

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● AT PRESS TIME

● PPA PULSE

● PEOPLE & FIRMS

Buyers Revealed for First Reserve Portfolio

First Reserve has agreed to sell an almost 1.7 GW portfolio to a holding company owned by three entities.

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Corporates Dominate PPA Landscape

Amazon has signed its largest power purchase agreement yet as non-utility corporates snap up contracts.

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JP Morgan Bankers Land New Jobs

Two former JPM power and utility group bankers have started new roles at two advisory shops.

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NAEIF Forum: Financing Costs Rise as New Trends Define Market

Fotios Tsarouhis

Conference participants at **Euro-money Seminars'** 11th Annual North American Energy and Infrastructure Finance Forum gathered at the **Westin New York at Times Square** on Sept. 21 to discuss new constraints and opportunities in project lending and trends that underscore these

financing decisions.

Many panelists and attendees agreed that the cost of doing business in energy infrastructure is on the rise overall.

COSTLIER FINANCINGS, TIGHTER SPREADS

One New York-based banker described an environment where the cost of lending is on the rise

and there is downward pressure on spreads, though she warned that it could be easy to overgeneralize.

Several infrastructure finance professionals, including officials at banks and asset management firms based in the Americas and Europe, agreed with the broader sentiment.

The rise in bank costs is more pronounced in banks based in the

U.S. and Europe than those based in Japan, said panelists.

"By and large, many of the European banks have confirmed that their cost of funding has increased over the last year," said another banker at such an institution, adding that "if you look back at where we were last year, at this point in time there has been a natural progression of upward cost of funds."

Another banker attributed the trend to monetary policy in the U.S. and Europe versus Japan, noting recent actions taken by central banks.

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BBVA Project Finance Team Hit by Cuts

Richard Metcalf

Several New York-based structured and project finance bankers have left BBVA as a result of a shake-up of the Spanish bank's corporate and investment banking division in the U.S.

BBVA's project finance team in Latin America has also been affected by the changes, which are the result of a business review. Some have left the bank, others have been relocated to Spain while others, including **Miguel Angel Fernandez Abad**, have remained in the

New York office.

Fernandez Abad is head of project finance in the Americas, having been promoted from head of project finance in Latin America as part of the changes.

The bankers that have left the North American project finance team are **Kerri Fox**, who was head of structured and project finance for the region, **Bill Harrison**, who was executive director, project finance, **Richard Langberg**, who was head of infrastructure, and **Anne-Maureen Sarfati**, who was head of portfolio management and monitoring for structured and project finance.

The four bankers' **Financial Industry Regulatory Authority** broker registrations with BBVA ended on Sept. 16.

The bankers could not

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Cheniere Raises \$1B for Upgraded Sabine Pass Facility

Richard Metcalf

Cheniere Energy raised \$1 billion in the bond market on Sept. 19 to refinance debt at its Sabine Pass LNG liquefaction project in Louisiana, after **S&P Global Ratings** raised the project's rating to investment grade.

The agency raised the rating on **Sabine Pass Liquefaction's** bonds from BB+ to BBB-, its lowest investment grade rating, on Sept. 12. The reassessment of the project's credit profile was in light of the progress made on construction of the five-train facility and certain modifications Cheniere plans to make to the structure of the bonds.

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● AT PRESS TIME

Buyers Emerge for First Reserve 1.7 GW Portfolio

First Reserve has agreed to sell a portfolio totaling nearly 1.7 GW of contracted gas-fired projects to a joint venture holding company owned by **Harbert Power Fund V**, **UBS Asset Management Funds**, on behalf of UBS International Infrastructure Fund II, and **The Northwestern Mutual Life Insurance Co.**

The news follows a two stage auction which was held earlier this year. **Goldman Sachs** advised First Reserve on the sale (PFR, 5/12).

The portfolio comprises of:

- ◆ the 604 MW Hobbs combined-cycle project in Hobbs, N.M., which has a power purchase agreement with **Southwestern Public Service** until 2033,
- ◆ the 230 MW Borger cogeneration plant in Borger, Texas, which is contracted to SPS until 2024, with the option to extend through 2034,
- ◆ the 72 MW Waterside ultra-low sulfur diesel peaker in Stamford, Conn., which has a PPA with **Connecticut Light & Power** until 2024,
- ◆ the Five Brothers, a portfolio of peakers in Bakersfield, Calif., each 46 MW in size, called Live Oak, McKittrick, Chalk Cliff, Bear Mountain and Badger Creek,
- ◆ the Three Sisters, another peaker portfolio in Bakersfield, each 47 MW in size, called High Sierra, Double C and Kern Front,
- ◆ a 40% ownership stake in the 19 MW Co-

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rona cogeneration project in Corona, Calif., which has a PPA with **Southern California Edison** until 2024, and

- ◆ the 225 MW Trinity Power gas-fired project in Trinidad and Tobago.

A further project, a 162 MW Crockett cogeneration project in Crockett, Calif., was initially included in the portfolio, but ultimately First Reserve decided against selling it. The facility, or “crown jewels”, is well positioned in the California market says a deal watcher. The facility has a PPA with Connecticut Light & Power, which expires in 2026.

The Greenwich, Conn.-based firm increased its stake in the Crockett project from 67.5% to around 90% approximately two years ago, according to the person familiar with the deal.

WGP Acquisition, the joint venture holding company that is acquiring the projects, is owned approximately 49% by Harbert Power Fund V, around 33% by UBS International Infrastructure Fund II and approximately 18% by The Northwestern Mutual Life Insurance Co.

The purchase price for the portfolio could not be learned by press time.

