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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

Obama Unveils 'Watershed Moment' For Renewables

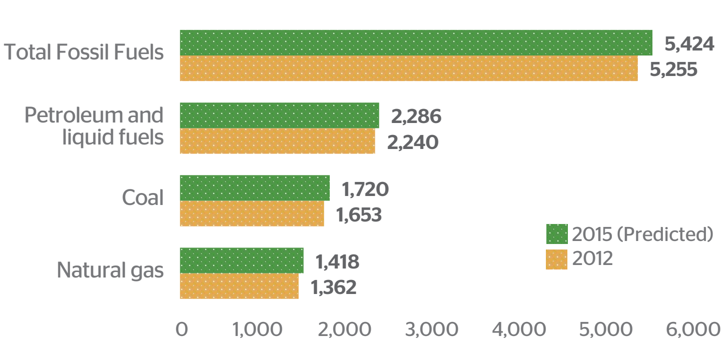
Olivia Feld

President Obama has set the first ever federal limits on power plant carbon emissions in the U.S., a move that market participants say will lead to a deluge of renewables projects.

The President described the plan as the "single most important step America has taken in the fight against global climate change" during a press conference at the White House on the afternoon of Aug 3.

The Clean Power Plan (CPP), a set of U.S. **Environmental Protection Agency** regulations, sets outs a 32% reduction in power plant carbon diox- PAGE 9 »

Carbon Dioxide Emissions In Million Metric Tons



Source: U.S. Energy Information Administration

SunRun Shares Plummet Following IPO

Richard Metcalf

Shares in U.S. residential solar company SunRun dropped in value by more than 20% in the first day of trading after its initial public offering.

The IPO was priced at $14 a share on Tuesday Aug. 4, the mid-point of the target price range, raising $250 million. But by Wednesday afternoon the price had fallen to just over $11 a share. The shares continued to suffer on Thursday, reaching as low as $8.25.

Credit Suisse, **Goldman Sachs** and **Morgan Stanley** were lead bookrunners, **Bank of America Merrill Lynch** and **RBC Capital Markets** were bookrunners, and **KeyBanc** and **SunTrust Robinson Humphrey** acted as co-managers. PAGE 10 »

Magnolia Eyes Up To $3B Debt Financing

Olivia Feld

Magnolia LNG plans to launch an up to $3 billion debt financing for its project in the Lake Charles District, La., in October, having secured its first offtake agreement last week, a deal watcher tells *PFR*.

Teasers for the debt financing are likely to be sent out in early October, with joint lead arrangers chosen by the end PAGE 5 »

Innergex To Wrap C$280M For Québec Wind Park

Nischinta Amarnath

Innergex Renewable Energy is in advanced discussions with pension funds and life insurance companies as potential lenders to raise C$280 million ($213.5 million) in non-recourse debt for the 150 MW Mesgi'g Ugju's'n wind farm in the Avignon Regional County Municipality of Québec. PAGE 6 »

POWER UP: CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 10

IN THIS ISSUE

THE BUZZ

Energy Equities Hit By 'Sentiment Trade'

In a rocky week for energy equities, **SunRun** decided to go ahead with its IPO anyway, and although the residential solar firm managed to hit its pricing target—unlike **TerraForm Global** on July 30 (see story, page 11)—its share price dropped by more than 20% the following day, prompting one deal watcher to remark: "Something presumably went amiss." (See story, front page).

SunRun is not the only renewables company whose share price has suffered lately. According to **Pavel Molchanov**, equity analyst at **Raymond James** in Houston, the moves are the result of a "sentiment trade", linked to the recent fall in oil prices. "A lot of stocks with anything to do with energy—solar names, smart grid, other names with nothing to do with the price of oil—they have traded down with the price of oil," he says.

"There has been a disproportionate drop in yieldcos," notes another deal watcher. "Starting with **SunEdison** after the acquisition of **Vivint**, which was not taken well by investors."

SunEdison's first yieldco, **TerraForm Power**, saw its share price fall along with its sponsor's following the announcement of the residential solar buy-up on July 20.

The release of SunEdison's disappointing second quarter results on Aug. 6 sent shares in SunEdison, TerraForm Power and SunEdison's second yieldco, the newly floated TerraForm Global even lower.

Volatility in yieldco equities could be partly attributed to the limited range of investors they appeal to, according to the second deal watcher. "There is not a big universe of investors able to take on this equity," he says. "The universe that understands yieldcos is narrow."

NO SLOWDOWN IN PROJECT FINANCE

The project finance market is not showing signs of slowing down this August, with a holdco loan for **Caithness Energy's** Long Island Energy Center expected to close this week and a deal backing an **Innergex Renewable Energy** wind project in Québec likely to be sealed before the end of the month. ■

