



The Yield Created by the Yieldco

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Some of the more significant Yieldco activity, in reverse order of funding dates, include:

1. SunEdison, on July 18, 2014, spun off 524 MW of solar project assets in the U.S., Canada, the U.K. and Chile to form TerraForm Power, in an IPO that raised \$501.6 million and saw its IPO price surge about 35 percent in its first day of trading. Based on the anticipated initial distribution, as described in its S-1 filing, at its initial offering price TerraForm was to provide a yield of about 3.7 percent. However, due to the buying frenzy for the security, the yield was down closer to 2.6 percent by the end of its first day of trading.
2. Abengoa Yield, was spun off from Abengoa on June 18, 2014 with 10 assets, including solar projects in Arizona, California and Spain, and a wind farm in Uruguay. It also includes conventional power in Mexico. It too, saw a strong demand at its initial public offering, with shares being bid up 28 percent on their first day of trading. As of August 22, Abengoa Yield is trading up about 38 percent over its IPO price with a 2.9 percent yield, but many expect that to increase next year when its Mojave power plant in Southern California goes operational.
3. On July 2, 2014, NextEra Energy Partners closed its initial public offering, raising \$442.7 million net proceeds, with 10 projects representing 990 MW of renewable capacity. NextEra Energy Partners also saw its shares increase by 28 percent on the day of its IPO launch. It has since dropped slightly below those levels but still current yield is a very skinny 2.2 percent, as projected based on the distribution for the first year as described in its S-1.
4. NRG Yield Inc., which allowed NRG to raise \$471 million last July by selling a 34.5 percent interest in 1,324 MW of conventional and solar power plants, 1098 MW of

thermal facilities and 123 MW of small cogeneration. The yield initially went out at 5.45 percent, but it currently trades with a 2.73 percent yield. NRG Yield is one of only a few Yieldcos that is comprised of both renewable and conventional assets, which may explain its very low yield. NRG Yield Inc. also completed its acquisition of the Alta Wind facility in Tehachapi, CA from Terra-Gen on August 12, adding an additional 947 MW of operating wind capacity to its portfolio.

5. Transalta Renewables, allowed Canada's Transalta Corporation to raise \$202 million Canadian in August of last year by selling a 19.3 percent interest in 1,112 MW of wind and hydro projects. It initially yielded about 7.5 percent, but that yield stands at about 6.50 percent currently.

6. Pattern Energy spun off 1,041 MW of wind farms in the U.S. Canada and Chile and was able to raise \$318.6 million this past September by selling a 36.8 percent share of the company formed to hold the assets, which included 6 operating wind farms and two wind farms under construction. Pattern's Yieldco initially yielded 6.25 percent, but is recently trading with a 4.2 percent yield.

Some companies have formed vehicles that are "yieldco-like", although not formally yieldcos. Hannon Armstrong Sustainable Infrastructure Capital, Inc. converted itself into a Real Estate Investment Trust (REIT) in April of 2013 and is currently offering a yield of 6.4 percent. Solar City went the route of a securitization of debt secured by revenues from solar PPAs and leases from rooftop solar.

In addition, it is noteworthy that a number of other significant players in the solar industry have also publically announced that they are considering forming Yieldcos. These include SunPower, First Solar, Canadian Solar and several others.

So, why the rush to Yieldcos? In next week's post, we will discuss the many benefits that a Yieldco brings to the parent company.

Categories

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