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Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing
By the publisher of GlobalCapital

RESTRUCTURING

Exelon Texas IPP Files for Chapter 11

ExGen Texas Power Holdings has filed for bankruptcy protection after an auction of its assets did not produce a sale. Page 7

PEOPLE & FIRMS

Ex-WestLB Banker Returns to New York

There has been a game of musical chairs on the New York project finance desks recently. Check out the latest moves. Pages 12 and 9

D.C. BUZZ

Blowing in the Wind: Two Tax Reform Plans

House and Senate Republicans have laid out two tax reform visions, creating uncertainty for the wind industry. Page 12

Mexico Tweaks Auction Rules as Banks Weigh Loans

Michael Turner

As developers round up loans to finance Mexican renewables projects in the wake of two aggressively-bid power auctions, the government continues to tinker with market design amid sweeping reforms that could see power purchase prices drop even lower.

The **European Investment Bank** is the latest new lender to finance Mexican renewables projects, signing a $100 million loan for 330 MW of wind farms at the end of October.

The EIB loan will be provided to **Nacional Financiera** (Nafin) for on-lending to **EDP Renewables**' 200 MW Eólico de Cuahuila project in Cuahuila and **BlackRock**'s 180 MW La Bufa project in Zacatecas, under loans originally signed in 2015 and PAGE 5 »

Starwood Emerges as Coal-fired Portfolio Buyer

Fotios Tsarouhis

Starwood Energy Group Global has agreed to acquire **Ares-EIF**'s interests in a portfolio of coal-fired assets, as well as an additional stake in one of the projects that is held by a high-profile individual on the *Forbes 400* list of the wealthiest Americans.

Funds managed by Starwood will purchase all of Ares-EIF's interests in the four projects under the terms of the deal, which came about as a result of an auction process that was launched in April.

Citigroup is advising Ares-EIF on the sale of the portfolio, marketed as Project Excalibur, which advanced to a final round in September with four bidders vying for the assets (PFR, 5/22, PFR, 9/25).

The assets Starwood is acquiring from Ares-EIF include a 33.88% stake in the 720 MW Plum Point facility near Osceo- PAGE 7 »

"There drew he forth the brand Excalibur!"

Sponsor Seeks Equity for Renaissance Project in PJM

Fotios Tsarouhis

American Power Ventures has launched an equity raise for its 1,020 MW Renaissance gas-fired project in Pennsylvania, with two investment banks advising on the deal.

Bank of America Merrill Lynch and **Fieldstone Private Capital Group** are advising the sponsor.

APV intends to PAGE 2 »

Exelon Offers Term Loan B Investors "New Money" Deal

Fotios Tsarouhis

Exelon Corp. launched a $750 million term loan B backing an almost 1.8 GW U.S. renewables portfolio on Nov. 3, offering investors a rare "new money" deal during a period dominated by repricings and refinancings.

Morgan Stanley is the bookrunner on the senior secured deal, issued through **ExGen Renewables IV**, which PAGE 8 »

POWER UP: CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER @POWERFINRISK

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PROJECT FINANCE

Sponsor Seeks Equity for Renaissance Project in PJM

« FROM PAGE 1

select investors by the end of the year, says a deal watcher familiar with the company's plans. The project is slated to reach financial close in the second quarter of next year and be online in June 2021.

Financing quasi-merchant gas-fired projects in **PJM Interconnection** has become trickier after capacity cleared the latest auction at lower prices than many market participants expected, but sponsors are pushing ahead with several projects.

Among them are **Advanced Power**, with its 1.1 GW South Field project in Columbiana County, Ohio, and **Clean Energy Future**, with its 940 MW Trumbull project in Trumbull County, Ohio (PFR, 10/20).

Bankers are also "working furiously" on bringing a debt financing to market for **Panda Power Funds**' 990 MW Mattawoman project, according to one of them.

"I don't think any will close before the end of the year," says a project finance banker away from the deals. "There's probably only going to be one more of these done in the next twelve months, whether it's Mattawoman, South Field, Trumbull. It's hard to see, with the capacity price, how you can have three new 1 GW plants."

Also as a result of the capacity auction outcome, some sponsors are refocusing their development efforts on projects in zones where pricing was less disappointing, notes another banker.

"There is now a race toward building something in higher price zones," he says. "In the Eastern PJM and **Duke Energy** zones, the pricing was substantially higher than in RTO."

APV is developing the Renaissance project in Monongahela Township, which is in the RTO zone, on the site of **FirstEnergy Corp.**'s former 1.7 GW Hatfield's Ferry coal-fired plant, which was decommissioned in 2013.

FirstEnergy subsidiary **Allegheny Energy Supply** is in the process of selling the site to APV for $40 million, and APV plans to keep one of the two cooling towers for the Renaissance project, while demolishing the other.

Its location, near sources of cheap gas, and its ability to utilize some of the existing infrastructure at the site, are cited as factors that will give the project a competitive edge in a teaser seen by *PFR*.

The size of the equity investment sought for Renaissance could not immediately be learned, but the project is expected to cost $900 million in total (PFR, 4/7).

Siemens is providing two gas turbines and one steam turbine for the plant and has provided "material development capital", according to the teaser.

Officials at Fieldstone and BAML in New York and APV in Morristown, N.J., either declined to comment or did not respond to inquiries.

