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Power Finance & Risk

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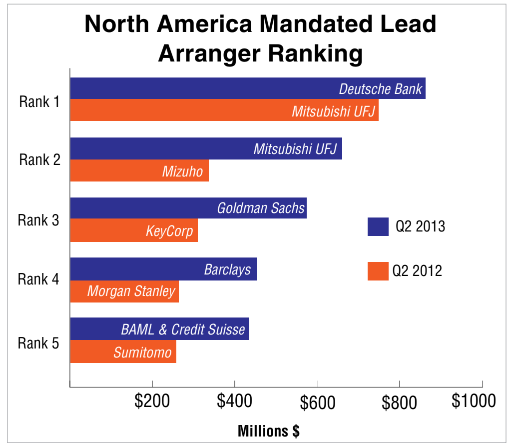
Q2 League Table: B Loan Wave Take I-Banks To Top

European and U.S. investment banks have continued to move up the North America project and energy finance league table ladder in the second quarter as they snag mandates in the booming B loan market. **Deutsche Bank**, which led a $250 million B loan for **Riverstone Holdings** and a $375 million B loan for **Global Infrastructure Partners**, vaulted up from 10th place in the first quarter to take the top slot in Q2 with $860 million in mandates, according to data from *PFR* affiliate **Dealogic**. The move represents a more than 10-fold increase in dollar volume for Deutsche Bank, which had $74.9 million in mandates in Q1.

"One of the reasons that you're seeing other investment banks appear on the league tables is the increasing role that the term loan B market has played in power this year," says **Christopher Yonan**, director of project and leveraged finance at **Barclays**, which was left lead on a $635 million term loan for **Energy Capital Partners** (*PI, 5/21*) and

(continued on page 12)



Source: Dealogic

QVC, TripAdvisor Owner To Take Abengoa Solar Stake

Liberty Interactive Corp., the owner of **QVC** and **TripAdvisor**, is taking a stake in **Abengoa Solar**'s 250 MW Solana solar project near Gila Bend, Ariz. The transaction is set to close by Aug. 15, according to documents filed with U.S. **Federal Energy Regulatory Commission** on Friday.

A subsidiary of the Englewood, Colo.-based digital commerce company will own 53% of **ASO Holdings**, the parent of Solana's holding company, **Arizona Solar One**, via passive, non-controlling, Class A membership interests. Liberty and Abengoa officials and spokespeople did not respond to inquiries by press time. Details, such as the purchase price or whether Liberty is making the investment for tax equity purposes could not be learned. **Milbank Tweed Hadley & McCloy** worked with Abengoa on the deal and an official there directed inquiries to

(continued on page 12)

NRG Nails IPO With Renewables

NRG Energy has raised $430.65 million in its initial public offering of **NRG Yield Inc**., a yield company that holds 1,324 MW of renewable and gas-fired facilities. Princeton, N.J.-based NRG had initially approached the market seeking a price of between $19-21 to raise around $400 million, but was able to secure more capital on strong investor demand. After floating shares at a price of $22 on July 16, the stock had risen to $27.25 by close after highs of $27.71 across 19.575 million shares.

Bank of America Merrill Lynch, **Goldman Sachs** and **Citigroup** were the underwriters on the deal. **Barclays**, **KeyBanc Capital Markets**, **Mitsubishi UFJ Securities**, **RBC Capital Markets**, **Credit Suisse** and **Deutsche Bank Securities** are acting as co-managers. Bank officials were either unavailable or declined to comment. NRG launched a road show for the IPO last week.

The deal marks the first time an entity has included renewable

(continued on page 12)

At Press Time: Fiera Seals Ontario Solar Assets

Fiera Axium has wrapped a project finance deal backing solar projects in Ontario that it is set to purchase from a joint venture.

See story, page 8

New Project Finance Loans

We've added updates to our weekly round-up of the latest project finance deals in the Americas, with details on projects, sponsors and debt.

See Deal Book, page 4

Generation Sale DATABASE

Get the rundown on the latest asset trades in PI's weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

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IN THIS ISSUE

THE BUZZ

QVC Owner Provides A Tax Equity Jolt

Sponsors and financiers have long bemoaned the shallow pool of tax equity investors. Uncertainty over long-term tax capacity and the life expectancy of the tax break have hindered the development

Still, deals are getting done. **Liberty Interactive**, the company behind the **Home Shopping Network**, **QVC** and **TripAdvisor**, has taken a passive equity stake in **Abengoa Solar**'s 250 MW Solana solar project (see story, page 1). It's not Liberty's first dip, however, as the company also has investments in entities that incur tax benefits from **Terra-Gen Power**'s Alta wind project in California.

Renewable developers seeking new sources of capital will also have been buoyed by **NRG Energy**'s IPO of the first yield company in the U.S. supported partially by renewable energy assets (see story, page 1). **NRG Yield** rose up 25% on its first day of trading on the **New York Stock Exchange** and bucks a trend that has seen a number of high profile names withdraw planned IPOs backed by renewable assets. Observers expect the listing might pave the way for many more.

Fiera Axium Infrastructure Canada II wrapped a debt deal for a group of solar facilities in Ontario, after it bought out the other equity investors in the project (see story, page 8). Banks were keen to put money to work with prospects drying up alongside feed-in tariff opportunities in the Canadian province.

