



# Power Project Finance Market

## Burns & Roe 22nd Annual Energy Seminar

### Powering the Future – Beyond Uncertainty

Weehawken, NJ April 23, 2014

Donald Kyle, Senior Managing Director, GE Capital Markets,  
Inc. **Imagination at work.**

# Disclosure statement

This material is provided to you solely for discussion purposes and does not constitute an offer, agreement, or commitment to lend, provide financing or sell any securities or financing instruments and shall not be construed to create any fiduciary, advisory or other relationship or the provision of any investment advice or service. Nothing herein shall be deemed to obligate General Electric Capital Corporation or its affiliates (collectively, “GE”) to provide, arrange or syndicate any credit facilities or other financing in favor of you, your affiliates or any other person. In the event GE elects to commit to provide, arrange or syndicate any such credit facilities or other financing, such commitment shall be reflected in a final definitive written letter agreement executed by duly authorized officers of GE. The information contained herein is not intended, nor should be construed or implied, to be a recommendation or advice of any kind. The information contained herein is derived from or based upon publicly available sources. GE does not represent or warrant the accuracy, completeness or reliability of any of the information contained herein, either expressly or impliedly, for any particular purpose, and shall have no duty to update or correct any such information. In no event will GE be liable for any losses or damages arising from or as a result of the use of the information or the materials contained herein.

GE Capital Markets, Inc. (“GE Capital Markets”), a subsidiary of GE, is a registered broker-dealer with the U.S. Securities and Exchange Commission and is a member of FINRA and SIPC. Securities transactions and syndicated loan arranging are performed by GE Capital Markets and lending and commercial banking activities are performed by GE. Affiliates of GE Capital Markets may have lending relationships with issuers of securities or other financial instruments that have been underwritten, privately placed, or dealt in by GE Capital Markets.

The information contained herein is not intended, nor should it be construed or implied, to be a recommendation or advice of any kind. GE does not represent or warrant the accuracy, completeness or reliability of any of the information contained herein, either expressly or impliedly, for any particular purpose, and shall have no duty to update or correct any such information. In no event will GE be liable for any losses or damages arising from or as a result of the use of the information or the materials contained herein.



# Debt markets of execution

	Registered Public Offering	Rule 144A Private Placement	Traditional Private Placement	Bank Syndication	Institutional Loan ("Term B")	Mezzanine Debt
Minimum Size:	\$200MM	\$150MM	No minimum size constrains	No minimum size constrains	\$100MM	Min of \$20MM
Pricing:	Fixed: tightest spread	Fixed: +5 to 10bps vs public	Fixed: +10 to 15bps vs public	Floating: LIBOR + spread	Floating: LIBOR + spread	Fixed
Maturities:	<30 years	<30 years	<25 years	7 years (w/ limited capacity to 15 years)	5-7 years	Min of 7 years
Covenants:	Least restrictive	Similar to public	May include leverage, net worth & cash flow coverage tests	May include leverage & cash flow coverage tests	May include leverage, net worth & cash flow coverage tests	Leverage, coverage test set 10%+ bank level
Structure:	Bullet	Bullet	Bullet or amortizing	Amortizing	Minimal amortization w/ cash sweep	Bullet
Ratings:	Required	Recommended	Sometimes recommended	Typically not required	Generally required	Typically not required
Registration:	Public registration	None	None	None	None	None
Eligible Buyers:	No restrictions	"Qualified Institutional Buyers" per Rule 144	Accredited Reg D investors (most institutional investors)	Commercial banks	Commercial banks and institutional investors	Institutional investors
Ongoing Requirements:	SEC reporting	Substantial	Similar to bank syndication	Extensive reporting - At least quarterly, possibly monthly	Similar to bank syndication	Similar to bank syndication
Timing:	~12 weeks	~9 weeks	~9 weeks	~8-10 weeks	~8-10 weeks	~8-10 weeks
*** Primary Project Finance Markets of Execution ***						



# Power project finance bank market

Bank market remains hungry for assets, as supply remains limited and existing assets run off

- Relationship focused
- Expansion into quasi-merchant financings
- Japanese banks lead, though the Europeans have returned
- Smaller U.S. regional banks showing interest (e.g. OneWest, Associated, SunTrust)
- Strong sponsors command aggressive pricing, terms and tenors

Banks maintain competitive advantage for new build merchant projects

- Efficient terms: i.e. tighter spreads, delayed draw, no Libor floor, no rating, no prepay penalties
- Familiarity with construction risk
- Post-closing issues easier to resolve

Market considerations

- Residual amount and level of hedging/known cash flows
- Most transactions executed on best-efforts club basis
- Experienced “anchor” lead lender adds credibility and facilitates syndication (merchant)



