



North America Deal of the Year – Highlander Solar

Highlander Solar was the standout renewables transaction amid many due to its exemplification of the trend of projects being built to serve commercial and Industrial (C&I) offtakers. It was also a key transaction based on its ability to secure a very large amount of finance in the face of permitting delays, the complexity of projects in different phases of construction, and pandemic related disruption.

Highlander comprises four solar projects in Spotsylvania County, Virginia with a total capacity of 618MW. The facilities are situated about 50 miles away from Northern Virginia's Data Center Alley in the Dulles Technology Corridor, which represents the world's largest concentration of data centers. The solar facilities will primarily serve large technology players.

The Sponsor of the project is sPower, the joint solar development platform of AES and Alberta Investment Management Corporation

(AIMCo). The solar project is the largest project to-date for sPower and the largest single-asset financing in the company's history. The projects that comprise Highlander include Pleinmont 1 (75MW), Pleinmont 2 (225MW), Highlander Solar Energy Station (165MW), and Richmond Spider Solar (20MW). They will earn cashflows under seven 15-year offtake contracts settled at the PJM Dominion Hub with offtakers for energy, renewable energy certificates (RECs), and capacity payments.

The contracts are structural as synthetic power purchase agreements (PPAs) that hedge the projects against merchant revenues by reducing the volatility and risk of changes in electricity prices and the risk associated with solar variability. One of the offtakers, Microsoft, is purchasing the capacity from Pleinmont 1 and 2, representing the single largest corporate purchase of solar

energy in the US.

Construction costs for the project were US\$905m and the full financing package exceeded US\$1bn. A syndicate of nine banks provided US\$704m in loan financing, led by HSBC as sole coordinating lead arranger, with mandated lead arrangers CaixaBank, CIBC, National Bank of Canada, Citigroup, Societe Generale, BayernLB and Sabadell. The credit facilities include a tax equity bridge loan, construction/term loan, reactive power tranche and letter of credit facilities. Wells Fargo made a tax equity commitment in the amount of US\$350m.

Highlander is the largest solar project east of the Rockies and the fifth largest in the US. The projects are expected to be complete in summer 2021. CohnReznick Capital was financial adviser. Sheppard Mullin Richter & Hamilton acted as sponsor's legal counsel and Milbank acted as lenders legal counsel.