Another place where investor appetite is strong is the utility bond market. A **Southern Power** deal closed this week with a whopping $2.3 billion order book for only $300 million in notes (see story, page 7). Power and utility companies continue to attract investors in their droves, with attractive yields and strong ratings. A **Duke Energy** subsidiary also had an order book oversubscribed, as it locked in $500 million in floating- and fixed-rate notes to take out maturing debentures (see story, page 7).

TELL US WHAT YOU THINK!

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

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & SALE CALENDAR

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

Seller	Assets	Location	Advisor	Status/Comment
▶ Abengoa Solar	Solana (250 MW Solar)	Gila Bend, Ariz.		Liberty Interactive Media is buying passive equity interests in the project (see story, page 1).
Advanced Power Systems	Cricket Valley (1 GW CCGT)	Dutchess County, N.Y.	TBA	Looking for equity (PI, 7/15).
ArcLight Capital Partners	Various (2.8 GW Gas)	Georgia	Citigroup, Barclays	Bidders wait to hear results from final round (PI, 7/1).
	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
BP Wind Energy	Various (Wind portfolio)	Various	None	Has had initial chats with suitors, may bring in advisor later (PI, 5/20).
Capital Power	Tiverton (265 MW CCGT)	Tiverton, R.I.	Morgan Stanley	Buyers have entered the second round of due diligence (PI, 6/17).
	Rumford (265 MW CCGT)	Rumford, Maine		
	Bridgeport (520 MW CCGT)	Bridgeport, Conn.		
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	An equity investor to precede financing of the coal-to-gas-fired project (PI, 6/24).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	Retained JPM to sell plants alongside Perella (PI, 7/1).
EmberClear	Good Spring (300 MW Gas)	Good Spring, Pa.	CCA Capital	Likely to sell a nearby development in addition to Good Spring (PI, 4/8).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Teasers are out (PI, 6/24).
▶ Energy Investors Funds	Stake (550 MW Astoria Energy II)	Queens, N.Y.	Barclays	Plant co-owner Harbert Management Corp. is exercising its right of first refusal to buy the stake (see story, page 7).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldman Sachs	Teasers are out (PI, 5/13).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Initial bids due early June (PI, 6/10).
GDF SUEZ Energy North America	Armstrong (620 MW Peaker)	Pennsylvania	Bank of America	BoA is prepping teasers (PI, 5/27).
	Troy (609 MW Peaker)	Ohio		
	Calumet (303 MW Peaker)	Illinois		
	Pleasants (304 MW Peaker)	West Virginia		
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	Seller looking to take advantages of ERCOT interest; teasers not yet released (PI, 7/8).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Teasers went out in mid-April; includes a 171 MW peaker (PI, 5/6).
Longview Power	Longview (695 MW Supercritical Coal)	Maidsville, W.Va.	Lazard	Talking a potentail pre-pack with creditors (PI, 7/15).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	First round bids due between 2/18-2/15 (PI, 2/11).
	Forked River (86 MW Gas)	Ocean River, N.J		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17)
Pattern Energy	Various (1 GW Wind)	North America	Morgan Stanley	Process iced for run at Toronto Stock Exchange listing (PI, 5/27).
PPL Corp.	Various (604 MW Hydro)	Various, Montana	UBS	The utility holding company is selling its unregulated Montana operations (PI, 11/12).
	Colstrip (529 MW Coal)	Colstrip, Mont.		
	Corette (153 MW Coal)	Billings, Mont.		
Sempra Energy	Energias Sierra Juarez (156 MW Wind)	La Rumorosa, Mexico	TBA	Will start a process to find a JV partner replacing BP Wind (PI, 7/8)
U.S. Power Generating	Astoria Generating (2.3 GW Oil, Gas)	New York	Goldman Sachs, Morgan Stanley	The company is in talks with a handful of parties (PI, 4/22).

