

# Power Finance & Risk

Exclusive Insight on Power M&amp;A and Project Financing

By the publisher of GlobalCapital

## ● Strategies

## ● M&A

### Xcel Unit Heats Up Solar Hunt

Xcel Energy's Southwestern Public Service Co. is scouting power purchase agreements with up to 200 MW of solar projects.

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### ArcLight Tees Up Sixth Auction

ArcLight Capital Partners is looking to sell its Bayonne gas-fired plant in N.J.—its sixth concurrent generation auction.

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## WestLB's Murray To Join Apollo For Power Push

Holly Fletcher

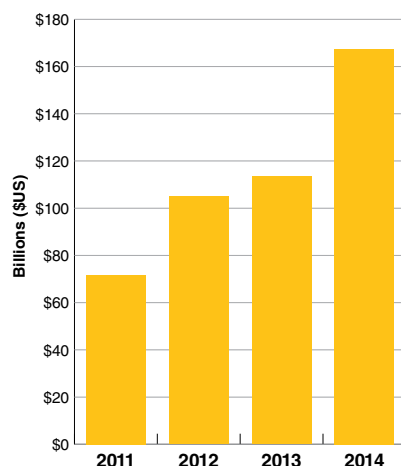
**T**om Murray, formerly the global head of energy of **WestLB**, is set to join **Apollo Global Management** next week as the firm looks to ramp up its power and infrastructure credit investing.

Murray will start in the New York office as a managing director on Monday, says an observer. He will work with an existing team on expanding further into the power and infrastructure space for Apollo. The team will not originate loans but will look to invest in debt ranging from investment grade to high yield.

New York-based Apollo has roughly \$170 billion under management with about two-thirds of those investments in credit funds. The remain-

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### Apollo's Assets Under Management



As of June 30 in all years

Source: Apollo Global Management

### Analysts Scope Next YieldCo Candidates

Sara Rosner

Solar panel manufacturers and financial investors may be among the next generation of yield companies, according to analysts.

Yieldcos provide an avenue to lower cost of capital and help recycle equity capital into growth. The alternative funding options are attractive to a variety of entities. "Future yieldcos will come from a different type of company, the non-utility power developer. They're likely to be non-investment grade and have limited access to capital," said **Mihoko Manabe**, senior v.p. at **Moody's Investors**

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## Cape Wind Launches \$1.95B Deal

Sara Rosner &amp; Holly Fletcher

**Cape Wind** has launched a wholesale syndication of a \$1.95 billion package backing its 468 MW project off the coast of Cape Cod, Mass. Lead arranger **Bank of Tokyo Mitsubishi** hosted one-on-one meetings with banks in New York last week.

The deal is reportedly comprised of a several tranches, including:

- a \$900 million mini-perm;
- a \$600 million tranche from Danish export credit agency EKF;

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## ● THE BUZZ

### Cape Wind Blows Onto PF Desks

**A**fter years of legal battles, regulatory struggles and a documentary film, the **Cape Wind** offshore wind project has arrived in the project finance market. The herculean effort has resulted in a \$1.95 billion package that is comprised of a slew of tranches and players including an export credit agency, a pension

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## ● THE BUZZ



Construction of an offshore wind project in the waters off Europe. iStock/Thinkstock

## Cape Wind Blows Onto PF Desks

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fund, the U.S. federal government as well as traditional project finance lenders (see story, page 1).

The Cape Wind syndication is creating buzz across the project finance sector and the project was a subject of debate at the #PowerDrinks event co-hosted by PFR and Varagon Capital Partners on Sept. 18. Some financiers are skeptical of whether

the project will achieve construction and operation as opponents to such development have a seemingly infinite arsenal of legal contention. A limited universe of equipment suppliers and service providers for offshore globally, factors that are more acute in the U.S., could also hinder Cape Wind, says one financier.

**JPMorgan Capital Corp.** is finding new entities to partner with on its existing tax equity portfolio. The tax equity behemoth has reached a deal with **Hannon Armstrong Sustainable Capital** on a portfolio of 10 wind farms in a structure that resembles an earlier deal with a **Macquarie Capital** affiliate (see story, page 7). JPMCC is also in the market with another portfolio of tax equity stakes (PFR, 9/5).

**Duke Energy** has pumped up the solar market in North Carolina as its two utility subsidiaries in the state agree to acquire or buy power from 278 MW of solar projects that are valued at \$500 million. **Duke Energy Progress** and **Duke Energy Carolinas** will buy three projects that total 128 MW and sign 15-year power purchase agreements with the remainder.

The eastern part of North Carolina is seeing a bigger solar boom than the west because cheaper land gives projects better economics. To that end, Duke Energy Progress is signing the lion's share of PPAs. Duke officials are considering ways to transfer renewable energy credits to Duke Energy Carolinas to mitigate the discrepancy.

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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 **Holly Fletcher**, managing editor, at (212) 224-3293 or holly.fletcher@powerfinancerisk.com

