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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE ● MERGERS & ACQUISITIONS ● PEOPLE & FIRMS

Chile Reveals Power Auction Timeline
Details on the upcoming auction run by the **National Energy Commission** have been unveiled. Page 5

Vistra to Acquire Gas-fired Texas Project
Vistra Energy is buying the merchant CCGT in Odessa from a **Koch Industries** subsidiary. Page 15

Macquarie Invests in Ex-Recurrent Staffed Firm
A **Macquarie Infrastructure Corp.**, is backing a new shop founded by former **Recurrent Energy** employees. Page 15

Berkshire Hathaway Presses Ahead for Oncor After Elliott Bid

Fotios Tsarouhis

Berkshire Hathaway Energy's acquisition of **Oncor Electric Delivery Co.** is moving forward, despite a counteroffer from **Elliott Management Corp.**

BHE and Oncor made a preliminary filing with the **Public Utilities Commission of Texas** on July 11, which states that the companies plan to file for authorization of the transaction "on or about July 17".

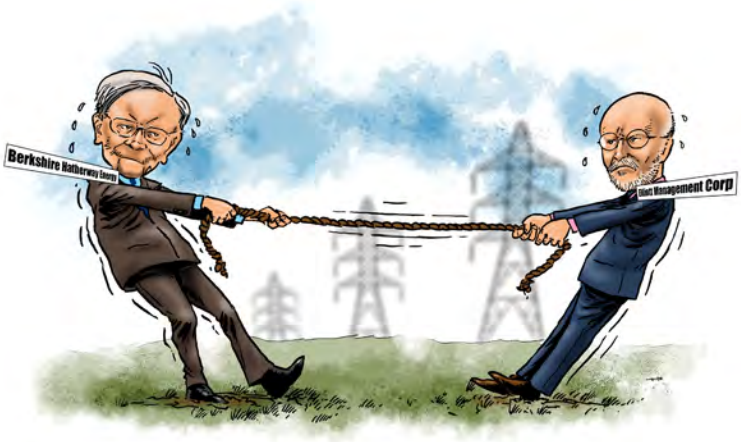
The Berkshire Hathaway subsidiary plans to close the deal before the end of the year, it said in a statement issued on July 7.

BHE, which is the third potential buyer to attempt an acquisition of Oncor in as many years, entered into a formal agreement to purchase EFH and its 80% stake in the Texas transmission utility for $18.1 billion on July 6.

New York-based hedge fund Elliott countered with an $18.5 million offer for EFH's position in Oncor several days later on July 10.

Elliott, which is Oncor's largest creditor, claims BHE's offer undervalues the company.

Any eventual PAGE 6 »



Berkshire Hathaway's Warren Buffett and Elliot Management's Paul Singer fight it out over transmission company Oncor.

NRG Plans to Sell 6 GW of Assets, YieldCo and Renewables Platform

Olivia Feld

NRG Energy has announced that is it looking to raise $4 billion from the sale of 6 GW of conventional generation assets, divesting its yield company and offloading its renewables business.

Citi, **Goldman Sachs** and **Morgan Stanley** are advising NRG on the "certain asset sale processes that are well underway", the company announced on July 19.

The Princeton, N.J.-based independent power producer is also exploring a sale of between 50% to 100% of its yield company **NRG Yield**.

The company is intending to agree to the asset sales and strategic alternatives for the yieldco in the fourth quarter.

NRG has been under pressure to sell NRG Yield since the start of the year. In February, the company entered into an agreement with **Elliott Management** and **Bluescape Energy Partners** to undergo a strategic review (PFR, 2/23).

The company has been trying to offload its renewable business for several years (PFR, 8/21/15).

NRG's wholly owned subsidiary **GenOn** filed for pre-arranged Chapter 11 bankruptcy on June 14 (PFR, 6/14).

Both NRG and NRG Yield's share prices both rose following the announcement.

A call to a spokesperson for NRG in Princeton, N.J. was not returned. ■

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PROJECT FINANCE

NRG Nets Debt, Equity for Texas Wind Project

NRG Energy has secured debt and equity commitments for its 100.5 MW Buckthorn wind project, which is in late-stage development in Erath County, Texas.

John Laing Group, a London-based investment manager, has acquired a 90.5% equity stake in the project. **RBC Capital Markets**, meanwhile, will provide over $200 million of debt and tax equity.

RBC is providing a $97 million construction loan, as well as $26.6 million in an additional letters of credit. The bank will also provide $117.2 million of tax equity comprising a $100 million direct investment and an additional $17.2 million pay-as-you-go commitment.

The value of John Laing's equity commitment and the tenor and pricing of the RBC loans could not immediately be learned.

NRG will retain a 9.5% stake in Buckthorn and operate the project, which is expected online in the fourth quarter of this year. The project represents John Laing's second U.S. wind project and its first renewables investment in Texas. The asset manager invested $20.5 million of equity in **Akuo Energy**'s 30 MW Sterling Wind facility in Lea County, N.M., last year (PFR, 10/13).

The **Lower Colorado River Authority** secured a 20-year power purchase agreement for Buckthorn's output in 2015 and will receive the renewable energy credits associated with the project (PFR, 7/3/15).

The project was originally developed by **Infinity Renewables**, which sold it to NRG.

Officials at John Laing in London were not immediately available for comment.

Spokespeople for NRG in Princeton and RBC in New York either declined to comment or did not respond to inquiries. ■

Huntec Adds Two More Solar Plants to Mexico Portfolio

Spain's **Huntec** is due to begin constructing two **Iberdrola** solar projects totaling 370 MW in Mexico from the end of July via its Mexican subsidiary.

The larger of the plants will be built in Santiago, with the second plant built in Hermosillo. Both are expected to begin operating in May 2018. The company did not disclose the names of the projects. How construction is being financed could not be immediately be established.

Huntec has participated in the building of 1121 MW of solar plants in Mexico this year, including the two new plants, the company said. This includes the **Enel** 754 MW plant in Coahuila state, which will be the largest solar park in America on completion by the end of 2018, Huntec said last month. ■

