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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

DEPCOM finds owner for Louisiana solar project

Shravan Bhat

DEPCOM Power has found a buyer for a 50 MW solar project in Louisiana in the form of a joint venture between a developer and a financial investor.

Helios Infrastructure Fund, which is owned by **Sol Systems** and **Nationwide Mutual Insurance**, has acquired the Capital Region project – also known by the less snappy name of LA3 West Baton Rouge – which is located near Port Allen in West Baton Rouge Parish. The project has a 20-year power purchase agreement with **Entergy Louisiana** and is set to be brought online by the third quarter of this year, with DEPCOM serving as EPC contractor and O&M provider. PAGE 5 »

Recent US solar project auctions

Seller	Project	Size	State	Sell-side adviser	Buyer
SunEast Renewables	Project Sabre Portfolio	275 MW	NY	Nomura Greentech	Live auction
NextEra Energy Resources	Bluebell II	115 MW	TX	Marathon Capital	Live auction
	Bellefonte Solar Energy Center	150 MW	AL	Marathon Capital	Live auction
First Solar	American Kings	123 MW	CA	N/A	Goldman Sachs Renewable Power
DEPCOM Power	LA3 West Baton Rouge/Capital Region Solar	50 MW	LA	Fifth Third Securities	Helios Infrastructure Fund
Hecate Energy	Ramsey/Aktina	514 MW	TX	Cantor Fitzgerald	Tokyo Gas America

Source: Power Finance & Risk

North America Project Finance Midyear Review 2020

In a year like no other, our Midyear Review roundtable took place over video call in July, and the discussion was as engaging and frank as ever.

CoBank's head of project finance **Brian Goldstein; IFM Investors' Matthew Wade; Clearway Energy Group** capital markets maven **Johana Afenjar**; and **Innergex Renewable Energy** originator **Sean Yovan** made up the panel, bringing together a diverse range of perspectives to explore everything from Covid-related debt pricing to political risk. How is legal language being adapted to protect projects? What sets the best banks apart from the rest? Check out this scintillating synthesis of the past six months on pages 7-18.

WhiteWater to back-lever Whistler pipeline investment

Taryana Odayar

Austin-based energy infrastructure company **WhiteWater Midstream** is looking to back-lever its equity position in the 450-mile Whistler natural gas pipeline in Texas.

Investec is acting as bookrunner on the $133 million construction-plus-five-year holdco loan backing WhiteWater's equity in the project. The deal was launched into the PAGE 21 »

Arroyo nears financial close for Mexico refi

Carmen Arroyo

Arroyo Energy is nearing financial close on the refinancing of a gas-fired project in Mexico, with two banks arranging the debt package.

The sponsor mandated **Sumitomo Mitsui Banking Corp** and **Natixis** earlier this year to work on the $170 million seven-year loan.

Although the debt package was initially expected to PAGE 23 »

IN THIS ISSUE

PPA PULSE

RBC signs up for Alberta solar

Royal Bank of Canada and **Bullfrog Power** have signed power purchase agreements with a **BluEarth Renewables** solar project in development in Alberta.

The generation will come from the 39 MW Burdett and Yellow Lake project, southwest of Medicine Hat in the County of Forty Mile.

Construction on the C$70 million ($52.4 million) project is slated in begin this month with an April 2021 commercial operations date.

"We're proud to be the first Canadian bank to sign a long-term renewable energy power purchase agreement, demonstrating our commitment to clean, sustainable power," said **Scott Foster**, senior vice president and global head of corporate real estate at RBC in a July 28 announcement.

And here is a round-up of the rest of this week's PPA news:

CapDyn seals Indiana PPA

Capital Dynamics has secured a second power purchase agreement with the same offtaker for a solar project it is developing in southern Indiana.

The latest deal, with **Indiana Municipal Power Agency**, builds on the 100 MW 20-year contract signed earlier this year (PFR, 2/4). The size and length of the new deal were not revealed.

Chilean miners strike solar

Independent power producer **Sonnedix** has signed a power purchase agreement with Chilean copper mining company **Collahuasi**. The contract is for 150 GWh a year, enough to meet 12% of Collahuasi's power needs, and includes a 24-hour energy supply clause. Local law firm **Carey** advised Sonnedix on the deal.

San Antonio solar

San Antonio, Texas-based utility **CPS Energy** has launched a request for information in the run up to launching a request for proposals in the near future.

Through the RFP, CPS will seek to add up to 900 MW of solar, 50 MW of battery storage, and 500 MW of "new technology solutions" designed to provide firm capacity, according to a July 27 announcement.

PFR Power Finance & Risk

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

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

GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
Apex Clean Energy	Angelo (195 MW Solar)	Texas	Fifth Third	Auction launched in June (PFR, 6/22).
	Rivanna (12.5 MW Solar)	Virginia		Investors contacted in March (PFR, 6/22).
Ares Management Corp	Aviator (525 MW Wind)	Texas		Kansai Electric Power Co has agreed to acquire the stake in the asset (PFR, 7/20).
● Avangrid	Tatanka Ridge (155 MW Wind, 85%)	South Dakota		WEC Energy is the buyer (see story, page 6).
● Blackstone Group	Onyx Renewable Partners	US	BNP Paribas	Platform sale launched (see story, page 5).
Blue Light Energy	Portfolio (200 MW Solar)	Chile		Marketing process has not launched (PFR, 7/27).
● BNDES	AES Tietê (18.5%)	Brazil	BR Partners, CS	AES is the buyer (see story, page 21).
● BP	Whiting (525 MW Cogen, 80%)	Indiana		Sale has been canceled (see story, page 6).
● Brookfield, PSP	WETT (Transmission)	Texas	Barclays	Axium and Nuveen bought the assets (see story, page 5).
Calpine	Freeport (260 MW CHP)	Freeport, Texas	BofA, Guggenheim	Sale process initiated earlier this year (PFR, 7/27).
Constellation	C&I Solar platform	US	BofA Securities	Auction launched in June (PFR, 7/6)
Community Energy	St Martin (100 MW Solar)	St Martin Parish, Louisiana		The sponsor put out marketing materials in June (PFR, 7/6).
Copenhagen Infrastructure Partners	Greasewood (255 MW Solar)	Pecos County, Texas	CohnReznick	Auction relaunched in June (PFR, 6/15).
Cypress Creek Renewables	Portfolio (35 MW Solar)	North Carolina		The sale was launched in June (PFR, 6/29).
Ecoplexus	Sage (150 MW Solar)	North Carolina	CCA Group	Second round bids were due late July (PFR, 6/22).
GenOn	Heritage (2.4 GW Gas)	PJM Interconnection	Jefferies	Auction launched in June (PFR, 6/15).
Grasshopper Solar	Green Light (150 MW [DC] Solar)	Canada, US	Onpeak	Auction launched in May (PFR, 6/8).
● Hecate Energy	Hecate Energy	US	Guggenheim	Teasers were circulated in June (PFR, 7/20).
	Aktina (514 MW Solar)	Wharton County, Texas	Cantor	Tokyo Gas is the buyer (see story, page 5).
HPS Investment Partners	Spruce Finance (Solar)	US	Onpeak	Auction launched in May (PFR, 6/1).
Invenergy	Titan 1 (800 MW Solar)	Texas	Marathon Capital	Bids were due July/August (PFR, 6/22).
Johnson Development Associates	Pinson (20 MW Solar)	South Carolina	EOS Capital Advisors	Marketing materials distributed in June (PFR, 6/29).
Macquarie Capital	Candela Renewables	US	Nomura Greentech	The sponsor has launched the sale process (PFR, 7/20).
NextEra Energy Resources	Project Gila (115 MW Solar)	Texas	Marathon Capital	The sale processes were launched in June (PFR, 7/13).
	Project Rocket City (150 MW Solar)	Alabama		
● Osaka Gas USA	Aurora (74 MW Solar, 50%)	Ontario	CohnReznick	Axium is now sole owner (see story, page 6).
PNE USE	Chilocco (167 MW Wind)	Kay County, Oklahoma	Marathon Capital	Auction launched in May (PFR, 6/8).
● PSEG (63.6%), Citi (36.4%)	Powerton (1,538 MW Coal)	Tazewell County, Illinois		NRG is unwinding the sale-leasebacks by buying the owner-lessor interests (see story online).
	Joliet 7 & 8 (1,036 MW Gas)	Will County, Illinois		
RWE Renewables	Portfolio (861 MW Wind)	US	Marathon Capital	Auction in second round (PFR, 6/8).
● Solatio	Portfolio (1.2 GW Solar)	Brazil	Banco BC, Ceres	Brookfield is the buyer (see story online).
SunEast Renewables	Portfolio (275 MW Solar)	New York	Nomura Greentech	The developer has launched the sale (PFR, 7/6).
Vision Ridge Partners	Key Capture Energy (Storage)	US	Onpeak	Auction was penciled for August (PFR, 7/27).

● **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 Taryana Odayar at (212) 224 3258 or e-mail taryana.odayar@powerfinancerisk.com