## GENERATION AUCTION &amp; SALE CALENDAR ●

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

## Generation Sale ■ DATABASE

| Seller                                  | Assets                               | Location                   | Advisor                         | Status/Comment   |
|---|--------------------------------------|----------------------------|---------------------------------|--|
| ArcLight Capital Partners               | Juniper Generation (Cogen portfolio) | Various, California        | McManus & Miles                 | Sale relaunched after several PPAs were extended (PFR, 3/17).                  |
| ArcLight Capital Partners               | Peakers (2 GW Gas)                   | Various, Georgia           | Citi                            | Carved peakers out of Southeast PowerGen to sell (PFR, 3/24).                  |
| ArcLight Capital Partners               | Victoria (330 MW CCGT)               | Victoria, Texas            | UBS                             | Sale is near launch (PFR, 4/7).  |
| ArcLight Capital Partners               | Sun Peak (222 MW Gas)                | Las Vegas, Nev.            |                                 | Nevada Power is buying them (PFR, 5/12).                                       |
| ArcLight Capital Partners               | Hamakua (60 MW CCGT)                 | Hawaii                     | Energy Advisory Partners        | Teasers out (PFR, 7/28).   |
| ● ArcLight Capital Partners             | Bayonne (512 MW CCGT)                | Bayonne, N.J.              | Morgan Stanley                  | Teasers recently out (see story, page 7).                                      |
| Atlantic Power Corp.                    | Fleet (2.1 GW)                       | Various                    | Goldman Sachs, Greenhill        | First round bids are in (PFR, 6/30).   |
| Burrows Paper Corp.                     | Lyonsdale Associates (19 MW Hydro)   | New York                   |                                 | Burrows in final stages of selling (PFR, 8/25)                                 |
| Calpine                                 | Osprey (550MW CCGT)                  | Florida                    | TBA                             | Comes after Duke recently said it wanted to build not buy plants (PFR, 9/1)    |
| Corona Power                            | Stake (Sunbury, 900 MW Repowering)   | Shamokin Dam, Pa.          | Perella Weinberg                | First round offers due April 14 (PFR, 3/31).                                   |
| Coronado Power Ventures                 | La Paloma (690 MW CCGT)              | Harlingen, Texas           | Blackstone                      | Looking for equity and debt (PFR, 8/11).                                       |
| Duke Energy                             | Portfolio (6.6 GW Coal, Gas, Oil)    | Various                    | Citi, Morgan Stanley            | Dynegy is buying it (PFR, 9/1).  |
| E.ON Climate & Renewables North America | Stake (Wind Portfolio)               | Various                    | Bank of America Merrill Lynch   | Looking to sell 80% of several projects (PFR, 9/15).                           |
| ● EDF Renewable Energy                  | Portfolio (57 MW Solar)              | California                 |                                 | Dominion is buying (see story, page 6).  |
| Enel Green Power North America          | Stake (Wind Portfolio)               | Various                    | Bank of America Merrill Lynch   | Sale process recently started (PFR, 9/15).                                     |
| Entegra Power Group                     | Portfolio                            | Arizona, Arkansas          | Houlihan Lokey                  | Filed for Ch. 11 bankruptcy (PFR, 8/11).                                       |
| Exelon Corp.                            | Quail Run (488 MW Gas-Fired)         | Odessa, Texas              | Morgan Stanley                  | In second round.   |
| Exelon Corp.                            | Fore River (809MW Gas-Fired)         | Massachusetts              | Citi                            | Calpine is buying it (PFR, 9/1).   |
| FGE Power                               | Portfolio (1.5 GW CCGT)              | Texas                      | Fieldstone                      | Starwood has taken equity in two projects (PFR, 7/28).                         |
| First Solar                             | Imperial Valley (150 MW Solar)       | Imperial County, Calif.    | TBA                             | First Solar is considering retaining a passive stake (PFR, 9/8).               |
| Geronimo Energy                         | Various (Wind)                       | Various                    | Barclays                        | Algonquin has bought one project (PFR, 9/15).                                  |
| NTE Energy                              | Portfolio (1.3 GW CCGT)              | Various                    | Whitehall                       | Capital Dynamics has taken equity stakes (PFR, 7/28).                          |
| NTR                                     | Portfolio (Wind)                     | Various                    | TBA                             | Will take pitches to sell Wind Capital Group (PFR, 9/8).                       |
| NaturEner USA                           | Portfolio (399 MW Wind)              | Montana                    |                                 | Morgan Stanley fund is taking over the assets (PFR, 8/25)                      |
| Olympus Power                           | Grant County Wind Farm (20MW Wind)   | Minnesota                  | Ewing Bemiss                    | The deal power price is set at \$69.10 per MWh for first ten years (PFR, 9/1). |
| Riverstone Holdings                     | Sapphire Power (807 MW Gas)          | Various                    | Barclays                        | On the market recently (PFR, 8/25).  |
| Stark Investments                       | Grays Harbor (723 MW Gas)            | Grays Harbor County, Wash. | TBA                             | Invenergy is buying out Stark's stake (PFR, 8/18).                             |
| Stonepeak Infrastructure                | Stone Mills (11 MW Solar)            | Napanee, Ontario           |                                 | DIF Infrastructure is buying it (PFR, 9/18).                                   |
| SunShare                                | Portfolio (9.6 MW Solar)             | Colorado                   | Infrastructure Finance Advisors | High interest; moved to second round (PFR, 8/18).                              |
| Tenaska                                 | Westmoreland (950 MW Gas)            | Pittsburgh, Pa.            | Whitehall                       | Looking for development capital (PFR, 8/18).                                   |
| Traxys                                  | White Pine (40MW Gas-Fired)          | Michigan                   | TBA                             | Biotech shop bought as backup generation for underground garden (PFR, 9/1).    |
| Upstate New York Power Producers        | Cayuga (306 MW Coal)                 | Lansing, N.Y.              | Blackstone                      | Teasers recently went out (PFR, 6/23).   |
|   | Somerset (675 MW Coal)               | Barker, N.Y.               |                                 |  |
| Waste Management                        | Portfolio (Waste-To-Energy)          | Various                    | Barclays, Centerview Partners   | ECP is buying Wheelabrator for \$1.94B (PFR, 8/4).                             |

## ● New or updated listing

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

To report updates or provide additional information on the status of financings, please call Managing Editor Holly Fletcher at (212) 224-3293 or e-mail [holly.fletcher@powerfinancerisk.com](mailto:holly.fletcher@powerfinancerisk.com)

