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Exclusive Insight on Power M&A and Project Financing

Power Finance & Risk

The weekly issue from **Power Intelligence**

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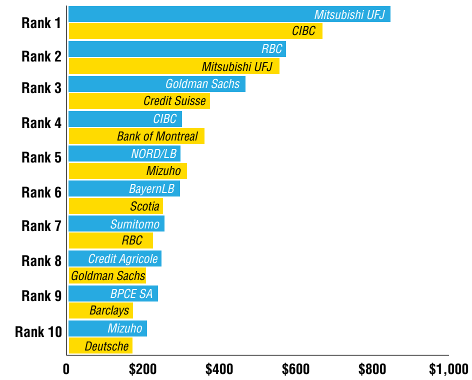
Q3 PF League Tables: Japanese, Canadian Banks Lead The Way

Japanese and Canadian banks topped lender project finance league tables for North America power and energy deals in the third quarter, as the B loan boom quieted down and bank debt came back to the fore. With the second quarter dominated by investment banks, the shift away from them saw **Mitsubishi UFJ Financial Group** top the third quarter list with its 10 deals worth $841 million representing 13.6% of the $6.2 billion in deal volume, according to data compiled by *PI* affiliate **Dealogic**.

Royal Bank of Canada and **CIBC** were second and fourth, lending $567 million and $296 million, respectively. BTMU bumped CIBC from the top slot it held in the same period last year, when CIBC inked $662 million in mandates, more than double what CIBC lent in Q3 of this year. Overall, however, deal volume is up in Q3 year-over-year by roughly 30%,

(continued on page 12)

North America Mandated Lead Arranger Ranking



Source: *Dealogic*

THE BUZZ

The I's Don't Have It Always

Project financing lending in the third quarter saw structural shifts, with investment banks being nudged out as Japanese and Canadian banks deployed the most capital to top the league tables (see story, page 1). The i-bank slide reflects both increased bank lending and fewer deals in the sputtering term loan B market in the third quarter.

For PFR's take on these and the market, see page 2.

Happy Holidays

This is the last print issue of the year for Power Finance & Risk. Our next print issue will be Jan. 13. We will be delivering our usual, in-depth online coverage through the break, apart from the week of Dec. 23. We would like to wish all of our readers Happy Holidays.

B Loan Races To Close On High

Sponsors have been in the B loan market this month to arrange an aggregate of $1.085 billion by the holidays—a late minute sprint that underscores the overall strength of the B loan market for the year.

The activity in power refinancing is more reflective of the strong fundamentals of the institutional market than the underlying strength in power markets, as evidenced by power prices and capacity payments, says **Raya Prabhu**, managing director in **Goldman Sachs**' leveraged finance group. "What we're seeing is issuers opportunistically tapping the loan market to benefit from attractive pricing and terms rather than waiting a couple of years for power fundamentals to meaningfully improve."

A raft of deals emerged late in the fourth quarter with **Energy Capital Partners**, **First Wind**, **Panda Power Funds** and **Moxie Energy** and **Riverstone Holdings** among the mix. A first week

(continued on page 12)

Novel Brazilian Bond

Brazilian bank **BTG Pactual** has launched Latin America's maiden international greenfield project bond.

See story, page 5

Industry Current

Keith Martin, partner at **Chadbourne & Parke**, writes about how the phrase "yieldco" masks very different business models.

See Industry Current, page 8

Generation Sale DATABASE

Check out the latest asset trades in *PI*'s weekly calendar, compiled from our exclusive Generation Sale Database.

See calendar, page 3

IN THIS ISSUE

THE BUZZ

This might not hold for this quarter, though, with a flurry of B loan activity hitting the street before the end of the year (see story, page 1). **Panda Power Funds** and **Moxie Energy** are targeting pricing of LIBOR plus 600 basis points for their latest B loan backing Patriot (see story, page 5). That is a few basis points cheaper than they got for Liberty in the summer. **Riverstone Holdings** is also looking to drive down pricing on its Raven B loan refinancing by 150 bps (see story, page 7). Meanwhile, ECP has upsized its term loan C add-on by $25 million (see story, page 6).

There were a couple of Latin American deals of note too. **ArcLight Capital Partners**-subsidiary **NET Midstream** closed a $665 million financing for the U.S. section of the Los Ramones natural-gas pipeline, which will serve Mexico's **Pemex**. A consortium of South American companies has launched Latin America's maiden international greenfield project bond backing a power project in Peru (see story, page 5).

The production tax credit rollercoaster is propelling M&A activity of development projects—an area of renewable energy that hasn't seen buyer interest in a few years. Developers are moving to ensure that projects with a hint of viability meet the in construction deadline by year-end by selling to well-capitalized developers or to developers that have warehoused turbines. **Lincoln Renewable Energy** has sold to **EDF Renewables** and **NextEra Energy Resources** has looked at assets in Nebraska. Most of the deals are bilateral negotiations, although some, such as **Apex Clean Energy**, have turned to banks to finance a project and to run a sale process (see story, page 6).

American Wind Capital, a land lease royalty aggregator headed by **Chuck Hinckley**, is also out in the market to raise capital. The shop recently arranged a $100 million loan backed by existing leases from **CIT Group** to support buying more leases. The process is raising eyebrows from around the wind sector as observers wait to see whether the emerging investor has a plan for growth or simply likes strong cash flows (see story, page 6).

TELL US WHAT YOU THINK!

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.