Representatives for First Reserve, Goldman Sachs, **Harbert Management Corp.**, UBS Asset Management and The Northwestern Mutual Life Insurance Co. either declined to comment or did not immediately respond to requests for comment. ■

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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
Abengoa	Norte III (924 MW Gas)	Ciudad Juárez, Mexico	Carl Marks	Abengoa is talks with several interested parties over a potential sale of the project (see story, page 8).
American Electric Power	General James M. Gavin Plant (2,665 MW Coal)	Cheshire, Ohio	Goldman Sachs and Citigroup (seller), Credit Suisse (buyers)	AEP has agreed to sell the projects to ArcLight Capital Partners and Blackstone Group (PFR, 9/19).
	Lawrenceburg Generating Station (1,186 MW Gas)	Lawrenceburg, Ind.		
	Waterford Energy Center (840 MW Gas)	Waterford, Ohio		
	Darby Generating Station (507 MW Gas)	Mount Sterling, Ohio		
ArcLight Capital Partners	New Covert (1.04 GW Gas)	Van Buren County, Mich.	BNP Paribas, Whitehall & Co.	ArcLight is preparing to launch a sale of the asset (PFR, 9/12).
Brookfield Renewable Partners	Price (189 MW Wind), Comber (166 MW Wind), Gosfield (51 MW Wind)	Sault Ste. Marie, Lakeshore, and Kingsville, Ontario	Scotiabank, TD Securities (seller)	Brookfield Renewable is selling the three facilities, plus an expansion project, in a portfolio (PFR, 7/18).
Canada Pension Plan Investment Board, JP Morgan, individual investors	Portfolio (726 MW Wind)	New York, Texas		MSD Capital, the majority stakeholder in Noble Environmental Power, is buying the entities' minority shares in the company as part of a restructuring (see story, page 9).
Duke Energy	Latin America portfolio (4.4 GW Hydro, Gas, Oil)	Brazil, Argentina, Chile, Ecuador, El Salvador, Guatemala, Peru	Credit Suisse, JP Morgan	Duke has moved into a second round of bidding (PFR, 8/15).
Enel Green Power North America	Portfolio (16.4 MW Hydro)	Maine, Massachusetts, New Hampshire, Vermont		Green Mountain Power is acquiring the assets from the Enel subsidiary (PFR, 8/29).
Enel Kansas	Odell (200 MW Wind)	Cottonwood, Jackson, Marin and Watonwan counties, Minn.		Algonquin Power & Utilities has taken full ownership of the project (PFR, 7/26).
Entergy Corp. and Royal Dutch Shell	Llano Estacado (80 MW Wind)	Carson County, Texas		Olympus Power is buying the projects, both of which have power purchase agreements expiring this year (see story, page 8).
	Northern Iowa Windpower (80 MW Wind)	Worth County, Iowa		
Energy Capital Partners	Broad River (850.5 MW Dual-Fuel)	Gaffney, S.C.	Credit Suisse (seller)	ECP is selling the project to a fund managed by Arroyo Energy Investors (PFR, 8/15).
First Energy	Bay Shore Unit 1 (136 MW Coal)	Lucas County, Ohio		FirstEnergy is soliciting offers for the plant (PFR, 8/1).
First Reserve	Portfolio (1.7 GW Gas)	U.S. (California, New Mexico, Texas) and Trinidad and Tobago	Goldman Sachs	First Reserve is selling the project to a joint venture of Harbert Power Fund V, UBS Asset Management Funds and The Northwestern Mutual Life Insurance Co. (see story, page 2).
GE EFS	CPV Towantic (750 MW Gas)	Oxford, Conn.		A fund managed by Ullico is acquiring a 13.7% stake in the project from GE EFS (PFR, 8/22).
Macquarie Infrastructure Partners III	Lordstown (940 MW Gas)	Lordstown, Ohio	Canada Pension Plan Investment Board, JP Morgan, individual investors	The fund has hired a financial adviser and is considering bids for its 73% stake in the project (PFR, 8/15).
NextEra Energy Resources	Marcus Hook (790 MW Gas)	Marcus Hook, Pa.	Barclays	Starwood Energy Group Global is acquiring the projects from a NextEra subsidiary (PFR, 8/8).
	Marcus Hook 50 (50 MW Gas)			
NRG Energy	California Valley Solar Ranch (250 MW Solar, 51.05%)	San Luis Obispo County, Calif.		NRG has dropped the asset down into yield company NRG Yield (PFR, 9/19).
Odebrecht	Gasoducto Sur Peruano (700-mile pipeline, 55%)	Peru		A Sempra International-led consortium has entered into exclusive negotiations to acquire Odebrecht's 55% stake in the pipeline (PFR, 9/6).
Panda Power Funds	Liberty (Gas 829 MW), Stonewall (778 MW), Patriot (829 MW)	Bradford County, Pa., Loudoun County, Va., Lycoming County, Pa.	Goldman Sachs	Panda Power Funds is selling a 2.5 GW portfolio of assets in PJM (PFR, 5/16).
Petrobras	Nova Transportadora do Sudeste (1,150 mile pipeline)	São Paulo, Rio de Janeiro, and Minas Gerais states, Brazil		A Brookfield-led consortium that includes China Investment Corp., GIC and First Reserve is close to acquiring the pipeline network, say Brookfield officials (PFR, 8/8).
Quantum Utility Generation	Quantum Pasco Power (123 MW Gas)	Dade City, Fla.	Merit Capital Partners (seller)	Quantum is selling two peakers in Florida and Nevada (PFR, 6/6).
	Nevada Cogeneration Associates 2 (85 MW Gas)	Las Vegas		
SunEdison	C&I Portfolio (136 MW Solar)	Various, Minn.	Rothschild (seller)	SoCore Energy, a subsidiary of Edison International, is the stalking horse bidder for the SunEdison assets (PFR, 8/29).
SunEdison	Portfolio (2.1 GW Solar, Wind)	California, Hawaii, Maine, Texas, Utah, Washington	Rothschild (seller)	NRG Energy has won the portfolio at auction with its \$144 million 'stalking horse' bid (PFR, 9/19).

