

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● MERGERS & ACQUISITIONS

AltaGas Buys Gas-fired Trio in San Joaquin Valley

The Canadian utility has acquired **Highstar Capital's** stake in three gas-fired projects in California.

Page 7

● Q&A

Chris Roetheli, v.p. at U.S. Bancorp

U.S. Bancorp's v.p. for new business initiatives talks tax equity with *PFR's* managing editor, **Olivia Feld.**

Page 8

● STRATEGIES

TVA Returns to 50-Year Bond Format for \$1B

The **Tennessee Valley Authority**, a unique credit for investors to understand, has issued its third 50-year bond.

Page 12

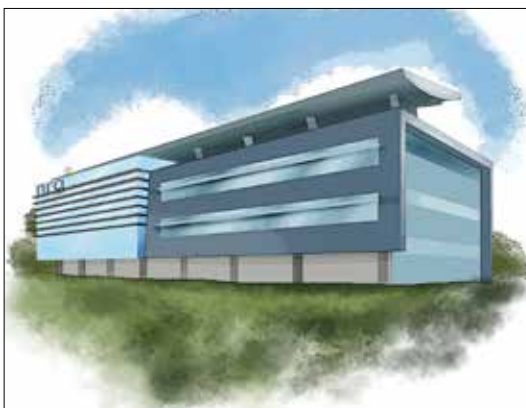
NRG Hits 'Reset', Announces Green Spin-off

Richard Metcalf

NRG Energy has announced a corporate reorganization that will involve the company spinning off its renewables subsidiaries into a new 'GreenCo'.

The spin-off will include **NRG Home Solar**, **NRG EVgo**—which provides electric car charging points—and NRG's renewables development arm, **NRG Renew**, but will exclude existing utility-scale renewable assets, which will remain with NRG Energy.

The plan, which the company is calling 'NRG Reset', is intended to unlock capital and shrink NRG's balance sheet, according to [PAGE 10 »](#)



Artist's impression of the headquarters NRG is building in Princeton, N.J.

Ratings, Price Talk Emerge on Deals for Panda, Invenergy

Richard Metcalf

Panda Power Funds has obtained a rating from **Standard & Poor's** for its 1,024 MW gas-fired Hummel station in Pennsylvania, while a loan for Invenergy backing six projects in the U.S. and Canada has won an upgrade from **Moody's Investors Service**.

Panda's deal has a novel structure, comprising a \$455 million seven year senior secured term loan B, a 6.5 year term loan A and letters of credit. The total package is almost \$900 million in size.

"It's a very innovative structure, doing a bank loan and a B loan at the same time," said a project finance banker in New York. "It's the first time Panda has done that."

Panda launched the financing on Sept. 18 after waiting for the results of delayed PJM capacity auctions. (PFR 9/16). The capacity auctions, originally scheduled for May, finally [PAGE 5 »](#)

PJM Awash with Assets for Sale, Including LS Power's

Richard Metcalf

LS Power has taken second round bids for a large portfolio of assets, mostly in PJM, as market observers wonder who will buy the huge amount of gas-fired generation on sale in the region.

Citi and **Morgan Stanley** are advising the independent power company on the sale of the operating and shovel-ready assets, which total more than 4,300 MW, according to deal watchers. The portfolio comprises:

◆ the 776 MW Doswell Energy Center in Ashland, Va.

- ◆ the 856 MW Riverside simple cycle facility in Zelda, Ky.
- ◆ the 840 MW University Park simple cycle plants in University Park, Ill.
- ◆ the 800 MW Hickory Run combined cycle plant which is under development in Lawrence County, Pa.
- ◆ the 900 MW Berks Hollow project under development in Berks County, Pa., and
- ◆ the 225 MW Wallingford project in Walling-

[PAGE 6 »](#)

● IN THIS ISSUE

MERGERS & ACQUISITIONS

- 7 | AltaGas Buys Gas-fired Portfolio from Highstar
- 7 | Dominion Solar Acquisition to Supply Naval Base

Q&A

- 8 | Chris Roetheli, U.S. Bancorp

STRATEGIES

- 12 | TVA Returns to 50-Year Format in Fragile Market
- 12 | Residential Solar Platform Raises \$300M, Plans ABS

DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 5 | Project Finance Deal Book
- 5 | Power Tweets
- 12 | Alternating Current

● THE BUZZ



photo: fotolia

PJM Market Hots Up as Fall Approaches

As the leaves begin to change color and chestnuts appear on the sidewalks here in New York, the project finance and generation asset markets are heating up, especially in PJM.

Over summer, several factors combined to delay deals in the U.S. First, the PJM capacity auction, originally expected in May, was delayed while the **Federal Energy Regulatory Commission** scrutinized new market rules. By the time the auction was over, many market players were enjoying their vacations and the Labor Day holiday was looming. Finally, there was the U.S. **Federal Reserve's** decision on whether or not to hike interest rates.

Now that uncertainty surrounding these events has—for now at least—dissipated, a

slew of deals have come to the market or restarted after a pause.

Thousands of MW of gas-fired generation are up for sale in the North East, with **LS Power**, **Tenaska** and **IFM Investors** all auctioning off portfolios (see story, page 1) and more is set to follow, with **NRG Energy** hinting at sales of some of its 17,000 MW of assets in the PJM market (see story, page 1).

Meanwhile, project finance deals that sponsors had likewise delayed until there was more certainty have now begun gathering steam. Loans to fund the construction of projects for **Moxie Energy** and **Panda Power Funds** have launched, while **Invenergy** has rebooted its deal backing a portfolio of operating assets with a new structure that convinced **Moody's Investors Service** to upgrade the senior secured term loan tranche (see story, page 1).

These deals should have no problem getting done, say deal watchers, but with so many deals for banks and investors to choose from, and so much in the PJM market in particular, there are signs that lenders are becoming more selective, forcing borrowers to be more innovative with their deal structures.

"Every bank has a limited amount of balance sheet," says one project finance banker in New York. "PJM is just one area and on top of that these are merchant assets, so how much PJM do you want to do?"

Eventually, no matter how cleverly the deals are structured, the PJM market could hit saturation point. ■

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225 Park Avenue South, New York, NY 10003
Power Finance & Risk is a general circulation newsweekly.
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TELL US WHAT YOU THINK!

