



HOULIHAN LOKEY

# POWER AND UTILITIES MARKET SNAPSHOT

Quarter Ending June 30, 2019



# Introduction

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Power and Utilities Market Snapshot for the quarter ending June 30, 2019.

We have included relevant news, recent M&A transaction announcements, and other industry insights to help you stay ahead in this evolving industry. We hope you find this quarterly update to be informative and that it serves as a valuable resource to you in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Regards,

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## Our Power & Utilities Group service offerings include:

- Mergers and Acquisitions
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- Financial Restructuring
- Portfolio Valuation and Fund Opinions
- Tax and Financial Reporting Valuation
- Transaction Advisory Services
- Dispute Resolution Services
- Transaction Opinions





Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

## Corporate Finance

### 2018 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	207
2	Goldman Sachs & Co	197
3	JP Morgan	154
4	Morgan Stanley	135
5	Jefferies LLC	117

Source: Thomson Reuters

**No. 1** U.S. M&A Advisor

**Top 10** Global M&A Advisor

**Leading** Capital Markets Advisor

## Financial Restructuring

### 2018 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	63
2	PJT Partners Inc.	45
3*	Moelis & Co.	36
3*	Lazard	36
3*	Rothschild & Co.	36

Source: Thomson Reuters  
\* Denotes tie

**No. 1** Global Restructuring Advisor

**1,000+** Transactions Completed

Valued at More Than \$2.5 Trillion  
Collectively

## Financial Advisory

### 1999 to 2018 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,073
2	JP Morgan	971
3	Duff & Phelps	728
4	Bank of America Merrill Lynch	660
5	Morgan Stanley	659

Source: Thomson Reuters. Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion  
Advisor Over the Past 20 Years

**1,000+** Annual Valuation  
Engagements

## Selected Transactions

<p>has confirmed a Chapter 11 Plan of Reorganization</p> <p>Creditor Advisor</p>	<p>has confirmed a pre-packaged Chapter 11 Plan of Reorganization of its IPH GenCo subsidiary</p> <p>Creditor Advisor</p>	<p>has confirmed a Chapter 11 Plan of Reorganization</p> <p>Creditor Advisor</p>	<p>has completed a term loan financing at its wind power subsidiary</p> <p>Invenergy Wind Power LLC</p> <p>Financial Opinion</p>	<p>has been acquired by Danielson Holding Corporation pursuant to a Chapter 11 Plan of Reorganization</p> <p>Creditor Advisor</p>
<p>REMA Subsidiary</p> <p>has confirmed a "pre-arranged" Chapter 11 Plan of Reorganization</p> <p>Secured Noteholder Advisor</p>	<p>has confirmed a Chapter 11 Plan of Reorganization</p> <p>Creditors Committee Advisor</p>	<p>has confirmed a Chapter 11 Plan of Reorganization</p> <p>Secured Creditor Advisor</p>	<p>has been acquired by a wholly-owned subsidiary of</p> <p>Hanwha Chemical</p> <p>Sellside Advisor &amp; Fairness Opinion</p>	<p>Entergy New Orleans</p> <p>has confirmed its Chapter 11 Plan of Reorganization</p> <p>Secured Noteholder Advisor</p>

Tombstones included herein represent transactions closed from 2004 forward.

# United States and Canada Update

## Western Electricity Coordinating Council

- June 27: AES Corp. has started construction of a 400 MWh battery energy storage system in CA.
- May 31: Mitsubishi Hitachi Power Systems Ltd. and Magnum Development LLC said they intend to develop a 1,000 MW energy storage facility in Utah with target completion date around 2030.
- May 24: TC Energy Corp. (formerly known as TransCanada Corp.) closed the sale of a 575 MW natural gas plant in Arizona to Salt River Project for \$465 million.
- May 8: WA passed a measure seeking to transition the state to 100% renewable energy by 2045.

### PG&E Related Developments

- June 24: CA has outlined a \$24 billion proposal to provide stability to the state's big three investor-owned utilities, pay future wildfire-related claims, and keep rising electricity bills in check.
- April 25: CA approved a \$373 million rate hike for PG&E to pay costs related to wildfires.
- April 3: Departing Tennessee Valley Authority executive Bill Johnson to become PG&E CEO.