## ● PROJECT FINANCE

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

## Live Deals: Americas

| Sponsor                                      | Project                                | Location                  | Lead(s)                  | Loan                           | Loan Amount | Tenor | Notes  |
|--|--|---------------------------|--------------------------|--------------------------------|-------------|-------|--|
| Alterra, Fierra Axiom                        | Jimmie Creek (62 MW Hydro)             | British Columbia          | AMP Capital              | TBA                            | \$110M      | 9-yr  | AMP will disperse funds in three tranches (PFR, 9/15).   |
|  | Shannon (204 MW Wind)                  | Texas                     |                          | TBA                            |             |       |  |
| Apex Wind                                    | Balko Wind (30 OMW Wind)               | Oklahoma                  | TBA                      | TBA                            | TBA         | TBA   | Sponsor takes pitches from prospective MLAs (PFR, 9/8).  |
| BluEarth Renewables                          | Bow Lake (58.23 MW Wind)               | Sault Ste. Marie, Ontario | BMO Capital              | Term                           | C\$203M     | 7-yr  | Four banks participated (PFR, 8/4).  |
| Cape Wind Associates                         | Cape Wind (468 MW Wind)                | Cape Cod, Mass.           | MUFJ, Natixis, Rabobank  | TBA                            | \$150M      | TBA   | Deal launch (see story, page 1).   |
| Cobra Energia                                | Peru Portfolio (122 MW Wind)           | Peru                      | U.S Ex-Im                | TBA                            | \$65M       | 17-yr | The Cobra projects have 20-year offtaker contracts with Peruvian government (PFR, 8/27).                           |
| Coronado Power Ventures                      | La Paloma (690 MW CCGT)                | Cameron County, Texas     | Blackstone               | TBA                            | TBA         | TBA   | Debt and capital raise has had several setbacks (PFR, 8/11).   |
| Dominion Energy                              | Cove Point (LNG Export)                | Calvert County, Md.       | Barclays, Citi, JPM      | TBA                            | TBA         | TBA   | Dominion plans to IPO an MLP to partially fundy (PFR, 8/4).  |
| ● Enel Green Power N.A.                      | Goodwell (200 MW Wind)                 | Texas                     | TBA                      | TBA                            | TBA         | TBA   | Secures tax equity from JPMCC, MetLife and BNY Mellon (see story, page 6).   |
| ● Enel Green Power N.A.                      | Origin (150 MW Wind)                   | Oklahoma                  | TBA                      | TBA                            | TBA         | TBA   | Secures tax equity from JPMCC, MetLife and BNY Mellon (see story, page 6).   |
| Energy Investors Funds                       | Newark (705 MW Gas)                    | Newark, N.J.              | Credit Ag, GE EFS, MUFJ  | TBA                            | \$590M      | TBA   | Deal closed on strong interest (PFR, 6/30).  |
| Energy Investors Funds                       | Oregon (800 MW Gas)                    | Oregon, Ohio              | BNP, Credit Ag           | TBA                            | TBA         | TBA   | Deal is about to launch at L+325 (PFR, 8/18).  |
| Exmar NV                                     | Floating Liquefaction Project          | Colombia                  | TBA                      | B Loan                         | \$170M      | TBA   | Sponsor looking to land a B loan for the debt on the project (PFR, 5/5).   |
| FGE Power                                    | FGE Texas (726 MW Gas)                 | Westbrook, Texas          | TBA                      | TBA                            | \$1B        | TBA   | Has opted for project finance loan over B loan (PFR, 7/28).  |
| Firelight Infrastructure Partners, SunEdison | Bruining (18 MW Solar)                 | Ontario                   | NordLB                   | Construction, Term             | C\$113.5M   | TBA   | NordLB has also agreed to a C\$63 million loan that will set at the project level once it's operating (PFR, 8/11). |
| GDF Suez, Pemex                              | Los Ramones II Sur (178-mile Pipeline) | Mexico                    | Santander                | TBA                            | TBA         | TBA   | BNP Paribas is also advising on the \$1B project (PFR, 8/11).  |
| Invenergy                                    | Le Plateau 2 (21.5 MW Wind)            | Quebec                    | BayernLB                 | TBA                            | TBA         | TBA   | Deal wraps (PFR, 9/8).   |
| Invenergy                                    | Spring Canyon (60 MW Wind)             | Spring Canyon, Colo.      | Rabobank                 | TBA                            | TBA         | TBA   | Deal wraps (PFR, 9/8).   |
| NextEra Energy Resources                     | Bluewater (60 MW Wind)                 | Lake Huron, Ontario       | TBA                      | TBA                            | TBA         | TBA   | Sponsor is talking to lenders in the U.S. to finance the project (PFR, 5/19).                                      |
| New Generation Power                         | NGP Texas (400 MW Wind)                | Haskell County, Texas     | TBA                      | Construction /Term/ Tax Equity | ~\$700M     | TBA   | This is the sponsor's largest deal to date (PFR, 4/14).  |
| NTE Energy                                   | Multiple (Gas)                         | Various, U.S.             | Whitehall                | TBA                            | TBA         | TBA   | Looking to arrange PPAs for a portion of gas-fired trio (PFR, 8/4).  |
| Pattern Energy                               | Armow (180 MW Wind)                    | Kincardine, Ontario       | TBA                      | TBA                            | TBA         | TBA   | Sponsor is looking for tighter pricing than its K2 financing (PFR, 5/26).  |
| Samsung Renewable Energy                     | Kingston (100 MW Solar)                | Ontario                   | RBC, Connor Clark & Lunn | TBA                            | \$500M      | TBA   | Lenders are beginning to circle up (PFR, 7/21).  |
| D.E. Shaw                                    | Red Horse 2 (51MW Wind)                | Arizona                   | Santander, Sabadell      | TBA                            | \$170M      | 20-yr | Near financial close (PFR, 8/25).  |
| Starwood Energy Global Group                 | Stephens Ranch II (165 MW Wind)        | Texas                     | Citi, Morgan, MUFJ       | Construction                   | \$207M      | TBA   | Firms will also make tax equity investments in the project (PFR, 8/25).  |
| Sempra U.S. Gas & Power                      | Energia Sierra Juárez (156 MW Wind)    | Baja California, Mexico   | MUFJ                     | TBA                            | ~\$250M     | TBA   | On track to close within two weeks (PFR, 6/2).   |
| Tenaska                                      | Brownsville (800 MW CCGT)              | Brownsville, Texas        | TBA                      | TBA                            | TBA         | TBA   | Tenaska is in early stages of talks, plans to wrap by year-end (PFR, 6/30).  |
| Tenaska                                      | Westmoreland (950 MW CCGT)             | Pittsburgh, Pa.           | Whitehall                | TBA                            | TBA         | TBA   | Looking for development capital (PFR, 8/18).   |
| Transmission Developers                      | Champlain Hunson (Transmission)        | New York                  | RBC                      | TBA                            | ~\$1.6B     | TBA   | Sponsor is aiming to line up the debt by year-end (PFR, 3/3).  |

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## Exelon Downsizes, Flexes Texas B Loan

**Exelon Corp.** subsidiary **ExGen Texas Power** has reverse flexed and downsized a \$700 million term loan B it pitched for a dividend recapitalization.

The seven-year ExGen Texas Power B loan is being downsized to \$675 million, says a deal watcher. The final pricing of LIBOR plus 475 basis points is wider than original guidance, which came out at L+400-425 bps. The original issue discount is 99. The deal, which includes a five-year \$20 million revolver, is expected to allocate today.