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

GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Advisor	Status/Comment
Akuo Energy	Florida II (50 MW Wind)	Uruguay		Eurus Energy Group has acquired a minority stake (PFR 8/3).
Bankers Commercial Corp.	Rising Tree I (79 MW Wind)	Kern County, Calif.		An affiliate of Slate Street is buying tax equity stakes in the projects (PFR, 6/21).
	Rising Tree II (19 MW Wind)			
BayWa r.e.	Beethoven (80 MW Wind)	Tripps, S.D.		NorthWestern Energy is buying the project for $143M (PFR 8/3).
Blackstone and others	Portfolio (523 MW Rooftop Solar)	U.S.	Morgan Stanley	TerraForm Power will acquire Vivint Solar's assets for $922 million (PFR, 7/27).
Brookfield U.S. Renewable Power Holdings	Coram (102 MW Wind)	Kern County, Calif.		RET Capital has bought the facility (PFR, 7/13).
Campbell County Wind Farm Holdings	Campbell County Farm (95 MW Wind)	South Dakota		ConEdison is acquiring the project (PFR 7/20)
Cielo Wind Power	Salt Fork (200 MW Wind)	Donley and Gray counties, Texas		EDF Renewable Energy is acquiring the project (PFR, 6/28).
Ecoplexus	Shawboro PV1 (20 MW Solar)	Currituck County, N.C.		Duke Energy Renewables acquired the project (PFR, 7/27).
GE Energy Financial Services	Linden (1.6 GW Gas)	New Jersey		GE EFS is due to finalize a buyer for its 50% stake (PFR 8/3).
Genesis Power, Ares EIF Management	Keys Energy Center (755 MW Gas)	Brandywine, Md.		PSEG Power is buying the project (PFR, 6/21).
Gestamp Renewables	Portfolio (2.5 GW Solar)	U.S., Latin America, Europe, Asia, Africa	Bank of America Merrill Lynch	KKR is acquiring an 80% stake in Gestamp Asetym Solar for about $1B (PFR, 7/27).
Infigen Energy	Portfolio (1.1 GW Wind)	U.S.	UBS	ArcLight Capital is buying the portfolio for $272.5M (PFR 7/20)
	Portfolio (Roughly 95+ MW Solar)		Greentech Capital Advisors	The solar pipeline was sold for $37.9M. The buyer is a global solar developer, but its identity remains unknown (PFR 7/20)
Invenergy	Portfolio (930 MW Wind)	U.S., Canada		SunEdison and TerraForm Power are buying the portfolio (PFR, 7/13).
MACH Gen creditor group	Athens (1.08 GW Gas)	Greene County, N.Y.		Talen Energy is paying creditors including BAML and Credit Suisse $1.175B for the portfolio (PFR, 7/27).
	Millenium (360 MW Gas)	Charlton, Mass.		
	Harquahala (1.092 GW Gas)	Maricopa County, Ariz.		
Moxie Energy	Freedom (900 MW Gas)	Luzerne County, Pa.		Caithness is buying an equity stake in the Freedom project (PFR 8/3).
Oak Creek Renewable Energy	Tres Mesas Phase 3 (up to 240 MW,Wind)	Tamaulipas, Mexico		The Marubeni affiliate plans to sell a stake in the project (PFR, 7/6).
Pattern Development, MetLife Capital	Gulf Wind (286 MW Wind)	Kenedy County, Texas		Pattern Energy Group is paying $85.8M for the 60% stake (PFR, 7/27).
Petrobras	Portfolio (1.5+ GW Thermal)	Brazil		The portfolio could be in the market soon, according to a source (PFR, 6/21).
● Pristine Solar	Portfolio (150MW-300MW)	U.S.		The developer will transfer the assets to a JV between it and Chinese PV manufacturer ReneSolar (see story, page 7).
Renova Energia	Portfolio (830 MW Solar, Wind, Hydro)	Brazil		SunEdison is acquiring the assets and a 15.7% stake in Renova's shares (PFR, 7/13).
Rockland Capital	Lakeswind (68 MW Wind)	Rollag, Minn.		TransAlta is buying the projects for $75.8M. Deal slated to wrap in September (PFR 8/3).
	Mass Solar Portfolio (21 MW Solar)	Massachusetts		
Soligent Holdings	Portfolio (60 MW Solar)	California		Duke Energy subsidiary REC Solar acquired the portfolio (PFR, 7/6).
Suncor Energy	Kent Breeze (20 MW Wind)	Ontario		TransAlta will have a 100% ownership of Kent Breeze (PFR 7/20)
	Wintering Hills (88 MW Wind)	Alberta		TransAlta is purchasing a 51% stake in Wintering Hills (PFR 7/20)
TransAlta Corp.	Poplar Creek (376 MW Gas)	Fort McMurray, Canada		Suncor Energy is buying the plant in exchange for two of its wind farms (PFR 7/20)

● **New or updated listing**

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

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Amount	Tenor	Notes
8minutenergy Renewables, D.E. Shaw Renewable Investments	Springbok (133 MW Solar)	Kern County, Calif.	U.S. Bank	Tax Equity	TBA	TBA	The deal could be worth between $125M and $127M (PFR, 6/15).
Alterra Power, Starwood Energy	Shannon (204 MW Wind)	Clay County, Texas	Citi, Santander, RBC	Construction, Letters of Credit	$287M	TBA	The loan is backed by $219M of tax equity from Citi and Berkshire Hathaway (PFR, 7/6).
● Boralex	Frampton (24 MW Wind)	Chaudière-Appalaches, Québec	National Bank of Canada	Construction/ Term Loan	C$73.5M	19.5-yr	The construction loan is priced at just under 200bps (see story, page 6).
				Bridge Loan, Letters of Credit	C$7.9M	TBA	
● Caithness Energy	Long Island Energy Center (350 MW Gas)	Brookhaven, N.Y.	Investec	Mini-perm, holdco loan	$200M	7-yr	The loan is set to close at LIBOR+450bps early next week (see story, page 5).
Canadian Solar	Aria (9 MW Solar)	Springwater, Ontario	Manulife	Construction, Term	C$52.8M	TBA	Both projects will be sold to Concord Green Energy once completed (PFR, 7/27).
	Earth Light (10 MW Solar)	Pefferlaw, Ontario	TBA	TBA	TBA	TBA	
Clean Energy Future	Lordstown (800 MW Gas)	Lordstown, Ohio	TBA	TBA	TBA	TBA	The deal is expecetd to close in December (PFR, 6/8).
Competitive Power Ventures	Fairview (980 MW Gas)	Cambria County, Pa.	TBA	TBA	Debt, Equity	TBA	The sponsor will be in the market for debt when the deal launches in Q3'16 (PFR, 6/15).
Fermaca	El Encino-La Laguna (289-mile Pipeline)	Mexico	Citigroup, Goldman Sachs, ING, NordLB, Santander, Banamex, Sabadell	Loan	$584M	3.5-yr	The loan was priced at 187.5 bps over LIBOR (PFR, 8/3).
● Innergex	Mesgi'g Ugju's'n (150 MW Wind)	Avignon, Québec	Manulife, Canada Life Insurance Co, Caisse de Dépôt et Placement du Québec	Construction/ Term	C$280M	20-yr	The deal is slated to close by end of August (see story, page 6).
● Invenergy	Clear River (900 MW+ Gas)	Burrillville, R.I.	TBA	TBA	TBA	TBA	The project is slated to cost $700M to develop (see story, page 7).
Invenergy	Lackawanna (1.3 GW Gas)	Lackawanna County, Pa.	TBA	TBA	TBA	TBA	Invenergy is in the market for debt (PFR, 5/18).
Invenergy	Portfolio (2 GW Gas)	U.S., Canada	Morgan Stanley, ICBC	Term Loan B, RCF	$537M, $70M	7-yr, 5-yr	Invenergy will use the proceeds to repay corporate and project-level debt (PFR, 7/27).
● Magnolia LNG	Magnolia LNG (80 mtpa LNG)	Lake Charles District, La.	TBA	Debt	<=$3B	TBA	Teasers are likely to be sent out in early October (see story, page 5).
Moxie Energy	Freedom (900 MW Gas)	Luzerne County, Pa.	BNP Paribas, Citigroup, GE EFS, MUFG Union Bank	Debt	$600M	TBA	The deal is slated to close by end of October (PFR, 8/3).
NTE Energy	Middletown (525 MW Gas)	Butler County, Ohio	BNP Paribas, Crédit Agricole	Debt	$414M	TBA	Deal slated to wrap in a month (PFR, 8/3).
	Kings Mountain (475 MW)	Cleveland County, N.C.	MUFG Union Bank, ING	Debt	TBA	TBA	NTE Energy is in the market for debt. Each project is pegged at $400M+ (PFR, 6/1).
Panda Power Funds	Hummel (1 GW Gas)	Snyder County, Pa.	TBA	TBA	TBA	TBA	The developer is considering a term loan B or other structure (PFR, 5/25)
Sky Solar	Portfolio (70 MW Solar)	Uruguay	Inter-American Development Bank, China Co-Financing Fund, Canadian Climate Fund	Debt	$85M	TBA	The deal has wrapped (PFR, 7/20)
● SunEdison	South Plains II (300 MW Wind)	Floyd County, Texas	Citi	Construction Loan	$360M	TBA	The project is expected to be acquired by TERP on completion in 2016 (see story, page 5).
			Berkshire Hathaway, Citi	Tax Equity	$360M	TBA	
SunEdison	Quilapilun (110 MW Solar)	Chile	CorpBanca, DNB	Debt	$160M	TBA	The deal has wrapped. The project is on TERP's call right project list (PFR, 8/3).