Additional reporting by Richard Metcalf. ■

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

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

GENERATION AUCTION & SALE CALENDAR ●

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

Generation Sale DATABASE

Seller	Assets	Location	Adviser	Status/Comment
Alterra Power Corp.	Portfolio (364 MW Hydro, Solar, Wind)	Canada, U.S.	National Bank Financial, Marathon Capital (seller), BMO Capital Markets (buyer)	Innergex is acquiring the portfolio as part of its purchase of the company (PFR, 11/6).
Apex Clean Energy	Portfolio (12 GW, Wind, Solar)	U.S., Canada	CohnReznick	A sale process for the developer has moved into a second round (PFR, 8/14).
ArcLight Capital Partners	Portfolio (1.6 GW Wind)	U.S.	BAML	ArcLight has put the portfolio, known as Leeward Renewable Energy, up for sale (PFR, 10/9).
ArcLight Capital Partners	New Covert (1,040 MW Gas)	Van Buren County, Mich.	BNP, Whitehall	ArcLight has mandated banks to execute a potential sale of the asset (PFR, 10/30).
● Ares-EIF	Plum Point (670 MW Coal, 34%)	Osceola, Ark.	Citi	Starwood Energy Group Global is acquiring the Ares-EIF's shares in the assets (see story, page 1).
	Carneys Point (262 MW Coal, 60%)	Carneys Point, N.J.		
	Logan (219 MW Coal)	Logan Township, N.J.		
	Morgantown (62 MW Waste coal, 65%)	Morgantown, W.Va.		
Ares-EIF, I Squared Capital	Oregon Clean Energy Center (869 MW Gas)	Lucas County, Ohio	Barclays, Credit Suisse	A sale process for the project is underway (PFR, 5/15).
Ares-EIF, Highstar Capital	Linden (974.1 MW Gas)	Union County, N.J.		Two Japanese utilities are acquiring the project (PFR, 11/6).
● Clean Energy Collective	Portfolio (5.4 MW Solar)	Carbondale, Colo.		Nautilus Solar Energy has acquired the community solar portfolio (see story, page 6).
Dayton Power & Light	Portfolio (973 MW Gas)	Midwestern U.S.		DPL is seeking a buyer for the assets (PFR, 9/11).
Edison International	SoCore Energy (160 MW DC Distributed Solar)	U.S.	Marathon Capital	The auction for the company is entering a second round (PFR, 10/30).
Energy Capital Partners	Wheelabrator Technologies (1.2 GW Biomass)	U.S., U.K.		ECP has put the company up for sale (PFR, 8/21).
GE Energy Financial Services	Fairview (1,050 MW Gas, 25%)	Jackson County, Pa.	Citi	GE EFS is marketing its stake in the project (PFR, 9/5).
Infinity Renewables	Portfolio (6.6 GW Wind, Solar)	U.S.	CIBC	The company is for sale (PFR, 6/5).
Innovative Solar Systems	Portfolio (460 MW Solar)	Texas		The company is seeking a buyer for the three-project portfolio (PFR, 10/9).
Kenon Holdings	IC Power (3,894 MW Gas, Hydro, Oil, Wind)	Latin America, Caribbean, Israel		Kenon has entered negotiations to sell the subsidiary (PFR, 7/31).
Lincoln Clean Energy	Amazon (253 MW Wind)	Scurry County, Texas	Whitehall & Co.	Whitehall is running a sale for the assets (PFR, 11/6).
	Willow Springs (250 MW Wind)	Haskell County, Texas		
LS Power	Carville (501 MW Gas)	St. Gabriel, La.	RBC Capital Markets	LS Power has hired RBC to sell the merchant facilities (PFR, 8/14).
	Hog Bayou (237 MW Gas)	Mobile, Ala.		
● McNair Group	Morgantown (62 MW Waste coal, 35%)	Morgantown, W.Va.		An investment vehicle owned by Houston Texans owner Bob McNair will sell its stake to Starwood Energy Group Global (see story, page 1).
Morgan Stanley	NaturEner USA (399 MW Wind)	Montana	Morgan Stanley	Morgan Stanley is selling NaturEner, which owns development wind assets in Alberta as well as the 399 MW operational wind portfolio in Montana (PFR, 5/15).
NextEra Energy Resources	Portfolio (691 MW Wind, Solar)	California, North Dakota, Texas		NextEra Energy Resources is dropping a portfolio of assets into NextEra Energy Partners (PFR, 11/6).
● NRG Energy	Portfolio (38 MW Solar)	U.S.		NRG Yield has acquired the assets from its sponsor (see story, page 6).
Pacific Gas & Electric	DeSabla (26.7 MW Hydro)	Butte Creek and West Branch Feather River, California	Bodington & Co.	Bodington is running an auction for the assets (PFR, 9/25).
	Miocene (2.9 MW Hydro)			
Renova Energia	Portfolio	Latin America		A period of exclusive negotiations with Brookfield Asset Management has expired (PFR, 10/23).
● Santander Investimentos	Portfolio (81 MW Wind)	Pindaí and Caetité, Brazil		Ferbasa is acquiring the portfolio (see story, online).
Southern Power	Portfolio (1,760 MW Solar)	U.S.	Citi	Southern Power is planning to sell up-to one-third of its solar portfolio (PFR, 11/6).
Tradewind Energy	North English (340 MW Wind)	Poweshiek County, Iowa		MidAmerican Energy Co. is acquiring the project (PFR, 11/6).
TransCanada Corp.	Portfolio (76 MW Solar)	Ontario	Scotiabank (seller)	Axium Infrastructure is acquiring the assets (PFR, 10/30).

● **New or updated listing**

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.
To report updates or provide additional information on the status of financings, please call Fotios Tsarouhis at (212) 224 3294 or e-mail fotios.tsarouhis@powerfinancerisk.com

● PROJECT FINANCE

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

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Deal Type	Loan Amount	Tenor	Notes
Advanced Power	South Field (1.1 GW Gas)	Columbiana County, Ohio	GE EFS	Debt	TBA	TBA	GE EFS is left lead on the debt raise. Other joint lead arrangers will be selected later this year (PFR, 5/1).
● American Power Ventures	Renaissance (1 GW Gas)	Greene County, Pa.	BAML, Fieldstone (advisers)	Debt, Equity	$900M		The sponsor plans to have equity commitments by the end of the year (see story, page 1).
Brookfield Renewable	Erie Boulevard (872 MW Hydro)	New York, Pennsylvania, Maryland, West Virginia	Citi, Scotia	Private Placement	$305M	13-yr	Bids from investors were due on Oct. 16 for the deal, which refinances a 12-year note issued in 2005 (PFR, 10/16).
Centrais Eléctricas de Sergipe	Porto de Sergipe (1.5 GW LNG-to-power)	Brazil	IFC	Debt	$200M		The International Finance Corp. is considering financing the project (PFR, 10/23).
Clean Energy Future	Trumbull (940 MW Gas)	Trumbull County, Ohio	BNP Paribas (financial adviser)	Debt Equity	TBA TBA		Deal watchers have tipped the Trumbull project to reach financial close before the end of 2017 (PFR, 9/11).
EIG Global Energy Partners	Cerro Dominador (210 MW Solar)	Antofagasta, Chile	TBA	Debt	$700-800M		The sponsor plans to raise between $700 million and $800 million in bank debt (PFR, 9/18).
Enel Brasil	Volta Grande (380 MW Hydro)	Rio Grande, Brazil	TBA	Bridge loan	~$295M		Enel is seeking a bridge loan to a potential capital markets take-out (PFR, 10/9).
● Exelon Corp.	(1,791 MW Wind, Solar, Biomass)	U.S.	Morgan Stanley	Term Loan B	$750M	7-yr	Commitments are due on Nov. 17 (see story, page 1).
Indeck Energy	Niles (1 GW Gas)	Niles, Mich.	Whitehall & Co. (adviser)	Debt	$500M		The sponsor aims to close debt financing in the first quarter of next year (PFR, 11/6).
LNG Group Panama, Gunvor, Gu Xin Group	Telfers (656 MW Gas)	Panama	Société Générale (adviser)	Mini-perm Letter of Credit Facility	$661M $75M	7-yr	The sponsors of the LNG-to-power project were aiming to close the debt financing by the end of September (PFR, 9/18).
NTE Energy	Reidsville (500 MW Gas)	Rockingham County, N.C.	TBA	Debt	$595M		The sponsor took proposals from banks on Oct. 6 (PFR, 10/16).
Panda Power Funds	Mattawoman (990 MW Gas)	Prince George's County, Md.	BAML, BNP Paribas, Investec, NH Financial Group	Debt, Equity	$500M		Bank of America Merrill Lynch has joined the lender group (PFR, 10/30).
Phoenix Energy	Portfolio (15 MW Biomass)	California	Karbone (adviser)	Equity	$100M		Karbone is working with Phoenix to find an equity investor (PFR, 10/30).
Powin Energy	Stratford ESS (8.8 MW/40.8 MWh Battery)	Ontario	Brookfield	Debt	C$5.5M ($4.3M)	C+3-yr	Brookfield Asset Management is financing the project's construction (PFR, 10/30).
Quantum Utility Generation	Moundsville (643 MW Gas)	Marshall County, W.Va.	TBA BNP Paribas	Debt Equity	TBA		Quantum could launch a debt financing for the project this year (PFR, 2/6).
● Quinbrook Infrastructure Partners	Unknown project (200+ MW)	U.S.	TBA	Tax Equity	$200M		The sponsor has shortlisted several tax equity investors (see story, page 6).
Silicon Ranch Corp.	Portfolio (200 MW Solar)	Georgia	TBA TBA	Debt Tax Equity	TBA TBA		The sponsor plans to finance and build the four projects in the portfolio over the next four years (PFR, 9/18).
● Starwood Energy Group Global	Northwest Ohio (100 MW Wind)	Paulding County, Ohio	Rabobank Citi	Debt Tax Equity	TBA TBA		The private equity firm has agreed financing for the project (see story, page 6).
SunPower	Portfolio (Resi)	U.S.	Investec	Debt	$53M	TBA	Investec arranged the loan (PFR, 10/30).
Sunrun	Portfolio (Resi)	U.S.	TBA	Debt	$303M	7-yr	The back-leveraged debt is secured on cash flows from leases and PPAs (PFR, 10/30).
True Green Capital Management	Portfolio (Distributed Solar)	U.S.	TBA TBA	Debt Tax Equity	$700M		True Green plans to raise $700 million of tax equity and debt (PFR, 10/23).
UKA Group	Portfolio (400 MW Wind)	U.S.	TBA	Debt, tax equity	TBA	TBA	The Germany-based developer is seeking debt and tax equity for its first U.S. assets (PFR, 10/30).
● X-Elio	Xoxocotla (70 MW Solar), Guanajuato (60 MW Solar)	Xoxocotla and Los Rodriguez, Mexico	TBA	Development Bank Debt Commercial Debt	$89.35M	20-yr 16-yr	X-Elio has requested proposals for debt financings for $128.6 million worth of projects, including Xoxocotla and Guanajuato (see story, page 1).

