega, who worked at Abengoa S.A. for more than two and a half decades prior to BlackRock, has deployed more than \$3 billion of annual investments in new infrastructure projects over the last five years. He took up the chairmanship of **Abengoa Yield** in December 2013 and served as chairman and ceo of one of Abengoa's **NASDAQ**-listed affiliates, **Telvent**. He was earlier managing director of Telvent's Mexico outpost.

Abengoa's plans for replacing Ortega could not be learned. ■



Manual Ortega

Northland Rejigs Exec Team As CDO Steps Down

Canadian renewables developer **Northland Power** has hired a new business development director, as its director of communications and business development moves to London and its president and chief development officer, **Sean Durfy**, prepares to step down at the end of August.

Durfy, who was president and ceo of Canadian airline **WestJet** from 2004 to 2010, served on Northland's board for two years before becoming president and cdo in January 2014. He is now stepping down to pursue other business and personal interests, according to a statement from Northland.

Northland also announced that **Boris Balan**, who has worked at the company since 2001 as a project developer and director of communications and business development, is set to move to London, having taken on the role of vice president, Europe, effective immediately.

The Toronto-based company has now hired **Mike Crawley** as executive vice president of business development.

Crawley founded wind developer **AIM PowerGen** and served as its president and ceo until its acquisition by London-headquartered **International Power** in September 2009. After **International Power** was itself acquired by **GDF Suez's** Belgian

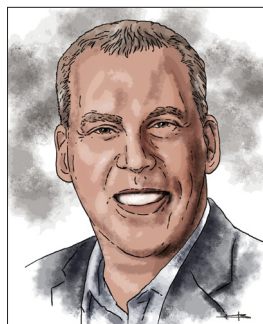
affiliate **Electrabel** just a month later, Crawley became president of **GDF Suez Canada**.

In recent years, Crawley has also served as a board member of British Columbia renewable energy industry association **Clean Energy BC** and an advisory board member of infrastructure fund **Instar AGF Infrastructure**.

It is not clear who will take over as president and cdo following Durfy's departure. Northland did not respond to requests for comment.

Durfy took a leading role in Northland's 332 MW Nordsee One offshore wind project in the North Sea and the 100 MW Grand Bend onshore wind farm in Ontario. *PFR* reported that the company was seeking more than \$1 billion in senior secured loans for the two projects in March (*PFR*, 3/11).

Durfy was also the lead executive on Northland's \$11.5 million sale of its two-thirds stake in the 24 MW Frampton wind farm in Frampton, Quebec, to **Boralex**. The deal closed in February. ■



Sean Durfy

● QUOTE OF THE WEEK

"I think the only way utilities can survive is to change. With respect to new financial investors, private equity, and infrastructure investors, there are going to be a lot of changes of ownership in the power sector."

Mona Dajani, banking and finance partner at **Baker & McKenzie**, on the ongoing transformation of the power industry (see interview, page 1).