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# Power Finance & Risk

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



## FirstEnergy Looks to Sell 11.7 GW Competitive Gen Portfolio

Olivia Feld

**FirstEnergy Corp.** is selling its fleet of 14 competitive generation assets, all in **PJM Interconnection**, as part of a strategic review at the utility.

Despite reducing the cost structure of the competitive generation business, market conditions continue to deteriorate, said **Charles Jones**, president and ceo of FirstEnergy, during the company's third quarter earnings call on Nov. 4, citing weak power prices, insufficient results from recent capacity auctions and poor demand forecasts.

FirstEnergy posted a net loss of $381 million for the first nine months of the year.

"The fact is competitive generation is weighing down the rest of our company. And while we have fought hard, we cannot continue to wait for an upturn," said Jones.

The Akron, Ohio-based utility is undertaking a strategic review and considering a range of options including asset sales or closures. In particular, the company has said it is exploring the sale of the gas-fired and hydro units at unregulated generation subsidiary **Allegheny Energy Supply**.

FirstEnergy's competitive fleet consists of:

- the 638 MW Springdale gas-fired project in Springdale Township, Pa.,
- the 88 MW Chambersburg gas-fired project in Guilford Township, Pa.,
- the 88 MW Gans gas-fired project in Uniontown, Pa.,
- the 44 MW Hunlock gas-fired project in Hunlock Creek, Pa.,
- the 88 MW Buchanan gas-fired project in Oakwood, Va.,
- the 545 MW West Lorain gas-fired project in Lorain, Ohio,
- the 136 MW Bay Shore coal-fired project in Oregon, Ohio,
- the 1,490 MW Sammis coal-fired project in Stratton, Ohio,
- the 2,490 MW Bruce Mansfield coal-fired project in Shippingport, Pa.,
- the 1,300 MW Pleasants coal-fired project Willow Island, W.Va.,
- the 908 MW Davis-Besse nuclear project in Oak Harbor, Ohio,
- the 1,268 MW Perry nuclear project in Perry, Ohio,

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## Power Industry Digests Trump's Election to the White House

Olivia Feld

The future of the U.S. **Environmental Protection Agency**, the Clean Power Plan and tax credits for renewable generation are all up the air following **Donald Trump**'s presidential win in the early hours of Nov. 9.

The president-elect, who has described global warming as a hoax created by the Chinese, has said that he plans to repeal the Clean Power Plan and cut funding to the EPA. Trump has also called to end U.S. participation in the Paris Agreement on climate change.

The CPP, which is being challenged in the courts, is due to be implemented in 2020. The Plan was heralded by the industry as a watershed moment for renewables when it was unveiled last year (PFR, 8/3/15).

Trump's stance on the EPA evolved dur-

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## South Korean Investors Back Merchant Gas-fired Project Acquisition

Richard Metcalf

A consortium of South Korean investors has taken a $200 million ticket in a senior secured loan backing **Starwood Energy Group Global**'s acquisition of two merchant gas-fired units totaling 840 MW, as Asian institutions look to increase their exposure to U.S. generation.

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POWER UP: CHECK OUT A SELECTION OF THE WEEK'S POWER AND UTILITY NEWS ON TWITTER PAGE 12

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## PROJECT FINANCE

# South Korean Investors Back Merchant Gas-fired Project Acquisition

« FROM PAGE 1

The $657.4 million seven-year loan backs Starwood's $765 million acquisition of the 790 MW combined-cycle Marcus Hook Energy Center and the 50 MW simple-cycle Marcus Hook 50 project in Marcus Hook, Pa., from **NextEra Energy Resources** (PFR, 7/29).

The loan was priced at 325 to 375 basis points over Libor and closed together with the acquisition on Nov. 2.

**KB Kookmin Bank** led the South Korean consortium, which included other **KB Financial Group** subsidiaries as well as **Hyundai Marine & Fire Insurance**, **Lotte Non-Life Insurance Co.**, **Mirae Asset Life Insurance Co.** and the **National Credit Union Federation of Korea**, according to reports in the South Korean business media that were confirmed by **Wang Sunghwan**, head of KB Kookmin Bank's international finance team in Seoul, via e-mail.

KB Kookmin Bank itself took a $50 million ticket, while fellow KB Financial Group company **KB Life Insurance** lent $20 million.

**MUFG**, **Crédit Agricole** and **ING Bank** were arrangers and bookrunners on the loan alongside KB Kookmin Bank. Representatives of the banks either declined to comment or did not respond to inquiries.

"Asian banks generally are looking to expand into the U.S. and the Koreans in particular are new entrants and have appeared in a number of deals including merchant power," says a deal watcher.

Earlier this year, South Korean investors provided about half of a $675 million term loan refinancing for **Ares-EIF**'s 705 MW Newark combined-cycle gas-fired project in Newark, N.J. (PFR, 4/20).

Although the loans secured on the Marcus Hook and Newark projects, both of which are located in **PJM Interconnection**, have the same seven-year tenor, there is a difference in pricing.

The loan for the Newark project was priced at 450 basis points over Libor, 75 to 125 bps higher than the loan for the Marcus Hook projects.

**Brad Nordholm** and **Himanshu Saxena**, senior managing directors and co-heads at Starwood Energy, declined to comment on the deal. ■