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
Arroyo Energy	El Arrayán (115 MW Wind)	Chile	SMBC, Crédit Agricole	Debt	$140M	7-yr	Closing delayed until August (PFR, 6/8).
	Pemcorp (131 MW Gas)	Chile	SMBC, Natixis	Refinancing	$170M	7-yr	Close expected in August (see story, page 1).
Atlas Renewable Energy	Pimienta (400 MW (DC) Solar)	Campeche, Mexico	DNB, IDB Invest, Bancomext	Private Placement	$200M		Closing is expected by early June (PFR, 5/18).
	Juazeiro (187 MW Solar)	Brazil	IDB Invest	Debt	$90M		Negotiations are underway (PFR, 5/26).
Capital Dynamics	Ventura (100 MW/400 MWh Storage)	California	Hana Financial	Debt	$167M	5-yr	Senior debt bears interest at 6.5% (PFR, 7/27).
Casa dos Ventos	Ventos Santa Martina 14 (63 MW Wind)	Brazil	BNDES, BNB	Term loan	$38.3M		BNDES has approved the loan (PFR, 7/13).
Competitive Power Ventures	Three Rivers (1,250 MW Gas)	Grundy County, Illinois	MUFG, BNP Paribas	Construction debt	$750M	7-yr	Deal relaunched on June 16 (PFR, 6/22).
				Ancillary Facilities	$50M		
EDF Renewables	Gunaa Sicarú (252 MW Wind)	Oaxaca, Mexico		Term loan			The developer has received term sheets from banks (PFR, 7/13).
Enel Green Power	Lily (146 MW Solar, storage)	Texas	CCA Group (adviser)	Tax equity			Project under construction (PFR, 7/27).
EnfraGen	Portfolio (200 MW Distributed Solar)	Chile					The financing is expected to close before the end of the summer (PFR, 4/13).
Fisterra Energy	Tierra Mojada (875 MW Gas)	Jalisco, Mexico		Bond refinancing			Morgan Stanley is understood to be pursuing the mandate (PFR, 5/4).
Generate Capital	Portfolio (11 MW Solar)	New York	Advantage Capital	Tax equity			Deal has closed (see story, online).
GenOn Energy	Portfolio (1,570 MW Gas)	California		Refinancing			The sponsor has approached the market (PFR, 7/6).
GoodFinch	GoodFinch Fund 1 (Solar)	US	Barclays, Goldman	Securitization	$252M		Deal closed July 22 (see story, page 19).
Grupo Ibereólica, GPG	Cabo Leones 2 (204 MW Wind)	Chile	Crédit Agricole	Construction Debt			Cred Ag has won the mandate (PFR, 5/26).
IEnova, Saavi Energia	Sierra Juárez II (108 MW Wind)	Baja California, Mexico	NADB	Term loan	$170M	21.5-yr	The sponsors are nearing financial close (PFR, 6/29).
			SMBC, Mizuho	Term loan		18-yr	
Korea Electric Power Co, Sprott Korea	Portfolio (199 MW Solar)	Mexico	SMBC	Term loan	$140M		The deal is expected to close in September (PFR, 7/20).
Key Capture Energy	Portfolio (1.5 GW Storage)	US		Capital Raise	$400M-$600M		The sponsor is in talks with investment banks (PFR, 5/4).
Kineticor Resource	Cascade (900 MW Gas)	Yellowhead County, Alberta	ATB, Crédit Agricole, NBC, Nomura	Capital Raise	$915M		The sponsor has reached out to banks for financing (PFR, 7/20).
Longroad Energy	Muscle Shoals (227 MW Solar)	Colbert County, Alabama	Wells Fargo	Tax equity			The financing closed on July 8 (PFR, 7/20).
OPDEnergy	Portfolio (150 MW Wind, Solar)	Chile	SMBC	Debt			Close was expected in June (PFR, 6/8).
Recurrent Energy	Pflugerville (144 MW Solar)	Travis County, Texas		Debt, Tax Equity			Deal expected to close shortly (PFR, 7/27).
Sempra (IEnova)	Portfolio (376 MW Solar)	Mexico	NADB, IFC, DFC, JICA	Debt	$541M	15-yr	Deal closed June 10 (PFR, 7/27).
Soltage, Basalt Infrastructure	Portfolio (28 MW Solar)	South Carolina, Illinois, New Jersey	Fifth Third	Debt			Financing has closed (see story, page 19).
			US Bank	Tax Equity			
sPower	Spotsylvania (485 MW Solar)	Spotsylvania County, Virginia	HSBC (lead), Caixa, CIBC, Citi, Cred Ag, Helaba, NBC, Sabadell, SocGen	Construction debt	$318M	C+4-yr	$705M deal closed on July 14 and was funded on July 15 (PFR, 7/27).
				Letter of Credit	$62M		
				Tax equity bridge	$325M		
Sunenergy1	Portfolio (100 MW Solar)	US	CIT, ING Capital	Construction Debt			Financing close is months away (PFR, 5/26).
Sunrun	Portfolio (Resi Solar)	US	Investec, Silicon Valley Bank	Term loan	$270M	7-yr	Deal set to close early August (see story, page 19).
WhiteWater Midstream	Whistler (Gas pipeline)	Texas	Investec	Holdco debt	$133M	C+5-yr	Deal launched July 26 (see story, page 1).

New or updated listing

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Tokyo Gas makes splash in Texas solar

Tokyo Gas America has stormed into the US solar market with the acquisition of a huge project in Texas from developer **Hecate Energy**.

The 514 MW Aktina project – formerly known as Ramsey solar – is shovel-ready and construction is set to begin in September. Aktina is the Greek word for a 'ray of light'.

Located in Wharton County, near the Houston load center, the project has an innovative offtake and financing structure, says a deal watcher.

Tokyo Gas intends to plow ¥49 billion ($467 million) of capital into the project.

The acquisition is the result of a sale process run for Hecate by **Cantor Fitzgerald** and codenamed Project Hera (PFR, 11/27/19). **Adil Sener**, a director in Cantor's power, energy and infrastructure division, led the deal team.

Marathon Capital is acting as buy-side adviser to Tokyo Gas, with managing director **Chuck Hinckley** and director **Matt Bigham** running point. The investment bank previously orchestrated the Japanese company's entry into Latin America (PFR, 6/25).

Legal advisers are:

- **Winston & Strawn** – team led by **Richard Shutran** – seller's counsel
- **K&L Gates** – buyer's counsel

Overseeing the transaction at Tokyo Gas are Houston-based senior vice president **Ken Kiriishi** and senior renewables manager **Philip Steinmetz**. The acquisition is scheduled to close on August 5.

Tokyo Gas plans to bring Aktina online in blocks starting in mid-2021. It is the first overseas solar project for which the Japanese group will manage construction. ■

Blacktone markets C&I solar developer

Blackstone has put commercial and industrial-scale solar portfolio company **Onyx Renewable Partners** up for sale.

BNP Paribas is running the auction process, say sources. The firm's North American energy and renewables investment banking team is led by managing director **Thomas Rosen**.

Blackstone established Onyx in New York six years ago, originally with a team led by **Matt Rosenblum** (PFR, 12/18/14). However, Rosenblum's team left the company two years ago to start again under their previous brand, **Solops** (PFR, 2/13).

Since then, Onyx has sold a 153-asset fleet to **Argo Infrastructure Partners** (PFR, 1/17/19) and won a power purchase agreement with **Hawaiian Electric** for its 6.6 MW/26.4 MWh Mehana solar-plus-storage project in Oahu (PFR, 6/3).

The solar portfolio company's headcount is around 40 people, according to LinkedIn.

Blackstone also owns another C&I solar developer and financier, **Altus Power America** (PFR, 1/14). ■

DEPCOM finds owner for Louisiana solar project

«FROM PAGE 1 **Fifth Third Securities** served as DEPCOM's financial adviser on the deal, which is said to have closed in mid-to-late June.

DEPCOM was reported to be looking for a buyer for this project in 2019, although the financial adviser was said at the time to be **EOS Capital Advisors** (PFR, 6/7/19).

The project will be one of the largest of its kind in the state, but is unlikely to hold the record for long as development activity in Louisiana heats up. **Community Energy**, for instance, was taking bids for its 100 MW development-stage St Martin solar farm in St Marin Parish, earlier this summer (PFR, 6/26). "Louisiana is undergoing tremendous growth and we need to be ready to deliver low-cost, diverse energy sources to help sustain that growth," said **Phillip May**, president and CEO of Entergy Louisiana in a September 2019 announcement, when construction on the Capital Region project was getting underway.

The project's new joint sponsor, Sol Systems, has used **US Bank** for tax equity and sourced debt from **Seminole Finance Services** and **Live Oak Bank** for previous Helios financings (PFR, 9/25/19, 1/16). ■

Brookfield, PSP sell Texas transmission asset

Brookfield Asset Management and Canada's **Public Sector Pension Investment Board** have sold **Wind Energy Transmission Texas** (WETT), which owns a portfolio comprising 375 miles of transmission lines and six switching stations, to a consortium of investors.

Axium Infrastructure and **Nuveen**, the investment manager of **TIAA**, are the new owners of the assets, all of which are located in Ercot.

WETT's existing management and operations team will stay in place under the terms of the deal, which was signed in December 2019.

"This marks Axium's second operating transmission investment in North America and Axium's first investment in the state of Texas," said **Thierry Vandal**, president of **Axium Infrastructure US**. "WETT's facilities are an important part of the West Texas electric transmission system, and we are excited to be a part of the vital role they play in delivering reliable and clean, renewable power in the state of Texas."

Advisers on the transaction were:

- **Barclays** – financial adviser
- **Winston & Strawn** – legal adviser

WETT was initially a joint venture between Toronto-based Brookfield and Spanish developer **Isolux Corsán**, which filed for bankruptcy protection in 2017 (PFR, 3/29/18).

As part of Isolux's $2.1 billion restructuring, PSP Investments took the stake in the transmission JV (PFR, 5/13/16).

WETT wrapped a roughly $560 million mini-perm financing in 2011, led by **Bank of Tokyo-Mitsubishi UFJ** (now MUFG), **Deutsche Bank, Scotia Capital** and **Société Générale**. The deal was priced at 225 bp (PFR, 8/26/11). ■

NORTH AMERICA MERGERS & ACQUISITIONS

Osaka Gas exits Ontario solar portfolio

Osaka Gas has sold its 50% stake in a 74 MW portfolio of solar projects in Ontario to the owner of the other half of the portfolio, **Axium Infrastructure**.

The sale is the result of an auction process run by **CohnReznick Capital** for the nine-project Aurora Solar portfolio, which is located near the Smiths Falls and Waubaushene regions of southern Ontario.

As financial adviser to Osaka Gas, CohnReznick sent out teasers for the assets in early February, as previously reported (PFR, 2/12).

"Axium has been very pleased with the performance of Aurora Solar since our initial investment in February 2019 and we are delighted to be increasing our ownership position in this high quality asset," said **Juan Caceres**, vice president and senior investment director of Axium.

Davies Ward Phillips & Vineberg was Axium's legal adviser.

Axium acquired its initial 50% equity ownership position in the assets from **Mitsubishi Corp** in 2019.

The projects, which came online in 2013 and 2014, have 20-year feed-in tariff contracts with the **Ontario Power Authority** (PFR, 2/12).

The projects range in size between 4 MW and 10 MW and are named Smith Falls 1 through 6 and Waubaushene 3 through 5. Several of the projects sit atop the Canadian Shield. ■

Aurora Solar Portfolio

Project	Size	Location
Smiths Falls 1	6 MW	Rideau Lakes
Smiths Falls 2	10 MW	Drummond/North Elmsley
Smiths Falls 3	7 MW	Drummond/North Elmsley
Smiths Falls 4	10 MW	Drummond/North Elmsley
Smiths Falls 5	10 MW	Drummond/North Elmsley
Smiths Falls 6	10 MW	Rideau Lakes
Waubaushene 3	10 MW	Tay
Waubaushene 4	8 MW	Severn
Waubaushene 5	4 MW	Severn

BP nixes Midwest CCGT sale

BP Energy Co has canceled the sale of a majority stake in a gas-fired cogeneration plant in the Midwest.

The British company had been looking to divest an 80% stake in its 525 MW Whiting Clean Energy (WCE) facility in Whiting, Indiana, but decided not to proceed after receiving "low prices," according to banker who was working with one of the potential bidders.

Binding bids were due on June 15 with a view to signing a purchase and sale agreement on September 30 (PFR, 6/16). BP was not working with a financial adviser for the sale process, which was codenamed Project Christopher.

"I'm not surprised," says a deal watcher, citing a "combination of the asset and the current environment." Production at US oil refineries has reportedly been cut during the coronavirus pandemic due to low gasoline demand and a lack of storage.

