WWW.POWERFINANCERISK.COM VOL. XVIII, NO. 37 / September 21, 2015

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

Panda Launches Hummel Deal

Olivia Feld

Panda Power Funds launched debt financing for its 1 GW Hummel combined-cycle gas-fired project in Snyder County, Pa., on Sept. 18.

The deal is structured in two tranches, consisting of a term loan A and B, financiers tell *PFR*. **Goldman Sachs** is the left lead on the term loan B with several other co-lead arrangers, while **Investec** and another joint lead are arranging the A tranche, adds a deal watcher. The total package is worth around $900 million, including letters of credit.

A number of lenders have been clamoring to be in the deal, and the lead assignments have been "hotly contested" in the words of one financier. **Ares Capital Corp**. is one of the prospective lenders that have been in talks with Panda about financing the project (PFR, 7/3).

The financing was delayed because of the postponement of the **PJM Interconnection** base residual auction for delivery year 2018/2019 (PFR, 5/21). The auction went ahead in August following U.S. **Federal Energy Regulatory Commission** approval of PJM's capacity performance proposals (PFR, 6/12).

Goldman Sachs, Ares Capital Corp., Investec, **Credit Suisse**, **Morgan Stanley** and **MUFG Union Bank** have previously been joint lead arrangers on Panda term loan B facilities. Panda has closed financing for six natural gas-fired projects since 2012.

The Hummel project is a joint venture with Pennsylvania-based **Sunbury Generation**. The facility is being built on the site of the recently retired Sunbury coal-fired power plant. The plant will supply power markets including Philadelphia and New York City when it goes online in the second half of 2017.

Spokespeople for Panda Power Funds in Dallas, Goldman Sachs and Investec in New York did not respond to inquiries. A representative for Sunbury Generation could not be reached. ■

PJM Summit: New Risks for Merchant Investors

Richard Metcalf

PJM market participants and industry observers from further afield gathered at the Doubleday Suites by **Hilton Philadelphia West** from Sept. 15 to Sept. 17 for the **Infocast** PJM Market Summit. On the second day of the event, a panel discussed the risks and opportunities presented by the latest market developments in terms of project finance and investment in new generation.

The hot topics were whether new performance rules in PJM would make debt financing easier or harder to obtain, the latest hedging techniques being employed in the absence of power purchase agreements, and the impact of distributed generation on conventional projects.

While the capacity market has been comforting for investors in merchant PAGE 6 »

Moxie Project with "Unique" Hedge Piques Interest

Olivia Feld

The deal backing **Moxie Energy** and **Caithness Energy**'s 900 MW Freedom gas-fired project in Luzerne County, Pa., is gathering momentum and is likely to close in October or November, according to deal watchers.

The $600 million deal is likely to be oversubscribed, once bank approvals come PAGE 5 »

Invenergy Reboots Portfolio Loan

Olivia Feld

Invenergy is preparing to relaunch its deal backing a portfolio of six gas-fired projects in the U.S. and Canada. The newly structured deal is launching the week beginning Sept 21., a deal watcher tells *PFR*.

Morgan Stanley and the **Industrial and Commercial Bank of China** have split the loan into two PAGE 5 »

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

IN THIS ISSUE

THE BUZZ

Project Finance Awakens

The project finance market, which slowed down in August, has been hastily awoken after Labor Day with the launch of the much anticipated $900 million deal backing **Panda Power Fund**'s Hummel project in Pennsylvania (see story, page 1).

Goldman Sachs and **Investec** are left leads respectively on a term loan A and B. Both have worked with the Dallas-based sponsor on financings before, most recently for the 778 MW Stonewall combined-cycle project in Loudoun County, Va., and the 800 MW Patriot project in Lycoming County, Pa.

The deal could close as soon as 10 days after its launch, according to a financier. "The greatest aspect for the term loan B market is the speed at which deals can be sealed," he says.

Invenergy, who failed to seal its term loan B offering in August, will soon relaunch financing for its portfolio of six gas-fired projects in the U.S. and Canada. The sponsor pulled its deal from the market with financiers citing overly aggressive terms. The deal has since been restructured into two tranches and will relaunched imminently (see story, page 1).

Meanwhile, the project finance deal backing **Moxie Energy** and **Caithness Energy**'s 900 MW Freedom gas-fired project in Luzerne County, Pa., could close as soon as October after gaining popularity in the market partly because of the project's longer than usual hedge agreement (see story page 1).