● 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 Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@powerfinancerisk.com

PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
8minutenergy Renewables	Redwood 4 (28 MW Solar)	Kern County, Calif.	TBA	Debt, Tax Equity	\$45M	TBA	8minutenergy Renewables is planning to finance a number of projects in the coming months (PFR, 8/8).
	SpringBok 3 (100 MW+ Solar)			TBA	TBA	TBA	
Advanced Power	Cricket Valley (1 GW Gas)	Dover, N.Y.	BlackRock	Equity	TBA	NA	BlackRock is buying a minority stake in the project (PFR, 8/22).
			GE EFS, BNP Paribas, Cr�dit Agricole, ICBC, BAML	Debt	TBA	TBA	Arrangers of the debt financing are meeting with other financial institutions about backing the deal (PFR, 6/20).
Avenue Capital Partners	Desert Power (830 MW Gas)	Victorville, Calif.	Goldman Sachs	Term Loan B	\$310M	6-yr	Avenue Capital is refinancing the portfolio, which it acquired from Tenaska earlier this year (PFR, 8/8).
	Big Sandy (300 MW Gas)	Kenova, W.Va.					
	Wolf Hills (250 MW Gas)	Bristol, Va.		Revolver	\$30M	5-yr	
Cheniere Energy	Sabine Pass (LNG)	Cameron Parish, La.	Bank of America Merrill Lynch (left lead)	Bond	\$1B	NA	The sponsor has raised \$1 billion in the bond market to refinance the project (see story, page 1).
Development Partners	St. Joseph Energy Center (700 MW Gas)	New Carlisle, Indiana	TBA	TBA	TBA	TBA	Construction of the second phase of the 1.4 GW St. Joseph project is expected to begin within the next 12 to 18 months (PFR, 9/6).
EDP Renewables North America	Hidalgo (250 MW Wind)	Franklin County, N.Y.	BAML, BNY Mellon	Tax Equity	TBA	TBA	The two banks are buying the tax equity associated with the projects (PFR, 9/19).
	Jericho Rise (77.7 MW Wind)	Hidalgo and Starr counties, Texas					
Enel Green Power North America	Cimarron (400 MW Wind)	Clark County, Kan.	BAML, JP Morgan, MetLife	Tax Equity	TBA	NA	BAML, JPM and MetLife are buying the tax equity associated with the project (see story, page 5).
Innovative Solar Systems	Portfolio (3 GW Solar)	U.S.	TBA	Equity	TBA	NA	The developer is seeking equity investors for the development-stage solar portfolio (PFR, 9/6).
Invenergy	Lackawanna (1.5 GW Gas)	Jessup, Pa.	BNP Paribas, GE EFS, MUFG	Commercial bank debt		TBA	Invenergy has selected arrangers for a debt package for the project, which could include an institutional tranche (PFR, 9/19).
				Institutional debt	\$200M	TBA	
			Lazard	Equity	TBA	TBA	
Mainstream Renewable Power	Sarco (170 MW Wind), Aurora (129 MW Wind)	Atacama region, Chile; Los Lagos region, Chile	SMBC, MUFG	Debt	\$450M	17-yr	The sponsor is in the late stages of negotiations (PFR, 6/20).
MidAmerican Energy	Wind XI (2 GW Wind)	Iowa	TBA	TBA	TBA	TBA	The Berkshire Hathaway subsidiary has obtained all the required permits for the \$3.6 billion project (PFR, 9/6).
Northern Star Generation	Portfolio (795 Dual-fuel)	Florida	MUFG	Term Loan	\$200M	9-yr	Northern Star Generation is refinancing the projects with a term loan (PFR, 8/8).
	Portfolio (256.5 MW Gas)	Florida, Nevada					
NTE Energy	Portfolio (2 GW Gas)	Connecticut, North Carolina, Ohio	TBA	Debt	\$2B		NTE is planning to raise \$2 billion to finance the Killingly, Reidsville and Pickaway energy centers (PFR, 4/25).
Quantum Utility Generation	Moundville (549 MW Gas)	Marshall County, W. Va.	TBA	Debt	\$500M	TBA	Quantum, which has approached prospective arrangers to finance the project, has mandated BNP Paribas to sell a stake in the project (PFR, 6/6).
SaskPower	Unnamed (350 MW Gas)	Saskatchewan, Canada					The utility is planning to build a gas-fired combined-cycle project, having won an RFP tender (PFR, 8/29).
Sempra Energy	Black Oak Getty (78 MW Wind)	Stearns County, Minn.	MUFG (63.5%) Citizens Financial Group (36.5%)	Tax Equity			Bankers Commercial Corp. and Citizens Asset Finance are purchasing tax equity stakes in the project (PFR, 8/29).
SolarCity	Portfolio (230 MW Solar)	U.S.	Quantum Strategic Partners	Equity	\$305M		Quantum Strategic Partners is managed by Soros Fund Management. BAML syndicated the term loan out to five unidentified institutional investors (PFR, 9/19).
			Bank of America Merrill Lynch	Term loan		18-year	
True Green Capital Management	Portfolio (26.4 MW Solar)	Massachusetts, New Jersey	KeyBanc Capital Markets	Term Loan	\$15.2M	TBA	East West Bank made a "significant commitment" to the \$42.4 million debt package, which will finance three operational projects in Massachusetts and two under construction in New Jersey (PFR, 9/19).
				Tax Equity Bridge Loan	\$14.4M		
				Construction Loan	\$8.4M		
				Line of Credit Facilities	\$4.4M		

New or updated listing

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To report updates or provide additional information on the status of financings, please call Managing Editor Olivia Feld at (212) 224-3260 or e-mail olivia.feld@powerfinancerisk.com

Cheniere Raises \$1B for Upgraded Sabine Pass Facility

◀ FROM PAGE 1

The project still has a sub-investment grade Ba2 rating from **Moody's Investors Service**, meaning that some investors now consider it a "cross-over" bond, which could also be placed in high grade funds if the investment constraints allow it.