BP's Whiting refinery – which produces gasoline, diesel, jet fuel and asphalt – was to be the long-term offtaker of 100% of the WCE project's steam and a portion of its power following the sale. BP sells excess energy and capacity into **MISO**.

The Whiting refinery is BP's largest in the world and is also the largest owned by any company in the Midwest, processing about 43,000 barrels of crude oil everyday. It first opened its gates in 1889 as part of **John D. Rockefeller's Standard Oil Company**.

The WCE plant has been online since April 2002, when it was owned by **Primary Energy**. It is fitted with two **General Electric** 7FA combined-cycle cogen turbines and is capable of delivering about 1,100 kpph of steam.

BP Alternative Energy bought the plant from **NiSource** for $210 million in 2008 (PFR, 7/3/08). Prior to the sale, NiSource had redeemed some $340 million of debt at the plant (PFR, 5/23/08). ■

Avangrid sells down wind project stake

Avangrid Renewables has agreed to divest an 85% interest in its 155 MW Tatanka Ridge wind farm, which is under construction in Deuel County, South Dakota.

The buyer, **WEC Energy Group** announced it would purchase the stake for $235 million on July 27. Commercial operations were initially pegged for the end of 2020 but the facility is now expected to be online by early 2021.

The project's output is contracted with **Dairyland Power Cooperative** (52 MW) and **Google** (98 MW) (PFR, 5/23/19).

"Partnering with WEC Energy Group on another new wind project enables us to capitalize on our broad development pipeline of renewable projects around the country," said **Alejandro de Hoz**, president and CEO of Avangrid Renewables, in a statement on July 28.

WEC has purchased a stake in a South Dakota wind project from Avangrid before – it paid $145 million for an 80% share of the 97 MW Coyote Ridge unit in Brookings County last year (PFR, 1/8/19). ■

PFR Power Finance & Risk

North America Project Finance Midyear Review 2020

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● NORTH AMERICA PROJECT FINANCE MIDYEAR REVIEW 2020

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EDITOR'S NOTE

The first half of 2020 is finally behind us, and what a six-month period it was! Global financial markets were rocked as a new, deadly virus quickly spread from China to every corner of the world, prompting lockdowns that paralyzed economies first in Italy and then in virtually every western country. The S&P 500 lost one-third of its value between February 20 and March 23. Corporate borrowers fearing a liquidity crisis maxxed out their revolving lines of credit, raised new loans and flooded the bond market, even as spreads gapped out.

The markets inhabited by the power and renewable energy crowd have proven remarkably resilient through all this. Yes, there were worries early on about whether construction deadlines would be met, especially for the purposes of qualifying wind and solar projects for tax credits. Yes, the project finance market entered into a round of price discovery as everyone factored in lenders' new higher costs of capital. Yes, renewables developers watched nervously as tax equity investors reconsidered their budgets for the year.

But project finance deals that were approaching the finish line sailed past it, M&A processes steamed ahead, and ***JP Morgan****'s tax equity chief,* ***Yale Henderson****, said his firm was gearing up for its "biggest year ever" (PFR, 3/25). The capital markets reopened for securitizers and leveraged loan borrowers in June, prompting a volley of residential solar ABS deals and allowing* ***The Carlyle Group*** *and* ***EIG Global Energy Partners*** *to close the financing for their acquisition of the Liberty and Patriot plants in Pennsylvania (PFR, 6/11/20).*

Has the dust settled? Is this the new normal? We shall see.

In the meantime, make sure you are fully up-to-speed with the latest project finance market developments by reading this elucidating discussion between a senior project finance banker, an institutional investor and officials at two leading North American developers.

Enjoy!

Richard Metcalf
Editor

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Matthew Wade, Executive Director, IFM Investors

Johana Afenjar, Senior Director Capital Markets, Clearway Energy Group

Sean Yovan, Senior Director Origination, Innergex Renewable Energy

Shravan Bhat, Reporter, Power Finance & Risk (moderator)

PFR: Let's start with Covid because it's the thing that has really shaped this year, and makes us feel like we're all living in a chapter in a history book. Could each of you describe how the pandemic has impacted your ability to originate or bring in new business?

Sean Yovan, Innergex Renewable Energy: It hasn't been as impactful as I thought it would be. We've had little-to-no impact on our ability to discover and pursue competitive and bilateral opportunities for PPAs and hedges. The one difference is video conferences have replaced office visits and, while I prefer and miss the face-to-face interaction with customers, less time on planes has resulted in increased productivity.

My hope is that we can get back to normal soon. Video conferencing has limitations, and there are lunches, dinners, events that bring us closer together as people. It's just critical to our business.

PFR: Do you think when things do go back to normal that we'll see a permanent change to more things being done on video conferencing rather than in person?

Yovan, Innergex: I do. This is proof that Microsoft Teams and Zoom work well. I'm currently involved with contract negotiations with an offtaker and, while it would be great if we were face-to-face, we have the entire deal team on both sides interacting productively. While it has its challenges, it's working.

In the future, if we are planning to check-in or catch-up with someone located across the country, we'll likely use video conferencing and save the travel and overnight stays for working meetings and conferences.

Brian Goldstein, CoBank: We've been working remotely since the middle of March. We have roughly 1,200 employees and we are 98% working remotely. So we were relatively surprised, like Sean, at our ability to transition to remote operations. And that includes all the back-office operations as well as origination and the portfolio management credit work. We are also surprised at the limited impact that Covid-19 has had on our origination activity.

We can touch on this a little bit later, but CoBank had significant liquidity and had been very proactive with the onset of stay-at-home to ensure that we positioned ourselves to have access to capital we needed to meet the demands of our borrowers. That put us in a pretty good position to continue to be active. A number of our European and Asian competitors, given the initial disruption, had stepped back, partly to mirror what happened during the Great Recession. It was a little unclear where interest rates were going, access to funding, the impact on credit spreads etc., and that meant some of the lenders had to back away. For CoBank, it provided us actually with a tremendous opportunity. We've been able to take advantage of that in our volume over the first half of the year, which has actually been up from prior years.

"In some cases they have to make up for lost time and so we're seeing a surprising rebound in aggressiveness on a number of RFPs that we've looked at of late."

We have seen, as the market has stabilized, a number of those competitors re-enter the market. In some cases they have to make up for lost time and so we're seeing a surprising rebound in aggressiveness on a number of RFPs that we've looked at of late.

Johana Afenjar, Clearway Energy: I definitely echo what Sean and Brian just said in terms of being able to adapt to a remote work environment, which Clearway also decided to implement pretty early. Technology is here today to help us do that. We're lucky in that sense. It's made us efficient, perhaps more efficient, in saving commute time, saving some unnecessary travel.

Perhaps what we're missing are the big conferences or the gathering events where we sit down and talk to people and share what we see and what we do. So that, for sure, is something that we're missing.

About half of our workforce for Clearway is actually our operations and maintenance business, which is a very important part of our business. That, of course, has been impacted differently for us, and so we implemented measures for safety.

Matthew Wade, IFM Investors: We transitioned along the same timeline as Brian mentioned, the second week of March, to remote working. What we undertook fairly quickly, and what we benefited from, is a credit assessment fairly early on to ascertain what problem credits we might have – what we might have to triage.

There's been a little bit more resilience on the power side. The midstream sector suffered some relatively quick distress. But we were able, despite not being able to do it face-to-face, to undertake a liquidity assessment of many of our borrowers early on to see what the impact was of drops in commodity pricing.

But early on, as we've gone through Q1 into Q2, with the wider impacts of Covid, many of the GPs and the sponsors pulled down liquidity to support their portfolio companies. We saw this occur fairly early on as sponsors and projects shored up liquidity. It's a topic we focus on for regular discussions with our borrowers.

And then, because we've got that constant dialogue to understand what sponsor and project needs are, there has been some additional business. I'd say that the people that have an ability to push off financing, have done. There's been a couple of M&A transactions where there have been deadlines to hit, or contractual deadlines that have to be achieved. But in the project finance space, there's a lot of flexibility that borrowers and sponsors preserve, and they've taken advantage of that. Activity has started to pick up. But so far, we've made the transition and there hasn't been a significant impact in terms of our ability to originate new business.

PFR: Matt, have you seen any delays or any interesting experiences on the execution side? We've heard that if there were deals that were slightly on the margin, those may have to be held off until next year. But, deals that were more or less moving ahead maybe got delayed a little, maybe the interest rate went up a little, but they're still getting done. What has been your experience on that front?

Wade, IFM: Deals that we'd characterize as relatively straightforward, where the sponsor wants to plough on, you'd see pricing increases of maybe 25 bps to 50 bps on the bank side. The deals which might have been on the margin, there has been a little bit of a credit push-back. To be honest, through the back-end of last year and into the beginning of this year, it was a fairly borrower-friendly market, but we are starting to see covenants tighten up and aspects of documentation being borrowed a lot more from what you might have seen a couple of years ago. There are actually lenders who are pushing back a little bit more now.

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On the power side, there was an M&A transaction that got done. It was probably 50 bp, 75 bp wider than where they initially thought it might get done. [*IFM did not participate in this transaction*.] But again, it was an M&A deal, so they needed to achieve a deadline. Where sponsors have got flexibility, they're opting to take that as we move into the summer. In Q3, many of them have got these deadlines and they've got to close. While spreads have widened, underlying rates are down, so the all-in costs to the borrower are still relatively competitive, on a fixed or floating rate basis.

Where there are credit considerations, subordination, holding company or back-leverage finance to juice-up equity returns, as you saw at the back end of last year and into this year, that's where lenders are saying: "No, I've seen a few projects that have had some trouble. I need to see a decent record here to seek additional credit protections."

Those are definitely some of the things that we're starting to see, and that's percolating into transaction timetables and the pricing of those riskier pieces of the capital structure. Those margins are out disproportionately to what you're seeing on the senior secured side.

Afenjar, Clearway: Definitely. What we've seen is that the constraint was not necessarily on liquidity, although, at the beginning, funding costs for some European or Asian banks, as Brian mentioned earlier, were definitely a driver. But really, what has happened is that we've seen banks' credit committees be very focused on looking at the risks, and that has impacted the timelines to close. Of course, the pricing, in the beginning, widened on the bank side 50 bp on average, like Matthew said, but what we've really seen and experienced is a lot of scrutiny from credit committees. And even maybe revisions from credit committees. Brian, you may comment on that, but banks had to go through a higher level of approval to get a deal done, which required a lot of analysis and a longer credit process.

"What has happened is that we've seen banks' credit committees be very focused on looking at the risks, and that has impacted the timelines to close."

Goldstein, CoBank: I would agree with that, Johana. Every financial institution, given the disruption in the market, had to step back and then reassess. A natural process at banks is to elevate the questions to a higher level, because it becomes a strategic consideration, if we have constraints on our capacity, where we want to deploy it. You need to make potentially hard decisions. For some of the banks, they need to back away from certain market segments.