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Institutional Investor Intelligence

Generation Sale DATABASE

GENERATION AUCTION & 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

Seller	Assets	Location	Advisor	Status/Comment
▶ Apex Clean Energy	Balko (300 MW Wind)	Oklahoma	Macquarie Capital	Apex is running independent sales of assets in Oklahoma (see story, page 6).
	Various (600 MW Wind)	Oklahoma	Morgan Stanley	
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	First round bids due July 11 for Juniper and SEGS assets (PI, 6/17).
	50% Stake (SEGS VIII 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
	50% Stake (SEGS IX 80 MW Solar Thermal)	Harper Lake, Calif.	McManus & Miles	
ArcLight Capital Partners	Black Bear Hydro Partners (44.5 MW)	Maine	Barclays	Brookfield is buying it (PI, 11/11).
ArcLight Capital Partners	Woodbridge (Stake, 725 MW Gas)	Woodbridge, N.J.	None	John Hancock is taking about 11% of ArcLight's stake (PI, 11).
BP Wind Energy	Various (3.7 GW Wind project portfolio)	Various	TBA	Relaunched the sale of its development assets (PI, 10/7).
▶ BlackRock, Quintana, Starwood	Richland-Stryker (460 MW Oil, Gas)	Ohio		ECP has launched a C loan add-on for the financing (see story, page 6).
Canadian Solar	Portfolio (40 MW Solar)	Various, Ontario		European infrastructure fund is buying the projects (PI, 12/2).
Direct Energy	Portfolio (1.3 GW Gas)	Texas	Barclays	Portfolio went on the market recently (PI, 10/14).
Edison Mission Energy	Various (7.5 GW Coal, Wind, Gas)	Various	JPMorgan, Perella Weinberg	NRG has emerged as stalking horse (PI, 10/28).
Energy Capital Partners	Empire Generating (635 MW Gas)	New York	Deutsche Bank	Teasers went out recently (PI, 6/10).
Energy Capital Partners	Odessa (1 GW CCGT)	Odessa, Texas	Goldman Sachs	Koch Energy Services is buying the plant (PI, 10/21).
FGE Power	FGE Texas (726 MW CCGT)	Westbrook, Texas	Houlihan Lokey	Equity offers to come in by Labor Day; finalizing final permits (PI, 7/8).
FirstEnergy	Various (1,181 MW Hydro)	Ohio, Virginia, Pennsylvania	Goldman Sachs	LS Power is buying a portion (PI, 9/9).
GE Energy Financial Services	Stake (800 MW CPV Sentinel Gas)	Riverside, Calif.	GE EFS	Details emerge on investors behind Voltage Finance (PI, 10/14).
GE Energy Financial Services	Linden (Stake, 942 MW Cogen)	Linden, N.J.	TBA	GE EFS, Highstar reverse flexed a B loan (PI, 11/25).
GE Energy Financial Services	Jimmie Creek (Stake, 62 MW Hydro)	B.C.	TBA	Co-owner Alterra is buying GE EFS out (PI, 11/25).
Gamesa	Stake (400 MW Wind)	Various		Algonquin is buying out the remainder of Gamesa's stake (PI, 12/9).
Global Infrastructure Partners	Channelview (856 MW Cogen)	Channelview, Texas	Credit Suisse	First round bids are in (PI, 8/26).
Green Energy Partners	Stake (750 MW Gas Project)	Loudoun County, Va.	TBA	Panda Power Funds has bought a majority stake (PI, 9/30).
Hess Corp.	Stake (512 MW Gas)	Bayonne, N.J.	Goldman Sachs	Sale is said to be launching (PI, 9/9).
	Stake (655 MW Gas)	Newark, N.J.		
Horn Wind	Shannon (200 MW Wind)	Clay County, Texas	TBA	Alterra Power has agreed to buy it (PI, 11/25).
JPMorgan Capital Corp.	Tax equity stakes (Various, Wind)	Various		Infigen is buying into the tax equity positions in some of its farms (PI, 11/18).
K Road Power	Various (Solar Development Pipeline)	Various	TBA	Looking to wind down the solar development (PI, 10/21).
LS Power	Columbia (20 MW Solar)	Pittsburg, Calif.	Marathon Capital	Process is in the second round of due diligence (PI, 7/1).
LS Power	Doswell (708 MW CCGT)	Ashland, Va.	Citigroup, Credit Suisse and Morgan Stanley	Process has slowed and LS is tipped to be mulling a B loan (PI, 11/4).
LS Power	Cherokee (98 MW CCGT)	Gaffney, S.C.	Suntrust Humphrey Robinson	Teasers are on the street (PI, 11/18).
Longview Power	Longview (695 MW Supercritical Coal)	Maidsville, W.Va.	Lazard	Filed for bankruptcy (PI, 9/3).
Maxim Power Corp.	CDECCA (62 MW Gas)	Hartford, Conn.	Credit Suisse	Rockland is seeking to terminate its deal to buy the assets (PI, 12/9).
	Forked River (86 MW Gas)	Ocean River, N.J		
	Pawtucket (64.6 MW Gas)	Pawtucket, R.I.		
	Pittsfield (170 MW Gas)	Pittsfield, Mass.		
	Basin Creek (53 MW Gas)	Butte, Mont.		
Mesa Power Group	Stephens Ranch (377 MW Wind Project)	Lubbock, Texas	JPMorgan	Starwood has bought the project and will project finance it shortly (PI, 8/19).
Mexico Power Group	Stakes (250 MW Wind)	Various, Mexico	Marathon Capital	The shop is looking for late stage equity in the run up to construction financing (PI, 6/24).
Midwest Wind Energy	Broken Bow (75 MW Wind Project)	Nebraska	TBA	Sempra unit is buying it (PI, 10/7).
NRG Energy	Kendall (256 MW Cogen)	Cambridge, Mass.		Veolia, ISQ Capital JV is buying it (PI, 12/2).
NextEra Energy Resources	Wyman (796 MW Oil)	Maine	Marathon Capital	Indicative bids due by end of June (PI, 6/17).
NextEra Energy Resources	Wyoming Wind (144 MW Wind)	Uinta County, Wyo.	None	TransAlta Renewables is buying it (PI, 10/28).