PFR Power Finance & Risk

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

## GENERATION AUCTION & SALE CALENDAR

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

# Generation Sale DATABASE

| Seller | Assets | Location | Advisor | Status/Comment |
|---|---|---|---|---|
| Abengoa | Norte III (924 MW Gas) | Ciudad Juárez, Mexico | Carl Marks | Abengoa is talks with several interested parties over a potential sale of the projects (PFR, 9/26). |
| ● ArcLight Capital Partners | Mendota Hills (50 MW Wind) | Compton and Lee counties, Ill. | | GE Energy Financial Services is transferring its passive stakes in the projects to an ArcLight fund (see story, page 6). |
| | Kumeyaay (50 MW Wind) | San Diego County, Calif. | | |
| Brookfield Renewable Partners | Price (189 MW Wind), Comber (166 MW Wind), Gosfield (51 MW Wind) | Sault Ste. Marie, Lakeshore, and Kingsville, Ontario | Scotiabank, TD Securities (seller) | Brookfield Renewable is selling the three facilities, plus an expansion project, in a portfolio (PFR, 7/18). |
| Cogentrix Energy Power Management | Red Oak (823 MW Gas) | Sayreville, N.J. | | The Carlyle Group's Cogentrix is selling the gas-fired project (PFR, 10/3). |
| Cogentrix, Quantum Utility Generation | James River Genco (115 MW Coal) | Hopewell, Va. | | Cogentrix and Quantum are selling their 50-50 ownership stakes to Michigan-based Novi Energy, which will repower the project with a gas-fired turbine (PFR, 10/3). |
| ● Ecoplexus | Turkey Creek (13.5 MW Solar) | Northampton County, N.C. | | PSEG Solar Source has acquired the project (see story, page 6). |
| Enel Green Power North America | Cimarron Bend (400 MW Wind) | Clark County, Kan. | | GE Energy Financial Services is taking a 50% stake in each project (PFR, 11/4). |
| | Lindahl (150 MW Wind) | Williams County, N.D. | | |
| Exelon Corp. | Mystic Generating Station (1,998 MW Gas and Dual-fuel) | Charlestown, Mass. | JP Morgan | Exelon has launched a sale process for the project (PFR, 10/24). |
| ● FirstEnergy | Portfolio (11.7 GW Coal, Gas, Nuclear) | U.S. (Pennsylvania, Ohio, West Virgina) | | FirstEnergy is looking to sell its entire competitive fleet (see story, page 1). |
| ● FLS Energy | Portfolio (950 MW Solar) | U.S. | | Cypress Creek is acquiring FLS Energy (see story, page 9). |
| ● Foundation Windpower | Greenfield (25 MW Wind) | Teton County, Mont. | | Greenbacker Renewable Energy Co. has acquired the project (see story, page 8). |
| Geronimo Energy | Blazing Star 1 (200 MW Wind) | Lincoln County, Minn. | | Xcel Energy is acquiring the projects (PFR, 10/31). |
| | Blazing Star 2 (200 MW Wind) | | | |
| ● Heritage Wind Farm Development | Heritage (up-to 350 MW Wind) | Pinchers Creek, Alberta | | NextEra Energy Canada Development & Acquisitions has agreed to purchase the project (see story, page 8). |
| ● Invenergy | Bethel (276 MW Wind) | Castro County, Texas | | Southern Power is acquiring the project (see story, page 6). |
| Mercuria | Danskammer (500 MW Dual-fuel) | Hudson Valley, N.Y. | Guggenheim Partners | The first round of a two-stage auction is underway (PFR, 10/3). |
| NextEra Energy Resources | Foxtail (150 MW Wind) | Dickey County, N.D. | | Xcel Energy is acquiring the project (PFR, 10/31). |
| NextEra Energy Resources | Marcus Hook Energy Center (790 MW Gas) | Marcus Hook, Pa. | Barclays (seller) | Starwood Energy Group Global's acquisition of the assets closed on Nov. 2. (see story, page 1). |
| | Marcus Hook 50 Energy Center (50 MW Gas) | | | |
| Obsidian Renewables | Black Cap II (10.5 MW Solar) | Lake Oswego | | PSEG Solar Source has acquired the project and renamed it PSEG Lake County Solar Energy Center (PFR, 11/4). |
| Panda Power Funds | Liberty (Gas 829 MW), Stonewall (778 MW), Patriot (829 MW) | Bradford County, Pa., Loudoun County, Va., Lycoming County, Pa. | Goldman Sachs | First round bids for the 2.5 GW portfolio are due this month (PFR, 10/31). |
| ● Quantum Utility Generation | Quantum Pasco Power (121 MW Gas) | Dade City, Fla. | Merit Capital Advisors (seller) | Rockland Capital has closed its acquisition of the assets (PFR, 10/10). |
| | Nevada Cogeneration Associates 2 (85 MW Gas) | Las Vegas | | |
| sPower | Portfolio (6.7 GW Solar) | U.S. | Barclays (lead), Marathon Capital, CohnReznick Capital Markets Securities and Citi (co-leads) | The independent power producer is exploring a sale of its entire portfolio and development platform (PFR, 10/3). |
| TransCanada | Portfolio (778 MW Gas, Wind) | Maine, Pennsylvania, Rhode Island, New York | JP Morgan (seller) | LS Power Equity Advisors is acquiring the portfolio (PFR, 11/4). |
| | Portfolio (560 MW Hydro) | Massachusetts, Vermont | JP Morgan (seller) | ArcLight Capital Partners is acquiring the portfolio (PFR, 11/4). |
| ● Traxys Power Group | L'Anse Warden Electric Co. (20 MW Biomass) | L'Anse, Mich. | | The project has been acquired by a subsidiary of the Libra Group (see story, page 8). |
| Veresen | Portfolio (625 MW Gas-fired, Hydro, Wind) | Canada | TD Securities | A sale of the assets has formally launched (PFR, 10/31). |
| VivoPower USA | NC-47 (33.8 MW Solar) | Maxton, N.C. | | New Energy Solar Fund is acquiring its second U.S. solar asset stake (PFR, 11/4). |