**Bank of America Merrill Lynch** is the sole arranger.

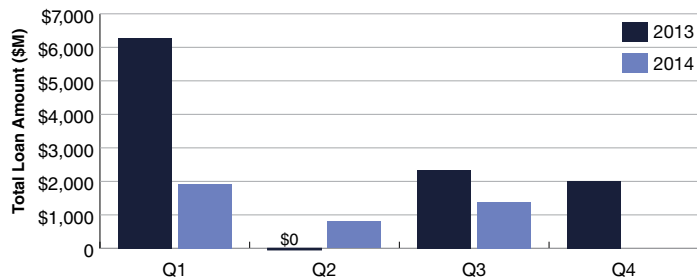
The package is backed by five quasi-merchant gas-fired assets totaling 3,476 MW in ERCOT. An

affiliate of Merrill Lynch has put a commodity hedge in place for about 70% of the gross margin of the portfolio for the next three years (PFR, 9/4). The portfolio consists of the following assets:

- the 720 MW Wolf Hollow combined cycle plant in Hood County;
- the 550 MW Colorado Bend combined cycle near Wharton;
- the 1,265 MW Handley peaker in Fort Worth;
- the 152 MW LaPorte peaker in LaPorte; and
- the 805 MW Mountain Creek peaker in Dallas.

Both a BAML spokesman and Exelon spokesman declined to comment. ■

### B Loan Scorecard



Source: Power Finance & Risk

## Price Talk Emerges on Tenaska Refi

**Tenaska Capital Management's** \$1.59 billion refinancing has been floated at LIBOR plus 450-475 basis points.

The package is comprised of a seven-year \$1.5 billion term loan B and a five-year \$90 million first lien working capital facility. The package is pitched with a 1% LIBOR floor and a 99-99.5 original issue discount, says a deal watcher. Tenaska is aiming to wrap the deal the week of Sept. 29.

The deal is backed by a nearly 5 GW portfolio of merchant gas-fired facilities in PJM, MISO and NYISO. Initial price guidance is higher than what was floated for **Exelon Corp.'s ExGen Texas Power** dividend recapitalization, which has been reduced and had pricing increased (PFR, 9/16).

Borrower **TPF II Power** owns 4.9 GW across PJM, MISO and NYISO. Parent Tenaska Capital Management has interests in the following plants in these regions:

- 625 MW Armstrong in Shelocta, Pa.;
- 300 MW BigSandy in Kenova, W. Va.;
- 325 MW Calumet in Chicago;
- 315 MW Commonwealth Chesapeake in New Church, Va.;

- 328 MW Crete in Crete, Ill.;
- 665 MW Holland in Beecher City, Ill.;
- 656 MW Lincoln in Manhattan, Ill.;
- 1,100 MW New Covert in South Haven, Mich.;
- 313 MW Pleasants in St. Mary's, W.Va.;
- 850 MW Rolling Hills in Wilkesville, Ohio;
- 600 MW Troy in Luckey, Ohio; and the
- 1,901 MW U.S. Power Generating in New York.

Lead arranger **Morgan Stanley** and co-leads **Goldman Sachs**, **Bank of Tokyo Mitsubishi-UFJ** and **Bank of America Merrill Lynch** launched the transaction on Sept. 11 at the St. Regis Hotel in New York (PFR, 9/11).

Tenaska affiliates TPF II Power and **TPF II Covert Midco** are the issuers of the debt, which will be used to repay subsidiary debt, fund a debt service reserve account and a distribution to the sponsors. The term loan includes a 75-100% cash flow sweep, based on leverage.

A Morgan Stanley spokeswoman declined to comment as did a Tenaska spokeswoman in Omaha, Neb. ■

## Xcel Unit Launches RFP For 200 MW Of Solar

**Xcel Energy's Southwestern Public Service Co.** has issued a request for proposals for up to 200 MW of solar generation as it looks to secure power from projects that qualify for the investment tax credit.

The utility identified nine preferred sites that could inter-

connect 90 MW of generation although it is possible that all 200 MW could come from developer-proposed sites," **Brian Fleming**, an Xcel resource planning analyst, told PFR.

The amount of solar that is bought under power purchase agreements will depend on the

quality of the bids, updates to the company's forecasts, regional transmission availability and changes to regulatory or legal requirements. All projects bid into must be able to come online by 2016.

Proposals are due Oct. 10. Xcel expects to begin negotiations with selected bidder or bidders in November and finalize the contracts in December.

Xcel subsidiary Northern States power has also been looking to

snag solar PPAs with generation that will qualify for the ITC. The utility has been out with a solar RFP for up to 150 MW (PFR, 3/5).

SPS has power customers in the Panhandle and South Plains regions of Texas as well as the eastern and southeastern counties of New Mexico. Its transmission system extends into Oklahoma and Kansas. The complete bid package is available at [www.xcelenergy.com/About\\_Us/Our\\_Company/Projects\\_and\\_RFPs](http://www.xcelenergy.com/About_Us/Our_Company/Projects_and_RFPs). ■

## ● STRATEGIES

# Iberdrola Consolidates Ariz. Assets

**Iberdrola Renewables** is consolidating ownership of two wind farms and a solar asset in Arizona for cost savings.

The company is looking to bring its 65 MW Dry Lake II wind farm in Navajo County, Ariz., and the 20 MW Copper Crossing solar facility in Florence, Ariz., under a single holding company called **Iberdrola Arizona Renewables**, according to a filing with the U.S. **Federal Energy Regulatory Commission**. The subsidiary Iberdrola Arizona already owns the 63 MW Dry Lake wind farm in Navajo County.

The consolidation of holding companies into a regional company will allow for cost-reductions through tax savings, an Iberdrola Renewables spokesman said in a statement to PFR.

The reorganization is not a signal that the Iberdrola is forming a yield company, says the spokesman, noting that the company is “always evaluating options” but has “no plans at this time to create a yieldco” from its portfolio. ■

# Enel Courts Tax Equity Trio

**Enel Green Power North America** is finalizing a \$400 million tax equity investment in 350 MW of wind assets from **JPMorgan Capital Corp.**, **MetLife Capital Credit** and **Bank of New York Mellon**.

“These are fully contracted assets, which is one of the characteristics we look for. It has strong investment grade offtakers. It’s the equipment we know and like and this is a repeat transaction with the sponsor. We have a good, longstanding relationship with Enel,” says **Stuart Ashton**, director in relief and tax equity finance at MetLife in Morristown, N.J.

JPMCC has been looking to bring in additional investors after it and Enel Green Power N.A. struck the original deal in July (PFR, 7/10). The developer filed for approval for the transaction from the U.S. **Federal Energy Regulatory Com-**

**mission** earlier this month.

The tax equity investors would hold non-controlling passive equity interests in the 150 MW Origins wind farm in Garvin, Murray and Carter counties in Oklahoma and the 200 MW Goodwell project in Hansford County, Texas. Origin and Goodwell have 20-year power purchase agreements with the **Arkansas Electric Cooperative Corp.** and the **Public Service Co. of Oklahoma**, respectively.