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

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GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
8minutenergy Renewables	Mount Signal (328 MW AC)	Calexico, Calif.	BAML (seller)	Capital Dynamics has acquired the project (see story, page 6).
Ares-EIF	Newark (705 MW Gas)	Newark, N.J.	Citi	Indications of interest are expected by late June or early August (PFR, 7/3).
	Plum Point (670 MW Coal)	Osceola, Ark.	Citi	Bids for the portfolio were due the first week of June (PFR, 5/30).
	Carneys Point (262 MW Coal)	Carneys Point, N.J.		
	Logan (219 MW Coal)	Logan Township, N.J.		
	Morgantown (62 MW Waste coal)	Morgantown, W.Va.		
Apex Clean Energy	Portfolio (12 GW, mostly Wind)	U.S.	CohnReznick Capial	The company is looking to sell itself to a strategic investor (PFR, 5/1).
Ares-EIF, I Squared Capital	Oregon Clean Energy Center (869 MW Gas)	Lucas County, Ohio	Barclays, Credit Suisse	The two banks are running a sale process for the project (PFR, 5/15).
BTG Pactual Infraestructura II, Pátria Investimentos, GMR Group	Latin America Power (114 MW Hydro, Wind)	Chile, Peru	BTG Pactual, Morgan Stanley	Several bidders have been shortlisted in the sale of the company, which also owns an 803.9 MW development pipeline that includes its first solar asset (PFR, 2/13).
	Portfolio (703 MW DC Solar)	U.S.		Canadian Solar has taken second-round bids for its U.S. portfolio (PFR, 6/12).
The Carlyle Group	Nautilus Hydro (18 MW)	Massachusetts		Private equity firm Hull Street Energy is acquiring the assets from Carlyle's Cogentrix, which acquired them from IFM early last year (PFR, 7/3).
Dynegy	Lee (625 MW Gas)	Lee County, Ill.		Rockland Capital is acquiring the project (see story, page 15).
	Dighton (164 MW Gas)	Dighton, Mass.		Starwood Energy Group Golbal is acquiring the two projects (see story, page 15).
	Milford (149 MW Gas)	Milford, Mass.		
Energy Future Holdings	Oncor (Transmission 122,000 miles)	Texas		Berkshire Hathaway Energy has agreed to acquire the company, but EFH creditor Elliot Management Corp. has made a rival bid (see story, page 1).
Eversource Energy	Portfolio (1.2 GW Biomass, Coal, Hydro, Oil)	New Hampshire	JP Morgan	The auction for the assets is in a second round and final bids are due in August (PFR, 7/3).
	Wyman 4 (620 MW Oil, 3.14%)	Yarmouth, Maine		NextEra Energy, which already owns a majority stake in the project, is acquiring Eversource's shareholding (PFR, 7/3).
Hecate Energy	Cherrydale (20 MW Solar)	White Post, Va.		Dominion Energy has acquired the Clarke County project and plans to close its purchase of Cherrydale later this year (PFR, 7/10).
	Clarke County (10 MW Solar)	Kendall Grove, Va.		
Infinity Renewables	(6.6 GW Wind, Solar)	U.S.	CIBC	The company is for sale (PFR, 6/5).
InterGen	Portfolio (2,200 MW Gas, Wind)	Mexico		InterGen is planning to launch a sales process for its Mexican portfolio (PFR, 5/30).
Invenergy	Hardin (175 MW Wind)	Hardin County, Ohio		Appalachian Power is acquiring the two projects (PFR, 7/10).
	Beech Ridge II (52.5 MW Wind)	Greenbrier and Nicholas counties, W.Va.		
Koch Industries	Odessa (1,054 MW Gas)	Odessa, Texas		Vistra Energy, the parent company of TXU Energy and Luminant, is acquiring the project (see story, page 15).
Morgan Stanley	NaturEner USA (399 MW Wind)	Montana		Morgan Stanley is selling NaturEner, which owns development wind assets in Alberta as well as the 399 MW operational wind portfolio in Montana (PFR, 5/15).
NRG Energy	Portfolio (6 GW Conventional)	U.S.	Citi, Goldman Sachs, Morgan Stanley	NRG is looking to raise $4 billion from the sales (see story, page 1).
	NRG Yield			
Northland Power	Portfolio (1,754 MW Gas, Solar, Wind)	Canada, Europe	CIBC, JP Morgan	Analysts expect the company to make an announcement on a potential sale of the company this quarter (PFR, 5/15).
Odebrecht	Chaglla (406 MW Hydro)	Huánuco Region, Peru	Itaú, Scotiabank, SMBC Nikko Securities	Odebrecht is expected to select a buyer within the next two months (PFR, 6/12).
PNE Wind	Vivaldi Springtime (80 MW Wind)	Stillwater, Montana		Pattern Development has acquired the project from Germany-based developer PNE Wind (see story, page 15).
Terra Firma	EverPower Wind (752.25 MW Wind)	U.S.	Barclays, KeyBanc	Terra Firma is marketing the U.S. wind shop, whose assets also include an up-to-1,759 MW development pipeline (PFR, 3/6).
United Renewable Energy	Portfolio (12 MWh Solar-Plus-Storage)	North Carolina		Cypress Creek has acquired and provided financing for the projects (PFR, 7/10).
Westar Energy	Portfolio (6.3 GW Gas, Coal, Wind)	Kansas, Missouri, Oklahoma	Guggenheim (seller), Goldman Sachs, Barclays, Lazard (buyer)	Great Plains Energy, which had its bid to acquire Westar rejected by Kansas regulators earlier this year, has reached a new agreement with the company (see story, page 5).
Wind Quarry	Willow Creek (103 MW Wind)	Butte County, S.D.		Pattern Development is acquiring the project, which will be its first in South Dakota (PFR, 7/3).
York Capital Management Global Advisors	Idaho (54.6 MW DC Solar)	Ada County, Idaho	Whitehall & Co.	York Capital has mandated Whitehall to sell the project (PFR, 4/3).

New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.
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PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
Acciona	Puerto Libertad (270 MW Solar)	Sonora, Mexico	TBA	TBA	TBA		Acciona plans to expand the project by 90 MW (see story, page 5).
AES Corp.	AES Southland (1.4 GW Gas, Battery Storage)	Los Angeles and Orange counties, Calif.	MUFG, JP Morgan, Citi	Term Loan	$520M	C+7-yr	The banks were marketing the loan at Libor+175 bps (PFR, 5/30).
				Letter of Credit	$300M	C+7-yr	
				Private Placement	$1.5B	22-yr	The private placement was priced at T+215 bps, which includes a 25 bp premium for a delayed draw feature (PFR, 6/26).
Advanced Power	South Field (1.1 GW Gas)	Columbiana County, Ohio	GE EFS	Debt	TBA	TBA	GE EFS is left lead on the debt raise. Other joint lead arrangers will be selected later this year (PFR, 5/1).
Alterra Power Corp.	Flat Top (200 MW Wind)	Comanche and Mills counties, Texas	AMP Capital Investors	Debt	$20.6M		Alterra has expanded an existing loan from AMP by $20.6 million to finance the project (PFR, 7/3).
American Power Ventures	Renaissance (1 GW Gas)	Greene County, Pa.	Fieldstone (adviser)	Debt, Equity	$900M		The sponsor has mandated boutique investment bank Fieldstone Private Capital Group to raise debt and equity for the project (PFR, 4/17).
The Carlyle Group	Elgin (484 MW Gas)	Elgin, Ill.	GE EFS, Investec (MLAs), CIT Bank, SunTrust (JLAs)	Term Loan	$265M	7-yr	The size of the acquisition financing grew in the wake of the PJM capacity auction results (PFR, 6/26).
	Rocky Road (349 MW Gas)	East Dundee, Ill.					
	Tilton (180 MW Gas)	Tilton, Ill.		Revolver	$35M	7-yr	
EDF Renewable Energy	Nicolas-Riou (224.25 MW Wind)	Bas Saint Laurent, Québec	TBA	Debt			EDF and its co-owners, groups representing several municipalities and a First Nation, are seeking debt financing for the under-construction project (PFR, 7/10).
Fisterra Energy	Tierra Mojada (875 MW Gas)	Guadalajara, Mexico	Crédit Agricole, Intesa Sanpaolo, Natixis, Mizuho, Société Générale, SMBC	Term Loan	$500M	6-yr	Blackstone-backed Fisterra has closed debt financing for the project (PFR, 7/3).
				Letters of Credit	$120M	TBA	
Genneia	Madryn (220 MW Wind)	Argentina	TBA	Debt, Equity	TBA		Genneia is expected to raise project finance for its investment program (PFR, 6/12).
Iberdrola	Two unknown projects (370 MW Wind)	Santiago and Hermosillo, Mexico	TBA	TBA	TBA	TBA	Construction on the projects is expected to begin late this month (see story, page 2).
LS Power Development	Armstrong (603 MW Gas)	Shelocata, Pa.	BNP Paribas, CIT Bank, others	Debt	~$400		The debt will finance LS Power's acquisition of the projects from Dynegy (PFR, 7/3).
	Troy (584 MW Gas)	Luckey, Ohio					
NextDecade	Rio Grande (LNG 27 mtpa), Rio Bravo (137-mile pipeline)	Brownsville, Texas	Macquarie Capital, Société Générale	Debt, Equity	TBA	TBA	The debt-to-equity ratio is expected to be approximately 55%-45%, with some 20 to 25 banks participating (PFR, 5/30).
NRG Energy	Buckthorn (100.5 MW Wind)	Erath County, Texas	RBC Capital Markets	Construction Loan	$97M	TBA	The project represents John Laing's second U.S. wind project and its first renewables investment in Texas (see story, page 2).
				Letters of Credit	$26.6M	TBA	
				Tax Equity Bridge Loan	$117.2M		
			John Laing Group	Equity	90.50%		
NRG Energy	Buckthorn (154 MW Solar)	Pecos County, Texas	Crédit Agricole, Santander, Keybanc, MUFG, SMBC	Mini-perm	$140M	C+7-yr	NRG Energy has completed project financing for the facility (PFR, 6/12).
				Tax Equity Bridge Loan	$55M	TBA	
				Letters of Credit	$35M	TBA	
Pattern Development	Henvey Inlet (300 MW Wind)	Henvey Inlet First Nation, Ontario	TBA	Debt	TBA		Pattern is seeking debt for the project (PFR, 6/19).
Quantum Utility Generation	Moundsville (643 MW Gas)	Marshall County, W.Va.		Debt	TBA		Quantum could launch a debt financing for the project this year (PFR, 2/6).
			BNP Paribas	Equity			
Sojitz Corp., Shikoku Electric Power Co., Sojitz Corp. of America, Eiffage	Huatacondo (98 MW Solar)	Huatacondo, Tarapacá, Chile	SMBC, Mizuho, Iyo Bank	Debt	$73.31M	18-yr	Nippon Export and Investment Insurance is insuring $47.2 million of the debt (PFR, 7/3).
Swift Current Energy	HillTopper (175 MW-200 MW Solar)	Logan County, Ill.		Debt, Tax Equity	TBA		The sponsor plans to finance the project with debt and tax equity (PFR, 2/13).
Tyr Energy	Hickory Run (1 GW Gas)	Lawrence County, Pa.	BNP, BAML	Debt	TBA		The deal was expected to come to the market shortly after the announcement of the PJM auction results (PFR, 6/12).
US Solar Corp.	Portfolio (100 MW Community Solar)	Minnesota	North Sky Capital	TBA	TBA		North Sky Capital is being advised by New Energy Capital Partners (PFR, 7/3).

