

# Power Finance & Risk

Exclusive Insight on Power M&amp;A and Project Financing

By the publisher of GlobalCapital

## ● Strategies

## ● Mergers & Acquisitions

### Terra-Gen Floats B Loan

Terra-Gen Power is out with a term loan B to pay down debt and tax equity interests in a wind portfolio. Page 6

### Wind Capital Preps Wind Sale

Wind Capital Group has hired Marathon Capital to sell two wind farms. Page 6

## Yieldco Sweep - October

- \$1.1B Of Acquisitions
- Sempra Eyes Alternative

Sara Rosner

A steady pace of asset acquisitions and speculation regarding prospective initial public offerings characterize the yield company arena. Yieldcos have spent roughly \$1.1 billion purchasing 1.3 GW of assets in the past few weeks, and that level of activity is expected to continue, according to deal watchers.

**NRG Yield** accounted for roughly 50% of the megawatts purchased, as it bought roughly 785 MW of wind and gas-fired assets from parent **NRG Energy** (PFR, 11/10). NRG acquired the portfolio as part of its \$2.63 billion purchase of **Edison Mission Energy** (PFR, 1/14). PAGE 8 »

Yieldco Share Price - IPO vs. Nov. 12\*



Source: Yahoo! Finance

## LS Mulls Asset Sale

Holly Fletcher

**LS Power** is considering bringing a portfolio of assets in PJM and New England to market.

The private equity shop has reached out to some investment banks for a potential advisory role, say deal watchers, although no advisor has been hired as of press time.

LS is not expected to make an immediate decision about the sale, says one observer, adding that it's still in the evaluation phase. One banker says that given the coming holiday season, it would probably be a first quarter deal.

The shop is looking to pare down assets from its **LS Power Equity Partners II** fund, notes one deal watcher. The fund closed in 2007 at \$3.085 billion. It's been the dry powder behind several LS' deals over the last few years, funding projects including the 900 MW Sandy Creek pulverized coal-fired facility in Texas and 738 MW West Deptford combined cycle facility PAGE 8 »

## Q&A: Andrew Jones, AMP Capital

**AMP Capital** raised \$1.1 billion for its global Infrastructure Debt Fund II, surpassing its \$1 billion target. Many of the same investors from its IDF I returned for a second round. Some investments have

already been made, including a \$100 million loan to **Alterra Power Corp.** for the 204 MW Shannon wind project in Clay County, Texas, and the 62 MW Jimmie Creek hydro project in the Toba Valley in British

Columbia. *PFR* Senior Reporter **Olivia Feld** spoke to **Andrew Jones**, global head of infrastructure debt at AMP Capital headquarters in Sydney, about investor response to fundraising and what the shop looks for in investments.

**PFR: What was the reception like from inves-** PAGE 7 »

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



## ● IN THIS ISSUE

### MERGERS & ACQUISITIONS

- 5 | Blackstone Chases B Loan
- 5 | NRG Yield Lands Portfolio
- 5 | Dominion Makes Utah Solar Play
- 5 | LS, DTE Strike Peaker Deal
- 6 | Marathon Hawks Wind Capital Pair

### STRATEGIES

- 6 | Terra-Gen Stalks B Loan For Debt Paydown

### PROJECT FINANCE

- 6 | First Wind Ropes Texas Wind Debt
- 6 | NextEra Signs JPMCC, GE EFS For Tax Equity

### DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 8 | Alternating Current

## ● THE BUZZ



Credit: iStock/ThinkStock

# Yieldcos To Keep Stoking M&A

The first half of 2015 could be a busy time for investment banks and law firms. Several yield company transactions and potential auctions could keep folks on the frontlines of deals.

**LS Power** is likely to be a frequent seller in the next year. Its second fund, which closed at \$3.085 billion in 2007, owns a host of assets that will need to enter the M&A fray given the life cycle of the fund. The shop is already mulling a sale of some of the assets in PJM and New England that are owned by its second fund (see story, page 1). For a full list of assets in the second fund go to [www.powerfinancerisk.com](http://www.powerfinancerisk.com).