Enel Green Power N.A. is working with **Bank of America Merrill Lynch** to sell a stake in its U.S. Wind portfolio (PFR, 9/9). The Andover, Mass.-based developer owns nine operational farms in Kansas, Minnesota, Oklahoma and Texas.

**Steve Champagne**, executive v.p. and general counsel for Enel, and spokespeople for the tax equity investors, did not respond to inquiries by press time. ■

## ● MERGERS & ACQUISITIONS

# Duke Lands 278 MW From Solar RFP

**Duke Energy** has agreed to buy solar projects or sign power purchase agreements with 278 MW of projects in North Carolina.

Duke Energy will buy three projects totaling 128 MW from **Strata Solar**, **HelioSage Energy** and **Tangent Energy Solutions**. It will sign 15-year PPAs with five projects totaling 150 MW that are being developed by **Innovative Solar Systems**, **FLS Energy**, **Birdseye Renewable Energy** and **Element Power US**.

The acquisitions and PPAs came out of a request for proposals that Duke issued earlier this year looking for up to 300 MW (PFR, 2/18).

**Duke Energy Progress**, Duke’s utility in the eastern part of the state, will sign PPAs with four of the five projects while **Duke Energy Carolinas** will sign one. All of the projects are expected to be online at the end of next year.

**Rob Caldwell**, senior v.p. of distributed energy resources at Duke, said on a conference call that the balance of the PPAs reflects the projects that were entered into the RFP. He noted that most of the solar development is in the eastern part of the

state where land is cheaper, giving projects better economics.

The acquisitions and PPAs will keep Duke in compliance with the state’s renewable energy targets. The company is considering whether it will transfer some of the renewable energy credits from projects signed by DEP to DEC to make up for the lack of projects in the western part of the state.

Duke has no plans to issue another solar RFP. ■

## Duke Energy’s Solar RFP Haul

| Planned Acquisitions      |                  |                           |
|---------------------------|------------------|---------------------------|
| Project                   | Location         | Developer                 |
| 65 MW Warsaw              | Duplin County    | Strata Solar              |
| 40 MW Elm City            | Wilson County    | HelioSage Energy          |
| 23 MW Fayetteville        | Bladen County    | Tangent Energy Solutions  |
| Power Purchase Agreements |                  |                           |
| Project                   | Location         | Developer                 |
| 48 MW project             | Bladen County    | Innovative Solar Systems  |
| 48 MW project             | Richmond County  | FLS Energy                |
| 20 MW project             | Scotland County  | Birdseye Renewable Energy |
| 19 MW project             | Cleveland County | Birdseye Renewable Energy |
| 15 MW project             | Beaufort County  | Element Power US          |

Source: Duke Energy

# Dominion Nets Solar Pair From EDF

**Dominion** has agreed to buy two solar projects totaling 57 MW in California from **EDF Renewable Energy**.

Dominion is buying the 32.6 MW Cottonwood solar project in Kern, Kings and Marin County and the 24.3 MW Catalina 2 solar project in Kern County. The deal is expected to close in the first half 2015, pending regulatory approvals and successful start of operation for both projects. Dominion bought the 20 MW CID project from EDF Renewable Energy in June (PFR, 6/24).

Cottonwood has a 25-year power purchase agreement with **Marin Energy Authority**. Catalina 2 is contracted for 20-years.

Once the Cottonwood and Catalina 2 deal is closed, Dominion will have portfolio of utility-scale solar assets that total 274 MW in California, Connecticut, Georgia, Indiana and Tennessee. ■

## MERGERS &amp; ACQUISITIONS ●

# ArcLight Peddles Bayonne CCGT

**ArcLight Capital Partners** is looking to flip the 512 MW Bayonne gas-fired plant in New Jersey.

ArcLight sealed the purchase of **Hess Corp.**'s 50% stake of the Bayonne combined cycle facility over the summer in tandem with a \$530 million refinancing. Now, the plant is being hawked in an auction run by **Morgan Stanley**, deal watchers say. Teasers were recently released.

Investors who took pieces in the term loan B are surprised that the plant is on the market so soon. However, the sale is in line with ArcLight's recent attempts to lighten its power portfolio as it looks to concentrate on the mid-stream space.

The private equity shop has been out with peakers from its **Southeast PowerGen** portfolio, the Juniper portfolio of cogeneration facilities

in California, the 330 MW Victoria combined cycle facility in Texas and the 60 MW Hamakua CCGT in Hawaii (PFR, 7/23).

The refinancing included a \$500 million B loan and a \$30 million credit facility and allocated earlier this month. Morgan Stanley was a lead arranger, along with **Credit Agricole**, **Macquarie Capital**, on

the refinancing that came in at LIBOR plus 350 basis points. It has an original issue discount of 99 and a 1% LIBOR floor (PFR, 6/19).

Details on the change of control covenants in the refinancing could not be immediately learned.

An ArcLight spokeswoman declined to comment as did a spokeswoman for Morgan Stanley. ■

## ArcLight Capital's Generation Catalog

| Asset                                | Location            | Advisor                  |
|--------------------------------------|---------------------|--------------------------|
| Juniper Generation (Cogen portfolio) | Various, California | McManus & Miles          |
| Peakers (2 GW Gas)                   | Various, Georgia    | Citigroup                |
| Victoria (330 MW CCGT)               | Victoria, Texas     | UBS                      |
| Sun Peak (222 MW Gas)                | Las Vegas, Nev.     | None                     |
| Hamakua (60 MW CCGT)                 | Hawaii              | Energy Advisory Partners |
| Bayonne (512 MW CCGT)                | Bayonne, N.J.       | Morgan Stanley           |

Source: PFR Generation Sales Database

## Atlantic Power Ices Sale Process

**Atlantic Power Corp.** has canceled the strategic evaluation process that was being run by **Goldman Sachs** and **Greenhill & Co.**

The sale process had garnered fewer bids than expected as prospective buyers were stymied by questions about the company's preferred transaction and uncertainty about a class action lawsuit (PFR, 6/27). However, the sale did elicit interest in Atlantic's wind and hydro portfolio, according to deal watchers, who are surprised that Atlantic chose not to strike a minority stake sale of those assets.