New or updated listing

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PROJECT FINANCE

Chile Unveils Auction Timeline for Fall

Chile will accept proposals for a 2,200 GWh auction on October 11, with 20-year power purchase agreements up for grabs across seven supply blocks.

The **National Energy Commission** will hold the auctions to supply the SIC central and SING northern grids from January 2024.

Bids will be accepted from October 31 and the CNE will publicly award winning bidders on November 3.

The CNE has changed the way it runs the bidding process, with the October auction due to incorporate four quarterly blocks for the first time, totalling 500 GWh of energy.

Furthermore, bidding companies are required to provide a risk rating report.

Chile will also auction three hourly supply blocks totalling 1,700 GWh.

The country is looking to expand the range of companies that generate its domestic energy, with the government courting German companies in May this year. A trip to China has also been planned, according to the CNE. ■

FAST FACT

Oct 11

The date of the next power auction in Chile.

Acciona Pens Certificates Contract with CFE

The Mexican subsidiary of Spain's **Acciona** has signed two contracts to sell clean energy certificates to a subsidiary of Mexico's **Comisión Federal de Electricidad** which supplies electricity to large users.

Acciona Energía Mexico will provide 49,500 clean energy certificates a year for 20 years for its 270 MW solar plant in Puerto Libertad, Sonora, which it developed with **BioFields**.

The plant has a 180 MW capacity, with a power purchase agreement with the CFE, but Acciona announced in February that it was expanding the plant by another 90 MW that will be sold via a private PPA to an undisclosed industrial group.

The second contract will see Acciona provide 5,000 clean energy certificates a year for 20 years for its 168 MW El Cortijo wind farm in Tamaulipas, which is slated to be online in 2018.

El Cortijo is the first renewable project to be constructed following the auctions held under Mexico's energy reform, according to Acciona, which requires suppliers and large consumers to get at least 5% of their generation from clean sources from 2018 ■

FAST FACT

90 MW

The size of the planned expansion of the solar project in Sonara, Mexico.

MERGERS & ACQUISITIONS

Great Plains, Westar Reveal Renegotiated Merger

Great Plains Energy and **Westar Energy** have signed a new merger agreement following the **Kansas Corporation Commission**'s rejection of an earlier deal.

The utility holding companies are billing the deal as a "merger of equals" after the commission rejected Great Plains' initial attempt to acquire Westar earlier this year. Instead of debt financing, Great Plains will instead acquire Westar in a stock for stock deal, the companies announced on July 10.

Great Plains, which serves as the holding company for utilities **Kansas City Power & Light** and **KCP&L Greater Missouri Operations**, agreed to acquire Westar in May 2016 in a deal that was slated for a spring closing this year (PFR, 5/31/16).

However, the commission scuttled the proposal on April 19 in an order that stated that the proposed purchase price of $12.2 billion, which represented a total equity value of $8.6 billion, was too high, saddling Great Plains with excessive debt (PFR, 5/26).

The revised agreement will result in a new, renamed $14 billion company that will be 52.5% percent owned by Westar's shareholders and 47.5% owned by Great Plains'.

The merger will be a stock-for-stock, tax-free exchange of shares that will not include any debt or exchange for cash.

Great Plains must now reverse the process of financing the original deal. Long-term financing was to be provided, in part, from a planned sale of $750 million in mandatory preferred convertible shares to the **Ontario Municipal Employees Retirement System**. The deal will now be terminated, according to the joint statement.

The company will also redeem the convertible preferred stock it issued to finance the deal, as well as debt arranged by **Goldman Sachs**. Great Plains issued notices of redemption to the holders of its outstanding convertible preferred stock on July 13.

Terry Bassham, chairman, president and ceo of Great Plains, will become president and ceo of the new company. **Mark Ruelle**, president and ceo of Westar, will become the new company's non-executive chairman and sit on its board.

Westar owns a 6.4 GW generation portfolio of mostly gas-fired projects that also includes 146 MW of wind generation and over 3 GW of coal-fired facilities. The combined company, which has yet to be named, would own a total of 13 GW of generation assets.

Goldman was lead adviser for Great Plains with **Barclays** and **Lazard** also advising the company and **Bracewell** acting as legal adviser.

Guggenheim Securities advised Westar, with **Baker Botts** serving as legal adviser. ■

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MERGERS & ACQUISITIONS

Berkshire Hathaway Presses Ahead for Oncor After Elliott Bid

« FROM PAGE 1

owner will take on the $6.9 billion of debt associated with Oncor, which owns approximately 122,000 miles of transmission and distribution lines in Texas.

In addition to EFH's majority stake in Oncor, BHE will also acquire the remaining 19.75% interest in the company that is held by **Texas Transmission Holdings**, and the 0.22% shareholding belonging to **Oncor Management Investment**, according to **Fitch Ratings**.

BHE will purchase Texas Transmission Holdings' interests through certain "drag along" rights that allow the majority shareholder to mandate a sale of minority interests, according to a report by **Fitch Ratings** analysts published on July 7.

ELLIOTT TAKES FIRE

Elliot's legal counsel, **Gregg Galardi**, partner at **Ropes & Gray**, has accused its debtor of neglecting to seek a higher valuation for the utility, in a letter sent to **Chad Husnick**, partner at **Kirkland & Ellis**, the law firm representing EFH.

In the letter, Elliott, which holds 74% of the debt associated with EFH, accuses the company of failing to "aggressively pursue — on a level playing field — all available alternatives in order to maximize the value of the estates".

EFH did little more than "hastily" convene a conference call to inform Elliott that the BHE acquisition had been agreed to, writes Galardi.

Elliot also took aim at EFH's restructuring plan, which seeks to pull the company out of bankruptcy by October 31, claiming that EFH is feigning concern for its creditors while accepting deals that would harm them. The company filed for Chapter 11 bankruptcy protection in April 2014 (PFR, 7/29/14).