Yieldcos continue to garner the bulk of the spotlight in the power industry. "You

can't talk to anyone without yieldcos sucking all of the air out of the room," notes a developer. Indeed, M&A and financing activity among existing yieldcos is expected to account for a consistent and stable stream of deals, while prospective issuers are captivating players across the spectrum from analysts to executives. Yieldcos spent more than \$1 billion on roughly 1.3 GW of capacity in the past few weeks (see story, page 1). While wind accounted for the bulk of purchases, observers expect to see more solar and gas-fired generation in the mix, as well as non-generating assets. Some shops are passing on the bandwagon however. Though **Sempra Energy** and a joint venture between **KKR** and **Acciona** are still considering the vehicle, **First Solar** announced this month that it would pass on the yieldco and **SunPower** has delayed its decision on an offering.

Wind tax equity deals are bubbling up as developers and investors finalize agreements that have been in the works. The demand for tax equity has outpaced capacity and tax equity investors have mostly committed their 2014 dollars (PFR, 10/21). Affiliates of **NextEra Energy** have scored three deals in the last month, underscoring investors' desire to work with marquee or relationship developers. **NextEra Energy Resources** has signed on a pair of investors for its Mammoth Plains project in Oklahoma (see story, page 6). The affiliate yieldco is close to finalizing a \$250 million tax equity investment for a Texas project (PFR, 11/4). ■

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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 **Holly Fletcher**, managing editor, at (212) 224-3293 or [holly.fletcher@powerfinancerisk.com](mailto:holly.fletcher@powerfinancerisk.com)

## GENERATION AUCTION &amp; SALE CALENDAR ●

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

## Generation Sale ■ DATABASE

Seller	Assets	Location	Advisor	Status/Comment
Apex Clean Energy	Hoopeston (98 MW Wind)	Vermilion County, Ill		Ikea is buying it (PFR, 11/3).
ArcLight Capital Partners, Government of Singapore Investment Corp.	Stake (Southeast PowerGen)	Various, Georgia	Citi	Carlyle has launched a B loan to finance its purchase (PFR, 11/3).
ArcLight Capital Partners	Hamakua (60 MW CCGT)	Hawaii	Energy Advisory Partners	Teasers out (PFR, 7/28).
ArcLight Capital Partners	Bayonne (512 MW CCGT)	Bayonne, N.J.	Morgan Stanley	Teasers recently out (PFR, 9/22).
Burrows Paper Corp.	Lyonsdale Associates (19 MW Hydro)	New York		Burrows in final stages of selling (PFR, 8/25)
Calpine	Osprey (550MW CCGT)	Florida	TBA	Comes after Duke recently said it wanted to build not buy plants (PFR, 9/1)
Centaurus Capital	Avalon (29 MW Solar)	California		Coronal Group is buying it (PFR, 10/6).
E.ON Climate & Renewables North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Looking to sell 80% of several projects (PFR, 9/15).
Enel Green Power North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Sale process recently started (PFR, 9/15).
Entegra Power Group	Portfolio	Arizona, Arkansas	Houlihan Lokey	Will scope tolling agreements, sales post-bankruptcy (PFR, 10/13).
Exelon Corp.	Quail Run (550 MW Gas-Fired)	Odessa, Texas	Citi	Starwood has agreed to buy it (PFR, 10/6).
Exelon Corp.	West Valley (189 MW Gas-Fired)	West Valley, Utah		Wayzata is buying it (PFR, 10/13).
Dynegy	Portfolio (2.7 GW Gas, Oil-Fired)	Various, California	Bank of America Merrill Lynch, Barclays	Teasers recently released (PFR, 10/27).
First Wind	Stakes (255 MW Wind)	Texas, Washington		Individuals affiliated with Southwest Generation are taking stakes in the project (PFR, 10/20).
Geronimo Energy	Various (Wind)	Various	Barclays	Algonquin has bought one project (PFR, 9/15).
juwi solar	Pavant (50 MW Solar)	Millard County, Utah		Dominion is buying it (see story, page 5).
LS Power	Portfolio (544 MW Hydro)	Various, PJM		Sale is reportedly between the first and second round (PFR, 10/20).
LS Power	Renaissance (728 MW Gas)	Carson City, Mich.		DTE is buying it (see story, page 5).
LS Power	Portfolio (Various)	PJM, New England		Mulling a sale of assets in its second fund (see story, page 1).
Neptune Power Ventures	Neptune (65 Miles Transmission)	New York, New Jersey		Several owners selling down stakes to Ullico (PFR, 11/10).
NRG Energy	Sabine (106.5 MW Cogen)	Orange, Texas		Rockland Power Partners agrees to buy NRG's stake (PFR, 10/20).
NRG Energy	Portfolio (785 MW Wind, Gas)	Various		NRG Yield is buying them (see story, page 5).
NTR	Portfolio (Wind)	Various	TBA	Will take pitches to sell Wind Capital Group (PFR, 9/8).
Olympus Power	Grant County Wind Farm (20 MW Wind)	Minnesota	Ewing Bemiss	The deal power price is set at \$69.10 per MWh for first ten years (PFR, 9/1).
Pioneer Green Energy	Green Pastures (300 MW Wind)	Texas	None	Capital Dynamics, Pru are buying it (PFR, 10/13).
Riverstone Holdings	Sapphire Power (807 MW Gas)	Various	Barclays	First round bids submitted mid-October (PFR, 10/27).
Sempra U.S. Gas & Power	Mesquite (1250 MW CCGT)	Arizona		Sempra is on track to sell the facility for more than its \$300M book value (PFR, 11/10).
SunShare	Portfolio (9.6 MW Solar)	Colorado	Infrastructure Finance Advisors	High interest; moved to second round (PFR, 8/18).
Tenaska	Westmoreland (950 MW Gas)	Pittsburgh, Pa.	Whitehall	Looking for development capital (PFR, 8/18).
Covanta Holdings Corp	Portfolio (113 MW Biomass)	Various, California	Ewing Bemiss	Teasers out this month (PFR, 11/3).

