

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE

● MERGERS & ACQUISITIONS

● PEOPLE & FIRMS

Conergy Finances Second NC Solar Fleet

German solar shop Conergy has signed a \$55 million loan with **MMA Energy Capital** and **Fundamental Advisors**.

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Talen Finds Buyers for Pa. Assets

TransCanada will buy a gas-fired plant and **Brookfield Renewable Energy** two hydro plants from **Talen Energy**.

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LatAm PF Banker Rejoins Mizuho

Mizuho Bank has rehired a project finance banker who left in 2007 to head its new Latin American project finance group.

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SunEd Pauses Yieldco Drop-downs

Olivia Feld

SunEdison has unveiled a new strategy in an attempt to halt and reverse its share price decline amid volatility in energy stocks.

The renewables sponsor plans to sell its assets to third parties or transfer them to one of its four warehouses instead of dropping almost all of them into its yield companies, **TerraForm Power** and **TerraForm Global**.

On a call with investors on Wednesday, SunEdison's management said it would implement the alternative strategy as long as "market dislocation" exists. "As the market conditions evolve, we will further refine the mix between third party and retained megawatts as appropriate," **Brian Wuebbels**, SunEdison's cfo, told investors on the call.

Stock in the Bethesda, Md.-based company rose by 11.85% after a call on Wednesday to \$9.72 at the close of trading. But that was still 75% lower than its \$33.45 peak in July.

SunEdison also announced that it would cut its operating expenses by \$300 million in 2016, from a prior estimate of around \$900 million to \$600 million. The company's management says it will achieve this by cutting its global work force by 15% and reducing the number of projects it plans to develop,

slashing the total capacity of projects under development from between 4.2 GW and 4.5 GW to between 3.3 GW and 3.7 GW.

The company says it remains committed to its two yieldcos for their long term functionality, but will be making greater use of its four warehouses in the short term. TerraForm Power and TerraForm Global, which both went public in the last

15 months, were created to house operating contracted assets, pay investors a dividend yield and raise capital for the parent company.

"We were and are excited about the yieldco opportunity in the long term, but the reality is that it's a nascent market. It's a very small piece of the market and it's not moving the

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Brian Wuebbels

Fortistar Seals Landfill Gas Duo and \$150M Loan Package

Olivia Feld

Fortistar has acquired two landfill gas to energy projects totaling 11 MW from **Green Gas Americas**, after sealing \$150 million in financing.

The financing included a \$125 million term loan and a \$25 million revolving credit facility. The seven-year term loan was priced at 275 basis points over Libor, with a 25 basis points step up after four years.

MUFG Union Bank, **Investec** and **CoBank** led the deal, which closed the week beginning Sept. 28. The group of lenders was expanded to

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Southern Co. Issues Debut Hybrid Debt

Richard Metcalf

Southern Co. has priced its first junior subordinated debt, a month after the three main rating agencies said its proposed acquisition of **AGL Resources** would impair its credit metrics.

The borrower priced the \$875 million non-call five hybrid issuance at 6.25%, the tight end of its initial price thoughts, and a greenshoe option could increase the size of the transaction to \$1 billion.

Bank of America Merrill Lynch, **Morgan Stanley**, **UBS** and **Wells Fargo Securities** were

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● THE BUZZ

Can the Yieldco Bounce Back?

After months of stock volatility, **SunEdison** has announced that it is putting asset drop-downs to its yield companies on hold and considering other ways of realizing the cash value of its projects (see story, page 1).

SunEd's declaration comes the same week that **Moody's Investors Service** lowered its credit rating for **NRG Energy's** rival yieldco, **NRG Yield**, from Ba1 to Ba2, in large part because low share prices have restricted its access to the equity capital markets (see story online).

These are just the latest reactions to a market phenomenon that participants are describing as a "dislocation", a failure of the market to price assets correctly.

In September, **NextEra Energy** altered the financing strategy for its acquisition of Texas gas pipeline company **NET Midstream**, reducing the amount of public equity that its yieldco, **NextEra Energy Partners**, would issue (PFR 9/02).

And back in August, **Canadian Solar's** cfo, **Michael Potter**, told investors that the company had alternative plans to monetize its assets if necessary, although its plans to float a yieldco remained "on track". In the same call, ceo **Shawn Qu** laid out a time frame of late this year or early in 2016 for the launch (PFR 8/20).