Citi and **Morgan Stanley** are arranging refinancing for EFH's $5.4 billion dollar debtor-in-possession financing at 300 basis points over Libor with a 1% Libor floor and an original issue discount of 99.875, part of a package that also includes an $825 million debtor-in-possession delayed draw term loan (PFR, 6/13, PFR, 6/22).

MULTIPLE FAILED DEALS

BHE's acquisition follows a failed attempt by **NextEra Energy Resources** to acquire Oncor in 2016. The **NextEra** subsidiary agreed to purchase EFH's share and the other two minority stakes in the company (PFR, 6/29, PFR, 10/31).

However, the Texas PUC nixed NextEra's planned purchase of Oncor earlier this year (PFR, 4/14, PFR, 6/8).

The terms of the NextEra deal stipulated that EFH would incur a $275 million termination fee should the deal fail. Whether the fee will be paid could not immediately be learned but Galardi's letter refers to it as "potentially payable", implying no action has yet been taken.

Prior to rejecting the NextEra acquisition, the Texas PUC approved **Hunt Consolidated**'s planned takeover of the utility, but with stipulations that led to the company abandoning the acquisition (PFR, 8/10/15).

The PUC has six months from the date of filing to either approve or veto the acquisition, a spokesperson for the commission tells PFR from Austin, Texas.

The approval process for the BHE deal might be smoother than the two that preceded it, write Fitch analysts **Shalini Mahajan**, m.d., and **Barbara Chapman** and **Dino Kritikos**, both senior directors, in a report publishing following BHE's announcement on in a July 7.

"BHE has put forth a series of regulatory commitments that ensure Oncor remains tightly ringfenced," and the buyer seems willing to comply with the PUC on the subject of an independent board of directors, write the analysts.

As was the case with the prior acquisition attempts, the commissioners are expected to require certain "ringfencing" measures that will protect Oncor from assuming intercompany debt, according to the Fitch report.

The PUC is also expected to maintain its position on keeping an independent board of directors at the utility, according to the analysts. NextEra's "insistence" on removing the restrictions on its power to appoint directors to Oncor's board was a key factor in the unraveling of the deal (PFR, 4/14).

Fitch placed Oncor's 'BBB' issuer default rating on "rating watch positive" in the report following BHE's announcement. **Moody's Investors Service** rated the acquisition "credit positive" for Oncor in a note published on July 11. ■

Capital Dynamics Acquires Mount Signal Project

Capital Dynamics is acquiring the 328 MW (AC) Mount Signal 3 solar project from developer **8minutenergy Renewables**.

The project, which was initially developed by **SunEdison**, was acquired for $24 million by 8minutenergy in bankruptcy proceeding (PFR, 7/6).

The facility, in Calexico, Calif., is the third phase of the 800 MW Mount Signal Solar Farm. The 260 MW Mount Signal 1 project is owned by 8minutenergy and has been online since 2003. The 201 MW Mount Signal 2 project was bought by an affiliate of **D. E. Shaw Renewable Investments** from SunEdison for $80 million.

Under the terms of the deal, 8minutenergy will continue to construct the project, the company announced in a statement issued on July 11. The purchase price has not been disclosed.

Zug, Switzerland-based Capital Dynamics is currently arranging tax equity and debt financing for the project, with financial closing expected in late July, the statement adds.

Southern California Edison has a long-term power purchase agreement with the project. The project is slated to be online by the end of 2018.

Bank of America Merrill Lynch acted as 8minutenergy's financial advisor. BAML worked with 8minutenergy on its capital raise last year (PFR, 10/10). **Orrick, Herrington & Sutcliffe** were 8minutenergy's legal counsel. **Amis, Patel & Brewer** represented Capital Dynamics. ■

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SPONSORED ROUNDTABLE

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U.S. Renewable Energy Institutional Investor Roundtable

Renewable energy is a fast-moving industry, driven by rapid technological progress and an ever-changing regulatory environment, but it remains an appealing target for institutional investors.

In the dynamic field of renewable technology, battery storage and smart grids are attracting attention as potentially game-changing innovations that would allow wind and solar power to compete with other sources of electricity in terms of both economics and flexibility, undermining the assumption that so-called "baseload" fossil fuel generation is required to mitigate against the intermittency of sunlight and wind.

Offshore wind is developing more slowly. While there are signs that this form of renewable energy is now viable in Europe without subsidies, it appears to be taking longer to achieve grid parity in the U.S.

These advances in renewable energy technology come amid a revolution in electricity procurement among non-utility companies in the U.S. Corporations are increasingly purchasing power directly from renewable projects—for both environmental and economic reasons—with knock-on effects for project finance.

Amid the rapid roll-out of renewables across the country, President **Donald Trump** has cast doubt over the industry by deciding to withdraw the U.S. from the historic Paris climate accord. Or has he? Some observers say the U.S. is on track to meet the targets set out in Paris even without the support of the federal government.

Against this backdrop, *Power Finance & Risk* assembled a panel comprising representatives of one of the most active investment banks in renewable finance, a major global insurance group and two international asset managers to discuss the latest trends in financing renewable energy projects.

PARTICIPANTS:

Andy Redinger, managing director and head of utilities, power and renewable energy, **KeyBanc Capital Markets**
Ric Abel, managing director, energy finance group, **Prudential Capital Group**
Paul Aronson, senior vice president, co-head infrastructure debt, **Voya Investment Management**
Jeetu Balchandani, head of North America infrastructure debt, **BlackRock**
Richard Metcalf, editor, *Power Finance & Risk*, moderator

Power Finance & Risk: One of the features of the market at the moment is that there's just so much capital available to invest in projects, and project finance seems particularly attractive to a lot of institutional investors. So my first question is whether renewable project investments compare favourably to other sectors in terms of risk and return, and whether that's changed significantly over the last six or 12 months in a material way.

Andrew Redinger, KeyBanc Capital Markets: From a very high-level I think the risk-return profile, whether it's a utility company or a project financing, wind or solar, it's always been perceived to be less risky, and I can make that statement because an A-rated industrial versus an A-rated utility have always traded differently. Utilities have always traded inside of industrials. So I think the market, in general, has always perceived the energy space, the power/renewable space, as less risky.

Over the last 18 months, I think what's happened is—especially in the renewable space—the market has matured. It's no longer a start-up, if you will. It's gone through its maturation cycle, and I think it's become a mainstream place to invest, and it's attracted

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a lot of new players. We got in very early, back in '08, '09, and I look at the number of players then versus now, and it's at least triple.

So in general, yes, the risk-return profile of the utility/power/renewable space makes it a very attractive place to put your capital, and it's obviously attracted a lot of people into it. We've seen a compression on returns—I think both in debt and equity—in the last 12 months.

Ric Abel, Prudential Capital Group: I would agree. A couple of observations I have are that in the renewable sector we have tended to see better and longer contracts. Most of the gas-fired power that we've seen recently has been under some sort of hedge and has tended to be contracted for a shorter period of time, so that's tended to make people gravitate a little bit more to the renewable sector, just because of that.

There is a tremendous amount of capital, and so the competition is very fierce, but having a strong skill set to structure and execute on transactions is a winning formula.

Paul Aronson, Voya Investment Management: I can certainly echo that. Over the last several years, we had—in our organization—longed for the days of the fully-contracted gas deals that we saw eight, ten years ago, and they weren't there. The only things that we were seeing that were fully contracted were in the renewable space.

Our organization was a bit more cautious about entering the renewable space, partially because we wanted to make sure that the technologies worked, and, as we know, they've changed and evolved dramatically over the last 10 or 15 years, certainly in solar and wind. The costs have come down dramatically, and one of the things that we historically did not like to see was effectively assets that couldn't generate a feasible economic return without some kind of economic subsidy. A lot of that has gone away as well, but even with that said, there are still transactions that are worth looking at and evaluating from a debt perspective that are fully contracted with good offtakers, and part of that is driven by renewable portfolio standards. We haven't talked, as yet, about hydro, but that's something that's also been out there, some with contracts, some without contracts, and again, all of this makes a lot of sense in the context of balanced fuel mixes for the utilities.