## ● New or updated listing

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

To report updates or provide additional information on the status of financings, please call Managing Editor Holly Fletcher at (212) 224-3293 or e-mail [holly.fletcher@powerfinancerisk.com](mailto:holly.fletcher@powerfinancerisk.com)

## PROJECT FINANCE

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

### Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
AES Gener	Angamos (544 MW Coal)	Chile	TBA	TBA	\$700M-\$1B	TBA	Banks bid to lead a refi (PFR, 10/6).
Alterra, Fierro Axiom	Jimmie Creek (62 MW Hydro)	British Columbia	Manufacturers LifeCo	Construction, Term	C167.5	C+40-yr	Five lenders participated (PFR, 10/27).
Apex Wind	Balko Wind (300 MW Wind)	Oklahoma	TBA	TBA	TBA	TBA	Sponsor takes pitches from prospective MLAs (PFR, 9/8).
Cape Wind Associates	Cape Wind (468 MW Wind)	Cape Cod, Mass.	MUFJ	TBA	\$1.95B	TBA	Contention over pricing and lengthy due diligence slowing down prospective lenders (PFR, 10/20).
Cheniere Energy	Corpus Christi (LNG Export Facility)	Corpus Christi, Texas	SocGen	TBA	\$11.5B	7-yr	SocGen is looking for the commitments to the wholesale syndication.
Cobra Energia	Peru Portfolio (122 MW Wind)	Peru	U.S. Ex-Im	TBA	\$65M	17-yr	The Cobra projects have 20-year offtaker contracts with Peruvian government (PFR, 8/27).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Cameron County, Texas	Blackstone	TBA	TBA	TBA	Debt and capital raise has had several setbacks (PFR, 8/11).
Deepwater Wind	Block Island (30 MW Wind)	Rhode Island	TBA	TBA	TBA	TBA	Aiming to close finance in the coming months (PFR, 10/27).
Energy Investors Funds	Oregon (800 MW Gas)	Oregon, Ohio	BNP, Credit Ag	TBA	TBA	TBA	Sponsor looking to sell about half of project (PFR, 11/3).
Exmar NV	Floating Liquefaction Project	Colombia	TBA	B Loan	\$170M	TBA	Sponsor looking to land a B loan for the debt on the project (PFR, 5/5).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	\$1B	TBA	Has opted for project finance loan over B loan (PFR, 7/28).
First Wind	South Plains (200 MW Wind)	Floyd County, Texas	BayernLB	Tax Equity, Debt	\$254M	TBA	Financing closed with term debt and tax equity (see story page 6).
GDF Suez, Pemex	Los Ramones II Sur (178-mile Pipeline)	Mexico	Santander	TBA	TBA	TBA	BNP Paribas is also advising on the \$1B project (PFR, 8/11).
Greenwood Energy, ILLIOSS	Portfolio (250 MW Solar)	Mexico	TBA	TBA	TBA	TBA	The sponsors are speaking to lenders and potential mid-size commercial and industrial offtakers (PFR, 10/6).