"I think that's the best way to view it. It's an improving credit," says one portfolio manager who oversees both high yield and investment grade funds.

With the improved rating comes a lower yield. The 10.5-year senior secured offering was priced on Sept. 19 at 5%, in the middle of initial price thoughts. Cheniere's last high yield deal for Sabine Pass, a \$1.5 billion 10-year bond, was priced at 5.875% in June.

Even before the upgrade from S&P, investment grade accounts bought some of the bonds issued in June, a banker said at the time (PFR, 6/9).

The extent to which the Sept. 19 deal was allocated to investment grade accounts could not immediately be determined. A spokesperson for **Bank of America Merrill Lynch**, the lead left, declined to comment.

The bond was structured and marketed as a high yield bond and sold through the high yield syndicate desk. It was priced in terms of an absolute yield, as is conventional in the

high yield market, rather than as a spread over U.S. Treasuries as is typically the case with investment grade bonds.

Cheniere is developing the liquefaction project to convert the Sabine Pass import terminal in Cameron Parish, La., into an export facility.

Each of the five liquefaction trains has a production capacity of 4.5 mtpa. Cheniere has regulatory approval for a sixth train and will make a final investment decision once commercial contracts and construction financing are in place.

About 89% of the nominal production capacity of trains one through five is contracted under long-term sale and purchase agreements to offtakers including **BG Group, Gas Natural Fenosa, KOGAS, GAIL, Total** and **Centrica**.

The creditworthiness of **GAIL**, an Indian state-owned natural gas processing and distribution company, is a limiting factor on the rating, according to the S&P report. S&P does not publicly rate **GAIL** but the company has Baa2 and BBB- ratings from Moody's and **Fitch Ratings**.

Train one of the liquefaction project is fully operational and train two is in completion testing after it began producing LNG in July. **Bechtel Oil Gas & Chemicals**, the contractor for the project, is constructing trains

three and four and has completed 84% of the engineering and 47% of the procurement work for train five, according to the S&P report.

Construction on trains three and four is several weeks behind schedule, according to S&P, but the rating agency says it took the delay into account in its rating analysis. The rating agency expects the project to be complete by the end of 2019.

'MODIFICATIONS TO THE INDENTURE'

One reason for the rating upgrade is that the project has more funds than it would require to complete construction in S&P's "downside case", which includes potential cost overruns. The rating agency has reduced its estimate of the worst-case costs given the progress made and spending levels so far.

The other reason given by S&P is Cheniere's "decision to make modifications to the indenture so that our assessments of parent linkage and structural protections will not have a negative impact on the debt rating."

Terry Pratt, S&P's primary analyst for the Sabine Pass bonds, was not immediately available to comment on the nature of the modifications. A spokesperson for Cheniere in Houston did not respond to inquiries. ■

Enel Secures Three-Way Tax Equity Investment

Three New York-based financial institutions—two banks and one insurance company—have made a joint investment totaling \$500 million in an **Enel Green Power North America** wind project under construction in Kansas.

Bank of America Merrill Lynch, **JP Morgan** and **MetLife** will acquire the Class B tax equity interests in the 400 MW Cimarron project in Clark County, near the city of

Minneola.

EGP North America, an Andover, Mass.-based subsidiary of Italy's Enel, broke ground on Cimarron Bend in April. The project is expected online next year.

Google and the **Kansas City Board of Public Utilities** will each purchase 200 MW of the project's generation under long-term power purchase agreements.

Two of the tax equity provid-

ers for the Cimarron project, **JP Morgan** and **MetLife**, recently agreed to acquire the tax equity associated with EGP North America's 200 MW Odell wind project in Minnesota (PFR, 7/26).

In 2014, the same two institutions made a \$400 million tax equity investment in 350 MW of EGP North America wind assets in Oklahoma and Texas alongside **Bank of New York Mellon** (PFR, 9/17/14).

Other tax equity providers to EGP North America projects this year have included **Citigroup**, **State Street** and **MUFG** (PFR,

7/18, PFR, 6/20).

Representatives of EGP North America in Andover and Bank of America Merrill Lynch in New York were not immediately available for comment. Spokespeople for JP Morgan and MetLife in New York declined to comment. ■

FAST FACT

\$500M

Total tax equity investment made in the project by Bank of America, JP Morgan and MetLife.

18th Annual

FINANCING US POWER CONFERENCE

Outlook on Power Markets, Rising Role of Renewables, and the M&A Environment

October 25-26, 2016 | Crowne Plaza Times Square | New York, New York



GAIN IN-DEPTH KNOWLEDGE OF POWER INDUSTRY TRENDS FROM THIS DYNAMIC SPEAKER LINE-UP

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- Dynegy
- Energy Capital Partners
- First Reserve
- Generate Capital
- GlidePath Power LLC
- Goldman Sachs
- Guggenheim Securities
- Jefferies LLC
- John Hancock
- JP Morgan
- Leeward Renewable Energy
- Leidos
- LSIS
- Macquarie Group
- Morgan Stanley
- MUFG
- Panda Power Funds
- Potomac Economics
- RES Americas
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- Starwood Energy Group
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- UBS Investment Research
- Vivant Solar Inc.

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Capital Structure and Other Advantages of a Privatized Utility Model

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PROJECT FINANCE ●

Congressional Committees Investigate Solar Incentives

The chairmen of the U.S. **Senate Committee on Finance** and **House Committee on Ways and Means** have embarked on a fact-finding mission into how incentives for solar projects have been applied.

The two congressmen, Sen. **Orrin Hatch** (R-Utah) and Rep. **Kevin Brady** (R-Texas) sent a letter to several solar companies on Sept. 14 asking for information on how they determine the amounts of tax credit claimed, including how they calculate the value of solar projects.