▶ **New or updated listing**

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

PROJECT FINANCE DEAL BOOK

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Alto Maipo (531 MW Hydro)	Chile	TBA	TBA	~$1B	TBA	IFC, IDB and OPIC are participating in multilateral tranche. Sponsor also talking to commercial lenders (PI, 7/2).
Alterra	Dokie II (156 MW Wind)	Fort St. John, B.C.	TBA	Expansion	$300M	TBA	The sponsor is hoping to close the financing in the next few months (PI, 9/24).
	Upper Toba (124 MW Hydro)	Toba Valley, B.C.	TBA	Expansion	$40M	TBA	Sponsor is looking for project equity (PI, 9/10).
BrightSource	Hidden Hills (500 MW Solar)	Hidden Hills, Calif.	TBA	TBA	TBA	TBA	The company is in the market looking for equity, before finalizing the debt financing (PI, 4/29).
	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Sponsor ups the original bank loan to $4.4 billion and taps Korean entities for a further $1.5 billion (PI, 6/3).
Competitive Power Ventures	St. Charles (660 MW Gas)	Charles County, Md.	TBA	TBA	$500M	TBA	Sponsor talking with banks for a club deal and may consider a bond component (PI, 9/17).
	Shore (663 MW Gas)	Woodbridge, N.J.	GE EFS	Term Loan	$585M	TBA	CPV is looking to wrap the deal, despite still facing a legal battle over the PPA (PI, 5/27).
Corona Power	Sunbury Generation Facility (900 MW Gas)	Shamokin Dam, Pa.	TBA	Term Loan A & B	TBA	TBA	The financing will be dictated by the equity investor the company is looking to secure (PI, 6/24).
	Edinburg (700 MW Gas)	Edinburg County, Texas	TBA	TBA	$650M	TBA	The new shop will fire up the financing after some of the final permits are issued (PI, 12/3).
EDF Renewable Energy	Rivière-du-Moulin (350 MW Wind)	Quebec, Canada	TBA	TBA	TBA	TBA	The total investment needed for the project will be $800 million (PI, 3/11).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
EmberClear Corp.	Good Spring (300 MW Gas)	Schuylkill Country, Pa.	CCA Capital	TBA	$400M	TBA	Sponsor taps Boston-based CCA Capital to manage both the debt and equity sale (PI, 12/24).
Energy Investors Funds	Pio Pico (300 MW Gas)	San Diego County, Calif.	SocGen	TBA	$300M	TBA	Sponsor is re-launching financing efforts (PI, 6/10).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
Fiera Axium	Various (42 MW Solar)	Ontario	Natixis, NordLB, BTMU	Mini-perm	$175M	10-yr	Deal wraps (see story, page xxx).
Genesis Power	Keys Energy Center (750 MW Gas)	Brandywine, Md.	TBA	TBA	TBA	TBA	EIF is taking an equity stake in the project (PI, 3/4).
Gauss Energia	Various (3 x 30MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsor is looking to finance another three projects after the succesful closing of the Aura Solar facility (PI, 7/1)
Greengate	Blackspring Ridge I (300 MW Wind)	Lethbridge, Alberta	Citigroup	TBA	~$600M	TBA	Sponsor may be looking for financing or to sell (PI, 9/10).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
K Road Power	Moapa (350 MW Solar)	Clark County, Nev.	TBA	TBA	$1B+	TBA	Ares will provide a mezzanine tranche for the deal (PI, 7/15).
Moxie Energy	Moxie Liberty (850 MW Gas)	Bradford County, Pa.	TBA	TBA	$800M	TBA	Pricing, timeline emerge on Liberty term loan B (PI, 5/27).
OCI Solar Power, CPS Energy	Alamos I - V (400 MW Solar)	Texas	TBA	Term	~$500M	TBA	Sponsor heads straight back into the market looking to fund the next two phases (PI, 3/18).
Pattern Energy	Panhandle (322 MW Wind)	Carson County, Texas	BayernLB, Crédit Agricole, NordLB	Bridge to Tax Equity	$500M	2-year	The sponsor has mandated three leads for the bridge loan, as pricing emerges (PI, 3/25).
Ridgeline Energy	Meadow Creek (120 MW Wind)	Bonneville County, Idaho	TBA	TBA	$180-200M	TBA	Sponsor discusses financing with lenders, equity with Diamond Generating Corp. (PI, 5/28).
Samsung Renewable Energy	Grand Renewable (100 MW Solar PV)	Haldimund County, Ontario	TBA	TBA	TBA	TBA	The sponsor is talking to banks looking for debt for the project (PI, 5/27).
Solarpack	Various (25 MW Solar PV)	Tarapacá, Chile	IDB	TBA	$41M	TBA	The IDB closed the deal with its own funds and financing from the Canadian Climate Fund (PI, 4/8).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	TBA	TBA	$450M	TBA	Sponsor is looking to become the first entity to back a solar thermal project without a DOE loan (PI, 2/4).
Strata Solar	Warsaw (100 MW Solar PV)	Duplin County, N.C.	TBA	TBA	~$250M	TBA	This will be the largest project that the sponsor has looked to finance (PI, 2/25).

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PROJECT FINANCE

Sempra, Pemex Tap BTMU For Mexican Pipeline Deal

A joint venture between **Sempra Energy** and Mexican oil and gas monopoly Pemex has tapped **Bank of Tokyo Mitsubishi** to lead a $500 million deal to lever up its **Gasoductos de Chihuahua** pipelines in the north of Mexico. The JV is looking to free up capital to bid into other pipeline projects currently being tendered in the country, such as Los Ramones II (*PI, 7/12*).

"They have paid off the original debt that they had on the project, so wanted to re-lever it to put the money to work on the huge pipeline of projects in the space in Mexico," notes a deal watcher. The JV is looking for a financing with a tenor to match the life of the assets, which is around the 12- to 13-year mark, he adds. **BBVA**, **Citigroup**, **Dexia**, **Fortis**, **Natixis** and **NordLB** participated in the original $116 million deal inked in 2002 backing the pipelines, which matured this year (*PI, 12/8/2011*).

The mandate is also indicative of a shift in Latin American financings, as Japanese banks are making a concerted push into the region, where attractive yields and more stable economic conditions are fostering growth.

FAST FACT

The Gasoductos de Chihuahua are located in the northern part of the state of Chihuahua and consist of a 24-inch diameter gas pipeline and a compression station.