Paul Aronson, Voya Investment Management

But, to come back to the initial point, I think the number of entrants into these transactions has been to the point where we sometimes wonder... we like the assets, and yet the relative differential in price between utility and renewable or project spreads has contracted significantly, and that's driven by a lot of capital coming in.

Jeetu Balchandani, BlackRock: I'd add that one of the key trends we've seen over the last six to nine months has been more back-leverage transactions. We continue to see, from time to time, project debt at the 'opco' level, but more often than not, now, it's back-leverage. And whereas there's always been back-leverage provided up to the point of the traditional flip, in tax equity transactions we're now seeing that investors are willing to go beyond that flip. Structuring a transaction to make sure that you have the appropriate protections in place for flip extensions and cash write-offs is a key consideration in that type of transaction.

So as we continue to evolve I think that tax equity continues to play a major part in financing renewable energy transactions, and, if anything, we've seen an acceleration in projects coming to market with these structures, and more developers and sponsors needing financing and creative structures to work around some of these tax equity points that need to be in place.

PFR: I think we'll probably come back and talk quite a bit about tax equity. Before we move on to that, though, I wanted to pick up, Paul, on what you said about there being just so many participants, so many investors looking to get involved. How many investors can be chasing one deal at a time, and are you seeing investors looking at these kinds of deals that are new in some way or haven't been involved before?

Aronson, Voya: Yes, I think so. From our perspective—again, keep in mind it's primarily investment grade, long-term, fixed-rate debt—the people that would play in the power and energy space in the private capital markets with any regularity, if you went back 15 years, was maybe a dozen. There was a transaction done last week that was not a renewable, that was a contracted gas-fired plant, and there were 26 investors in it; at least two or three that, frankly, I wasn't even familiar with the names of their organizations. Some of that was foreign money that's coming in to the space. It's also trickled down to the point where it's not simply the 10 largest life insurance companies that are out there. Obviously, BlackRock is an example of that too, but we're also talking about a lot of people that we would consider mid-to-small-tier insurance companies, where arguably we sometimes wonder about the depth of the analysis that's going in. There is excess spread out there relative to corporates, and at times it feels like 2007 in terms of people chasing yield.

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PFR: Okay, so a lot of new investors are coming in that perhaps some of us don't recognise from working in this space in previous years. Another trend is that I guess if you're trying to get involved in project finance, I'm hearing institutional investors are trying harder to compete with bank finance, and delayed-draw features are a part of that. We see on the equity side as well, institutional investors buying development-stage assets in a way that they perhaps haven't been seen to do in the recent past.

What's driving that? Is it just the only way to get the target yield that you're looking for? What's driving institutional investors to try and look more at development-stage projects?

Redinger, KeyBanc Capital Markets: From our perspective, because we're usually hired by developers to go talk to those institutional investors, the institutional investors that have come in and the ones that have been there before, it's a search for yield. So I think as they get more and more comfortable with these asset classes, they feel more comfortable about taking a little bit more risk. As you get earlier and earlier in the development cycle, especially in solar, for the yield you can pick up, the additional risk that you're taking is minimal.

When we started this back in '08, '09, it was thought that construction was the riskiest piece of the project. This has completely reversed itself. Construction is now considered to be very low risk, and I think this is the maturation of the marketplace, especially in renewables. From an equity perspective, it's the same thing. I think the equity investors also, in looking for higher returns, are going earlier and earlier, because again, they're becoming more and more comfortable with these assets classes, and realising the risk-adjusted returns on this perceived risk of getting involved prior to 'final notice to proceed' is not as much as maybe they once thought. So that's what's driving it, I think.

Abel, Prudential: I would agree with all of that. I would also add that one of the advantages of getting involved earlier is then you get to play a role in structuring the deal. You get an earlier review of contract structures and deal structure. We found that it actually, in some ways, helps de-risk the project because it's a lot easier to have influence that's worth something before it's executed than in trying to go back and fix it in a consent agreement. The fact that you can just get it right going in is a big de-risk element to the transaction.

Balchandani, BlackRock: I think there's a good healthy tension between the bank and bond market in financing renewable energy transactions. If you think about a long-term power purchase agreement, a 20-year PPA, that's going to be very well-suited to a private placement-style execution. If a sponsor wants a construction loan and is thinking about turning over the asset, they'll want that prepayment flexibility and will likely go to the bank market.

We just saw a couple of transactions in the thermal market get done with bank-bond hybrids, so depending on the scale of the deal, I think that's perhaps a very good solution for transactions which could have participants from both markets involved. As that scale and that model develops, I think all market participants are going to be a bit more comfortable with that. It's going to become more of a model form, not something that has to be reinvented every time with market standard intercreditor agreements.

Redinger, KeyBanc Capital Markets: I know we're going to talk about this later, but the piece in the capital stack that is still absolutely mispriced is tax equity. I just bring that up because the risk-return they're getting is way out of market, but until there is more of a supply and demand balance with tax equity, they're going to continue, basically, to earn a very much outsized return in that capital stack. I'm just jealous. I'd like to get some of that return.

PFR: Eventually they are going to phase out the subsidies that underpin tax equity. Are you looking forward to that now?

Redinger, KeyBanc Capital Markets: Oh, absolutely. I'm absolutely looking forward to it.

Abel, Prudential: This is called the 'dream come true'.

PFR: Ric, you mentioned that coming into a deal earlier gives you more control over the structure of the deal. Clearly, there's never enough supply of this paper to meet the amount of demand. In terms of the kinds of deal structures that are out there, are there the right deals to match what institutional investors are looking for?

Abel, Prudential: Well, one of the things you're seeing more is that there are companies with different missions. Some are there to develop and sell projects, others carry them to the commercial operations date, and then

Jeetu Balchandani, BlackRock

others want to be long-term asset holders. So all three of those are going to tend to drive a different business model or a different capital structure, a different need for flexibility in terms of funding. So it's not quite cookie-cutter, and you do need a lot of creativity in order to get stuff done.

Redinger, KeyBanc Capital Markets: The rating agencies seem to be coming up to speed on this asset class as well. There's a lot of institutional investors that need a rating, and the rating agencies historically have been a lot more conservative than the bank market in applying the ratings, but we have seen some movement lately in their methodology around what is an investment-grade rating. So, I think that's a good thing. From my perspective, we like the earning assets on our books, but I think as the rating agencies get more and more up to speed on this asset class and maybe relax some of the haircuts they take on the models and some other things, the institutional market has the potential to be very competitive with the bank market, maybe not too far in the distant future.

PFR: We saw a report from Fitch Ratings in April that said that they could upgrade some solar projects as a result of a change in their ratings criteria, in particular because the solar projects had performed at a higher level than expected and had been able to cope well with operational stresses.

Redinger, KeyBanc Capital Markets: That's right, and I think they're starting to consider maybe taking some merchant tails into account, as well as some other things, maybe not applying such large haircuts to some of these projects that they're looking to rate. As they get more up-to-speed, I think it's going to help the institutional market compete with the bank market, and I do see movement along those lines.

Abel, Prudential: Moody's Investors Service did a pretty interesting study where they felt from a loss-default perspective that a project finance is kind of a Baa3 through the construction start-up, and then from year two out it's more of an A3 default-loss ratio risk. There is definitely movement in the ratings.

Aronson, Voya: The only other thing I would add to that, though, is there are, obviously, a number of smaller types of projects that can still make sense in the institutional market that frankly don't really make sense getting rated. A number of investors are certainly comfortable taking on that risk, as well. It's pretty hard to justify, if you've only got a $100 million debt piece, to go out and get it rated by an agency at this juncture.

Abel, Prudential: I would agree with that, and Pru, certainly, is a buyer of non-rated paper.