● **New or updated listing**

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

## PROJECT FINANCE

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

# Live Deals: Americas

| Sponsor | Project | Location | Lead(s) | Loan | Loan Amount | Tenor | Notes |
|---|---|---|---|---|---|---|---|
| 8minutenergy Renewables | Redwood 4 (28 MW Solar) | Kern County, Calif. | TBA | Debt, Tax Equity | TBA | TBA | 8minutenergy Renewables is planning to finance the projects in the coming months (PFR, 10/24). |
| | SpringBok 3 (100 MW+ Solar) | | | Debt, Tax Equity | TBA | TBA | |
| Advanced Power | Cricket Valley (1 GW Gas) | Dover, N.Y. | BlackRock | Equity | TBA | | BlackRock is buying a minority stake in the project (PFR, 8/22). |
| | | | GE EFS, BNP Paribas, Crédit Agricole, ICBC, BAML | Debt | TBA | TBA | Arrangers of the debt financing are meeting with other financial institutions about backing the deal (PFR, 6/20). |
| Ares-EIF | Birdsboro (450 MW Gas) | Birdsboro, Pa. | CIT, GE EFS, Investec | Debt | $300M | C+3 | A group of three banks have been mandated as coordinating lead arrangers on a debt financing (PFR, 10/24). |
| Andes Mining & Energy, Cheniere Energy, EDF | Penco Lirquén (423 ft³/day LNG) | Concepción Bay, Chile | BNP Paribas (sole adviser), Crédit Agricole, DNB, MUFG, Société Générale | Mini-perm | $850M | 8-yr | The arrangers are expected to syndicate the loan at the end of September or beginning of October (PFR, 10/3). |
| | El Campesino Phase I (640 MW Gas) | Bulnes, Chile | | | | | |
| ● Centaurus Capital | Grand View II (80 MW Solar) | Elmore County, Idaho | Citi | Tax Equity | TBA | | Citigroup has closed its acquisition of the tax equity stakes in the project (PFR, 9/12). |
| ● Accordia Life (Global Atlantic Financial Group) | | | | | | | |
| Harbert Management Corp., UBS Asset Management, Northwestern Mutual Life Insurance Co. | Portfolio (1.5 GW Gas) | U.S. (California, New Mexico, Texas) and Trinidad and Tobago | Macquarie Capital | Term Loan B | $245M | 7-yr | Macquarie Capital has launched a term loan B to finance the acquisition and refinance the debt associated with the projects (PFR, 11/4). |
| ● Howard Energy Partners, Grupo Clisa | Nueva Era Pipeline (200-mile Pipeline) | U.S., Mexico | MUFG, Santander | Mini-perm | $353.3M | 5-yr | The sponsors have closed financing for the pipeline (see story, page 5). |
| Invenergy | Lackawanna (1.5 GW Gas) | Jessup, Pa. | BNP Paribas, GE EFS, MUFG | Commercial bank debt | $800M - $900M | TBA | Invenergy has selected arrangers for a debt package for the project, which could include an additional tranche (PFR, 9/19). |
| | | | Prudential | Institutional debt | $200M | TBA | |
| | | | Lazard | Equity | TBA | TBA | |
| NextEra Energy Resources | Ensign (99 MW Wind) | Gray County, Kan. | MUFG, CoBank, Siemens Financial Services, Crédit Agricole | Debt | 283.3M | 7-yr | The loan was priced at Libor+200-225 basis points and closed in July (PFR, 10/31). |
| | Endeavor I (100 MW Wind) | Osceola County, Iowa | | | | | |
| | Tuscola II (100.3 MW Wind) | Tuscola and Bay counties, Mich. | | | | | |
| NTE Energy | Portfolio (2 GW Gas) | Connecticut, North Carolina, Ohio | TBA | Debt | $2B | | NTE is planning to raise $2 billion to finance the Killingly, Reidsville and Pickaway energy centers (PFR, 4/25). |
| Panda Power Funds | Mattawoman (850 MW Gas) | Brandywine, Md. | TBA | TBA | TBA | | Panda is considering launching financing for the project (PFR, 10/31). |
| Quantum Utility Generation | Moundsville (549 MW Gas) | Marshall County, W. Va. | TBA | Debt | $500M | TBA | Quantum has approached prospective arrangers to raise debt and has mandated BNP Paribas to sell a stake in the project (PFR, 6/6). |
| ● Starwood Energy Group Global | Marcus Hook Energy Center(790 MW Gas) | Marcus Hook, Pa. | MUFG, Crédit Agricole, ING Bank, KB Kookmin Bank | Debt | $657.4M | 7-yr | Starwood has closed both acquisition financing and refinancing for the projects (see story, page 1). |
| | Marcus Hook 50 (50 MW Gas) | | | | | | |
| ● Terra Nova Renewable Partners | Hancock (51 MW Wind) | Hancock County, Maine | US Bank | Tax Equity | TBA | | U.S. Bank has closed its acquisition of the tax equity stakes in the project (PFR, 10/3). |
| Transmisora Eléctrica del Norte | TEN (379 mile Transmission) | Chile | KfW-IPEX Bank, MUFG, Mizuho, Sumitomo-Mitsui Trust Group | Term Loan (Dollar) | $739M | 18-yr | The expected closing date of the financing has been pushed back due to negotiations over interest rate swap provisions (PFR, 10/17). |
| | | | Santander, Banco de Chile, Banco Estado de Chile, Banco BCI | Term Loan (Chilean Peso) | | | |
| VivoPower USA | NC-47 (33.8 MW DC Solar) | Maxton, N.C. | KeyBanc Capital Markets | Debt | TBA | TBA | VivoPower is financing the project with a construction loan and tax equity (PFR, 11/4). |
| | | | US Bank | Tax Equity | TBA | | |

● **New or updated listing**

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

PROJECT FINANCE

# Vivint Seals Tax Equity from Investor Trio

**Vivint Solar** has secured tax equity commitments totaling $200 million from three investors.

The sponsor will use the funds to finance the installation of 123 MW of residential solar projects, with a total investment value of $480 million.

How Vivint will fund the $280 million non-tax equity component could not immediately be established. A spokesperson for Vivint in Salt Lake City did not respond to an inquiry by press time.

Vivint did not disclose the identities of the investors. Earlier this year, Vivint obtained a $75 million tax equity commitment from an undisclosed investor that it had not previously worked with (PFR, 5/23).

Larger residential solar developers have more access to tax equity than in previous years, notes a deal watcher. Existing tax equity investors are comfortable committing larger amounts per transaction to the strongest sponsors and several new investors have also emerged, the deal watcher adds.

Meanwhile, fewer smaller residential solar shops are accessing the tax equity market as the industry consolidates, says the deal watcher.

Vivint has also been active in the debt market recently, refinancing a portfolio of rooftop solar projects in August with a $313 million five-year syndicated loan. **Investec**, **ING Capital**, **Silicon Valley Bank** and **SunTrust Robinson Humphrey** were the bookrunners on the deal (PFR, 8/5). ■

# J.V. Secures Debt for Cross-border Pipeline

A joint venture between **Howard Energy Partners** and **Grupo Clisa** has sealed a $353.3 million mini-perm debt financing for a U.S.-Mexican gas pipeline project.