ALL EYES ON PJM

Also last week, officials from a range of developers, lenders, manufacturers, consultancies and offtakers met just outside Philadelphia for the **Infocast** PJM Market Summit to discuss the latest developments in the regional interconnection (see stories, page 1 and 6).

The event took place at the **Hilton Philadelphia West** in Plymouth Meeting, Pa., which is perhaps best known as the location of the US headquarters of **Ikea**. The Swedish furniture maker owns wind projects in Illinois and Texas (PFR 10/27/14).

New market rules—including severe penalties for unreliability—competition from distributed generation and its effect on peak energy prices, the Clean Power Plan announced by **President Obama** in August, and the continuing impact of demand response gave panelists plenty to tackle.

Many attendees congratulated **PJM Interconnection** on its response to challenges such as the polar vortex. The regional transmission operator oversees one of the most effective capacity markets in the U.S., participants told *PFR*.

"It's not just the rest of the U.S. that keeps an eye on what PJM is doing. China keeps an eye on what PJM is doing," said **Wesley Allen**, ceo of **Red Wolf Energy Trading**, in one panel discussion, noting China's increasing peak capacity shortage. "They are definitely interested in demand response," he added. ■

PFR Power Finance & Risk

EDITORIAL
Richard Metcalf
Editor
(212) 224-3259

Olivia Feld
Managing Editor
(212) 224-3260

Stuart Wise
Data Associate

Kieron Black
Sketch Artist

PRODUCTION
Gerald Hayes
Manager
Caroline Barylak
Designer
Andy Bunyan
Associate

ADVERTISING
James Barfield
U.S. Publisher,
Capital Markets Group
(212) 224-3445

PUBLISHING
Emmanuelle Rathouis
Marketing Director

Vincent Yesenosky
Head Of U.S. Fulfillment
(212) 224-3057

Nina Bonny
Customer Service Manager
(212) 224-3433

SUBSCRIPTIONS/ ELECTRONIC LICENSES
One Year $3,147 (In Canada add $30 postage, others outside U.S. add $75)

Alyssa Rinaldi
Account Executive
(212) 224-3043

REPRINTS
Dewey Palmieri
Reprint & Permission Manager [New York]
(212) 224-3675
dpalmieri@Institutionalinvestor.com

CORPORATE
Richard Ensor
Chairman

John Orchard
Managing Director,
Capital Markets Group

Customer Service
PO Box 4009, Chesterfield, MO 63006-4009, USA
Tel: **1-800-715-9195**
Overseas dial: **1-212-224-3451**
Fax: **212-224-3886**
UK: **44 20 7779 8704** Hong Kong: **852 2842 8011**
E-Mail: customerservice@iiintelligence.com

Institutional Investor Hotline
(212) 224-3570 and (1-800) 437-9997 or Hotline@iiintelligence.com

Editorial Offices
225 Park Avenue South, New York, NY 10003
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Postmaster
Please send all undeliverable Mail and changes of addresses to:
PO Box 4009 Chesterfield, MO 63006-4009 USA

