

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● PROJECT FINANCE

House Greenlights PTC Extension

The House of Representatives has passed a tax package that includes an extension to the production tax credit.

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Utilities Eye Transmission REITs

Utilities are considering real estate investment trusts for transmission assets.

● MERGERS & ACQUISITIONS

EFI Stalks Landfill Gas IPO

Energy Investors Funds is plotting an initial public offering of an entity containing landfill gas-fired assets.

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Astoria Energy Fires Up \$845M Recap

Sara Rosner

Astoria Energy has pitched an \$845 million B loan package to repay debt and fund a \$221 million distribution to the owners of its 585 MW natural gas-fired plant in Queens, N.Y. **Morgan Stanley** and **Natixis** are leading the deal that launched at a bank meeting in New York on Wednesday.

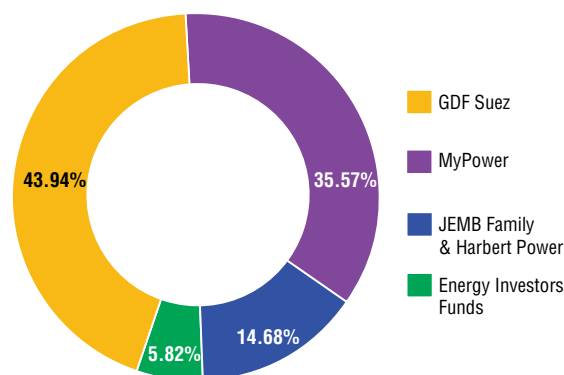
Price talk on the deal is in the range of

350 to 375 basis points over LIBOR, with a 1% LIBOR floor and an original issue discount of 99. The package is comprised of \$775 million senior secured term loan B due in 2021 and a \$70 million revolver due 2019. Commitments are due Dec. 15.

Existing debt on the asset was coming due and B loan market rates have been attractive for sponsors with merchant generation, notes a credit analyst.

"The leverage is pretty **PAGE 8 >**

Astoria Energy Ownership



Source: Standard & Poor's

Berkshire Hathaway Unit Circles Tax Equity Debut

Olivia Feld

Berkshire Hathaway Energy affiliate **MidAmerican Energy Holdings Co.** is making its premiere tax equity investment in the 298 MW Kingfisher wind project in Oklahoma.

MidAmerican has been shopping for a tax equity investment for about a year, notes a deal watcher. **First Reserve** is in the process of buying Kingfisher from **Apex Clean Energy** via its First

Reserve Energy Infrastructure Fund II (PFR 11/19). **Morgan Stanley**, **Rabobank** and **Santander** are participating in a debt financing backing the roughly \$600 million project. Securing financing is a condition of the acquisition, according to filing with the U.S. **Federal Energy Regulatory Commission**.

The deal is expected to include a senior secured construction loan and letters of credit (PFR, 11/26).

The amount of the loan, pricing and tenor could not be learned by press time. Spokespeople for MidAmerican, Berkshire Hathaway Energy, First Reserve and Apex Clean Energy either did not respond to inquiries by press time or declined to comment.

Deal watchers have **PAGE 8 >**

● THE BUZZ

Rush To The Year-End Finish Line

Several project financings and M&A transactions are popping on to the markets ahead of the regular year-end hush. **ArcLight Capital Partners** and the group of owners behind Astoria Energy joined the term loan B parade this week. **Astoria Energy** is using the proceeds of its recapitalization of its 585 MW facility in Queens, N.Y. to refinance some debt and provide a dividend to sponsors (see story, page 1). ArcLight meanwhile, is tapping a term loan B to fund its acquisition of stakes in **PAGE 2 >**



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● AT PRESS TIME

Utilities Weigh Transmission REIT Option

Utilities are contemplating real estate investment trusts for transmission assets, as a ruling from the U.S. **Internal Revenue Service** earlier this year further opens REITs to non-traditional sectors and potential candidates digest the structure.