It's a far cry from April, when aspiring yieldco **Lightbeam Electric** filed an S-1 form for

an initial public offering which has so far failed to see the light of day (PFR 4/17). The first half of the year culminated with **8point3 Energy Partners** pricing 20 million shares at \$21, the top end of the guidance range, in its IPO on June 19 (PFR 6/19).

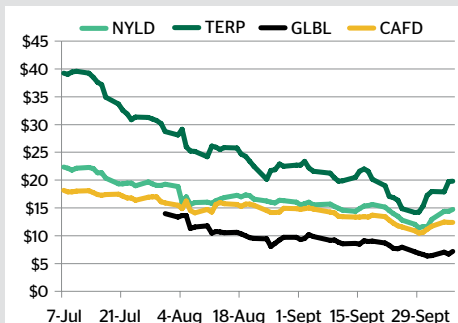
Those shares closed at \$13.32 on Thursday Oct. 8.

Not everyone is sorry to see the yieldco model struggle. Announcing the acquisition of two solar projects in Hawaii, **Macquarie Infrastructure Corp.**'s ceo **James Hooke** said turbulence in the yieldco space would allow his company to grow its portfolio of renewable assets without raising new capital (see story, page 7).

However, recent days have seen a bounce in the share prices of **TerraForm Power**, **TerraForm Global**, **NRG Yield** and **8point3**.

Is it a dead cat bounce, or will the yieldco live to fight another day? ■

Selected Yeildco Stocks, Last Three Months



Source: Nasdaq

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markets and we welcome your feedback.

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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
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).
Competitive Power Ventures	Sentinel (800 MW Gas, 25%)	Riverside County, Calif.		A portfolio co. owned by Partners Group has acquired a 25% stake in the project (PFR 10/5).
Dominion Resources	Portfolio (425 MW Solar, 33%)	U.S.		SunEdison is acquiring the stake with equity raised by JPMorgan (PFR 9/14)
EDF Renewable Energy	Longhorn (200 MW Wind, 50%)	Floyd and Brisco counties, Texas		A fund managed by Blackrock Infrastructure has acquired the 50% stake (PFR 10/5).
Energy Future Holdings	Transmission & Distribution Assets	Texas		Hunt Consolidated is acquiring EIF subsidiary Oncor as part of bankruptcy exit (PFR, 8/17).
First Solar	Desert Stateline (300 MW Solar)	San Bernardino County, Calif.		Southern Power has taken a controlling stake through a tax equity partnership flip transaction (PFR 9/7).
GE Financial Services	Linden (953 MW Gas, 50%)	Linden, N.J.		Ares-EIF has acquired GE FS's 50% stake. Highstar Capital owns the remaining 50% (PFR 10/5).
● Green Gas Americas	Pioneer (8 MW Landfill Gas)	Birdsboro, Pa.	Shearman & Sterling (legal)	Fortistar has agreed to acquire the projects after closing a \$150M financing for its LFG to energy portfolio (see story, page 1).
	Port Charlotte (3 MW Landfill Gas)	Punta Gorda, Fla.		
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 (PFR 9/28).
● Korea Western Power Americas	Townsite (180 MW Solar)	Clark County, Nev.		Skylar Resources has acquired the project to service a 50 MW 25-year PPA with Glendale (CA) Water & Power (see story, page 6).
LS Power	Portfolio (4,300 MW Gas)	U.S.	Citi, Morgan Stanley	LS Power has taken second round bids (PFR 9/28).
OwnEnergy	Portfolio (2 GW 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).
Quantum Utility Generation	Passadumkeag (40 MW Wind)	Penobscot County, Maine	BNP Paribas	A SunEdison subsidiary is set to acquire the project (PFR 10/5).
Recurrent Energy	Tranquility (200MW Solar, 51%)	Fresno County, Calif.		Southern Power has acquired a controlling interest in the project (PFR 9/7).
Star West Generation (Highstar)	Portfolio (523 MW Gas, stake)	California		AltaGas has acquired the projects for C\$642M (PFR 9/28).
SunEdison	Three Cedars (210 MW, 50%)	Utah		Dominion is investing \$320M in 50% cash equity and 99% tax equity stakes (PFR 9/14)
● Talen Energy	Ironwood (778 MW, Gas)	Lebanon, Pa.	Credit Suisse, Kirkland & Ellis (legal)	TransCanada has agreed to acquire the project for \$654M following an auction (see story, page 6).
	Holtwood (252 MW, Hydro)	Holtwood, Pa.	RBC Capital Markets, Simpson Thacher & Bartlett (legal), Morrison & Foerster (legal, buyer)	Brookfield Renewable Energy and institutional partners have agreed to acquire the assets for \$860M (see story, page 6).
	Lake Wallenpaupack (40 MW, Hydro)	Hawley, Pa.		
	Unknown (approx 300 MW)	U.S.		
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 (4,900 MW Various)	U.S.	Barclays	The asset sale had been delayed until after the PJM auction (PFR 8/31)
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).
Upstate New York Power Producers	Somerset (668 MW Coal)	Somerset, N.Y.		Riesling Power (Blackstone) is acquiring the projects in a transaction expected to close in December (PFR 10/5).
	Cayuga (312 MW Coal)	Lansing, N.Y.		