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

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

GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Advisor	Status/Comment
Apex Clean Energy	Grant (151 MW Wind)	Grant County, Okla.		Southern Power has agreed to acquire the proejct (PFR, 9/14).
Ares-EIF	Allegheny Lock and Dam 8 & 9 (30.4 MW Hydro)	Armstrong and Indiana counties, Pa.		A fund managed by Ares has sold the projects to the Public Sector Pension Investment Board (PFR 9/7).
BayWa r.e.	Beethoven (80 MW Wind)	Tripps, S.D.		NorthWestern Energy is buying the project for $143M (PFR 8/3).
Brookfield Infrastructure Partners	Cross Sound Cable (Transmission, 23% stake)	New England, New York	Citigroup, HSBC (seller)	An affiliate of Argo Infrastructure Partners is set to acquire the stake for $30M before the end of August (PFR 8/24).
Carlyle Group, Goldman Sachs	Cedar Bay (250 MW Coal)	Jacksonville, Fla.		Florida Power & Light, the offtaker, plans to retire the plant after buying it for $520.5M (PFR 9/7).
ContourGlobal	PowerMinn (64 MW Biomass)	Benson, Minn.		CPV subsidiary Benson Power has aquired the asset (PFR 9/7).
Conergy Partners	Portfolio (22 MW Solar)	North Carolina		A NextEra subsidiary is seeking to acquire the projects (PFR 8/31)
Dominion Resources	Portfolio (425 MW Solar, 33%)	U.S.		SunEdison is acquiring the stake with equity raised by JPMorgan (PFR, 9/14).
Energy Future Holdings	Transmission & Distribution Assets	Texas		Hunt Consolidated is acquiring EIF subsidiary Oncor as part of bankruptcy exit (PFR, 8/17).
First Solar	Desert Stateline (300 MW Solar)	San Bernardino County, Calif.		Southern Power has taken a controlling stake through a tax equity partnership flip transaction (PFR 9/7).
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).
Hanergy	Columbia Solar (25.4MW Solar)	Contra Costa County, Calif.		PSEG Solar Source is buying the project, which it will rename PSEG Pittsburg Solar (PFR 8/31)
IFM Investors	Portfolio (1.08MW Gas, Oil, Hydro)	U.S.	Morgan Stanley	IFM has launched the sale of its Essential Power portfolio (PFR 8/31)
Invenergy	O'Brien (250 MW Wind)	O'Brien County, Iowa		The asset will be transferred to MidAmerica Energy in 2016 (PFR 8/31)
LS Power	Bluegrass (594 MW Gas)	Oldham County, Ky.		East Kentucky Power Cooperative is buying the project (PFR, 8/17).
National Grid, New Jersey Resources	Iroquios (Gas PIpeline, 25.93%)	New York, Connecticut		Dominion Midstream Partners is acquiring the stake (PFR 8/24).
OwnEnergy	Portfolio (2GW Wind)	U.S.	Marathon Capital	EDF RE is acquiring OwnEnergy and making it a wholly owned subsidiary (see story, PFR 31/8)
Petrobras	Pipeline Network (4038-mile)	Brazil		First Reserve is mulling a bid for an interest in the assets (PFR, 8/17).
Pristine Sun	Portfolio (150MW-300MW)	U.S.		The developer will transfer the assets to a JV it has with ReneSolar (PFR, 8/10).
Recurrent Energy	Tranquility (200MW Solar, 51%)	Fresno County, Calif.		Southern Power has acquired a controlling interest in the project (PFR 9/7).
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		
Sumitomo Corp. of Americas	Mesquite Creek (211 MW Wind, 50%)	Lamesa, Texas		Duke Energy Renewables has bought a 50% stake in the project (PFR 9/7).
SunEdison	Three Cedars (210 MW, 50%)	Utah		Dominion is investing $320M in 50% cash equity and 99% tax equity stakes (PFR, 9/14).
TECO Energy	Portfolio (2.32 GW Gas/Oil, 2.64 GW Coal, 27 MW Solar)	Florida		Emera has acquired TECO Energy for $10.4B (PFR, 9/14).
Tenaska Capital Management	Portfolio (4900MW Various)	U.S.	Barclays	The asset sale had been delayed until after the PJM auction (PFR 31/8)
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)
● U.S. Bancorp	Portfolio (414 MW Solar)	Illinois		SunEdison is acquiring tax equity stakes from U.S. Bancorp in two wind projects it is buying from Invenergy (see story, page 5)
Wasatch Wind	Pioneer (80 MW Wind)	Converse County, Wyo.		sPower has acquired the asset (PFR 9/7).