The Gasoductos de Chihuahua are located in the northern part of the state of Chihuahua and consist of a 24-inch diameter gas pipeline and a compression station. The pipeline has a length of 23.4 miles (37.7 kilometers). It starts at the border with the U.S., and ends in the 700 MW Samalayuca plant in Samalayuca in the state of Juarez. This station is connected with a 16-inch gas pipeline owned by Pemex, which allows the transportation of natural gas to the city of Chihuahua. The pipelines have supply agreements for the next few years, although exact details could not be learned by press time.

Pre-Game: San Diego Eyes $1B Hydro Facility

The **San Diego County Water Authority** and the **City of San Diego** have issued a *request for proposals* for firms to evaluate the economic and financial requirements for a potential $1 billion, 500 MW hydro facility at the San Vicente Reservoir, Calif. The generation is needed to offset the shuttering of the nearby San Onofre nuclear facility.

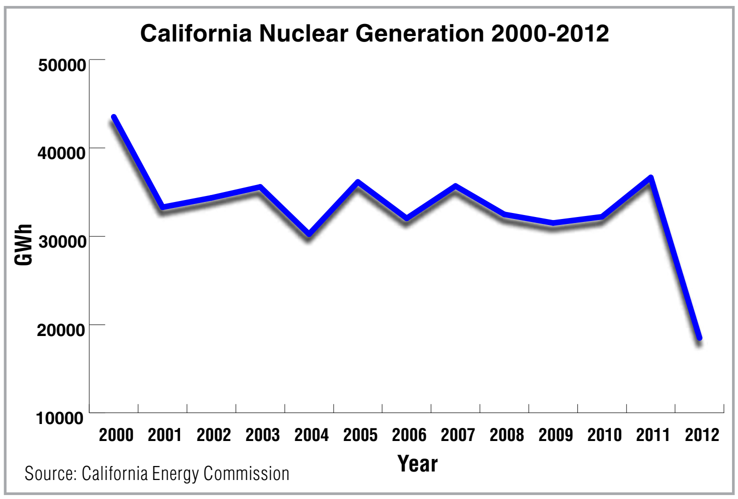
The SDCWA is looking for companies to provide them with analysis of the power market, potential sites for an upper reservoir at the site, regional power needs, and associated construction and operating costs. "We then intend to issue a solicitation next year to build the facility," says **Frank Belock**, deputy general manager at SDCWA, who is handling the RFP. The SDCWA is currently assessing whether to hire a company to build it or to enter into a public private partnership to build the facility.

The project will take six years to construct, according to company documents. This RFP is intended to increase competition among bidders, provide more bidding opportunities for local firms and reduce the total project cost. The company has a license from the U.S. **Federal Energy Regulatory Committee** for a facility between 250 and 500 MW.

FAST FACT

The generation is needed to offset the shuttering of the nearby San Onofre nuclear facility.

A hydro facility of this scale has not been seen in the U.S. for decades. The environmental and legal complications associated with hydro have made it harder for banks to get comfortable with financing them in the past, as there are always huge groups opposing the plans leading to delays in construction and development. Working in the favor of the San Vicente proposal, is the recent 117 foot extension to the height of the dam, which is close to completion and thus has already assuaged many of those environmental concerns or impacts.



Source: California Energy Commission

Power would be generated during peak-demand periods by allowing water to flow downhill in a tunnel from the upper reservoir and turn turbines before entering the San Vicente Reservoir. Water would be pumped back uphill during off-peak periods. A similar structure is used at SDCWA's $196 million, 40 MW pumped storage project that connects Hodges Reservoir with Olivenhain Reservoir, Calif.

Southern California Edison announced on June 7 that it was permanently retiring the 2,200 MW San Onofre nuclear station. Twenty percent of its output went to **San Diego Gas & Electric**. The shutdown prompted efforts to find replacement generation. SDCWA does not have a power purchase agreement for the San Vicente project yet, but is assessing whether to secure one before or after next year's solicitation.

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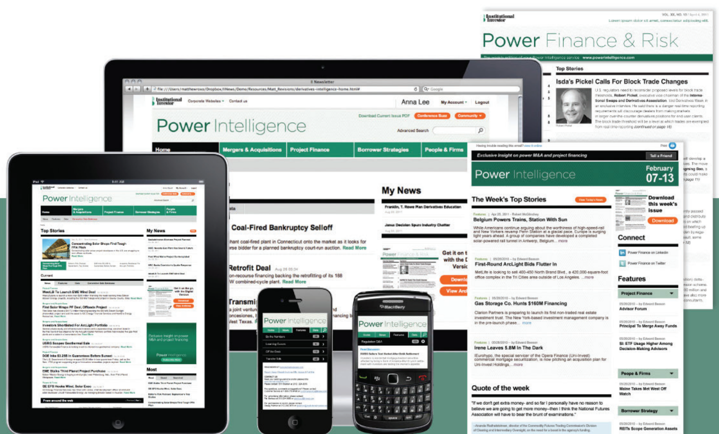

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MERGERS & ACQUISITIONS

Harbert Swoops On Astoria II Stake

Harbert Management Corp. is buying **Energy Investors Funds**' 33.3% stake in the 550 MW Astoria Energy II combined cycle plant in New York.

The Birmingham, Ala.-based investment firm already owns a 12.95% stake in the plant via subsidiary **JEMB Astoria II** and is exercising its right of first refusal to buy the stake. **Barclays** launched a sale process for the equity in November (*PI, 12/10*).