"The question is, where were we in our process when Covid hit? For deals that we were already mandated on, or where they already had credit approval, everyone tried to hold as closely as they could to mandated pricing."

A slightly longer process for approvals is certainly something we've seen. But it hasn't been anywhere near what it was like in 2008, particularly because the financial markets stabilized really quickly. Matt's point is right on. We saw, particularly on the bonds used for comparable pricing, the spreads really gap out. But as we saw the gap out in credit spreads, absolute rates came down. And so the ability of our project developers to move those projects forward, because, fundamentally, returns were not materially impacted, enabled a lot of the deals that were in our pipeline prior to Covid, to continue to move through our pipeline, ultimately to closing. The question is, where were we in our process when Covid hit? For deals that we were already mandated on, or where they already had credit approval, everyone tried to hold as closely as they could to mandated pricing – certainly on deals that were not long-term. You saw more of a reflection in current pricing in those longer-term deals.

PFR: Within your organizations, when there's a large external shock like this, do they ask you to revise your annual targets, and does that then filter down? How does it usually work?

Yovan, Innegex: It's a great question. This is another area where I've been surprised. We haven't had to lower our annual capital deployment targets due to Covid-19. We continue to move projects forward on the development side of the business and we move through diligence on the M&A side of the business without too many barriers. We continue to find opportunities to create value for our shareholders, but we have to use discipline and select the deals which best fit our business model and pass on others. We've seen a regular flow of business deals coming our way. If anything, our deal teams would like to increase those targets and expand the team.

Goldstein, CoBank: Sean, given you have a more of a global footprint, how have you refocused Innergex's opportunities geographically as a result of Covid? Or have you?

Yovan, Innergex: I haven't seen any changes to the business plan in each of the different countries. We've seen an uptick in activity in Chile, where our partners there are bringing in more and more business. Our projects in France, due to the development differences in Europe, take longer to mature. In the US, our M&A deal flow seems to continue unabated. PPA opportunities are continuing. There was one month, maybe in March, where corporates took a step back, but I see them coming back into the fray.

PFR: What are one or two key trends that have emerged this year that are non-Covid related?

Goldstein, CoBank: This is not specifically non-Covid related, but it speaks to how we are modifying our strategic plan looking forward. It is really the first time that we've ever seen a material decline in electrical demand. As a consequence of that, we note the accelerated retirement of more coal plants than we previously contemplated.

We think that that, longer term, this is going to have a material impact on how rapidly those generating units get replaced and with what they get replaced. That's one trend that we see is going to have a real impact, and we think a favorable impact, for CoBank in our interest in supporting the building of renewable plants.

The other is that most of our sponsors, knowing that there was a phase-out on the PTCs [production tax credits], and the fact that they had milestone dates that they need to meet to continue to move these projects forward to ensure that they could benefit from full PTCs, were pushing forward on a lot of these projects. They needed to get financed. Our view is that a number of projects, for whatever reason – either the returns weren't there, or they weren't far enough along the development – have been put on the backburner. With the subsequent extension of the PTC step-down, as a result of Covid, we think a number of those projects that were on the backburner for our sponsors, can now come forward because now, all of a sudden, the economics on those projects come back above hurdle returns.

"We think a number of those projects that were on the backburner for our sponsors, can now come forward because now, all of a sudden, the economics on those projects come back above hurdle returns."

PFR: Do you still think we will get a record year of wind done this year?

Afenjar, Clearway: Record year, probably not. Realistically, entering the year we were expecting $12 billion to $15 billion in tax equity investments for the year, which would have been a record year. Things are delayed. Deals will happen; it just will take more time. What remains to be seen is how tax equity investors revisit their tax appetite in light of potentially lower profits. That typically takes a bit more time for tax equity investors to translate into higher targets than it does for lending banks. Banks have reacted very quickly, based on their funding costs, and we've seen that right away. For tax equity, it's going to take a bit more time, but we're going to see it, and so, the volume we were expecting for 2020 is probably not going to happen.

Wade, IFM: There's been an increase in the regulatory risk investing in infrastructure and the political environment. A recent example is what happened with the Dakota Access Pipeline. We don't tend to see operating projects with an injunction to stop operations. We're not in that deal, but we're now having to start thinking quite carefully about some of the wider implications. On offshore wind, sponsors have spent substantial development equity with still uncertain outcomes on permitting and approval processes. . NOx and SOx emissions standards, shale gas drilling... What is going to be the impact over the next few years? With the election coming up in November, exactly how are these aspects going to swing? We're spending a lot more time on this, and there are a lot of specific questions coming in from our credit committees. Renewable energy credits continue to evolve and change.... We've always been quite fortuitous in the US – I've been here for upwards of 15 years now in terms of investing – with a fairly stable regulatory regime. That may be changing. That's a non-Covid related theme, and we've certainly been spending a lot of time on these topics when it comes to considering credits. Over the summer and into next year, I don't see that changing.

Another non-Covid theme is primary versus secondary markets. We're spending a lot more time on what the secondary market is doing, what the pricing is there, and, as a relative value investor, sometimes we can see better opportunities on the secondary side.

A third theme that we see is some potential opportunities emerging as states find ways to raise capital and finance projects when the tax bases come under a bit more pressure over the next few years. People have been talking about it but hopefully now we will start to see a bit more support for PPP-type projects. That will mean more supply, which percolates into the power space as well given projects compete for capital. Without talking about specific projects, this is something that IFM is interested in because we see it as a way that can protect and grow the long-term retirement savings of millions of workers and like-minded investors.

Yovan, Innergex: From a power markets and offtake perspective, we're continuing to see preference for shorter tenors – and that's not just on the corporate side; it's retailers, some of the utilities – and it puts more pressure on us to evaluate the post-contracted merchant revenue curves. And they look quite attractive. So as tenors decrease, interestingly, IRRs tend to increase. We need to think about how we feel about those post-contracted revenues, and what we can do to mitigate any post-contracted market uncertainty.

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PFR: A question for our two developers: What have you been seeing as far as constraints to the supply chain, and how has that filtered down?

Yovan, Innegex: We faced issues with supply from China, Spain and Mexico. In China, tracker manufacturing was affected initially, but work resumed fairly quickly once the lockdown was over. Our Mexico-based supplier's plant shut down for a longer period of time, and they are now having some difficulty staffing back up to pre-Covid levels. So alternate suppliers are coming into the mix. In Spain, manufacturing was stopped for a few weeks and they were able to accelerate when work started back up again. But the larger issue is that shipping has been slower, due to less being shipped. The ships were stopping in more ports to fill their load. But we've had no USA delivery issues related to Covid to date.

From the development perspective, we relate to supply chain constraints in the form of the availability and mobility of consultants that do hands-on, onsite development work – surveys, geotech, physical title search work. This can result in pressing development activities back, putting pressure on condensed development schedules.

Afenjar, Clearway: In the US, for us, similarly to what you were saying, Sean, we have not seen major impacts to what we had ongoing at the time. In terms of the supply chain, a lot of the orders of modules for our projects, for example, had been placed in 2019 for safe harbor purposes. Most of the modules that we needed for our upcoming projects were actually paid for and received by the end of 2019, early 2020. So, luckily, these are not impacted. The non-safe harbor module deliveries were expected for later this year and for now, we have not seen delays. Because of the safe-harbor strategy that we had to put in place, this happened before Covid hit. And we face the same on the wind front, where we had a safe harbor strategy with turbines, or parts, that we already own for most of our projects. So, we were in a transition phase where we had this equipment strategy to safe harbor most of our upcoming projects that had been put in place before Covid. In terms of construction for renewables, for most states except New York, renewable construction had been deemed "essential", so construction could continue. There was a ban in New York for a few weeks, which was lifted at the end of May. So we've seen some delays in New York, but most of our projects continued construction as per their timelines.

"In terms of construction for renewables, for most states except New York, renewable construction had been deemed "essential", so construction could continue."

I guess the third piece is we had to revisit collaboration with utilities because, obviously, that could not happen the way it used to. So, at first, it created delays, but the utilities have been pretty creative in doing things remotely, and sending people on the ground only when needed. They're trying to automatize as much as possible and make it remote. Overall, we've seen *ad hoc* delays when a crew had to stop because of a case of Covid or things like that and we've had to adapt to that, but not a major push in the US for the projects we were in the middle of building.

PFR: Brian, have those issues filtered down on the financing side, from your conversations with your clients?

Goldstein, CoBank: Fortunately, no. We certainly scrutinize supply-chain risk significantly more than we did prior to the epidemic. We also have to have a specific section of our credit application addressing that. But fortunately, as Johana mentioned, we have not seen a real impact on any of our projects causing a significant delay where we feel that we're running up against guaranteed completion dates.

I have a question back to both Sean and Johana. One of the things I've wondered is, has, ironically, the implementation of the tariffs, which prompted diversification of your supply chains, helped you manage and mitigate the subsequent risk that we're dealing with now, because you now have more sources to augment what you've already purchased?

Afenjar, Clearway: The tariff forced us to strategize on supply chain in general. As a company, we've had to look at our pipeline and think about what are the different sources and providers we want to have a strong relationship with for the future. Specifically building the contract structure, for example, to have master supply agreements with key providers from whom we can supply the equipment we need for our projects, taking into account circumstances, whether it is a tariff, a delay in the supply due to Covid, or more sanitary reasons. The ability to have those relationships set up is very helpful. As we go through credit processes with banks to approve a deal, these are the things that help, because we can explain what our strategy is to have the key relationships we need for our supply chain, and for our upcoming projects. So, yes, the tariff prompted that need, which is going to prove useful for other reasons that were not expected at the beginning.

Yovan, Innergex: Johana, you went through an exercise that we're going through now with Trump's executive order to secure the bulk power system. That executive order needs to mature a little bit so that we understand what countries and what equipment we're dealing with. It is an exercise we're going through now to mitigate supply chain risks as we are currently procuring equipment for some of our projects.

Afenjar, Clearway: That's a good point. A question for Brian or Matt: how are you guys looking at this? Is this a risk where you're going to request some representations from the sponsor and perhaps push on the sponsors? Are you taking a view on some projects that might be exempt or caveated from the rule, or just wait and see?

Wade, IFM: We are in "wait and see" at this time. There was a Canadian ruling where you had to have domestic content and so there are reps that we can pull from documentation on Canadian-content deals that we've done. At this time, we've not done a deal requiring anything similar for a US project, but that would probably be a precedent we could look to.

Goldstein, CoBank: We're also looking at it as a deal-by-deal situation, depending upon the source of the equipment and whether we perceive heightened risk, as it may be coming from a jurisdiction that's potentially on that list, and then we dig in more.

Wade, IFM: I just wanted to touch on a couple of the other comments in terms of delays from a supply-chain perspective. We have had a couple of *force majeure* notices come in with respect to equipment delivery. It's been for non-US projects and we're looking carefully at the implications.