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

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

GENERATION AUCTION & SALE CALENDAR ●

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

Generation Sale ■ DATABASE

Seller	Assets	Location	Advisor	Status/Comment
Apex Clean Energy	Grant (151 MW Wind)	Grant County, Okla.		Southern Power has agreed to acquire the project (PFR 9/14).
Ares-EIF	Allegheny Lock and Dam 8 & 9 (30.4 MW Hydro)	Armstrong and Indiana counties, Pa.		A fund managed by Ares has sold the projects to the Public Sector Pension Investment Board (PFR 9/7).
Brookfield Infrastructure Partners	Cross Sound Cable (Transmission, 23% stake)	New England, New York	Citigroup, HSBC (seller)	An affiliate of Argo Infrastructure Partners is set to acquire the stake for \$30M before the end of August (PFR 8/24).
Carlyle Group, Goldman Sachs	Cedar Bay (250 MW Coal)	Jacksonville, Fla.		Florida Power & Light, the offtaker, plans to retire the plant after buying it for \$520.5M (PFR 9/7).
ContourGlobal	PowerMinn (64 MW Biomass)	Benson, Minn.		CPV subsidiary Benson Power has acquired the asset (PFR 9/7).
Conergy Partners	Portfolio (22 MW Solar)	North Carolina		A NextEra subsidiary is seeking to acquire the projects (PFR 8/31)
Dominion Resources	Portfolio (425 MW Solar, 33%)	U.S.		SunEdison is acquiring the stake with equity raised by JPMorgan (PFR 9/14)
Energy Future Holdings	Transmission & Distribution Assets	Texas		Hunt Consolidated is acquiring EIF subsidiary Oncor as part of bankruptcy exit (PFR, 8/17).
First Solar	Desert Stateline (300 MW Solar)	San Bernardino County, Calif.		Southern Power has taken a controlling stake through a tax equity partnership flip transaction (PFR 9/7).
Hanergy	Columbia Solar (25.4MW Solar)	Contra Costa County, Calif.		PSEG Solar Source is buying the project, which it will rename PSEG Pittsburg Solar (PFR 8/31)
IFM Investors	Portfolio (1.08MW Gas, Oil, Hydro)	U.S.	Morgan Stanley	IFM has launched the sale of its Essential Power portfolio (PFR 8/31)
Invenergy	O'Brien (250 MW Wind)	O'Brien County, Iowa		The asset will be transferred to MidAmerica Energy in 2016 (PFR 8/31)
Invenergy	Morgans Corner (20 MW Solar)	Pasquotank County, N.C.		A subsidiary of Dominion will acquire the project to supply the U.S. Navy with renewable power (see story, page 7).
LS Power	Bluegrass (594 MW Gas)	Oldham County, Ky.		East Kentucky Power Cooperative is buying the project (PFR, 8/17).
LS Power	Portfolio (4,300 MW Gas)	U.S.	Citi, Morgan Stanley	LS Power has taken second round bids (see story, page 1).
National Grid, New Jersey Resources	Iroquios (Gas Pipeline, 25.93%)	New York, Connecticut		Dominion Midstream Partners is acquiring the stake (PFR 8/24).
OwnEnergy	Portfolio (2GW Wind)	U.S.	Marathon Capital	EDF RE is acquiring OwnEnergy and making it a wholly owned subsidiary (see story, PFR 31/8)
Petrobras	Pipeline Network (4038-mile)	Brazil		First Reserve is mulling a bid for an interest in the assets (PFR, 8/17).
Pristine Sun	Portfolio (150MW-300MW)	U.S.		The developer will transfer the assets to a JV it has with ReneSolar (PFR, 8/10).
Recurrent Energy	Tranquility (200MW Solar, 51%)	Fresno County, Calif.		Southern Power has acquired a controlling interest in the project (PFR 9/7).
Rockland Capital	Lakeswind (68 MW Wind)	Rollag, Minn.		TransAlta is buying the projects for \$75.8M. Deal slated to wrap in September (PFR 8/3).
	Mass Solar Portfolio (21 MW Solar)	Massachusetts		
Star West Generation (Highstar)	Portfolio (523 MW Gas, stake)	California		AltaGas has acquired the projects for C\$642M (see story, page 7).
Sumitomo Corp. of Americas	Mesquite Creek (211 MW Wind, 50%)	Lamesa, Texas		Duke Energy Renewables has bought a 50% stake in the project (PFR 9/7).
SunEdison	Three Cedars (210 MW, 50%)	Utah		Dominion is investing \$320M in 50% cash equity and 99% tax equity stakes (PFR 9/14)
TECO Energy	Portfolio (2.32 GW Gas/Oil, 2.64 GW Coal, 27 MW Solar)	Florida		Emera has acquired TECO Energy for \$10.4B (PFR 9/14)
Tenaska Capital Management	Portfolio (4900MW Various)	U.S.	Barclays	The asset sale had been delayed until after the PJM auction (PFR 31/8)
U.S. Bancorp	Portfolio (414 MW Solar)	Illinois		SunEdison is acquiring tax equity stakes from U.S. Bancorp in two wind projects it is buying from Invenergy (PFR 9/21).
Wasatch Wind	Pioneer (80 MW Wind)	Converse County, Wyo.		sPower has acquired the asset (PFR 9/7).

