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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● MERGERS & AQUISITIONS

Bidders Circle EFH T&D Subsidiary

A variety of shops are considering bidding for Energy Future Holdings' Oncor. A stalking horse bid is set to surface later this month. Page 5.

● CONFERENCE COVERAGE

Citi Plots Energy Efficiency Securitizations

Citigroup is preparing two energy efficiency securitization deals that could hit the market in the next six months. The deals come on the heels of a report from an encouraging McKinsey & Co. Page 6.

Yieldco Roster Set For Boom

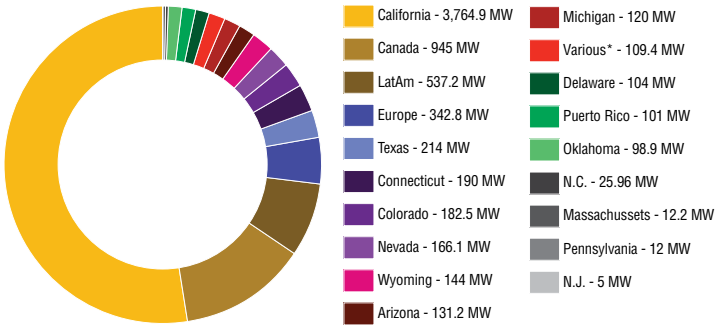
Sara Rosner

The yield company dance card could double its size in 2015 as a variety of shops consider making a run at the public markets.

Two yieldcos are in the works for the first quarter and up to five more could launch initial public offerings later in the year, **Andy Redinger**, managing director at **Keybanc**, said at **Solar Media**'s Next Generation Solar PV Finance conference in New York (see conference coverage, page 6).

The list of potential yieldcos features household energy and investor names including **Acciona**, **KKR** and **SunEdison**. Acciona and KKR PAGE 12 »

Yieldco Megawatts by Location



Soucre: Yieldcos filings and investor presentations.

Banks Bid For $700M+ AES Gener Refi

Sara Rosner

Banks are competing to lead a $700 million to $1 billion refinancing of **AES Gener**'s 544 MW Angamos coal-fired plant in Chile.

The refinancing will likely be done through a bond issuance, notes one banker who has worked on a bid for the deal. The sponsor is expected to choose winning bids from a pool of prospective lenders this month.

ABN Amro and **BNP Paribas** led the $1 billion financing that closed in October 2008. The deal was a beacon for lenders looking to put capital to work in a relatively low-risk project before closing up shop to ride out the rest of the 2008 volatility.

While LIBOR soared to record PAGE 12 »

Developers, Financiers Ponder Post-ITC Solar Landscape

Holly Fletcher

The step down in the investment tax credits in 2016 has solar developers and financiers at the drawing board to create financing structures that will work for a pipeline of projects, according to speakers at **Solar Media**'s Next Generation Solar PV Finance conference in New York.

The ITC is set to decrease from 30% to 10% of qualifying projects costs. Some project finance bankers are optimistic that they will play a heightened role in solar financings in the absence or reduction of tax equity investment, said **Bhaswar Chatterjee**, head of infrastructure and energy finance in the Americas at **Deutsche Bank**. "We're planning to be in the business after 2016," said **Jerry Smith**, managing director of the strategic transactions group at **Credit Suisse**. **William Cannon**, executive director of **Sumitomo Corp. of America**, says his shop expects growth in solar in 2016 and beyond. Frameworks for growth and the future of solar project finance structures are still in development, most financiers said.

The industry will thrive without the ITC, according to **Jigar Shah**, PAGE 6 »

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

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THE BUZZ

Escondida copper mine Chile

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Buzz: Copper Is King

Escondida, the world's largest copper mine by production in Chile, is catalyzing activity in the debt capital and project finance markets this week. A Korean joint venture is close to wrapping a loan package backing their 517 MW Kelar gas-fired project, which is contracted to supply generation to the **BHP Billiton**-owned mine. **Natixis** is advising the sponsors on Kelar.

The mining giant also purchases generation for Escondida from **AES Gener's** 544 Angamos coal-fired project that has returned to the market for a refinancing. The original 2008-vintage debt is notable for making it to the finish line through an incredibly volatile year by invoking a market disruption clause (see story, page 1). Banks have submitted financing proposals to lead the refi that will likely be executed via bonds.

Yield companies continue to captivate the power industry (see story, page 1). A JV between **Acciona** and **KKR** is shooting for an initial public offering next year for a vehicle that could garner a $2 billion market capitalization, dwarfing IPOs for existing yieldcos. The JV and **SunEdison**, which is unveiling its second yieldco backed by assets in Africa and Asia, is among five other outfits that may come to market next year.

The expiring investment tax credit has bankers mulling new financing structures for solar projects, according to attendees at **Solar Media**'s Next Generation Solar PV Finance in New York this week (see story, page 1). Some bankers say a reduction in tax equity investment could pave the way for more activity in the sector for yieldcos, which struggle with reconciling tax equity investors with shareholders in the capital stack. Other financiers are more skeptical, noting the dearth of successful solar project financings without tax equity.