**MUFG** and **Santander** were the lead arrangers on the loan. **SMBC**, **CaixaBank** and **Société Générale** participated as lenders.

The loan has a seven-year tenor and was priced with an initial margin in the low 200s over Libor, says a deal watcher, adding that it has two step-ups. The deal closed on Nov. 3.

The sponsors are developing the pipeline through a 50-50 joint venture called **Nueva Era Pipeline**. Two subsidiaries of Nueva Era, **Impulsora Pipeline** and **Midstream de Mexico**, will own and operate the portions of the pipeline that are in the U.S. and Mexico, respectively.

The Nueva Era project will extend 200 miles from a hub in Webb County, Texas, to delivery points in Escobedo and Monterrey, in the Mexican state of Nuevo León.

"This deal is particularly interesting because it is a truly cross-border transaction—the pipeline originates in the United States and runs across the border ending in Mexico," says **Daniel Michalchuk**, a partner at **Milbank Tweed Hadley & McCloy**, the U.S. law firm that advised the banks. "The vast majority of other CFE-related pipeline transactions that have been done have been located exclusively in the United States or in Mexico."

Although in many ways the transaction resembles other recent Mexican pipeline deals—for example, the **Comisión Federal de Energía** is the anchor shipper—this deal was rare in that it involved a U.S. borrower and a Mexican borrower but was structured as a single transaction, says Michalchuk.

**Creel, García-Cuéllar, Aiza y Enríquez** acted as Mexican legal adviser to the lenders. **Latham & Watkins** and **Galicia Abogados** advised the sponsors on U.S. and Mexican law respectively.

CFE has agreed to transport 504,000 million British thermal units of natural gas to gas-fired facilities in Escobedo and Monterrey via the pipeline, which is slated to be in service by June 2017.

The total construction cost could not immediately be learned.

Officials at the banks were not immediately available for comment, and a spokesperson for the sponsors in San Antonio, Texas, did not respond to an inquiry by press time. ■

MERGERS & ACQUISITIONS

# FirstEnergy Looks to Sell 11.7 GW Competitive Gen Portfolio

« FROM PAGE 1

- the 1,815 MW Beaver Valley nuclear project in Shippingport, Pa., and
- a competitive 713 MW share of the 3,003 MW Bath County Hydro project in Warm Springs, Va.

If FirstEnergy and its subsidiary Allegheny are unable to sell the units, it will consider deactivating a number of them. FirstEnergy plans to implement the "strategic options over the next 12 to 18 months", said Jones on the call.

FirstEnergy's generation subsidiaries control a total of nearly 17,000 MW of predominantly coal-fired and nuclear capacity.

The company announced in July that it planned to either sell or deactivate the 136 MW Bay Shore Unit 1 coal-fired project and close Units 1 to 4 at the seven-unit, 720 MW coal-fired W. H. Sammis Plant in Stratton, Ohio, which it says is no longer economically viable (PFR, 7/25).

Originally this process was slated to be complete by 2020, however FirstEnergy now plans to agree upon a sale or deactivation of Bay Shore Unit 1, as well as the other competitive generation sales, in the next 12 to 18 month period, a spokesperson for the company tells *PFR*.

The gas-fired plants are likely to be the most attractive assets for sale, says the spokesperson, adding that the company is not commenting on whether it is using a financial adviser for the review or asset sales. ■

MERGERS & ACQUISITIONS

# PSEG Solar Source Acquires Second North Carolina Project

PSEG Solar Source has purchased the 13.5 MW Turkey Creek PV1 solar project in North Carolina from **Ecoplexus**, marking its second acquisition in the state.

The project, which will be known as the PSEG Turkey Creek Solar Energy Center, is under construction on 75 acres in Northampton County, 95 miles from Raleigh and is expected to be online before the end of the year. Ecoplexus is building the project and will operate it for PSEG Solar Source.

The project will sell its output to the **Virginia Electric and Power Company** under a power purchase agreement.

The purchase price could not immediately be learned. A spokesperson for Ecoplexus in San Francisco declined comment and spokespeople for PSEG Solar Source in Newark, N.J., did not respond to inquiries.

PSEG Solar Source is understood to have funded the acquisition with balance sheet cash and used in-house advisers, as it typically does.

It is the second project that PSEG Solar Source has acquired from Ecoplexus, and its second project in North Carolina.

The **PSEG Power** subsidiary purchased the 20 MW Meadows PV1 project in North Carolina from the San Francisco-based developer earlier this year (PFR, 2/3). The Meadows facility, which PSEG Solar Source acquired for $40.6 million, has been online since June.

Earlier this month, PSEG Solar Source announced that it had acquired a solar project in Lake County, Ore., from **Obsidian Renewables**. (PFR, 11/2). The 10.5 MW Black Cap II project, which will be renamed the PSEG Lake County Solar Energy Center, is also expected to be online before the end of the year. ■

**FAST** FACT

**1,140 MW**

The amount of solar capacity installed in North Carolina in 2015, according to the **Solar Energy Industries Association**.

# Invenergy to Sell Texas Wind Asset

Invenergy is selling a wind project in Texas to **Southern Power**, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

The 276 MW Bethel wind project in Castro County has a power purchase agreement with **Google Energy** for 225 MW of its output (PFR, 2/11). The remaining 51 MW of the project's output is not contracted. The project is in the **Southwest Power Pool** market.

Whether the project is online could not immediately be established. The project was slated to begin producing test power in the second quarter of 2016, according to paperwork filed with FERC in January. In a June 16 filing, the project was described as "under construction".

The purchase price and whether the buyer and seller are using financial advisers could not be learned by press time. Representatives of Invenergy in Chicago and Southern Power in Atlanta did not immediately respond to inquiries.

The Bethel project, which will supply **Google**'s data centers, will not be Southern Power's only asset under contract with the tech firm. Southern Power and **Turner Renewable Energy** co-own the 74 MW Rutherford Farm wind project in Rutherford County, N.C., which will partly supply Google's data center in Lenoir, N.C. (PFR, 7/8).