The company had been reluctant to do an outright sale of a larger portion of its assets at this time, deal watchers said over the course the process. Atlantic Power prefers to remain an independent company rather than being bought out. It could be in the market for an opportunistic asset sale if the purchase prices are attractive, notes one observer. It owns 2.1 GW in a 3 GW fleet of biomass, coal-fired, hydro, gas-fired and wind assets.

In tandem with the decision to shelve the strategic evaluation, **Barry Welch**, ceo of Atlantic Power in Boston, stepped down from the position and the board. **Ken Hartwick**, a member of Atlantic Power's board, will be the interim CEO until replacement is hired, according to the company.

An Atlantic Power spokeswoman declined further comment as did a Goldman Sachs spokeswoman. ■

# JPMCC Teams With HASI In Wind Tax Equity Deal

**JPMorgan Capital Corp.** has agreed to sell a portion of its tax equity investments in a portfolio of 10 wind farms to **Hannon Armstrong Sustainable Capital**.

Subsidiaries of both JPMCC and HASI will co-own a holding company that has tax equity stakes in the 10 assets, according to a filing with the U.S. **Federal Energy Regulatory Commission**. **HA Wind 1**, a subsidiary of Hannon Armstrong, will be the owner along with JPMCC subsidiary **FC Energy Finance I**.

The transaction is expected to be similar to a deal between JPMCC and **Macquarie Corporate and Asset Funding** wherein JPMCC contributes the tax benefits from a 1.3 GW wind portfolio

to an upper tier partnership. The cash in that transaction largely goes to Macquarie while the tax benefits to JPMCC (PFR, 4/16/13).

The portfolio includes farms owned by **EDF Renewable Energy**, **EDP Renewables North America** and **Invenergy**. **Northwestern Mutual Life Insurance Co.** is a tax equity investor in one of the farms, according to the FERC filing. The portfolio is comprised of the:

- 60 MW Oasis in Kern County, Calif.
- 206.5 MW High Trail in McLean County, Ill.
- 151.2 MW Blue Canyon in Caddo and Kiowa counties in Oklahoma;
- 231 MW Flat Rock in Lewis County, N.Y.;
- 231 MW Flat Rock II in Lewis County, N.Y.;

- 11.55 MW Madison in Madison County, N.Y.
- 130.5 MW Scurry County
- in Snyder, Texas;
- 120 MW Scurry County II in Snyder, Texas;
- 90 MW Sand Bluff in Big Spring, Texas;
- 200 MW Mesquite in Dawson and Borden counties, Texas.

HASI is interested in pooling investments that throw off a steady stream of cash flows. It recently bought land lease aggregator **American Wind Capital** for \$107 million for its stream of cash flows from renewable assets' land lease payments (PFR, 5/30).

Spokeswomen for JPMCC and HASI either declined to comment or could not immediately comment. ■

## ● INDUSTRY CURRENT

# New Financing Trends — Part 1

This week's Industry Current is an excerpt from a discussion between a group of seasoned investment bankers at **Chadbourn & Parke's** 25th Annual Global Energy and Finance conference in Washington, D.C. The selection focuses on the emergence of green bonds and green banks in the project finance market. **Rohit Chaudhry**, partner at **Chadbourn & Parke**, moderated the panel.

### The panelists are:

**Michael Eckhart**, managing director and global head of environmental finance at **Citigroup Capital Markets**,  
**Thomas Emmons**, managing director and head of renewable energy financing at **Rabobank**,  
**Steven Greenwald**, managing director for global project finance at **Credit Suisse**,  
**Michael Kumar**, managing director and head of project finance for **Morgan Stanley**, and  
**Andy Redinger**, managing director and group head of utilities and power at **Keybank Capital Markets**.



Rohit Chaudhry

### GREEN BONDS

**Chaudhry:** I want to move beyond bank and term loan B deals into green bonds. Michael Eckhart, you mentioned green bonds as one of the trends you see. What is a green bond?

**Eckhart:** It is term for bonds whose proceeds will be used in ways that help reduce global warming. Citi and BAML wrote a set of green bond principles almost exactly a year ago. We had placed a \$1 billion green bond for the **International Finance Corporation** in February 2013 and sold it in an hour.

Why was there so much demand for the bond offering? In talking to our bond sales people, it was clear that the attraction was not only the triple A credit and the IFC track record, but also the IFC was doing something that the investors liked and trusted, and trust was the key word.

The IFC was declaring its investment criteria for the funds and what decision-making process it would follow. It committed to track the funds separately and, most importantly, it promised to report after the fact what specific projects the funds went into so that investors could, should they wish to, calculate the environmental or climate impacts of their invest-

ments. Those four things are the green bond principles.

We debated three big issues while writing the green bond principles. One is: "What is green?" That is an on-going debate. We are trying to create, not contain, a market. We are trying to prevent any gatekeeper from controlling the market with any single definition. The second issue is: "What should be the effect on pricing for the bond issue?" We decided not to touch that. The third issue is how to maintain the trust, transparency and integrity of the market. That is the one thing we decided to address, and it turned out to be the correct choice. To use the term "green bond," the issuer must adhere to the green bond principles.

We are in the process of getting a trademark and copyright for the term green bond. Anyone who wants to use the term will be allowed to do so; it is a free license to any issuer who pledges to follow the principles.

**"We should be at \$25 billion by mid-year and \$50 billion for 2014 as a whole."**

Michael Eckhart



Thomas Emmons



Michael Eckhart



Andy Redinger

er who pledges to follow the principles.

The green bond space is a transparency and disclosure space at this point. A little over \$20 billion in green bonds have been issued since January 2014 when the green bond principles were adopted. We should be at \$25 billion by mid-year and \$50 billion for 2014 as a whole, which compares to \$14 billion in green bonds issued last year. We think the market will double every year.

**Chaudhry:** Those are big numbers. That is way bigger than what was mentioned earlier for the bank market and the term loan B market. Will this market eventually dwarf the bank market, term loan B market and project bond market?

**Eckhart:** Yes. It has been 25 years to get to a project bond market. The reason the principles were issued is that there were rumblings of bad behavior, so all the banks came togeth-

# PFR

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## ● INDUSTRY CURRENT

er. Now 75 organizations have signed up as members or observers in green bond governance. Eighteen are on an executive committee, and there will be a serious global meeting in China on green bonds in two weeks. This is an instant global institutionalization of the market to protect the integrity of it. We do not want any bad behavior.

**Kumar:** But this is not the same as the bank- and term- loan-B-type of credits that we were talking about before. These are really full corporate or super-national credits.