Korea Southern Power Corp., Samsung C&T	Kelar (517 MW Gas)	Chile	Natixis, BTMU, SMBC, Mizuho, Santander KEXIM	Gaurantee, VAT, L.C., Working Capital	\$310M	TBA	Deal is set to wrap in the next month (PFR, 10/6).
NextEra Energy Partners	Palo Duro (250 MW Wind)	Randell, Texas	TBA	TBA	TBA	TBA	Sponsor looking to finalize about \$250 million in tax equity investment (PFR, 11/10).
NextEra Energy Resources	Bluewater (60 MW Wind)	Lake Huron, Ontario	TBA	TBA	TBA	TBA	Sponsor is talking to lenders in the U.S. to finance the project (PFR, 5/19).
NextEra Energy Resources	Mammoth Plains (200 MW Wind)	Oklahoma	GE Energy Financial Services, JPMorgan Capital Corp	Tax Equity	TBA		Tax equity investments agreed (see story page 6).
NTE Energy	Multiple (Gas)	Various, U.S.	Whitehall	TBA	TBA	TBA	Looking to arrange PPAs for a portion of gas-fired trio (PFR, 8/4).
Panda Power Funds	Stonewall (750 MW Gas)	Leesburg, Virginia	Goldman Sachs	B Loan	\$564M	7-yr	Commitments for B loan package were due Nov. 10 (PFR, 11/10).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	BMO Capital Markets, CIBC, Cr�dit Agricole, Soci�t� G�n�rale & Sumitomo Mitsui Banking Corp	TBA	C\$580	TBA	Deal wrapped at L +162.5 (PFR, 11/3).
Samsung Renewable Energy	Kingston (100 MW Solar)	Ontario	RBC, Connor Clark & Lunn	TBA	\$500M	TBA	Lenders are beginning to circle up (PFR, 7/21).
D.E. Shaw	Red Horse 2 (51MW Wind)	Arizona	Santander, Sabadell	TBA	\$170M	20-yr	Near financial close (PFR, 8/25).
Starwood Energy Global Group	Stephens Ranch II (165 MW Wind)	Texas	Citi, Morgan, MUFJ	Construction	\$207M	TBA	Firms will also make tax equity investments in the project (PFR, 8/25).
Summit Power	Texas Clean Energy Project (400 MW Gas)	Odessa, Texas	TBA	TBA	TBA	TBA	Delays due to high labor costs and construction reevaluation (PFR, 10/20).
Tenaska	Brownsville (800 MW CCGT)	Brownsville, Texas	TBA	TBA	TBA	TBA	Tenaska is in early stages of talks, plans to wrap by year-end (PFR, 6/30).

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## MERGERS &amp; ACQUISITIONS ●

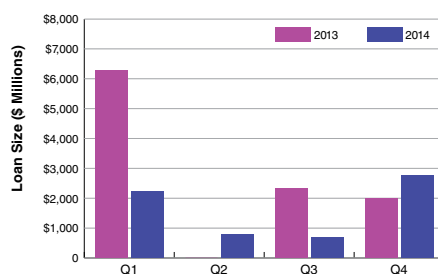
# Blackstone Upsizes B Loan To Fund Optim Purchase

**Blackstone Group** is out with a deal to upsize a \$515 million term B loan by \$160 million to acquire two assets from **Optim Energy**.

The B loan is pitched at LIBOR plus 425 basis points with a 1% floor and an original issue discount of 98-99. **Citigroup** and **Deutsche Bank** are book runners. Proceeds from the upsizing will be used to finance the acquisition of the 310 MW Twin Oaks coal-fired unit in Robertson County, Texas, and Walnut Creek, an adjacent coal mine, from Optim Energy in a bankruptcy court-run sale.