● **New or updated listing**

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

PROJECT FINANCE

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

Live Deals: Americas

	Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
	Apex Clean Energy	Grant (151 MW Wind)	Grant County, Okla.	BayernLB, KeyBank, Siemens Financial Services	Construction	$216M	Approx 1-yr	Southern Power has agreed to acquire the project on completion (PFR, 9/14).
	Cemig	Unnamed Project (Capacity Unknown)	Minas Gerais, Brazil	TBA	Debt	TBA	TBA	The sponsor intends to seek debt for the project, which is pegged at a cost of $1.14B (PFR, 8/17).
	Competitive Power Ventures	Towantic (805 MW Gas)	Oxford, Conn.	GE EFS, ING, Natixis, MUFG, NordLB, Mizuho	Debt	TBA	TBA	The sponsor is in the market for debt and is in talks with the lenders listed here (PFR, 8/17).
		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).
	EDF Energies Nouvelles, Marubeni	Laberinto Este, Laberinto Oeste (146 MW Solar)	Chile	DNB, Corpbanca, Banco BICE, Caixabank	Debt	$187M		Debt financing has wrapped for two merchant solar projects in Chile (PFR 9/7).
	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).
	Greenskies Renewable Energy	127 C&I Projects (Capacity Unkonwn, Solar)	U.S.	First Niagara Financial Group	Loan	$165M	TBA	The proceeds will be used to fund small-scale projects across 12 states (PFR, 8/30).
				TBA	Tax Equity		TBA	
	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 (PFR, 8/10).
	Invenergy	Clear River (900 MW+ Gas)	Burrillville, R.I.	TBA	TBA	TBA	TBA	The project is slated to cost $700M to develop (PFR, 8/10).
●	Invenergy	Portfolio (2 GW Gas)	U.S., Canada	Morgan Stanley, ICBC		$400M, $200M		Invenergy is relaunching the deal with a revised structure (see story, page 1).
	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 (PFR, 8/10).
●	Moxie Energy	Freedom (900 MW Gas)	Luzerne County, Pa.	BNP Paribas, Citigroup, GE EFS, MUFG Union Bank	Debt	$600M	TBA	The deal, which is likely to be oversubscribed, is priced at 325 basis points over Libor (see story, page 1).
	NextEra Energy Resources	Breckinridge (98 MW Wind)	Garfield County, Okla.	JPM Capital Corp, Wells Fargo	Tax Equity	TBA	TBA	JP Morgan has taken 75% of the Class B shares and Wells Fargo 25% (PFR, 9/14).
	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).
	Pattern Development	Conejo (122 MW Solar)	Chile	Crédit Agricole, SMBC, Société Générale, Santander	Term Loan, VAT Facility	$205M	15-yr+	The deal has closed (PFR, 8/17).
	Panda Power Funds	Panda Sherman (1,200 MW Gas post expansion)	Grayson County, Texas	TBA	TBA	TBA	TBA	The 450 MW expansion project is pegged at a cost of $200M to $300M (PFR, 8/30).
●	Panda Power Funds	Hummel (1 GW CCGT)	Snyder County,Pa.	Goldman Sachs, Investec	Term Loan, Letter of Credit	$900M		The deal, structured in two tranches, has launched (see story, page 1).
	Recurrent Energy (Canadian Solar)	Mustang (100 MW Solar)	Kings County, Calif.	Santander	Construction, Term, Tax Equity Bridge	$165M	TBA	Santander plans to syndicate the loan in the coming weeks (PFR, 9/14).
				U.S. Bancorp	Tax Equity	101M	TBA	
	Recurrent Energy (Canadian Solar)	Tranquillity (200 MW Solar)	Fresno County, Calif.	NordLB, Rabobank, Santander, KeyBanc, CIT, CIBC	Construction, Letters of Credit, Term	$337M	TBA	The deal has closed (PFR, 9/14).
	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 (PFR, 8/10).
				Berkshire Hathaway, Citi	Tax Equity	$360M	TBA	
	SunEdison	Comanche (120 MW Solar)	Pueblo, Colorado	First Reserve Warehouse	Warehouse facility	$253 million	TBA	SunEdison drew on its $1.5 billion First Reserve Warehouse facility for the construction financing (PFR, 8/30).
				Wells Fargo	Tax Equity	TBA	TBA	

● **New or updated listing**

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

MERGERS & ACQUISITIONS

US Bancorp to Sell Tax Equity in TERP-bound Projects

SunEdison will acquire the tax equity stakes in two wind projects it is buying from **Invenergy**, but not in a third, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

U.S. Bancorp subsidiary **Firstar Development** will sell the passive tax equity interests it owns in the Bishop Hill and California Ridge projects back to the projects holding companies in return for a cash payment, but **JPM Capital Corp**. will retain its tax equity stake in Prairie Breeze, in the transactions described in the filing.

SunEdison agreed to acquire majority stakes in the three projects, part of a 930 MW wind portfolio, from Invenergy in July this year (PFR 7/7).

The Belmont, Calif.-based sponsor had originally intended to drop the California Ridge project directly into its developed market yield company, **TerraForm Power**, on completion of the acquisition, but modified its plan in response to stock market volatility.

Instead, the project will be financed, along with Bishop Hill, Prairie Breeze, and two other projects in Nebraska—Prairie Breeze II and III—with a warehouse facility SunEdison is aiming to close by the end of the year, TerraForm Private Warehouse Tranche II.

SunEdison ultimately plans to drop the assets into TerraForm Power.

Invenergy secured tax equity for the 214 MW Bishop Hill wind project in Henry County, Ill. from Firstar in 2011. **Santander**, **BayernLB** and **Rabobank** had earlier provided the debt financing for the project (PFR 11/29/11).

Santander and **Prudential Capital Group** arranged a bank and bond debt financing for the 200 MW California Ridge Project near Danville, Ill. in 2012 (PFR 5/1/12).