● New or updated listing

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

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Apex Clean Energy	Grant (151 MW Wind)	Grant County, Okla.	BayernLB, KeyBank, Siemens Financial Services	Construction	\$216M	Approx 1-yr	Southern Power has agreed to acquire the project on completion (PFR, 9/14).
Cemig	Unnamed Project (Capacity Unknown)	Minas Gerais, Brazil	TBA	Debt	TBA	TBA	The sponsor intends to seek debt for the project, which is pegged at a cost of \$1.14B (PFR, 8/17).
Competitive Power Ventures	Towantic (805 MW Gas)	Oxford, Conn.	GE EFS, ING, Natixis, MUFG, NordLB, Mizuho	Debt	TBA	TBA	The sponsor is in the market for debt and is in talks with the lenders listed here (PFR, 8/17).
	Fairview (980 MW Gas)	Cambria County, Pa.	TBA	TBA	Debt, Equity	TBA	The sponsor will be in the market for debt when the deal launches in Q3'16 (PFR, 6/15).
EDF Energies Nouvelles, Marubeni	Laberinto Este, Laberinto Oeste (146 MW Solar)	Chile	DNB, Corpbanca, Banco BICE, Caixabank	Debt	\$187M	TBA	Debt financing has wrapped for two merchant solar projects in Chile (PFR 9/7).
Fermaca	El Encino-La Laguna (289-mile Pipeline)	Mexico	Citigroup, Goldman Sachs, ING, NordLB, Santander, Banamex, Sabadell	Loan	\$584M	3.5-yr	The loan was priced at 187.5 bps over LIBOR (PFR, 8/3).
Greenskies Renewable Energy	127 C&I Projects (Capacity Unknown, Solar)	U.S.	First Niagara Financial Group	Loan	\$165M	TBA	The proceeds will be used to fund small-scale projects across 12 states (PFR, 8/30).
			TBA	Tax Equity		TBA	
Invenergy	Clear River (900 MW+ Gas)	Burrillville, R.I.	TBA	TBA	TBA	TBA	The project is slated to cost \$700M to develop (PFR, 8/10).
Invenergy	Portfolio (2 GW Gas)	U.S., Canada	Morgan Stanley, ICBC	Sen. Secured Term Loan	\$390M	7-yr	Invenergy has relaunched the deal with a revised structure. Price talk on the recently upgraded senior secured term loan is 325bps over Libor (see story, page 1).
				Sen. Secured RCF	\$70M	5-yr	
				Second Lien Term Loan C	\$200M	TBA	
Magnolia LNG	Magnolia LNG (80 mtpa LNG)	Lake Charles District, La.	TBA	Debt	<=\$3B	TBA	Teasers are likely to be sent out in early October (PFR, 8/10).
Moxie Energy	Freedom (900 MW Gas)	Luzerne County, Pa.	BNP Paribas, Citigroup, GE EFS, MUFG Union Bank	Debt	\$600M	TBA	The deal, which is likely to be oversubscribed, is priced at 325 bps over Libor (PFR 9/21).
NextEra Energy Resources	Breckinridge (98 MW Wind)	Garfield County, Okla.	JPM Capital Corp, Wells Fargo	Tax Equity	TBA	TBA	JP Morgan has taken 75% of the Class B shares and Wells Fargo 25% (PFR, 9/14).
Pattern Development	Conejo (122 MW Solar)	Chile	Crédit Agricole, SMBC, Société Générale, Santander	Term Loan, VAT Facility	\$205M	15-yr+	The deal has closed (PFR, 8/17).
Panda Power Funds	Panda Sherman (1,200 MW Gas post expansion)	Grayson County, Texas	TBA	TBA	TBA	TBA	The 450 MW expansion project is pegged at a cost of \$200M to \$300M (PFR, 8/30).
Panda Power Funds	Hummel (1 GW CCGT)	Snyder County, Pa.	Goldman Sachs (left lead)	Term Loan B	\$455M	7-yr	Rated B by S&P, the deal has launched and price talk is 375bps over Libor (see story, page 1).
			Investec, another joint lead	Term Loan A	<\$445M	6.5-yr	The deal has launched and price talk is 550bps to 575bps over Libor (see story, page 1).
Recurrent Energy (Canadian Solar)	Mustang (100 MW Solar)	Kings County, Calif.	Santander	Construction, Term, Tax Equity Bridge	\$165M	TBA	Santander plans to syndicate the loan in the coming weeks (PFR, 9/14).
			U.S. Bancorp	Tax Equity	101M	TBA	
Recurrent Energy (Canadian Solar)	Tranquillity (200 MW Solar)	Fresno County, Calif.	NordLB, Rabobank, Santander, KeyBank, CIT, CIBC	Construction, Letters of Credit, Term	\$337M	TBA	The deal has closed (PFR, 9/14).
SunEdison	South Plains II (300 MW Wind)	Floyd County, Texas	Citi	Construction Loan	\$360M	TBA	The project is expected to be acquired by TERP on completion in 2016 (PFR, 8/10).
			Berkshire Hathaway, Citi	Tax Equity	\$360M	TBA	
SunEdison	Comanche (120 MW Solar)	Pueblo, Colorado	First Reserve Warehouse	Warehouse facility	\$253 million	TBA	SunEdison drew on its \$1.5 billion First Reserve Warehouse facility for the construction financing (PFR, 8/30).
			Wells Fargo	Tax Equity	TBA	TBA	
SunEdison	Quilapilun (110 MW Solar)	Chile	CorpBanca, DNB	Debt	\$160M	TBA	The deal has wrapped. The project is on TERP's call right project list (PFR, 8/3).

● New or updated listing

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

PROJECT FINANCE ●

Ratings, Price Talk Emerge on Deals for Panda, Invenergy

◀ FROM PAGE 1

took place in August.

S&P has given the term loan B a rating of BB- and a very high chance of principal recovery in the case of a default.

Once operating, Hummel will be subject to considerable market risk, according to the S&P report.

"Although the PJM has been a robust market in recent years, we still expect that merchant energy revenues will be volatile," wrote **Michael Ferguson**, credit analyst at S&P, noting that natural gas prices, weather patterns, economic growth and competition were hard to forecast.

Price talk is 375bp over Libor for the bank tranche and 550bp to 575bp for the institutional tranche, says the banker.

Goldman Sachs is left lead

on the term loan B, while **Investec** and another joint lead are arranging the institutional tranche.

Price talk has also emerged on the \$390 million senior secured tranche of a debt package for Invenergy backing a 2 GW portfolio of six gas-fired projects in the U.S. and Canada.

LIEN ON ME

Chicago-based Invenergy has split the loan into two liens after pulling its previous offering backing the portfolio, with market participants citing aggressive terms (PFR, 8/13).

Moody's Investors Service upgraded the loan from B1 to Ba3 after Invenergy reduced the size of the seven-year senior secured facility from \$537 million to \$390 million and added

a \$200 million second-lien term loan C. The size of a \$70 million five-year revolving credit facility remains unchanged (PFR 9/21).

Price talk on the senior secured tranche is 325bps over Libor, according to a deal watcher.

The changes to the financing structure imply an increase in the overall leverage and interest burden of the portfolio because of the higher cost of issuing second-lien debt, but this is offset by a payment-in-kind feature, according to the Moody's report.

Should there not be enough funds left after first-lien interest and amortization payments to make the quarterly interest payments on the second-lien debt in full, up to 50% of that interest can be paid-in-kind.

The PIK feature can be used up to eight times over the life of

the debt.

Invenergy has also reduced its incremental equity contribution from \$100 million to \$50 million as part of the revised capital structure.

Besides the modification of the financing structure, the Moody's report noted that the outlook for the portfolio had improved as a result of the participation of one of the projects in the recent PJM capacity auctions.

Morgan Stanley and the **Industrial and Commercial Bank of China** are the book-runners on the Invenergy deal (PFR, 9/18).