The letter, a copy of which was obtained by *PFR*, also asks for information on “third party financing, including the tax equity structures used”.

“The answers to the questions posed are fairly straightforward, and we will provide them as requested,” said a spokesperson for **SolarCity**, one of the companies that has received the letter.

Market participants say it is unclear what the objective of the investigation is, but that it could be a bid to uncover so-called

“double dipping”, where taxpayers claim both the investment tax credit and a **U.S. Department of the Treasury** tax grant that is meant to be in lieu of the tax credit.

Hatch and Brady also sent a separate letter to companies with affiliated yield companies, asking for further information on the contractual agreements between the sponsor and the yieldco and details of any tax credits or cash grants filed in relation to incentives for solar projects.

A spokesperson for Hatch did not respond to an inquiry as to the aim of the investigation.

In June, the senator sent letters to the U.S. Treasury secretary, the Treasury inspector general for tax administration and the commissioner of the **Internal Revenue Service** to ask for detailed information on how the Treasury and IRS teams that review the cash grants evaluate claims.

Although Congress does not have the right to audit tax returns or direct the IRS to audit specific taxpayers, congressional

hearings can bring facts into the public domain which could prompt the IRS to begin an audit.

“It is hard to tell what Hatch’s ultimate goal is,” said **Chadbourn & Parke** partner **Keith Martin** via e-mail. “Republicans made noises about inflated bases used to claim Treasury cash grants at the same point four years ago before the last Presidential election, but then lost interest in the subject after the election.”

“My best guess is that this is a political maneuver that may even have been coordinated with **Donald Trump**’s announcement yesterday of his intent to terminate the [**Environmental Protection Agency**]’s Clean Power Plan if elected,” said **David Burton**, a tax partner at **Mayer Brown**, also via e-mail, on Sept. 16.

On Sept. 15 at the **Economic Club of New York**, Trump had said in a speech that an administration led by him would “lift restrictions on all sources of American energy production.” ■

PPA PULSE ●

Biggest Amazon Deal Signed as Corporates Snap up Wind Contracts

Amazon has signed its largest renewable power purchase agreement yet as non-utility companies continue to enter into contracts for the output of wind projects in the U.S.

Under the terms of its latest deal, Amazon will buy 90% of the output from the 253 MW Amazon Wind Farm Texas in Scurry County, which is expected to be online in late 2017.

Lincoln Clean Energy, a portfolio company of **ISquared Capital**, is the sponsor of the project.

It is the fifth U.S. renewables

project to win an Amazon off-take contract. The company has worked with a different sponsor each time, striking deals with **Iberdrola Renewables**, **Pattern Development**, **Community Energy** and **EDP Renewables** prior to its agreement with Lincoln Clean Energy.

The latest deal brings Amazon’s total contracted renewable capacity to 765.7 MW, spread across Texas, North Carolina, Indiana, Ohio and Virginia.

Johnson & Johnson, **Target** and data center company **Dig-**

ital Reality have also signed PPAs with wind projects of late.

Last week, *PFR* published a round-up of PPAs signed with U.S. solar projects in the last two months (*PFR*, 9/15). To complete the picture, here is a list of wind and gas-fired PPAs signed recently:

U.S. WIND

■ **E.On Climate & Renewables North America** has signed up two non-utility offtakers for its 200 MW Colbeck’s Corner wind project near Amarillo in Carson and Gray counties, Texas. **Johnson & Johnson** has signed a 12-year PPA for 100 MW of the generation, **Jed Richardson**, the healthcare product manufacturer’s global energy director,

told *Bloomberg* in September. The other offtaker is Digital Reality. E.On jointly owns the project, which is expected to be online later this year.

■ **Target** has signed a PPA with **Starwood Energy Group** for 40 MW of the output from the 211 MW Stephens Ranch wind project, near Lubbock, Texas. The contract is expected to offset 100% of the electricity needs of 60 Target stores in Texas. The project is the first of two phases, which will have a combined capacity of 376 MW. Starwood financed the project with debt and tax equity in 2014. At the time, deal watchers said the sponsor was aiming to put a hedge in place

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● PPA PULSE

Biggest Amazon Deal Signed as Corporates Snap up Wind

« FROM PAGE 7

(PFR, 8/20/14).

- California's **Sonoma Clean Power** has agreed to buy 46 MW of generation from the 85.9 MW Golden Hills North wind repowering project in Eastern Alameda County, Calif., under a 20-year PPA. **Nex-tEra Energy Resources** is the sponsor of the project, which is expected to be online by the end of 2017.
- **EDP Renováveis**, through its fully

owned subsidiary **EDP Renewable North America**, has signed a 15-year PPA for a 200 MW wind project in Iowa that is expected to be online in 2018. EDP has not disclosed the name or location of the project or the identity of the offtaker.

U.S. GAS-FIRED

- Cleveland-based **Cliffs Natural Resources** has signed a 20-year agreement to purchase generation for its Tilden iron

ore mine from two planned gas-fired units in Michigan's Upper Peninsula. **WEC Energy Group** is planning to bring 170 MW of gas-fired generation online at two sites in 2019, before the retirement of its 431 MW Presque Isle coal-fired power plant in Marquette, Mich. ■

FAST FACT

By the end of 2016

Amazon Web Services intends to source 40% of its power from renewable sources.

● MERGERS & ACQUISITIONS

IPP to Buy Two Wind Projects with Expiring PPAs

A New Jersey-based independent power producer has agreed to acquire two operational U.S. wind projects totaling 160 MW whose power purchase agreements will expire by the end of the year.

Entergy Corp. and **Royal Dutch Shell** are selling the projects, which are located in Texas and Iowa, to Morris-town-based **Olympus Power**, according to paperwork filed

with the U.S. **Federal Energy Regulatory Commission** on Sept. 15.