## Midcontinent Independent System Operator

- June 25: Illinois regulators are directing Vistra Energy Corp. to retire 2,000 MW of coal-fired generating capacity by the end of this year.

## Northeast Power Coordinating Council

- June 20: NY passed legislation mandating 70% renewable-generated electricity for the state by 2030, 100% carbon-free electricity by 2040, and net-zero greenhouse gas emissions economy-wide by 2050.
- April 18: NJ approved \$300 million bailout of three PSEG nuclear power plants with 3,500 MW of capacity.

## Southwest Power Pool, RE

- April 4: SPP wants to build an electricity imbalance market serving the west.

## Texas Reliability Entity

- May 10: TX regulators approved Oncor's acquisition of InfraREIT Inc. for approximately \$1.3 billion.
- April 2: TX may not be able to see offshore wind farms until 2028, largely due to lower electricity prices of West Texas wind facilities.

## Overall United States and Canada Market

- June 25: NV Energy Inc. announced plans to add 1,790 MW of solar-plus-storage capacity to its portfolio by the end of 2023.
- June 19: U.S. Environmental Protection Agency finalized its Affordable Clean Energy rule. The regulation would cut about 11 million short tons of CO2 from existing coal-fired generators by 2030, according to the EPA.
- June 18: Legislation was introduced in the U.S. House of Representatives that would extend a soon-to-expire federal production tax credit for wind energy by one year.
- June 13: A subsidiary of NextEra Energy Partners has completed the acquisition of three wind and three solar generation facilities with a combined net capacity of 611 MW for approximately \$1.02 billion.
- June 3: Infrastructure Investments Fund, an investment vehicle advised by J.P. Morgan Investment Management Inc., agreed to acquire El Paso Electric Co. for approximately \$4.3 billion.
- May 27: Canadian Utilities Ltd. has decided to sell the portfolio of all fossil fuel based generation to Energy Capital Partners LLC affiliate Heartland Generation for approximately CAD \$835 million.
- April 22: AEP closed \$2.5 billion acquisition of Sempra Renewables LLC.
- April 9: The U.S. wind market grew by 8% in 2018, and companies finished the year with a record amount of capacity in development according to the American Wind Energy Association.

## Pennsylvania-New Jersey-Maryland Interconnection

- May 10: Power prices were down 40% YoY for Q1 largely due to lower fuel costs according to the Independent Market Monitor for PJM.

## SERC Reliability Corporation

- May 22: SC government postponed the final decision regarding Santee Cooper's fate, after state lawmakers spent much of the 2019-2020 legislative session debating whether to sell or have another company manage the government-owned utility.

# International Update

## Europe

- June 21: A subsidiary of Enel S.p.A. signed an agreement to sell the 3,800-MW Reftinskaya GRES coal-fired power plant in Russia to Siberian Generating Co. LLC subsidiary JSC Kuzbassenergo.
- June 14: EDF CEO Xavier Girre said the French company is pursuing asset sales and trying new financing tools as it prepares for a restructuring.
- June 12: In one of her last acts as prime minister, Theresa May on June 12 introduced to Parliament a binding target to cut the U.K.'s greenhouse gas emissions to net zero by 2050.
- June 12: Volkswagen AG said that it will invest €900 million in Northvolt AB to acquire a 20% stake in the Swedish battery producer and fund a joint venture through which they hope to produce lithium-ion cells.
- May 14: France's Ardian is close to reaching a deal with Renovalia Energy SA to acquire its 420-MW wind farms portfolio in Spain in a €550 million deal.

### Potential Impacts of No-Deal Brexit

- Potential increased U.S. LNG imports.
- Limited impact of changes due to U.K. importing less than 6% of annual power demand.
- Return to explicit auctions for power pricing.
- Exit EU's cap and trade scheme (replaced by an effective U.K. carbon tax of £34/tonne).

## Latin America

- June 5: China Three Gorges Corp. may be evaluating a transaction to take control of EDP SA's assets in Brazil, Bloomberg News reported.