● **New or updated listing**

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PROJECT FINANCE

Magnolia Eyes Up To $3B Debt Financing

« FROM PAGE 1

of the year, adds the deal watcher. The sponsor says that the deal will likely close in the first quarter of next year.

Houston-based Magnolia is a subsidiary of the Perth, Australia-based **Liquefied Natural Gas Limited** (LNGL). **BNP Paribas** has been advising the sponsor since late 2014.

Magnolia signed a 20-year offtake agreement with **Meridian LNG** for firm capacity rights for up to 2 million tons per annum. The four-train project has a total capacity of 80 mtpa.

The agreement is conditional on Magnolia achieving financial close no later than the end of June 2016. Meridian has the option to extend the offtake agreement by a further five years.

By securing a partial offtaker Magnolia LNG has seemingly bucked the trend of sponsors having difficulty securing offtake agreements in an environment of sustained low oil and gas prices.

The deal watcher attributed Magnolia's success to the fact that it will be online sooner than other LNG projects currently being developed in the U.S. Magnolia is slated to deliver its first LNG exports in December 2018, with a full supply in 2019. "When you're the only girl in the room lots of people ask you to dance," says the deal watcher. Magnolia is looking to sign another one or two offtakers, the deal watcher adds.

Magnolia had signed four preliminary 20-year, 1.7 mtpa nonbinding tolling agreements with **AES Latin American Development**, **Brightshore Overseas**, **Gas Natural SDG** and **LNG Holdings Corp**. Of the four agreements, only Brightshore Overseas' remains in place, but the sponsor remains in contract discussions with the other three parties.

The project is likely to have a 70:30 or 75:25 debt to equity ratio. In December, Magnolia estimated that the project would cost $3.5 billion to construct.

Stonepeak Infrastructure Partners is an equity investor in Magnolia LNG and provided $660 million for the project (PFR, 5/7). *PFR* understands that the contribution could rise to $800 million in total.

In May 2014, LNGL privately placed $49.5 million of shares in Australia and the U.S. to fund the company's operations until it reaches financial close on the debt for Magnolia (PFR, 5/7).

FAST FACT

80 mtpa

The total capacity of the four train Magnolia LNG project

Houston-based **Kellogg Brown & Root** and Seoul, South Korea-based **SK E&C** are EPC contractors on the project. The **Kinder Morgan Louisiana Pipeline** will supply the project with natural gas.

The U.S. **Federal Energy Regulatory Commission** issued a draft environmental impact statement for the project in July. The **Department of Energy** granted approval for the project to deliver LNG to countries that have free-trade agreements with the U.S. The project is awaiting the outcome of an application to export to non-FTA countries (PFR, 12/2/13).

Spokespeople for Magnolia LNG in Houston declined to comment and BNP Paribas in New York did not immediately respond to inquiries. ■

Caithness' Long Island Project Loan Set To Close

Caithness Energy is set to close a $200 million debt financing for a gas-fired project in New York early next week, once syndication is wrapped up.

The seven-year loan for the 350 MW Long Island Energy Center CCGT facility is 1.6 times oversubscribed, with around 10 gray market lenders participating, says a deal watcher.

The loan, which is at the holding company level rather than the project level, was priced at 450 basis points over Libor with a 1% floor.

Caithness hired **Investec** as the sole lead arranger for the debt financing after abandoning a plan to sell an equity stake in the project after first round bids had been taken (PFR 6/30).

Citigroup has previously arranged debt for the project, underwriting a $450 million private placement in 2007 (PI 4/5/07), and leading on a roughly $150 million holding company loan and a letter of credit in 2012 (PFR 10/11/12).

The project has a 286 MW power purchase agreement with a remaining life of about 14 years with the **Long Island Power Authority**. The remaining 64 MW of the generation is sold spot. ■

SunEdison Nets Debt, Tax Equity For South Plains II

SunEdison has sealed $360 million in debt and tax equity for the 300 MW South Plains II wind farm in Floyd County, Texas.

Citi is providing a construction loan and, jointly with **Berkshire Hathaway**, a tax equity investment which will kick in once the project is online, according to a statement released by SunEdison on Wednesday.

SunEdison's developed markets yieldco, **TerraForm Power**, expects to acquire the project when it is complete. The project is slated to commence operations next year.

The wind farm is one of an increasing number of renewables projects to be backed by an offtake agreement with a corporation which will use the generation itself, rather than a utility.

Palo Alto, Calif.-based IT company **Hewlett-Packard** has a 112 MW agreement with the South Plains II farm, and will use the capacity to power its cloud computing data centers located in Texas. The rest of the generation will be sold to a subsidiary of Citi.

Amazon Web Services, a rival of Hewlett-Packard in the remote computing services business, has signed offtake agreements for several renewables projects, including the first ever utility-scale wind farm in North Carolina (PFR 7/15).