● 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).
Conergy	Portfolio (27 MW Solar)	North Carolina	Solar Construction Lending (MMA Energy Capital, Fundamental Advisors)	Construction, Term	\$55M	TBA	A portion of the debt will convert into a term loan (see story, page 5).
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).
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	
Innergex Renewable Energy	Mesgi'g Ugju's'n (150 MW, Wind)	Avignon, Québec	National Bank Financial Markets, SunLife Assurance Co. of Canada	Construction, Term Loan	C\$103M	C+9.5-yr	The C\$49.2M tranche will be repaid with the proceeds of a reimbursement by Hydro-Québec for the electrical substation. The deal also included two letters of credit facilities totalling \$38.4M (PFR 10/5).
					C\$159.5M	C+19.5-yr	
					C\$49.2M	Construction	
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	Price talk on the senior secured term loan is 325bps over Libor. S&P has rated the modified senior term loan B+ (see story, page 5).
				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 basis points 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).
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 (PFR, 9/28).
			Investec, another joint lead	Term Loan A	>\$445M	6.5-yr	The deal has launched and price talk is 550bps to 575bps over Libor (PFR, 9/28).
Recurrent Energy (Canadian Solar)	Mustang (100 MW Solar)	Kings County, Calif.	Santander	Construction, Term, Tax Equity Bridge	\$165M	TBA	Santander plans to syndicate the loan in the coming weeks (PFR, 9/14).
			U.S. Bancorp	Tax Equity	101M	TBA	
Recurrent Energy (Canadian Solar)	Tranquillity (200 MW Solar)	Fresno County, Calif.	NordLB, Rabobank, Santander, KeyBanc, CIT, CIBC	Construction, Letters of Credit, Term	\$337M	TBA	The deal has closed (PFR, 9/14).
Ares EIF	St Joseph Energy Center (New Carlisle, Ind.	BN P Paribas	Term	\$400M	TBA	The deal has launched and price talk is 325bp over Libor (PFR 10/5).
SunEdison	Comanche (120 MW Solar)	Pueblo, Colorado	First Reserve Warehouse	Warehouse facility	\$253 million	TBA	SunEdison drew on its \$1.5 billion First Reserve Warehouse facility for the construction financing (PFR, 8/30).
			Wells Fargo	Tax Equity	TBA	TBA	

New or updated listing

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PROJECT FINANCE ●

Conergy Nets Loan for Seven N.C. Solar Projects

A joint venture between **MMA Energy Capital** and **Fundamental Advisors** has provided a \$55 million loan package to Conergy for the construction and operation of a portfolio of seven solar projects in North Carolina.

The loan will cover 100% of the cost of building the projects, and once they are complete, a portion of the facility will convert into a term loan, said **Bob Hopper**, managing director at MMA Energy Capital. The size and tenor of the term loan could not be established.

Conergy, a solar developer and nascent independent power producer headquartered in Hamburg, Germany, acquired the projects on April 17, according to a recent filing with the **North Carolina Utilities Commission**. The projects, all between 3 MW and 5 MW in size, were originally developed by **Sunlight Partners**, which is managed by **Cate Street Capital**.

The fleet, which went into construction in September and is slated to go online in early 2016, comprises:

- ◆ the 3 MW Amethyst Solar project in

- Rutherford County,
- ◆ the 5 MW Sophie Solar project in Cleveland County,
- ◆ the 3 MW Audrey Solar project, also in Cleveland County,
- ◆ the 5 MW Star Solar project in Durham County,
- ◆ the 3 MW Milo Solar project in Alamance County,
- ◆ the 3 MW Minnie Solar project in Alamance County, and
- ◆ the 5 MW Owen Solar project in Catawba County.