Back to Brian's point, we haven't got anything impacting sunset dates. They're mainly renewable green-type projects where the PPAs are a little bit more lenient than what you might get on the conventional side anyway. Offtake counterparties remain constructive, accommodating, where necessary, any delays, particularly into green projects. And that's a trend we see continuing.

Afenjar, Clearway: We've seen some of that. Construction companies send notices that are not necessarily *force majeure*, but more a heads up that a *force majeure* might be happening in the future. We're definitely keeping close contact with them to keep an eye on it.

On the cliff dates in community solar for example, which is a space we're focused on, the utilities in the major states where communities are really important have very early on issued blanket extensions to cliff dates by six months to a year to provide relief to developers right away. That was a good move.

PFR: Without giving away any trade secrets, when you're looking forward to the next six months, can you share one or two of the key geographies or sectoral opportunities that you see as the most interesting?

Yovan, Innergex: Coal and gas retirements are certainly creating opportunities for renewables and energy storage. It's a blend of economics and stakeholder interest in clean energy fueling the replacement of conventional generation with renewable energy. Dependable capacity from energy storage will need to be a part of the mix, as we're seeing in markets with capacity or resource adequacy requirements that give solar and wind a lower capacity value. Adding energy storage increases that capacity value.

We at Innergex believe that energy storage is certainly going to be more and more important. We're seeing that show up in IRPs, we're seeing that in solicitations – sometimes as an interest, but more and more as a need – especially in certain markets like the Desert Southwest and California.

Afenjar, Clearway: One thing we haven't really talked about – and a theme of 2019 – is **PG&E**. Investors and developers were waiting to see what was going to happen in California and it looks like it is unfolding, so California is definitely going to be a place to look at.

The second is on the wind side, on repowerings. As we think about transformation and the evolution of the market, that's another area where we've seen a lot of activity, and that's a core focus for us as well, so that's going to pick up.

Other regions in the country that have strong renewable goals, like Hawaii, for example, are places where we've seen business for the past few years, and it's probably going to continue to pick up. I'm curious to see about Texas and the appetite to finance projects there.

"Other regions in the country that have strong renewable goals, like Hawaii, for example, are places where we've seen business for the past few years, and it's probably going to continue to pick up."

Goldstein, CoBank: California, now that PG&E has emerged from bankruptcy, takes a large portion of the market and puts it back into play for lenders, certainly lenders that were not able to extend additional credit to projects dependent on PG&E as an offtake. A side point on that is that it encouraged lenders to take a harder look at lending to projects that sold power to CCAs [community choice aggregators] that they otherwise may not have been as eager to look deeply into. We've seen some real progress there on market receptivity to CCAs generally, and certainly ways to structure around a non-investment grade CCA, but incorporate credit metrics that provide some comfort.

We stayed away from ERCOT but we're starting to see a number of projects that we're looking at selectively, because it is certainly a market that continues to grow, given the industrial base. Longer term, that growth may moderate as energy demand is impacted through this Covid period. But there's a real need for certain types of assets, particularly peaking assets. The intermittency of a big portion of ERCOT's load really requires that, and we're seeing some real opportunities there. But for CoBank, we're not really looking at large combined-cycle opportunities. An interesting area that we're starting to see emerge, or anticipate emerging, is a lot of development in the SERC market, where we saw a lot of resistance from a number of utilities to enter into renewable energy contracts. They are going to be driven by, actually, the economics, going back to Sean's point. The fundamental economics of solar and wind plus storage is becoming compelling, and even though a number of the Southeast utilities have significant investments in existing fossil fuel plants, some of which are not near the end of their depreciated life, they're recognizing that they really aren't as competitive, economically, as attractive low-cost power in the renewable space. We saw today's announcement by Dominion with the cancellation of the Atlantic Coast pipeline, they're going to reorient growing their generating capacity towards renewables. We're going to start seeing more and more of that. The offshore wind development, again by **Dominion**'s VEPCO subsidiary, you're starting to see more and more, even though it's not being mandated by RPS or competitive market dynamics. The fundamental economics of the cost of generating renewables is going to start creating inroads in markets where preciously we haven't seen a lot of activity.

Wade, IFM: We'd seen a lot of more developer initiatives in Ercot and some interest in call options, heat rate call options and other structures, at pricing levels that indicate viability for financing, given intermittency, to the renewable build-out down there. We haven't taken anything forward, but that's certainly an area, after a couple of years, that we may start to think more carefully about viability for financing.

Battery storage has become commercially proven. We're looking at those types of deals as an opportunity for us going forward as well. Looking a bit more at the long term, given the retirements and balancing needs, a lot of the existing conventional assets, even though they're not really producing much from a gross margin perspective, they have

relatively high capacity factors and strong operational metrics. We continue to remain focused on the respective residual values of assets.

PFR: Are there one or two data points or key metrics that you're following closely that you can share?

Yovan, Innergex: I'll start with PPAs. I addressed tenors earlier, but pricing continues to drop. Brian mentioned Ercot as a strategic market – it's a market where transmission can be challenging, and so not all projects look attractive. But what we're seeing in terms of pricing is a continued race to the bottom. But near-term merchant pricing is high. So, it's dealing with that gap. How do you close the gap? And that's what makes hedges in Texas a little more attractive, because those hedge prices are so much higher. What we're going to see with the step-down of the PTC is higher pricing, but I don't think it's going to align well with near-term merchant pricing. That's more of a one-to-three year problem. And then five years and beyond, I'd think it will improve.

"What we're going to see with the step-down of the PTC is higher pricing, but I don't think it's going to align well with near-term merchant pricing."

In terms of project finance, we're seeing terms tightening, more recourse in deals. There is certainly a liquidity premium that's causing deals to be priced upwards on the debt side. The bid/ask spread in M&A hasn't changed much yet, but deals are pausing, or taking longer to execute. Some deals have been withdrawn from the market due to Covid.

Goldstein, CoBank: The differential between PPA prices that we're seeing and expectations of where merchant prices will be – it's been very challenging for us as we look at that, and then look at certain transactions that have incorporated a merchant tail. What is that value and where will avoided costs go? And how does that also tie in with the continuing decline curve of the levelized cost of energy for the technology? Every time we think it can't continue to decline as quickly as it does, it continues to. That influences every participant's view on where power prices will be 15 years from now. And there is a gap there.

Afenjar, Clearway: For me, we're looking at the build-up of old pricing, so, of course, one thing we make sure we pay close attention to is the level of rates in Libor and swaps. On top of that, the premiums, depending on the asset class and the investors. The premium for utility-scale versus community solar is one thing we pay close attention to, and then what tax equity is looking for, which hasn't changed much. It might change. Same on the cash equity, again, where it hasn't changed much.

Wade, IFM: What we're tracking is reserve margins in many of the markets. The sponsors are generally doing a good job in terms of availability, plant operations and have seen strong capacity factors for some conventional assets. But currently, gas prices are low, demand is low. We're asking sponsors how are they managing liquidity? What are we looking at 12, 18 months out in terms of an improvement? Their ability to capture some volatility in certain power markets has been relatively successful, but we're starting to see those peaks now flatten out. What are we tracking with regard to reserve margins in individual power markets? As an institutional investor, we're looking at underlying rates and their trends. Double-B spreads, single-B spreads. What's happening with respect to other areas of the infrastructure market, particularly on midstream, as we assess relative value.

PFR: Times of crisis are when your relationships in the industry really pay dividends, including with financial and legal advisers. Starting with the investment banks, what sets the best apart from the rest?

Wade, IFM: With respect to banks and agent banks that we deal with, it's been expeditious information flow. It resonates well with our credit committee and portfolio management colleagues that, when you go into February, March, April, and something like Covid, that we have access to the borrower relationships and we're getting updates in terms of liquidity, covenant compliance, etc. Those relationships and that communication is very important. If you're looking for something that sets one bank apart from another bank, it's their ability to reach out to investors, lenders, and ensure that we get our questions answered relatively quickly. That was pretty key in March through April.

"If you're looking for something that sets one bank apart from another bank, it's their ability to reach out to investors, lenders, and ensure that we get our questions answered relatively quickly."

Goldstein, CoBank: When we look at a transaction and we look at either the sponsor or capital providers, we're all looking at balancing risk and return within different segments of the capital structure. The most effective law firms and advisers or lead lenders recognize that we're coming up with a balance between those different perspectives, so that each party is getting the appropriate risk and return. It is an art as much as a science, finding those firms that have the ability to broker a balance between those disparate perspectives. Sometimes it is critical, particularly as we move into a market with dislocation. How do we continue to move transactions forward and strike that balance? You need experience and knowledgeable advisers or counsel who recognize that one can't make one type of capital provider think like someone else. We need to find a way to balance that, either through reserves, cash flow sweeps, contingent capital, etc. There are ways of managing that balance and perpetuating that balance to move a deal forward that not every adviser or law firm can help implement.

Yovan, Innergex: I would generally say that execution experience and knowledge of precedent deals in the market, along with good networking with major players and financiers, sets a financial adviser apart from the rest.

Afenjar, Clearway: On the law firms, I fully agree, and what has helped, and always helps, regardless of Covid, is a counterparty that can be knowledgeable of precedent and at the same time commercial, to help find solutions, and be efficient. That's key for us from a law firm.

Wade, IFM: We have been around some amendments / waivers and we look for the financial adviser that can be constructive in the negotiations with respect to the borrower. There are a couple of law firms and financial advisers that have been constructive, demonstrated good market knowledge in terms of the liquidity and long term capital issues that we're solving for. Bringing that market and industry knowledge to support valuation materials and conclusions are also key attributes we look for. Those are the advisers that have set themselves apart.

"There are a couple of law firms and financial advisers that have been constructive, demonstrated good market knowledge in terms of the liquidity and long term capital issues that we're solving for."

PFR: Have you had any examples in this year and during Covid where a previous strong relationship has helped you get something over the line, that otherwise may not have happened?

Afenjar, Clearway: On the capital markets front, we value relationships and we value the repeat nature of relationships. When a transaction has worked well, and if we have a transaction that is similar, we push to be efficient and work with the same counterparty. It helps in general, it helps in times of crisis, of course, and so we definitely promoted that during Covid.

Yovan, Innergex: From an offtake perspective, we've already addressed the fact that moving meetings from the office to video-conferencing has been rather seamless. What has been challenging is moving into new markets and creating new relationships. With conferences on hold, networking is suffering. Having relationships with buyers who are active in multiple markets has been helpful. Those relationships are typically corporates, large retailers and banks. The utilities are a bit more difficult to access in this environment in terms of new market entry.

Goldstein, CoBank: As opportunities have come in, we have tried to prioritize our strongest relationships to try to ensure that we can be there to continue to support them. We've also been approached by new opportunities. We did have the opportunity to work on one of Sean's deals, and in that case it's really identifying opportunistically where we can get involved with a new sponsor who has a deep enough pipeline that we see an opportunity for repeat business, and establishing a relationship that can be built on, particularly since we can't really continue to meet outside of a transaction in a Zoom call. This provides an *entrée* to get to know each other, and then hopefully build on that down the road.

