

Hickory Run power plant – US

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Itochu Corporation's US subsidiary Tyr Energy closed financing for its 1GW Hickory Run gas-fired power plant in Pennsylvania on Monday (21 August), marking the first financial close for a greenfield power plant in the PJM since the lower-than-expected close of the 2020-21 planning year auction.

The project

The quasi-merchant Hickory Run power project is rated for output of 870MW. It is being built to help meet demand as coal plants come offline across the PJM Interconnection. Located near North Beaver Township in Lawrence County, the power plant will utilise Siemens SGT6-8000H turbines, two heat recovery steam generators (HRSGs) and a Siemens steam turbine generator. It will be fed by the Tennessee Gas Pipeline Zone 4.

Original owners LS Power had planned to start construction on the project in 2014 with commercial operations set for a 2016 start, but after long delays, LS [launched a sale process early last year](#) and Tyr [scooped it up in July 2016](#).

Actual construction start coincided with the date of financial close, with Kiewit Power Constructors as EPC contractor, and the power plant is now expected to come online in April 2020. Tyr Energy will provide all asset management services once commercial operations commence, and Tyr affiliate NAES Corporation will manage O&M.

The financing

Debt was launched for Hickory Run by BNP Paribas on 16 June with a target of gathering \$530 million in total leverage for the \$750 million project. By mid-July commitments for more than double the ask had come in, and a fixed-rate tranche reserved for Korean investors was said to be roughly three-times subscribed.

Up until financial close, Tyr Energy officially held 100% of project equity, but at the time of the transaction, Japanese power investor Kansai Electric Power Corporation announced that it had scooped up 30% of the equity stakes from Itochu, and Siemens Financial Services was disclosed as a third equity stakeholder.

Debt comprises:

- \$380 million floating-rate term loan with construction-plus-five tenor
- \$70 million ancillary facility from a sub-group of lenders including
 - \$20 million working capital
 - \$50 million letter of credit
- \$80 million fixed-rate tranche backed exclusively by a pair of Korean investors

The lending group includes:

- BNP Paribas (MLA and administrative agent)

- BAML
- Credit Agricole
- MUFG
- Development Bank of Japan
- SMBC
- ABN AMRO
- National Australia Bank
- Shinhan Bank

Five more lenders were said to be involved, with ticket sizes ranging from \$25 million to \$45 million. Debt was priced at 325bp over Libor with a 50bp step up to 375bp in year six and seven post-construction, in line with typical prices this year in the PJM.

Advisers included:

- Lummus (Independent Engineer)
- Leidos (Independent Engineer)
- Vinson & Elkins (Legal counsel to sponsor)
- Latham & Watkins (Legal counsel to lenders)

The significance

Given the low ceiling created by the 2020-21 clearing price in the PJM auction, the appetite for this transaction was remarkable, and gives a view into the financial institutions that are financing power projects in the US at the moment.

Also of note is that pricing remained at the 325bp over Libor mark seen in previous PJM financings this year despite the high commitments and lack of greenfield deal flow.

Perhaps the most significant new development to come out of the financing, Asian investors in the transaction sidestepped brokers and worked directly with sponsors to secure their place within the package in a first for the US power market.

Outside of BAML, all known lenders are international players, with more than one jumping into a quasi-merchant financing for the first time.

The presence of Itochu Corporation as a sponsor of the project was enough to bring in Kansai Electric and the Development Bank of Japan as well as other lenders including Shinhan, MUFG and SMBC, while Siemens' equity commitment and equipment provision encouraged European banks to join the fray.

While the transaction is surely a milestone, some have quietly expressed a lack of confidence that other sponsors will be as successful in attempts to replicate it. There are at least three greenfield power plants in the PJM seeking equity and said to be planning to approach lenders in the near term. Those include [Panda Power Fund's Mattawoman project in Maryland](#), and [Advanced Power's South Field Energy Center](#) and [Clean Energy Future's Trumbull Energy Center](#) in Ohio.

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