The projects will sell their output to **Duke Energy Carolinas** under a 15-year power purchase agreement.

Conergy also owns a 22 MW portfolio of solar projects in North Carolina, which it acquired from **Holocene Clean Energy**.

The Holocene portfolio, which sells its output to another **Duke Energy** subsidiary, **Duke Energy Progress**, attracted interest from a number of potential buyers, including **NextEra**, but Conergy ultimately decided to hold onto the assets and set up as an independent power producer (PFR 9/29).

"Conergy continues to increase its pipeline beyond these projects, and is attracting further investment partners looking for quality projects," **Yann Brandt**, Conergy's regional head of the Americas, told *PFR*. ■

S&P Rates Rejigged Invenergy Loan

Standard & Poor's has left its rating of a loan for **Invenergy** unchanged after the borrower modified the structure of the debt package.

The loan, backing a 2 GW portfolio of gas-fired projects in North America, got a credit rating upgrade from B1 to Ba3 from **Moody's Investor Service** after Invenergy reduced the size of the senior secured loan (PFR 9/21).

But S&P has given the new loan a B+ rating, the same as it gave the originally proposed loan which failed to launch.

S&P has, however, increased the recovery rating on the loan from 2 to 1, indicating a very high level of recovery should the borrower, **Invenergy Thermal Operating I**, default.

The borrower was originally looking for a \$537 million seven-year senior secured facility, but the deal faltered and was relaunched as a \$390 million senior loan alongside a \$200

million second-lien term loan C. The size of a \$70 million five-year revolving credit facility remained unchanged.

"They have the optionality of deferring payments on the term loan C if they don't have cash, but in the best case they will service that debt also, so in the rating analysis, the probability of default analysis, we capture that risk," said **Aneesh Prabhu**, an analyst at Standard & Poor's.

"It does make the term loan B better in terms of collateral," he added. "So we've reflected that in the recovery score."

The rating agency has calculated that Invenergy Thermal Operating I's debt service coverage ratio will initially be between 1.31 and 1.33 times under the proposed package of loans, and will rise to about 1.4 times by 2019.

Morgan Stanley and the **Industrial and Commercial Bank of China** are the book-runners for Chicago-based Invenergy's deal.

Price talk on the senior secured tranche is said to be 325 bps over Libor (PFR 9/24). ■

MERGERS & ACQUISITIONS ●

Fortistar Seals Landfill Gas Duo and \$150M Loan

◀ FROM PAGE 1

include **East West Bank** and **Raymond James Bank**.

White Plains, N.Y.-based Fortistar is using the loan for multiple purposes, including putting \$90 million towards repaying an outstanding loan and increasing its working capital facility from \$22 million to \$25 million. The excess proceeds were used to acquire

the Green Gas Americas projects, as well as to provide additional reserves for acquisitions, development and internal growth.

The two operational projects acquired by Fortistar both have long-term power purchase agreements. The 8 MW Pioneer Energy project, located in Birdsboro, Pa., has a PPA with **Constellation Energy**. While the 3 MW Port

Charlotte Energy project, located in Punta Gorda, Fla., has a PPA with the **Orlando Utilities Commission**. The purchase price of the facilities has not been disclosed.

"We're still looking for additional assets in the space. We're still in growth mode," **Mark Comora**, president at Fortistar, tells *PFR*. The private investment firm has a "buy, improve and hold strategy", Comora explains. Fortistar owns 58 landfill methane, co-gen and biomass proj-

ects across the U.S. and Canada, according to its website.

Palm City, Fla.-based Green Gas Americas acquired the Port Charlotte Energy project from **Lime Energy** in 2013.

Fortistar did not use a financial advisor for either transaction. **Shearman and Sterling** acted as its legal counsel for the acquisition, while **Baker, Donelson, Bearman, Caldwell & Berkowitz** advised on the financing. **Hunton & Williams** acted as lenders' counsel on the loan. ■

● MERGERS & ACQUISITIONS

Talen Sells Three Pennsylvania Assets in 'Frothy' Market

Talen Energy Corp. has agreed to sell two hydro projects to a subsidiary of **Brookfield Renewable Energy Partners**, and a gas-fired plant to **TransCanada**, for a combined \$1.51 billion.