Redinger, KeyBanc Capital Markets: If you're able to buy non-rated paper because the bank market is so conservative in their leveraging up of these projects, especially the renewable space, I think if you have that bucket of non-rated capital, you're in a great position. A lot of our clients are looking for that mezzanine piece, and people that have that bucket of capital, again, from a risk-return perspective, I think they're in really good shape because I don't see a massive amount of people—there's still a lot, but there's not a massive amount of people—chasing that bucket. I still think you can get a pretty decent risk-return if you have that type of capital in this market.

Balchandani, BlackRock: Yes, that's a great point. If investors have that flexibility to go up or down the capital structure to find value where today it exists the most, I agree. I think I would say investment grade transactions are challenging at these levels, and we regularly see multiple times oversubscriptions. We're seeing more value in high-yield and in mezz than I.G. at this time.

Having said that, I think investors are of the mindset that they have to put money out the door, and I think you're definitely seeing some of that factor into the pricing, and you're starting to see some of that factor into the terms that are being accepted in the market as well, such as the recent long delayed-draw transaction. So, I think we continue to have to be somewhat vigilant in making sure you're looking at the right relative value. This asset class has, broadly speaking, a great characteristic of lower defaults, higher recoveries. I think finding the right relative value is often challenging.

PFR: What sort of a range of pricing do you see for these kinds of deals?

Balchandani, BlackRock: Going by some recent transactions, anywhere from the mid-100s, 170 basis points on up, to 220 to 230bps.

Aronson, Voya: But that's at least 100, 150 tight to where it was three years ago, probably. Let's call it 100 tight. But the odd transaction is around 300, probably. And I agree. That is a challenge. One of the problems that you have, though, especially with some of these on the investment grade side, is they're getting—and it used to be that all these projects would be rated BBB- when they got a rating—we're seeing a lot of projects, even going through construction, that have a triple-B slapped on them from the get-go, which is making people feel it's okay to jump in. Part of that may be, as Ric was saying, that post-construction you really have an A- deal, and there's probably an argument for that.

PFR: Are the spreads you mentioned over Treasurys or over Libor?

Aronson, Voya: Over Treasurys.

PFR: Well, we've talked a little bit about how the market has matured generally, especially renewables, and I think, Ric, you talked about how different sponsors have different business models, as well. My next question is how big of a difference the identity of the sponsor makes to the attractiveness of these deals for investors.

Abel, Prudential: The sponsor is the key to everything. Stuff happens. Good sponsors solve it, bad ones don't. I think whomever is the sponsor is paramount to the new or the old loan credit. That's where we start each of our credit reviews: who's the sponsor?

Balchandani, BlackRock: I'm going to have a slightly different view. The sponsors, of course, are very important, but it also

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depends on the project technology, the structure, how much equity there is, and some of the in-house expertise we have. We have a Renewable Power Energy Group, we have in-house engineers, so I think we take the slightly different view that if we think the project has got the right technology, the right suppliers, the right contracts, and the right structure we could be supportive of the project, even if it's a smaller developer.

Redinger, KeyBanc Capital Markets: I would say you're both correct. We probably won't start a relationship with a sponsor unless they have the wherewithal and they have the track record. But Jeetu's point is the money goes in first; the equity all goes in first. So I don't care how big the sponsor is, good money won't follow bad money, irrespective of the sponsor's size. They're both right.

Aronson, Voya: I agree somewhat, except we will always want to see a project that 'Ric Abel & Richard Metcalf Enterprises' can operate, because that in and of itself makes it a project that we like. Having said that, as Ric Abel said, things do happen over time, and if you're lending on a 20-year basis, it's likely that your sponsor may change over that time.

We usually allow sponsors to be changed if they have a certain expertise and net worth. That being said, partnering on the front end with someone who you have a lot of faith and comfort in, who tends to look at things perhaps in the same way that a long-term debt investor would, in other words, not worried about trying to pull out $200 million over the course of the next two years in an equity distribution, if that's the wrong thing to do for the long-term value of the project. Sometimes some of the sponsors tend to be a lot more focused on producing short-term returns, and that's something that we would be wary of, as well.

PFR: Another topic that is of interest is on the technology side. Renewable energy is a fast-evolving area of technology, and a key element of it at the moment is the introduction of battery storage, which would potentially solve the world's energy problems if you combine that with renewable energy. How do you view the addition of battery storage projects to renewables deals?

Andy Redinger, KeyBanc Capital Markets

Abel, Prudential: We did a 40 MW standalone battery storage project in 2015, and so we definitely think that it's part of the future. We think there will be a lot of it done in California, and there's certainly a lot of discussion going on in Texas and New York. PJM Interconnection got inundated with more storage than they thought they'd get. It's here, and it's going to develop, and it's going to become more and more creative. I think it's an important area to be focused on.

Redinger, KeyBanc Capital Markets: I would concur. We have done some battery storage deals ourselves, but it's always been enhanced in some form or fashion. What's happening is, we're getting experience with the battery storage right now, and as time passes, we're going to get more and more comfortable with doing that on a standalone basis with no enhancements. So within the next 12 to 18 months, I suspect if the market is moving that quickly, I think we'll end up doing a battery storage deal on a standalone basis.

PFR: There's been a bit of a slowdown in wind project financing this year. How do you see wind project financing activity developing in the coming months and years?

Redinger, KeyBanc Capital Markets: I think we're at the point where everyone wants to get their projects completed. I think there's something like 20 GW of turbines that have been qualified for the production tax credit. So I know there's going to be at least 20 GW, or otherwise, someone's going to be long a lot of turbines. Then, if you look at what's going on in the offshore market, there's almost 5 GW of requests for proposals from five different states, so although it has slowed down, I think given the number of turbines that need to find homes and what's going on in the offshore space, I think you'll see a pickup here going forward.

PFR: How do investors feel about offshore wind? Does it differ significantly from financing onshore wind?

Balchandani, BlackRock: For sure. I think it's almost its own asset class, so one has to get comfortable with it. BlackRock has financed offshore wind, both in debt and equity, so we are familiar with the additional complexities of investing in offshore wind farms. I think what it took us is our internal team — I mentioned our internal engineers —to review the exact assumptions in each project to come up with what we thought was the right level of operations and maintenance and capital expenditure in those transactions, not just believing what a sponsor says, or even what an independent engineer says, and having our own independent view on that.

So that's what it took us, and, of course, having the in-house expertise on the investment side helped to get us comfortable. We think it is a significant part of the renewable energy future, both in Europe and in the U.S., so definitely expect to see more transactions coming from that space.

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Aronson, Voya: The majority of our power and energy portfolio has been in North America, and we have not done anything offshore. We've looked at a couple of things, and I agree. I can't tell you we have an opinion one way or another on the right amount of extra sensitivity that you would have with respect to the complexity of doing an offshore project. We haven't reached a conclusion on that at this point.

PFR: Another topic that I wrote quite a bit about last year was the increase in non-utility corporates directly procuring power from renewables projects, both to meet the environmental targets that they've set themselves, which are often very ambitious, and also just to have a long-term idea of how much that power is going to cost over a long timeframe. How has that affected project financings in this area for institutional investors?

Redinger, KeyBanc Capital Markets: I would say it has provided some support to the contracted market, where those long-term PPAs would not have been present necessarily with the traditional utility PPAs, and the differences between the two are now starting to, I think, be well understood by investors.

One of the things one has to always keep in mind is corporates can be cyclical. Utilities do have that backstop of having a public utilities commission approval and a much more stable capital structure. Having said that, we don't see a tremendous amount of long-term utility PPAs in the market. I think corporate PPAs filled a void in the market.

Balchandani, BlackRock: Are you pricing it differently though, the corporate versus the utility PPA?

Redinger, KeyBanc Capital Markets: I would say it depends on the corporate, but the ones that I've worked on personally in the past, we have not, given the high credit quality nature of those corporates.

PFR: Does the structure of the PPA have any impact at all?