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

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GENERATION AUCTION & SALE CALENDAR

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

Generation Sale DATABASE

Seller	Assets	Location	Advisor	Status/Comment
Abengoa	Various (181 MW Wind, Solar)	Spain, Uruguay		These will be Abengoa Yield's first acquisitions (PFR, 10/6).
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PFR, 3/17).
● ArcLight Capital Partners, Government of Singapore Investment Corp.	Stake (Southeast PowerGen)	Various, Georgia	Citi	Carlyle is buying out the stakes (see story, page 5).
ArcLight Capital Partners	Victoria (330 MW CCGT)	Victoria, Texas	UBS	Sale is near launch (PFR, 4/7).
ArcLight Capital Partners	Sun Peak (222 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PFR, 5/12).
ArcLight Capital Partners	Hamakua (60 MW CCGT)	Hawaii	Energy Advisory Partners	Teasers out (PFR, 7/28).
ArcLight Capital Partners	Bayonne (512 MW CCGT)	Bayonne, N.J.	Morgan Stanley	Teasers recently out (PFR, 9/22).
Atlantic Power Corp.	Fleet (2.1 GW)	Various	Goldman Sachs, Greenhill	First round bids are in (PFR, 6/30).
Burrows Paper Corp.	Lyonsdale Associates (19 MW Hydro)	New York		Burrows in final stages of selling (PFR, 8/25)
Calpine	Osprey (550MW CCGT)	Florida	TBA	Comes after Duke recently said it wanted to build not buy plants (PFR, 9/1)
Centaurus Capital	Avalon (29 MW Solar)	California		Coronal Group is buying it (PFR, 10/6).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Harlingen, Texas	Blackstone	Looking for equity and debt (PFR, 8/11).
Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	Dynegy is buying it (PFR, 9/1).
E.ON Climate & Renewables North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Looking to sell 80% of several projects (PFR, 9/15).
EDF EN Canada	Stakes (Wind)	Quebec		Enbridge is upping its stakes in two farms (PFR, 10/6).
EDF Renewable Energy	Portfolio (57 MW Solar)	California		Dominion is buying (PFR, 9/22).
Enel Green Power North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Sale process recently started (PFR, 9/15).
Entegra Power Group	Portfolio	Arizona, Arkansas	Houlihan Lokey	Filed for Ch. 11 bankruptcy (PFR, 8/11).
● Exelon Corp.	Quail Run (550 MW Gas-Fired)	Odessa, Texas	Citi	Starwood has agreed to buy it (see story, page 5).
Exelon Corp.	Fore River (809MW Gas-Fired)	Massachusetts	Morgan Stanley	Calpine is buying it (PFR, 9/1).
FGE Power	Portfolio (1.5 GW CCGT)	Texas	Fieldstone	Starwood has taken equity in two projects (PFR, 7/28).
First Solar	Imperial Valley (150 MW Solar)	Imperial County, Calif.	TBA	First Solar is considering retaining a passive stake (PFR, 9/8).
Geronimo Energy	Various (Wind)	Various	Barclays	Algonquin has bought one project (PFR, 9/15).
NTR	Portfolio (Wind)	Various	TBA	Will take pitches to sell Wind Capital Group (PFR, 9/8).
NaturEner USA	Portfolio (399 MW Wind)	Montana		Morgan Stanley fund is taking over the assets (PFR, 8/25)
Olympus Power	Grant County Wind Farm (20MW Wind)	Minnesota	Ewing Bemiss	The deal power price is set at $69.10 per MWh for first ten years (PFR, 9/1) .
Riverstone Holdings	Sapphire Power (807 MW Gas)	Various	Barclays	On the market recently (PFR, 8/25).
Stark Investments	Grays Harbor (723 MW Gas)	Grays Harbor County, Wash.	TBA	Invenergy is buying out Stark's stake (PFR, 8/18).
Stonepeak Infrastructure	Stone Mills (11 MW Solar)	Napanee, Ontario		DIF Infrastructure is buying it (PFR, 9/18).
SunShare	Portfolio (9.6 MW Solar)	Colorado	Infrastructure Finance Advisors	High interest; moved to second round (PFR, 8/18).
Tenaska	Westmoreland (950 MW Gas)	Pittsburgh, Pa.	Whitehall	Looking for development capital (PFR, 8/18).
Traxys	White Pine (40MW Gas-Fired)	Michigan	TBA	Biotech shop bought as backup generation for underground garden (PFR, 9/1).
Upstate New York Power Producers	Cayuga (306 MW Coal)	Lansing, N.Y.	Blackstone	Teasers recently went out (PFR, 6/23).

● **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.
To report updates or provide additional information on the status of financings, please call Managing Editor Holly Fletcher at (212) 224-3293 or e-mail holly.fletcher@powerfinancerisk.com