American Electric Power, FirstEnergy Corp., Xcel Energy Inc., and Entergy Corp. are evaluating the REIT structure as a potential financing vehicle, according to a **Moody's Investor Service** report published in November. Moody's analysts note that more transmission REITs could emerge late next year.

The REIT structure eliminates corporate federal taxes and allows sponsors to tap into another pool of investors. Texas-based **Sharyland Utilities** first used a REIT structure for transmission lines (PFR, 4/20/12). Sharyland's **InfraREIT, Inc.** filed with the U.S. **Securities and Exchange Commission** for a proposed initial public offering last month.

Despite Sharyland's execution, the market has been somewhat skeptical of transmission REITs. Moody's analysts described master limited partnerships, yield companies and REITs as "credit negative and a financial engineering fad in the utility/power sector," in report published in March of this year. Structural complexity and regulatory uncertainty have also contributed to market's lukewarm perception of the vehicle for transmission, panelists said on a REITs seminar hosted by **Hunton & Williams** in New York on Wednesday.

Panelists noted that yieldcos were not fully understood when first introduced into the market. "Besides Texas, no one's dealt with

this yet. There needs to be dual track education for investors and regulators," **Peter O'Brian**, partner at Hunton & Williams, said.

The prevalence of the yieldco structure in a low-yield environment and the IRS ruling are causing attorneys, financiers and utilities to continue considering REITs as a financial innovation tailored for transmission. "You guys are the next step," **Jim Sullivan**, managing director of **Green Street Advisors** told an audience of utility executives, attorneys and financiers at the Hunton & Williams event. ■

● THE BUZZ

Rush To Finish Line

◀ FROM PAGE 1

two coal-fired assets from **Exelon Corp.** (see story, page 5). **Morgan Stanley** is co-leading both deals, with **Barclays** on ArcLight and **Natixis** on Astoria.

The news of a coal-fired purchase, given recent emissions regulations, isn't the only headline raising eyebrows this week. **Energy Investors Funds** is scoping out an initial public offering of a vehicle that would contain a slew of its landfill gas-fired assets (see story, page 5). "If they're the first to do landfill gas, that's because they're probably the only one who could," notes a project financier of the IPO, adding that EIF is unique in its ownership of a large number of landfill gas-fired assets. ■

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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 **Sara Rosner**, editor, at (212) 224-3165 or sara.rosner@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
Apex Clean Energy	Kingfisher (298 MW Wind)	Kingfisher County, Okla.	Morgan Stanley	First Reserve is buying it (PFR, 11/24).
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)
Covanta Holdings Corp	Portfolio (113 MW Biomass)	Various, California	Ewing Bemiss	Teasers out this month (PFR, 11/3).
Calpine	Osprey (550MW CCGT)	Florida	TBA	Comes after Duke recently said it wanted to build not buy plants (PFR, 9/1)
E.ON Climate & Renewables North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Looking to sell 80% of several projects (PFR, 9/15).
Emera	Stake (Northeast Wind Partners)	Various		First Wind is buying Emera out as part of deal with TerraForm (PFR, 11/24).
Enel Green Power North America	Stake (Wind Portfolio)	Various	Bank of America Merrill Lynch	Sale process recently started (PFR, 9/15).
Energisa	Portfolio (488 MW Wind, Biomass, Hydro)	Brazil		Brookfield Renewable Energy Partners is buying the portfolio for \$545M (PFR, 12/8).
Energy Investors Funds	Stake (Oregon 789 MW CCGT)	Oregon, Ohio	BNP Paribas	I Squared Capital is buying 50% (PFR, 11/24).
Entegra	Gila River (2.2 GW Gas)	Gila Bend, Ariz.		Tucson Electric Power is buying a 25% stake in the asset (PFR, 12/8).
● Exelon	Keystone (1,711 MW Coal)	Pennsylvania		ArcLight has launched a TLB package to finance its acquisition of stakes in Keystone and Conemaugh (see story, page 5).
● Exelon	Conemaugh (1,711 MW Coal)	Pennsylvania		ArcLight has launched a TLB package to finance its acquisition of stakes in Keystone and Conemaugh (see story, page 5).
Dynegy	Portfolio (2.7 GW Gas, Oil-Fired)	Various, California	Bank of America Merrill Lynch, Barclays	Teasers recently released (PFR, 10/27).
First Wind	Portfolio (512 MW Wind)	Various	Goldman Sachs	TerraForm Power is buying operational assets (PFR, 11/24).
First Wind	Portgolio (1.6 GW Wind Project Pipeline)	Various	Goldman Sachs	SunEdison is buying the development assets (PFR, 11/24).
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 (PFR, 11/17).
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 (PFR, 11/17).
LS Power	Portfolio (Various)	PJM, New England		Mulling a sale of assets in its second fund (PFR, 11/17).
Neptune Power Ventures	Neptune (65 Miles Transmission)	New York, New Jersey		Several owners selling down stakes to Ullico (PFR, 11/10).
NRG Energy	Portfolio (785 MW Wind, Gas)	Various		NRG Yield is buying them (PFR, 11/17).
● NRG Energy	Storm Lake 1 (108 MW Wind)	Iowa		Allete Clean Energy is buying the asset (see story, page 5).
NTR	Portfolio (Wind)	Various	Marathon Capital	Deal to launch soon (PFR, 11/17).
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) .
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).