Other non-utilities that have signed power purchase agreements in recent years include **Ikea**, **Wal-Mart** and **Procter & Gamble**. ■

PROJECT FINANCE

Innergex To Wrap C$280M For Québec Wind Park

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Lenders that the Canadian power producer has been talking to include the **Canada Life Assurance Company**, the **Manufacturers Life Insurance Company**, and **Caisse de Dépôt et Placement du Québec**, a deal watcher tells *PFR*. The company, which signed a term sheet and an engagement letter this week, expects to wrap the deal before the end of August.

Innergex has entered into a bond forward contract to lock in a fixed interest rate on the financing, according to the deal watcher, who adds that the loan will most likely be split into two tranches.

An Innergex representative in Montreal confirmed that the deal was forthcoming, and added that the company is looking for a construction loan that will convert into a term loan with a 20-year tenor once Mesgi'g Ugju's'n is commissioned at the end of 2016. She declined to comment on the pricing of the loan.

The debt financing will cover 82% of the C$340 million ($259 million) construction costs for the project, which has a 20-year offtake agreement with **Hydro-Québec**.

Over the past 11 months, the Longueuil, Québec-headquartered company has wrapped C$782 in debt financings for four hydro assets totaling 168.5 MW in British Columbia, the most recent of which was a three-part C$197.2 million ($160.5 million) term loan for the 40.6 MW Big Silver Creek facility, with Manulife and CDPQ as lenders (PFR, 6/23).

The developer obtained C$491.6 million ($392 million) in construction and term loans for the 25.3 MW Boulder Creek and the 25.3 MW Upper Lillooet hydro projects from Manulife, CDPQ and the Canada Life Assurance Company in March (PFR, 3/24), and last October, it sealed a 40-year C$92.9 million ($83.4 million) life insurance financing package at 4.99% for its 21.2 MW Tretheway Creek run-of-river hydro project in British Columbia from **National Bank Financial** and **Sun Life Assurance Co. of Canada** (PFR, 2/10).

All the hydro projects in British Columbia have 40-year power purchase agreements with BC Hydro, signed between two and five years ago.

DERIVATIVE LOSSES

Innergex, which opted for bond forward contracts for all five projects to insulate itself from interest rate and inflation currency risks, has realized a loss of $24.5 million on derivatives related to Big Silver Creek due to a decline in benchmark interest rates, according to its second quarter results. The company settled bond forward contracts concurrently with the closing of its Boulder Creek and Upper Lillooet River projects in March, according to its first quarter report.

Mesgi'g Ugju's'n, which began construction earlier in May, is being developed by a 50:50 joint venture between Innergex and three Mi'gmaq First Nations—**Listugui**, **Gesgapegiag** and **Gespeg**.

Spokespeople and officials for Manulife, Caisse de Dépôt et placement du Québec and the Canada Life Insurance Co., in Toronto and Québec either declined to comment or did not respond to inquiries. ■

NBC Backs Boralex' Québec Wind Project

Boralex has sealed C$81.4 ($61.7 million) in debt financing for the Frampton community wind farm in the Chaudière-Appalaches region of Québec from **National Bank of Canada**, which is a lead arranger and the sole bookrunner on the deal.

Boralex' financing package comprises a C$73.5 million ($55.7 million) construction loan, and a bridge financing facility and letters of credit totaling C$7.9 million ($6 million).

The construction loan is priced at less than 200 basis points over CDOR (Canada's reference rate equivalent to LIBOR), according to a deal watcher.

The construction loan will be converted into a term loan with a 19.5-year tenor once Frampton enters service in December 2015, at which point a swap contract comes into effect and Boralex will begin paying a 4.2% fixed rate of interest on 90% of the total debt.

The 24 MW wind park is pegged at a cost of C$75 million ($57 million) to C$80 million ($60.6 million).

FINANCING STRUCTURE

Boralex paid C$11.5 million ($8.7 million) to buy a 66.7% stake in Frampton from **Northland Power** in January this year. The Frampton municipality currently owns the remaining 33.3% stake in the project.

The municipality is expected to contribute between C$495,000 ($375,430) and C$2.14 million ($1.6 million) in equity to the project, while Boralex will invest between C$1 million ($758,388) and C$4.3 million ($3.26 million). Boralex will fund its equity investment with cash on its balance sheet, according to another deal watcher.

In June, the developer issued a C$125 million ($100 million) five-year convertible bond in an oversubscribed offering led by **National Bank Financial**, partly to fund acquisitions and capital projects (PFR, 6/4).

The project has a 20-year offtake agreement with government-owned utility **Hydro-Québec**, which, according to one of the deal watchers, will repay the C$7.9 million that Boralex secured through bridge financing and letters of credit from NBC.

Frampton will operate with 12 **Enercon** E-82 turbines, which market participants say demonstrates the strong relationship between the developer and the German turbine manufacturer. Boralex paid C$65 million in options and equity to acquire a stake in the 230 MW Niagara Region wind farm in Ontario from Enercon in June (PFR, 6/8).

A spokesman for Boralex in Québec confirmed that no other bookrunners were involved in the deal, but declined to comment further. Officials from NBC in Montreal and Toronto either declined to comment or did not respond to inquiries. ■

PROJECT FINANCE

Invenergy Plots 900 MW New England Project

Invenergy is developing a $700 million gas-fired project in Rhode Island. The Clear River Energy Center combined-cycle gas-fired project Burrillville, R.I., is slated to produce more than 900 MW.

The project, which is slated to be online in the summer of 2019, will feed into **ISO New England**. The **Algonquin Gas Transmission** pipeline runs through the town of Burrillville.

Chicago-based Invenergy says that the project will meet the current capacity shortage forecasted for the Rhode Island zone of the regional grid, and that it is currently reviewing potential offtake opportunities.

The developer is preparing to submit the permit applications for Clean River to the **Rhode Island Department of Environmental Management**, the state's **Energy Facility Siting Board**, and the **Town of Burrillville**. Once permits are in place, construction of the project is slated to start in the fourth quarter of 2016.

It could not be established how Invenergy plans to finance the construction of the Clean River project. **Morgan Stanley** and the **Industrial and Commercial Bank of China** recently backed a portfolio of six Invenergy gas-fired projects with a $607 million term loan B (PFR, 7/17).

Several large-scale projects in New England have recently closed or are in the process of shutting down, adding to the capacity shortage in the region. The **Entergy Corp** 605 MW Vermont Yankee nuclear power station in Vernon, Vt., closed in December and the **Dominion Resources** 1.53 GW Brayton Point coal-fired project in Somerset, Mass., is closing in 2017 (PFR, 1/9), (PFR, 1/22/2014).