# Power project finance institutional market

## Term Loan B

- Institutional loan market remains hot; issuers launching opportunistic refi's and dividend recaps; M&A calendar remains light
- Technical picture remains largely unchanged as money flows into asset class via CLO issuance and inflows to prime funds
- TLB market a reliable source of capital for many recent power deals

### Recent TLB Power Comps:

Sources: LCD, LPC, Sparksread

	Empire Gen	Atlantic Power	Viva Alamo	Panda Patriot	Raven Power	NSG Holdings
Sponsor	ECP	Atlantic Power	Blackstone	Panda/Ohio Teachers	Riverstone	UBS Infra/Ont Teachers
Close Date	Mar 14	Feb 14	Feb 14	Dec 13	Dec 13	Dec 2013
Region	NY	Various	TX	PA	MD	Various
Ratings	B+/B1	B+/Ba3	BB+/Ba2	B+	BB-/B1	BB+/Ba1
Size	\$480MM	\$600MM	\$515MM	\$585MM	\$375MM	\$197MM
Pricing @ Close	L+425	L+375	L+375	L+575	L+425	L+275
Tenor	7	7	7	7	7	6
Type	Gas-fired CC	Gas, Hydro, Biomass	Gas-fired CC	Gas-fired CC	Coal Cogen	Gas/Coal
Capacity (MW)	645	1,173	1,295	829	2,649	1,409
Profile	Partially Hedged	Mostly Contracted	Partially Hedged	Partially Merchant	Merchant	Contracted

# Market comparison

	Contracted	Merchant
Market Depth	<ul style="list-style-type: none"> <li>Up to \$800MM</li> </ul>	<ul style="list-style-type: none"> <li>\$200MM-\$800MM if Term A/Bank</li> <li>\$500MM+ if Term B</li> </ul>
Margin over LIBOR	<ul style="list-style-type: none"> <li>2.25%-2.50%, with step ups</li> </ul>	<ul style="list-style-type: none"> <li>3.50%-4.50%, with step ups if TLA</li> <li>TLB will require a 1-1.25% Libor floor</li> </ul>
Upfront Fees	<ul style="list-style-type: none"> <li>2.00%-2.50%</li> </ul>	<ul style="list-style-type: none"> <li>2.50%-3.00% for Banks/Lead Arrangers</li> <li>0.50%-2.00% for retail tickets</li> </ul>
Tenor	<ul style="list-style-type: none"> <li>8-10 years</li> <li>Up to 15 years possible, but limited to &lt; \$200MM</li> </ul>	<ul style="list-style-type: none"> <li>Tend to be shorter to compensate for risk and return with tenor ranging from 5-7 years</li> </ul>
Average DSCR	<ul style="list-style-type: none"> <li>1.35x-1.50x, fully amortizing</li> </ul>	<ul style="list-style-type: none"> <li>2.00x-2.50x, assuming 15-year amortization</li> </ul>
Financial Covenants	<ul style="list-style-type: none"> <li>Generally not needed, however broadens market capacity</li> </ul>	<ul style="list-style-type: none"> <li>One to two covenants</li> </ul>
Cash Sweep	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Required, but amount negotiable</li> </ul>
Debt Sizing Considerations	<ul style="list-style-type: none"> <li>Based on average DSCR threshold, but with need for Sponsor "skin in game"</li> </ul>	<ul style="list-style-type: none"> <li>Debt/kW at close and at maturity</li> <li>Hedging strategies</li> <li>Geographic region</li> </ul>
Syndication Execution	<ul style="list-style-type: none"> <li>Limited underwritings</li> <li>Club execution</li> <li>Largely bank market execution</li> </ul>	<ul style="list-style-type: none"> <li>Mostly club execution if bank</li> <li>Broad institutional if Term B</li> </ul>



# Power project finance bond/fixed income markets

Supply in project bond market slowed; forward calendar appears limited; strong demand

Tenors in excess of 20 years achievable in current market if supported by project fundamentals and long-dated off-take contracts

Investment grade (BBB-/BBB level) project bonds have priced with attractive coupons, reflecting spreads from 200–400 bps

- Electric transmission credits pricing in T + 200 bps range; renewables transactions pricing in T + 300s
- Given historically low treasuries, investors are analyzing pricing on coupon basis, reducing volatility in treasuries

Continued strong appetite for structured transactions in both 144A and traditional Private Placement markets:

- Investment-grade rates at near historic lows
- Investment-grade project financings of up to US\$1 billion achievable in the 4(2) market, and (depending on nature of project) US\$1 billion+ in 144A market