● 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 Editor Sara Rosner at (212) 224 3165 or e-mail sara.rosner@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
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).
Apex Wind	Kingfisher (298 MW Wind)	Oklahoma	TBA	Tax Equity	TBA	TBA	MidAmerican invests tax equity in project currently being acquired by First Reserve (see story, page 1).
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	Nearly three dozen lending institutions looking at financing (PFR, 11/24).
Deepwater Wind	Block Island (30 MW Wind)	Rhode Island	TBA	TBA	TBA	TBA	Aiming to close finance in the coming months (PFR, 10/27).
EDP Renewables North America	Rising Tree 1 & 2 (99 MW Wind)	Kern County, Calif	MUFG Union Bank	Tax Equity	TBA	TBA	MUFG Union Bank agreed to make a tax equity investment (PFR, 11/24).
Energy Investors Funds	Oregon (800 MW Gas)	Oregon, Ohio	BNP, Crédit Agricole	Term	\$591.4M	7-yr	Half of project sold to I Squared Capital in tandem with \$591.4 million financing (PFR, 11/24).
Freeport LNG	Freeport (LNG Export Terminal)	Freeport, Texas	Macquarie Capital, Credit Suisse	Debt, Equity	\$11B	7-yr	Debt financing for first two trains is three times oversubscribed (see story, page 6).
First Wind	South Plains (200 MW Wind)	Floyd County, Texas	BayernLB	Tax Equity, Debt	\$254M	TBA	Financing closed with term debt and tax equity (PFR, 11/19).
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, Ilios	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).
Invenery	Rattlesnake (207 MW Wind)	Glasscock County, Texas	Morgan Stanley	Construction, Term, Tax Equity	TBA	TBA	Deal wrapped with financing led by affiliates of Morgan Stanley (PFR, 12/1).
Korea Southern Power Corp., Samsung C&T	Kelar (517 MW Gas)	Chile	Natixis	Guarantee, VAT, L.C., Working Capital	\$477 M	C+14.5-yr	Deal wrapped with Export-Import Bank of Korea providing loans and guarantee (PFR, 12/1).
NextEra Energy Partners	Palo Duro (250 MW Wind)	Randell, Texas	TBA	TBA	TBA	TBA	BAL Investment & Advisory and Bank of New York Mellon make tax equity investment (see story, page 6).
NextEra Energy Resources	Mammoth Plains (200 MW Wind)	Oklahoma	GE Energy Financial Services, JPMorgan Capital Corp	Tax Equity	TBA		Tax equity investments agreed (PFR, 11/17)
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 CCGT)	Leesburg, Virginia	Goldman Sachs, Credit Suisse, ICBC, Investec, MUFG Union Bank, Ares Capital	B Loan, Debt	\$571M	7-yr	Deal wrapped at L + 550 (PFR, 11/24).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	BMO Capital Markets, CIBC, Crédit Agricole, Société Générale and Sumitomo Mitsui Banking Corp	TBA	C\$580	TBA	Deal wrapped at L +162.5 (PFR, 11/3).
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	Westmoreland (950 MW CCGT)	Pittsburgh, Pa.	Whitehall	TBA	TBA	TBA	Looking for development capital (PFR, 8/18).