Meanwhile, Invenergy is eyeing debt financing for its $900 million 1.3 GW Lackawanna gas-fired project in Lackawanna County, Pa. The financing for the Lackawanna project is likely to follow a number of other debt deals backing gas-fired projects in PJM, sponsored by **Moxie Energy**, **Panda Power Funds** and **NTE Energy**, a deal watcher tells *PFR*. Invenergy is expected to assign lead arrangers on a deal backing Lackawanna later this year, adds the deal watcher.

A spokesperson for Invenergy in Chicago declined to comment on plans to finance the construction of the project. ■

MERGERS & ACQUISITIONS

Pristine Signs JV With Chinese Manufacturer

Pristine Solar has signed a joint venture with solar manufacturer **ReneSolar** to develop between 150 MW and 300 MW of the portfolio that it is currently in the market to finance.

Pristine launched the sale of a 572 MW portfolio of small scale distributed generation solar projects in June (PFR, 6/12).

The joint venture, **Baynergy,** will develop, build and operate up to 300 MW of projects in the U.S., including distributed generation.

"It's a classic joint venture," a deal watcher tells *PFR*. "Pristine is developing the assets as a very small part of its overall portfolio. There's the ability to potentially add more assets to this JV."

Pristine is discussing potentially launching a yield company in the next few years dependent on market conditions, the deal watcher adds.

The San Francisco-based sponsor said it was in the market for upwards of $900 million in total to finance a 572 MW project pipeline in June (PFR, 6/12). Pristine remains open to offers for the remaining development portfolio, estimated to be in the range of 272 MW. The sponsor is thought not to have ruled out selling an equity stake in itself, up to and including a 100% takeover.

ReneSolar will hold a 51% equity interest in Baynergy, with Pristine Sun owning a stake of up to 49%, dependent on certain undisclosed conditions. Baynergy has an initial target of 150 MW of solar projects to be in operation by the end of 2016, in time to qualify for the full investment tax credit.

The projects in the JV will require debt financing in the near future, says the deal watcher. The solar facilities, which are in California, Minnesota, North Carolina and Texas, range from those in early stage development to some ready for construction. Most of the projects have offtake agreements in place.

Founded in 2005, Shanghai-based ReneSolar makes green energy products, including solar PV modules. In a challenging climate for solar module manufacturing, a number of companies have sought to diversify and enter the solar project space, the deal watcher says.

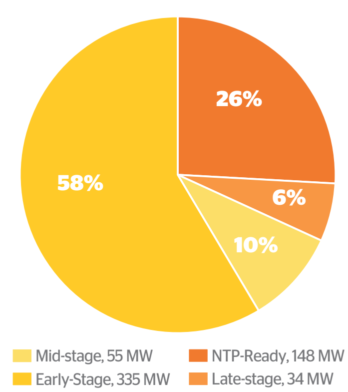
ReneSolar's joint venture with Pristine follows fellow manufacturer **Canadian Solar**'s acquisition of project developer **Recurrent Energy**. Following the acquisition, Canadian Solar has an 8.5 GW pipeline of solar projects (PFR, 5/18). Canadian Solar, like ReneSolar, has strong ties with China.

Pristine develops small utility-scale solar projects in the U.S. and has nearly 1 GW of projects either in construction or late-stage development, in addition to 5 GW of projects that are in early or mid-stage development.

New York-based **Whitehall & Co** are advising Pristine Solar on the deal. It could not be established whether ReneSolar used an advisor.

Spokespeople for ReneSolar America and Pristine Sun in in San Francesco and Whitehall & Co in New York either declined to comment or did not respond to inquiries by press time. ■

Pristine Sun - Project Pipeline



Stage of Development	Number of Projects
NTP -Ready	21
Late-stage	42
Mid-stage	18
Early-stage	228

Source: Pristine Sun

INDUSTRY CURRENT

U.S. Court of Appeals Decision Helps Clear Way for Renewables Mandates – Part II

This Industry Current is written by **Benjamin L. Israel**, a partner in the Washington, D.C. office of **Kaplan, Kirsch & Rockwell**, a national infrastructure and land use law firm. Kaplan Kirsch represents the **Interwest Energy Alliance**, a regional affiliate of the **American Wind Energy Association** and an intervening party in EELI v. Epel, 2015 U.S. App. LEXIS 120457 (10th Cir. 2015).


Benjamin L. Israel

The first installment of Israel's commentary on the **Energy and Environment Legal Institute** v. **Epel** case focused on the legal implications of an opinion issued by U.S. **Court of Appeals for the Tenth Circuit** affirming a federal district court ruling that Colorado's renewables mandate does not violate the Commerce Clause of the U.S. Constitution. In the second instalment of this feature, Israel explores the political and market implications of the nationally prominent case in the context of renewable portfolio standards.

WHAT ARE THE POLITICAL IMPLICATIONS OF EELI V. EPEL?

The political implications of EELI v. Epel are set against often-changing political winds and short-term election cycles as compared with appointments to the federal bench. State political leaders now have additional support to bolster existing Renewables Portfolio Standards, or to enact new RPSs in order to comply with the U.S. **Environmental Protection Agency**'s Clean Power Plan. In fact, the language of the Tenth Circuit opinion itself directs states how to avoid future challenges.

There currently are six states debating whether to increase their RPS targets: California, Illinois, Michigan, Minnesota, New York, and Vermont. While impossible to quantify objectively, RPS challenges in the courts (and threats of them) have had a chilling effect over the past few years on RPS development. (It must also be noted, however, that those same challenges have led a number of states to remove the in-state preferences that have the greatest potential to interfere with interstate commerce.) Among various battles among progressives and conservatives, RPSs have been debated (in the states noted above), suspended (Ohio), or have survived challenges (Texas) over the past couple of years. In almost all of these cases, the political atmosphere was emboldened by the numerous court challenges. The decision in EELI v. Epel upholding the constitutionality of RPS measures may have its own chilling effect on RPS litigation.

Looking at the longer term, the case should strengthen RPSs as a tool for implementation of the Clean Power Plan. The Clean Power Plan is a proposed rule, announced in June 2014, which would regulate greenhouse gas emissions for existing fossil fuel-fired power plants. The proposed rule, which has been the subject of nationwide political and legal debate, seeks to achieve a nationwide 30% reduction in carbon dioxide emissions from existing fossil fuel-fired power plants by 2030, based on 2005 emission levels. The EPA has repeatedly emphasized the flexibility with which each state would be allowed to achieve its required reductions.