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Mexico Tweaks Auction Rules as Sponsors Line Up Loans

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2016 (PFR, 12/3/15, 6/30/16).

"With this financing operation, EIB and Nafin are initiating a strategically important cooperation that will provide further support to sustainable energy solutions across the country," said **Román Escolano**, EIB vice president overseeing Latin American operations, in a statement.

The Cuahuila and La Bufa projects are contracted under power purchase agreements with private sector industrial companies—**Industrias Peñoles** and **Volkswagen de Mexico**, respectively—that were signed prior to the reforms heralded by the 2015 Energy Transition Law.

The reforms are aimed at opening Mexico's energy sector up further to private investment as part a drive to derive 35% of the country's energy from clean sources by 2024.

PRIVATE OFFTAKERS

Private companies like Peñoles and Volkswagen have so far been unable to participate as offtakers in the post-reform power auctions, but that is expected to change.

Mexico's *certificados de energía limpia* (clean energy certificates)—which prove to regulators that clean energy requirements are being met and are designed to be tradable—are expected to be available to private sector offtakers as soon as the next long-term renewable auction, which is scheduled for Nov. 22.

"[W]e expect the private end users will start participating as off takers, particularly of CELs, in the next long-term auction," wrote analsyts at **Moody's Investors Service** in a recent sector report.

In preparation for private sector offtaker participation, the government has created a **Ministry of Energy**-run clearing house to evaluate whether all participants in the auction, including offtakers, have the financial strength to protect against the risk of default.

LOANS IN THE WORKS

In the meantime, project finance bankers have a spate of deals to consider. There are renewables projects in the pipeline for **AK Kin Green Power Park**, **Eólica del Golfo**, **Fifth Sun Energy**, **Iberdrola Renovables Norte**, **Impulsore de Generación Fotovoltaica de México**, **Electricity Generation Infrastructures**, **JCM Puebla PV Development**, **Mexico Northwest Solar**, **Solar Park** and **X-Elio**, according to bankers and the **Ministry of Environment and Natural Resources**.

X-Elio has requested $89.35 million of loans from development and commercial banks.

"We're still looking at the credit metrics," said a New York based project finance banker on Nov. 8, who does not think that all of the other companies with projects in the pipeline had approached the commercial bank market for loans.

CAN PRICING GO LOWER?

Mexico's second power auction, held in the fall of 2016, produced record low prices, averaging $33.50/MWh for all generation types. The averages for wind and solar projects were even lower at $32/MWh and $27/MWh, respectively.

This is expected to be matched or beaten in the next auction round, according to a London-based bank analyst.

"The reason is twofold," said the analyst. "Firstly, if you look at the region, the trend for pricing has been downwards. Secondly, by opening up to private offtakers, that naturally increases competitiveness."

Chile, Latin America's other major destination for commercial bank project finance, saw its lowest ever prices in its latest 100% renewable auction, with average bids of $32.50/MWh. The lowest accepted bid was just $21.48/MWh (see story, below).

Not everyone agrees that pricing will continue to be squeezed, however. "You also have to consider that cheapest available places were already winners" in previous auctions, **Alfredo Alvarez Laparte**, a partner at **EY** in Mexico City, tells *PFR*. "Pressure on solar panel suppliers and complexity on financial closing on prior projects will play their role."

Meanwhile, Mexico is also readying its first ever medium-term energy auction, to be held on Feb. 2, 2018. Contracts will be assigned on Feb. 12, according to the **National Center for Energy Control**.

Companies will be able to trade power contracts ranging from one to three years in the auction, which is designed to help mitigate short-term volatility. ■

Chile Hails Low Price "Milestone" as Five Selected in Renewables Auction

Chile has picked five companies to sign roughly 600 MW of contracts in a competitively bid renewables auction, as the country's **National Energy Commission** (CNE) seeks to attract almost $1 billion of investment.

Bids from **Enel Generación Chile**, **Renewable Energy Verano Tres**, **Atacama Solar, Cox Energía** and **Atacama Energy Holdings** were selected from 24 submissions totaling 20,700 GWh—almost nine times more than the 2,200 GWh that was requested.

The average bid in the 100% renewable auction—Chile's third—was $32.50/MWh, but the lowest accepted bid was just $21.48/MWh.

"This price of energy is a milestone in the sector," said Chile's energy minister **Andrés Rebolledo** in a statement, "since it is the lowest price that has been given in our country."