For the 201 MW Prairie Breeze project in Antelope, Boone and Madison counties, Neb., Invenergy worked with Santander subsidiary **Sovereign Bank**, Prudential Capital Group and Rabobank on a construction and term loan package in 2013. **GE Energy Financial Services**, **Bank of America Merrill Lynch** and **JP Morgan** invested in tax equity in the project (PFR 10/3/13).

Spokespeople for SunEdison in Belmont, Calif. and Invenergy in Chicago had not responded to requests for comment by press time.

Darren Van't Hof, the director of renewable energy tax credit investments at U.S. Bancorp, declined to comment. ■

PROJECT FINANCE

Moxie Project with "Unique" Hedge Piques Interest

« FROM PAGE 1 in over the next two weeks, a deal watcher tells *PFR*. "I think the deal will blow out," said one financier, who expects that the joint lead arrangers may have to cancel retail syndication.

BNP Paribas, **Citigroup**, **GE Financial Services** and **MUFG Union Bank** are coordinating lead arrangers on the deal, with no designated left lead. The pricing on the loan is 325 basis points over Libor.

The project has a "unique" ten-year gas hedge agreement in place with an undisclosed party, longer than the normal shorter tenor of a hedge, say deal watchers. The deal structure was said to contain a few surprises (PFR, 7/31).

Three of the banks on the Freedom financing, BNP, GE and MUFG, also led the debt financing of **Footprint Power**'s 674 MW Salem Harbor project in Salem, Mass late last year. That deal, which similarly did not feature a designated left lead, consisted of a $600 million term loan, a $130 million letter of credit and a $337 million equity investment (PFR, 1/12).

The deal backing the Freedom project, like others in PJM, has been delayed coming to market because of the postponed PJM capacity base residual auction for delivery year 2018/2019 (PFR, 6/3). **Panda Power Funds**, **Invenergy** and **NTE Energy** are all looking for debt financing for gas fired projects in PJM (PFR, 5/13), (PFR, 7/31).

Caithness Energy closed a $208 million deal for the 350 MW Long Island Energy Center combined-cycle gas-fired project in Brookhaven, N.Y. in August. **Investec** was sole lead arranger for a $200 million term loan and an $8 million letter of credit (PFR, 8/11).

Representatives for Moxie in Vienna, Va., GE in Stamford, Conn., and Caithness, MUFG, BNP and Citigroup in New York either declined to comment or did not respond to inquiries. ■

Invenergy Reboots Portfolio Financing

« FROM PAGE 1 liens at a holding company level behind other forms of capital held at the projects, says the deal watcher, adding that the first tranche is for roughly $400 million and the second is for $200 million.

The sponsor pulled its $607 million term loan B offering for the projects in August after struggling to close the deal (PFR, 8/13). Morgan Stanley and ICBC launched the deal in July, which consisted of a $537 million seven-year senior secured term loan and a $70 million five-year revolving credit facility (PFR, 7/17). The original loan was priced at between 525 and 550 basis points over Libor with a 1% floor rate, a banker told *PFR* in August.

The projects held in the portfolio are all gas-fired: the 584 MW St. Clair project in Ontario, the 584 MW Nelson combined-cycle plant in Illinois, the 330 MW Ector peaking facility in Texas, the 357 MW Cannon Falls project in Minnesota, the 314 MW Spindle Hill plant in Colorado and the 370 MW Hardee facility in Florida. St. Clair, Cannon Falls, Spindle Hill and Hardee are fully contracted, Ector is merchant, and Nelson is a partially contracted asset (PFR, 8/13).

Spokespeople for Invenergy in Chicago, Morgan Stanley and ICBC in New York did not respond to inquiries. ■

CONFERENCE COVERAGE

PJM Summit: New Risks for Merchant Investors

« FROM PAGE 1 projects in PJM, providing reliable and visible revenue streams three years in advance, the latest innovation to ensure reliability of supply introduces new risks, says **Jim Guidera**, **Crédit Agricole**'s group head of energy and infrastructure.

That's because generators that clear capacity performance will be hit with severe penalties if they are not able to supply the market when called upon in a scarcity situation. On the whole, however, investors had seen the new product as a good thing inasmuch as it crowded out less reliable generators, Guidera added.

'HUGE BENEFICIARIES'

William Nordlund, managing director and partner at **Panda Power Funds**, which develops projects in PJM and elsewhere, agreed. New gas projects would be "huge beneficiaries" of the new regime, he said. Panda Power launched the financing of its 1 GW Hummel CCGT project in Snyder County, Pa. on Friday (see story, page 1).

Panda was comfortable with the risks associated with the harsh penalties and had been able to get the lending community comfortable with it too, he added. "Polar vortexes aside, you can analyse that risk and take it into account when making your bids," he said, adding that Panda's projects were highly unlikely to suffer during scarcity events.