> **"The decision in EELI v. Epel upholding the constitutionality of RPS measures may have its own chilling effect on RPS litigation."**

The proposed rule consists of two elements, state-specific carbon dioxide reduction goals and guidelines for states regarding the plans they would submit for achieving those goals. States would be able to implement these guidelines in their own manner, including through state or regional market-based trading programs and/or RPSs. If implemented as a final rule, the proposed rule will have far-reaching effects across the U.S. economy and environment, and will be a key factor in shaping electric power markets for the next 10-15 years. Among other things, it will stimulate demand for additional renewable energy and energy efficiency efforts and the use of RPSs to achieve those goals. In fact, many states are already on track to meet their emission reduction targets even before any final rule is announced.

Notwithstanding the potential political gain to RPSs resulting from the case, opposition to renewable mandates remains politically entrenched and formidable. The fossil fuel-funded political movement that supports conservative groups like EELI is looking to other fora to challenge what they regard as "excessive and destructive government regulation that's based on agenda-driven policy making, junk science, and hysteria." EELI has not (as of this writing) determined whether it will appeal the Tenth Circuit ruling to the Supreme Court, but was quick to suggest the potential for a split between different appellate court rulings on the underlying case law relating to the Commerce Clause. And with funding sources reportedly tied to **Charles** and **David Koch**, two of "the most powerful people in American politics", no one is suggesting that these battles in the fight over the role of the government in fighting climate change are over.

WHAT ARE THE MARKET IMPLICATIONS OF EELI V. EPEL?

While many political lead-

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STRATEGIES

Obama Unveils 'Watershed Moment' For Renewables

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ide emissions by 2030 from 2005 levels. The emissions cut goes beyond the 30% proposed in the initial plan.

"Clearly this is a watershed moment for renewables," **Joseph Hall**, partner at **Dorsey & Whitney** and co-chair of the firm's energy industry group, tells *PFR*, adding that the plan may cement the shift from coal, a historically cheap source of fuel, to natural gas and renewables.

Utilities, many of which have already looked at their generation make-up under the renewable portfolio standards, will have to examine their mix of renewables and base-load generation, Hall adds.

"The carbon plan is going to force hard questions about the cost effectiveness and reliability of transitioning to renewables on a larger scale," he says.

States have until September 2016 to submit their plans to meet the limits, a two-year extension on the proposed rules. They will be allowed to request extensions of up to two years.

'HUGE OPPORTUNITY'

In order to meet the limits, the CPP establishes carbon dioxide emission performance rates for coal and combined-cycle natural-gas fired projects, statewide goals for emissions, and guidelines for the development and implementation of state plans to cut emissions.

"In practical terms, it's a huge opportunity," says **Rob Gramlich**, senior v.p., government & public affairs at the **American Wind Energy Association**. The industry body estimates that wind power could account for 57% of the U.S. generation mix under the CPP by 2030, compared to 4.4% in 2014. That would mean new wind development under the CPP could exceed 100 GW.

America's Natural Gas Alliance, which represents independent natural gas exploration and production companies, remains confident that natural gas is the most cost effective option for power generation.

"Natural gas is going to continue to play a pretty big role in providing a very affordable and reliable pathway to compliance for different states," says **Erica Bowman**, chief economist at ANGA, noting that most of the state-specific limits in the CPP are largely above the emission rates for existing combined-cycle projects.

Older natural gas-fired projects may struggle under the new regulations, although this will create opportunities for project upgrades, Bowman says. However, greenfield development might prove to be more cost effective. "My guess is that it might just be easier to build a new combined-cycle facility than to try to retrofit an old steam generator," Bowman adds.

The rule is expected to be strongly opposed in the courts. "I don't think we need to see any details to predict that it will be heavily litigated," **Susan Cowell**, an attorney specializing in environmental law at **Chadbourne & Parke**, says.

Developers are skeptical of potential legal challenges to the CPP. "I think they're wasting their time. I think a lot of the time it's for political reasons or appearances," says **Mike Garland**, ceo of **Pattern Energy Group**, stressing that many states are already halfway toward complying to the terms of the CPP, with the final rule pushing them to go beyond what they had already planned.

With the compliance period due to begin in 2022, Garland estimates that utilities will look to contract offtake agreements under the CPP in three to four years' time.

President Obama says he hopes that the move will prompt similar commitments by other major carbon-emitting countries ahead of a **United Nations** climate change conference which will be held in Paris, France in November and December. ■

INDUSTRY CURRENT

U.S. Court of Appeals Decision Helps Clear Way for Renewables Mandates – Part II

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ers originally trumpeted the need to combat global warming with clean energy mandates, others fought these mandates by challenging the existence of global warming and/or the cause thereof. However, once these measures were enacted, RPS opponents claimed they increased the cost for electric power—which especially resonated with voters following the financial crisis in 2007-2008. Those battle stances have now largely (if not entirely) evaporated as the cost of renewable energy has plummeted in the past few years. Studies have shown that the states with the largest amounts of clean energy resources have cheaper electricity prices, on average, than the states with the least amount of clean energy resources. This has enabled renewable mandates to gain bipartisan support.

RPSs have therefore become, and look to continue to be, a significant market force driving investments in renewable energy facilities throughout the U.S. In Colorado alone—the first state to adopt an RES by popular vote—the wind industry accounts for 7,000 jobs, including manufacturing jobs at 22 facilities around the state, and has attracted $7.8 billion in capital investment. Adding California, Connecticut, Hawaii, Minnesota, Nevada and Oregon to the list—all of whom (including Colorado) have RPS mandates of at least 25 percent—new wind farms in these states have attracted over $30 billion in capital investment. Capital investment in solar in these states in 2014 alone exceeded $13 billion.

By rebuffing the central legal challenge to RPSs, EELI v. Epel therefore should bolster the significant impact that RPSs have had on the development of renewable energy throughout the U.S. ■

STRATEGIES

SunRun Shares Plummet Following IPO

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"This is a difficult time for any energy IPOs," said **Pavel Molchanov**, equity analyst at **Raymond James** in Houston. "Of course, this is not an oil company, it's a solar company, but we've seen a lot of stocks with anything to do with energy—solar names, smart grid, other names with nothing to do with the price of oil—they have traded down with the price of oil."

Brent crude fell below $50 a barrel on Monday, a fall of $9 from June 10, and a decline of almost $20 since early May.