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PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Alterra, Fierra Axium	Jimmie Creek (62 MW Hydro)	British Columbia	AMP Capital	TBA	$110M	9-yr	AMP will disperse funds in three tranches (PFR, 9/15).
	Shannon (204 MW Wind)	Texas		TBA			
Apex Wind	Balko Wind (30 0MW Wind)	Oklahoma	TBA	TBA	TBA	TBA	Sponsor takes pitches from prospective MLAs (PFR, 9/8).
Cape Wind Associates	Cape Wind (468 MW Wind)	Cape Cod, Mass.	MUFJ, Natixis, Rabobank	TBA	$150M	TBA	Conditional loan guarantee came from the Department of Energy (PFR, 7/1).
Cobra Energia	Peru Portfolio (122 MW Wind)	Peru	U.S Ex-Im	TBA	$65M	17-yr	The Cobra projects have 20-year offtaker contracts with Peruvian government (PFR, 8/27).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Cameron County, Texas	Blackstone	TBA	TBA	TBA	Debt and capital raise has had several setbacks (PFR, 8/11).
Competitive Power Ventures	St. Charles (725 MW Gas)	Maryland	Ares	Back Leverage	$45M	TBA	The debt is reportedly in the price range of LIBOR + 845-900 bps (PFR, 9/29).
Dominion Energy	Cove Point (LNG Export)	Calvert County, Md.	Barclays, Citi, JPM	TBA	TBA	TBA	Dominion plans to IPO an MLP to partially fundy (PFR, 8/4).
Enel Green Power N.A.	Goodwell (200 MW Wind)	Texas	TBA	TBA	TBA	TBA	Secures tax equity from JPMCC, MetLife and BNY Mellon (PFR, 9/23).
Enel Green Power N.A.	Origin (150 MW Wind)	Oklahoma	TBA	TBA	TBA	TBA	Secures tax equity from JPMCC, MetLife and BNY Mellon (PFR, 9/23).
Energy Investors Funds	Newark (705 MW Gas)	Newark, N.J.	Credit Ag, GE EFS, MUFJ	TBA	$590M	TBA	Deal closed on strong interest (PFR, 6/30).
Energy Investors Funds	Oregon (800 MW Gas)	Oregon, Ohio	BNP, Credit Ag	TBA	TBA	TBA	Deal is about to launch at L+325 (PFR, 8/18).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	$1B	TBA	Has opted for project finance loan over B loan (PFR, 7/28).
GDF Suez, Pemex	Los Ramones II Sur (178-mile Pipeline)	Mexico	Santander	TBA	TBA	TBA	BNP Paribas is also advising on the $1B project (PFR, 8/11).
Greenwood Energy, ILIOSS	Portfolio (250 MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsors are speaking to lenders and potential mid-size commercial and industrial offtakers (see story, page xxx).
Invenergy	Le Plateau 2 (21.5 MW Wind)	Quebec	BayernLB	TBA	TBA	TBA	Deal wraps (PFR, 9/8).
Invenergy	Spring Canyon (60 MW Wind)	Spring Canyon, Colo.	Rabobank	TBA	TBA	TBA	Deal wraps (PFR, 9/8).
Korea Southern Power Corp., Samsung C&T	Kelar (517 MW Gas)	Chile	Natixis, BTMU, SMBC, Mizuho, Santander KEXIM	Gaurantee, VAT, LC, Working Capital	$310M	TBA	Deal is set to wrap in the next month (see story, page xxx).
NextEra Energy Resources	Bluewater (60 MW Wind)	Lake Huron, Ontario	TBA	TBA	TBA	TBA	Sponsor is talking to lenders in the U.S. to finance the project (PFR, 5/19).
NTE Energy	Multiple (Gas)	Various, U.S.	Whitehall	TBA	TBA	TBA	Looking to arrange PPAs for a portion of gas-fired trio (PFR, 8/4).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	TBA	TBA	TBA	TBA	Sponsor is looking for tighter pricing than its K2 financing (PFR, 5/26).
Samsung Renewable Energy	Kingston (100 MW Solar)	Ontario	RBC, Connor Clark & Lunn	TBA	$500M	TBA	Lenders are beginning to circle up (PFR, 7/21).
D.E. Shaw	Red Horse 2 (51MW Wind)	Arizona	Santander, Sabadell	TBA	$170M	20-yr	Near financial close (PFR, 8/25).
Starwood Energy Global Group	Stephens Ranch II (165 MW Wind)	Texas	Citi, Morgan, MUFJ	Construction	$207M	TBA	Firms will also make tax equity investments in the project (PFR, 8/25).
Sempra U.S. Gas & Power	Energía Sierra Juárez (156 MW Wind)	Baja California, Mexico	MUFJ	TBA	-$250M	TBA	On track to close within two weeks (PFR, 6/2).
Tenaska	Brownsville (800 MW CCGT)	Brownsville, Texas	TBA	TBA	TBA	TBA	Tenaska is in early stages of talks, plans to wrap by year-end (PFR, 6/30).
Tenaska	Westmoreland (950 MW CCGT)	Pittsburgh, Pa.	Whitehall	TBA	TBA	TBA	Looking for development capital (PFR, 8/18).
Transmission Developers	Champlain Hunson (Transmission)	New York	RBC	TBA	-$1.6B	TBA	Sponsor is aiming to line up the debt by year-end (PFR, 3/3).

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EFH Moves Toward Oncor First Round

Energy Future Holdings' transmission and distribution subsidiary **Oncor** is attracting attention from a wide variety of companies weighing whether to bid on the entity in a bankruptcy run process.

Berkshire Hathaway Energy, **CenterPoint Energy**, **Hunt Consolidated**, **Iberdrola**, **Macquarie Group affiliates** and **NextEra Energy** are among those looking at the utility, say observers. **Entergy** may also be considering getting involved, says an observer. "There are definitely some looking who we've raised our eyebrows at," says one banker, noting there are a handful of unexpected funds or strategics that may work toward submitting a first round bid.

Evercore, EFH's advisor in the bankruptcy process and on the sale of Oncor, reached out to more than 50 potential buyers, say deal watchers, noting that the pool ranged from obvious buyers to funds and strategics that have only sniffed around the utility sector. "It's a waiting game until first round bids are due to see who is actually serious," says a deal watcher.

There had been chatter and press reports that **Bank of America Merrill Lynch** was involved in the sale process. However, the firm has not been hired and no motion to retain BAML has been filed with the U.S. **Bankruptcy Court for the District of Delaware**, says a deal watcher, adding that Evercore is the lead advisor from EFH's perspective. Boutique restructuring investment bank **Miller Buckfire** is advising Oncor, which is ring-fenced from EFH.

A stalking horse is expected to emerge on Oct. 23, per a deadline proposed to the court by EFH. A second round of bids would be due by Nov. 21, according to court filings. There is an Oct. 17 court hearing to approve bid rules. EFH will select the stalking horse bid. A court-run auction would be held in New York.

EFH owns 80% of Oncor and proceeds from a sale would be used to pay down a portion of its $42 billion in debt.

The sale process could be delayed depending on what happens in the court proceedings, says an advisor, who chuckled about the delays and side tangents that have already occurred in the bankruptcy process. The sale of Oncor could stretch into next year depending on whether the timeline gets extended and how long it takes to negotiate a deal that accounts for complexities around tax situations.

FAST FACT

$42b

Energy Future Holdings expects to use proceeds from the sale of Oncor to pay down a portion of its $42 billion in debt.