Gulf Pacific Power, a fund and Harbert subsidiary, is the acquirer; **CalPERS** is a majority investor in GPP. Harbert hit the purchase price originally negotiated by an undisclosed bidder, according to a deal watcher. The purchase price could not be learned by press time.

Harbert will now control the largest stake in the facility. Other co-owners include **GDF Suez Energy North America** (27.75%), **SNC**-**Lavalin** (18.5%), **JEMB Astoria II**, AE Investor II (7.5%) and the senior management (1%).

Harbert's right of first refusal had been a concern for several potential buyers, notes the deal watcher. One consortium and another buyer didn't place final bids because they didn't want to do all the work if Harbert exercised the option. Another buyer opted not to proceed with its potential purchase because other co-owners wouldn't give up their first refusal rights, which made some buyers nervous. The sale was originally slated to be competitive, due to the asset's long offtake agreement that makes its attractive to institutional investors (*PI, 12/10).* AE II has a 20-year power purchase agreement with the **New York Power Authority**, which began on July 1, 2011.

The facility was financed with a roughly $1.02 billion package that involves a $915 million mini-perm and $110 million in letters of credit (*PI, 7/10/09*). The loan has a tenor of 20 years.

STRATEGIES

Southern Draws 7X Oversubscription

The order book for **Southern Power**'s 30-year, $300 million issuance of bonds was more than seven times over-subscribed this week.

"It was definitely on the larger side of any subscriptions we have seen," says a debt capital markets banker with knowledge of the order book. "It is not too surprising given it was one of the first deals out after the rate volatility. So we went out with a good price to try to capture that large order book." Demand for power and utility paper remains strong, he adds, due to the rate risk profile.

The order book ended up at $2.3 billion. The bonds have a coupon of 5.25% and an issue price of 99.715. The paper priced at 160 basis points over Treasuries and has since tightened by 12 bps, notes an observer. **Goldman Sachs**, **Mizuho** and **Royal Bank of Scotland** were the joint lead book-managers. **Banca IMI** and **Samuel A. Ramirez & Co.** were co-managers. Bank officials either declined to comment or did not respond to inquiries by press time.

Southern Power intends to use the proceeds to repay part of its outstanding short-term debt, which stood at $268 million as of July 9, 2013, and for general corporate purposes. A company official was unavailable to comment before press time.

Fitch Ratings assigned a BBB+, as did **Standard & Poor's**, while **Moody's Investors Service** rated the notes Baa1.

Duke Sub Taps Bonds As Rates Rise, Debt Matures

Duke Energy subsidiary **Duke Energy Indiana** has locked in $500 million in floating- and fixed-rate notes as interest rates continue to rise and the company faces $400 million of maturing debentures.

"Interest rates have been moving up so some companies wanted to get in before they went any higher," says **Rob Hornick**, senior director at **Fitch Ratings** in New York. **Southern Power** was also in the market this week (see story, left). The issuance was oversubscribed, according to a Duke spokeswoman in Charlotte, N.C., adding that Duke aims to maintain a mix of floating and fixed rate notes. The 5% debentures are set to mature on Sept. 15.

The utility issued $150 million of three-year floating rate notes and $350 million of 30-year, first mortgage bonds. The floating rate notes will be reset quarterly and based on three-month LIBOR plus 0.35% and the FMBs have a coupon of 4.9%. **Citigroup, JPMorgan**, **Scotiabank** and **Wells Fargo Securities** are joint book running managers. **BBVA**, **KeyBanc Capital Markets** and **U.S. Bancorp**. are co-managers. The deal closed Monday.

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POWER TWEETS

The #Power Tweet feature tracks trends in power project finance and M&A in the Americas on **Twitter**. This week's installment showcases tweets across a broad spectrum, from the heat wave in New England to wind farms in the Midwest. For more news and coverage, follow @power_intel on Twitter, as well as Managing Editor @SARosner and Senior Reporters @HollyFletcher and @NicStone.

#Power Tweets

@JesseJenkins Updated: A (really hot) day in the life of the grid - New England power prices reach $562/MWh, demand still rising!

@chadbourneparke Keith Martin, Eli Katz, John Baecher & Andrea Satty named to CleanTech100 list.

@ChadbourneKeith IRS Delays Deadline for New Withholding Regime. #FATCA

@thejohnmarciano @NRGsolar @nrgenergy way to go with the yieldco!

@ElisaWoodMore Irony as the House Contradicts Itself on Energy Efficiency Standards.

@Adam_S_James No backup planet though... RT @luisbaram: @Adam_S_James Renewables need backup, but backup does not need renewables. Let's invest only once.

@Adam_S_James MAYBE there is no perfect path forward to a low carbon economy bc thousands of stakeholders are involved so all transitions come w grumbles.

@jackie_weidman Xcel says 3 planned wind farms in MN and ND are so competitively priced that they will save customers $180 million over the projects' lives

@SolarPowerNL Peru Will Give Free Solar Power to 2 Million Poorest Citizens.

@AREVAinc "Staying cool? Thank #nuclear power," Op-Ed by Margaret Wente enjoying on-demand continuous A/C in hot Ontario.