Abel, Prudential: One of the things that you see is they're shorter term, a lot of the corporates, ten or 15 years, and then it puts quite a bit of pressure on the overall economics. You have to be willing to take some level of a merchant tail.

Those deals tend to be price-driven first, terms second. I think it makes things a little bit perverse, where they're unwilling to move on the price, and there's a trade-off between risk and return. You can get very competitively bid PPAs, and I think there have been some disappointments in the corporate market where certain things haven't gotten executed because ultimately they wound up with a PPA that wasn't financeable.

PFR: Let's move on now to the regulatory outlook for renewables generally. There's a lot of concern about what the federal government is going to do with regards to energy policy on renewables and also tax reform, and the Paris Agreement, of course, generating a lot of headlines. Do you think that people should be concerned about everything that has happened since the election in November?

Redinger, KeyBanc Capital Markets: I would say I don't think that backing out of the Paris Agreement in the short-term or maybe in the long-term is going to have any impact whatsoever on individual states' renewables policies here in the U.S.

I think with regards to the tax, there's some noise around negotiating a tax equity deal right now between the senior debt and the tax equity. There's the noise that's always been there, and there's a little bit more noise now because of expected declines in corporate tax rates. But it's solvable. The tax incentives are already being phased out. Given all the press and all the noise around this, I don't think it really is going to have much of an impact whatsoever.

Balchandani, BlackRock: I agree that there is not much impact on the current deal flow that's already going to happen. The tax rate and the potential reform has caused uncertainty, and I think that has increased a little bit of that tension between sponsor, lender, and tax equity. Who's going to take this risk? I think it's fallen to the sponsor, because the lenders are saying it's not my problem, tax equity is saying it's not my problem, so the sponsor gets to bear that. Now, whether something happens to the tax rate or not doesn't really matter, but uncertainty has been built into any financing that needs to get done now.

So, there is that noise, you're right. That noise has increased. In terms of future pipeline, it's really hard to predict what happens beyond this year or next year. Two, three, four years out there could be an impact if there is a lower tax rate or something else comes out on the regulatory front. Having said that, I was going to agree that this is pretty much driven by state renewable portfolio standards. It's great that the federal government has these

Richard Metcalf, Power Finance & Risk

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tax incentives in place, but had it not been for the RPS I think we would not have seen this level of generation.

Aronson, Voya: Yes, I completely agree with that latter point. In terms of certain things that are in process, it's not going to change. On balance, we don't ever specifically look to invest in transactions that are renewable for the sake of being able to trumpet the fact that we are good citizens. But there are many investors that like to have that as another, 'Gee, I can check the box', if it makes sense economically. And utilities still want it, the general population still seems to want it, so I don't think that you're going to see an absolute stop in the advancing of renewable transactions. As we've talked about, the capital costs, the actual economic costs, regardless of tax implications, are today much more competitive than they have been historically.

Redinger, KeyBanc Capital Markets: Listen, on the tax equity front there are tax investors. What risks are they taking if they're not taking tax risk? And let's be fair, they're getting 400 basis points over anybody else's cost of capital in the capital stack. If they're not taking tax risk, what risks are they taking?

PFR: Well, isn't it true that they're basically just providing some capital that's absolutely necessary to make these projects economic?

Aronson, Voya: So are we.

Redinger, KeyBanc Capital Markets: I'm taking risk. What risk are they taking without taking tax risk?

Balchandani, BlackRock: Structure? And certainly, it's also been some of the basis of risk, and I think in certain sectors within renewables I think sponsors got a little bit ahead of themselves in trying to maximise those benefits. Looking back, are they maybe taking some of that risk? But I think that's a well-trodden path now.

Redinger, KeyBanc Capital Markets: Well, remember, they're getting a sponsor guarantee for that, as well. They're not taking that blindly; they're also making a sponsor guarantee that.

PFR: So rather than it being a risk/reward thing, it's more of a supply/demand thing. Ric, anything to add on tax equity or on the regulatory outlook for renewables?

Abel, Prudential: I think what's been expressed captures it. The amount of de-risking that goes into a transaction for tax equity is very high. They're taking execution risk like we all are. A lot of deals fall apart because you're not able to come to terms, but once the deal is done you'd have to pretty much have a total blow-up for the deal to fall apart.

PFR: This is also something that's been touched on briefly—Paul, I think you mentioned it earlier—an influx of capital from around the world. You mentioned a much broader pool of investors coming into these deals with some that you may not recognise, and some international investors. Japan, South Korea and Israel are some of the countries that I've heard these investors are coming from. I imagine the effect of that is to just intensify, exacerbate in a way, the existing situation. Is that right?

Aronson, Voya: Yes, that's right. It's also in the fixed income markets, in general, that there are a lot of foreign investors that over the last several years are—as you've seen people domiciled in North America—looking for opportunities to increase yield. As you've seen low rates around the world, everyone is searching for yield, and North America is certainly a place that seems to have a reasonable degree of political, and frankly, relative economic stability.

Balchandani, BlackRock: I would very much echo that. I think that from our perspective, we are seeing more international investors that are looking to invest broadly across borders. So we're seeing that flow take place. A lot of it is coming into the North American market. Some of it is going to the emerging markets, and, frankly, there's some U.S. capital that's going into Europe and Australia and other places.

Ric Abel, energy finance group, Prudential Capital Group

So I think everyone is taking much more of a global view of the asset class and that freer-flowing capital is adding to more efficient execution for the sponsors.

PFR: Do placement agents play a role in bringing these international investors in?

Redinger, KeyBanc Capital Markets: We certainly try to. I think the aggressiveness of the capital in the institutional marketplace means that not only are we trying to compete to win business from these developers who have the means to hire a bank to do the placement, but also the capital providers are going direct. So, we're competing not only with other banks to win the mandate but we're competing with the capital providers who are going direct in offering very, very attractive deals if they do the deal all with them. So, we're competing on both fronts.

PFR: So, you're competing with Prudential as well?

Redinger, KeyBanc Capital Markets: Yes. We sometimes place bonds with Ric and Ric sometimes goes direct. It's just the way it works. It's a very, very competitive environment. It's a very good environment if you happen to be looking for capital.

Abel, Prudential: On the equity side, I think we've seen an even larger influx of Japanese, Korean, Asian investors. Certainly Canadian

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pension funds are very heavily invested at the risk part of the capital structure. So it's not just in investment grade, it's across the entire capital structure. There's no shortage of capital anywhere other than in tax equity.

PFR: There seems to be consensus on that. Andy, has the role of a placement agent in these deals developed in any other way or changed in any other way in the past year or so? Is it a fairly established one?

Redinger, KeyBanc Capital Markets: Well, I think it has changed a little bit because the competition for these institutional markets is just doing another bank deal or a hybrid deal or some form or fashion of the two. So I think what's changed is we may be teaming up more with someone like Ric to go do a deal, provide a hybrid proposal, but we're also providing a purely private proposal and a purely bank proposal, so we're covering the whole gamut. What's different is we're teaming up with one particular institution to go pitch a specific hybrid deal, but then we'll also pitch a bank-only and a marketed placement deal as well. We tend to be working with the institutional investors more than we had in the past or where we would just get hired and then go talk to everybody to try to get the best deal.

Abel, Prudential: We're actually more friendly than some people think we are.

PFR: Do the private debt teams in banks also ever frustrate their commercial bank colleagues by taking some of their market away from them?

Redinger, KeyBanc Capital Markets: No. From our perspective, I'm indifferent. We work as one team, whether we do a bank deal or a bond deal, I'm indifferent. We don't think of it that way, where we have silos. We're just one team that tries to get the best deal.

PFR: Does that depend on how the bank is structured and set up?

Redinger, KeyBanc Capital Markets: Yes, in some banks. I think the larger you are, as you get bigger and bigger, you get more siloed. I think that may be an issue with some bigger banks, but given our size, we look to build long-term relationships and do the best thing for the client irrespective of the product.