The Texas **Public Utilities Commission** will need to approve any sale that occurs from the bankruptcy process. The state regulator could decide to take a harder look at transactions given that the last large, notable power and energy merger in Texas was the deal that took **TXU Energy** private. ■

Starwood Ropes Quail Run From Exelon

Starwood Energy Group has agreed to buy the Quail Run combined cycle facility in Texas from **Exelon Power**, a subsidiary of **Exelon Corp**.

The deal is Starwood's second play for gas-fired generation in Texas in the last three months. It recently took a stake in a pair of combined cycle projects totaling 1.5 GW that are being developed by **FGE Power** (PFR, 7/22).

Exelon has been looking to sell the 550 MW Quail Run facility in Odessa, Texas, as well as its 809 MW Fore River combined cycle in North Weymouth, Mass., in separate auctions since it received unsolicited offers for both facilities.

Citigroup is running the Quail Run sale. **Morgan Stanley** advised on the Fore River auction, which resulted in a $530 million sale to **Calpine Corp**. (*PFR*, 8/25). ■

Carlyle Scoops Southeast PowerGen Majority Stake

The Carlyle Group has agreed to buy **ArcLight Capital Partners** and **Government of Singapore Investment Corp**.'s stakes in **Southeast PowerGen**.

Carlyle will own 75.05% of **Southeast PowerGen** via two funds, **Carlyle Power Opportunities Capital Partners L.P**. and **Carlyle Power Partners II L.P**. The remaining stake will stay with **GE Energy Financial Services**. ArcLight owns 50.1% of Southeast PowerGen.

Southeast PowerGen owns two combined cycle facility and six peakers in Georgia, listed below, that total 2,815 MW. The deal will be bring Carlyle's generation portfolio to about 4.3 GW.

- 320 MW Monroe in Monroe
- 450 MW Walton in Monroe
- 602 MW Washington in Linton
- 640 MW Sandersville in Sandersville
- 515 MW Effingham CCGT in Rincon
- 300 MW Mid-Georgia Cogen CCGT in Kathleen

Southeast PowerGen has been on the market in some fashion for about 18 months. ArcLight originally tapped **Citigroup** and **Barclays** to run sale, which saw **Quantum Utility Generation** emerge as the frontrunner only to be bested by **Highstar Capital** (*PFR*, 8/1/13 & 3/17). ArcLight ultimately shelved the auction and re-ignited the auction with Citi at the helm. Carlyle bought **Cogentrix Energy** from **Goldman Sachs** two years ago.

Gas-fired generation in the Southeast is coming into focus as medium- to long-term play for private equity shops that are bullish on the region given potential plant retirements and gas influx from the Marcellus and Utica shale plays.

Transaction details such as financing plans or purchase price could not be immediately learned. A Carlyle spokeswoman in Washington, D.C., declined to comment. ■

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NEXT GENERATION SOLAR PV FINANCE

Solar Media hosted over 100 developers, bankers, attorneys and investors at its Next Generation Solar PV Finance conference at the Andaz Hotel in New York on Sept. 29. Panelists debated the impact that of yield companies and the investment tax credit step-down on solar portfolios and access to tax equity. Managing Editor **Holly Fletcher** filed the following stories.

Developers, Financiers Ponder Post-ITC Solar Landscape

« FROM PAGE 1 ceo of **Jigar Shah Consulting** and founder of **SunEdison**. He told attendees that financiers would be petitioning privately for the ITC to lapse. "Privately because if you do it publicly you'll lose your job," he joked with the audience.

Other lenders are wary of whether solar project financings will be feasible once the ITC is diminished. **Chris Diaz**, senior v.p. of renewable energy at **Seminole Financial Services**, cautioned against heeding stories about projects that work without the ITC. "You hear that 'you don't need ITCs to make deals work,' but I haven't seen one without the ITC that works," Diaz said, adding that the ITC should be in place "for as long as possible until someone has a solution."

The decrease in the available amount of tax equity investment could change the economics of some projects as tax equity investors write correspondingly smaller checks. However, a smaller tax equity component could provide more opportunity in solar assets and distributed generation portfolios for yield companies, which often struggle to reconcile the interests of shareholders with those of tax equity investors in the capital stack.

Some investors are interested in smaller utility scale or commercial projects, said **Tony Dorazio**, president of **OCI Solar Power**. Tax equity investors traditionally have preferred pools of residential projects or utility scale projects because it's more economical to perform due diligence and write bigger checks compared to smaller, singular transactions.

OCI recently found a private company that was interested in testing the tax equity waters and did a private placement for a solar project outside of San Antonio. "Don't let people tell you that smaller is harder. You just have to find the right people."

Albert Luu, structured finance v.p. of **SolarCity**, said that tax equity investors will still have plenty of opportunities to deploy their dry powder. The solar tax equity market will remain a multi-billion dollar industry because of growth of development pipelines, said Luu, adding that SolarCity is growing its pipeline by 100% a year. ■

REPORTERS NOTES

■ Bids for the Wal-Mart request for proposals to put solar projects atop its stores nationwide saw bids come in at $2 per watt.

■ Municipalities are the "belle of the ball" for solar developers hunting offtake agreements, said **Dino Barajas**, partner at **Akin Gump Strauss Hauer & Feld**, adding that "everyone is looking to date them."

■ Autumnal bites: Chocolate and almond covered apples made for a crunchy, sweet mid-morning snack.

Citi Blueprints Energy Efficiency Securitization Pair

A pair of energy efficiency securitization deals is percolating at **Citigroup** that could hit the market in the next six months.

The first deal likely to hit investors' desks is expected to be structured as an unrated, medium-term issuance in the neighborhood of $20-25 million, says an observer. There is enough investor demand for the paper that the issuer opted to go forward with an unrated deal to seize on the interest, notes the observer.

The second deal will be rated and is expected to come to market in the first quarter, says the observer. That deal will be backed by about $125 million in collateral. The issuer of this offering reportedly wanted to hit that size of a collateral pool before doing a deal.