Meanwhile, a loan package backing **Moxie Energy** and **Caithness Energy's** gas-fired Freedom project in Luzerne County, Pa. is also in the works. Deal watchers expect the \$600 million deal to be popular with lenders in part because of a 10-year gas hedge agreement the project has secured (PFR, 9/17). ■

PFR #PowerTweets

For more news and coverage, follow @PowerFinRisk on Twitter, as well as @RichMetcalfe and @OliviaFeld.

@AmericanBanking

\$NRG – NRG Energy Price Target Lowered to €24.00 at Wolfe Research #NRG goo.gl/fb/wzuSVz

@Isteffy

The impossible just happened in Texas ow.ly/-SuGzZ What happens when wholesale electricity prices turn negative? #energy #ercot

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@JigarShahDC

For every solar installer with direct access to the ITC tax equity, 300 don't @DustinMulvaney @johnfarrell @Atomicrod @ilsr

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Potential deployment of storage assets across an electric power system bit.ly/1ddRyRo #CleanTech #Innovation pic.twitter.com/Yy1zS0Untv

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@SunEdison

We're celebrating the completion of 1.2 MW of #solar in Coconino County, AZ today! on.mktw.net/1KtyAcQ pic.twitter.com/f7Vowzlr6U

@miso_energy

2nd draft of our 2015 MISO Transmission Expansion Planning Report is available now at misomtep.org #MTEP15



● MERGERS & ACQUISITIONS

PJM Awash with Assets for Sale, Including LS Power's

◀ FROM PAGE 1

ford, Conn., which is the only asset with an interconnection to ISO-New England rather than PJM.

Like concurrent auctions of gas-fired assets by **Tenaska Capital Management** and **IFM Investors**, the LS Power portfolio sale was announced earlier in the year but was postponed when PJM's forward capacity market auction was delayed by several months (PFR 8/24, PFR 8/28).

First round bids for IFM's 'Essential Power' portfolio are due soon, according to a deal watcher. The status of Tenaska's sale process could not be established.

The PJM-interconnected gas-fired generation up for sale across the three auctions adds up to some 6,000 MW. In addition, one of the MISO-connected projects that Tenaska is selling, the 1,100 MW New Covert facility near Covert, Mich., is

expected to be connected to PJM by June 2016 and has already cleared capacity in PJM's reliability pricing model auctions.

The rest of the assets have interconnections with New York ISO (1,900 MW) or ISO New England (1,000 MW).

And those numbers are likely to grow still more. **NRG Energy's** chief operating officer **Mauricio Gutierrez** suggested that the company would focus on PJM for the asset sales it plans to make to fund share buybacks and debt reduction efforts, and deal watchers have suggested that **American Electric Power** and **Engie** (formerly **GDF Suez**) could also offload PJM assets now that the capacity auctions have taken place.

POTENTIAL BUYERS

The amount of generation for sale in the region has gotten market participants wondering who will buy it all. "That's what

I'd like to know!" said one when asked by *PFR* who the likely acquirers were.

"There isn't a utility out there who would buy this," said another. "Infrastructure funds and foreign money will not necessarily buy it because they're going to have to take a view on what happens in PJM in the long term, and they are not necessarily able to evaluate the market."

Independent power producers such as **Dynegy** and **Calpine** could be potential buyers, he adds, or financial players such as **Energy Capital Partners** or **Global Infrastructure Partners**.

NEW RISKS

Those looking at acquiring the assets will have to weigh the financial risks associated with a new performance capacity product **PJM Interconnection** introduced in this year's auctions.

The new rules include harsh penalties for plants that fail to operate when they say they will, a response to the scarcity of capacity which forced energy prices up in the early part of 2014, when the polar vortex shifted south, bringing extremely cold weather to North America for months.

"The prospect of incurring penalties could make revenues more volatile, and that could affect assets at the lower end of the dispatch curve," said **Robert Mudge**, a principal at the **Brattle Group**, during a panel discussion at the recent **Infocast PJM Market Summit** in Philadelphia. "This has got to represent a moment to take stock for financial and non-strategic investors."

Market participants have confirmed that they are discussing possible products with insurance providers that would allow them to hedge such risks. ■

Portfolios For Sale Including PJM Assets

Seller	Project Name	Capacity	Fuel type	RTO	Location	Advisor(s)
Tenaska	Astoria Generating Station	955 MW	Gas/Oil	NY-ISO	New York	Barclays
Tenaska	Gowanus Gas Turbine Facility	621 MW	Gas/Oil	NY-ISO	New York	Barclays
Tenaska	Narrows Gas Turbine Facility	355 MW	Gas/Oil	NY-ISO	New York	Barclays
Tenaska	Lincoln Generating Facility	656 MW	Gas	PJM	Manhattan, Ill.	Barclays
Tenaska	Crete Energy Ventures	328 MW	Gas	PJM	Crete, Ill.	Barclays
Tenaska	Rolling Hills Generating Station	850 MW	Gas	PJM	Wilkesville, Ohio	Barclays
Tenaska	New Covert Generating Company	1,100 MW	Gas	MISO	South Haven, Mich.	Barclays
IFM Investors	Lakewood Ocean Peaking Power	246 MW	Gas/Oil	PJM	Lakewood, N.J.	Morgan Stanley
IFM Investors	West Springfield Generating Station	263 MW	Gas/Oil	ISO-NE	West Springfield, Mass.	Morgan Stanley
IFM Investors	Five hydro facilities	18 MW	Hydro	ISO-NE	Massachusetts	Morgan Stanley
IFM Investors	Newington	540 MW	Gas/Oil	ISO-NE	Newington, N.H.	Morgan Stanley
IFM Investors	Rock Springs	352 MW	Gas	PJM	Rising Sun, Md.	Morgan Stanley
LS Power	Doswell	776 MW	Gas	PJM	Ashland, Va.	Citi, Morgan Stanley
LS Power	Riverside	856 MW	Gas	PJM	Lawrence, Ky.	Citi, Morgan Stanley
LS Power	University Park North	540 MW	Gas	PJM	University Park, Ill.	Citi, Morgan Stanley
LS Power	University Park South	300 MW	Gas	PJM	University Park, Ill.	Citi, Morgan Stanley
LS Power	Wallingford	225 MW	Gas	ISO-NE	Wallingford, Conn.	Citi, Morgan Stanley
LS Power	Hickory Run	800 MW	Gas	PJM	Lawrence County, Pa.	Citi, Morgan Stanley
LS Power	Berks Hollow	900 MW	Gas	PJM	Berks County, Pa.	Citi, Morgan Stanley

Source: PFR

MERGERS & ACQUISITIONS ●

AltaGas Acquires Three Gas-fired Plants in San Joaquin Valley

AltaGas has acquired **Highstar** subsidiary **Star West Generation's** stake in three gas-fired facilities in California's San Joaquin Valley.