Distributed generation (DG) could have a more chilling effect on generation, said **Robert Mudge**, a principal at the **Brattle Group**, pointing out that the development of DG had been disruptive in Europe.

DISTRIBUTED GENERATION

DG can have an impact on energy prices at the most profitable times of the day, as European lenders and investors in California generation had seen, said Guidera. "DG is out there, but there is a long way to go in PJM," he added.

DG would affect high cost producers much more than low cost producers, said Nordlund.

The panelists also discussed recent trends in hedging contracts, which are key to financing many projects in the absence of power purchase agreements.

Low expectations of natural gas prices had affected the availability of gas hedges, said Guidera.

HEDGING THE RISKS

Back in December, when gas futures were higher, you could go to **Morgan Stanley**, **Macquarie** or **EDF Energy** and those kinds of transactions were possible for a reasonable premium, Guidera said, but since the market had turned more bearish on gas, the price of hedging it had become too high.

Panda Power is still able to find heat rate call options, says Nordlund, but capacity is limited and there are only a few providers. "We are always monitoring the situation but we have not had a problem getting hedges in place to date," he said.

Christopher Russo, v.p. and energy practice leader at consultancy firm **Charles River Associates**, also asked the panelists whether a generator would be able to insure against not being able to operate during a scarcity event. From the responses, it seemed that such a product had not yet been developed, and it was unclear what kind of institution would be willing to take on the risk. ■

Winners and Losers

On Wednesday Sept. 16, at the **Infocast** PJM Market Summit, market participants discussed the impact of regulatory and market developments, including the introduction of new capacity performance rules and the evolution of demand response products.

The first panel discussion of the day addressed the implications of Section 111(d) of the Clean Air Act, which requires states to develop plans for existing generation assets. **President Obama** set the first federal limits on power plant carbon emissions with the Clean Power Plan on Aug. 3 (PFR 8/3).

CLEAN POWER PATCHWORK

States have considerable leeway in how they meet the targets, and can choose, for example, whether to enforce a rate based compliance regime measured in pounds per MW-hour or a mass based regime measured in tons of carbon dioxide.

The resultant uncertainty in how individual states would react to the rules presented a challenge to **PJM Interconnection**, said the regional transmission system operator's chief operations officer, **Michael Kormos**, in his keynote address.

DEMAND RESPONSE EVOLUTION

The evolution of demand response (DR) as a product in the energy and capacity markets was also a talking point, and the second panel discussion of the day began with a focus on the potential impact on DR of a U.S. **Supreme Court** hearing due to take place in October.

The case revolves around **Federal Energy Regulatory Commission** order 745, which calls for power users to be compensated for reducing their energy usage when required at the same rate that generators are paid for supplying the market. The order was challenged by the **Electric Power Supply Association** (EPSA).

The third session of the day dealt with the impact of the new PJM product more generally and how effective it would be at tackling cold weather reliability.

WINNERS AND LOSERS

Stuart Caplan, the co-chair of **Dentons**' US energy practice and moderator of the panel, asked the panelists who would be the winners and losers under the new capacity performance system.

"Units that can't perform when they are required are going to be losing money," said **Jason Cox**, senior director for regulatory affairs at independent power producer **Dynergy**. **Jason Barker**, director of wholesale market development at **Exelon**, picked consumers as the winners and unreliable power producers—or those that "take the money and run" without making the necessary investment to winterize their fleet—as the losers, because of the severe penalties for unreliability.

"Units that can't perform when they are required are going to be losing money," added **Jason Cox**, senior director for regulatory affairs at independent power producer **Dynergy**. ■

STRATEGIES

NextEra Equity Sale Comes in Under Size Target

« FROM PAGE 8

shares by September 2018 and a five year bond. **Barclays**, **Mizuho** and **Wells Fargo** have acquired the units.

The total annual distributions to holders of the equity units will be at a rate of 6.371%, according to a NextEra Energy announcement on Sept. 11. The distributions consist partly of the interest on the five year debenture and partly on payments under the stock purchase contracts.

The holders of the equity units are obliged to purchase the stock at between $95.35 and $114.42 a share, the higher amount representing a 20% premium on the closing price on Sept. 10.

This structure has been used by NextEra previously, according to a deal watcher. "It gives the balance sheet some long term equity support because the expectation is that the transaction will be executed at a higher share price than today's," he says.

Meanwhile, NextEra Energy Partners has priced a $208 million public offering with a $31.2 million greenshoe option. The stock was priced at $26 a share.

