

# North American Single Asset Power Deal of the Year 2013:Goreway

14/03/2014

Chubu Electric Power and Toyota Tsusho decided to go back to its relationship lenders, rather than turn to the institutional market, for the refinancing of their 875MW Goreway combined-cycle power plant in Brampton, Ontario. Canadian life insurance companies would have been willing to provide the refinancing, but the sponsors' relationship pull allowed them to close the deal with below-market pricing.

The sponsors are large Japanese players with global footprints, and the project benefits from a long-term power purchase agreement (PPA) with the well-rated Ontario Power Authority (OPA). They assembled a refinancing for project company Goreway Station Partnership with a group of commercial banks including Canadian lenders

Canadian banks are not comfortable with providing long-tenor debt, and rarely go beyond seven years. Scotiabank prefers five-year tenors and 10 years is an absolute maximum. But Canadian banks have the most competitive Canadian dollar funding costs, and sponsors would need to include domestic lenders in the bank group. Provided that the sponsors could live with refinancing risk, however, they would be assured a cheap margin.

Bank pricing on North American power refinancings dipped in 2013 to 200bp over Libor or CDOR. Bankers attribute falling margins to a surge in liquidity, and competition from healthier European banks and new debt funds and investors, as well as subdued dealflow.

For its C\$832 million (\$748 million) refinancing, Goreway sponsors achieved pricing of 150bp one of the tightest priced power deals of 2013 for the largest Canadian power deal of that year. That margin makes the deal look closer to a corporate financing than non-recourse debt. Chubu and Toyota benefited from Canada's ability to skirt most of the damage of the 2008 financial collapse and succeeding eurozone crisis. And the sponsors are key clients of the three Japanese banks that participated in the deal, BTMU, Mizuho and SMBC.

The Goreway refinancing comprises a C\$782 million term facility and C\$50 million in letters of credit (LCs). The margin on the term debt will be flat across most of the five-year loan, as C\$663 million of the debt was swapped to fixed-rate. The LCs, if drawn, will also have pricing of 150bp, and a commitment fee if undrawn of 30bp.

Before closing the refinancing, Goreway Power Station decided to terminate 10% of its existing swaps, on which European banks were counterparties. The remaining swaps were assigned equally to the five lead arrangers.

Those lead arrangers BTMU, Mizuho, RBC, SMBC and TD all lent C\$112 million; TD also was administrative agent. TD provided C\$74 million toward the term loan, and \$38 million of the letters of credit, while SMBC contributed \$100 million of the loan and \$12 million of the LCs. The other leads each took C\$112 million term loan tickets. National Bank of Canada

## **Goreway Station Partnership**

### STATUS

Closed 2 July 2013

### DESCRIPTION

875MW gas-fired generator in Brampton, Ontario

### SPONSORS

Chubu Electric Power (50%) and Toyota Tsusho (50%)

### DEBT

C\$832 million, comprising a C\$782 million term loan and a C\$50 million letter of credit facility

### LEAD ARRANGERS

TD (administrative agent and swap coordinating bank), RBC (swap coordinating bank), BTMU (documentation bank), SMBC (modelling bank) and Mizuho (technical bank)

### PARTICIPATING LENDERS

Scotiabank, National Bank of Canada, BMO, Sumitomo Mitsui Trust

### SWAP PROVIDERS

TD, RBC, BTMU, SMBC, Mizuho

### SPONSOR LEGAL ADVISER

McCarthy Tétrault

### LENDER LEGAL ADVISER

Torys

(C\$68.1 million), Sumitomo Mitsui Trust Bank (C\$68.1 million, BMO (C\$68.1 million) and Scotiabank (C\$68.1 million) also participated in the term debt. BTMU was documentation bank, SMBC modelling bank and Mizuho technical bank.

Chubu and Toyota closed the refinancing in July 2013, 11 months before the original eight-year debt was to mature and more than a year and a half after Goreway's sponsors first reached out to lenders. The new deal takes out a C\$942 million construction and term financing that Goreway Station Partnership closed in April 2006, when Sithe Global owned the plant. RBC, TD, ABN Amro and BNP Paribas led the original 8.3-year deal, which had a syndicate of 29 lenders, including insurance companies and European banks.

That first deal had tighter pricing than the refinancing 120bp but margins were much tighter in the years before the 2008 financial collapse. Few sponsors today would dream of achieving pricing of 150bp.

Chubu and Toyota first joined the project in 2009, shortly after Goreway began operations. Sithe sold them 25% stakes in Goreway in 2009, and then two additional 25% stakes in 2011. Chubu and Toyota now each own half of the plant.

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