**Eckhart:** That is correct.

**Redinger:** The definition is use of proceeds. The focus in bank deals and the institutional debt market is the source of repayment and not the use of proceeds.

**Chaudhry:** I still want to understand this. If you do get the certification of being a green bond, what benefit does that give you in marketing the bond? Pricing? You said you did not touch pricing. What is the benefit of being a green bond?

**Redinger:** We have not seen a real benefit from a pricing perspective.

**Eckhart:** Correct.

**Chaudhry:** So how would green bonds benefit the people in this room most of whom are developers of renewable energy, conventional power and other types of infrastructure projects?

**Eckhart:** The benefit is not to the issuer. It is to the investor. This was not created as a marketing gimmick for issuers. There is a green halo effect, but it is a nonfinancial green halo.

The benefit is to the investors; the benefit is the integrity of green. Is anybody going to trust this? There was a considerable degree of distrust. What we have seen with placements we have done so far — **GDF Suez, Toyota, Unilever** — is a definite spreading of the investor base for each of those companies. In the case of Toyota, which was not considered a green company, many investors bought that bond who had never shown any interest

### “If you are embracing a green bank, you are probably not looking to retire in the next six months.”

Steven Greewald

before in Toyota paper. The Unilever offering drew nine green investors who originally distrusted the space, but who now trusted it because of the principles. You have a spread of the investor base and a green halo, but that was not the purpose of the enterprise.

### GREEN BANKS

**Chaudhry:** Moving beyond green bonds to state green banks, how many state green banks are there today? Tom Emmons?

**Emmons:** I think there are about five. They are in New York, Connecticut, New Jersey, Hawaii and maybe another one.

**Chaudhry:** Why should developers be interested in green banks? What do they do?

**Emmons:** I am most familiar with the **New York Green Bank** because it is the newest one, and it has been quite high profile. Its main objective is to mobilize private capital. It has been in the market asking financiers what is preventing financing of certain types of projects: things like particular risks to which banks and insurance companies are allergic or structures that can be enhanced by the capital

of the New York Green Bank. It is not trying to raise lots of money to lend directly. It is trying to raise enough capital to be able to take risks and then apply that risk taking to particular elements of structures so that the private capital is mobilized.

**Chaudhry:** Andy Redinger, what is your view of state green banks? We heard your views on green bonds.

**Redinger:** I think the industry spends way too much time on trying to solve the debt issue. Debt has been widely available to the industry for a long time. It is even more available this year. To spend more time developing other avenues to provide debt to projects is marginally productive; debt has never been cheaper.

There is a role for green banks in providing capital in situations where the commercial banks are not interested in providing financing; to new technologies and those types of things. The green banks are still trying to find their way.

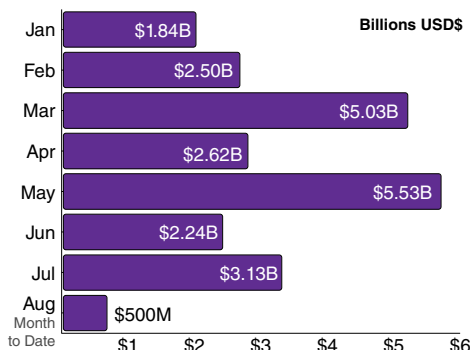
**Chaudhry:** Mike Eckhart, is there a role for state green banks?

**Eckhart:** I was just in Paris last week for the first world meeting organized by the OECD on green banks. The biggest one of course is in the United Kingdom with GBP3.2 billion in funding. It has put out just over a GBP1 billion so far in 26 projects. Others will copy what the British are doing.

New York has yet to do its first deal. Connecticut is a government program that changed its name from a program to a bank. There are green banks now in Malaysia, India, Indonesia and Japan, and more are coming.

Governments are realizing that they cannot reach scale with clean energy solely by spending taxpayer money through grants. Someone put a bee in their bonnet that a financing facility that allows the government to get its money back and earn a return is a very attractive proposition. The **UK Green Bank** reported that it is earning a 9% return. The UK is in a different position than we are. It is helping local projects and also educating local lenders that lack the expertise to make a decision about these kinds of local projects: waste energy, biomass, local wind and solar. Green banks become the expertise that the

### Green Bonds - 2014



Source: Climate Bonds Initiative

## INDUSTRY CURRENT ●

local lenders can ride. It is an interesting little sub-niche.

**Chaudhry:** Tom Emmons, what kinds of risk are state green banks looking to enhance? What kinds of credit enhancements are they willing to provide?

**Emmons:** An example of the type of thing the New York Green Bank is looking at doing is if a project contract in a particular market can only be five years because the market is not mature or deep enough, but the probability is that the contract will be extended, a green bank could wrap the later years of the contract in order to make the project bankable. A relatively new technology could be proven, but not quite as predictable as some of the more established technologies that we are used to financing. These are risks on the margin. The bank could also price merchant risks.

**Greenwald:** Are the green banks basically writing insurance policies?

**Emmons:** Again, I do not know about the other ones, but the New York Green Bank is brainstorming now and is getting input from

## Types of Green Bonds

- Use of proceeds bonds
- Revenue bonds
- Project bonds
- Securitized bonds

Source: Ceres

lots of people. It has an RFP out inviting people to submit projects with requests that particular risks be wrapped by the bank. I do not think they would write it literally as an insurance policy, but it would function effectively as an insurance policy covering certain risks.

**Chaudhry:** When the U.S. Department of Energy tried to do the same thing, it was a long laborious process. Should developers be wary of similar efforts by green banks?

**Redinger:** No, we should embrace the green banks. They are another tool in the toolbox.

What they are trying to do is useful.

**Greenwald:** If you are embracing a green bank, you are probably not looking to retire in the next six months. If the DOE is a precursor to what you will be dealing with, you have a long road ahead.

**Eckhart:** Let's not leave the impression that these are insurance operations. The UK Green Bank is run by an ex-partner of Hudson who is a very sophisticated financier. The New York Green Bank is being run by **Richard Kauffman** who had a distinguished career on Wall Street. The president is **Alfred Griffin** who used to work at Citi and is a 15-year structured finance wizard. We have some pretty smart people running these so-called government operations. I would look to them to be risk mitigators and credit enhancers for sure, but they are also going to put money into deals. ■

*Check back next week for the second installment that looks at new sources of liquidity, yield companies and distributed portfolios.*

## #PowerTweets

For more news and coverage, follow @PowerFinRisk on Twitter, as well as Managing Editor @HollyFletcher and Editor @SaraReports.