Wade, IFM: All of our sponsors are pretty well clued in from a regulatory perspective as well, so their insights are valuable, in addition to what we get from the financial advisers and lenders' counsel. I have to be honest, there's a little bit more focus now, certainly from the credit committee, on cash-at-risk and equity checks in that first-loss layer. Where exactly – what fund – has this potentially been coming out of, if it's a PE sponsor? If it's a strategic, what direction is that going in? Those are the big items of focus. How communicative have those relationships been, so that we understand what risk we've got and how we're positioned from a liquidity perspective.

PFR: On the issue of power markets, what is going to happen in PJM? How are you viewing it?

Goldstein, CoBank: We don't really have a clear view of how things are going to evolve. Most of the opportunities that we see coming are without the benefit of a contract. The cash flows we expect will have some merchant exposure, some new-build renewables, some gas plants. We are also involved on midstream, so we're following the evolution of that aspect in the Northeast and in the Midcontinent [MISO] market. But we're very cautious, and we're being very selective in expanding our exposure area. It will really be driven primarily by sponsor and by particular asset, and whether it has a certain dynamic that we can ultimately get comfortable with.

"We're being very selective in expanding our exposure area. It will really be driven primarily by sponsor and by particular asset, and whether it has a certain dynamic that we can ultimately get comfortable with."

Yovan, Innergex: PJM is an important market for us. We were recently successful with our Hillcrest project closing financing and starting construction. Going forward, we need to protect that asset. The capacity market is an important piece of the revenue stack, and so we're following policy development very closely. We believe we'll be able to make it work, whatever the outcome. But we are doing what we can to push policy in a favorable direction in the states we are active. Every market has its challenges, but we believe PJM's long-term fundamentals remain strong due to its market size, aging infrastructure and significant corporate interest for renewables.

PFR: I wanted to end by looking at political risk. How are you planning for the election? Does that have any effect on how you look ahead to 2021 and beyond?

Yovan, Innergex: This is a tough one. While Innergex is non-partisan…

PFR: You don't have to say who you'll be voting for!
[Laughter]

Yovan, Innergex: We'll certainly not be saying that. Innergex is non-partisan and works collectively with decision-makers of all parties to optimize the returns for our shareholders. The November 2020 US presidential election will have a significant impact on global energy markets, particularly international trade and climate policies in the US. Innergex has thrived under the current administration. With a new administration, it could bring positive change and new opportunity, coupled with potential changes in the makeup of Congress. Whether we see a new administration next year or not, we anticipate continued growth for renewable energy based on its ability to compete in energy markets, as we've seen through the current administration.

"Whether we see a new administration next year or not, we anticipate continued growth for renewable energy based on its ability to compete in energy markets, as we've seen through the current administration."

Goldstein, CoBank: We are having a relatively robust year of flow in activity under the current administration. Just to reinforce Sean's point, we think that the fundamental economics of the different generating technologies will ultimately drive the markets in certain directions, irrespective of who is ultimately elected in 2020. Certainly, there may be more opportunity under a change in administrations, but again, our business plan is predicated on the current environment. It's not really going to change until after the election. We see that as potential upside.

Afenjar, Clearway: Irrespective of the administration we've had over the past few years, we've had a lot of deal flow. We've been very busy. Certainly, to your opening comment, certainty for business is important, and regardless of the administration, regardless of the political situation, it is important to have certainty of regulations and rules that apply for investment in general.

It's true for emerging markets, it's true for the US, and so this is absolutely key, regardless of the administration. In renewables, a lot of the policies that have helped this industry have been put in place a while ago, some of which are winding down. There's a framework for this industry that is there and that has helped and it will continue to help until it winds down, but certainty is extremely important.

Wade, IFM: From a financing perspective, not just with respect to the power space, but on the energy side generally, the uncertainty of permitting is something that has heightened. It's something we've had to spend a lot more time diligencing in the last couple of years. Some level of clarity would be helpful. Dakota Access which I referenced before is a case in point, with that decision yesterday.

"In renewables, a lot of the policies that have helped this industry have been put in place a while ago, some of which are winding down."

It's the first time in my career that I've seen an operating project on this scale levelled with an injunction, and the implications for a multi-billion-dollar project are huge. So, yes, clarity across the board, FERC and PJM interaction, NEPA permitting, the courts' interaction with the Army Corps of Engineers are all examples and impacting diligence and project financing. ■

NORTH AMERICA PROJECT FINANCE

Loanpal-linked asset manager closes debut solar securitization

GoodFinch, an asset manager established by the leadership of residential solar loan originator **Loanpal**, has completed its first securitization, a $252 million offering backed by Loanpal-originated assets.

GoodFinch was founded in San Francisco earlier this year by **Hayes Barnard, Tanguy Serra** and **Andrew Mills**, all of whom hold senior roles at Loanpal.

GoodFinch Fund I was the sponsor behind its inaugural bond offering, Loanpal Solar Loan 2020-2, which is backed by loans totaling $301 million that were contributed to the deal by GoodFinch, **Goldman Sachs** and Loanpal itself.

GoodFinch has already raised two funds and obtained a warehouse facility from **Barclays** and other lenders with which it has acquired solar loans totaling $600 million.

Barclays and Goldman acted as the joint bookrunners on the firm's debut ABS deal, which closed on July 22.

The transaction was split into a $212 million senior tranche rated A by **Kroll Bond Rating Agency**, an $18 million BBB tranche and a $21.8 million tranche rated BB. GoodFinch has retained a 'Class R' equity tranche.

The notes have tenors of 10 to 25 years and coupons ranging from 2.99% to 6.99%. The senior tranche priced at a spread of 240 bp over swaps, or an all-in spread of 289 bp. It was the third securitization of Loanpal solar loans this year, the first two having been issued simultaneously through Goldman Sachs vehicles on June 9. Those deals were the first to close in the solar securitization market after the shock of the Covid-19 pandemic halted issuance in March.

"Loans originated on the Loanpal platform re-opened the renewable credit markets in June and this securitization, with a cost of capital of 3.27%, further supports the robust demand in the marketplace for clean energy assets," said Serra, in a statement.

Loanpal did suffer a decline in applications and approvals in the second half of March, but approval volume "rebounded above pre-Covid-19 levels" in April, according to a report from Kroll. By June, monthly originations had reached $231 million.

"This is our fifth securitization of Loanpal solar assets and we continue to be impressed with quality of loans generated on the Loanpal platform," said **Katrina Niehaus**, a managing director in structured finance at Goldman. The loans in the GoodFinch deal have counterparties with an average FICO score of 743.

Other solar securitizers, such as **Mosaic**, have also tapped the market since it reopened in June. Such deals are said to have been well-received by investors both because of a drop-off in issuance from other consumer ABS sectors and also because requests for relief from solar borrowers have been relatively rare (PFR, 6/30). ■

Pricing to tighten on well-attended Sunrun loan

Final pricing on a seven-year term loan for residential solar company **Sunrun** is expected to land inside initial price thoughts after being oversubscribed by lenders.

Investec and **Silicon Valley Bank** are arranging the $270 million deal, which is known as Mars.

Pricing was being talked at 300 bp over Libor in early July (PFR, 7/9). The amount by which it has tightened could not immediately be learned.

The deal is set to close in the first week of August, having launched in June (PFR, 6/16).

The popularity of the loan with lenders could have something to do with Sunrun's recently signed $3.2 billion all-stock deal to acquire rival **Vivint Solar** (PFR, 7/7), says a project finance banker.

"Given the combination, everybody wants to be involved with that company now," says the banker. "They will have a 24% market share, and the next-closest is in single digits."

Credit Suisse is advising Sunrun on the merger, while **Morgan Stanley** and **BofA Securities** are advising Vivint. ■

Soltage seals solar portfolio financing

Distributed solar developer **Soltage** has wrapped debt and tax equity financing for a 28 MW solar portfolio held in its Helios investment vehicle.

Fifth Third Bank is providing a mini-perm loan for the 10 under-construction projects, which are expected to be brought online in 2020 and 2021. **US Bank** has committed tax equity financing.

Meanwhile, Soltage is providing equity through Helios, which is co-owned by Soltage and funds managed by **Basalt Infrastructure Partners**.

The portfolio represents a total investment of $70 million.

The 28 MW portfolio has a mixture of Public Utility Regulatory Policies Act (PURPA) and community solar offtake contracts. The portfolio comprises:

- Projects totaling 16 MW in South Carolina which will sell their electricity to **Duke Energy** under PURPA contracts
- Projects totaling 9 MW in Illinois which will supply generation to municipal, commercial and residential customers under the state's new community solar program
- A 3 MW project located at a landfill site in New Jersey, which will power local low- and moderate-income households under that state's community solar energy pilot program

"This is Soltage continuing to put one foot in front of the other in placing quality solar investments into our Helios investment vehicle," says Soltage's CEO and co-founder, **Jesse Grossman**. "The solar sector continues to be a real bright spot for investment despite this difficult time in the US economic cycle."

The financing brings Soltage's total projects under construction in 2020 to more than 100 MW.

Earlier this year, the company signed a $142 million construction-to-term loan for a 110 MW portfolio of distributed solar assets, also held under Helios and debt-financed by Fifth Third (PFR,3/3).

"The investors who work with us are interested in long-term, stable returns coming from these infrastructure assets and are also more and more ESG-focused," adds Grossman. "So they're not only getting capital out the door but also being ESG-compliant." ■

● CASE STUDY

Case study: **Griffith Energy, Arizona**

In February, after outbidding several rivals in a competitive auction for the 570 MW Griffith Energy gas-fired project in Arizona, **ArcLight Capital Partners** was ready to put acquisition financing in place. Then the pandemic happened. **Taryana Odayar** reports.

Although the Covid-19 virus had already been spreading around the world for several months, the **World Health Organization** did not officially declare the outbreak a pandemic until March 11. Financial markets in the US had begun to respond in February, with stock prices falling and credit default swap spreads beginning to rise.

Matters were complicated further by the oil price war that was then raging between Saudi Arabia and Russia.

The impact on a borrower's access to financing depended on its credit rating and the type of capital it was attempting to raise. While large, investment grade corporations were still able to tap the bond market – and did, in their droves – the term loan B and securitization markets were closed.

Project finance lenders, for their part, maintained throughout the crisis that they remained open for business, though some lenders are said to have withdrawn temporarily. And while bankers worked hard to maintain mandate pricing on deals that were already in the works, margins were expected to widen.

"Bank liquidity charges are up and some are not committing to new capital outlays," said an investment banker in New York in March. "Tough time to be out looking for financing" (PFR, 3/26).

Tighter credit controls meant that transactions would face delays due to extra scrutiny, especially larger transactions requiring a broader syndicate of banks.