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MERGERS & ACQUISITIONS ●

EIF Plots Landfill Gas IPO

Energy Investors Funds is planning an initial public offering of a vehicle that will include landfill gas generating assets, according to documents the shop filed with the U.S. **Federal Energy Regulatory Commission**.

Aria Energy Corp. will hold a portion of EIF's indirect interests in subsidiaries **Sunshine Gas Producers**, **Innovative Energy Systems** and **Seneca Energy II**. Aria will sell a percentage of these interests in a proposed IPO, according to the filings. EIF will retain the majority of its indirect interests in the subsidiaries after the IPO.

Sunshine Gas owns a 23.64 MW landfill gas plant in Sylmar, Calif., and is co-owned by **DTE Biomass Energy**. **Pacific Gas & Electric** is the long-term offtaker for the plant.

IES indirectly owns facilities in New York, comprising:

- the 4.8 MW Colonie facility in Cohoes,
- the 6.4 MW DANC facility in Rodman,
- and the 3.2 MW Fulton facility in Johnstown, and
- the 6.4 MW Modern Innovative Energy facility and the 5.6 MW Model City Energy in

Youngstown.

Seneca owns the 17.6 MW Seneca Falls facility in Seneca Falls, N.Y., and the 11.2 MW Ontario County project in Stanley, N.Y.

An EIF spokesman and attorneys listed on the filing declined to comment or did not respond to inquiries. **Morgan Lewis & Bockius** is working with EIF's internal counsel on the deal. Details, such as how EIF would use proceeds from the IPO and the identity of underwriters, could not be learned by press time.

A unit of **Ares Management** has agreed to acquire EIF for an undisclosed sum (PFR, 11/7). That deal, which is separate from the IPO, is slated to close by year-end. ■

Details Emerge On ArcLight's Chief Power

Price talk on **ArcLight Capital Partners** \$365 million Chief Power term loan package is coming in at LIBOR plus 450 to 475 basis points. The loan has a 1% LIBOR floor and an original issue discount of 99. Commitments are due Dec. 16.

Morgan Stanley and **Barclays** are leading the deal that launched at a meeting yesterday in New York Dec 2.

The sponsor will use proceeds from the package to fund its purchase of stakes in two coal-fired assets in Pennsylvania from **Exelon Corp.** Chief Power consists of a \$325 million, six-year term loan and a \$40 million, five-year revolver.

ArcLight is purchasing a 718 MW stake in the 1,711 MW Keystone asset and a 535 MW stake in the 1,711 Conemaugh asset. ArcLight Energy Partners Fund V will also contribute \$161 million in equity to the purchase. ArcLight agreed to buy the stakes in late October.

"They must have gotten a really good price," notes a project financier of ArcLight, adding that coal-fired purchases are unusual given pending emissions regulations.

Exelon has been steadily offloading assets that it deemed non-core from its merger with **Constellation Energy**. Exelon is also in the process of selling

its 74% stake in the 684 MW gas-fired Hillabee project. **Wayzata Investment Partners** has agreed to buy the 189 MW West Valley gas-fired facility in Utah (PFR, 10/9), while **Starwood Energy Group** has scooped the 550 MW Quail Run in Odessa, Texas (PFR, 10/2).