**@BFeldmanEnergy** Northeast Energy Summit:  
**@pjmintconnect** Adam Keech: 8 of top 10 all-time winter peaks occurred in January 2014 #polarvortex

**@dgilford**  
Lyndon Rive telling @solarcity origin story: In an RV driving to Burning Man, @elonmusk told his cousin to "get into solar." #InsideEnergy

**@Silvio\_Marcacci**  
150 major corporations already using internal CO2 prices of \$6-80/ton. Context: California is highest at ~\$11/ton. <http://ow.ly/BwKaz>

**@SaraReports**  
7.8GW of the 15GW of projects before CRE for permitting is #solarpower #Mexico #energyreform

**@ChrisVarcoe**  
Frank Oberle is the new energy minister of Alberta. He's the former Solicitor General, among other jobs. #ableg #yyc

**@GDFSUEZEnergy** PJM has dropped the plan for real-time reserve market. What does this mean for your business? <http://bit.ly/1r2gxSq>

**@FERC** FERC NEWS: FERC Clarifies Role for Public Power Utilities in Order No. 1000 Transmission Planning <http://ow.ly/BE3QB>

**@InvenenergyJobs**  
Job Opportunity: Vice President of Engineering in Chicago, IL <http://bull.hn/1/25XL8/12> #job



## Analysts Scope Next YieldCo Candidates

◀ FROM PAGE 1

Service last week.

### Spotlight On Solar

**First Solar** and **SunPower** are potential issuers, notes **Swami Venkataraman**, v.p. and senior credit officer at Moody's. Such companies transitioned into project development from panel manufacturing in order to deploy panels and capture the value of power purchase agreements, but are not the natural long-term holders of assets.

"What the yieldco does is potentially give them the balance sheet to retain these projects and keep even more of

ty position in the 150 MW Imperial Valley solar project in Imperial County, Calif.

First Solar has said it is evaluating whether to establish a yieldco. However, there is an internal debate over whether the company should identify more as a pure manufacturer or make strides in asset ownership (PFR, 9/5). Spokespeople from First Solar and SunPower did not respond to inquiries by press time.

Solar developers of rooftop and distributed generation installations could also be ripe for a yieldco.

### The Opportunist

Financial shops that don't necessarily have a broad focus in power are also prime candidates for potential yieldcos.

"[The financial shops] are not industry players and they're not strategists. They just see the opportunity provided by the low-yield environment and the high-growth prospects of the renewables industry," Venkataraman said. Yieldco valuations are eye-catching for investors looking for return.

The relatively fragmented nature of renewables ownership is opening a window for financial shops to step in and aggregate pools of assets. The longer-term outlook for renewables valuations is bolstered in part by recent carbon regulations issued by the U.S. **Environmental Protection Agency**.

### Persisting Risks

Despite attractive growth prospects for renewables, risks for yieldcos persist. "We haven't seen how the companies will behave if growth begins to slow down or there are other kinds of issues," Venkataraman said. Analysts following yieldcos point to high ongoing payouts, the chronic dependence on capital markets for financing, and potential government conflict over relevant policies such as tax credits as potential risks in the future.

Macroeconomic events could also add challenges to the shops. "As interest rates become higher, or as past benefits of the renewables projects expire, the yieldcos themselves have to start paying taxes. Those two factors reduce the attractiveness and the premiums that yieldcos capture in the market today," Venkataraman said. ■

## Cape Wind Launches \$1.95B Deal

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- a \$150 million tranche with a 15-year tenor;
- a \$150 million tranche with a conditional loan guarantee from the U.S. Department of Energy; and
- a \$150 million tranche for liquidity

Pricing on the mini-perm is below LIBOR plus 250 basis points, while other parts of the package have a wider margin, notes a banker who has looked at the term sheets. A retail syndication will be launched Oct. 9 with an aim to wrapping the entire deal by the end of next month.

For the wholesale syndication, BTMU has targeted banks with offshore wind financing experience, the banker notes. **Natixis** and **Rabobank** were also

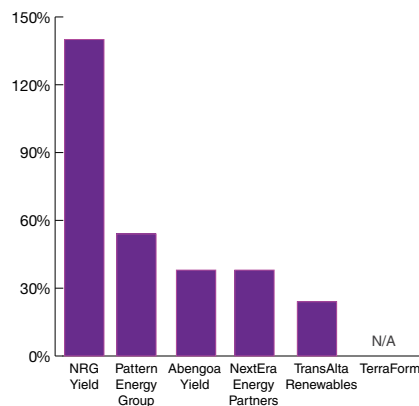
reportedly leading the deal (PFR, 3/26), while **Barclays** has been tagged as Cape Wind's financial advisor.

A Cape Wind spokesman in North Falmouth, Mass., declined to comment. A BTMU official did not respond to an inquiry.

The identity of banks at the meetings last week could not be learned.

**NStar** has a 15-year power purchase agreement for 27.5% of the generation from the project, while **National Grid** has a 15-year PPA for 50%. Construction is slated to begin this year, with operations starting in 2017. ■

### YieldCo Total Returns\*



\*As of July 17

Source: Power Finance & Risk

the value of these projects in house, rather than sell them," Venkataraman explained, adding that Chinese manufacturers are also considering yieldcos. **SunEdison** is an example of companies with significant upstream solar activities taking the yieldco route for growth. SunEdison, the surviving name of an acquisition of the developer by **MEMC Electronic Materials**, was essentially a panel manufacturer that added a development arm before it launched its yield company **TerraForm Power** (PFR, 7/17).

Bankers have been eyeing a prospective deal between First Solar and **Southern Power** for signs of a yieldco. The transaction allows First Solar to maintain an equi-

### FAST FACT

## Oct9

A retail syndication will be launched Oct. 9 with an aim to wrapping the entire deal by the end of next month.

## WestLB's Murray To Join Apollo

◀ FROM PAGE 1

ing portion is invested in private equity.

The credit fund will invest in a broad swath of infrastructure sectors ranging from power generation to midstream pipelines and oil and gas. It will also look at transportation, social and communication infrastructure opportunities, says the observer.

The fund is expected to primarily focus on the U.S. and Canada but will likely look for select investments in Latin America and Europe.

To whom Murray will report and whether there are plans to hire additional staff could not be immediately learned. Murray was not immediately available to comment. A spokesman for Apollo declined to comment. ■