Details, including the identity of the issuers or whether the securitizations will be backed by residential or commercial assets could not be immediately learned. A Citi spokesman declined to comment. Whether it's a single issuer or a pair of issuers could not be immediately learned.

These latest deals are on a swifter trajectory than the first solar securitizations, notes one solar securitization investor, referencing the multi-year lull between when the market began talking about transactions and when **SolarCity Corp**. issued the first deal in November.

Energy efficiency assets can be more familiar to securitization investors because of programs such as PACE or the repayment of a loan that was used for upgrades. **Kilowatt Financial**, a financial services company focused on residential energy efficiency and solar that is based in Wayzata, Minn., received a $100 million debt facility from Citi last year to finance a residential energy efficiency loan unit. The shop likens its loan stream to other consumer credit-backed securitization classes and was looking to tap into that existing investor market (*PFR*, 1/24).

The energy efficiency market in the U.S. could use $520 billion in upfront capital expenditures, which could be recovered in 10 years, according to a report from **McKinsey & Co**. Bankers who are involved in energy efficiency companies say that the McKinsey report has stoked a lot of interest with private equity and hedge funds. ■

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By the publisher of GlobalCapital

PROJECT FINANCE

Lenders Circle Chile Gas-Fired Deal

A group of lenders aim to wrap a financing backing the 517 MW combined cycle Kelar project that joint venture sponsors **Samsung C&T Corp**. and **Korea Southern Power Corp**. are developing in northern Chile this month.

Natixis is the financial advisor to Samsung and Korea Southern Power (PFR, 1/6). **Mizuho**, **Sumitomo Mitsui Banking Corp**., **Bank of Tokyo Mitsubishi-UFJ** and the **Export-Import Bank of Korea** are participating in the deal.

KEXIM is providing a $191 million loan to the $600 million project and will also guarantee $156 million of loans in the package. The transaction will include an $87 million commercial bank facility, $12 million of working capital, $20 million in letters of credit and a VAT facility provided by **Banco Santander**.

Bank officials either declined to comment or did not respond to inquiries by press time and details such as pricing, tenor and the size of the VAT facility, could not be learned. Samsung and KOSPO representatives did not respond to inquiries.

The JV won the mandate to develop the project from **BHP Billiton** last November. Kelar will sell its generation to BHP's mines in the region, including Escondida, the world's largest copper mine by productions. KOSPO owns 65% of the JV, while Samsung owns 35%. The project is scheduled for operation in 2016. ■

Greenwood, ILIOSS Hunt Financing For Mexico Solar

Solar joint venture partners **Greenwood Energy** and **ILIOSS** are talking to banks about financing a $500 million, 250 MW portfolio of distributed generation in Mexico.

The sponsors, along with Greenwood's parent **Libra Group**, have relationships with about 60 lenders worldwide, notes **Esteban Tripodi**, head of Latin America for Greenwood in New York. ILIOSS and Greenwood are also talking to multilateral agencies for funding for the projects, Tripodi says.

The companies are in the process of signing commercial and industrial offtakers, though it hasn't finalized any agreements yet. Middle market industrial and commercial companies are the ideal offtakers for the solar installations because of relatively high electricity rates compared to larger operations, notes **David Arelle**, ceo of ILIOSS, who is based in Mexico City. These types of entities pay between $0.10 to $0.13 per kWh for power and the solar projects could save them 17% to 20%, Arelle says. The installations will likely be about 300 kW on average

Greenwood and ILIOSS are working with electric equipment manufacturer **Schneider Electric** to find suitable offtakers for 20-year contracts. "We pay a lot of attention to the company because you want to make sure the it's going to be solvent through the 20 years. We're looking at medium and small companies with a good credit history," Tripodi says. Schneider will provide electric equipment for installations for clients it brings to Greenwood and ILIOSS.

Greenwood is looking to maintain a roughly 25:75 debt to equity ratio on the projects. It will aim to pool together $100 million to $150 million of assets before bringing them to the bank or debt capital markets to term out debt, Tripodi says. They will use proceeds from these deals to continue building out the portfolio. The initial pool of projects will be funded by Greenwood and some incremental debt. The strategy is akin to transactions that Libra Group has carried out in its aviation and shipping businesses, he adds.

Greenwood, which has a 2 GW solar pipeline in Latin America, partnered with commercial rooftop solar developer ILIOSS last year (PFR, 8/22). ILIOSS has constructed roughly 33 MW of projects on buildings owned by retailer **Tiendas Soriana** in Mexico. The Libra Group, owned by the **Logothetis** family, has more than 30 subsidiaries across aviation, shipping, renewable energy, commercial and residential real estate and other sectors. It is based in London and New York.

The identity of potential lenders could not be learned. ■

Innergex Seals LifeCo Debt For B.C. Hydro Project

Innergex Renewable Energy has closed a C$92.9 million ($83.4 million) package financing its C$112 million ($102.9 million) Tretheway Creek run-of-river hydro project in British Columbia.

The loan will convert from a construction loan to a 40-year term loan at the start of operation, according to Innergex. The principal will amortize over 35 years, beginning in the sixth year. The loan was arranged by **National Bank Financial** and **Sun Life Assurance Co. of Canada** and carries a 4.99% fixed interest rate. National Bank Financial is the financial agent.

The company generally looks for about 75% to 85% leverage in its hydro deals (PFR, 5/16). Innergex, based in Longueuil, Quebec, has been looking to finance Trethaway Creek with a tenor that matches the its 40-year power purchase agreement with **BC Hydro** since early 2013 and rigorously engaged lenders in discussions in May.

Innergex has been using its C$425 million ($381.5 million) revolving term credit facility that matures in 2018 to fund development and construction on Trethaway as well as a pipeline of wind, solar and hydro projects (PFR, 6/18/2013).