▶ **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 Senior Reporter **Holly Fletcher** at (212) 224-3293 or e-mail hfletcher@iiintelligence.com.*

PROJECT FINANCE DEAL BOOK

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
BrightSource	Palen (500 MW Solar)	Riverside County, Calif.	TBA	TBA	~$1.6B	TBA	Sponsor is looking to close the deal by Q4 this year (PI, 3/25).
Cameron LNG	LNG Export Facility	Hackberry, La.	TBA	TBA	~$4B	TBA	Sponsor sells three equity stakes to offtakers (PI, 5/27).
Cape Wind Associates	Cape Wind (420 MW Wind)	Nantucket Sound, Mass.	BTMU	TBA	TBA	TBA	The sponsor was able to secure a tightly priced mezzanine tranche from PensionDanmark (PI, 7/15).
Cheniere Energy	Sabine Pass Trains 3 & 4 (Trains)	Sabine Pass, La.	TBA	TBA	$4.4B	TBA	Sponsor ups the original bank loan to $4.4 billion and taps Korean entities for a further $1.5 billion (PI, 6/3).
▶ Cobra Peru/Enersa	Planta de Reserva Fría de Generación de Eten (230 MW Gas)	Chiclayo, Peru	BTG Pactual	Private placement	$132.8M	20-yr	Sponsor wraps Latin America's maiden greenfield project bonds (see story, page 5).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	BTMU	TBA	$168M	TBA	Sponsor aims to wrap the financing early next year (PI, 12/2).
Duke Energy	Los Vientos III & IV (Wind)	Starr County, Texas	TBA	TBA	~$600M	TBA	The sponsor is slated to look for bank debt (PI, 10/7).
EDP Renewables North America	Headwaters (200 MW Wind)	Randolph County, Ind	TBA	Tax Equity	$350-400	TBA	The sponsor is looking to secure both equity and tax equity investment (PI, 6/24).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	TBA	TBA	The first-time developer is looking for both debt and equity partners (PI, 3/18).
First Wind	Oakfield (147 MW Wind)	Aroostook County, Maine	TBA	TBA	$300M	TBA	The sponsor is looking to line up the debt, with tax equity (PI, 10/21).
	Route 66 (200 MW Wind)	Amarillo, Texas	TBA	TBA	TBA	TBA	The sponsor will likely follow its traditional route of securing debt and tax equity (PI, 10/28).
Freeport LNG	Freeport (LNG Export Termial)	Freeport, Texas	Credit Suisse	TBA	~$4B	TBA	The deal is slated to launch in mid-November (PI, 10/21).
GDF Suez/Marubeni	GNL del Plata (LNG Re-gas)	Montevideo, Uruguay	BBVA	TBA	TBA	TBA	GDF brings in Marubeni and taps BBVA to lead the financing (PI, 8/12).
Innergex	Three projects (153 MW Hydro)	B.C., Canada	TBA	TBA	$590M	40-yr	Innergex wrapped on one of its hydro facilities, the 17.5 MW Northwest State River (PI, 6/3).
Invenergy	Nelson (584 MW Gas)	Rock Falls, Ill.	GE EFS	TBA	TBA	TBA	Sponsor is looking for a bank loan backing the merchant facility (PI, 9/2).
	Miami (288.6 MW Wind)	Roberts County, Texas	TBA	Private placement	~$400M	TBA	Sponsor has opted for a private placement over bank debt, note observers (PI, 12/9).
Lake Charles Exports	Lake Charles (LNG Export Facility)	Lake Charles, La.	TBA	TBA	TBA	TBA	Sponsor begins preliminary financing search for the potentially $11B project (PI, 8/26) .
Magnolia LNG	Magnolia LNG (LNG Export Facility)	Lake Charles, La.	BNP, Macquarie	TBA	$1.54B	TBA	Sponsor expected to mandate leads by year end (PI, 12/9).
▶ Moxie Energy, Panda Power Funds	Patriot (800 MW Gas-fired)	Lycoming County, Pa.	Goldman Sachs	Term Loan B	$585M	TBA	Pricing talk is coming in at LIBOR plus 600 bps (see story, page 5).
▶ NET Midstream	NET Mexico Gas Pipeline	Texas	BTMU	TBA	~$500M	TBA	The ArcLight affililate seals the debt package (see story, page 6).
Pattern Energy	Panhandle II (TBA Wind)	Carson County, Texas	Credit Ag, NordLB, BayernLB	Contruction	~$500M	C	The deal will likely be a copy, paste of the Panhandle I deal, say observers (PI, 11/18).
	K2 (270 MW Wind)	Huron County, Ontario	TBA	Mini-perm	$750M	TBA	The sponsor will look to close the deal in the first half of next year (PI, 12/9).
Radback Energy	Oakley (586 MW Gas)	Contra Costa County, Calif.	BTMU	Term	$990M	4-yr	Deal is temporarily put on hold following an appellate court decision (PI, 11/11).
Sempra U.S. Gas & Power	Copper Mountain III (250 MW Solar)	Boulder City, Nev.	BTMU, SMBC	TBA	~$400M	TBA	The sponsor has tapped BTMU and SMBC as leads on the deal (PI, 10/21).
SolarReserve	Rice (150 MW Solar Thermal)	Blythe, Calif.	Morgan Stanley	TBA	$450M	TBA	Sponsor taps Morgan Stanley to secure debt, tax equity and equity (PI, 8/26).
▶ SunEdison	Disributed Solar	Various	De Lage Landen	Solar-leaseback fund	$100M	TBA	Sponsor ups the total capital in the fund to over $100M (see story, page 5).
Tenaska	Imperial Solar Energy Center West (150 MW CPV)	Imperial County, Calif.	TBA	TBA	TBA	TBA	The company has started talking to banks as it looks to line up debt for the facility (PI, 9/23).

▶ **New or updated listing**

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PROJECT FINANCE

BTG Pactual Launches Landmark Bond Deal

A consortium comprising Peru's **Cobra Perú** and Argentina's **Enersa** called **Planta de Reserva Fría de Generación de Eten** has launched Latin America's maiden international greenfield project bond.

Brazilian bank **BTG Pactual** was the sole arranger and placement agent for the $132.8 million offering. The bonds back the 230 MW Eten project, a diesel and natural gas-fired facility in Chiclayo, Peru. The secured notes have a coupon of 7.65% and a tenor of 20 years. **Standard & Poor's** and **Fitch Ratings** both gave the paper a BBB-. The transaction closed Dec. 5.

"They wanted the longest term financing to maximize the IRR, which is why they went the project bond route," says **Gianluca Bacchiocchi**, a partner at **DLA Piper**, which advised BTG. "There is no question that project bonds are on the increase in the region. I'm looking at next year and there any many more coming. There are a ton of projects to be awarded between now and next year in Peru and Mexico and they are all perfectly tailored for project bonds," he adds, without naming any specific projects.

The project will provide a reserve electricity source to the **National Interconnected Electricity Framework** of Peru under a 20-year contract.

Commercial operation is slated for next year. Officials at the sponsors could not be immediately reached. A BTG Pactual official in London did not respond to inquiries by press time.