The average price of power purchase agreements awarded in the second of two auctions carried out in 2016 was $47.60/MWh, which was itself a 40% decline on the first auction that year (PFR, 8/18/16).

The projects awarded 20-year PPAs in this year's procurement round are due to come online from 2024.

Chile changed the way it ran the process for the third auction, incorporating four quarterly blocks, totaling 500 GWh, for the first time.

As per the previous auctions, Chile also auctioned three-hourly supply blocks, for a total of 1,700 GWh (PFR 7/13).

"We hope [the contracts] will attract close to $1 billion in investment in new infrastructure for the country," said **Andrés Romero**, executive secretary of the NEC. ■

PROJECT FINANCE

Aussie Sponsor Shortlists Tax Equity Investors for U.S. Wind Project

A renewables-focused Australian investment manager is close to selecting a tax equity investor for a recently-acquired wind project in the U.S.

The investor, **Quinbrook Infrastructure Partners**, has shortlisted a handful of institutions to provide $200 million of tax equity to finance the 200 MW wind project.

"We have received an unprecedented amount of interest from a whole range of tax equity providers in the market," co-founder and managing partner **David Scaysbrook** tells *PFR* from Surfers Paradise, Australia (PFR, 5/17).

Scaysbrook declined to identify the project or disclose its location, but it is one of nine projects Quinbrook acquired when it purchased wind developer **Scout Clean Energy** and its 1.6 GW development pipeline in April (PFR, 5/17).

Quinbrook is in talks with several of its relationship investors and "at least one new player", says Scaysbrook.

Allianz, **Bank of America Merrill Lynch**, **GE EFS**, **Morgan Stanley** and **Prudential** have invested tax equity in Quinbrook wind assets in the past.

The Scout assets, which represent total capital investments of $1.7 billion, are located in Arkansas, Indiana, Iowa, Minnesota, New Mexico, Oklahoma, South Dakota, Texas and Washington state.

Quinbrook is also in advanced bilateral negotiations to purchase additional wind projects in the U.S. ■

Starwood Seals Debt, Tax Equity for Wind Project with Corporate PPA

Starwood Energy Group Global has inked construction and term loans and a tax equity deal for a wind project with a non-utility power purchase agreement.

The deals will finance the 100 MW Northwest Ohio wind project in Paulding County, Ohio, which is contracted under a PPA with **General Motors**. The project is expected to be completed next year.

Rabobank is providing the construction and term debt for the project, while **Citi** has committed tax equity.

Further details, such as the tenor of the term loan and the sizes of the transactions, could not immediately be learned.

Himanshu Saxena, who was recently promoted to ceo of Starwood Energy, and a spokesperson for Citi declined to comment. A call to **Gregory Hutton**, head of Americas project finance at Rabobank, was not returned.

General Motors announced the signing of the PPA with the Northwest Ohio project in September, along with another contract for 100 MW from **Swift Current Energy**'s HillTopper wind project in Logan County, Ill.

Swift Current, a Boston-based developer founded by ex-**ArcLight Capital Partners**, **First Wind** and Citigroup employees, acquired the HillTopper project late last year (PFR, 2/6). ■

MERGERS & ACQUISITIONS

Nautilus Solar Picks Up Community Portfolio

Nautilus Solar Energy has added 5.4 MW of community solar to its fleet by acquiring a portfolio of assets in Massachusetts from **Clean Energy Collective**.

All the projects in the portfolio, which have 110 local commercial offtakers signed up, will be online by the end of the year.

Nautilus will manage the assets, which will be directly owned by one of its minority shareholders, Burlingame, Calif.-based private equity firm **Virgo Investment Group**.

The purchase price could not immediately be learned. Calls to **Jim Rice**, ceo of Nautilus Solar in Summit, N.J., and officials at Clean Energy Collective in Carbondale, Colo., were not returned by press time.

Nautilus has been increasingly active in community solar in recent months, agreeing to acquire a 13.3 MW community solar portfolio in Minnesota from **ReneSola** in August (PFR, 8/16).

Minnesota and Massachusetts are among the most highly-developed markets for commercial community solar development, **Gregory Hutton**, managing director and head of project finance for the Americas at **Rabobank**, told *PFR* in an interview earlier this fall, also naming Colorado and South Carolina as attractive states for the subsector (PFR, 10/13).

Virgo obtained its interest in the solar developer in 2015 when it backed a management buyout of the company from an investment affiliate of **Starwood Energy Group Global**. ■

NRG Drops Down D.G. Portfolio, Adds Project to ROFO List

NRG Yield has bought a 38 MW distributed solar portfolio from its sponsor and added a utility-scale project in Texas to its right of first offer list.

The yield company acquired the 38 MW portfolio for $71 million, **NRG Energy** president and ceo **Mauricio Gutierrez** told investors on the company's third quarter earnings call on Nov. 2.

The yieldco also assumed $26 million of non-recourse debt as part of the transaction, according to paperwork filed with the U.S. **Securities and Exchange Commission**. NRG Energy repaid $7 million of the portfolio's debt in October, before the dropdown.

The number of assets in the portfolio and their locations could not immediately be learned, but most of them had previously been held by NRG's Solar Power Partners funds, according to the SEC filing. The purchase was funded with cash on hand.

A spokesperson for NRG in Princeton, N.J., did not immediately respond to an inquiry.

NRG has also added its 154 MW Buckthorn solar project in Pecos County, Texas, which it acquired from **SunEdison** last year, to NRG Yield's right of first offer list.

The project, which is under construction, has a 25-year power purchase agreement with **Georgetown Utility Systems**, the municipal utility of Georgetown, Texas.

NRG closed financing for the facility in May. **Crédit Agricole** and **Santander** were co-ordinating lead arrangers, with **KeyBank**, **MUFG** and **SMBC** acting as mandated lead arrangers (PFR, 6/5). ■

MERGERS & ACQUISITIONS

Starwood Emerges as Coal-fired Portfolio Buyer

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la, Ark., a 60% stake in the 262 MW Carneys Point project in Carneys Point, N.J., and 100% of the 219 MW Logan plant in Logan Township, N.J.

Starwood will also wholly acquire the 62 MW Morgantown waste coal-fired project in Morgantown, W.Va., buying Ares-EIF's 65% interest along with the remaining 35% that is owned by **Bob McNair**, owner of the **Houston Texans**.

McNair, who ranked 168th on this year's *Forbes* 400 list, acquired the **National Football League** team after selling **Cogen Technologies** to **Enron** in a $1.5 billion deal in 1999.

The owners of the remaining stakes in Plum Point and Carneys Points will meanwhile retain their interests, at least for the time being. Starwood has not ruled out purchasing the outstanding interests in the two projects, says a deal watcher familiar with the firm's plans.

The remaining 66.12% stake in Plum Point is split between **John Hancock Life Insurance Co.**, which owns approximately 23%, and four local utility companies—the **Missouri Joint Municipal Electric Utility Commission**, **East Texas Electric Co-op**, **Empire District Electric Co.**, and **Municipal Energy Agency of Mississippi**—which own a combined 43.15%.