The 21.2 MW Tretheway Creek project is north of Harrison Hot Springs, B.C., and went into construction last year. It's targeted to come online near the end of 2015.

A spokeswoman for Innergex could not immediately comment further. ■

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INDUSTRY CURRENT

Latin America: Practical Insights from Developers – Part I

Todd Alexander

This week's Industry Current is the transcript of a discussion between developer from **AES Corp**. and **SunPower** as well as geothermal and wind shops on practical lessons learned in Latin America at **Chadbourne & Parke**'s 25 Annual Global Energy and Finance conference in Washington D.C. The discussion is moderated by **Todd Alexander**, partner at Chadbourne.

The panelists are:
John Haberl, a director with **AES Corp**.,
Natalie Jackson, managing director for project finance at **SunPower Corp**.,
Greg Raasch, co- founder and executive vice president of geothermal developer **GeoGlobal Energy**, and,
Niels Rydder, ceo of wind developer **Oak Creek Energy Systems**.

ALEXANDER:
Niels Rydder, it is a big world. You have worked in many different countries. Why pick Mexico as your next focus?

RYDDER: We picked Mexico about two and a half years ago when we started to sense the opportunities in the U.S. were waning. I have been here for 30 years, and there have been many times when we have had to take a break from the U.S. market because production tax credits have expired. Each time, we looked elsewhere so that we could maintain a stable business. The first time, we went to Europe and then to Canada and now to Mexico.

ALEXANDER: Why Mexico?

RYDDER: I work for a subsidiary of **Marubeni Corp**. Unfortunately, my share of the market is limited to North America, so it is Canada, the U.S. or Mexico.

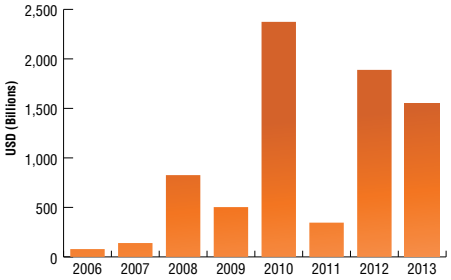
We saw an opportunity in Mexico two and a half years ago, but I have to admit that is a totally different discussion than we are having today. The projects on which we have been working were under a legal regime that is about to change. Many more opportunities are opening up. The Mexican market will soon be in transition. Whether we should stay in Mexico is actually another question.

ALEXANDER: We will come back to that. Natalie Jackson, SunPower is owned 60% by the French oil company **Total**. You, too, have the whole world to choose. Why are you devoting so much energy to Mexico and Chile?

> **We have been more successful in self-supply, but with the new regulations, Mexico will become an area of increasing focus.**
>
> John Haberl, AES Corp.

JACKSON: We have been thinking about where we want to focus after 2016 when the current tax subsidies for solar expire in the U.S. We have identified certain markets, but we continue to explore others, particularly in the Middle East and Africa because of Total's presence there.

Mexico New Investment In Renewables*



*Includes marine, biofuels and waste-fired.

Source: Bloomberg New Energy Finance

We began looking at Latin America two years ago. We identified Mexico and Chile as two of the most attractive markets based on sunlight and the political and regulatory climates. It was helpful that Total already had people on the ground in both countries.

We are in the middle of building our first large project in Chile in the Atacama desert. We are the solar panel supplier and EPC contractor. For future projects, we are co-developing with Total, and we are looking to hold an equity position as well.

It was possible two years ago to see that changes were coming to Mexico, but we saw opportunity in Mexico even before the latest changes. Given the possibilities that we see with the changes, we are pretty excited about it, but we recognize that it will develop on a slower time frame than Chile. We have offices now in Mexico and Chile, and we are actively developing our second and third projects in Chile.

ALEXANDER: Greg Raasch, why Chile?

RAASCH: GeoGlobal Energy is the other renewable, geothermal. We have to go where the resource is, and it turns out that Chile has some great geothermal resources. Chile is blessed with 10% of the world's volcanoes, and there is a huge need for power in Chile. Some of you may have read that last week the government finally cancelled the Hydro

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The primary focus in Mexico currently is a little like it was in the U.S. last year. We are trying to preserve as many projects as possible through grandfathering.

Niels Rydder, Oak Creek Energy Systems

Aysen hydro project, which removes 2,500 MW from the 10-year plan, so Chile is a great place to do business, and it is going to be an exciting place in the next five to 10 years.

ALEXANDER: John Haberl, AES was a pioneer years ago in Chile.

HABERL: Our strategy has changed over the last couple years and may change again. We used to be in 28 countries. We have been selling assets that no longer fit our strategic plan. We remain in 21 countries today. Chile and Mexico are two of those countries. We own a publicly-traded subsidiary in Chile that has about a $4 billion market cap.

ALEXANDER: Why exit seven other countries, but hold on to assets in Chile and Mexico?

HABERL: We chose to remain in countries where we feel we have a competitive advantage. We have a very significant presence in Chile. We have 1,000 MW of additional generating capacity under construction in Chile. Our new strategy is to build in places where we have a presence and we think our development efforts will be more successful as opposed to the strategy in the past of going anywhere there was a deal. Similarly in Mexico, we have 1,000 MW: one project where we sell to the CFE and two self-supply projects. We have been more successful in self-supply, but with the new regulations, Mexico will become an area of increasing focus.

Mexico in Transition

ALEXANDER: Clients are always asking lawyers where we see new deals as a way of picking up market intelligence. My answer the last few years has been Mexico. I have been telling them everybody is looking at Mexico, and the country looks fantastic.

However, I was just down there a few weeks ago and, with all the reforms that are going on, it looks horrible, especially for renewable energy projects. Everything seems paralyzed.

Niels Rydder, your company is a developer with long experience in these markets. Which of these two views is more accurate?