SunEd Inks Solar Leaseback Expansion With Rabo Sub

De Lage Landen, a subsidiary of **Rabobank**, has increased the amount of capital in a solar-leaseback fund backing **SunEdison**'s expansion to in excess of $100 million. The fund initially closed with $52.5 million for distributed generation projects in the U.S.

SunEdison officials were keen to extend the relationship with DLL, note observers, following the success of the maiden $52.5 million. The fund buys the rooftop installations and then leases them back to SunEdison. And the company remains well banked, note deal watchers, as typical project finance players look to opportunities in the DG space.

Wells Fargo recently committed $100 million in tax equity backing SunEd projects, while **Energy Capital Partners**, **North Sky Capital** and **EverStream Energy Capital Management** provided $67.3 million in debt and equity backing utility scale projects that the company is developing (*PI, 9/5*). SunEdison has also previously worked with Rabo on project financing.

Calls placed to SunEdison officials in Belmont, Calif., and DLL officials in Wayne, Pa., were not returned by press time.

Pricing Target Emerges On Patriot B

Price talk on the B loan backing **Moxie Energy** and **Panda Power Funds**' Patriot project is coming in at LIBOR plus 600 basis points, according to deal watchers. **Goldman Sachs** is left-lead, while **Investec**, **Ares Management** and **Union Bank** are co-arrangers. The **Royal Bank of Canada** was also looking at the deal.

The deal launched at a bank meeting in New York at the beginning of the month (*PI, 12/3*). The $638 million debt package includes a term loan B and letters of credit maturing in 2020 and 2018 respectively. The term loan B includes a $385 million secured term loan B-1 and a $200 million delayed draw term loan B-2. The LOC facility is worth $53 million.

The Patriot package features a larger delayed draw tranche than the $150 million delayed draw that debuted in the most recent Liberty financing. Pricing is also coming in tighter, with the last deal pricing at LIBOR plus 650 basis points with a 1% floor and a 99 original issue discount (*PI, 8/26*).

In addition, the project intends to raise $100 million of mezzanine debt at holding company **Panda Patriot Intermediate Holdings II**. **EIG Global Energy Partners** will provide that mezzanine tranche from its fund (*PI, 1/7/2011*).

Standard & Poor's rated the term loan B and LOC B+, with a preliminary 2 recovery rating.

The 800 MW Patriot project in Lycoming County, Pa., is set to be online in 2015. Bank officials declined to comment. Calls placed to **Kent Morton**, v.p. at Moxie in Vienna, Va., were not returned by press time. Panda officials in Dallas declined comment.

Q4 B Loan Scorecard

Borrower	Leads	Amount	Pricing	Status
Riverstone Holdings	Deutsche Bank, Morgan Stanley	$350 million	LIBOR plus 400-425 bps (price talk)	In Market
Panda Power Funds, Moxie Energy	Goldman Sachs, Ares Management, Union Bank, Investec	$385 million	LIBOR plus 600 bps (price talk)	In Market
Energy Capital Power	Barclays, Credit Agricole, Mitsubishi UFJ Financial Group	$125 million add-on	LIBOR plus 325 bps (price talk)	In Market
First Wind	Morgan Stanley, Goldman Sachs, BNP Paribas, CIT Group, ICBC, KeyBank, Union Bank	$320 million	LIBOR plus 400 bps	Closed
GE EFS, Highstar Capital	Barclays, Citigroup	$825 million	LIBOR plus 275 bps	Closed

Source: *PFR*

ArcLight Sub. Closes On Pipeline Debt

ArcLight Capital Partners-subsidiary **NET Midstream** has closed a $665 million financing backing the U.S. situated section of the Los Ramones natural-gas pipeline. **Mitsubishi UFJ Financial Group** led the deal.

MUFJ was joined by seven joint lead arrangers, including **ING Capital**, **Credit Agricole**, **Natixis**, **Royal Bank of Canada**, **NordLB**, **BBVA**, and **Banco Santander**. The deal was approximately two times oversubscribed and received commitments from 100% of invited financial participants.

The pipeline will transport gas from nine interconnects at the Agua Dulce Hub in Nueces County, Texas, to a point near Rio Grande City, Texas, which is near the Mexico border. The pipeline will interconnect in Mexican territory with phase one of the Los Ramones Pipeline, which is being developed by a subsidiary of Mexican state-owned energy giant **Pemex** and **Sempra Energy** (*PI, 7/12*).

The pipeline is anchored by a long term firm gas transportation agreement, for up to 2.1 Bcf/d, with **MGI Supply**, an indirect wholly owned subsidiary of Pemex. The company secured the appropriate documentation from the U.S. **Federal Energy Regulatory Commission** to export the gas in November, when the search for financing began in earnest (*PI, 11/15*). The permit allows the project to proceed as well as grants authorization for certain border crossing facilities.

NET Midstream has also been working with **Citigroup** since the summer, looking at the possibility of selling all or parts of the company to raise capital to finish the pipeline project. Citi officials have declined comment on the progress of the sale.

NET Midstream has developed, acquired, constructed and operated natural gas midstream assets since 1999. The company selected **Willbros Group** to construct this particular pipeline. Construction will begin in February 2014 with slated completion for October.

Calls placed to **David Marye**, director of corporate development at NET Midstream, were not returned by press time. Bank officials either declined comment or did not respond to inquiries by press time.

Hinckley's Wind, Solar Lease Shop Out To Raise Cash

Chuck Hinckley

American Wind Capital, the shop headed by **Chuck Hinckley** that aggregates wind and solar farm land lease royalties, is out to raise capital.

The teasers are said to be canvassing for new equity—potentially adding a new investor. Observers say existing backers, such as Fortress Investment Group, are looking to exit. Hinckley is reportedly exploring new ventures in the power space after American Wind Capital although he may remain with the company depending how the capital raise progresses.

The company is backed by **Barclays Natural Resource Investments**, private equity shop **NGP Energy Technology Partners** and Fortress (*PI, 9/16/11*).

Marathon Capital is advising on the process, which launched about a month ago. There will be an initial deadline for expressions of interest, a two-step sale is not expected, says a deal watcher, explaining that for capital raises a "bespoke" process can be better for negotiations.