Invenergy's sale of the Bethel project follows the Chicago-based company's sale of a majority stake in its 257 MW Wake Wind project to Southern Power (PFR, 6/15). The sale of Wake Wind, which, like Bethel, is located near Lubbock, Texas, closed last month.

Invenergy has also recently agreed to sell a wind asset in Minnesota, the 200 MW Freeborn project, to **Xcel Energy** (PFR, 10/27). ■

# GE EFS Sells Two Wind Projects to Arclight Fund

**GE Energy Financial Services** is transferring its passive stakes in two wind projects—one of which is contracted and one of which is merchant—to an **ArcLight Capital Partners** fund that owns the remaining interests in the projects, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

ArcLight Energy Partners Fund VI owns all of the Class B managing interests in both projects, the 50 MW Kumeyaay project in San Diego County, Calif., and the 50 MW Mendota Hills project in Compton and Lee counties, Ill., while GE EFS owns the passive Class A interests.

ArcLight will obtain all of the Class A membership interests from GE EFS under the terms of the agreement described in the filing.

The Kumeyaay project, which has been online since December 2005, has a power purchase agreement with **San Diego Gas & Electric Company** that expires on Dec. 24, 2025, and the Mendota Hills project, which came online in November 2003, sells its output into **PJM Interconnection**.

The projects are among those that Arclight acquired from **Infigen Energy** last year as part of the Sydney-based developer's exit from the U.S. wind market (PFR, 7/16/15).

Representatives of ArcLight Capital Partners in Boston and GE EFS in New York were not immediately available for comment. ■

**FAST** FACT

**1,089 MW**

The net wind capacity in the U.S. that Arclight acquired from Infigen in October 2015.

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MERGERS & ACQUISITIONS

# Libra Group Subsid. Acquires Michigan Biomass Project, Shops for Others

**Convergen Energy**, a subsidiary of the **Libra Group**, has purchased a biomass project in Michigan's Upper Peninsula from the **Traxys Power Group** and is looking to either buy or partner with other similar projects.

The 20 MW L'Anse Warden Electric Co. (LWEC) combined heat and power biomass project is located on the banks of Lake Superior in L'Anse, Mich.

The project came online as a coal-fired plant in 1959 and was converted to a biomass facility fifty years later, in 2009, according to an undated advert selling the project in *Biomass Magazine*.

The LWEC project is fired by wood chips, tire parts, railroad ties, paper mill residue and construction debris. The majority of the wood burned at the project is low-grade diseased and non-marketable wood, according to a Traxys investor presentation.

Detroit-based **DTE Energy** has a 20-year power purchase agreement with the facility, according to the presentation. The plant also supplies steam and electricity to the CertainTeed Plant, according to a statement by Convergen announcing the sale.

Convergen Energy, which was founded in 2009, was Libra's first investment in the U.S. renewable energy sector. The company provides waste and biomass-based fuels as a substitute for fossil fuels.

The Green Bay, Wis., and New York-based company says it is looking to either acquire or partner with other solid fuel power and or steam generating facilities. The company website says it is seeking projects which utilize wood biomass, agricultural biomass or alternative fuels or coal plants which need to switch fuels for cost and or environmental compliance purposes.

Representatives of Traxys Power Group in New York were not available for comment. A spokesperson for Convergen Energy in Green Bay, Wis., did not respond to inquiries. ■

# NextEra to Acquire Alberta Wind Project

**NextEra Energy Canada Development & Acquisitions** has agreed to acquire an up-to-350 MW wind project in Alberta from a company owned by local businessman **Allan Kettles**.

The fully-permitted Heritage Wind Farm project near Pinchers Creek has the approval of the **Alberta Utilities Commission** for a capacity of up to 291 MW. However, it could be expanded with the addition of solar or battery storage, because the project is listed in the **Alberta Electric System Operator**'s connection queue as a 350 MW facility, says Kettles, president and ceo of **Benign Energy Canada** in Calgary.

NextEra and the project company agreed to the sale on Sept. 13, according to paperwork filed with the Alberta Utilities Commission requesting authorization for the deal.

The purchase price could not immediately be learned. Kettles declined to comment.

The project is shovel-ready but does not have an offtake agreement in place, says Kettles. The facility could either be constructed on a merchant basis or bid into Alberta's first renewable power auction, which was announced on Nov. 3, he says.

Alberta's Environment Minister **Shannon Phillips** laid out the province's plans for a 400 MW auction to take place next year during a speech at the **Annual Canadian Wind Energy Association Conference** in Calgary.

Kettles hired **FirstEnergy Capital Corp.** about four years ago to conduct a strategic review of the project which could have led to a potential sale or joint venture, but the process did not result in a sale because "the market in Alberta wasn't ready," says Kettles.

NextEra was one of about eight or 10 companies that contacted Kettle more recently to express an interest in purchasing the project, he says, adding that his company did not work with a financial adviser this time.

**Shea Nerland** is Heritage's legal adviser on the deal. **McCarthy Tetrault** is advising NextEra.

The deal is slated to close on or around Nov. 30. ■

# Greenbacker Acquires Montana Wind Asset

**Greenbacker Renewable Energy Co.** has acquired a 25 MW wind project in Teton County, Mont., from **Foundation Windpower**.

Greenbacker paid $34.5 million for the project, which is called Greenfield.

The acquisition of the project was Greenbacker's second from San Francisco-based Foundation Windpower.

In December, Greenbacker announced its purchase of the 10 MW Fairfield wind project, which is adjacent to the Greenfield project in Teton County, from Foundation Windpower.

Greenbacker acquired the Fairfield project for $19 million and the assumption of roughly $12.4 million of debt.

The Greenfield and Fairfield projects have 25-year and 20-year power purchase agreements with **NorthWestern Energy**, respectively.

### "PRIVATE YIELDCO"

Greenbacker was established in 2012 as a publicly registered, unlisted company backed by GGIC, which is a fund managed by private equity firm **Franklin Park Holdings**.

It has been described as a "private yieldco" (PFR, 5/17) because although it is not listed and traded publicly on an exchange, it raises capital by offering shares to investors in the private market.