PFR: The socially responsible, environmentally friendly aspect of financing renewables is obviously there, and I want to know how important it is to your institutions that you're doing that. Presumably these deals don't get any kind of pricing advantage because of that, but I wondered whether you'd agree.

Aronson, Voya: Realistically on the margin they probably do get a slight pricing advantage because there is this unsaid or unspoken desire to make it look as if you're investing in green bonds. When I've been asked the question by placement agents, I've always taken the approach that we're not going to pay a premium to buy a green bond. It has to stand on its own. Having said that, the market has shown that when you have something that makes a lot of sense on its own, it might tend to get bid a little bit more aggressively because of that added feature or benefit. It's really hard to quantify how much that is or should be because it's a much less tangible benefit, other than it makes a lot of people feel good. But it is something that we are obviously somewhat cognizant of as we build-out the overall portfolio, the same way that if our entire portfolio was constructed of coal assets, we would probably view them in a fairly negative way from our clients' perspective.

Abel, Prudential: From Prudential's point of view, it's interesting to look at. I've been at Pru 28 years. When I started in '89, probably 40% of our project portfolio was coal. By the late 90s, 40% of it was gas. By '07 or '08, 40% of it was wind, and I would say two years from now, 40% of it might be solar. We look at economics first, second, and third, and that's what drives it. The market opportunity has more than anything led to that shift in concentration.

Balchandani, BlackRock: It is a very important consideration. We hear about it more and more from our investors, and they are paying increasingly more attention to it, and also to measuring the impact of each and every transaction.

Having said that, though, we have not seen that translate into any kind of price discount for these transactions, and I think, at least for the time being, we haven't heard of anyone even contemplating that at this stage. So, to Ric's point, economics are number one. These are transactions which are good from a corporate social responsibility standpoint, as well as from measuring the impact. That does get measured and does get passed on, and investors like that and they want to be able to report on it. At some point in the future, perhaps we might see that factor into price.

Redinger, KeyBanc Capital Markets: From our perspective, we get a lot of questions at our senior management level from equity investors about what we're doing for sustainability. So, we are actually looking right now at issuing a green bond. I do agree that there's no pricing advantage right now, but as more and more companies like ourselves look to access that market, I do think there will be, going forward down the road, a pricing advantage as it gains in popularity. So I do think it's a developing market. I expect some pricing advantage down the road.

Aronson, Voya: It is all about economics, but we talked about the fact that on the renewables side, spreads have crashed in tremendously. Realistically, my guess is over the last three to five years, spreads on coal opportunities have widened dramatically. And so, how much of it is that intangible? It's a combination.

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MERGERS & ACQUISITIONS

Dynegy Divests Three Plants

Dynegy has agreed to sell three merchant gas-fired assets to two private equity shops.

Rockland Capital is acquiring the 625 MW Lee project in Lee County, Ill., from the Houston-based independent power producer for $180 million.

Meanwhile, **Starwood Energy Group Global** is purchasing the 164 MW Dighton project in Dighton, Mass., and the 149 MW Milford project in Milford, Mass., for a combined price tag of $119 million.

Barclays acted as Dynegy's lead financial advisor on the sales. **Deutsche Bank** advised the IPP on the Dighton and Milford transactions (PFR, 4/28).

Dynegy began marketing Lee as early as February (PFR, 2/15). The sales process for Dighton and Milford moved into a second round this spring (PFR, 4/11).

Lee was acquired by Dynegy from **Duke Energy** in 2015. Dighton and Milford were purchased from **Energy Capital Partners** that same year (PFR, 8/22).

Proceeds from both sales will go toward debt reduction, the company said in an announcement on July 11. ■

Pattern Acquires Wind Asset

Pattern Development has acquired a shovel-ready wind asset in Montana from the U.S. subsidiary of German wind developer **PNE WIND**.

The 80 MW Vivaldi Springtime project, which is located in Stillwater County, near the town of Reed Point, has a 25-year power purchase agreement with **NorthWestern Energy**. PNE entered into the $37.63/MWh PPA in December.

The project, which is fully permitted, is expected online in mid-2018.

The purchase price and how Pattern financed the acquisition could not immediately be learned.

Siemens Financial Services and another undisclosed lender arranged a non-recourse turbine loan in excess of $100 million for Pattern late last year (PFR, 1/25).

Whether this project will include turbines from that deal, which would qualify the project for the full production tax credit, could not immediately be learned.

This is Pattern's second announced acquisition of a late-stage development wind asset in the past month. The company is also in the process of buying the 103 MW Willow Creek wind project in Butte County, S.D., from Wyoming-based developer **Wind Quary** (PFR, 6/27). ■

Vistra to Acquire Gas-fired Texas Asset

A **Koch Industries** subsidiary is selling the 1,054 MW Odessa gas-fired project in Texas to **Vistra Energy** for just over half the price it paid to acquire the project nearly four years ago.

Dallas-based Vistra will acquire the combined-cycle merchant plant, which is named after its home city in Ector County, for $350 million.

The acquisition will be funded with cash on hand, according to a statement issued by Vistra. The project is located in the **ERCOT West** electric market zone.

Koch Ag & Energy Solution paid $650 million to acquire the project from **Energy Capital Partners** in 2013, in a sale run by **Goldman Sachs** (PFR, 6/21/13, PFR, 11/14/13). ECP acquired Odessa from PSEG for $335 million in 2011 (PFR, 6/28/11).

Municipal utility **High Plains Diversified Energy Corp.** had initially agreed to acquire the project from PSEG for the same amount, but was forced to withdraw its bid after a court ruled that it did not have the authority to issue bonds to finance the purchase. Lubbock, Texas-based High Plains had been planning to hire **JP Morgan** as bookrunner on the issuance (PFR, 1/7/11).

The project, which was constructed in 2001, was initially owned by PSEG and **TECO Energy**. PSEG assumed full ownership of the facility upon acquiring TECO's 50% stake in 2004.

Vistra acquired Odessa at a nearly 60% discount to new construction cost, ceo **Curt Morgan** said in the statement issued on July 6.

Vistra, the rebranded successor to **Energy Future Holdings**, owns both **Luminant** and **TXU Energy**. The company began trading on the **NYSE** on May 10 under the ticker symbol VST.

The company recently closed its acquisition of the 180 MW Upton 2 solar facility in Upton County from **Consolidated Edison** (PFR, 5/18).

Vistra is in the process of exploring an acquisition of **Dynegy**, whose Texas portfolio comprises five gas-fired assets in Texas totaling 4,061 MW and a 635 MW coal-fired project. ■

PEOPLE & FIRMS

Macquarie Joins Forces with Ex-Recurrent Staff

Macquarie Infrastructure Corp., has invested in a new renewables development shop founded by former **Recurrent Energy** employees.

Launched last year, **Intersect Power**, has secured an equity investment from MIC to finance the shop's pipeline development and expansion, the company announced on July 10.

Intersect has an approximately 700 MW early stage pipeline of utility scale solar and storage projects in California and Texas, which it plans to bring online between 2019 and 2021. The San Francisco-based shop also intends to acquire early to late stage development projects.

Sheldon Kimber, managing partner and co-founder of Intersect, used to be coo of **Canadian Solar**-owned Recurrent. **Luke Dunnington**, also a managing partner and co-founder, was previously senior v.p. of development for Recurrent. Kimber left Recurrent in April 2014 and Dunnington in December 2016.

The shop has also hired **Brandon Kideckel**, **Seth Israel**, **Todd Johansen**, **Hendrick Lo** and **Nick Pape** as partners, who all left Recurrent in a recent wave of departures (PFR, 4/4).

The size of the investment by MIC, a wholly-owned subsidiary of **Macquarie Group**, has not be disclosed. A representative of Intersect was not immediately available for comment. ■

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Joint Bookrunner

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Collateral Trust Bonds due 2022 & 2027
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