The 80 MW Llano Estacado project in Carson County, Texas, sells all of its generation to **Southwestern Public Service Company** under a PPA that expires on Dec. 31, while the 80 MW Northern Iowa Windpower project in Worth County, Iowa, sells 20 MW of its output, along with associ-

ated renewable energy credits, to **Alliant Energy Company**, under a PPA that expires in November.

The Northern Iowa project sells the remaining 60 MW of its capacity in the **Midcontinent Independent System Operator** day-ahead and real-time energy markets, and the related RECs in secondary markets.

Entergy and Shell own the two projects through a 50-50

joint venture called **Top Deer Wind Ventures**.

The purchase price and whether any of the parties are using financial advisers could not immediately be established.

Officials at Olympus did not respond to inquiries by press time. Representatives of Entergy in New Orleans and Shell in Houston were not immediately available for comment. ■

Buyers Circle Abengoa Gas-fired Project in Mexico

Abengoa is in talks with several interested parties about the potential sale of its stake in the 924 MW Norte III gas-fired combined-cycle project in Ciudad Juárez, Mexico.

New York-based advisory firm **Carl Marks** is advising Abengoa on the restructuring and sale of the asset, according to a person familiar with the process, who adds that it began almost a year ago and stems from Abengoa's financial difficulties.

The Spanish conglomerate filed for bankruptcy protection in Seville in November (PFR, 12/1).

The Mexican **Federal Electricity Commission** (CFE) chose Abengoa to develop the project as part of the government's National

Investment Plan 2014-2018, after Abengoa successfully contested the initial awarding of the contract to **Iberdrola** (PFR, 8/15/14).

"CFE has been very supportive of the process and things are finally aligning," says the source.

Abengoa is planning to remain the engineering, procurement and construction provider for the project, according to another deal watcher.

Abengoa and **EIG Global Energy Partners**, which invested equity in the project through its 55% stake in **Abengoa Projects Warehouse 1**, obtained a one-year bridge facility in March 2015. Prior to Abengoa's bankruptcy, the project sponsors were arrang-

ing a longer-term, possibly mini-perm, debt financing (PFR, 3/19).

A spokesperson for Abengoa in Madrid, Spain, declined to comment. A representative for Carl Marks in New York did not immediately respond to a request for comment. ■

FAST FACT

55%

The size of EIG Global Energy Partners' stake in Abengoa Projects Warehouse 1

MERGERS & ACQUISITIONS ●

Noble Environmental Power Files for Chapter 11

Noble Environmental Power, which owns a portfolio of seven wind projects totaling 726 MW in Texas and New York, filed for Chapter 11 bankruptcy protection Sept 15., announcing a restructuring plan that would give **MSD Capital**, an investment vehicle controlled by computer magnate **Michael Dell**, greater control over the company.

Paragon Noble, which is 90% owned by MSD Capital, owns 54% of Noble Environmental Power. As a result of the restructuring, a portion of the outstanding debt owed by Noble Environmental Power to Paragon Noble will be converted into equity, and the maturity

of the remaining debt will be extended.

Under the terms of the proposed restructuring, which would require the approval of the **U.S. Bankruptcy Court for the District of Delaware**, Paragon Noble would also acquire all of the stakes in Noble Environmental Power held by the company's minority shareholders, becoming the sole owner.

The minority shareholders are **JP Morgan**, which has a 28% stake, the **Canada Pension Plan Investment Board**, with a 14% stake, and a group of individual investors owning a combined 4%.

The transfer of the minority stakes is awaiting approval

from the **U.S. Federal Energy Regulatory Commission**.

Noble Environmental Power's portfolio comprises the 114 MW Great Plains project in Hansford County, Texas and six facilities in New York:

- the 126 MW Wethersfield project in Wyoming County,
- the 106.5 MW Chateaugay project in Franklin County,
- the 100.5 MW Bliss project in Wyoming County,
- the 100.5 MW Clinton project in Oneida County,
- the 97.5 MW Altona project in Clinton County, and
- the 81 MW Ellenburg project in Clinton County.

Noble Environmental Power has issued a statement affirm-

ing that the generation assets will continue normal operations while their parent company undergoes restructuring. The company is hoping to complete the transactions by the end of the year.

Representatives of NEP did not immediately respond to a request for comment. A spokesperson for MSD in New York declined to comment. ■

FAST FACT

726 MW

The full capacity of Noble Environmental Power's wind portfolio.

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● CONFERENCE COVERAGE

ABS East: Solar Securitization Stagnates

The solar financing market is evolving as residential solar providers shift to ownership, rather than leasing solar assets, said panelists at **ABS East** at the **Fontainebleau Miami Beach** on Sept. 19.

At the same time, the issuance of sunshine-backed bonds is down significantly in 2016. Financiers chalked that up to a host of issues facing the sector.

"[There has not been] a lot of issuance activity in 2016. My read is that a lot of the solar sponsors are finding other sources of capital. Some are waiting to hit that magical scale point where they can go into the securitization market," said **Roger Barod**, senior counsel at **DLA Piper**. "There are deals forming, but there is a slowdown of issuance."

Like all securitized asset classes, risk retention has created a big question mark for solar finance shops looking to tap the ABS markets. According to Barod, sponsors may have

to expand their representations and warranties to include a statement saying that they have complied with risk retention.

Moreover, deals are often structured as a partnership between the sponsor and the tax equity investor, which raises the question of who is ultimately responsible for holding the risk.

"People are staying away from horizontal risk retention because it is too hard to calculate. Does that mean everyone will flock to vertical risk retention? What does that do to the structure of solar securitizations? It is unexplored territory," Barod said.

The landscape of solar finance has changed over the course of the last two years, panelists said, as lease and power purchase agreements become less common and are replaced by loans financing the ownership of residential solar panels. This has raised other questions about the likelihood of non-payment for these deals versus those backed by leases or PPAs.

