

**North American Single-Asset Power 2014:**

**Oregon Clean Energy Center**

Sponsors and lenders have grown more comfortable with merchant risk, and have begun to finance plants further from demand centres.

The \$984.1 million financing that Energy Investors Funds (EIF) and I Squared Capital closed for the 869MW Oregon Clean Energy Center in Ohio highlights sponsors' and lenders'

willingness to give up long-term cashflows in favour of greater returns.

Oregon is located within the growing PJM market – which neighbours New York City – but in a zone far from power-hungry eastern cities. “Roughly 1,600MW of coal generation capacity is expected to be retired within a 72.42-km radius around the project,” notes Lucas Missong, a senior vice-president at EIF in New York.

North American Project Development developed Oregon, and later brought in EIF – initially as a co-developer and exclusive equity provider, and later as sole owner. EIF then sold a 50% stake in the project to I Squared, a fund set up by former Morgan Stanley bankers. EIF and I Squared contributed \$412 million in equity.

Oregon's \$582.1 million debt financing comprises a \$465.6 million construction and term loan, \$103.9 million in credit support, and \$12.5 million in working capital. The debt has a tenor of construction plus five years, and pricing starts at 325bp over Libor, stepping up

at the start of commercial operations and again three years later.

At the end of the term loan, the sponsors expect to face a \$325.88 million balloon payment.

The balloon will not be covered by contracted cashflows, as the project's revenue put is scheduled to expire five years after operations begin. EIF considered a heat rate call option, but decided to use the put because it creates some revenue certainty. “We think that we have a significant amount of upside potential because of both the project's location and its best-in-class heat rate,” Missong says. “The revenue put allows us to capture that upside.”

BNP Paribas led the debt, and ran the equity process. Crédit Agricole was also a coordinating lead arranger. Orrick was the legal adviser to EIF, Davis Polk advised I Squared, and Milbank advised the lenders. ■