The sales, totaling 996 MW of generation, are part of a divestment Talen must make to comply with conditions imposed by the U.S. **Federal Energy Regulatory Commission** on the company's formation earlier this year.

TransCanada has agreed to acquire the 778 MW gas-fired Ironwood facility in Lebanon, Pa. for \$654 million, which a person familiar with the deal described as a "robust valuation," following an auction process.

"It's a frothy market right now," said the source. "There's a lot of money coming in."

Investors in the energy space

are looking increasingly at power while oil and gas seem unattractive, he added. "Private equity are all over it, hedge funds are all over it, and the strategics are after it too," he said.

"It's a frothy market right now. There's a lot of money coming in. Private equity are all over it, hedge funds are all over it, and the strategics are after it too."

With the purchase, TransCanada will assume \$42 million of debt, which it will repay within 45 days of the closing of the deal using funds placed in an escrow

account by Talen.

The acquisition will strengthen TransCanada's portfolio of assets in the region and the company continues to look for further pipeline and generation opportunities, a spokesperson told *PFR*.

TransCanada will use cash on hand and already available debt to pay for the purchase.

Credit Suisse advised Talen on the sale of Ironwood, and **Kirkland & Ellis** acted as transaction counsel. TransCanada did not use a brokerage or external counsel.

Brookfield, meanwhile, is buying the 252 MW Holtwood project on the Susquehanna River in Holdwood, Pa. and the 40 MW Lake Wallenpaupack facility in Hawley, Pa., jointly with institutional partners, for \$860 million. Brookfield's stake in the hydro projects will be 40%.

Interest in the assets was strong in part because they cleared the recent PJM capacity auction, said a person familiar with the deal.

Part of the purchase price of the hydro assets will be funded with the issuance of third party investment grade debt, slated to close at the same time as the acquisition.

RBC Capital Markets advised Talen on the sale of the hydro assets, and **Simpson Thacher & Bartlett** was transaction counsel. **Morrison & Foerster** was Brookfield's legal advisor on the deal.

Talen expects to make \$1.16 billion from the sales, which it says it will use to pay off debt. The transactions are subject to regulatory approvals and are slated to close in the first quarter of next year.

CRANE DOWN THE LANE?

Talen was formed when **PPL Corp.** merged its unregulated generation business with a portfolio of projects owned by private equity firm **Riverstone**, in a transaction which FERC approved on the condition that the entity sell some of its PJM assets.

Talen originally submitted two possible divestiture plans, which FERC approved, but last week the company made a modified proposal, on the basis that it would be difficult to find a buyer for one of the assets it had initially intended to sell (PFR 10/1).

The latest plan involves selling the 399 MW coal-fired C.P. Crane plant in Middle River, Md., in addition to the Ironwood, Holtwood and Lake Wallenpaupack facilities.

Whether Talen is in talks with potential buyers of the Crane facility, and whether the company has hired an advisor for the sale, could not immediately be learned. ■

Houston Firm Acquires Nevada Solar Project from Kowapo

Houston-based developer **Skylar Resources** has bought the option rights to develop a 180 MW solar project in Clark County, Nev., from **Korea Western Power Americas** (Kowapo).

The Townsite project, located within the limits of Boulder City, is fully permitted and eligible for investment tax credits, according to an announcement by Skylar.

The developer is in the process of arranging financing options, including tax equity investments, says a spokesperson for Skylar.

Energy marketing company **Skylar Energy** set up Skylar Resources last year to supply the city of Glendale, Calif. with renewable energy, according to records of the Aug. 25 meeting of **Boulder City Council**, at which the transfer of the option from Kowapo to Skylar was approved.

Late last year, Skylar signed a 25-year power purchase agreement with **Glendale (CA) Water & Power** for 50 MW of renewable energy. The developer plans to sign further PPAs for the remaining capacity at Townsite.

Offtakers could include "municipalities, utilities and large commercial and industrial users of power including data centers," according to Boulder City's records.

The project has an interconnection agreement with the **Western Area Power Administration**, and Skylar has acquired an agreement with Western to allow the project to supply customers outside of its territory, including those served by California ISO, the **Los Angeles Department of Water and Power** balancing authority and **NV Energy**, according to the announcement by Skylar.