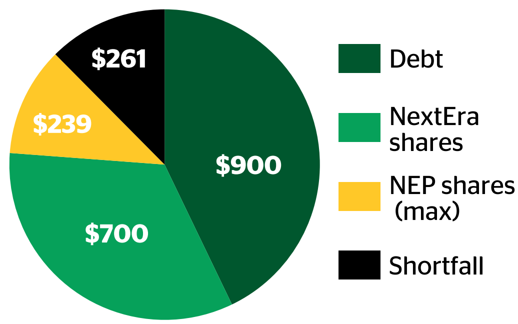
Wells Fargo, **Barclays**, **Bank of America Merrill Lynch**, **Credit Suisse**, **Goldman Sachs** and **Morgan Stanley** were joint bookrunners for the public offering. **BMO Capital Markets**, **Deutsche Bank**, **KeyBanc**, **Mizuho**, **RBC** and **UBS** were co-managers.

NEP will use the proceeds to repay in part a $313 million term loan.

NextEra Energy and NEP have plans to issue $900 million of debt to pay for the rest of the $2.1 billion NET Midstream acquisition.

NextEra Energy's credit ratings with **Moody's Investor Service**, **Standard & Poor's** and **Fitch** remained unchanged following the NET Midstream acquisition, at Baa1, A- and A- respectively, all with stable outlooks.

NextEra Financing for NET Midstream Acquisition (millions)



Source: NextEra, Barclays

NextEra Energy has already modified its plans to finance the NET Midstream acquisition once, by announcing that it would inject $700 million of equity into NEP to help fund the yield company's stake, and increasing the debt component of the financing (PFR, 9/2).

The change of plan was a response to soggy equity markets that have hampered the growth strategy not just of NEP, but of other yieldcos like **SunEdison**'s **TerraForm Power**.

"It's a rational response under the circumstances," says a deal watcher. "But what it tells you is that NEP is failing in its objective, which is to raise low cost equity that can be used on a continuous basis to buy assets from NextEra."

Equity analysts have begun considering the consequences should the yieldcos fail to regain a foothold in the equity markets on favorable enough terms to make the model viable again.

"As long as NEE [NextEra Energy] management believes that NEP's recent stock price decline will reverse, such that NEP will once again be able to fund asset purchases through equity issuance in a manner beneficial to NEE, it will not be in NEE shareholders' interest to consider the repurchase of the yieldco," wrote **Hugh Wynne**, senior analyst at **Bernstein** on Sept. 9.

"Given the recent drop in ENP's share price, however, NEE shareholders must weigh the consequences for NEE's [earnings per share] and [dividend per share] should NEP be unable to re-establish access to the equity markets on attractive terms," he adds. ■

Goldman BDC Boosts Conergy Bank Guarantee Facility

Solar developer Conergy has increased the size of its bank guarantee facility to $75 million with a $15 million commitment from **Goldman Sachs BDC**, a middle market investment company of **Goldman Sachs**.

The original facility was arranged by **Deutsche Bank** in July last year with $60 million provided by **Tennenbaum Capital Partners**.

Hamburg, Germany-based Conergy has operations in five continents and has not yet used the bank guarantee facility for projects in North America, but that could change, says the company's corporate v.p. **Jacques Holzmann**.

"The real use of the facility is for [engineering, procurement and construction] bank guarantees which, for the most part, are needed in Europe and Asia," Holzmann tells *PFR* from Miami. "We haven't used them in the U.S. yet."

Conergy did not require the bank guarantee facility in connection with a portfolio of five solar projects it is developing in North Carolina, and which **NextEra** is seeking to acquire (PFR 8/25), but it could be used for two U.S. projects the company is looking at, Holzmann adds.

The company is looking into providing a township with a guarantee similar to a performance guarantee in relation to a project in Connecticut.

Meanwhile, in Texas, the developer could draw on the facility to secure a power purchase agreement from a utility company.

"It provides the same guarantee as insurance bonding does for large scale projects," says Holzmann.

Conergy has used more than half of the original $60 million facility, including for a 37 MW project in the U.K. and a 50 MW project in the Philippines, and there is scope for the facility to grow further.

"Some of these guarantees have two years of life on them and so as long as we keep building and developing projects—unless that takes two years, which would allow us to recycle the money that's tied up—we would need some sort of upsize," says Holzmann. ■

STRATEGIES

Boralex Share Buy-Back Fails to Turn Tide

Canadian developer Boralex's share price, which dropped markedly after the company said it would redeem C$150 million ($113 million) of convertible debentures, has continued its decline since the company announced that it would buy back up to 500,000 shares.