The deal is a follow-on to a \$565 million deal from the first quarter that Blackstone sponsored to finance the acquisition of three facilities totaling 1,298 MW from **Direct Energy** (PFR, 6/2). The deal, led by Citi, was priced at L+375 bps with a 1% floor and an

## B Loan Scorecard



Source: Power Finance & Risk

original issue discount of 99.

The existing debt will be repriced to match the pricing on the upsized amount, says a deal watcher. The new pricing is expected to settle around L+425 bps, which reflect current market conditions, notes the deal

watcher. The B loan, including the upsized amount, will mature in February 2021.

Commitments for the new debt were due on Nov. 14. Investors were expected to give consent by the end of Nov. 10 to add Twin Oaks and Walnut Creek to the collateral package.

**Lonestar Generation LLC**, a subsidiary of Blackstone will own the portfolio of four plants and coal mine. The original B loan package was called **Viva Alamo, LLC**, but has been renamed Lonestar Generation to reflect the larger portfolio, says a deal watcher.

Optim Energy filed for bankruptcy in the U.S. **Bankruptcy Court of Delaware**. Twin Oaks is merchant. The acquisition is expected to close in the fourth quarter.

The new B loan debt and the original package have the same rating: B1 by **Moody's** and BB- by **Standard and Poor's**. ■

## NRG Yield Nets Wind, Gas-Fired Bundle

NRG Yield has agreed to purchase 785 MW of wind and gas-fired assets from parent **NRG Energy** for \$480 million. **Moelis & Co.** advised NRG Yield on the purchase, which is expected to close by year-end.

The purchase consists of the:

- 500 MW Walnut Creek natural gas-fired facility in City of Industry, Calif.,
- 81 MW Laredo Ridge wind farm in Petersburg, Neb., and the
- 204 MW Tapestry wind portfolio,

which includes the 19 MW Buffalo Bear farm and 130 MW Taloga farm in Oklahoma as well as the 55 MW Pinnacle farm in West Virginia.

NRG Yield will fund the purchase with cash on hand and will also assume \$746 million in debt as part of the purchase. NRG Energy acquired the assets in its \$2.635 billion purchase of **Edison Mission Energy** (PFR, 1/14). EME wrapped a \$242 million refinanc-

ing of the Tapestry portfolio (PFR, 12/23/2011).

**Crowell & Moring** is NRG Yield's legal advisor on the latest deal.

**Southern California Edison** has a 10-year power purchase agreement with Walnut Creek, while the Tapestry projects and Laredo Ridge have 20-year PPAs. A spokeswoman for NRG Yield did not respond to inquiries by press time. ■

## DTE Scores LS Peaker

**DTE Energy** has agreed to buy a simple cycle gas-fired plant in Carson City, Mich., from **LS Power**.

The utility will pay \$240 million for the 732 MW Renaissance facility. The utility needs the facility to ensure that it can meet peak demand in a market that is expected to have tighter supply in the upcoming years, according to a company statement.

DTE is in the process of buying the 75 MW Pheasant Run II wind farm in Huron County, Mich., from NextEra Energy Resources (PFR, 6/3). The farm will be renamed Brookfield.

LS acquired Renaissance in a deal with **Dynegy** in 2009 (PFR, 8/10/09).

A DTE spokesman in Detroit could not immediately comment on how the acquisition will be financed. ■

## Dominion Lands Maiden Utah Solar Project

**Dominion** has purchased the 50 MW Pavant solar project in Utah from **juwi solar**, marking its first solar play in the state.

The Pavant project in Millard County is slated to go into construction this quarter and to be online in the second half of next year. It has a 20-year power purchase agreement with **Rocky**

**Mountain Power**, a subsidiary of **PacifiCorp**.

Dominion, based in Richmond, Va., has bought nearly a dozen solar projects this year. The addition of Pavant brings its solar portfolio to 324 MW across six states: California, Connecticut, Georgia, Indiana, Tennessee and Utah.

**JSI O&M Group**, a subsidiary of Boulder, Colo.-based juwi solar, will maintain Pavant for Dominion during the initial years of operation.