The existing equity is "expensive," says one observer, so American Wind Capital would like to bring in new capital now that it has grown its platform.

The company sealed a $100 million loan, backed by land lease royalties, with pricing around LIBOR plus 400 basis points from **CIT Group**, **Investec** and **Siemens Financial Services**. At the time of the loan, Hinckley told *PI* that the company had about l00 leases for solar and wind farms (*PI, 8/27*). The portfolio of leases is leveraged with about 80% debt.

Investors taking a look at the Old Saybrook, Conn.-based company could be funds that want to expand the platform or, possibly, a real estate investment trust or yieldco, observers say. If the company opts for a full-on sale, a competitor such as **MAP Royalty** say deal watchers.

Hinckley founded American Wind Capital after leaving **Noble Environmental Power**.

A Marathon official declined to comment while messages left for Hinckley were not returned.

MERGERS & ACQUISITIONS

Pricing Emerges On ECP Add-On

Price talk has emerged for **Energy Capital Partners**' $125 million term loan C add-on at LIBOR plus 325 basis points.

The six-year add-on is being pitched to investors with a 1% LIBOR floor and a 99.75 original issue discount. Pricing is floated at the same rate as the existing B loan (*PI, 12/4*).

Commitments were due last week to arrangers **Barclays**, **Credit Agricole** and **Mitsubishi UFJ Financial Group**.

The package also has proposed amendments that allow the Richland-Stryker assets to be added to the collateral and reveolver financial covenants changes. A 101 soft call will reset for six months after the amendments are closed.

The $125 million will be added to its existing $632 million C loan facility that ECP arranged earlier this year under portfolio company **EquiPower Resource Holdings**.

Proceeds will be used to finance the acquisition of Richland-

Stryker, which includes a 444 MW gas- and oil-fired unit in Defiance and a 20 MW oil-fired facility in Stryker from a consortium that includes **Quintana Infrastructure & Development**, **BlackRock** and **Starwood Global Energy Group** (*PI, 11/27*). There is a 522 MW expansion underway at the Richland facility. The deal is set to close by year-end.

Apex Runs Auction Pair To Sell Okla. Wind Projects

Apex Wind Energy is in the market to sell a handful of projects in Oklahoma.

The company is working with advisors **Macquarie Capital** and **Morgan Stanley** on separate auctions to sell-off late stage development projects to companies that can move the projects along in time to qualify for production tax credits.

Macquarie is running the sale of the 300 MW Balko project, which will sell 200 MW to the Public Service Company of Oklahoma and 100 MW to Western Farmers. It landed the mandate through its commitment of development capital to the project, says a deal watcher.

Morgan Stanley is running the sale of the 300 MW Kingfisher project in Canadian County, Okla.—independently of Macquarie—for which it is also providing a hedge

Apex is looking to sell or bring in co-investors into a handful of wind projects to raise capital for further development, says one observer. The company has lined up power purchase agreements totaling about 560 MW for projects in Kansas, Oklahoma and Utah since the summer. Morgan Stanley is not advising on all the potential sales, according to observers.

The Charlottesville, Va.-based company is targeting raising about $25 million in corporate level capital and has secured about $5.6 million of that as of mid-November from nine investors, according to a filing with the U.S. **Securities and Exchange Commission**.

It expects to have additional capital coming in around February, says an observer, explaining that it is trying to ensure the project qualifies for the production tax credits.

Additionally, Apex has raised over $35 million of capital at the project level this year that is slated to fund development on late stage projects with targeted online dates in 2015.

Spokeswomen for Macquarie and Morgan Stanley declined to comment while a spokeswoman for Apex did not immediately respond to an inquiry.

Macquarie Brings On SVP For Infra Role

Macquarie Capital has hired **Chris Calavitta** as a senior v.p. in its infrastructure, utilities and renewables group.

Calavitta, formerly with **Brookfield Renewable Energy Group**, will work out of Austin, Texas. He reports to **Thomas Houle**, managing director who runs the energy infrastructure team in Austin. He began last month.

The Austin team advises sponsors on infrastructure development projects in the Americas and provides development capital.

STRATEGIES

Riverstone Targets Cheaper Raven Debt

Riverstone Holdings is looking to cut pricing on the debt backing **Raven Power Finance** by about 150 basis points with its proposed $390 million refinancing.

The private equity shop launched the seven-year $350 million B loan at LIBOR plus 425-450 basis points. The pitched deal has an original issue discount of 99 with a 1% LIBOR floor. The package includes a $40 million revolver. **Deutsche Bank** and **Morgan Stanley** are lead arrangers (*PI, 12/2*).

The package will replace a $175 million B loan that it arranged late in 2012 to finance its acquisition of three coal-fired plants from **Exelon** (*PI, 11/19/12*). The six-year loan, arranged by **UBS**, carries pricing at L+600bps with a 1.25% LIBOR floor and a 98 OID.

About $150 million of the proceeds are slated to be used for a dividend recapitalization. The package has preliminary ratings of B1 from **Moody's Investors Service** and BB- from **Standard & Poor's**.

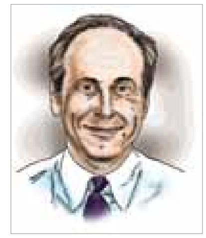
Raven Power Finance is backed by the 1,273 MW Brandon Shores in Anne Arundel Co., the 976 MW H.A. Wagner also in Anne Arundel Co., and the 399 MW C.P. Crane in Baltimore County.

Spokeswomen for the lead arrangers did not respond to inquiries while a Riverstone spokesman declined to comment.

INDUSTRY CURRENT

Yieldcos Compared

THIS WEEK'S INDUSTRY CURRENT *was written by* by **Keith Martin**, partner at **Chadbourne & Parke** in Washington, D.C.



Keith Martin

Use of the phrase yieldco to describe three recent share flotations by **NRG Yield**, **TransAlta Renewables** and **Pattern Energy Group** masks very different business arrangements. What is interesting is the different decisions each company made in structuring a yieldco that would appeal to the market.

The three companies are among five project developers that set up or attempted to set up yieldcos since the summer.