Kingsey Falls, Quebec-based Boralex announced that it would redeem C$150 million of its convertible unsecured subordinated debentures in cash on Aug. 31, when its shares had been trading at up to C$13.43.

The company was hoping to force holders of its convertibles to convert them into shares, a Canada-based deal watcher said, adding that with a 6.75% coupon, the convertibles are much more costly to service than Boralex's common stock.

Noteholders can convert the debentures into equity at the equivalent of $11.68 a share and they have been in the money for some time. However, Boralex's stock began trading down following the redemption announcement, closing at C$12.76 on Sept. 1. and C$12.47 on Sept. 2.

That was probably because the fixed income holders of the convertible notes would not be interested in holding shares instead, and would therefore sell the securities once they had exercised their conversion right, said the deal watcher.

On Sept. 2, Boralex announced a proposed share buy-back which would allow the company to repurchase and cancel up to 500,000 shares, or about 1.04% of its outstanding common stock.

"The issuer bid will provide the flexibility to purchase shares to offset the dilutive effects of the issuance of Class A shares pursuant to the stock option plan," the company said in a statement.

Following the buy-back announcement, the sell-off has continued, albeit at a slower pace, and the shares hit a 20-month low at C$11.92 on Monday, Sept. 14.

Holders of the C$244 million ($184 million) of outstanding convertible debentures have until the end of the month to convert the notes into cash before Boralex redeems them at par. The company will pay for any redemptions with cash on hand or by drawing under existing credit facilities.

Boralex has a C$75 million credit facility which matures in 2018. As of June 30, the company had not drawn any funds under the facility.

The convertible debentures were initially issued in September 2010 and are due to mature on June 30, 2017 if they are not redeemed or converted.

In June this year, the company issued a C$143.8 million ($100 million) series of five-year convertibles in an oversubscribed transaction led by **National Bank Financial** (PFR 6/4). ■

NextEra Equity Sale Comes in Under Size Target

NextEra Energy has sold $700 million in equity units, $300 million less than planned, as part of its funding strategy for the acquisition of Texas gas pipeline company **NET Midstream**.

The sponsor's yield company, **NextEra Energy Partners**, priced a $200 million public offering last week, as part of the financing.

The total, $900 million, is less than the $1.2 billion which the companies originally planned to raise in the equity market for the NET Midstream acquisition, leaving a gap in the most recent financing plan.

"As recently as days prior to the offering, [NextEra Energy] indicated that it would satisfy its near-term $1 billion incremental equity need by issuing equity units," wrote analyst **Daniel Ford** at **Barclays** on Tuesday, Sept. 15. "Given the shortfall in the issuance proceeds versus the company's stated need, we presume that the market didn't have the appetite for the full $1 billion."

The NextEra equity units take the form of a contract to buy NextEra Energy PAGE 7 »

Entergy Ponders Future For FitzPatrick

Entergy Corp. is evaluating whether to refuel its 850 MW James A. FitzPatrick Nuclear Power Plant near Oswego, N.Y., against a backdrop of low gas and wholesale power prices.

The company is conducting a review of projected revenues and opportunities to reduce costs at the plant, a spokesperson for Entergy tells *PFR*.

"The review of projected revenues includes an update of our point of view on natural gas and wholesale power prices, as well as the likelihood of any state or federal market reforms that could increase expected short and long term revenues (i.e., capacity and/or energy prices) that the plant earns," the spokesperson adds in an e-mailed statement.

A decision on whether the utility will move forward with the plant's next refueling outage, currently scheduled for the fall of 2016, will be taken before the end of the fourth quarter of 2015.

"Our preference is to keep FitzPatrick in operation. The plant is a very well-run plant with more than 600 dedicated and professional nuclear employees," says the spokesperson.

Entergy closed its 605 MW Vermont Yankee nuclear power station in Vernon, Vt., in December after more than four decades of contention. Entergy and the state of Vermont had been at loggerheads over the future of the plan ever since its license to operate expired in 2012 (PFR, 1/9).

The Louisiana-based utility owns and operates around 30 GW of electric generating capacity, including more than 10 GW of nuclear power.

The FitzPatrick plant has been operational since 1975 and produces approximately 4% of the total energy demand in New York State, according to the project's website.

"This is a complex issue, and one that we are carefully evaluating," the spokesperson says. "As we complete our review, we will continue to work with federal, state, and local officials on opportunities to improve the plant's outlook." ■