PSEG Power, **GenOn Energy**, **PPL Generation**, **Duquesne Light Holdings** and **NRG Energy** have held stakes in Keystone and Conemaugh, in addition to Exelon Corp. (PFR, 3/16/12). Details, such as the current ownership breakdown in Keystone and Conemaugh, could not be learned by press time. ■

Allete Picks Up NRG Wind Project

Allete Clean Energy is buying a 108 MW wind project in Iowa from **NRG Energy**. The U.S. **Federal Energy Regulatory Commission** authorized the sale of Storm Lake 1 on Monday.

MWW Holdings, a subsidiary

of Allete, will acquire the project in Alta, Iowa. **MidAmerican Energy** has a long-term power purchase agreement with Storm Lake 1, which began operating in 1999. NRG acquired the project via its purchase of **Edison Mission Energy** (PFR, 1/14).

Spokespeople for NRG in Princeton, N.J. and Allete in Duluth, Minn., did not respond to inquiries by press time. The purchase price

and how Allete plans to fund the acquisition could not be learned by press time.

Allete also bought three wind farms totaling 231 MW from **AES Corp.** for \$27 million in January. The farms are in Lake Benton, Minn., Storm Lake, Iowa and Condon, Ore. Allete has an option to acquire AES' 101 MW Armenia Mountain wind farm in Pennsylvania in the middle of next year. ■

PEOPLE & FIRMS ●

Solar Shop Taps Former EIG Financier

Jerry Stalun, a former managing director at **EIG Global Energy Partners**, has joined Sol Systems as its senior director of investments. Stalun joined the Washington D.C.-based company Nov. 21 and reports to **Yuri Horowitz**, ceo.

Stalun will focus on structuring transactions and raising capital from investors for Sol Systems' investment and financing initiatives. "Sol Systems is concentrated on distributed generation, which is where I think there's a huge amount of growth," Stalun says.

The shop works with developers and investors to finance projects and installations. **Hannon Armstrong Sustainable Infrastructure Capital** was the sole lender of a \$100 million fund to Sol Systems that the shop uses to develop DG projects (PFR, 4/21). Sol has worked on financings for roughly 171 MW of DG projects and has \$550 million in assets under management.

Stalun left EIG earlier this year. Prior to starting at EIG in 2008, Stalun has worked at **Arcapita**, **GE Energy Financial Services** and **Bank of America**. ■

● PROJECT FINANCE

Freeport Seals \$11B LNG Deal On Oversubscription

Freeport LNG has wrapped roughly \$11 billion in debt and equity backing the first two trains at its export facility on Quintana Island in Texas. The debt is three times oversubscribed and the deal went through multiple reverse-flexes, according to an observer.

Macquarie Capital is Freeport's financial advisor.

For the first train, **Japan Bank for International Cooperation** committed \$2.6 billion to \$2.7 billion of the \$4.369 billion of debt. **Bank of Tokyo-Mitsubishi UFJ**, **Sumitomo Mitsui Banking Corp.**, **Mizuho Bank**, **Sumitomo Mitsui Trust Bank**, **Mitsubishi UFJ Trust and Banking Corp.**, and **ING** are also participating. **NEXI** is insuring a portion of the loans provided by the commercial banks for the first train. **Osaka Gas Co.** and **Chubu Electric Power**

are investing \$1.24 billion in the first train. **Osaka Gas** and **Chubu Electric Power** have 20-year tolling agreements with Freeport.