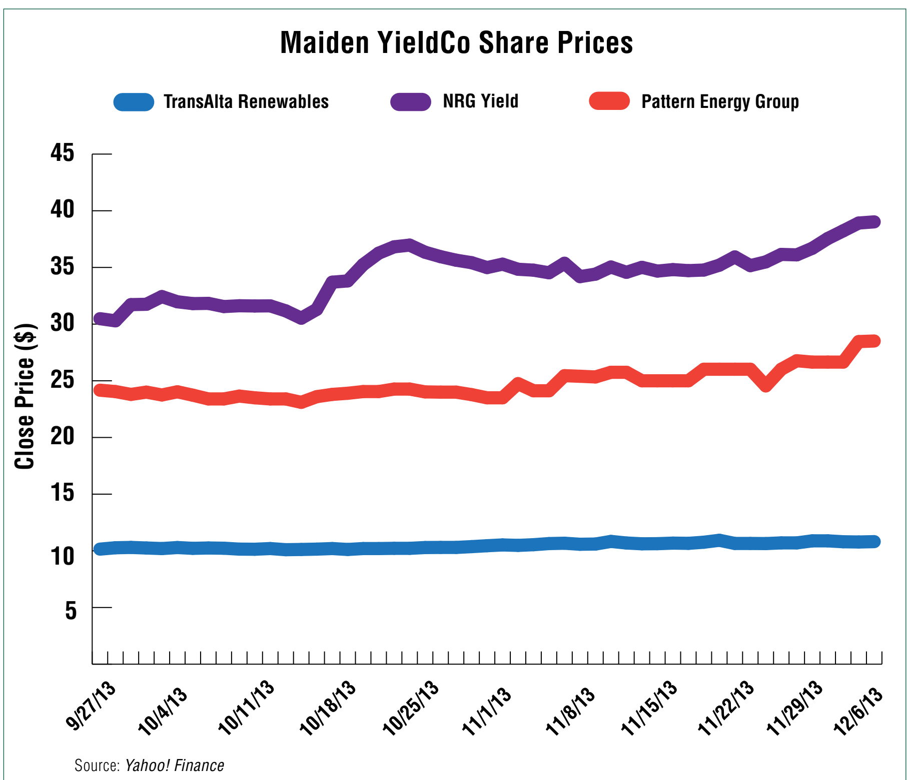
Two companies–**Silver Ridge Power** and **Threshold Power**–attempted listings in Canada but withdrew the offerings. A sixth company, **Hannon Armstrong Sustainable Infrastructure**, converted itself into a real estate investment trust in April 2013, a structure that has features in common with a yieldco.

The idea behind yieldcos is to put a portfolio of projects that are already operating in a new corporate subsidiary and sell part of the shares to the general public while keeping projects that are still under development in a separate entity. The yieldco can raise equity at closer to debt rates because it owns de-risked assets that throw off predictable cash flow. Investors pay a premium not only for the predictable earnings, but also for the ability to trade their ownership positions in a liquid market. The subsidiaries are called yieldcos because they distribute most of their earnings to shareholders through quarterly dividend payments. The appeal is to investors seeking higher yields than are available in the bond market.

The NRG Yield share offering was more than 10 times oversubscribed when the company listed on the **New York Stock Exchange** in July. The company listed at $22 a share and a projected dividend yield of 5.45% based on the initial share price. The shares were up 64% by early December, and the dividend yield had fallen to 3.33%.

TransAlta Renewables listed on the **Toronto Stock Exchange** in August at an initial price of C$10 a share and a projected dividend yield of 7.5%. The stock was trading up 7% by early December. The dividend yield had fallen to 7%.

Pattern Energy listed simultaneously on the **NASDAQ Global Exchange** and the Toronto Stock Exchange in late September at an initial share price of $22 and a projected dividend yield of 6.25%. The share price has since increased 13.2%, causing the dividend yield to fall to 5%.



Source: *Yahoo! Finance*

Minimum Scale

In general, a developer should have at least $500 million in operating project value that can be put in a yieldco and then plan to sell a large enough share to raise at least $100-200 million in the initial public offering.

Timing may be key. It takes months to put a filing together. Demand for yieldco shares could soften as interest rates rise.

NRG raised $471 million net after underwriting discounts and commissions by selling a 34.5% interest in 1,324 megawatts of conventional and solar power projects, plus the equivalent of another 1,098 megawatts of thermal facilities that produce steam or chilled water and another 123 megawatts of small cogeneration facilities. NRG retained control over the subsidiary with a 65.5% voting interest.

The assets are in nine states. Most went into service from 2009 to 2013. They include two portfolios of rooftop solar installations on schools in California and Arizona.

The power projects (not counting the cogeneration units) are 68.7% conventional power plants. Ninety-three percent of the output is contracted under long-term power contracts. The power purchase agreements have a 16-year weighted average life. This month, NRG Yield agreed to purchase the assets of **Energy Systems Co.**, a Nebraska-based district energy company that provides steam to buildings in Omaha.

TransAlta raised C$202.1 million against a portfolio of 28 projects with a capacity of 1,112 megawatts. The company sold a 19.3% interest. It retains control through the ability to name a majority of the six-person board of directors for as long as it retains at least 35% of the shares.

The projects are all in Canada, but the company signed an agreement recently to acquire a wind farm in Wyoming. Wind projects account for 90.7% of the portfolio by capacity. The remaining 9.4% are hydro projects. Except for one wind farm that went into service in March 2013, the TransAlta assets have been in service for between one and 22 years, with 5.8 years in weighted average years of operation. All of the output has been contracted, but some of the projects are really merchant plants with TransAlta as the offtaker. The affiliate power contracts run 20 years or, if shorter, the remaining useful life of the project, with fixed prices of C$30 a MWh for wind and C$45 a MWh for hydro adjusted annually by the consumer price index. (The company will have to be careful before entering into affiliate power contracts on any U.S. projects as it could lose the ability to claim net losses from depreciation.) The average remaining life of the output contracts on all the projects is 17 years.

> "Timing may be key. It takes months to put a filing together. Demand for yield co shares could soften as interest rates rise."

Pattern Energy raised $318.6 million in net proceeds on the sale of a 36.8% interest in eight wind farms in the U.S. (including Puerto Rico), Canada and Chile, with a total owned capacity of 1,041 megawatts. It retained 63.2% of the voting rights.