The Calgary, Alberta-based power and utility company will pay Star West C\$642 million (\$482 million) for its stake in **GWF Energy Holdings**, which holds the 523 MW of generating assets.

The portfolio comprises the 330 MW combined cycle Tracy facility in Stockton and two peakers in Kings County, the 97 MW Hanford facility and the 96 MW Henrietta plant.

Hanford and Henrietta have 10-year power purchase agreements with **Pacific Gas and Electric Co.** that came into effect on Jan. 1, 2013, while Tracy has an agreement with the same off-taker for 10 years from its commercial operation date of Nov. 1, 2012.

AltaGas expects the sale to close toward the end of the fourth quarter of this year.

The Toronto-listed company will pay for the acquisition with a combination of the proceeds of an underwritten public rights issue, existing credit facilities, future debt and preferred equity issuance and possibly with the proceeds of asset sales.

AltaGas has mandated **TD Securities** and **BMO Capital Markets** as joint bookrunners and lead underwriters for the sale of 8.76 million shares at C\$34.25 (\$25.69) a share.

The equity issuance will raise C\$300 million (\$225 million), or C\$345 million (\$259 million) if the underwriters exercise a 15% greenshoe option in full.

AltaGas has credited facilities totaling C\$1.94 billion (\$1.45 billion), of which C\$181 million (\$136 million) was drawn as of June 30, according to the company's most recent quarterly report. The largest of those is an approximately \$1.12 billion revolving credit facility denominated in U.S. dollars.

AltaGas announced a 3% increase in its dividend at the same time as it revealed the acquisition.

FAST FACT

62.5%

Oaktree-owned Highstar's stake in the portfolio, according to a recent FERC filing.

New York-based private equity firm Highstar bought the GWF portfolio from **Harbert Power** in 2012 (PFR 10/15/12). **Barclays** arranged a \$200 million loan package backing that deal (PFR 11/28/12).

Then in 2013, **Government of Singapore Investment Corp.** (since renamed **GIC Private**) acquired an approximately 25% stake in the portfolio.

Whether GIC continues to hold its stake in GWF could not be established by press time.

According to a filing with the **Federal Energy Regulatory Commission** dated Aug. 7, **Oaktree** owns a 62.5% interest in GWF Energy following its 2014 acquisition of Highstar.

The sale of the GWF portfolio is not allowed by Star West's loan documentation, according to a report by **Standard & Poor's** analysts **Aneesh Prabhu** and **David Lundberg**. The rating agency expects Star West to refinance its portfolio and pay off the existing project finance debt.

A spokesperson for AltaGas declined to comment on the acquisition or the related financing transactions, citing compliance reasons related to the public equity transaction.

Officials at Highstar could not be reached for comment by press time. ■

Dominion Buys N.C. Solar Project to Supply Naval Base

Dominion North Carolina Power has agreed to buy a 20 MW solar facility in North Carolina from **Invenery** to supply a naval base with renewable energy.

The Morgans Corner project in Pasquotank County is Chicago-based developer Invenery's first project in North Carolina.

The purchase price was not disclosed.

The facility will supply the U.S. **Department of the Navy's** Norfolk Naval Base in Virginia pursuant to a long-term contract secured by Dominion. The U.S. **Department of Defense** has a target to produce or procure at least 25% of the energy it uses from renewables by 2025.

"We're proud to have served the Navy for a long time," Dominion's director of business development in generation, **Dianne Corsello**, told *PFR*. "And we're excited about this opportunity to help the Navy to achieve their renewable energy goals."

Morgans Corner will supply the Norfolk base initially for 10 years, but the Navy has a unilateral option to extend the contract for a further 10 years, according to an agreement reached after the Navy approached Dominion with a request for proposals.

Under a build-transfer agreement, Invenery will own the project during the construction phase and the **Dominion Resources** subsidiary will acquire it once it is complete. **Gehrlicher Solar America Corp.** will build the project as the engineering, procurement

and construction contractor.

A spokesperson for Invenery declined to comment on how the construction of the project would be financed. Dominion is not using third party financing in relation to the project.

Morgans Corner is slated to be online by April 1, 2016, according to a filing with the North Carolina Utilities Commission dated Sept. 14. That completion date would allow the project to qualify for North Carolina's renewable tax benefits under a recently approved safe harbor act.

Invenery has a 3.5 GW pipeline of solar projects in development in the U.S. and Canada, and more sales could follow.

"We are always exploring solutions that makes sense for our customers, including build-transfers like Morgans Corner if that is the preferred path for our counterparty," said the Invenery spokesperson in an e-mailed statement. ■

● Q&A: CHRIS ROETHELI, U.S. BANCORP

Q&A: Chris Roetheli, U.S. Bancorp

Having established itself as a significant player in the tax equity market, earlier this year U.S. Bancorp expanded its remit and launched its first ever renewable tax equity syndications. In March the bank partnered with **ORIX USA Corp.** to syndicate a tax equity fund backing **SolarCity**, then in July it worked with **Zions Bank** to syndicate tax equity for the Red Horse 2 wind and solar project near Tucson, Ariz., owned by an affiliate of **D. E. Shaw Renewable Investments**. **Chris Roetheli**, v.p. in U.S. Bancorp's tax equity syndications department with responsibility for new business initiatives, spoke to *PFR*'s managing editor **Olivia Feld** from the bank's headquarters in St. Louis about the need for more sources of tax equity and the bank's plans to further expand its footprint in the market.



Chris Roetheli

PFR: Can you talk me through what prompted the bank to start syndicating its renewable tax equity deals?

ROETHELI: We have been an investor in renewable energy

tax equity investments dating back to 2008. We have been an investor for our own accounts, so we have held the assets in our own book.

The market has grown exponentially since 2008, and we saw an opportunity to leverage the expertise that we had built up in-house to help other investors get up to speed and participate in the market in the same way that we have.

The market needs more sources of tax equity. We saw an opportunity to help educate others and bring them up to speed, to ultimately bring more equity to our sponsored companies that are developing projects.

PFR: You've touched upon the history of your involvement in the tax equity market, can you talk me through how the strategy has evolved over the past few years?