"Every bank's cost of capital has gone up," said a banker close to the Griffith financing. "A lot of executions being done today are on a club basis because no banks want to underwrite. So there is no syndication, and borrowers are grabbing three, four, five banks and clubbing up the deal."

Undeterred, ArcLight managed to wrangle a clubby $153.9 million debt package from a quartet of banks to finance the acquisition by early June. The final size of the deal was a shade under the $156 million that had been touted in early May, but the the sponsor had succesfully navigated the market turmoil and recapitalized the asset.

ARCLIGHT AT THE END OF THE TUNNEL

The acquisition was the outcome of an auction launched last year by the Griffith project's former owner, **Star West Generation**, a portfolio company of **Oaktree Capital Management**, with **Barclays** acting as sell-side financial adviser. By January, Barclays was taking final round bids from several interested parties (PFR, 1/14).

The project had been bidding into merchant energy markets throughout the year, but Star West had secured a new summer tolling agreement with **Arizona Public Service**, the largest electric utility in Arizona, which comes into effect this year and expires in 2026.

Would-be buyers had until the end of January to submit their final offers. The companies that made it to the final round were:

- ArcLight
- **Middle River Power**
- **Rockland Capital**
- **Capital Power**
- **Panamint Capital**

The latter, Panamint, is an ambitious newcomer to the market, having been established by **Apolka Totth**, a former partner at **Conveyance Capital Partners**, in September 2019.

Panamint had already tasted success earlier in the year, teaming up with San Francisco-based **Ultra Capital** on a winning bid for Rockland's 85 MW Nevada Cogeneration Associates 2 (NCA2) gas-fired plant in Clark County, Nevada (PFR, 1/22).

Ultimately, however, the risk of recontracting after Griffith's tolling contract with APS rolls off in seven years proved to be a breaking point for Panamint.

"While historically there has been some level of certainty around being able to recontract with a utility in the area, we aren't sure that will be the case – or even need – with the substantial amounts of solar and storage coming online," said **Daniel Englander**, Panamint's chief investment officer, on PFR's Thermal Power Roundtable (PFR, 7/17).

In February, ArcLight struck a deal to acquire Griffith and started reaching out to lenders for acquisition financing with a view to close its purchase in the second quarter of 2020, subject to regulatory and other approvals (PFR, 2/27).

"Griffith represents an attractive opportunity to own one of the premier gas-fired power assets serving the Desert Southwest, a market we know well from prior investments," said ArcLight's managing partner and founder, **Dan Revers**, in a statement.

Legal advisers on the transaction were:

- **Milbank** – primary legal counsel to ArcLight
- **Morgan Lewis** – primary legal counsel to Oaktree

The acquisition closed on May 1, ahead of the debt financing, which was arranged by the following banks:

- **Crédit Agricole** – lead arranger
- **CIT Bank**
- **ING Bank**
- **Siemens Financial Services**

Pricing was circled in early May at 300 bp over Libor with 25 bp step-ups every three years, but with markets still shaky, it took a further four-to-six weeks for the lenders to obtain credit approvals (PFR, 5/5).

In its final form, the financing comprised:

- $115 million seven-year term loan
- $31.2 million revolving credit facility
- $7.7 million in debt service reserve letters of credit

Lender allocations ($000s)

Lender	Term Loan	Revolver	DSR LC	Total
Crédit Agricole	$26,802	$15,612	$2,560	$44,974
CIT Bank	$37,405	-	$2,560	$39,965
ING Bank	$25,793	$15,612	$2,560	$43,965
Siemens Financial Services	$25,000	-	-	$25,000
Total	$115,000	$31,224	$7,679	$153,903

NORTH AMERICA PROJECT FINANCE

WhiteWater to back-lever Whistler pipeline investment

«FROM PAGE 1 bank market on July 25, *PFR* has learned. It is expected to close by the end of August.

WhiteWater is the largest shareholder in the under-construction Whistler pipeline, with a roughly 48% stake.

The company manages gas transmission assets originating in the Permian Basin collectively valued at $3 billion and was bought by Houston-based **First Infrastructure Capital** in February 2019.

WhiteWater's co-owners of the Whistler pipeline are:

- **MPLX**, a master limited partnership formed by Findlay, Ohio-based **Marathon Petroleum Corp** in 2012, which has a 38% stake
- A joint venture between fund manager **Stonepeak Infrastructure Partners** and pipeline operator **West Texas Gas**

PROJECT LEVEL DEBT

Earlier this year, the ownership consortium closed a hybrid bank loan-and-bond financing at the opco level to fund construction of the pipeline. The deal comprises a delayed-draw term loan and a US private placement.

MUFG and **SMBC** were placement agents on the $824 million dual-tranche private placement. The offering launched at the end of April (PFR, 5/7) and closed on May 15 (PFR, 6/23).

Global Infrastructure Partners' credit fund GIP Spectrum subsequently emerged as one of the buyers of the project bond, having taken $325 million of the $400 million 10-year bullet tranche (PFR, 6/26). It was the Spectrum fund's debut investment.

Meanwhile, the $820 million construction-plus-6.5-year bank loan was provided by the following club of banks: **SMBC, MUFG, Mizuho, CoBank, Société Générale, SunTrust Robinson Humphrey, Landesbank Baden-Wurttemberg, Caixa Bank** and **Banco Sabadell**.

It was priced at a spread of 225 bp.

A $110 million debt service reserve facility was also provided by SMBC, MUFG, Mizuho, CoBank and Société Générale.

The sponsor consortium invested an additional $508 million in cash equity.

Advisers on the project financing were:

- **Milbank** – lenders' counsel
- **Latham & Watkins** – sponsors' counsel
- **Sidley Austin** – sponsors' counsel
- **Lummus Consultants International** – technical adviser

The 42-inch intra-state Whistler pipeline will transport about 2 billion cubic feet of natural gas per day from the Waha Hub in the Permian Basin to the Agua Dulce Hub near Corpus Christi in south Texas "to provide relief to Permian Basin natural gas takeaway constraints," according to Stonepeak.

The gas will ultimately reach Marathon's Galveston Bay refinery. A 50-mile 36-inch lateral will provide connectivity for gas processors in the Midland Basin.

The Whistler pipeline is more than 90% contracted under long-term minimum volume agreements with investment-grade parties in the Permian Basin.

"The contract profile is such that the pipeline is fully contracted and has 10 to 12 years of contract," says a deal watcher.

The Whistler sponsors have secured the supply of all steel needed for the project and construction is set to start this year. The pipeline is due to be online in the summer of 2021. ■

LATIN AMERICA MERGERS & ACQUISITIONS

AES to increase stake in AES Tietê

BNDES has agreed to sell a chunk of its stake in Brazilian generator **AES Tietê Energia** to the company's controlling shareholder **AES Corp**, ending a bidding war with **Eneva**.

The Brazilian development bank, through its investment arm **BNDESPar**, is selling an 18.5% interest in the company to AES for R$1.27 billion ($246 million), a transaction that will reduce BNDES' stake from about 28% to 9% and increase AES's economic interest in the company from roughly 24% to 43%.

AES Tietê's stock is split between ordinary and preferred shares, and AES already controlled the company through its majority position in the common stock. Financial advisers on the transaction are:

- **BR Partners** – to BNDES
- **Credit Suisse** – to AES

"By increasing our ownership in AES Tietê's 3.7 GW platform of renewables, we are reinforcing our commitment to reduce our total generation from coal to less than 30%," said **Andrés Gluski**, president and CEO of AES.

Once the trade is complete, AES intends to move AES Tietê's listing from the Level 2 segment of the **B3** stock exchange to the Novo Mercado segment, which has higher corporate governance requirements. This move "is expected to further unlock the value of AES Tietê for the benefit of all shareholders," according to Gluski.

AES Holdings Brasil, the investment vehicle through which AES controls AES Tietê, had previously provoked a dispute with BNDES over governance issues such as the voting rights of preferred shareholders and the rules for holding general shareholder meetings (PFR, 4/24).

BNDES and AES reached the agreement on the same day Eneva had improved its offer for BNDES' shares by raising the amount of cash on the table and reducing the amount to be paid in shares (PFR, 7/28). Eneva had offered to pay R$1.995 billion ($381.2 million) in cash and 114.75 million of ordinary shares to be issued by the company after the merger. The company said that this offer represented a 17% premium over the market value of both companies on July 23.

Eneva had originally raised the prospect of a merger with AES Tietê in March, but negotiations came to a halt in April due to a deadlock on pricing and because of worsened market conditions caused by the Covid-19 pandemic. Eneva then rejoined the fray in May (PFR, 5/20). Eneva was working with **BTG Pactual** as financial adviser on its bid. ■

LATIN AMERICA PROJECT FINANCE

Delay for Enel hydro project in Chile

Enel Chile has pushed back the commercial operations date for its 150 MW Los Cóndores hydro project as it prepares to pull the plug on its coal-fired assets.

The Los Cóndores project, located in the San Clemente commune in the region of Maule, has been in the works since 2011 when **Endesa Chile** – as Enel Chile was then known – secured environmental permits. The project was initially expected to reach commercial operations in 2018 but Enel has pushed back COD until late 2023. The latest delay will cost the company a further $195 million, according to a filing with Chile's **Financial Markets Commission** dated July 27. The Los Cóndores facility will require a total investment of $1.152 billion.

Its output will be injected into the grid through a 54.05-mile (87 km) transmission line connected to the Ancoa substation.

Enel Chile has reported Ebitda losses of between $350 million and $450 million for 2020 due to the effects of the Covid-19 pandemic and the forthcoming closures of its coal-fired assets.

The sponsor is preparing to pull the plug on its 128 MW La Bocamina I and 350 MW La Bocamina II units in the Biobio in December of this year and May of 2022 (PFR, 5/29). ■

AES preps expansion of solar complex in Chile

AES Corp's Chilean subsidiary **AES Gener** is moving forward with the development of the third and fourth phases of the Andes Solar complex in the Antofagasta region, which has a total capacity of more than 500 MW.

Chile's **Environmental Evaluation Service** approved the 226 MW (DC) Los Andes III and 263 MW (DC) Los Andes IV solar units on July 22, after the sponsor had filed for environmental permits in January.

Construction is expected to begin this summer.

The assets, which will require an investment of $450 million, will inject their output into the grid through a new 220 kV Andes Solar transmission line connected to the Los Andes substation, which is also owned by AES.

The assets are the last two phases of the Andes Solar project and are expected to start operating in 2022.

The complex has been in the works since 2016, when the sponsor brought online the first phase of the project – the 21 MW Andes Solar I facility.

Construction for the second phase – the 80 MW Los Andes Solar II unit – began last year. So far, 36 MW of the project has been installed, according to AES Gener's earnings call on May 7. It was expected to start commercial operations in May 2020.