The acquisition platform had invested about $127 million in 178 mostly small-scale solar and wind projects as of Sept. 30. The 163 individual projects listed on its website have a combined capacity of about 50 MW. ■

MERGERS & ACQUISITIONS

# Cypress Creek to Acquire N.C. Solar Shop

**Cypress Creek Renewables** has agreed to acquire a North Carolina solar developer and independent power producer from a group of investors in a deal that will increase its combined operational and development portfolio by about a quarter.

The target of the acquisition is **FLS Energy**, which owns 350 MW of operational solar assets and a 600 MW development pipeline.

Santa Monica, Calif.-based Cypress Creek owns 1 GW of solar projects that are either online or under construction, as well as 3 GW that are under development.

"The combined financial strength and management skills of the merged company create a solid foundation for future growth as we continue to build our relationships with our... lenders and tax equity partners," a spokesperson for Cypress Creek tells *PFR* via e-mail.

The spokesperson declined to comment on the purchase price, but said Cypress Creek and FLS both used in-house financial advisers on the transaction.

The acquisition, which was agreed to in the last several days, is expected to close within the next month, according to the spokesperson. The deal is awaiting the approval of the U.S. **Federal Energy Regulatory Commission**.

CleanTech Alliance Direct Fund, which is a fund of **North Sky Capital**, and Cleantech Infrastructure Fund, a fund of **Piper Jaffray Private Capital** and **New Energy Capital Partners**, each own 22.085% stakes in FLS, and an individual investor owns a further 10%. The remaining 45.83% interest in the company is split between several individual investors, none of whom own more than 10%.

Representatives of FLS in Asheville, N.C., did not respond to a request for comment. ■

STRATEGIES

# Power Industry Digests Trump's Election to the White House

« FROM PAGE 1

ing the course of the campaign from effectively calling for the federal agency to be dismantled to advocating a radical overhaul.

**Myron Ebell**, director of the Center for Energy and Environment at the **Competitive Enterprise Institute** and chair of the **Cooler Heads Coalition**, has reportedly been selected by Trump to lead his EPA transition team. Ebell could not be reached by press time.

The Cooler Heads Coalition runs the website *GlobalWarming.org*, which describes itself as an "informal and ad-hoc group focused on dispelling the myths of global warming by exposing flawed economic, scientific, and risk analysis".

## WINNERS AND LOSERS

Trump's pitch to bring jobs back to the U.S. and prevent companies from moving offshore could be beneficial for solar manufacturing, **John Marciano**, partner at **Akin Gump Strauss Hauer & Feld** in Washington, D.C., tells *PFR*.

The coal sector stands to benefit from the Trump administration. "It [Trump's win] also probably means that there's going to be a lot of push to prop up or bring back the coal industry... to some degree, bringing back the production tax credit relating to refined coal".

Marciano does not think that tax credits for renewable projects will be repealed but says that is a possibility, adding that much of the wind industry is contained in Republican-held congressional districts.

**Keith Martin**, partner at **Chadbourne & Parke,** in Washington D.C., agrees that tax credits, seen as the bridge to the CPP, could be cut short.

## TAX OVERHAUL?

Major corporate tax reform is likely with both Houses of Congress controlled by the Republican Party. Trump plans to reduce corporate tax to 15%, something which cannot be done without stripping incentives or finding new sources of revenue, adds Martin.

"We have no idea what the regulatory or tax framework is going to look like," says **Uday Varadarajan**, principal at the think tank **Climate Policy Initiative** in San Francisco. "In principle, Trump has said that he was supportive of the extension of the tax credits, but if you have broader tax reform, the value of those credits and potentially the credits themselves could be up for renegotiation."

The **American Wind Energy Association** said in a statement issued on Nov. 9 that it is ready to work with the president-elect. Whereas the **Solar Energy Industries Association** issued a statement congratulating Trump on his win.

"If Clinton had won, there would have been a tremendous burst of wind in the sails of the renewable market. Trump is more of a question mark; its not clear what his intentions are there," says Chadbourne's Martin.

## IMPACT ON ACTIVE DEALS

Active tax equity deals will have to factor in the risk of legislative changes, determine who suffers if the law changes and impacts the deal adversely, and accommodate potential changes in how depreciation is calculated, adds Martin. Those looking to raise financing to build projects will also have to take into consideration potential new tariffs on imported equipment.

"The good news is that he does want to shift emphasis to general infrastructure and he has talked about a 82% tax credit on equity investment, I assume spread over several years, as a way of inducing the private sector to pour more money into public infrastructure," says Martin.

Without specifically mentioning power, Trump said that his administration would rebuild the nation's infrastructure in his victory speech in the early hours of Nov. 9.

However, many of the details of President-elect Trump's policy as it pertains to power remain to be seen.

"We just don't know anything of what Trump really believes." says Marciano. "We know what he had to say to get elected, but I think, and he's hinted as this, some of his more off the wall positions might be starting points for negotiation."

*Additional reporting by Richard Metcalf in San Francisco.* ■

● Q&A: MIKE GARLAND, PATTERN DEVELOPMENT—PART I

# Mike Garland, Pattern Development—Part I

Mike Garland

**Mike Garland**, ceo of **Pattern Development** and president and ceo of its yield company, **Pattern Energy Group** (PEGI), gives his view on trends in the availability and pricing of power purchase agreements, the competitiveness of offshore wind and the latest developments in the tax equity market, in the first part of this exclusive interview with **Richard Metcalf**, editor of *PFR*.

**PFR: Your business relies on your ability to obtain power purchase agreements or other offtake contracts for your projects. To begin with, could you tell me about how you view the availability and pricing of PPAs?**

PPAs have always ebbed and flowed in the market in terms of how many there are. You've been paying attention to this market for a while, so you know that last year while there were less PPAs, what people would call PPAs with the utilities, there's a substantial uptick in commercial contracts where major corporations and even medium corporations have contracted directly for renewable power, as opposed to having to go through the utility. And so you have to look at the whole breadth of contracting opportunities out there.

I think last year there was a bit of a lull in the U.S., because I think people were saying: 'Jeez, the [production tax credit] has now been extended out essentially four years, so why rush to do a contract?' And I think it slowed down the market. People were digesting what they had, they were seeing markets around the world, [requests for proposals] around the world, coming in highly competitive. So in the U.S., I think there was a slowing down by some offtakers because of that. They didn't feel the urgency. We weren't falling off the PTC cliff.