ROETHELI: Our strategy hasn't changed from an investor perspective. I don't think it's changed a lot. We predominantly participate in the investment tax credit arena, mostly in solar, but we also do some wind

investment as well. But we're predominantly a tax credit investor, and, like I said, most of that is for our own account.

I think one place where our strategy has changed during the last year or so is really in respect to expanding our reach and talking to a lot of investors who currently are on the sidelines but are interested in starting on the path toward making an investment. Ultimately we can lend a lot of credibility to a transaction when we partner with other investors and bring them in to participate with us.

"We take a primary position in the underlying partnership and then we will bring in one or more co-investors to participate alongside with us."

PFR: What kinds of investors are you working with?

ROETHELI: We're working with various forms of corporate entities, corporate investors, financial institutions and insurance companies. These are widely held C-corporation types of investors that have sizeable taxable income from operations that can be leveraged and offset with tax equity investments.

PFR: Can you describe the structure of your tax equity partnerships?

ROETHELI: In all instances, we will con-

tinue to have a co-investment in the project company, so we will take a primary position in the underlying partnership and then we will bring in one or more co-investors to participate alongside with us. Then we ultimately provide ongoing asset management and also some level of risk mitigation to that investor's risk profile. We like to think we have an alignment of interests with our investors. We are going to have meaningful skin in the game and are going to be interested in the same things that they are.

PFR: Can you give me a sense of how much the bank is going to invest into these projects this year and in the sponsors you are working with?

ROETHELI: From an equity investment standpoint in 2015, we will make close to \$1.5 billion of investments in the renewable energy sector. That's going to run the gamut from residential solar through commercial distributed generation of solar and wind, all the way up to utility-scale solar and wind. We're working with all the household names. I won't provide specific names given confidentiality, but you know what's public and I'm sure you can imagine who those folks are.

PFR: Is it fair to say you are planning on doing multiple deals with the same sponsors, or are you widening the net and looking at smaller size sponsors?

ROETHELI: We don't have a huge interest in widening our net in terms of the reach we have, but we are working with new sponsors all the time. But what we have found is we

Q&A: CHRIS ROETHELI, U.S. BANCORP ●

want to put our dollars with the sponsors we have worked with in the past, and those that continue to perform, because they have proven they can perform.

PFR: Can you give me a sense of how the team is structured and who is working on deal flow? Has it grown in size or are there plans to grow the team in size?

ROETHELI: My colleague **Darren Van't Hof**, director of renewable energy investments practice so he and his team are out there sourcing new investments. He's got a team of business development and project management folks who serve as underwriters to structure our deals, negotiate terms, and ultimately get them through to the closing table.

We also have an asset-management team that manages our relationships on an ongoing

basis to access quality developers in a way that protects them from risk. There's a growth story throughout the organization here, and we're excited about that.

PFR: Do you work with any financial advisers on originating deals?

ROETHELI: Not primarily. Certainly there are one-off transactions that we may work with folks on, but for the most part we are direct sponsor facing on most transactions.

PFR: In addition to the Solar City and Red Horse 2 deals, are there other examples of tax credit syndication recently that you would be able to go into more detail about?

ROETHELI: There certainly are more that we have worked on and that we are working on. Unfortunately, right now we are not in a position to disclose names.

PFR: You started the conversation by saying that there is a huge demand for investment. In light of the expiration of the PTC and ITC, how would you describe the climate right now?

ROETHELI: I think it is as you would imagine; there is a lot of activity right now and I think over the next 12 months there will continue to be. What happens thereafter is up in the air. But I think we still see a lot of opportunity post 2016, whether it be in the form of an extension of the credit or at the 10% level. We think there still will be a lot of activity that is viable and makes economic sense.

PFR: Do you get the sense that there will be a further renewal of the PTC and that the ITC can get further stretched out?

ROETHELI: We know that the **Senate Finance Committee** has proposed an extension of the PTC and that it's working its way through the Senate now. Your guess is as good as mine on the ITC side. I imagine next year at around this time we'll be talking about that in depth.

PFR: In terms of the wider plans, is the

“Ultimately we will work with any sponsor who has strong sponsorship, so good financial backing. That's obviously a critical component to how we put our dollars to work.”

bank planning to go beyond the scope of tax equity in terms of project financing or M&A financing?

ROETHELI: The short answer to that is not at the moment. But as we continue to get more comfortable with the asset class overall and the risk parameters through our tax equity investing, I think we'll continue to explore opportunities where it makes sense.

PFR: Can you give me a profile of the kind of sponsors you are working with, in terms of size, geography and portfolio?

ROETHELI: Ultimately we will work with any sponsor who has strong sponsorship, so good financial backing. That's obviously a critical component to how we put our dollars to work. We want to work with folks who can prove they have the ability to execute and deliver on promises that they make. To the extent that folks have a track record of performance and have good sponsorship behind them, we're happy to work with those types of folks.

PFR: When you say you are supplying O&M support, can you elaborate on what you mean by that?

ROETHELI: The boots-on-the-ground O&M work is going to be done by our sponsors or anyone we contract with, so really we view ourselves as kind of the overseer of that activity. We have an asset management team that knows what they need to be looking at from a project-performance perspective; so it's really that kind of a fund manager who is ultimately sure we are working with the appropriate folks who can perform. ■

“From an equity investment standpoint in 2015, we will make close to \$1.5 billion of investments in the renewable energy sector.”

ing basis and makes sure they remain in compliance and are performing as expected. That team has grown over the last couple of years quite substantially. I'd say we probably have about 25 folks dealing in various aspects of renewable energy from origination all the way through to asset management.

I sit in our syndications side of the house and we too have been growing. We also have a sizeable syndication arm in the other tax equity areas too, not the least of which is low-income housing and new markets tax credits. Those are also big areas of investment that we have and so we've syndicated a number of different tax credit asset classes to different corporate investors. We continue to grow in our syndication side too.

We see there are investors out there who find value in what we bring to the table, which is a proven track record, and the abil-

STRATEGIES

NRG Hits 'Reset', Announces Green Spin-off

◀ FROM PAGE 1

an investor presentation. NRG will trim more than \$1.3 billion from its balance sheet by repurchasing shares and repaying debt in roughly equal proportions.

The cash for share repurchases and debt retirements will come in part from asset sales, following a strategic review of NRG's approximately 50,000 MW generation portfolio which took place over the last six months.