The developer also plans to construct solar storage at the project to make its output more reliable. ■

MERGERS & ACQUISITIONS ●

Macquarie to Invest in Hawaii Solar Projects

Macquarie Infrastructure Corp. has announced its first planned investments in Hawaiian generation assets, while hinting that market turbulence hitting yieldcos could help it expand its portfolio.

The **Macquarie Group** subsidiary, which owns **Hawaii Gas**, will make a \$6 million equity investment in two solar projects totalling 6.5 MW in Hawaii.

The projects have 20-year power purchase agreements and are scheduled for completion in mid-2016.

The construction and operation of the facilities will be funded with tax equity and post-construction financing alongside MIC's equity contribution. MIC expects its equity transaction to close by

the end of October.

"In addition to our investments in renewable power in Hawaii, the dislocation in the yieldco sector, together with our balance sheet strength, means that MIC has the ability to continue to add attractive projects to our portfolio without the need to raise new capital," said **James Hooke**, MIC's ceo, in a statement announcing the deal.

MIC had the opportunity to sell some of its generation assets when yieldcos went on a buying spree, but chose not to, according to deal watchers.

Since then, market volatility has hit yieldcos, sending their share prices plummeting. On May 28, **Global X Funds** launched an exchange traded fund to provide investors

with exposure to yieldco equities. The share price of the **Global X YieldCo Index ETF** has since fallen from \$15.38 after its first day of trading to about \$11 on Oct. 5.

Deal watchers say the dislocation in the yieldco sector could have an impact on the valuations of renewable assets, making it an attractive market for buyers such as MIC.

"I assume they think that there are good valuations of assets, so they could buy some more," said one. "They haven't been big believers in the yieldco space."

A New York-based equity analyst agreed, saying that generation assets were undervalued in his view.

James Hooke was not immediately available for comment. ■

STRATEGIES ●

SunEd Switches Strategy, Pauses Yieldco Drop-Downs

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market today," Wuebbels told investors.

SunEdison plans to move between 2.5 GW and 2.7 GW of operating and under construction projects into its four warehouses. The tenors of the warehouses range from five to seven years. The latest, the **JP Morgan Asset Management Strategic Equity Partnership**, has an undisclosed tenor.

The sponsor's management noted that the warehousing of assets would not necessarily be temporary. "The equity owners would love to own the assets forever," Wuebbels said, referring to the JP Morgan warehouse, adding: "If TerraForm doesn't call those assets, then the warehouse has the option to sell those or to keep them, we have an option but not an obligation to do that."

The increased use of warehouse facilities as a holding mechanism raised concern among market participants. "The key question emerging from today's update relates to how pricing will be dictated to the warehouse structures, as margin step-ups of operating assets are realized in transfers to these structures that had previously been characterized as simply 'credit facilities'," **Julien Dumoulin-Smith**, an analyst at **UBS**, wrote in a research note issued on Thursday.

SunEdison stressed that despite the challenging market conditions, pricing on non-recourse financing for projects has not been affected. Banks continue to underwrite projects with power purchase agreements and contracted cash flows, management said, adding

that investors including pension and infrastructure funds continue to chase high quality assets in a continuing climate of uncertainty around an expected hike in interest rates.

On the call SunEdison also confirmed that it is pursuing an asset-backed securitization with the residential solar assets it is acquiring from **Vivint** and will look to pair up with an equity partner on the deal. The acquisition of Vivint is expected to close in the fourth quarter of this year.

Earlier in the week, SunEdison's deal to acquire **Latin American Power** collapsed. LAP is majority-owned by **BTG Pactual SA**, a Brazil-based investment bank, and **Patria Investimentos**, a Brazilian advisory firm and infrastructure fund, which is backed by the **Blackstone Group**. SunEdison

says that the agreement was terminated after the sellers failed to satisfy conditions necessary for the share purchase agreement. A spokesperson for Latin American Power in Chile could not be reached by press time.

The acquisition of the hydro and wind project sponsor was announced in May as part of a push by the company into the Latin American market. SunEdison says that it remains committed to developing projects in the US, Latin America and China, but that it will pull out of the UK market due to a lack of profitability. ■

NRG Yield Downgraded

In other yieldco news, **Moody's Investors Service** has downgraded **NRG Yield's** credit rating after a review. See the full story online at www.powerfinancerisk.com/borrower-strategies ■

● PEOPLE & FIRMS

Mizuho Hires Head of LatAm PF

Mizuho Bank has rehired a banker for the newly created position of senior v.p. and head of project finance in Latin America. The appointee previously worked at the bank covering natural resources in the same region.