@ACORE Sikes: "Once you've defined how much continuous power is crucial, you examine the most stable, lowest-cost means of generation." #ACOREDoD

AT PRESS TIME

Fiera Wraps Ontario Solar Debt, Purchase

Fiera Axium Infrastructure Canada II has wrapped a $175 million debt financing backing the construction of four solar photovoltaic projects totaling 42 MW. It's also finalized its purchase of stakes in the projects from **Q-Cells SE** and **Photowatt**.

Brookfield Financial advised Fiera on the senior debt facility, which was provided by the syndicate of **Natixis**, **NordLB** and **Bank of Tokyo-Mitsubishi UFJ**. The 10-year mini perm was floated at LIBOR plus 275, but was tightened into LIBOR plus 263.5 bps. The deal steps up to LIBOR plus 287.5 bps after construction and five years. Banks either declined comment or did not respond to inquiries.

"There was a lot of interest in the deal," notes an observer, who adds that banks are looking to book deals now before a potential slow down in the Ontario solar market as the province has almost fulfilled the generation allotted to its feed-in tariff program. The projects in the towns of Ramore, Hearst, Kapuskasing and Wainwright, Ontario, all have power purchase agreements with the **Ontario Power Authority** under the province's FIT program. This transaction is the Toronto-based infrastructure investment firm's first investment in greenfield solar power facilities.

Starwood Energy had also participated in developing the projects (*PI, 4/30*). However, Fiera bought out its stake when the two companies couldn't agree on terms for the project financing, according to a deal watcher. Starwood was shooting for cheaper, shorter term debt, while Fiera wanted longer-term debt. Fiera bought out Starwood prior to closing the acquisition of Q-Cells SE and Photowatt. The purchase price for the Q-Cells and Photowatts stakes could not be learned.

The facilities will enter the investment company's investment portfolio, which also includes a 30% stake in a 730 MW renewable portfolio owned by **GDF Suez North America** (*PI, 12/19*). Fiera expects to begin construction this summer and to complete the plants in the second quarter of 2014.

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INDUSTRY CURRENT

Securitizing Distributed Solar: A New Source Of Capital For A Growing Industry

THIS WEEK'S INDUSTRY CURRENT *is written by* ***Kelly Kogan****, a senior attorney at* ***Chadbourne & Parke*** *in Washington D.C., focusing on tax and project finance in renewables.*

Kelly Kogan

Increasing the penetration of renewable energy in the marketplace depends on the industry's ability to access a source of capital that is cheaper and more readily available than the traditional tax equity. In the past few years, several innovative financing vehicles have been proposed to achieve this goal, including master limited partnerships and real estate investment trusts. In order to use MLPs, however, Congress must change the law preventing MLPs from owning renewable energy assets. In the case of REITs, it is not clear whether enough of these assets qualify as real property in order to gain sufficient traction with that option.

A third option that appears to be gaining momentum is securitization, which is a financing technique. In its simplest form, securitization involves the sale of a pool of homogeneous assets with predictable cash flows by the originator of the assets to a bankruptcy remote special purpose vehicle. The SPV funds the purchase by selling its debt securities, which are collateralized by the pooled assets. Cash flows from the pooled assets are used to pay interest and principal on the debt securities.

An important participant in the securitization process is the ratings agency, which assesses the credit quality of the SPV's debt. By evaluating the risks associated with that debt security and issuing it a rating, potential buyers of the debt do not have to conduct their own due diligence investigation of the assets that will be supporting it. Given the impossibility of conducting such an investigation with respect to all of the assets in an asset pool, the credit rating is a critical part of the securitization process.

Benefits of Securitization

Securitization has a number of important benefits. For the originator of the assets, securitization allows it to obtain funds needed to expand operatio\ns and originate more assets with no net change to its balance sheet. Securitization does this by replacing an illiquid, long-term asset (such as a loan or equipment lease) on the originator's balance sheet with an immediate, lump sum payment of cash. In contrast, were the originator to support its growth with borrowed funds, the liability side of its balance sheet would increase by the full amount of the borrowing. This can adversely affect the originator's financial ratios and likely make it more expensive to borrow additional funds in the future.

Securitization also allows a relatively young originator with some high-quality assets but a low overall credit rating to access the capital markets at a lower cost than it might otherwise be able to do. For example, a company with an overall "B" rating but with some higher rated assets on its books might be able to raise funds at that higher rating by securitizing those assets. This is possible because the placement of the assets within the bankruptcy remote vehicle insulates them from a subsequent default by their originator.

Securitization offers the various parties to the securitization transaction significant flexibility. For an originator, securitization provides an additional source of lower-cost funding. The resulting saving can be passed on to the originator's customers in the form of lower lending or rental rates (depending on the types of assets securitized).

For an investor, securitization both protects the cash stream supporting the interest and principal payments it receives from a default by the originator and, depending on the credit quality of the assets, may generate higher than average yields. Securitization also allows the coupon, maturity, and seniority of different tranches of securities supported by the same asset pool to be tailored to meet the risk profiles desired by individual investors. This can increase investor interest in the securitization transaction.