Neither the purchase price nor Dominion's financing plans could be immediately learned. Spokespeople for the companies could not immediately comment. ■



## ● MERGERS & ACQUISITIONS

### Marathon To Run Wind Capital Sale

**Wind Capital Group** has hired **Marathon Capital** to sell a pair of wind farms totaling 351 MW in the Midwest.

Wind Capital Group owns the 150 MW Lost Creek wind farm in Dekalb County, Mo., which went online in 2010 and has a long-term power purchase agreement with **Associated Electric Cooperative, Inc.**; and the 201 MW Post Rock wind farm in Ellsworth, Lincoln and Rice counties in Kansas, which has a PPA with **Westar Energy**.

Teasers are expected to be released this month with a first round deadline in the first quarter. Wind Capital Group would like to wrap the deal in the first half of 2015.

Wind Capital Group, a subsidiary of Dublin-based **NTR**, auditioned prospective advisors in the fall (PFR, 9/3). ■

## ● STRATEGIES

### Price Talk Emerges On Terra-Gen B Loan

**Terra-Gen Power** launched its \$325 million financing package at LIBOR plus 425-450 basis points.

The seven-year, \$300 million B loan is pitched with a 1% LIBOR floor and a 99 original issue discount. The deal, which includes a \$25 million revolver, launched Wednesday at a bank meeting in New York hosted by arranger **Goldman Sachs** (PFR, 11/12).

The debt will sit at **Terra-Gen Finance Co.** The package is rated BB+ by **Standard & Poor's** and Ba3 by **Moody's Investors Service**.

Proceeds from the B loan will be

used to pay down project level debt as well as buy out tax equity stakes in six of the wind farms, according to an S&P report. Terra-Gen will also make an equity distribution to its investors **ArcLight Capital Partners** and **Global Infrastructure Partners**.

Terra-Gen Finance owns a portfolio of 18 wind farms totaling 497 MW in California, Colorado, Minnesota and Wyoming. It also owns equity stakes in three solar and geothermal projects that total 157 MW in California.

**Citicorp USA**, a subsidiary of **Citigroup**, owns tax equity stakes in the

2 MW Chandler wind farm in Buffalo Ridge, Minn., the 2 MW Foote II, the 25 MW III and the 17 MW IV wind farms, Oak Creek in Tehachapi, Calif., and the 30 MW Ridge Crest in Peetz, Calif, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

Details on the amount of outstanding project debt and tax equity investment could not be immediately learned. A Goldman spokeswoman could not immediately comment on the deal while a Terra-Gen official was not immediately available to comment. ■

## ● PROJECT FINANCE

### First Wind Wraps Texas Wind Financing

**First Wind** has closed a \$254 million in financing to support its 200 MW South Plains wind project in Floyd County, Texas.

**BayernLB** is the lender on the term debt package. **Mitsubishi UFJ Financial Group** has made a tax equity commitment to the project. The debt sits at **South Plains Wind Energy, LLC**, a subsidiary of First Wind.

The merchant project will use 100 **Vestas V100** turbines and is sched-

uled to be online by the end of 2015.

South Plains is First Wind's second financing in Texas this year. It inked a \$206 million financing for the 150 MW Route 66 wind project near Amarillo, Texas, in the first quarter. **Morgan Stanley** and **Banco Santander** were the leads with BayernLB participating. **Morgan Stanley Commodities** provided a long-term ERCOT power hedge (PFR, 2/18).

The Boston-based developer is

looking to expand its Texas pipeline of projects in Texas and is considering developing a second phase at South Plains that could be up to 200 MW, a spokesman told PFR.

Further details such as pricing and tenor of the loan, tax equity investment and the hedge counterparty could not be learned immediately. A spokesman for BayernLB declined to comment and Mitsubishi UFJ Financial Group not respond to inquiries. ■

### NextEra Lands GE EFS, JPMCC Tax Equity

**GE Energy Financial Services** and **JPMorgan Capital Corp.** have agreed to make tax equity investments in **NextEra Energy Resources'** Mammoth Plains wind project in Oklahoma.

**Aircraft Services Corp.**, a GE EFS subsidiary, is on tap to take a 44.15% stake in the 200 MW project's passive, class B shares, according to a filing with the U.S. **Federal Energy Regulatory Commission**. JPMCC will take a 55.85% stake.

Mammoth Plains has been energized and is expected to be fully operational in mid-December. It has a power purchase agreement with **Southwestern Public Service Co.**

NextEra and the tax equity investors are targeting a financial close around Dec. 15, according to the filing.