Dorian Calderon started at the bank in New York on Oct. 5, and leads a team responsible for marketing, originating, advising and executing project and structured finance deals in Latin America across the oil and gas, power and infrastructure sectors.

Mizuho previously divided its coverage of the Americas along sector lines. This change in structure is a recognition that the bank is looking to grow its presence



Dorian Calderon

in Latin America, Calderon tells *PFR*.

Calderon joins the bank from **Crédit Agricole**, where he was a managing director for just over eight years. At the bank he covered structured deals in Latin America across industries including power and infrastructure. He worked on a number of benchmark project finance deals for the bank in Mexico, Columbia and Peru. Before

this, Calderon was a director at **Crédit Agricole's** investment banking arm when it operated under the **Calyon** brand.

From 1999 to 2007 Calderon was a senior v.p. at Mizuho, where he was responsible for leading the natural resource group coverage, mainly in Latin America. ■

● ALTERNATING CURRENT

LA Dodgers Sign SunRun



SunRun has sealed a sponsorship deal with the **Los Angeles Dodgers** for the next two seasons, continuing the residential solar shop's marketing push with baseball teams.

The company unveiled branded signage at Dodger Stadium during the 2015 season and presented events such as 'Kids Take the Field', where youngsters get to meet their sporting heroes.

"We're excited to expand our portfolio of professional sports partnerships by serving as an official residential solar company of the National League West champions, the Los Angeles Dodgers," said **Michael Grasso**, Sunrun's chief marketing officer, in a statement.

Earlier this year, SunRun announced partnerships with the **New York Yankees** and the **San Diego Padres**. ■

● STRATEGIES

Southern Co. Issues Debut Hybrid Debt

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the bookrunners.

The highly subordinated notes have equity-like features—such as the possibility to defer coupon payments—which mean they count partly as equity in the ratings agencies' eyes, and issuing them can bolster a borrower's credit rating.

Moody's Investors Service will treat Southern Co.'s hybrids as 25% equity when calculating the company's financial leverage, while **Standard & Poor's** regards them as having 50% equity content.

"The use of junior subordinated notes is fairly common in our industry, with many of America's leading energy companies uti-

lizing similar securities," said a company spokesperson. "This particular transaction diversifies Southern Company's investor base and adds to our already substantial financial flexibility given the long maturity and other equity-like features of the junior subordinated notes."

The notes have a legal maturity of 60 years in order to meet the permanence requirement to qualify for this treatment, but they can be called by the issuer after five. This structure is in line with hybrids issued by borrowers such as **NextEra**, **PPL Corp** and **Dominion Resources**.

The hybrid transaction comes about five weeks after Southern Co. announced it had agreed to acquire Atlanta-based natural gas distributor AGL for about \$8 billion in cash.

Following that announcement, on Aug. 24, Moody's and S&P

changed the outlook on Southern Co.'s credit ratings from stable to negative, while **Fitch** placed the issuer on Rating Watch Negative. The company's senior unsecured ratings from the three rating agencies remained unchanged, at Baa1, BBB+ and A, respectively.

"The transaction will result in a significant increase in debt at the Southern holding company level at a time when holding company debt has already been increasing, partly to support funding needs at utility subsidiary **Mississippi Power** and portfolio growth at wholesale power company **Southern Power**," said **Michael Haggarty**, associate managing director of the infrastructure finance group at Moody's.

Because of their subordinate position in the capital structure, the hybrid notes have lower credit ratings. Moody's, S&P and Fitch have rated Southern Co.'s subordi-

nated notes Baa2, BBB and BBB+ respectively—in each case one notch lower than the company's senior debt.

The deal was launched on Oct. 1 as a \$250 million transaction with initial price thoughts of 6.25% to 6.375%, and was priced the same day as an \$875 million deal at 6.25%.

"Quite often in these \$25 par deals the announcement size is more of a placeholder," said a banker at one of the bookrunners. "It was always intended to grow, and there is a greenshoe option so it might ultimately be larger." The distribution channels are similar to those for the \$25 par pref share market, he added.

Another banker at one of the leads said the deal had been well received by the market, pointing to the \$1 billion transaction size, should the greenshoe option be exercised in full. ■