I think there will be continuing new opportunities for PPAs and contracts with both corporate as well as commercial financial parties. I think you're going to start seeing, in the coming years, a big pick-up in North America around the [U.S. **Environmental Protection Agency**'s] Clean Power Plan and the accords that have been reached about trying to do more renewables and reduce carbon, and that's going to start driving offtakers and replacement power, which will require power purchase agreements as well. So I think there are a number of opportunities out there, enough for this industry to stay strong.

They are getting more competitive. We've seen it in certain areas; we've seen it in Mexico and Chile and elsewhere, where people have become very aggressive. They're not pricing in country risk or exchange rate risk or other things you might reasonably do as a financial investor. We think that's too aggressive, and I think it's a reflection that some markets have slowed down, which means people need to fill their backlog with opportunities, and you're starting to hear some banks push back on some of these projects as being too aggressive in their pricing.

We don't think they're complete lunatics. They're not *completely* crazy, some of them, we think it's just that they're a little more competitive than they probably should be. Their assumptions on, like I said, foreign exchange and other things.

I think we're even seeing some parties look at debt costs, particularly Europeans where debt costs are very low, and so they do corporate financing of debt and they're building in a very low cost of capital related to debt, and then being aggressive on some of these other fronts that end up being, overall, extremely aggressive.

I think that's a characteristic that we've seen a rebalancing if you will, or a change in balance. Clearly, the U.S. is one of the bigger markets, and when it slows down, other markets start becoming a little more aggressive, I believe, and I think we've seen that. I think as things start picking up again, as some of the supply chains fill up, I think you'll see some of the pricing normalize again, and be more reflective of some of the efficiency improvements that are going on in the technology—solar and wind—rather than just a financial competitiveness.

I think the key here is: If you read almost all of the participants' reports—the participants that are public anyway, and the ones that are private when they talk about it—the difference in cost of capital that people report is not that big. It doesn't drive the competitiveness as much as assumptions do. Are you aggressive on your wind? Are you aggressive on... one of the biggest areas currently on competitiveness is how people are looking at the forward curves for the spot market when you come off of your PPA or when you're on a hedge, where you have some spot market prices, and then you have your residual period after the PPA or the hedge—what is your assumption?

We tend to be more modest than most, in that when we look out forward, if we're bidding a contract at $40/MWh, we don't think it's rational to look out 15, 20, 25 years and assume the market's going to be, in real terms, 50% or 100% higher than $40. We think that it's more rational that the industry will continue making improvements, and cost improvements, and the real cost of energy will potentially even go down some, but at the very least it will be similar to what it is now, and not these curves that show this huge increase in energy costs 20 years from now.

**PFR: Speaking of PPAs, we had the announcement of the initial results of the New England Clean Energy RFP [on Oct. 25] (PFR, 10/26) and one of the projects that was in there that didn't progress to the next stage was King Pine, which of course Pattern was planning to acquire from SunEdison.**

We did acquire it.

**PFR: I thought that was conditional on the project getting a PPA?**

No, we really didn't have a strong view on whether we were going to get a PPA in this first round or not, because that was bid fairly early in the process and I don't even think the phase-out of the PTC or the PTC extension was passed when the bids were submitted. I think there were some assumptions around some level of PTCs, but it wasn't clear how many. So while we thought the price was pretty good and we were hopeful maybe it would work out, that wasn't the reason why we bought the project.

We think that fundamentally it's a unique project in the Northeast and has some very good competitive advantages that, in the medium and long-term, will prove to be a very good project. And so, while obviously we're disappointed—we'd love to have been handed a 600 WM PPA—it was not really expected.

Particularly when you look at [the fact that] the decision by the tri-state was to award roughly 450 MW, and the project is 600 MW, you can't really expect them to give 100% of their award to one party like us unless it's just a super deal. And so there's plenty of other demand out there, as you know, Massachusetts and others have directed for more renewable energy, and we think that King Pine is in a good place to take advantage of some of those upcoming opportunities.

**PFR: We're seeing a little bit more activity recently in offshore wind as well. Is that an area that you're looking at getting involved in?**

We have an offshore project in Japan—it's sort of a wading pool, in that it's only 30 meters deep, and so it's not offshore like many of these projects that are quite deep—and so we're not really looking to do offshore in North America or Europe right now.

We previously were involved with offshore on the eastern side of the U.S. and we sold that business off when we created Pattern, and the reason for that is that we think that's a much longer-term play. And maybe over time as PEGI gets bigger, we can take on some of these offshore projects, as the technology and the competitiveness become better for the industry. But right now, if you look at offshore, it's still quite expensive relative to onshore: It's many times more cost per megawatt hour. So we are still reluctant to go into the offshore business, partly because of the risk and partly because of the competeiveness of the pricing and the size of our balance sheet.

I think that there are some players out there starting to show that there's opportunities that can happen. Northland [**Northland Power**], I think the initial indications are that they have done a good job on their [Gemini] project in the North Sea and that's going to be helpful I think to the industry in gaining confidence. For years, all you heard about were cost overruns, and so an indication that projects are starting to be built on budget is a positive thing that could influence us on the risk side of offshore.

**PFR: Once you have an offtake arrangement, looking at the North American market, how do you view the availability of debt and tax equity to finance projects?**

It's still good. The debt is strong. Tax equity, I think, will be freeing up. You'll have some people getting out of the market, meaning that some of our competitors will be turning taxable and so they won't be in the tax equity market as much, and so we're hopeful that there will be plenty of tax equity. As I said, what's happened is, there's been a little bit of a spreading out, if you will, over the next four years, of construction of some projects. And so I think that will help the liquidity in the tax equity market as well. But we don't see any limitations right now on tax equity or debt for our projects.

> **"They're not pricing in country risk or exchange rate risk or other things you might reasonably do as a financial investor. We think that's too aggressive."**

**PFR: You talked about some of your competitors potentially turning taxable and therefore not requiring [third party] tax equity any more. On the other side of the equation, people were talking at the beginning of this year about possibly new tax equity investors coming into the market. Is that something that you've seen?**

Yeah, we're seeing a number of players. I think there are some improvements in the financial products associated with tax equity—that helps. And certainly the industry is interested in getting more liquidity. If there's a way to improve the tax code to allow for more liquidity, we'd love to see that. In terms of new players, there are a number of new players coming in.