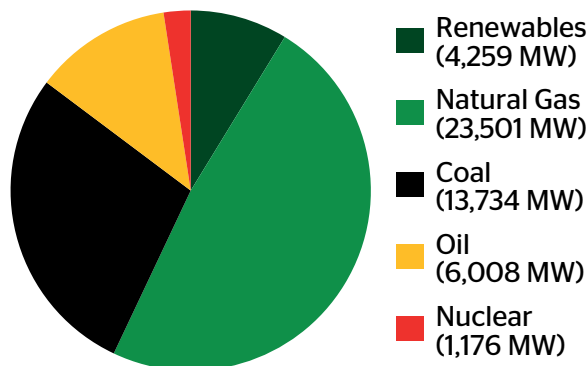
The reorganization is in part a response to difficult stock market conditions which have made equity capital less accessible and more expensive. NRG expects the reorganization, which it began planning four weeks ago, to be completed by Jan. 1, 2016.

STRATEGIC PARTNER

NRG is considering selling a majority or a substantial minority stake in the GreenCo to a strategic partner, **Kirk Andrews**, the company's cfo said in a conference call on Sept. 18, in response to a question from **Julien Dumoulin-Smith**, an analyst at UBS.

"When we look at the potential strategic partners out there, we see people that can enhance the business both in terms of their financial resources and other things they might bring to the party, and it's very indi-

NRG Energy Generation Mix (North America)



Source: NRG

vidually specific what that strategic transaction would look like," said Andrews. "All I can tell you at this point is, never say never, but we wouldn't be looking to sell 100% of it."

NRG will initially support the GreenCo with a \$125 million inter-company revolving credit facility, and is ultimately aiming for a partial initial public offering.

The company has not yet decided who will take the helm of the new subsidiary, but the management team is likely to come from within NRG.

"We've gone about this reorganization in the same way we did when we were inte-

grating **GenOn**," said NRG's ceo and president, **David Crane**, in response to a question from **Dan Eggers**, an analyst at **Credit Suisse**. "We started with a blank piece of paper and asked ourselves: What does this company need to succeed?"

"We have plenty of skilled people in this company at all levels, and between now and Jan. 1 we'll put names in the boxes," he added.

PJM SALES

The asset sales that will fund NRG's share repurchases and debt retirements are likely to include conventional facilities in PJM, hinted **Mauricio Gutierrez**, NRG's chief operation operations officer, in the same call.

"When you look at the different regions, and in light of the results of the capacity performance auction in PJM, it's fair to assume we will focus on the PJM region to begin the asset distribution," he said.

"We're not trying to get out of any region," added Crane. "There are select assets we think would probably make sense in other people's hands, where the market allows us to get value for it."

DROP DOWN

NRG also expects to make \$210 million from the sale of its Edison Mission wind assets to its yield company, **NRG Yield**.

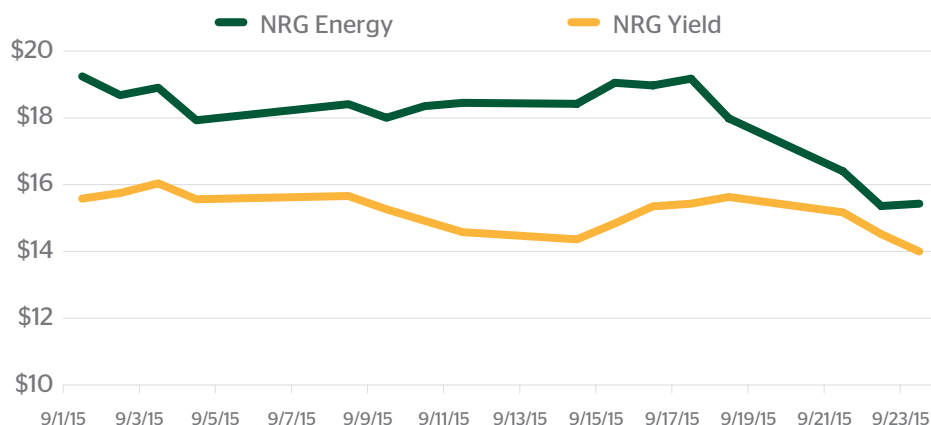
The twelve-strong, 814 MW wind fleet is backed by \$242 million in debt and tax equity. Spread across Texas, New Mexico, Utah, Nebraska, Oklahoma, Minnesota, Iowa and Pennsylvania, the projects have an average contract life of about 11 years.

NRG acquired the assets when it bought **Edison Mission Energy** in April 2014 as part of a Chapter 11 reorganization.

NRG remains on track to offer its 51% stake in the 250 MW California Valley Solar Ranch to NRG Yield before the end of the year, as it set out in its second quarter report. NRG Yield already owns the other 49%.

NRG Yield will not need to access the capital markets to complete that drop down, said Crane. ■

NRG Energy and NRG Yield Closing Share Prices



Source: Nasdaq

STRATEGIES ●

'Unique' TVA Returns to 50-Year Format With \$1B Bond

« FROM PAGE 12

said **Matt Basler**, group head and m.d. of capital markets and financing at BAML. Markets reacted unfavorably to the Fed's announcement that interest rates would remain unchanged.

'A LITTLE GUTSY'

TVA then held a 'go/no go' call at 7:45am on Monday Sept. 21 and was one of the first names to hit the screens, a tactic which Wilson described as "a little gutsy." It was followed shortly afterward by another utility, **Kentucky Utilities**, which issued 10- and 30-year bonds.

TVA's bookrunners launched its deal with initial price thoughts of 145bps to 150bps over Treasuries, and with more than \$2.5 billion of orders they were able to revise that to guidance of 140bps plus or minus five. The final pricing was at the tight end of that range, at 135bps over Treasuries.

The benign market conditions which had provided a window for the deal did not last long, and equity markets suffered again on

"We experienced zero issuance of paper, a lot of people were away from their desks and the equity markets were volatile, but we were patient through that."

Tuesday. Some of that volatility fed into widening bond spreads, but TVA's bond performed well, trading about 3bps tighter than reoffer, said Basler.

A UNIQUE CREDIT

TVA is an unusual credit, in that it is 100% U.S. government owned but its debt is not guaranteed by the government and its assets are longer-lived than those of other government agencies. The agency operates on a non-profit basis and funds its operations through electricity sales.

Moody's Investors Service, Standard & Poor's and **Fitch Ratings** rate TVA's senior unsecured debt Aaa, AA+ and AAA, respectively.

Scott Solomon, senior credit officer at Moody's, attributes the utility's triple-A rating to several "unique" attributes in the rating agency's most recent report, including federal ownership, protection from competition and the authority to set rates.

"These attributes, combined with TVA's size, scale, and economic importance within the Tennessee Valley, translate into a more predictable and stable financial profile relative to all other public power and investor owned utilities," added Solomon.