Credit Suisse is the lead arranger on the \$4.025 billion seven-year, mini-perm backing the second train. **Barclays**, **BBVA**, **BMO**, **BTMU**, **CIBC**, **Crédit Agricole**, **Credit Suisse**, **Deutsche Bank**, an affiliate of **GE**, **Goldman Sachs**, **HSBC**, **ICBC**, **ING**, **Intesa Sanpaolo**, **Lloyds**, **Metlife**, **Mizuho**, **Natixis**, **Royal Bank of Canada**, **Royal Bank of Scotland**, **Santander**, **Scotiabank**, **Société Générale**, **Standard Chartered** and **SMBC** are participating in the deal for the second train. **IFM Investors** has invested approximately \$1.3 billion in equity. Details, such as pricing on the debt, could not be learned by press time.

Each train has a capacity of 4.64

million tons per year. The first train is expected to begin operating in the third quarter of 2018, with the second train slated to follow five months later. **CB&I** and **Zachry Industrial** are constructing the two trains.

Freeport also has contracts for the third train with South Korean conglomerate **SK E&S LNG** and **Toshiba Corp.** (PFR, 5/2). Freeport aims to finance and commence construction on the third train at Freeport LNG in the second quarter of 2015.

Freeport LNG received final approval from the U.S. **Department of Energy** to export domestically produced liquefied natural gas to non-Free Trade Agreement countries last month.

A Credit Suisse spokesman and a Freeport spokeswoman declined to comment on the deal. ■

BAML, BNY Mellon Scoop Tax Equity

NextEra Energy Partners has sealed tax equity investment from **Bank of America Merrill Lynch** subsidiary **BAL Investment & Advisory** and **Bank of New York Mellon** for its 250 MW Palo Duro wind farm in Randall, Texas.

The yield company said it was planning to close a deal for approximately \$250 million in tax equity financing during its third quarter earnings call (PFR, 11/4). Palo Duro was acquired by NextEra Energy Resources for \$291 million, along with the 20 MW Shafter solar project in Kern County, Calif.

BAL Investment & Advisory previously provided tax equity for **NextEra Energy Resources'** 74.8 MW Steele Flats wind project in Jefferson and Gage Counties, Neb., and for the 100.3 MW Tuscola Wind II project in Tuscola County, Michigan (PFR, 11/13/2013).

Palo Duro will sell all of its output under a 20-year power purchase agreement to **Southwestern Public Service Co.** and is slated to be online before year-end.

Spokespeople for NextEra Energy Partners, Bank of America Merrill Lynch and Bank of New York Mellon did not respond to inquiries before press time. ■

PTC Extension Passes The House

The House of Representatives has voted overwhelmingly in favor of a package of tax extensions that includes a one-year renewal of the production tax credit. The bill passed 378-46 in a vote in the House late Wednesday. The Senate is expected to vote on the bill next week and is likely pass the act, say Capitol Hill watchers.

The retroactive PTC extension would expire at year-end, instead of at the end of 2013. Under the current iteration of the PTC, developers had to either to incur 5% of a project's construction cost or start significant physical work on the project by the end of 2013. If the extension passes the Senate, then projects that have started construc-

tion by the end of this year would also qualify for the PTC. In addition to meeting these thresholds, projects that are aiming to qualify for the PTC under the pending 2014 extension will still likely need to complete construction by 2016 or show that a project has been in continuous construction in order to garner the credits, an observer notes.

The one-year extension means less pressure on developers to complete projects by the end of 2015, says a D.C.-based deal watcher. The U.S. **Internal Revenue Service** assumes that there is continuous work on any project that is completed by the end of 2015. Developers could now have another

year, through the end of 2016, to complete projects without having to prove to the IRS that there is continuous work, the deal watcher says.

The extension, however, will not catalyze new wind project development, **Michael Goggin**, director of research at the **American Wind Energy Association**, notes in a blog post. "There's simply not enough time for any substantial number of new projects to physically begin construction before the end of the year," Goggin adds.