"It is really important to understand the market," said **Billy Parish**, CEO of solar finance company **Mosaic**. "We've seen two segments of solar buyers, similar to mortgages. One segment is focused on monthly cash flow and prefers a 20-30 year loan, and then [there are] folks who think of it more as an investment and like 15 year loan products," said Parish.

He added that he expects Mosaic to be a frequent issuer of solar ABS in the future.

The panel noted that the shift towards loans can be attributed to the benefits of ownership, with the homeowner building equity in the system over time and also adding value to the home. Borrowers can expect their homes to appreciate by approximately one-and-a-half to two times the cost of the system, the panelists argued.

"Building equity is a pretty big driver for this. There is a better alignment of interests in the loan product. Someone puts significant dollars in the system and it becomes an asset, not a liability," said **Steve Michella**, co-founder and CEO of solar lender **Dividend Solar**. ■

NAEIF Forum: Financing Costs Rise as New Trends Define Market

◀ FROM PAGE 1

One financier at a New York-based investment bank disagreed that funding costs were escalating and stressed the value of deploying capital judiciously, saying a conservative approach to project financings was key to maintaining low costs.

"Our funding costs are lower than they were a year ago. Overall cost of capital has gone up."

There was general agreement that margin compression is especially evident in the power space, particularly among high-quality contracted deals. The reason for that, said a fifth banker, is "primarily because there aren't that many out there."

"Funding costs are going up because we're not seeing that many contracted renewable projects and that's allowing for market compression in that space," he added.

As for the question of bank tenors, one infrastructure banker described a mass reign-in. "They're coming in across the board," said the first banker.

Pricing has held firm for partly-contracted quasi-merchant assets, said the second banker.

"You've seen those prices start with a margin of 325 basis points [over Libor], and that trend has really been in the market for the last two years. We haven't really seen much price compression on those greenfield quasi-merchant thermal transactions."

NEW INVESTORS, NEW TRENDS

A key component of the power landscape is fewer utility power purchase agreements, as many utilities acquire generation assets. An increasing number of assets are also being snapped up by private equity investors, said panelists.

"Yes, there are corporate PPAs out there with tenors of 15-years," added the second banker, but "we're not really seeing many transactions with 20-year long PPAs." She noted that, instead, there is a rise of commodity hedges that have shorter ranges of five, seven, and 10 years.

Other trends identified on the panels included an influx of institutional money in financing and a potentially expanding pool of tax equity investors for wind and solar.

Another financier cited "non-conventional" sources of financing for merchant gas-fired assets are picking up speed.

"There are, in fact, new sources of capital coming in and doing merchant transactions as well," he said, saying "some banks that had previously not done it before that are slowly tiptoeing their way in – or maybe making larger steps."

One non-banker attendee

agreed, noting the step-up in institutional investments – including insurance companies and pension funds – signals an expanding pool of equity providers.

RISE IN COSTS NOT TRICKLING DOWN TO SPONSORS

Despite increased costs, some bankers do not see sponsors as being adversely affected. At least not yet.

"I don't really see the increase in cost of funds being transferred over to sponsors in terms of higher pricing on these transactions," the second banker said, "banks are still very hungry for assets, we all have budgets to meet."

Banks are being sponsor friendly, given that the first half of the year has been sleepy without any mega-transactions, the same banker continued, conceding that "some of you sponsors out there might not think so." ■

CONFERENCE COVERAGE ●

NAEIF Forum: Panelists Debate Tax Equity, the Election and Interest Rates

Euromoney Seminars' North American Energy and Infrastructure Finance Forum adjourned on Sept 22., but not before attendees discussed a myriad of issues ranging from competition between project finance lenders, the impact of the upcoming U.S. election and the implications of a potential hike in interest rates.

Echoing a sentiment of the first day of the conference, panelists lamented the small pool of tax equity investors, while expressing confidence that the same investor pool is forecast to expand (PFR, 9/21).

The risks associated with tax equity investments can be overstated, said one New York-based banker.

"Are the risks in tax equity really, incredibly greater than the risks for senior debt? I don't think they are," she said.

"We have to remember that last year was an all-time record" on tax equity deals, added a fel-

low banker. "Everybody was crazy busy, no one was expecting the extension" of tax credits for wind and solar projects, leading to a year-end rush to seal renewable project deals.

Competition between banks in project finance deals is fierce.

"Are the risks in tax equity really, incredibly greater than the risks for senior debt? I don't think they are."

The first banker recalled an intended project-level refinancing that seemed destined for the bond market. The asset was ultimately refinanced in a bank-arranged deal because the banks "were willing to go so low on the pricing".

IMPLICATIONS OF A RATE HIKE

A conversation on what the U.S. **Federal Reserve's** policy will be in the not-too-distant future quickly gave way to musings on the role of yield companies.

"If you're buying into project equity, you're basically buying fixed income cash flows," said one official from an asset management firm, who highlighted a concern that the value of projects will go down as rates rise. "Not to be a Debbie Downer," he added to laughs.

"We live in an era of very cheap, long-term rates," agreed an investment banker. "We think of it as the norm – it may not be the norm over time. You're touching on another issue, which is delivery systems for cheap equity."

That investment banker went on to offer a defense of the much maligned yield companies, saying that "they are a way for institutional equity, and even retail equity, to be deployed in the renewables sector... It's not a bad system. We're probably not finished with seeing that story evolve."

A fellow panelist was less optimistic, and less forgiving, referring to yeildcos' troubles over the past year as a "meltdown".

DOWNSIDE OF ADVANCES IN TECH

Innovation is not always a blessing in the eyes of those who arrange long-term financings. One banker from a European financial institution said a running joke among infrastructure teams that finance toll roads has,

for decades now, been "what if cars fly?" — and that the same fear of obsolescence can factor into financing generation assets.