Spokespeople for the firms either declined to comment or could not immediately comment on the pricing or size the investment. ■

#### NextEra Energy Resources Wind Pipeline



Source: NextEra Energy 3Q Earnings Presentation

ANDREW JONES, AMP CAPITAL ●



Andrew Jones

« FROM PAGE 1

**tors to your second fund?**

**Jones:** As you would imagine we were very pleased with the reception that we got and the results that we achieved. More and more investors are looking to support managers who are

able to demonstrate a consistent strategy, delivered over a long period of time. So the fact that this was a follow-on fund I think made our fundraising efforts a bit easier than our first fund that we raised.

We're delighted with the result, we exceeded our target and we were also able to secure a series of investors' commitments to invest alongside our fund as well, which was very pleasing.

**PFR: What sort of assets are you looking at specifically in the Americas?**

**Jones:** The strategy of our fund is to invest in infrastructure businesses. Our core sectors that we target are utilities, so regulated businesses in the gas, water and electricity space as well as transportation assets, airports, roads, these type of assets. In the U.S. we target the same sectors but we found most of our opportunities come from the energy space in one form or another.

**PFR: Specifically looking at power, what within the power sector are you interested in?**

**Jones:** We have funded a number of generation assets so both gas-fired generation and renewables. We're interested in taking exposure to transmission assets so transmission lines. And we would also lend to a regulated distribution company.

**PFR: Are you looking across the fuel type spectrum in power, from coal**

**"In terms of the Americas, Canada is definitely on our radar, as is the mainland U.S."**

**down to renewables or do you have a certain appetite?**

**Jones:** We have certainly got appetite for further wind, solar and gas-fired generation opportunities. You know, we are much more cautious in relation to coal-fired opportunities, given the relativity uncertain outlook for the legislation around that fuel source.

**PFR: What sort of risk appetite do you look for? Looking at regulated utilities says to me that you like contracted assets so I'd like to hear how you view the space.**

**Jones:** I should have mentioned that the way we get exposure to those assets is through lending at a subordinated or mezzanine level, in the capital structure. So we will lend to companies on a basis that ranks behind their first lien or senior debt in the businesses but obviously ahead of the equity. So our strategy is based on achieving attractive and consistent cash yields, higher than on senior loans, with lower levels of volatility than you'd have from an equity investment.

**PFR: What sort of yields are you going to be looking for?**

**"We are much more cautious in relation to coal-fired opportunities, given the relativity uncertain outlook for the legislation around that fuel source."**

**Jones:** Our fund targets a return of 10% per annum. And looks to deliver that in the form of a current cash yield.

**PFR: In what kind of time frame?**

**Jones:** The investments that we make, the fund itself is a typical 10 year closed end fund-structure. So the loans that we make are for maturities that fit within that term so we'll generally be lending for seven, eight, nine-years for example. We can't lend beyond the 10-year life of the fund.

**PFR: Are you planning to make further investments in Canada, Latin America or is the focus for this fund going to be on North America?**

**Jones:** The mandate of the fund is to pursue these opportunities within the OECD. So in terms of the Americas, Canada is definitely on our radar, as is the mainland U.S. But obviously that limits our opportunities in the Latin American space.

**PFR: What sort of returns did you see on the first fund?**

**Jones:** The first fund was also targeting a 10% return, so both of those funds are making investments consistent with that return target. I would say that we've been able to meet the return expectations for investors both in our first and second funds to-date.

**PFR: Why do you think so many of the same investors have returned for the second fund?**

**Jones:** It's not just the consistency of our strategy and our process and our risk appetite but our ability to finance it to meet that criteria and deliver that consistency over the years is one of the key reasons we've had success. ■

*Check back next week for the second installment in which Jones discusses how M&A is driving lending activities and how the fund sources its deals.*

# Yieldco Sweep - October

## « FROM PAGE 1

Non-renewables asset purchases could become more common for yieldcos, notes **Jeffrey Chester**, partner in the project finance and development group at **Morrison & Foerster** in Los Angeles. "In order to meet those growth curves, I think those pool of assets will need to expand to gas-fired assets outside of renewables or non-energy generating assets," Chester says.