Congress nixed a package, which included a two-year PTC extension with a multi-year step down, following the threat of a veto from the President (PFR, 12/3). ■

YieldCos: Where to Next? – Part I



The following Industry Current is an edited transcript of a discussion hosted by **Chadbourne & Parke** focusing on the benefits and disadvantages of the yield company structure.

The moderator is **Eli Katz**, partner at Chadbourne in New York, and the panelists are: **Christopher Radtke**, a director in the investment banking division at Credit Suisse, **Jerry Peters**, managing partner of Energy Power Partners, **Gerhard Hinse**, a managing director of SunPower Corp, and **Ted Brandt**, ceo of Marathon Capital.



Eli Katz

OPENING STATEMENT

KATZ: Chris Radtke, let's set the table by describing the basic structure of a yieldco and what it is designed to do. Let's pick NRG Yield as an example because it was the first and possibly the simplest to understand.

RADTKE: NRG had a large number of both renewable and fossil assets with contracted cash flows. The average life of the cash flows was more than 15 years, and NRG believed it was not getting full credit for the asset value in its stock price. So it set up a yieldco. It dropped operating assets with contracted cash flows into a limited liability company that is a partnership for tax purposes. The partnership is owned by the yieldco. The yieldco is owned by NRG and the public. Cash earned by the projects moves from project companies to the partnership and from the partnership to the yieldco, and almost all of the cash gets distributed by the yieldco. This type of vehicle trades on the amount of distributions and the yield on those distributions.

WHY NOW?

KATZ: Ted Brandt, people have been talking about yieldcos for three or four years, but the product began to take off only recently. What made all the stars finally align, and what is making yieldcos so attractive now that almost everyone is talking about them?

BRANDT: There are two factors. The first has been the continuing policy of the U.S. to run a near-zero interest rate leaving few places that anybody can invest for yield. There is little yield in corporate or municipal bonds. The

second factor is the section 1603 cash grant program. That program meant that there are a lot of contracted cash flows that are not tied up in tax equity deals. The cash is free to move into a yieldco. Those have been the driving factors behind virtually each one of the six yieldcos that has come to market.

KATZ: If low interest rates and the cash grant program were the impetus, what does that say about the prospects for more yieldcos in the future?

PETERS: History has shown that whenever debt rates increase, the return on equity must also increase. Yieldcos are equity investments. As interest rates rise, there will have to be a corresponding increase in returns that yieldcos must pay to attract capital, and when we get to the point where they will be competing with other sources of capital, such as my private equity capital, I think you will see a decline in this product generally.

KATZ: What about Ted Brandt's point that yieldcos really only work with renewable energy projects that were paid Treasury cash grants? That program has now expired. What does that say for future deal flow to support yieldcos?

HINSE: I think what is driving yieldcos is low interest rates. It is not a novel concept to separate operating assets from a development pipeline and spin off the operating asset company. What is different about this wave is that the current yieldcos are able to self-shelter income from taxes by using the tax ben-

efits associated with the renewable energy assets. This makes them essentially into entities whose earnings are subject to only one level of taxes. Viewed this way, the opportunity should remain for solar assets that qualify for 30% investment tax credits through 2016. Even wind projects will still have depreciation deductions, and wind projects that were under construction by December 2013 also qualify for tax credits.

The real issue is the inefficiency of trying to monetize tax benefits and at the same time put the assets under a yield co to raise cheap equity. That is a problem the market is still trying to solve.

KATZ: To Ted Brandt's point, the story for the yieldco investor is much simpler if he just sees cash coming up from the projects. If a tax equity investor is introduced into the mix, then it is a more complex story. Maybe the yields go up. Is that the point?

HINSE: Yes. And remember that the recapture period on many of these assets is five years after the project is placed in service. For a project that has a 20- or 30-year life, that is only a small part of the asset's life. Investors can still invest solely on the basis of cash flows more than five years out. That might be enough. ■

Check back next week for the second installment of this Industry Current, when participants examine the impact of yieldcos on auctions and identify potential yieldco candidates.