Six of the projects have been operating between two and four years. The remaining two were still under construction at the time of the offering and are expected to be completed by the second quarter of 2014. Ninety-five percent of the output is committed under long-term power purchase agreements with an average remaining contract life of approximately 19 years.

The three yieldcos plan to distribute between 80% and 83% of cash after debt service. All three expect to grow by acquiring additional projects, but they are not typical growth companies retaining earnings to fund expansion. For NRG Yield, only 31% of projected adjusted EBITDA in 2014 is expected to be cash available for distribution and 37% in 2015, suggesting a large amount of senior debt ahead of the NRG Yield shareholders in the capital structure. The 2014 figure for Pattern is 25.4%. It appears to be closer to 62% for TransAlta.

Different Business Strategies

Pattern starts as a classic yield co with a portfolio of operating or near-operating projects, but the yieldco will morph into a full-fledged development company once its market capitalization reaches $2.5 billion.

The Pattern workforce will be split between the yieldco and old Pattern until this market capitalization is reached, after which all the employees will move to the yieldco. Until then, the project development, legal, finance and administrative staff will stay in old Pattern with the operations and maintenance personnel in the yield co and the top executives splitting their time between the two companies.

NRG Yield and TransAlta Renewables are classic yieldcos in that they will own solely operating assets.

NRG Yield has a right of first offer or ROFO for the next five years to make bids on six projects from NRG that are expected to go into service during the period March 2013 through early 2014.

TransAlta Renewables agreed in a governance and cooperation agreement with the TransAlta parent company that it will rely "exclusively" on the parent to identify investment opportunities.

The Pattern yieldco has a right of first offer for the next five years to make bids on any projects in the 3,000-megawatt development pipeline that old Pattern informs the yieldco it plans to sell. The option is extended automatically for additional five-year periods unless terminated by old Pattern or the yieldco. It will terminate early if the yieldco fails to make offers on at least three projects that old Pattern is able thereafter to sell. The yieldco also has an option to buy old Pattern if the current owners of old Pattern, including private equity fund Riverstone, decide to sell a material portion of the equity or substantially all of the assets.

Unlike the other yieldcos, old Pattern has promised not to compete with its yieldco for acquisitions of generation and transmission projects for as long as the yieldco retains a ROFO over old Pattern projects.

Management Fees

Each of the developers will earn fees for managing its yieldco.

NRG will earn $4 million a year, plus be reimbursed for its costs (but not employee salaries or overhead). The fee is adjusted annually for inflation and will also increase by 0.05% of the enterprise value of each future project acquired.

TransAlta will earn C$10 million a year, adjusted for inflation, plus be reimbursed for costs including employee wages and benefits "not captured by the fee." The fee will increase or decrease by 5% of the projected change in the yield co's EBITDA as a consequence of buying or shedding assets. It will also be reset no less frequently than every five years to take into account changing economic circumstances, regulatory requirements and general workload to manage the company.

Unlike the other two yieldcos, the Pattern yieldco will have its own employees and pay them directly, but will also compensate old Pattern for any use of legal, finance and administrative staff until the entire work force is reassembled under the yieldco.

The NRG and Pattern yieldcos have complicated ownership structures.

There are A and B shares in the NRG yieldco. The NRG parent company, NRG Energy, Inc., which is also a publicly-traded company, owns all the B shares, giving it a 65.5% voting interest in the yieldco but no economic interest. The public shareholders own all the A shares. They have all the economics, but only 34.5% of the vote.

Immediately below the yieldco is a partnership. The NRG parent company owns a 65.5% economic interest in the partnership. The yieldco owns the balance and is the managing member, but since the yieldco is controlled by NRG, NRG also controls the partnership. All the projects are at least two tiers down from the partnership.

NRG can exchange units in the partnership for A shares in the yieldco. When these exchanges occur, the yieldco will redeem and cancel a corresponding number of B shares that NRG holds in the yieldco. Over time as the yieldco raises more equity to make acquisitions, the share of the partnership held by the yieldco will increase, either because the yieldco will make capital contributions for more partnership units or pay the money to NRG to buy part of its partnership units.

The Pattern yieldco will also have A and B shares. Old Pattern will hold all the B shares. The public will own the A shares. No dividends are paid on the B shares, but the shares have identical voting rights. According to Pattern, the A and B share structure is being used to mitigate risk to the public shareholders on one of the two projects that is still under construction: the South Kent wind farm in Ontario, Canada. The B shares will convert automatically into A shares at the end of 2014 or, if later, when construction of the South Kent project has been completed.

> "In addition to providing access to cheaper capital, yield cos offer other benefits. They provide a developer with a captive outlet into which to sell operating projects for cash, with the project valuation determined at a low discount rate."

Benefits & Drawbacks

The TransAlta and Pattern yieldcos own largely wind farms, which have variable output. Both intend to pay quarterly dividends in equal amounts during the year.

Combining renewable energy facilities with fossil fuel-fired power plants, as NRG has done, creates a tax base within the yield co to use tax benefits from the renewable energy projects.

NRG Yield does not expect to owe significant federal income taxes for approximately 10 years, perhaps longer if it grows by acquiring additional renewable energy projects. This means that not only will there be no taxes taken out at the company level, but also distributions to shareholders should be treated as returns of capital until the shareholders get their investments back. Distributions after that would be reported by shareholders as capital gains.

The market sometimes refers to a yieldco in this position as a "synthetic MLP." Master limited partnerships, which require a statutory change before they can be adopted widely in the power industry, do not pay taxes at the entity level on earnings. Any tax is solely at the owner level. The fact that their earnings are subject to only one level of tax allows them to raise capital more cheaply.

In addition to providing access to cheaper capital, yieldcos offer other benefits.

They provide a developer with a captive outlet into which to sell operating projects for cash, with the project valuation determined at a low discount rate. However, the sale is of only a fraction of each project.

Because of its low capital cost, the yieldco is a good vehicle for bidding on projects put up for sale by others. The winning bidder is usually the one with the lowest cost of capital. A yieldco also gives a developer a currency in the form of publicly-traded shares that might be used to make acquisitions. Private equity funds holding projects directly or through private-equity-backed developers may be reaching the end of their desired hold periods for projects that went into service before 2009.

There are also potential drawbacks.