Atlantic Power Corp. subsidiary **Atlantic Power Holdings** owns a 40% stake in Carneys Point.

Whether Starwood is working with a financial adviser on the acquisition could not immediately be learned.

OFFTAKERS

The main selling point of the portfolio was said to be the projects' offtake contracts, most of which were signed in the 1990s, when power prices were much higher than they are today. The counterparties under the power purchase agreements and steam purchase agreements comprise electric utilities, chemical companies and a university.

The Morgantown facility has a long-term PPA with **Monongahela Power Co.** which expires in 2027 and a 35-year agreement to sell steam to **West Virginia University**.

The portions of Plum Point owned by Ares-EIF and John Hancock sell 202 MW of their output to **Cooperative Energy** and 50 MW to each of Empire District and the Missouri Joint Municipal Electric Utility Commission under contracts that expire in either 2036 or 2040.

The Carneys Point project, previously known as Chambers, has a 30-year PPA for 184 MW of its output with the **Atlantic City Electric Co.** that expires in 2024 and a 30-year steam and electricity purchase contract with **The Chemours Co.**

Chemours is a publicly listed spin-off of **E. I. du Pont de Nemours and Co.**, which recently acquired the 240 MW Spruance coal-fired project in Richmond, Va., from Ares-EIF. The Spruance deal closed on Aug. 1 (PFR, 8/8).

The Logan facility also has a 30-year PPA with Atlantic City Electric that runs through 2024, and a 30-year contract to sell steam to **Valtris Specialty Chemicals**.

An official at Starwood Energy Group Global in Greenwich, Conn., declined to comment. Officials at Ares-EIF in New York did not immediately respond to a request for comment. ■

RESTRUCTURING

ExGen Texas Files for Chapter 11

Exelon Corp.'s competitive generation subsidiary in Texas, **ExGen Texas Power**, has filed for Chapter 11 bankruptcy protection as it enters into a restructuring procedure.

A group of creditors under the portfolio holding company's term loan B has agreed to take possession of most of its assets in exchange for the forgiveness of debt after a sale process run by **Scotia Capital** in the summer resulted in only one final bid—from ExGen Texas itself—for one of the projects, according to paperwork filed with the **U.S. Bankruptcy Court for the District of Delaware** on Nov. 7.

ExGen Texas's offer to pay $60 million and assume certain liabilities for the 1,265 MW Handley Power project in Fort Worth will serve as a stalking horse bid under an agreement reached recently between the debtor and the creditor group.

The portfolio has a total capacity of 3.3 GW. Besides Handley Power, it includes the 639 MW Wolf Hollow I project in Granbury, the 454 MW Colorado Bend I project in Wharton, the 808 MW Mountain Creek Power project in Dallas and the 147 MW LaPorte Power project in LaPorte.

Separately, Exelon owns two brand new 1 GW combined-cycle expansion projects at Wolf Hollow and Colorado, neither of which is involved in the bankruptcy procedure. "The economics of those two plants are completely different," notes a deal watcher.

ExGen Texas is working with a raft of advisers for the restructuring. Besides Scotia, the company has hired **Richards, Layton & Finger** as legal counsel, **Kurtzman Carson Consultants** as claims agent and administrative adviser and **FTI Consulting** as restructuring and interim management services provider.

David Rush, senior managing director at FTI, was appointed chief restructuring officer in April.

Bank of America Merrill Lynch arranged the $675 million seven-year term loan B for ExGen Texas in 2014. As of the date of its Chapter 11 petition, $660 million remained outstanding (PFR, 9/16/14).

Power prices in ERCOT's energy-only market in Texas have fallen dramatically in recent years as demand has failed to keep up with the addition of new generation.

The independent power producer had already started restructuring talks with the holders of the term loan B in January and signed a consent, waiver and amendment agreement in May to enable the company to access additional sources of liquidity and launch a formal sale process for the projects. The company hired Scotia to run the auction on or around May 22.

The sale process drew initial non-binding letters of intent from nine potential buyers, seven of whom were asked to make binding offers between June and September. Four bidders took part in the final bid process but only one party—ExGen itself—submitted a final bid of $60 million and the assumption of certain liabilities for the Handley project alone. ■

STRATEGIES

Exelon to Issue Term Loan B for Renewables Portfolio

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is backed by a 1,791 MW portfolio of U.S. wind, solar and biomass assets.

Exelon will use the proceeds of the deal to pay an equity distribution to its merchant generation subsidiary, **Exelon Generation Co.**, fund reserves and pay transaction costs, according to a **Moody's Investors Service** report published on Nov. 6.

All of the other recent power sector term loan B transactions have either been repricings or, as in the case of **TerraForm Power**'s recently priced deal, refinancings.

"Most of the activity in the second half has been repricings rather than new transactions," says **Jean-Pierre Boudrias**, m.d. and head of project finance at **Goldman Sachs**, one of the bookrunners on the recent repricing of a term loan for **The Carlyle Group**'s Nautilus Power gas-fired portfolio, alongside Morgan Stanley (left lead) and **Credit Suisse** (PFR, 11/3).

The ability to price deals at ever tighter spreads has drawn several independent power producers to the market to shave dozens of basis points off their loans. One, **Atlantic Power**, has done so twice this year (PFR, 10/4).

Once the call protection expires on a deal, typically six months after it is initially priced, "it's open season for all the deals that are trading above par," says Boudrias.

Price talk on the seven-year loan for ExGen Renewables IV, rated Ba2 and BB+ by **Moody's Investors Service** and **S&P Global Ratings**, is 325 basis points over Libor with a 1% Libor floor and an issue price of 99.5. Commitments are due Nov. 17.

The projects in the portfolio include the 241 MW AV Solar Ranch project in Los Angeles County, Calif., a 50% stake in the 50 MW Albany Green Energy biomass project near Albany, Ga., and a 50% stake in **ExGen Renewables Partners**, half of which Exelon sold to **John Hancock Life Insurance Co.** earlier this year (PFR, 4/4). Mays Landing, N.J.-based **DCO Energy** owns the remaining 50% in Albany Green Energy (PFR, 8/18).

The assets also includes Exelon's 665.3 MW Continental Wind portfolio, which is a collection of 13 projects in six states, and the 69.3 MW SolGen distributed solar portfolio of 192 projects in Arizona, California, Georgia and Oregon, as well as five wind projects totaling 217.8 MW and two solar projects totaling 38 MW known collectively as the Renewable Power Generation portfolio.

UPSIZED DEAL

In a sign of healthy investor demand, TerraForm Power increased the size of its recent term loan B offering by $50 million and tightened pricing during execution.

Bookrunner **RBC Capital Markets** priced the upsized loan at 275 basis points over Libor with a 1% Libor floor and an original issue price of 99.7 on Nov. 3. Initial price talk had been 325 bps, while the size of the loan had previously been touted at $300 million.

The yield company intends to use the proceeds of the term loan B to pay down a $369 million non-recourse term loan originally signed in December 2015.