Astoria Energy Fires Up \$845M Recap

« FROM PAGE 1 high, but it's in a really strong market," he adds. The plant will be fully merchant after its 500 MW power purchase agreement with **Consolidated Edison** expires in May of 2016.

Standard & Poor's has assigned a preliminary BB rating to the deal.

Affiliates of **Mitsui & Co.**, and **Harbert**

Management Corp. picked up **SNC Lavalin Generation's** 12.35% stake in the plant (PFR, 8/4/14). **GDF Suez** owns 43.94% of the asset, while **JEMB Family** and **Harbert** own 14.68% and Energy Investors Funds owns 5.82%. Mitsui's affiliate **MyPower Corp.** owns the remaining 35.57%. ■

Berkshire Hathaway Unit Circles Tax Equity Debut

« FROM PAGE 1 been concerned about an ongoing lawsuit filed against Kingfisher (PFR, 9/5). The Oklahoma Wind Action Association filed a class-action lawsuit in the **District Court for the Western District of Oklahoma** against

the project on behalf the group of seven neighboring landowners in August. A motion to expedite the case was denied in September, says **Terra Walker**, vice-chair of the Oklahoma Wind Action Association and one of the seven landowners.

The timing of the suit is critical as Apex is already on a tight deadline to finance and construct Kingfisher, say observers. Kingfisher, which is in Canadian and Kingfisher counties, is slated to be online next November. ■

● ALTERNATING CURRENT

Archaeologists Uncover World's Oldest Solar Device



A team of archeologists has uncovered a solar device in a tomb that was created about 3,000 years ago.

A skeleton in the site was found clutching one of the yang-suis, burning mirrors or solar igniters, according to author **John Perlin's** latest book *Let It Shine: The 6,000-Year Story of Solar Energy*. The philosopher **Confucius** writes that men would attach the shiny metal device, which is shaped like a shallow bowl with a small handle, to their belts as they dressed and later use it to focus the rays of the sun to ignite tinder.

Lu Demming and **Zhai Keyong**, the archeologists in charge of the dig, had molds made of the device they discovered in the tomb. After making a cast of the mold in bronze and polishing it to a high shine, the archeologists were able to create a fire by focusing sunlight onto tinder.

PFR #PowerTweets

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@ownenergy

10 Reason Conservatives Support the Renewable Energy Production Tax Credit.
#wind #energy#PTC #politics...
<http://fb.me/3MVwkXNFE>

@EnergyFactCheck

Fact of the day! Rooftop #solar WILL be cheaper than average electricity prices in all but 3 states by 2016. <http://bit.ly/12IXWrY>

@mike_niven

Wyo. PSC says state will have to shut 4 #coal plants to comply with EPA rule, reports
@depps_SNL: <http://bit.ly/11OrEVv>

@oliviafeld

#Mexico plans 42 #gasfired #power pipelines - Anne Swedberg @bentekenergy

@Michael_Panfil

PJM releases final Capacity Performance Proposal, maintaining #demandresponse as a supply side resource for now: <http://bit.ly/1vrkHG8>

@Shell_NatGas

According to @IEA, global demand for #natgas is forecasted to grow more than 50% by 2040.
<http://l.ctx.ly/r/wzn4>

@TWEProject

BLM/Western publish fifth EIS update newsletter:
<http://www.transwestexpress.net/news/alerts/2014/112614-blm-newsletter.shtml> ...#wind #transmission #grid #NEPA

Jameson Berkow @crudereporter

Petronas #LNG decision deferral "could place considerable downward pressure" on Canada's hopes of starting exports by 2020 says RBC just now

@ieeesmartgrid

Yikes: "Our nation's #electricity infrastructure is outdated by the better part of a century."
<http://bit.ly/111e16G> (@FierceSmartGrid)

@JigarShahDC

Just launched @generatecapital with a few friends to bring project finance to the resource efficiency economy