Moody's Investors Service flagged a potential drawback in a posting in November. The rating agency warned that moving a portion of a developer's most reliable cash-flow producing assets to another entity cannot help the parent company's credit profile.

A sale of more than 20% of a subsidiary corporation will prevent a U.S. parent from filing a consolidated federal income tax return with a U.S. yield co, with the result that there will be some double taxation of earnings once the yieldco moves out of a tax loss position.

Canadian investors buying shares in U.S. yieldcos listed on the Toronto exchange will be subject to a 15% withholding tax at the U.S. border on any cash distributions that are considered dividends for U.S. tax purposes. (There is no withholding tax on cash distributions considered returns of capital.) Dividends paid to non-Canadians will not be subject to any withholding or other taxes in Canada.

The newest yieldcos have many antecedents even within the power industry. At least seven other companies fit the pattern to varying degrees, including **Algonquin Power & Utilities Corp.**, **Atlantic Power Corp.**, **Brookfield Renewable Energy Partners**, **Capital Power Corporation**, **Capstone Infrastructure**, **Innergex** and **Northland Power**. **Greenbacker Renewable Energy Company** said in a filing with the U.S. **Securities and Exchange Commission** that it plans to form a yieldco to raise a minimum of $2 million and as much as $1.5 billion to make investments initially in pipelines of solar projects in an effort to connect smaller- to medium-sized developers to public markets. The company suggested in the SEC filing that it plans operate as a partnership, despite U.S. tax rules that normally treat partnerships whose units are publicly traded as corporations. The investors would be investing into a blind pool.

Q3 PF League Tables *(Continued from page 1)*

with $4.34 billion closing in Q3 last year.

Goldman Sachs, the only U.S. lender of four in Q2 to maintain its presence on the top 10 league table in Q3, kept third place, with $462 million in mandates for Q3. Goldman is perched atop the table for lending year-to-date, with $2.218 billion across 11 deals for 11.2% of the $19.8 billion of transactions that have closed between Q1 and Q3. **Deutsche Bank**, which topped tables in Q2 with $860 million in mandates, didn't make the top 10 in Q3; neither did U.S. lenders **Bank of America**, **JPMorgan** and **Morgan Stanley**.

Newcomers since Q2 to the top 10 include German banks **NordLB** and **BayernLB**, with $292 million and $291 million in commitments, respectively. French banks **Crédit Agricole** and **BPCE** as well as **Sumitomo Mitsui Banking Corp**. and **Mizuho** round out the ranks for Q3.

While the second quarter was noteworthy for its number of B loans (*PI, 7/19*), bank lending lifted in Q3. "All of the debt markets are very, very good right now," says **Don Kyle**, senior managing director at **GE Capital Markets**. "Woodbridge was probably the big one and it signals a trend, first large merchant deal to be done in the traditional private debt markets." **Competitive Power Ventures**' financing of the merchant Woodbridge facility with bank debt–the first instance of bank debt being used to back a merchant facility since the re-emergence of merchant project financings in the past 18 months (*PI, 9/23*). ***—Nicholas Stone***

ALTERNATING CURRENT

Xmas Light Record Smashed!

'Tis the season to be jolly. 'Tis also the season to watch electricity bills skyrocket as you string 31 miles of Christmas lights to your house.

That is the case for the Richards family from Australia's capital city Canberra. The family has reclaimed its world record for Christmas lights on a residential property with 502,165 sparkling bulbs adorning their house, according to Guinness World Record officials.

The family first held the record in 2001 with 331,038 lights. But they were usurped last year by a family in LaGrangeville, N.Y., who illuminated their home with 346,283 lights. Not one to be shown up and apparently very seriously in love with Christmas, Mr. Richards set out to reclaim his crown this year.

How is he powering it all? A local power company has donated AUD2,500 ($2,264) in electricity, while Richards is also weighing up inserting a 2 MW wind turbine in his backyard next to the grill to help power the vast network of lights.

Although most of the community appreciated the effort, this reporter has learnt that some neighbors won't talk to Richards until at least March, once they have caught up on their sleep.

B Loan Races *(Continued from page 1)*

Raya Prabhu

of December rush with repeat sponsors teeing up deals woke up a market some financiers expected to be quiet until the first quarter.

ECP and Panda/Moxie's appearances were driven in large part by outside factors—the money needs to be raised to buy a pair of assets and prepare for construction, respectively. On the other hand, Riverstone aimed at cutting pricing on debt at **Raven Power Finance** opportunistically. It opted to act on a window to lower its pricing and lever up a set of three coal-fired plants (see story, page 7).

The institutional market has had peaks and troughs over the course of the year with periods of volatility stemming from political stalemates in Washington, D.C. However, the 2013 market can be characterized by an overall tightening in pricing that has continued from the previous year.

The speed with which pricing has come down has been the biggest surprise of the last year: deals that were pricing at L+400 bps in January are now getting done at 300-350 bps. "If we'd had this conversation in January, I'd have said the same thing about 2012," **David Lischer**, managing director at Goldman, told *PI*. Riverstone's Raven Power deal priced at L+600bps in late 2012 and emerged from the bank meeting this month with 425-450 bps price talk.

The bulk of the activity this year has been from independent power producers and financial sponsors turning out to lock in refinancing and repricings. ECP, **Calpine** and **Tenaska Capital Management**, among several others, successfully reworked existing loans while **LS Power** pulled a refinancing of one-year-old debt on **LSP Madison** after the market quaked in late summer. "A lot of the activity is done and behind us," says Prabhu, adding there could be some sponsors coming back after for repricings if the market remains strong.

Demand for institutional paper is expected to stretch into the New Year as investors remain intent to balance out portfolios in light of expected tapering from the Federal Reserve. "The loan asset class provides some form of buffer over time to rising fixed rates," says Lischer.

With investor appetite high the supply needs to be diversified with new deals rather than the continuing march of refinancing. "The supply side needs to see new money, such as LBOs or acquisitions, come in to make up the volume. If M&A reminds modest there could be a constrained market in Q1," Lischer says.

The first quarter in unlikely to be immune from pricing spikes as it moves into February depending on the outcome of earnings season and whether Washington comes to another impasse over the budget. Local to power, regulatory changes on greenhouse gas emissions could influence the makeup and volume of deals that emerge, financiers say. ***—Holly Fletcher***