PFI AWARDS 2021

It will provide capacity and shifting of low-cost renewable energy to periods of high demand, and deliver 50MW of fast-frequency response services, as well as virtual inertia and blackstart capabilities to HECO under a 20-year contract. Tesla is supplying the battery storage.

When the project comes online in 2022 it will help enable the retirement of the AES Hawaii power plant, Hawaii's last remaining coal-fired power project, which is in alignment with the state's transition to 100% renewable energy generation. Plus Power's success completing the financing provided a strong signal of capital market support for high quality, standalone energy storage projects.

Orrick served as borrower's counsel and Shearman & Sterling served as lenders' counsel. Luminate served as independent engineer.

Americas P3 Deal of the Year: **Fargo Moorhead**

The Fargo Moorhead flood diversion transaction brought a series of firsts to the US public-private partnership market with a deal that may become a template as climate change increases flooding concerns.

The Red River Valley in the Fargo-Moorhead metropolitan area of North Dakota and Minnesota is vulnerable to flooding in spring and the diversion project originated many years ago as a specially tailored option to combat the problem.

It is part of a larger initiative that is being accomplished through a split delivery, with one segment being delivered through a P3 and the other being done through traditional design-build. The P3 segment was procured by the Metro Flood Diversion Authority of North Dakota, which entered into an approximately 34-year project agreement with Red River Valley Alliance (RRVA), a consortium of Acciona, Shikun & Binui, and North American Construction Group (NACG). The team was selected to design, build, finance, operate and maintain a storm-water flood diversion channel in exchange for construction milestone payments and availability payments.

The deal was innovative as the first flood protection/resiliency P3 in the US and one of the first globally, and it was also the first project under the United States Army Corps of Engineers P3 pilot programme to reach financial close. In terms of structure, it showed innovation by combining tax-exempt private activity bonds (PABs) with a private placement for long-term debt financing.

Getting the project to financial close was the culmination of many years of effort and required extensive cooperation between two states and several municipalities.

A multi-faceted financing backed the US$2.75bn project, starting with US$296m of senior revenue green bonds. A tranche maturing in 2051 was priced to yield 2.98% and a tranche maturing in 2056 was priced at 3.08%. The tax-exempt bonds were issued by the Public Finance Authority of Wisconsin, a conduit that lends the proceeds to RRVA. Underwriters included Citigroup, Morgan Stanley and SMBC. The consortium established a green financing framework, so all financial components of the deal were designated as green. MetLife Investment Management served as sole lender on a US$198 private placement.

A roughly US$643m revolving credit led by SMBC, CaixaBank and Korea Development Bank (KDB) and US$51m of equity rounded out the private finance contribution.

Agentis Capital was financial adviser to RRVA; EY advised the Metro Flood Diversion Authority; Torys served as sponsor legal counsel, Winston & Strawn served as lender legal counsel; Mazars was model auditor; Altus was independent engineer; Intech was insurance adviser; and Deloitte acted as tax adviser.

Americas Power Deal of the Year: **Chacao+**

The 50:50 joint venture between France's EDF and Chilean group AME Infrastructure known as Generadora Metropolitana closed Latin America's most adventurous and impressive power deal this year with a US$982m project financing backing a 755MW portfolio of thermal assets and the 480MW CEME1 solar project in Antofagasta, known collectively as Chacao+.

The Chacao+ deal closed across a number of tranches, sealed a large debt quantum, and included attractive terms, despite the parties contending with a range of revenue streams and uses for the debt. The financing consists of an 8.5-year fully amortising term loan of US$305.4m, an associated letter of credit and working capital facility of US$195.1m, a 12-year fixed-rate note deal that achieved investment grades of US$407.5m, and a US$73.7m standby facility.

The financing was the largest non-recourse deal closed in Chile in 2021. The transaction was highly visible in the market on the back of the strength of the sponsors. The financing was innovative with strong credit metrics, combining the monetisation of the cashflows from existing assets and contracts with a construction financing. The deal tapped both bank and institutional markets and was oversubscribed.

Credit Agricole, Banco de Credito e Inversiones (BCI), DNB, ING, MUFG, and SMBC were the banks on the deal. Credit Agricole was also financial adviser, note rating adviser, sole global note coordinator, hedge adviser and coordinator, coordinating lead arranger, and hedge provider. Allianz and Metlife were the investors in the notes. Latham & Watkins and Larrain y Asociados advised the sponsors. Milbank and Garrigues advised the lenders. Black & Veatch, Mercados Energeticos, Poten & Partners, and Marsh also provided advice on the deal.

The money backs four operational thermal assets, the conversion to gas of one of the diesel-fired projects, and the construction of the solar project. The schemes will derive revenues from three sources, meaning the deal had to deal with a lot of convoluted repayment options, include merchant revenues. The projects benefit from power purchase agreements (PPAs) with Chilean distribution companies, regulated capacity payments, and spot market sales.

Americas Transmission Deal of the Year: **Alfa Desarrollo**

The shift to a carbon-free grid is something that can only happen with improved transmission networks. Major transmission deals remain scarce in the Americas, but this year one group managed to structure an impressive deal with attractive terms as part of the purchase of a series of transmission assets.

The Alfa Desarrollo consortium featuring Dutch fund APG (80%) and Elecnor affiliate Celeo Redes (20%) closed a US$1.1bn 144A/Reg S bond deal backing its acquisition of Colbun Transmission from Colbun for about US$1.3bn, as institutional investors continue to pour money into infrastructure.

JP Morgan was sole global coordinator, and joint bookrunner with Citigroup, SMBC, and Santander. The notes due 2051 were priced to yield 4.55%. The deal had initial price talk in the low 5% range, before guidance was set at 4.5%, plus or minus 12.5bp, and the deal was launched at 4.55% before being priced at that figure.

Astris Finance has been a financial adviser on the deal. Shearman & Sterling and Claro 7 advised the banks and White & Case and Carey advised the consortium. Moody's rated the deal Baa3.

The portfolio of assets that Colbun is selling includes 899km of transmission lines and 27 substations in the National Electric System or SEN supplying transmission capacity to an area that includes the metropolitan area of Santiago and most of the country's population. The projects will benefit from a 10-year fixed-payment O&M agreement signed with one of the new sponsors, Celeo.

Revenues come from bilateral unregulated agreements, currently representing about 59% of total revenues, and regulated revenues, comprising the other 41%. Further enhancing cashflow visibility is the contracted revenue indexation mechanism that provides for monthly adjustments to reflect changes in the Chilean inflation rate and in the exchange rate with the US dollar, effectively reducing the project exposure to key market risks.

Creditor protections include designated liquidity accounts, such as six-month debt service, and a three-month O&M reserve backed by a letter of credit; restrictions on business activities and M&A; and a well-defined onshore and offshore cash waterfall that prioritises the notes repayment, among others. In addition, the structure contemplates, starting in year 2043, a cash sweep mechanism to allow additional debt payments before final maturity, targeting at reducing the balloon payment from 50% to 40% of initial debt.