RYDDER: The primary focus in Mexico currently is a little like it was in the U.S. last year. We are trying to preserve as many projects as possible through grandfathering. The primary focus of the wind association, for example, is to decide which projects can be grandfathered under the old rules and which projects work under the new rules. It is not yet clear how projects work under the new rules.

As a developer, you want everyone else to stay away from Mexico and leave it to us. We are perfectly happy to be alone in that market.

ALEXANDER: Natalie Jackson, the solar market has not been great in Mexico. Only one large project has been done to date.

JACKSON: The country has favored wind. The sole large solar project was a merchant deal in Baja. We are all waiting to see the new rules for opening the power sector to more private investment and specifically what happens to renewables. We expect that the rules will be more favorable than they have been. The solar resources are great in certain parts of Mexico. We have been actively developing projects in the country for a little over a year and a half, and we have found some good sites. Our plan is to focus on a couple projects where we are pretty advanced in terms of getting permits in the hope that those projects will be grandfathered. These are self-supply projects rather than under the small producer contracting scheme.

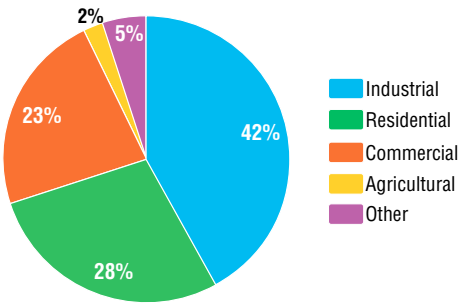
Merchant in Chile

ALEXANDER: Let me shift focus to Chile. Unlike Mexico, Chile is not in the midst of structural reforms. Developers usually do not feel they have a project until they have signed a long-term power purchase agreement to sell the electricity. Chile seems to be moving in a unique direction with lenders willing to finance merchant projects. John Haberl, how important is it to AES to have a PPA in Chile?

HARBERL: The market in Chile is well functioning, so people will take some merchant exposure.

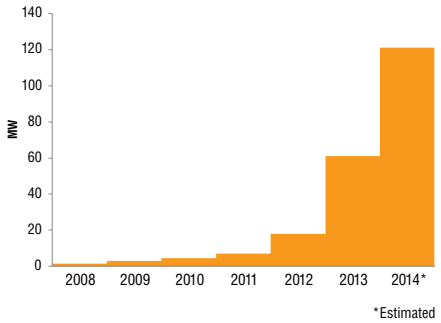
One of our new projects currently under

Mexico Electricity Sales 2013



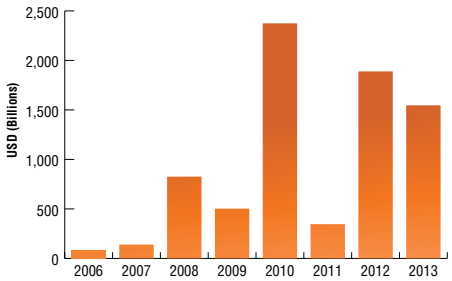
Source: Deloitte

Installed PV In Mexico



Source: Conermex

Mexico New Investment In Renewables*



*Includes marine, biofuels and waste-fired.

Source: Bloomberg New Energy Finance

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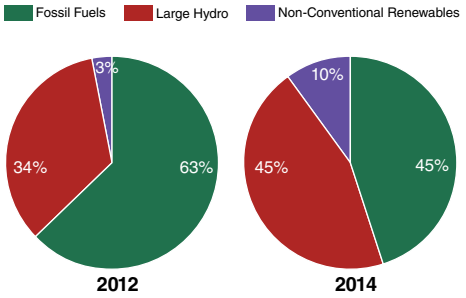
Chile Energy Mix



Source: Chile National Energy Strategy - 2012

construction is at a mine, and we were able to get contracts in place prior to construction so that the financing was arranged on a partly contracted basis with the lenders taking the remainder of the merchant risk going forward.

Our other new project is a hydro facility. It was a lot more difficult to get a contract for it because the construction period is so long and offtakers do not want to wait five years, and there is some uncertainty around when the project will be finished, so we went to the banks and asked whether they would finance the project on a merchant basis. Most said no, so we ended up relying on the multilateral lending institutions. The multilaterals have a good understanding of the market and actually, in some cases, preferred that we not enter into a contract because of their experience with a contracted hydroelectric project where construction was delayed. The local banks in Chile were also comfortable with the market and were willing to let us go into construction with no contracts. We have an obligation to put contracts in place during construction.

ALEXANDER: Why is AES comfortable taking merchant risk in Chile?

HABERL: We know the market very well. We are a top- three power producer in the country. The hydro project is not far from Santiago, which is a major load center. The project is zero variable cost, so it will always be dispatched. In the north of the country where our mine project is located, it is a little more difficult because the merchant markets have been soft and there is competition from gas with nearby LNG facilities. So we ended up on the project contracting for 100% of the electricity output before closing.

ALEXANDER: Natalie Jackson, does SunPower have the same view as AES of merchant risk in Chile?

JACKSON: Our first project is fully merchant and was financed with the **Overseas Private Investment Corp**. We could not have secured financing from the commercial banks either locally or internationally.

Our next projects will not be merchant. Our management is not comfortable moving forward with another merchant project at this point, so we are looking actively for offtakers. The challenge with talking with the mining companies is they are looking for 24-7 power. That is not what a solar project produces.

There are a lot of solar developers chasing contracts, and the offtakers do not want to commit until they know there is a viable project. Many of them are saying we will contract with you when you complete the project. That is not very helpful for financing.

We are finding that there are local commercial banks and a couple international commercial banks that will agree to a pretty low debt service coverage ratio for the contracted piece of the project and a different debt service coverage ratio for the merchant piece with an ability to borrow more if you add a PPA later.

Chile is also talking about possible reforms. The way the local electric distribution companies are procuring power is not very favorable for renewable energy. We are hoping that some of that will change.