Some of them are smaller, but we've seen this historically in the past with large capital market demands for tax equity, where it takes several years for it to gel. If you remember, in 2009, there was no tax equity to speak of, and so we've taken several years to recover to where people have a confidence in their tax position again. We're seeing some tax equity come in more easily on the solar side, because it's a one-time, up-front, ITC structure, which allows them to know that their current tax position can use the tax benefits, whereas with the PTC you've got to have confidence that you're going to be able to use it over 10 years.

So it takes a little longer to develop that tax equity market, but we're starting to see it happen again. It happened in the past—tax equity markets where the regional banks would start playing more and so on, once they felt confident that their outlook for paying taxes would stabilize—and so I think we're seeing right now a resurgence of people wanting to have renewables in their portfolio. It's a positive because there's such public support that a lot of companies want to tout that they are investing in clean technologies and helping move us to renewables in this country and others, and so you're seeing more and more interest even in the tax markets for new companies to come in.

**PFR: You mentioned improvements in the financial products associated with tax equity. Can you go into more detail on what you meant by that?**

Yeah, for example for some investors pay-go structures are more comfortable than all-up-front funding. I mentioned the ITC for solar, for some companies, when they look at their current tax bill, they can manage an ITC transaction because it lowers their current tax bill and they don't have to project out for 10 years. Those are the sorts of things that help expand the market.

*Check back next week for the second part of this interview, in which Garland discusses the debt market in more detail and gives his view on yieldco equities and the prospects for future dropdowns.*

PEOPLE & FIRMS

# Former EQT Head of Infra Lands at Actis

A private equity executive who was head of **EQT Partners**' U.S. infrastructure business has landed at the New York office of London-based Actis.

**Glen Matsumoto** joined the emerging markets-focused firm as a partner on Nov. 1, having left EQT in July 2015.

In his new role, Matsumoto is focusing on "exploring growth options for the firm's real assets business," and reports to Actis's executive committee, according to a statement issued by the firm.

It has not yet been decided which sectors and geographies he will direct his attention to, a spokesperson for Actis in London tells *PFR* via e-mail. He "will initially be spending his time talking to partners across the firm to scope out where the future opportunities lie," says the spokesperson.

"Actis has a strong track record in growth markets and I expect it will continue to do so for the foreseeable future," says Matsumoto.

Actis opened its New York office in December 2015. Its other offices in the Americas are in São Paulo and Mexico City.

Matsumoto's move to Actis has reunited him with a former colleague, **Torbjorn Caesar**, who is a senior partner in the firm's London office. The pair first worked together at Swedish-Swiss conglomerate **ABB**, where Matsumoto built the firm's structured finance business and was head of infrastructure finance.

"I am delighted to be reunited with him again at Actis," said Caesar, in a statement. "He brings with him an excellent track record of adding value to businesses founded on strong relationships."

Matsumoto joined ABB in 1996, working for the company in Zurich and Stamford, Conn., and closing more than $1 billion of project financings across multiple sectors in the following six years.

In 2002, **GE Energy Financial Services** acquired **ABB Structured Finance**, and Matsumoto remained in the Stamford-based team as managing director of international energy infrastructure for almost three years, working on project financings and acquisitions in Latin America, the Caribbean and Southeast Europe.

He left GE EFS and joined **Macquarie** as a division director in New York in 2005, where he worked on project and leveraged finance transactions for both portfolio companies of Macquarie infrastructure funds and companies not sponsored by Macquarie funds.

In 2007, he joined Swedish firm EQT to launch its New York-based infrastructure business, working on transactions in the generation and midstream and upstream oil and gas sectors.

Earlier in his career, Matsumoto held various positions in finance at oil companies, banks and **Edison Mission Energy**. ■

# Project Finance Exec. Director Departs Natixis

An executive project finance banker has left Natixis, a person at the bank has confirmed.

The financier, **Robert Park**, who was an executive director in Natixis' project finance department in New York, was registered with the **Financial Industry Regulatory Authority** as a broker at the French bank until Oct. 26.

The Natixis employee said that he had moved to the West coast, but it could not immediately be established whether he had left to take a position in project finance at a rival bank or other institution there.

A spokesperson for Natixis declined to comment, and Park could not immediately be reached. Calls to **Jonathan Kim**, who joined Natixis as managing director and head of global infrastructure and projects in the Americas last year (PFR, 9/9/15), were not returned.

Park joined Natixis in 2003 after graduating from **Princeton University** in 2002, according to his **LinkedIn** profile.

He worked on project financing transactions for at least 10 GW of thermal, wind, solar, biomass and geothermal generation during his 13 years at the bank. He also advised on conventional and renewable generation M&A transactions on the buy-side. ■

POWER TWEETS

**Solar Industry @SEIA**
**HUGE victory for #solar in Florida! Sunshine State voters have said No on Amendment 1!**

**EIA @EIAgov**
**U.S. #coal consumption in 2015 was 797.7 million sort tons, down 13% from amount in 2014. http://go.usa.gov/xkJX3**

**Philip Wallach @PhilipWallach**
**Worth noting: WA's state carbon tax proposal, I-732, was roundly defeated by its combined left-right opposition: http://nyti.ms/2fFOSbB**

**Aaron Joseph @aaronejoseph**
**No matter how you voted, infrastructure investing was a winner last night**

**Jeff L. Fox @JeffLFox**
**100,000 megawatts of coal retirements since 2010. All done without a Clean Power Plan.**

**Daniel Englander @EnglanderDaniel**
**@realDonaldTrump #energy policy forces all technologies to compete on unsubdisized, level playing field? #Renewableenergy says #bringiton!**

QUOTE OF THE WEEK

**"We just don't know anything of what Trump really believes. We know what he had to say to get elected, but I think, and he's hinted as this, some of his more off the wall positions might be starting points for negotiation,"**

**John Marciano**, partner at **Akin Gump Strauss Hauer & Feld** on what the **Donald Trump** administration might mean for the power sector.