Other renewable energy assets AES Gener is developing in the country include the 100 MW Los Olmos and 67 MW Mesamavida wind farms – part of a 1.6 GW solar and wind pipeline in Chile and Colombia. These two wind projects are already under construction with a COD penciled for mid-2021. **Nordex** is the engineering, procurement and construction contractor.

To finance the units, AES was preparing to launch a $500 million capital increase in April (PFR, 4/17). ■

Ecuador wind project progresses

Ecuadorian generator **Elecaustro** is moving forward with the development of a 50 MW wind farm in the province of Loja after securing finance from a development finance institution. The $101 million Minas de Huascachaca project is already under construction and is 49% complete, the company's general manager, **Antonio Borrero**, wrote on Twitter. National development bank **Banco de Desarrollo del Ecuador** arranged a $54.8 million debt package for the asset, Borrero added. The rest of the financing will come from Elecaustro's funds. The Minas de Huascachaca project is being fitted with 15 wind turbines, each with 3.3 MW of capacity. It is expected to generate 132.9 GWh per year, once it starts operations, according to Elecaustro's website. ■

Golar courts Norsk Hydro as partner for Brazilian LNG project

Golar Power, a joint venture between **Golar LNG** and **Stonepeak Infrastructure Partners**, is planning to establish a partnership with **Norsk Hydro** to develop a liquified natural gas (LNG) terminal in the North of Brazil.

The project is expected to supply Norsk Hydro's Alunorte alumina refinery, one of the largest of its kind in the world, located near the Port of Vila do Conde, in Barcarena, Pará.

The refinery would be the first customer of a Barcarena FSRU, which Golar plans to bring into operation in the first half of 2022. Alunorte would switch from burning heavy fuel oil to natural gas as a result.

The LNG terminal will also supply a 605 MW gas-fired combined-cycle project being developed by Golar to fulfill a 25-year power purchase agreement won in a government auction last year. The Barcarena CCGT project is expected to cost R$1.5 billion ($290.9 million).

Once the agreement with Norsk Hydro is finalized, Golar expects to be able to make a final investment decision on the project in the next four to six months.

Golar Power is also developing another LNG import facility in Brazil, in the Southern state of Rio Grande do Sul. ■

PEOPLE & FIRMS

Solar reshuffle at 1st Source

The responsibility for **1st Source Bank**'s solar lending business has been handed over to a new manager as part of a reassignment of duties within the South Bend, Indiana-based bank.

The business was previously overseen by **Shelli Alexander** as part of her role as senior vice president of business banking and solar financing. It has now been assigned to **Larry Mayers**, who has been promoted to senior vice president and head of business banking as well as regional president for Fort Wayne. Mayers has been with 1st Source for 13 of his 30 years in banking.

The regional bank is active particularly in the commercial and industrial-scale solar segment and has provided loans and tax equity to clients including **En-Trust Energy Group** and **Nautilus Solar Energy**.

The bank provides tax equity in roughly half its solar portfolio, vice president **Russ Cramer** told *PFR* in an interview in 2018 (PFR, 6/28).

Alexander, the previous head of solar financing, has been promoted to regional president of the bank's central region. The moves were announced on July 17.

Advisory firm builds renewables team

Financial advisory firm **Pi Capital** has hired experienced structured finance banker **Susana Vivares** as its builds out a new renewable energy and sustainable infrastructure unit.

Vivares, who is known in power and infrastructure circles from her 13 years at **WestLB**, where she co-led the EMEA energy and structured finance group in London, joined New York-based Pi Capital in July as managing director.

After WestLB was broken up in 2012, Vivares spent two years at **Moody's Investors Service**. More recently, she had launched her own middle-market corporate advisory firm, **Hālig-Partners**, in 2019.

"We were impressed with Susana's strong structuring advisory background, in particular across the renewable and infrastructure sectors, which aligns perfectly with our new build out initiative," says **Steven Carlson**, managing partner at Pi Capital. ■

RBC hires tax equity pro

RBC Capital Markets has brought in **Jonathan Cheng** in New York to bolster its tax equity team.

Cheng joined RBC in July and is director of renewable energy tax credit originations and investment, reporting to **Yonette Chung McLean**, who leads business development and oversees tax equity syndication and co-investments as managing director.

RBC has provided tax equity to clients such as **Vivint Solar** and **Idemitsu Renewables** (formerly Solar Frontier Americas) in recent times (PFR, 6/29, 6/29).

Cheng had previously been a partner at tax equity syndication and advisory firm **Glasswing Capital** – a group he co-founded in 2017.

Before setting up Glasswing, the former **Bear Stearns** banker had held senior positions at **Renewable Energy Trust Capital** and **GCL Solar Energy**.

Cheng's fellow Glasswing co-founder **Justin Amirault** joined storage-focused independent power producer **Broad Reach Power** in May (PFR, 6/3). ■

LATIN AMERICA PROJECT FINANCE

Arroyo nears financial close for Mexico refi

«FROM PAGE 1 close in early April, financial close is now penciled in for August.

A third bank, Amsterdam-headquartered **ING**, is interested in joining the financing, say two sources close to the deal.

Astris Finance is Arroyo's financial adviser on the deal.

The sponsor will use the loan to refinance its 131 MW Pemcorp simple-cycle gas-fired project in Pesquería, Nuevo León, which has been online since October 2018.

SMBC and Natixis also participated in the original financing in 2018, alongside **Korea Development Bank**. The banks arranged a $126 million five-year debt package with pricing "in the high 200s" over Libor (PFR, 8/29/18). The Pemcorp plant has a 20-year power purchase agreement in place with South Korean carmaker **Kia Motors** and **Hyundai Engineering and Construction**.

Kia uses 55 MW of the plant's output and Hyundai 45 MW, but the deal is structured as a single PPA since both offtakers have the same parent company – **Hyundai Motor Co**. Hyundai has a 33.88% stake in Kia.

The Pemcorp facility connects directly to the Kia and Hyundai factories that use the generation. However, an interconnection to the national network is underway so that the plant can sell the remaining 30 MW of its output into the spot market. Pemcorp's natural gas supply comes from across the border with the US through a **Kinder Morgan** pipeline.

Finnish technology company **Wärtsilä** built the project and is also responsible for operations and maintenance until 2021.

Arroyo is also refinancing two renewable projects in Chile, the 115 MW El Arrayán wind park in the Coquimbo region and the 104 MW Conejo solar park in the Atacama desert. SMBC and **Crédit Agricole** are arranging the $400 million seven-year mini-perm, which is also expected to close in August after syndication (PFR, 6/4). ■

PEOPLE & FIRMS

Trafigura forges ahead with North America power build-out

Singaporean commodities firm Trafigura is continuing with the build-out of its North American power and environmental products trading division after the person originally picked to lead the charge left the firm in May.

The oil and minerals trader launched its power and renewables trading desk late last year, focusing on European and US markets, originally with **Joshua Grizzle** overseeing the US business. Grizzle had been with Trafigura for almost 10 years.

However, Grizzle departed from the company in May, and the team has been led by **Karthik Selvam** since then.

Selvam was promoted to head of US power after only four months at Trafigura, having joined in January after two years at **Goldman Sachs**, where he had been managing director and head of eastern power trading. Before that, he had worked at **Constellation** for almost 15 years, many of which he spent trading power in PJM Interconnection and New York ISO.

In the meantime, the company is putting experienced traders in place to oversee activities in various US power markets. They include:

- **Michael Carson** – started in May as head of Ercot power trading
- **Scott Adair** – starting in August as head of Western power trading

Carson joined from **Engie** and is also a former head of Americas power trading at **Bank of America Merrill Lynch**, where he worked for 15 years.

Adair joins from **Direct Energy**, which is in the process of being acquired by **NRG Energy** (PFR, 7/24). He had been there for the last decade and previously worked at **TransAlta** and **Powerex**.

Other functions in the team are also being filled. **Kolby Kettler**, for instance, joined as director of operations and commercial analyst from **Vitol** in March.

An experienced power trader and analyst, Kettler had worked at Vitol for seven years and held positions in the industry at **Citigroup Energy**, NRG Energy, **ConocoPhillips Gas and Power Marketing**, **Duke Energy, Texas Ohio Gas**, and **Dynegy** going back to 1998.

And **Thomas Nedunthally** is expected to join the team soon as fundamental analyst. He spent the last two years as senior gas basis strategist at **Citadel** and has held prior roles in power and gas trading at **Freepoint Commodities**, TransAlta, and **Louis Dreyfus Highbridge Energy**.

Further hires are expected in the next few months as the company fills environmental products and origination roles, says a source familiar with the company's plans. ■

C-suite hire at Generate

Generate Capital has brought in former **SunPower Corp** executive **Nam Tran Nguyen** as its first chief operating officer.

Nguyen was previously executive vice president at SunPower, where she ran the commercial and industrial solar division – a business with more than $500 million in annual revenue.

She had been with SunPower for seven years, prior to which she held positions with **First Solar** and its predecessor **OptiSolar**, as well as biotechnology company **Genentech**. She began her finance career at **Robertson Stephens** and **Merrill Lynch**.

Her appointment at Generate follows that of former **Carlyle Group** infrastructure chief **Andrew Marino** as Generate's senior managing director and head of strategy in June (PFR, 6/5). ■

ALTERNATING CURRENT

The dark side of solar

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A recent development testifies to solar's lasting appeal, albeit with a controversial twist. Afghan opium poppy growers are among those that have caught on to the increasingly affordable technology, though presumably not with ESG criteria in mind.

An investigation by the **BBC** into "perhaps the purest example of capitalism on the planet" has revealed that farmers in the Helmand Valley in southern Afghanistan have been making the most of the falling costs of solar panels to irrigate their lush poppy fields (BBC, 7/27).

Afghanistan is the biggest opium producer in the world, supplying more than two-thirds of the world's global illicit opium, according to the **United Nations Office on Drugs and Crime**. Most of it is refined into heroin.

The first instance of an Afghan farmer using solar was reported in 2013, and by 2019 there were estimated to be about 67,000 solar arrays in the Helmand Valley alone, according to the BBC investigation.

Poppy cultivation and opium production in Helmand is a major source of funding for the **Taliban**.

For $5,000 upfront, farmers can purchase solar panels and an electric pump, replacing the diesel generators they previously used to pump groundwater to the surface and ensure that their poppy fields bloom even during droughts.

In February, the **White House Office of National Drug Control Policy** estimated that poppy cultivation in Afghanistan had declined by 28% from 2018 to 2019 due to low opium prices. But in the south west, where solar is being used, opium production actually increased, the BBC reports.

"There are no subsidies here," writes **Justin Rowland**, the BBC's chief environment correspondent. "Nobody is thinking about climate change - or any other ethical consideration, for that matter."

QUOTE OF THE WEEK

"California, now that PG&E has emerged from bankruptcy, takes a large portion of the market and puts it back into play for lenders"

Brian Goldstein, head of project finance at **CoBank**, on *PFR*'s Midyear Review 2020 roundtable (*page 14*).