While that *Jetsons*-evoking example got laughs from the crowd, panelists admitted that fear of technological advances reducing an asset's relevancy — whether it be more efficient solar panels and wind turbines or, for industries like coal, new types of generation phasing the old ones out — is a serious consideration for both developers of new projects and the institutions that fund them.

PRESIDENTIAL CONSIDERATIONS

One question to a panel Wednesday afternoon focused on what kind of impact the outcome of the U.S. presidential election in November would have on the project finance world, especially in relation to the development of renewables.

Three panelists said they did not believe it would make too great a difference whether Democratic nominee **Hillary Clinton** or Republican nominee **Donald Trump** won the U.S. Presidential election, citing market forces and state-level politics that have shifted in favor of renewables and public pressure for environmentally conscious energy solutions.

A fellow panelist strongly disagreed. "I think there's a silver lining with coal retirements for those of us who like to deploy capital on new builds. The election of a candidate who wants to bring life back to the coal market might be bearish for those of us in this room." ■

PEOPLE & FIRMS ●

Ex-JPM Bankers Land New Posts

Two bankers who departed **JP Morgan's** New York office this summer have resurfaced elsewhere in new roles.

Nathan Barnes, who was formerly an executive director in the power, utilities and infrastructure team at JP Morgan, joined **Moelis & Co.'s** New York office in August. Barnes is a v.p. for the investment bank's power and utilities team.

Akshay Dhiman, who

served as an executive director in energy investment banking at JP Morgan, joined **Lazard** as a director in the power, energy and infrastructure team earlier this month.

Barnes and Dhiman both left JP Morgan in July (PFR, 7/22).

A spokesperson for Moelis in New York declined to comment. Representatives of Lazard in New York did not respond to inquiries. ■

● PEOPLE & FIRMS

BBVA Project Finance Team Hit by Cuts

« FROM PAGE 1 be reached. Bill Harrison's recorded voicemail message directed inquiries to **Ines Serrao**, v.p., project finance North America, who could not immediately be reached.

A spokesperson for the bank in Madrid declined to confirm which individuals had left.

"In today's difficult environment marked by an uncertain economy and new business models and competitors, the business review in the U.S. zeroed in on three priorities moving forward," said BBVA in a statement announcing the reorganization on Sept. 16. The bank will focus on "optimizing the client base, improving product capabilities and streamlining the organizational structure."

In total, the bank is cutting its headcount across its New York, Houston and Dallas offices by about 35, according to the statement.

The bank is consolidating its commercial and investment banking divisions, and promoting **Michael Adler**, the bank's executive director of U.S. commercial

banking, to also run U.S. corporate and investment banking. He will continue to be based in Houston.

David Powell, formerly co-head of the corporate and investment bank and head of corporate clients and investment banking, is leaving BBVA. **Juan Pablo Jimeno**, the other former co-head, will retain his role as head of global markets, reporting to Adler.

"BBVA continues to rely on its investment banking product offering in the United States and will continue to invest in the bank's strategic projects, such as the transaction and payment platforms and products designed for markets such as interest rate, foreign currency and credit, which will continue to be covered from New York," said the bank.

In 2015, BBVA participated in eight project loans with a total deal value of \$1.73 billion in the power sector across the Americas, according to **Dealogic** data. So far this year, the bank has taken tickets in five loans with a total deal value of about \$1.7 billion. ■



Miguel Angel
Fernandez Abad



Kerri Fox



Bill Harrison

AMP Capital Expands N.Y. Debt Team

AMP Capital has hired a former **Caithness Energy** finance official as it expands its infrastructure debt team in New York.

Adam Heath joined AMP Capital on Sept. 6 as a v.p. handling the origination and execution of infrastructure debt investments in North America. He reports to infrastructure debt principal **Patrick Trears**. Both are based in New York.

When Heath left Caithness in July, after four

years at the gas-fired and renewable project sponsor, he was associate director of finance. He has previously worked as an associate in **RBC Capital Markets'** power, utilities and infrastructure investment banking division and, prior to that, as an analyst at **WestLB**.

Earlier this year, AMP hired former **BNP Paribas** associate **James Redmond** as an infrastructure debt associate. Redmond joined AMP in June and also works in the New York office.

NAEIF Forum: Reporter's Notebook

Euromoney Seminars' 11th Annual North American Energy and Infrastructure Finance Forum took place at the **Westin New York at Times Square** from Sept. 22 to 23. *PFR* managing editor **Olivia Feld** and reporter **Fotios Tsarouhis** attended the conference.

- The moderator of one panel joked that he would be standing between attendees and the champagne at a later event, a series of champagne round tables, implying that conference participants would rather be imbibing than sitting through the sixth panel of the day. Nearly an hour later, the discussion moved to a Q&A round. The first question came from a man who asked, "Where's the champagne? Didn't you say we were going to get tired of listening to you?"
- "How many people in here are working on solar storage projects?" asked a storage project developer on a panel, which discussed the future for the asset class, to which three people raised hands in a room filled with several dozen. "Looks like we're preaching to the choir," remarked a financier on the panel, who had expressed reservations over funding the technology.
- An after-conference cocktail party hosted by **Ares** and **First American Corp.** took place on a hotel rooftop that was accessible through an elevator at the end of a maze of black cinder block walls adorned with purple neon arrows. Expressing her skepticism at following the path, one conference-goer remarked, "I've seen *Taken*".
- One sponsor gifted a vacuum wine cap to visitors at their booth, which proved more popular with attendees than that traditional go-to freebie: pens. ■

"Infrastructure debt is a growing asset class in the U.S. and we are seeing increased interest from local investors who like its ability to generate consistent, attractive cash yields with capital stability," said Trears in a statement announcing Heath's arrival at the firm.

AMP Capital is a division of **AMP Group**, an Australian financial services provider headquartered in Sydney. The appointments of Heath and Redmond bring the number of investment professionals in its global infrastructure debt team to 12, located in Sydney, London and New York. ■