Distributed Solar Is a Good Candidate for Securitization

Distributed solar is a good candidate for securitization. Distributed solar generation is the production of electricity at or near the point where it is used, such as on the rooftops of buildings that consume the power. The two models used to finance most distributed solar projects are leases and PPAs. Both generate streams of payments that the customer is obligated to make over a specified period of time. These payments can easily be aggregated to provide the revenue stream that is the backbone of securitization.

Another reason why distributed solar is a good candidate for securitization is its potential for scale. The distributed solar market is still relatively young, having begun in 2008 when the lease and PPA finance models were introduced. Yet it has grown rapidly. According to data provided by the **Interstate Renewable Energy Council**, annual installed grid- connected photovoltaic (PV) capacity grew by almost 500% from 2008 to 2011. In light of the huge numbers of buildings, both residential and commercial, upon which solar systems can be constructed, installations are expected to continue rising.

At the same time, much of the infrastructure and industry practices needed to support the securitization of distributed solar projects are either in the early stages of development or do not exist. For example, important documents such as lease agreements and PPAs are largely unstandardized, the collection and evaluation of risk-assessment data are in their infancy, and more companies that can provide O&M and securitization-related services need to be identified. Fortunately, efforts are underway to fill many of these gaps.

Standardizing the Documentation

To streamline a rating agency's ability to assess the risks of assets that an originator proposes to securitize, the documents underlying those assets need to be as transparent and standardized as possible. The newness of the distributed solar industry has limited the opportunities to work toward this goal.

In recognition of this fact, earlier this year the U.S. **Department of Energy**'s **National Renewable Energy Laboratory** created the **Solar Access to Public Capital** working group. The group's members consist of more than 60 leading organizations in the fields of solar deployment, finance, counsel, and analysis. Its goal is to create standardized leases, PPAs, and other documents that will make it easier to pool distributed solar assets and assess their credit risks.

Collecting and Evaluating Historical Performance Data

Another barrier currently impeding securitization of distributed solar assets is the absence of historical data needed to assess risk. How often do offtakers default on their lease or PPA obligations? Do offtakers lose their commitment to honor the terms of their leases or PPAs if their generating equipment becomes obsolete? Are there certain geographical regions experiencing an unusually large number of cloudy days? How often do O&M service providers go out of business? Historical data on these questions and others are needed so that ratings agencies can accurately evaluate the creditworthiness of securities supported by pools of distributed solar assets.

At the present time only about five years of data on distributed solar performance is available. Several proxies have been suggested for forecasting distributed solar default rates, including utility and residential mortgage default rates, but none are a perfect fit. In an effort to fill this gap, two initiatives were recently launched.

In March 2013, as part of its SAPC working group initiative, NREL contracted with SunSpec Alliance, a trade association of solar PV industry participants, to build an open-source database of information about the long-term performance of residential and commercial solar facilities. The Open Solar Performance and Reliability Clearinghouse (oSPARC) uses telemetry, cloud-based computing technology, and standardized communications protocols to connect with participating solar projects in order to obtain information about the yield, availability, and reliability of their systems. Solar and financial industry personnel will be able to query the oSPARC database to generate reports about the performance and reliability of selected groups of projects. All information in the database will be aggregated and cleansed to ensure the privacy of the participants.

The second initiative is the truSolar working group. It was formed in January 2013 as a collaboration of 16 market leaders in the solar industry to develop uniform standards for rating and underwriting solar projects. Its work product is to be the ability to provide a solar project with a score – similar to a credit rating – that will be based on a variety of factors, including the developer's track record, the quality of its components, and the ease of permitting in the jurisdiction where it will be sited. Unlike the oSPARC initiative, which will collect data on residential and commercial projects, truSolar's work is focused exclusively on the commercial market.

Expanding the Pool of Experienced Service Providers

In the case of a distributed solar securitization, two types of services are needed to ensure success during the life of the transaction. The first are those involved in the management of the securitized portfolio. They include customer service and payment processing for the investors holding the SPV's securities and the collection and management of the cash flow generated by the assets in the securitized pool. These can also include management of offtaker defaults and collateral liquidation. The other services are the O&M services needed to maintain each solar system in proper working order.

It is likely that the originator of the assets in a securitized distributed solar portfolio will continue as a party to the transaction by performing both kinds of services. However, this creates a form of sponsor risk. If the service provider (and former sponsor) were to declare bankruptcy, significant limits could be placed by a bankruptcy court on the actions of the service provider in connection with the assets in the pool. This, in turn, could have an adverse effect on the investors.

In order to prevent this situation from occurring, investors and rating agencies may require a service provider to enter into a backup servicing arrangement with one or more independent third parties who are in the same business of providing asset portfolio and/or O&M services as the service provider. These "back-up" service providers could be other developers who are not in direct competition with the primary service provider. They could be other institutions that have experience with operating assets and the management ability to run the relevant business using a network of subcontractors. Such an arrangement would reassure investors and rating agencies that in the event of a default by the original service provider, the pool of assets would continue to be managed with minimal impact on them and the payments to the investors.

Conclusion

The U.S. distributed solar industry is maturing. From its origins with the introduction of the solar lease and PPA concepts five years ago, it has managed to make significant headway while relying on the traditional tax equity form of financing. Now the next stage of its lifecycle is within reach. The industry has the structure and scale needed to make securitization a possibility. Making it a reality will depend on overcoming a number of impediments standing in its way. As this article demonstrates, significant progress is being made in that effort.