The offering was launched amid credit rating upgrades in the wake of **Brookfield Asset Management**'s acquisition of a 51% stake in the yieldco and its assumption of the role of sponsor from **SunEdison**.

S&P Global Ratings upgraded TerraForm Power's debt from B- to BB- on Oct. 17 (PFR, 10/17) and **Moody's Investors Service** changed its rating from B3 to B1 a week later (PFR, 10/27). ■

KEPCO to Sound Out Investors for Dollar-denominated Green Bond

Korea Electric Power Corp. has hired three bookrunners to run an investor roadshow ahead of a potential dollar-denominated green bond issuance as it looks to build a renewables portfolio in the U.S. through acquisitions.

Investor meetings are set to take place in the U.S. Europe and Asia this week with a view to issuing a 144A bond, although the planned offering is tentative at this stage, says a deal watcher.

Bank of America Merrill Lynch, **Citi** and **Crédit Agricole** are the bookrunners for KEPCO's potential dollar-denominated green bond, which is expected to be of short or intermediate tenor.

Spokespeople for the banks either declined to comment or did not respond to inquiries by press time. An official at KEPCO in Fort Lee, N.J., did not immediately respond to an inquiry.

In the last two years, KEPCO has made moves to acquire a fleet of renewable projects in the U.S. jointly with a Korean private equity fund managed by **Kiwoom Asset Management** and **Sprott**, but the most recently announced transaction has not yet closed.

The South Korean investors agreed to acquire three projects in California totaling 235 MW from **Canadian Solar** earlier this year and filed for the approval of the deal with the U.S. **Federal Energy Regulatory Commission** on Sep. 27 (PFR, 9/27).

The KEPCO joint venture had previously acquired the 30 MW Alamosa solar project in Mosca, Colo., from **Carlyle Group** portfolio company **Cogentrix Energy** for $35 million. That deal closed in April, according to paperwork filed with FERC, at least eight months after it was first signed (PFR, 8/29/16).

The Seoul-based company is also weighing the acquisition of two development-stage biomass projects in the southeastern U.S. from **Georgia Renewable Power** (PFR, 10/17).

The U.S. acquisition spree comes as KEPCO faces pressure to develop renewable generation in its home market.

"Renewable developments will likely erode KEPCO and the gencos' credit strength, owing to the huge funding needs, and their growing exposure to execution risk," wrote analysts at **Moody's Investors Service** in a report on Oct. 30, referring to KEPCO's six South Korean generation subsidiaries, which account for about 80% of the country's power generation.

KEPCO is 51.1% owned by the Korean government and has Aa2, AA and AA- ratings from Moody's, **S&P Global Ratings** and **Fitch Ratings**, all with stable outlooks. ■

Intesa Brings in WestLB Alum

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tember. Davis joined **National Australia Bank**'s growing team (see story, below).

Brian Marszycki left Intesa earlier this year and joined **ABN Amro** as a director (PFR, 5/9). The Italian bank's former head of Americas structured finance, **Alessandro Vitale**, relocated to Hong Kong as head of Asia-Pacific structured finance in September 2016.

All of the recent deals involving Intesa and reported by *PFR* have been for Latin American projects. This year, the bank participated in a $500 million mini-perm for **Fisterra Energy**'s 857 MW Tierra Mojada gas-fired project and a $675 million loan for the Norte III gas-fired project that was acquired by **Macquarie Capital** and **Techint Engineering & Construction**. Both projects are located in Mexico (PFR, 6/26, 9/12).

"While there have been these recent departures, the bank recently hired three new members, Stephen Spencer, Young Cho and Hugh Yoon, to continue expanding its activities in structured finance in the Americas," said a spokesperson for Intesa in Milan, via e-mail. "Intesa intends to continue growing its activities in the Americas." ■

NAB Adds to Growing N.Y. Desk

National Australia Bank has hired a banker who recently left **Intesa Sanpaolo** in New York, bringing the Australian bank's U.S. project finance headcount to six.

The banker, **Eli Davis**, had worked at Intesa for more than six years and was a vice president of project and infrastructure finance when he left the firm in September (see story, page 12).

The NAB group he has joined, which the bank refers to as specialised finance North America, was originally launched in 2015 by a trio of internal transfers from other locations.

Mark Siebert, who was formerly head of Asia export credit agency and specialised finance in Singapore, led the North American specialised finance team from 2015 until earlier this year, when he moved to Hong Kong as chief risk officer for Asia.

The other two original members of the team, director **Nick Barlow** and associate director **Nick Pucius**, both moved from Australia to New York in 2015. Barlow had previously been a Sydney-based director of infrastructure, while Pucius was an associate director of specialised finance in Melbourne.

Since then, the group has grown through other internal transfers as it has become more established in the North American market.

The Melbourne-headquartered bank has been involved in several U.S. gas-fired project financings this year.

The firm was a lead arranger on mini-perms for **Advanced Power**'s 1,100 MW Cricket Valley project, **Competitive Power Ventures**' 1,050 MW Fairview project and, most recently, **Tyr Energy**'s 1 GW Hickory Run project (PFR, 1/24, 3/31, 8/22).

An official at NAB in New York declined to comment on the bank's recent hiring of Davis.

Before joining Intesa, Davis spent five years at **Commerzbank**, holding the title of assistant vice president when he left in May 2011. ■

BayernLB Hires Senior Project Finance Banker

BayernLB has hired a senior director in structured finance who worked at a rival bank in New York until recently.

Mark Gurfinkel, who began working at BayernLB this month, according to his **LinkedIn** profile, was previously a director in project finance at **Mizuho**.

According to a source, Gurfinkel reports to **Andrew Kjoller**, who was promoted to executive director and head of Americas structured finance at BayernLB earlier this year. Calls to Kjoller and Gurfinkel were not returned by press time.

The hiring follows the departures from the German bank of **Jim King**, who had held Kjoller's role until the beginning of the year, and **Greg Calhoun**, who was a senior director until he left in September.

King took the position of managing director and head of project finance and infrastructure at **CIBC Capital Markets**, while Calhoun landed a job at private equity shop **Fengate Real Asset Investments** as a director of U.S. infrastructure.

Gurfinkel had been at Mizuho for almost 10 years, having joined the Japanese firm in 2008. He previously held assistant vice president and corporate banking associate roles at **Citigroup**.

A spokesperson for Mizuho in New York declined to comment on his departure and whether the bank has plans to replace him. ■

East West Taps MUFG Talent Pool

East West Bank has hired a banker from MUFG to replace a first vice president who left in April.

Christopher Simeone, who had been at MUFG for more than 10 years and was a vice president there until September, according to his **LinkedIn** profile, started work in East West's New York office two weeks ago, says a source.

Simeone is a first vice president at East West and reports to **Robert Botschka**, senior v.p. and head of energy project finance, who is also based in New York.

He replaces **Brett Macune**, who worked for East West in the same position for about two years out of Atlanta. Macune landed in the private equity group at **Siemens Financial Services** in August (PFR, 8/1).