ALEXANDER: It does not take long to build a solar photovoltaic project. Have you given any thought using your own equity to build and then financing the projects after they are in service?

> **The challenge with talking with the mining companies is they are looking for 24-7 power. That is not what a solar project produces.**
>
> Natalie Jackson, SunPower Corp.

Q1 2014 Latin America Mandated Lead Arranger Ranking

Rank	MLA	% Share
1	Banco do Brasil	19.9
2	Banco Santander	16.4
3	BPCE SA	12.9
4	Mizuho Financial Group Inc	11.8
4	Sumitomo Mitsui	11.8
6	Arab Banking Corp	6.8
7	BNDES	4.7
7	Sudene	4.7
9	BANRISUL	4.6
10	CABEI	3.2
10	Nederlandse Financierings	3.2

Source: Dealogic

JACKSON: We are weighing out all our options. We would like to be in construction with our next project by late 2014 or early 2015.

ALEXANDER: Greg Raasch, will you start drilling geothermal wells in Chile before you have a power contract?

RAASCH: We did. Two years ago, we drilled the largest geothermal well in Chile and for that matter in South America. It is a 12 MW well. We decided on that basis to move ahead with building a demonstration plant. It will be the first geothermal power plant in Chile. The PPA market is poorly developed in Chile. It is hard to get a long enough tenor, and the PPAs impose terms that make projects difficult to finance. Therefore, we approached the multilaterals, and we got term sheets from OPIC, the **Inter-American Development Bank** and the International Finance Corp. We also got some interest from commercial banks, especially **ING**, which had just worked with us on a successful project in the U.S. We have had no trouble going merchant with the international financial institutions. The five-year running average for spot prices in Chile is $151/MWh, so merchant does not look bad in Chile. ■

Check back next week for the second installment of this week's Industry Current, when participants discuss crime in Mexico and the impact on project financing, rates of return and financing terms.

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Yieldco Sweep-September

« FROM PAGE 1 are targeting the first quarter for taking their wind and solar joint venture public (*PFR*, 9/29). Some estimates put the JV's expected market capitalization around $2 billion. Acciona and KKR retained **Goldman Sachs** and **JPMorgan** late this summer to lead the IPO. The pair have been joined by other unidentified co-leads in the last month, say deal watchers.

SunEdison, which launched yieldco **TerraForm Power** in July, announced plans Monday to take a second yieldco public in the U.S. that will house assets in Africa and Asia. The Acciona and KKR yieldco will consist of a portfolio of 2.5 GW of wind and solar assets in the U.S., Canada, Latin America, Europe, India, South Africa and Australia. SunEdison has filed a confidential S-1 with the U.S. **Securities and Exchange Commission**.

The next round of yieldcos are likely to include shops that are smaller than existing outfits, such as **NRG Yield**, **Pattern Energy** and **NextEra Energy Partners**, that went public in the last year. Bankers and investors expect to see some companies attempting to list with a $500 million market capitalization next year. The sweet spot for yieldcos has been roughly $1 billion, but companies could be successful with different types of portfolios, such as distributed generation solar assets.

As investors become more comfortable with yieldcos, they are going to look less at the portfolio size and more at the total return, Redinger said. Investors want total returns to be in the range of 12% to 15%, the panelists agreed. Institutional and retail investors are intrigued by yieldcos because they offer an opportunity to invest in hard assets, said **Jigar Shah**, ceo of **Jigar Shah Consulting**.

Financial players are in the market to aggregate assets into yieldcos to take advantage of attractive returns in an environment that provides an obvious exit, according to **Swami Venkataraman**, senior credit officer at **Moody's Investors Service**.

There are a handful of shops that are quietly buying assets in bilateral transactions to build portfolios. One such company, Lightbeam Electric Co., a financial shop based in Sausalito, Calif, has been courting developers this year, trying to line up assets that could go into a public company (*PFR*, 2/11). Acciona sought a co-investor in its portfolio earlier in the year (*PFR*, 2/28). KKR agreed in June to buy a one-third stake for EUR417 million ($567 million) (*PFR*, 6/27).

The identity of the other co-leads in KKR and Acciona's IPO as well as details about how many more banks will be hired or when a public S-1 filing will be made with the U.S. **Securities and Exchange Commission** could not be immediately learned. ■

Banks Bid For $700M+ AES Gener Refi

« FROM PAGE 1

rates of over 450 basis points that year, this project's pricing topped out at 220 bps as lenders agreed to invoke a market disruption clause that hadn't been used in decades—including after Sept. 11, 2001. The lenders confidentially submitted their perceived costs of funding to an agent who calculated the average rate, to be used for six months before the cost of the loan automatically switched back to LIBOR.

The original transaction was buoyed by a $675 million guarantee from **Korea Export Import Insurance Corp.**, the export agency's first deal in Latin America. Eleven banks took tickets in 17.5-year deal, which garnered PFR's Deal Of The Year Award for the Americas (*PFR*, 4/17/2009).

BHP Billiton has a long-term power purchase agreement with Angamos, which is in Mejillones. BHP uses the generation to power its operations at Escondida, the world's largest copper mine by production.

AES Gener spokeswomen in Santiago, Chile, did not respond to inquiries by press time. Details, such as the identity of prospective lenders and those of the banks on the original deal, could not be learned. ■

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The $28M solar investment in @NYCSchools is the first step to 100 MW of new solar on City-owned buildings. http://on.nyc.gov/1CAOtJM

@WindLawyer
<deletes draft email> MT @hollyfletcher: Citi gets 10-12 requests for tax equity a week. Even yes, once a week = 52. No way to do 52 a yr

@ERCOT_ISO
October demand tops 58,000 MW for first time in ERCOT history. (Preliminary Oct. 1 peak 58,421 MW) http://www.ercot.com/content/cdr/html/actual_-loads_of_weather_zones …

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