SunRun's deal came less than a week after **SunEdison**'s developing markets renewables yieldco **TerraForm Global** failed to hit its target pricing with its own IPO (see story, page 11). TerraForm Global's portfolio consists predominantly of wind assets, with some solar.

"It's a sentiment trade," says Molchanov. "It's not in any way fundamental. I think we all understand that solar economics do not depend on oil prices, certainly not in the United States."

San Francisco-headquartered SunRun has operations in 15 states in the U.S., and has a similar business model to its larger rivals **SolarCity** and **Vivint**, the latter of which was recently acquired by SunEdison and **TerraForm Power** (PFR 7/20).

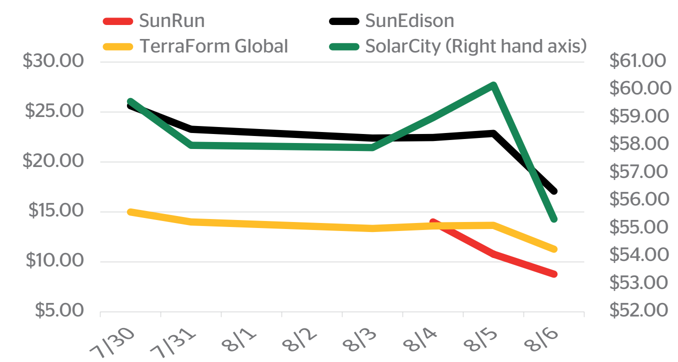
The Vivint acquisition was not taken well by investors in SunEdison, which saw its own share price tumble from $32 to $26 in the days following the announcement of the deal. SunEdison stocks took another hit this week in the wake of disappointing second quarter results on Thursday Aug. 6, plunging below $19 a share.

SolarCity's shares are also trading well below their highs. The company was taken public in December 2012 at $8 a share and by February last year the price had reached almost $85. On Wednesday, the San Mateo, Calif.-based company was trading slightly up on the day at just under $60 a share.

On Wednesday, SolarCity announced that it would acquire Mexican solar installer **Ilioss** for a reported $10 million in cash and a further $5 million if the developer meets certain goals.

"It's a very small acquisition for SolarCity and Mexico is a tiny solar market," said Molchanov. "The appeal of it is that SolarCity is getting in on the ground floor of what could become, over time, a sizeable solar market."

Share Prices, 7/30 to 8/6



Source: Nasdaq

PFR #PowerTweets

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@GoldmanSachs
A major #IPO, a $500B #GreenBond & more—how we're enabling #renewables in #NewJersey: http://link.gs.com/M6iA #ESG

@ENERGYSTAR
.@GinaEPA joins @AlRoker and @StephanieAbrams to discuss the new #CleanPowerPlan and why we need to #ActOnClimate http://www.weather.com/tv/shows/wake-up-with-al/video/gina-mccarthy-talks-about-the-clean-power-plan-with-al-steph …

@InvenergyLLC
Thx to @RepCheri for touring our Bishop Hill Wind farm in IL & discussing how #renewables benefit rural economies!

@SunEdison
US @EPA about to finalize #CleanPowerPLan. Like #renewables? Tell your legislators! More here: http://bit.ly/1JyP98n

@Siemens_Energy
#Siemens, #Bechtel & Panda Power break ground on Stonewall 778MW #gas-fueled combined cycle #power plant in #Virginia

@TuleWind
#Windpower in #SanDiego County will help offset @SCE's greenhouse gas emissions. Learn more: http://iberdrolarenewables.us/rel_15.07.29.html …

@genscape
#NatGas Basis: Construction Underway at Cheniere's Corpus Christi Bidirectional #LNG Facility. Get daily commentary: http://gensca.pe/1P8s1Oi

@doleyar
@Rev4NY @NYGovCuomo #Canada has tons of hydro #power 2 sell, why not buy that & forget the oil in XL? #Hydro is clean #energy, #Good4UandMe!

@Dealogic
#Renewables leads #ProjectFinance volume in 2015 YTD with $40.8bn, accounting for 20% of total volume ($203.5bn)

@Deloitte4Energy
Don't miss Michael Starzan, Director of @BMOCM, speak on #YieldCos. Join us at #DeloitteAE to hear more http://deloi.tt/1M54Swc

STRATEGIES

TerraForm Global IPO Misses Pricing Expectations

In its initial public offering floated on July 31, **SunEdison**'s developing markets yield company **Terraform Global** raised $675 million in gross proceeds through the sale of 45 million Class A common stock shares at $15 a share on **NASDAQ**.

TerraForm Global will also receive $67.5 million in gross proceeds through the sale of Class A shares in a concurrent private placement offering, also at $15 a share.

The shares traded down in the wake of the IPO, settling around $13.70 by Thursday, Aug. 6, at which point a disappointing results statement by SunEdison prompted a further fall in both company's stocks. TerraForm Global was trading around $11.60 on Thursday afternoon.

The IPO was led by bookrunners **JP Morgan**, **Barclays**, **Citigroup**, **Morgan Stanley**, **Goldman Sachs**, **Bank of America Merrill Lynch** and **Deutsche Bank Securities**. JP Morgan and Barclays are also structuring advisors in the offering while **BTG Factual**, **Itau BBA**, **SMBC Nikko**, **Societe Generale** and **Kotak Investment Banking** are acting as co-managers.

TerraForm Global has also priced an issuance of $810 million in senior unsecured green notes at 9.75%. The notes are due in 2022, and the bond is expected to close on Aug. 5. **Standard & Poor's** has given the private bond offering a rating of B+, with a stable outlook, and **Moody's Investors Service** has rated it B2.

The price of the green bond was wider than the market expected, according to **Swami Venkataraman**, v.p. and senior credit officer at Moody's. "The market went against them last week," he says. "It was a bad week for all energy stocks."

The proceeds of TerraForm Global's IPO are 40% lower than its original expectation of $1.13 billion through the sale of 57.7 million Class A shares. It had also set its price target at between $19 and $21 a share—higher than the $15 it achieved (PFR, 7/30), (PFR, 7/20).

MISSED IPO EXPECTATIONS

Market observers say that the pricing was significantly lower than the company's expectations, partly due to the perceived extravagance of SunEdison's investments in project acquisitions for dropdowns to its yieldcos.

"They didn't overprice it," a market watcher says of TerraForm Global's IPO pricing. "But the market feels that SunEdison is paying a lot to drop off projects to its yieldcos."

The market-watcher adds that investors are particularly wary of SunEdison's latest $2.2 billion acquisition of residential solar rooftop shop **Vivint Solar** from multiple owners, including **Blackstone** (PFR 7/20).