At MUFG, Simeone worked on project finance deals in the infrastructure, power and renewables sectors, including loans backed by wind, gas pipeline and gas-fired generation facilities.

Botschke and Simeone both declined to comment when reached by phone on Nov. 6. A spokesperson for MUFG in New York also declined to comment. ■

D.C. BUZZ

Blowing in the Wind: Senate Republicans Reveal Tax Reform Plan

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industry as the proposal evolves.

First, tax equity transactions that have already closed may contain contractual provisions requiring immediate adjustments to the economic terms of the arrangement to preserve the tax equity's expected return thresholds. Those arrangements that don't have immediate adjustments will likely still require larger shares of operating cash flow to be distributed to the tax equity if its return thresholds are unmet after a prescribed period of time, such as an "expected flip date". This may impact the amount of cash flow available to service debt on back-leveraged loans or to pay equity distributions on mezzanine or other "upper-tier" investments. A lower tax rate should have minimal impact (or in some cases even benefit) those transactions that are further along and have exhausted all or most of the tax deductions from the project.

Second, transactions that have not yet closed, including those with outstanding debt and/or tax equity commitments, may need to resize the cost and availability of tax equity. A reduction in the size of the tax equity commitments may impact the sizing of the debt commitment, a portion of which typically bridges the tax equity investment. Tax rates are not scheduled to drop until 2018 under the House bill and 2019 under the Senate bill.

BONUS DEPRECIATION

Almost all investment property will be eligible for 100% bonus depreciation under both versions of the new bill. Current law allows for a 50% bonus depreciation for investment property placed in service this year dropping to 40% for property in service next year and then 30% for 2019 property. In a big change from current law, the new 100% bonus will apply to property that was already used by another taxpayer as long as the one claiming the 100% bonus first bought the property after September 2017 and before the end of 2022.

Property owned by regulated utilities and certain real estate businesses will not be eligible for the new bonus depreciation. A taxpayer may elect out of bonus depreciation and instead apply the regular depreciation schedule. There is also a special election to continue taking the 50% bonus depreciation for property placed in service by its owner before the first taxable-year ending after the new rules take effect (i.e., Dec. 31, 2017 in the case of a calendar-year taxpayer).

Many renewables developers have been taking advantage of the 50% bonus depreciation under current law to increase the value of tax benefits transferred to tax equity investors. The larger 100% bonus depreciation may be too large of a deduction for tax equity investors to use under partnership tax rules. A tax equity investor is not permitted to claim deductions that are larger than its capital investment unless it agrees to future capital call obligations in the form of a deficit restoration obligation. Even then, tax deductions that are in excess of the tax equity investor's investment are deferred until later in the deal, making them less valuable than deductions that can be immediately claimed. Renewables developers and investors may therefore try to structure deals to qualify for the current bonus depreciation benefits, rather than the new larger 100% bonus depreciation.

> **"The language in the bill introduces significant uncertainty into a large number of wind projects that are now in their development or early construction stages"**

These new larger tax benefits may be best monetized using sale-leaseback structures rather than partnerships which are now the most common form of tax equity structures. In a sale-leaseback structure, an asset is sold to an investor who can best use the tax benefits and then leased back to the seller. The value of the tax benefits is used to subsidize the financing rate under the lease. This structure may be widely beneficial to a broad range of assets in the power and renewables sector.

Eli Katz

PRODUCTION TAX CREDIT

The House bill proposes two important changes to the PTC for wind projects, neither of which was in the Senate bill. First, it would reduce the PTC by more than one-third for any wind farm that begins construction after the bill is enacted. The bill would implement this change by eliminating the inflation adjustment that has been used to increase the original value of the PTC that were set at 1.5 cents/kWh back in 1992. PTCs are currently worth 2.4 cents/kWh and would now revert back to 1.5 cents/kWh, the equivalent of valuing something today at what is was worth almost thirty years ago.

Second, it would modify the current important definition of "begun construction" to require that wind farms are under construction only if they maintain a "continuous program of construction". This change is retroactive, and applies to wind farms that qualified for 100% of the PTC value by beginning construction before the end of 2016.

The House bill proposes to re-trade the agreement made with the wind industry in 2015 that phased out the value of PTCs over time. Under current law, PTCs are phased down for wind projects based on the date construction first began on the project. Those that began before 2017 are eligible for 100% of the PTC, those that begin this year 80% and those that begin con-

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struction in 2018 and 2019 60% and 40% respectively. The reduction from 2.4 cents/kWh to 1.5 cents/kWh would apply in addition to the phase-out reduction. For example, a wind farm that begins construction in 2018 would qualify for 60% of the production credit value at a rate of 1.5 cents/kWh.

SAFE HARBOR?

The meaning of "begun construction" was previously left to the **Internal Revenue Service**, which defined it in a series of notices over the past few years. The IRS notices impose a continuity requirement on wind projects that begin construction, but only if they are not completed before the end of 2018, or in some cases, four years after construction first began. Projects that are completed in this timeline are safe harbored and presumed to satisfy any continuity requirement. For projects completed outside the safe harbor, the IRS required different continuity standards depending on the method used to qualify the project as under construction. For projects that began construction by commencing "physical work of a significant nature", the IRS required a continuous program of construction. For those that qualified by incurring at least 5% of the total cost of the project (e.g., by buying at least 5% of the wind farm components), the IRS imposed a more liberal standard of continuity, known as the continuous efforts test.

Wind farm developers have made significant investments relying on those IRS rules. Some bought large numbers of turbines and others undertook significant physical work at the site of future projects or at the factories of their suppliers. It is not yet clear whether the bill proposes to overrule the IRS's previous announcements on this topic. While it is possible that Congress meant nothing more than to codify and defer to existing IRS rules, the language in the bill introduces significant uncertainty into a large number of wind projects that are now in their development or early construction stages. It is no longer clear whether the House bill allows those projects to rely on current IRS safe harbor rules or the more liberal continuous efforts requirement.

Under current law, wind projects may elect to receive an investment tax credit instead of the PTC. PTCs are based on the project's energy production while the ITC is based on its cost. Over the past few years, as the cost of wind projects has come down and the energy capacity of wind turbines has increased, most developers have opted for the PTC. The House bill's proposed reduction to the PTC may cause some to reevaluate this choice for future projects.

INVESTMENT TAX CREDIT

The ITC for solar remains largely unchanged by both versions of the bill, although the Senate bill is more favorable in that it leaves more provisions in place. Solar projects that begin construction before the end of 2019 will continue to be eligible for a 30% ITC, which will then step-down for projects beginning construction in 2020 through 2022. The step-down rate is unchanged from current law. Under the House bill, the ITC would then be phased out entirely for solar projects that begin construction after 2022. Under current law and the Senate bill, those projects would qualify for a permanent 10% credit.