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QVC, TripAdvisor *(Continued from page 1)*

Abengoa Solar.

Banco Santander affiliate **Capital Riesgo Global** had taken a 45% stake in ASO Holdings for $125 million (*PI, 4/23*). Abengoa Solar intends to repurchase Capital Riesgo's stake in conjunction with this latest transaction. A Santander official was not immediately available for comment and details of that transaction could not be learned by press time.

Abengoa has received a $1.45 billion federal loan guarantee from the U.S. **Department of Energy** for Solana, which will include parabolic trough technology. **Arizona Public Service Co**. has a 30-year power purchase agreement with the project.

Liberty affiliates also hold tax equity interests in entities that have entered into sale-leaseback transactions backing the second 150 MW phase and fourth 102 MW phase of **Terra-Gen Power**'s Alta wind project in Kern County, Calif. **Backcountry.com**, **BodyBuilding.com**, **Evite**, **HSN** and **MotoSport** and interests in **Expedia**, **AOL** and **Time Warner** are also under the Liberty umbrella.

NRG Nails *(Continued from page 1)*

energy assets in an initial public offering in the U.S. "This is basically one of the first monetizations of renewable energy assets we have seen," says a lawyer. A yield co. is a corporation that holds operating assets and is listed on the Canadian or U.S. stock exchange. **Brookfield Renewable Energy Partners**, **Atlantic Power Corp**. and **Innergex Power Income Fund** are among a handful of entities that have launched similar structures that distribute dividends from revenues from generation assets held by the companies on the **Toronto Stock Exchange**, a banker notes. The Canadian market is much more accommodating to generators than the U.S., where investors have only begun to consider renewable energy assets mature and reliable enough to enter investment vehicles for public trading.

"This is really the start of a trend. I think you will see many of the large renewable energy developers in the U.S. look to come to market in the next year," says a deal watcher, with **Pattern Energy** one of the companies said to be eyeing a similar IPO (*PI, 7/8*). **Threshold Power Trust** recently filed a similar prospectus on the TSX.

Expectations on the offering were mixed after **AES Solar** and **Riverstone Holdings** shelved a planned IPO for a company that was set to house a portfolio of solar assets. The AES and Riverstone IPO was pulled due to investor disquiet about the geographic makeup of the portfolio (*PI, 5/15*). NRG was able to push ahead, perhaps signaling a change in investor sentiment, due to the nature of the facilities, their strong offtake agreements and the presence of other well regarded companies in the portfolio, notes a deal watcher. NYLD's contracted generation portfolio includes three natural gas or multi-fuel facilities, eight utility-scale solar and wind facilities and two portfolios of distributed solar facilities.

Calls placed to NRG officials were not returned by press time. Officials at Pattern in San Francisco were unavailable for comment on any potential yield co. ***—Nicholas Stone***

ALTERNATING CURRENT

A Whisky Investment

Due diligence can often be a bore. Pouring through documents, visiting sites in the middle of nowhere and making sure everything is in the right place. But imagine the due diligence on this: the biomass boiler at the Tomatin whisky distillery in Inverness, Scotland.

That was the task set before Britain's **Green Investment Bank**, which plans to provide almost half the financing for a £1.2 million ($1.8 million) biomass boiler at the distillery.

Can you imagine the dotting of i's and crossing of t's for that due diligence process? You would have to guarantee demand for the amber nectar and make sure sales would be consistent and expected—a single malt, aged 18-year power purchase agreement, if you will. You would have to make sure that the whisky was highly rated. Both the Antiquary and the Talisman, two of the company's top sellers, would have to be rated investment grade whiskies by the whisky world's equivalent of **Standard & Poor's**. But of course you would need to make sure that their rating was legitimate. And you would have to whisk yourself off to the Monadhliath Mountains just south of Inverness, capital of the Highlands of Scotland. Now that is due diligence.

Thinkstock/iStockphoto

The financing, just like the whisky, apparently used the perfect blend of innovation and tradition. The shift to biomass will also cut CO2 emissions from the distillery by more than 96,500 tonnes over the 20 years of the investment.

The GIB CEO **Shaun Kingsbury** told reporters that this could be the first of many investments in distilleries: "We have a strong pipeline of investments in Scotland and hope to be able to announce further investments in Scottish distilleries, as well as other projects, very soon."

Bet it will be the first of many if he likes his whisky…

Q2 League Table *(Continued from page 1)*

took the fourth spot on the league table. **Goldman Sachs** was a co-lead on the deal, along with **Credit Suisse**, and took the third slot for Q2 in North America with $571 million in mandates. Credit Suisse tied for fifth on the league table with **Bank of America**, with both banks claiming $431 million in mandates.

Calpine, **Dynegy**, **Tenaska Power Fund**, **NextEra Energy Resources** and **LS Power** were among the raft of B loan issuers in the market in Q2. "Many of these transactions have been executed in the Term Loan B market with little or no participation of traditional commercial banks. As the institutional loan market has become more aggressive on pricing and credit risk appetite, this market has become attractive to sponsors to execute transactions that may not be as attractive to traditional commercial bank lenders," Yonan says. ***—Sara Rosner***

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