TVA has plans to retire 3,000 MW of coal generation and is constructing two new gas-fired projects, a 1,000 MW facility at the site of the Paradise coal-fired plant near Drakesboro, Kentucky, and a 1,046 MW facility which will replace its Allen coal-fired plant in Memphis. Meanwhile, the Watts Bar Unit 2 nuclear plant is slated to go online later this year. ■

Resi Solar Platform Seals \$300M, Eyes Securitization

« FROM PAGE 12

says.

New York-based **CIT Energy Finance** arranged, led and structured a senior secured credit facility of up to \$120 million for Sunlight with the participation of **Silicon Valley Bank** as a joint lender.

"Sunlight's platform is unique compared to the other transactions we've done, and other bank deals that have been syndicated in the market, as they're offering a loan product to consumers," says **Mike Lorusso**, group head and md at CIT Energy Finance. "We see loans as a new and growing area in the residential solar space."

CIT has previously taken tickets in five other deals backing residential solar outfits, including **AES Solar**, **Vivint Energy**, **SunRun** and **SolarCity**.

"Most of these deals were done with either a lease or power purchase agreement between

the installer and the homeowner," adds Lorusso. "Now there seems to be interest and demand from the consumers for a loan product which gives ownership of the system to the homeowner, which is different from the third-party ownership found in the lease or PPA structure."

New York-based private equity shop **Tiger**

"Sunlight's platform is unique compared to the other transactions we've done, and other bank deals that have been syndicated in the market."

Infrastructure Partners has injected \$80 million of growth capital and become Sunlight's majority equity holder.

The deal marks TIP's entry into the solar space. The New York-based private equity firm is focused on infrastructure assets and businesses in North America. The shop looked at other similar residential solar platforms before agreeing to back Sunlight, according to a deal watcher.

Sunlight has secured a further \$100 million of debt capital from undisclosed financial institutions, which will be used for its loan origination programs, the company says.

Sandler O'Neill and **Marathon Capital** advised Sunlight on its equity and debt raising.

Spokespeople for Silicon Valley Bank in Portland, Ore. and TIP declined to comment on the deal. ■

● STRATEGIES

'Unique' TVA Returns to 50-Year Format With \$1B Bond

The **Tennessee Valley Authority** issued a \$1 billion 50-year bond under its Power Bonds program on Monday, choosing its moment carefully amid shaky markets.

The government-owned utility was rewarded for its prudence with \$2.5 billion of orders from over 90 investors, a 2.5 times over-subscription.

The demand allowed the Knoxville-based agency to set the coupon at 4.25%, which TVA said was a record low for such a long-dated bond. The issuance was priced at a discount to yield 4.383%.

Bank of America Merrill Lynch, BNP Paribas, Morgan Stanley and TD Securities were the bookrunners.

TVA is a regular visitor to the bond market and has issued 50-year debt a couple of times before, in 2006 and

2010. This time, the borrower had to navigate volatile markets and the possibility of a U.S. **Federal Reserve** rate hike.

"The two weeks leading up to Labor Day were a bit choppy,"

Tammy Wilson, v.p. and treasurer at TVA told *PFR*. "We experienced zero issuance of paper, a lot of people were away from their desks and the equity markets were volatile, but we were patient through that."

After waiting for Labor Day, the issuer also decided to wait until after the Fed meeting on Sept. 17, in part because the investor base for 50-year bonds is relatively limited.

"Whenever you're dealing with a long-dated security, especially a 50-year, you've got to be careful about what's going on in the market in terms of volatility and rates,"

PAGE 11 >



Tammy Wilson

Resi Solar Platform Seals \$300M, Eyes Securitization

Residential solar loan platform **Sunlight Financial** has sealed \$300 million in equity and debt and plans to launch an asset-backed securitization, the company announced on Sept. 16.

Founded by **Hudson Clean Energy Partners** a year and a half ago, New Jersey-based Sunlight works with solar panel installers and distribution companies, including **Direct Energy**, to provide loans to homeowners to finance the installation of residential rooftop solar systems.

Neil Auerbach, ceo of Hudson and

founder and chairman of Sunlight, has been working on the platform for two years, he tells *PFR*. He began looking for an equity partner as the platform grew larger than Hudson could service solely from its asset based infrastructure fund. Hudson remains a minority stakeholder in Sunlight and has provided mezzanine debt.

Unlike other residential solar outfits, Sunlight focuses entirely on providing financing for installations.

"It's our aspiration to be one of the leading residential solar lenders in the market," says Auerbach. "We have a pure play approach. We're not trying to be all things to all people. We're focused on being a specialty finance company."

A securitization to further accelerate the growth of the company is part of the plan, although no timeline for an offering has been given, Auerbach

PAGE 11 >

● ALTERNATING CURRENT

Icelandic Brothers Pioneer Portable Wind Turbines



As technology allows engineers to build wind turbines ever taller and with ever wider diameters, a team of inventors in Iceland is heading in the opposite direction.

The group, led by ceo **Einar Agustsson**, is offering four different sized portable turbines, with capacities of 50 W, 400 W, 1,000 W and 2,500 W. The largest can power a small house, while the 400 W version is suitable for recharging an iPhone, the makers claim.

Janulus, the company that produces the mini-turbines under the Trinity brand name, is incorporated in Michigan but has set up a factory in its founder's native Iceland.

"With Trinity, you can make your own clean energy on camping trips or set it up to power your entire home with an easy-to-install mount," says **Agust Agustsson**,



photo: Janulus

Einar's brother and the company's vice president, in a promotional video on crowd funding website **Kickstarter**.

For \$399, those who want to support the brothers' project will be among the first to receive

the 50 W turbine, while for \$999 they get the 400 W version and for \$2,799 they get the 1,000 W Trinity. Anyone who wants an early bird delivery of the 2,500 W turbine has to pledge \$5,999 or more.

The reinforced fiberglass turbines weigh between 1.4 lbs and 42 lbs, generate electricity in winds of 4 mph or faster, and come with Lithium-ion batteries similar to those used in electric cars so that the power can be stored for later.

With 144 backers supporting the project just two days after it launched on Kickstarter, the team has already surpassed its \$50,000 goal. As of Sept. 24, more than \$80,000 had been pledged ■

● QUOTE OF THE WEEK

"It's fair to assume we will focus on the PJM region to begin the asset distribution."

Mauricio Gutierrez, chief operations officer at **NRG Energy**, on planned asset sales (see story, page 1.)