The permanent ITC available to solar projects that start construction after the beginning of 2022 would terminate for projects not yet under construction by the end of 2027. ■

ASSET-BACKED SECURITIZATION

Tesla Prices Latest Solar ABS Deal

Tesla priced an asset-backed securitization offering backed by solar lease and power purchase agreements originated by its **SolarCity** subsidiary on Nov. 3, selling the bonds at the tight end of price guidance.

The $340 million TES 2017-1 deal was arranged by **Credit Suisse**. The $265 million senior 'A' class was priced at 200 basis points over interpolated swaps, the tight end of the 200 bps to 215 bps range given at price guidance. The $75 million 'B' class was priced to yield 7.75%, also at the lower end of price guidance, which was 7.75%-8%.

The transaction brings total solar ABS volume this year to six deals from four issuers—SolarCity, **Mosaic**, **Dividend Solar** and **Sunnova**. The most recent deal was a $307.5 million transaction from Mosaic that was backed by loans. That transaction was priced on Oct. 17.

The Tesla offering comes at a time of some uncertainty for both the company and the solar industry. The electric vehicle and clean energy company, led by Silicon Valley entrepreneur **Elon Musk**, reported a loss of $619 million for the third quarter, its highest ever quarterly loss.

The company also revealed that it is still struggling to produce its mass market Model 3 electric sedan. Just 260 of the cars were delivered during the quarter, compared to the 1,500 that Tesla had projected. The company also announced a wave of layoffs from within both the Tesla and SolarCity units in September.

Meanwhile, the solar industry is grappling with the potential impact of tariffs and other potential trade remedies on imported solar components that were recommended by the **U.S. International Trade Commission** on Oct. 31. President **Donald Trump** must make a decision on the recommendations before the end of January.

However, industry participants say that the tariffs are not likely to have a significant negative impact on the rooftop solar segment.

"In terms of impact, the residential market is less impacted than the [commercial and industrial] sector. [The recommendations] really only impact markets that are on the fringe of solar being economical," **Eric White**, ceo of Dividend Solar told *PFR's* sister publication *GlobalCapital*, noting that solar modules account for just 13% of the total system cost of residential rooftop solar systems. ■

FAST FACT

Eight

Number of securitizations SolarCity has completed since launching its first deal in 2013.

D.C. BUZZ

Blowing in the Wind: Senate Republicans Reveal Tax Reform Plan

While there was disappointment in some markets as Senate Republicans proposed delaying a planned corporate tax cut from 2018 to 2019, the wind industry lobby was delighted with their move to keep the existing production tax credit unchanged.

The House tax reform bill, which was approved by the Ways and Means Committee on Nov. 9—the same day the Senate lawmakers unveiled their divergent blueprint—includes a cut to the PTC that would have a direct impact on wind projects.

"The Senate's tax reform bill rejects the House bill's drastic changes to the PTC phase down, including retroactive rule changes that put at risk tens of thousands of jobs and at least $50 billion of investment tied to projects already under construction and nearly complete," said the **American Wind Energy Association** in a statement on Nov. 9.

The House version of the bill was a shock to investors, in particular because the provisions regarding the PTC could affect projects that are already under construction.

Most investors had previously assumed that both the solar and wind tax incentives were safe, according to analysts at **RBC Capital Markets**.

"While some leaders in the industry have been advocating that wind and solar do not require subsidies the way they used to, what irritated investors the most was the loss of safe harbor provisions for those companies that had bought turbines well ahead of construction," wrote the analysts in a note circulated on Nov. 5.

The differences between the two bills will have to be reconciled between House and Senate lawmakers before a final version can be voted on by both houses of the **U.S. Congress**, and it remains to be seen whether the PTC will survive intact.

In the meantime, however, wind project finance deals that are in the pipeline may stall, says a banker in New York. "It's hard until there's a bit more certainty for parts of deals to progress," he says.

The Senate bill includes the proposal from the House bill to reduce the corporate tax rate to 20%—but starting in 2019 rather than 2018—and replicates the House bill's provision to apply 100% bonus depreciation to property that is in service from Sept. 27, 2017, through 2022.

Both of these proposals would have an impact on tax equity deals.

Here is a detailed examination of the proposals that have a bearing on renewable project financing, written by **Eli Katz**, *partner at* **Latham & Watkins***:*

CORPORATE TAX RATE

A lower corporate tax rate may reduce the number of tax equity investors interested in financing renewable energy projects. There are still too many variables in play to determine if large corporations will have higher or lower overall tax liabilities if the bill were to pass into law. Some aspects of the bill would clearly reduce capacity for tax credits, such as lower tax rates, immediate deductions for investment property and limitations on net operating loss carryforwards. Others may increase the appetite for tax credits, such as new limitations on interest expense, minimum taxes on foreign earnings and the elimination of competing tax credits, such as the new markets tax credit.

More obvious, however, is the fact that a lower tax rate reduces the value of tax deductions and correspondingly increases the cost of tax equity. Most tax equity transactions calculate the investor's return by reference to an after-tax internal rate of return, which will now attribute less value to tax depreciation deductions.

This could have a number of effects on the renewable energy PAGE 10 »

PEOPLE & FIRMS

Intesa Hires WestLB Alum

Intesa Sanpaolo has hired a former director in project finance at **WestLB** as a senior structured finance banker in New York.

Stephen Spencer joined the Italian bank in August, according to his **LinkedIn** profile. He was not immediately available to comment.

Spencer has worked in project finance at several institutions in New York over the years, including **BNP Paribas**, Intesa, **BayernLB** and WestLB, but spent the last four-and-a-half years in Doha, Qatar, as a senior adviser at **Qatar Petroleum**.

His first stint at Intesa ended in 2004 when the Italian bank shut down its New York project finance desk, which at the time was led by **Mike Pepe** (PFR, 3/7/04).

After that, Spencer landed at BayernLB, where he was a vice president in energy and infrastructure project finance for three years before moving to another German Landesbank, WestLB.

Spencer split his time between London and New York during his time as a director at WestLB, which came to an end when the bank was wound up in 2012.

Since Spencer joined Intesa this summer, the bank has also hired two other structured finance bankers, **Young Cho** and **Hugh Yoon**.

Several project finance bankers have departed the Italian firm in the last two years, most recently **Eli Davis**, who was a vice president until he left in Sep- PAGE 9 »

QUOTE OF THE WEEK

"While there have been these recent departures, the bank recently hired three new members, Stephen Spencer, Young Cho and Hugh Yoon, to continue expanding its activities in structured finance in the Americas. Intesa intends to continue growing its activities in the Americas."

An **Intesa Sanpaolo** spokesperson in Milan, on the Italian bank's recent hiring of **WestLB** alumnus **Stephen Spencer** and two other bankers amid departures from its project finance desk (see story, above).

CORRECTION

Last week's Generation Sales Database stated that **Brookfield Asset Management** had closed its acquisition of **SunEdison**'s stake in **TerraForm Power**. In fact, Brookfield's stake in TerraForm Power was acquired from all shareholders, not just SunEdison. Brookfield replaced SunEdison as the sponsor.