TerraForm Global will use net proceeds of its public offering and gross proceeds from its private placement transactions to buy new Class A shares issued by its parent, **TerraForm Global LLC**.

Terraform Global LLC will use cash on hand, proceeds from the IPO and proceeds from its $810 million green bond issuance to redeem outstanding debts under its bridge facility and existing project-level debts, as well as to fund pending acquisitions and future purchases of renewable generation from SunEdison or other potential sellers.

POSTPONEMENT

Last week, **Alex Hernandez**, cfo of the Belmont, Calif.-based developer's developed markets yieldco, **TerraForm Power**, announced that the firm's management would hold off on a proposed share issuance in response to stock price movements that he said undervalued the company's equity.

The firm's alternative plan includes new project-level debt, and the issuance of a new $200 million bond to fund the purchase of 422 MW of wind assets from **Invenergy** and the acquisition of a 523 MW operating solar portfolio from Vivint Solar (PFR, 7/28).

The excitement for yieldcos has worn off because of a step-up in competition, says a market analyst who is a yieldco specialist. He adds that returns on TerraForm Global's stock would be lower because of an increase in the prices that SunEdison is facing for various project acquisitions.

Officials at SunEdison and TerraForm Global declined to comment. ■

Q&A: SERGIO CAMACHO, FERMACA

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pipeline for infrastructure for the coming years is very aggressive, and we have seen improved conditions in the project finance market, with banks being very aggressive, in a positive way.

Also, there are more banks that are starting to see it as a 'full service' loan, and that means that there are banks that are willing to provide project finance and then continue the financing, switching to a bank loan of up to 20 years or so. So overall, the market is improving.

PFR: The contract you have to operate the project is 25 years, and you have obtained a 3.5 year loan, so will long-term financing be required?

CAMACHO: It will be required. Perhaps one year in advance of the maturity of that loan we will start looking at options, between a long-term bank loan or a 144A bond.

PFR: You have previously issued bonds for the Tarahumara pipeline.

CAMACHO: We know the path for long-term financing.

PFR: So when you are comparing the bank loan market and the bond market, will you be considering just the cost of funding or are there other considerations?

CAMACHO: Basically it's going to be the cost of funding.

PFR: Do you have other projects that are going to require financing in the near future?

CAMACHO: Hopefully yes. If you look at the CFE pipeline of bids for the coming months, it's very aggressive, and obviously Fermaca is going to be participating in those bids.

Camacho joined Fermaca in February this year, after leaving Kimberly-Clark de Mexico, where he had been corporate treasurer and investor relations officer for eight years. ■

PEOPLE & FIRMS

Japanese Bank Hires Director For North American PF

A senior project finance originator has joined a major Japanese bank to work on deals in North America.

Martin Livingston

Martin Livingston joined **Sumitomo Mitsui Banking Corp**. as a director, and started working in the New York office on Aug. 3. He reports to **Carl Morales**, group head of the North American power project finance team.

Livingstone has experience in project and structured financings in the energy and infrastructure sectors. He was most recently v.p. for infrastructure, finance and development at **Enviva** in Bethesda, Md., a biomass fuel producer which is owned by **Riverstone** (PFR, 1/9/14).

Prior to that role, Livingstone held managing director positons at **WestLB** and **Crédit Agricole** in New York. In these jobs Livingstone managed deal teams and developed and pitched deal structures.

At WestLB Livingstone worked on the $422 million financing of the **ArcLight Capital Partners** and **Hess Corp**. 512 MW Bayonne Energy Center in Bayonne, N.J., which was awarded runner up in the *PFR* Deal of the Year Awards (PFR, 4/21/11). **Macquarie Infrastructure Capital** bought the project, which is currently being refinanced.

SMBC recently closed a club deal for $304 million backing the **Pattern Development** 180 MW Meikle wind project in British Columbia (PFR, 7/15).

Q&A: SERGIO CAMACHO, FERMACA

Q&A: Sergio Camacho, Fermaca

Last week, *PFR* reported that Mexican developer Fermaca had obtained an approximately $600 million 3.5-year loan at 187.5 basis points over LIBOR for the first two years, to finance the El Encino-La Laguna gas pipeline (PFR 7/29).

Sergio Camacho

The new 289-mile project will connect to Fermaca's existing Tarahumara pipeline, which in turn connects to **Kinder Morgan**'s network in the southern U.S., putting the Mexico City-based developer and operator in a strong strategic position.

This week, the company's cfo Sergio Camacho spoke to **Richard Metcalf**, editor of *PFR*, about the recent refinancing and Fermaca's long-term financing plans for the project.

After confirming the details of the loan, specifying $584 million as the principal amount, Camacho added that the company had also entered into interest rate swap agreements with the lenders, to hedge the variable rate to fixed—although he would not comment on what the effective fixed rate would be.

PFR: How would you describe the bank finance market for projects such as this one in Mexico at the moment?

CAMACHO: [Mexican infrastructure is] a growing market, and this is in line with the growing market in this type of financing structure. As you know, the Mexican energy reform along with the **Comisión Federal de Electricidad's** PAGE 11 »

ALTERNATING CURRENT

Ex-Obama Staffers Launch Community Solar

AC

Two former Obama **White House** staffers are developing their first community solar project through **Solstice Initiative**, the social enterprise they founded last year.

The unnamed project, in south-central Massachusetts, will launch this fall and will serve 200 lower-income households.

Stephanie Speirs

Solstice, which is currently focused on southern and central Massachusetts, enables middle and low-income households to sign up for community solar. The Boston-based nonprofit is in talks with churches, schools and workplaces to install solar systems on unused rooftops in neighboring communities.

Steve Moilanen

Stephanie Speirs and **Steve Moilanen** founded Solstice in 2014 to democratize access to solar by enabling households which cannot typically install solar systems—because they rent or do not own roof space—to secure a share of a community solar farm, regardless of their credit score.

Speirs, who served the Obama administration for five years, managed field operations for the presidential campaign in 2012 and later worked at the **White House National Security Council**. Her partner, Moilanen helped organize an 84,000-person rally during the Obama for America campaign in 2008, and has worked with the U.S. **Department of Energy** and developed policy operations for the White House.

QUOTE OF THE WEEK

"We've seen a lot of stocks with anything to do with energy — solar names, smart grid, other names with nothing to do with the price of oil — they have traded down with the price of oil."

Pavel Molchanov, equity analyst at **Raymond James** in Houston