**Pattern Energy Group Inc.** and **NexEra Energy Partners** also agreed to pocket wind assets from their respective parents, though the purchase prices per kilowatt set those transactions apart. PEGI is paying roughly \$118 per kW for its 147 MW stake in Panhandle 2 wind farm in Texas, while NEP is forking out a rough average of about \$92/kW for the 250 MW Palo Duro wind farm, also in Texas, and the 20 MW Shafter solar project in California. Panhandle 2 is also notable for its underlying contract: 80% of the project's output is contracted under a long-term price hedge to an affiliate of **Morgan Stanley**. The balance will be sold in ERCOT's spot market.

**TerraForm Power** also picked up a host of solar assets from third parties, paying a total of \$285 million for 140 solar installations in two separate transactions. Solar is expected to account for an increasing amount of yieldco purchases in the short-term, notes **Eli Katz**, partner at **Chadbourne & Parke** in New York. "Most mid-size developers say they are having discus-

sions with yieldcos for programmatic partnerships or outright sales," he says.

Several companies are considering whether to tap the yieldco vehicle to compete with the existing yieldcos on cost of capital (PFR, 10/24). **Acciona** and **KKR** are pegged for an IPO sometime in the first quarter via leads **Goldman Sachs** and **JPMorgan** (PFR 9/29). **Sempra Energy** spent most of the Q&A portion of its third quarter earnings call on Nov. 4 fielding analysts' inquiries on the deciding factors and details of a potential master limited partnership or a 'total return vehicle.'

"I think the yieldco term is a little bit funny, because you think a yieldco means something that's at a high yield, but really, some of these really good ones tend to be at a low yield. What we really see is, this is going to be very highly valued because of growth and yield. So we just didn't really like the term. It didn't really fit us. It didn't fit our strategy," **Joe Householder**, cfo of Sempra, said on the earnings call in response to an analyst's question regarding the company's preference for 'total return vehicle' over yieldco.

Uncertainty persists around the yieldco vehicle, officials note. **SunPower**, owned by French energy firm **Total SA**, last week announced that it was putting off its decision on whether or not to unveil a yieldco. Meanwhile **First Solar** nixed the yieldco idea in its Q3 call, countering indications from earlier this year and disappointing investors. ■

## LS Mulls Asset Sale

### « FROM PAGE 1

in New Jersey.

The fund acquired a portfolio of assets from **Dynegy** in 2009 and a portfolio from **NextEra Energy Resources** in 2011 (PFR, 8/10/09 & 9/2/11). LS has tried to sell off assets opportunistically, most recently lining up **DTE Energy** for the 732 MW

Renaissance facility in Carson City, Mich. (see story, page 5). For a full list of assets in LS' second fund go to [www.powerfinancerisk.com](http://www.powerfinancerisk.com).

Details on the target size of the auction or whether assets would be sold as a portfolio or in pieces could not be immediately learned. An LS official declined to comment. ■

## ● ALTERNATING CURRENT

### Wind-Powered 'Smart' Kettle Automates Java Brew



A new coffee pot designed by **Lancaster University** in the U.K. could condition some folks to crave a caffeine fix when the wind is blowing.

Windy Brew, as it's known, is a "smart" kettle that boils a pot of hot water when a wind turbine is generating power. The kettle connects wirelessly with the wind turbine via a pocket-sized computer called Raspberry Pi, which collects and interprets data from a wind turbine owned by Lancaster. If the turbine's blades are rotating, a radio-controlled plug socket is activated and the kettle switches on. The computer alerts java lovers when the water is boiled with a tweet.



Credit: iStock/ThinkStock

A team of four researchers developed the prototype as part of an initiative called On Supply that is aimed to help communities on the remote Scottish island of Tiree, which has a population of 700, align activities to when the island's single wind turbine is spinning. ■

## ● ONE YEAR AGO



**Pattern Energy** was teeing up a roughly \$500 million financing for the second phase of the Panhandle wind project in Carson County, Texas. [**Pattern Energy Group** has bought the now-operational 182 MW Panhandle 2 from its development affiliate for \$123.8 million (see story page 1).]

## ● QUOTE OF THE WEEK

**"I think the yieldco term is a little bit funny, because you think a yieldco means something that's at a high yield, but really, some of these really good ones tend to be at a low yield."**

**Joe Householder**, cfo of **Sempra Energy**, on why the company will use 'total return vehicle' instead of yieldco (see story, page 1).