### Potential Impact of Tariffs on China:

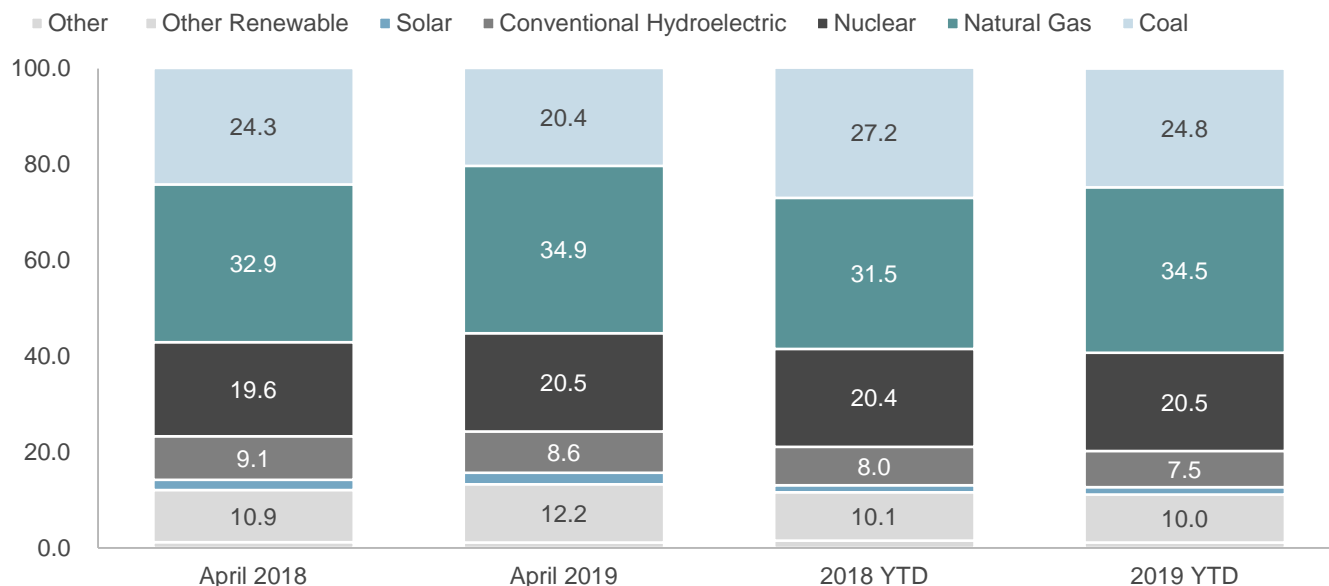
- Potential U.S. import quota for uranium will increase costs for U.S. utilities, according to JSC National Atomic Co. Kazatomprom.

## Overall Global Market

- May 6: Growth in the renewable energy industry flattened in 2018 for the first time in nearly two decades, raising concerns at the International Energy Agency that the world will fall short of long-term climate goals.

# U.S. Generation

## U.S. Generation Fuel Mix (%)



## U.S. Generation by Fuel Type (million MWh)

	April 2019	YoY Change	YoY % Change	2019 YTD	YoY Change	YoY % Change
Coal	60.1	(13.3)	(18.1)%	319.6	(35.3)	(9.9)%
Natural Gas	102.9	3.5	3.5%	444.9	34.4	8.4%
Nuclear	60.6	1.4	2.4%	264.1	(1.5)	(0.6)%
Other	3.1	(0.4)	(11.3)%	14.4	(4.6)	(24.1)%
Conventional Hydroelectric	25.4	(2.1)	(7.5)%	97.4	(7.2)	(6.9)%
Solar	6.9	0.7	11.2%	20.5	1.6	8.2%
Other Renewable	36.1	3.2	9.8%	129.6	(1.8)	(1.4)%
Hydroelectric Pumped Storage	(0.1)			(1.2)		
<b>Total Generation (Net of Pumped Storage)</b>	<b>295.2</b>	<b>(6.9)</b>	<b>(2.3)%</b>	<b>1,290.5</b>	<b>(14.4)</b>	<b>(1.1)%</b>
<b>Total Renewable</b>	<b>68.5</b>	<b>1.9</b>	<b>2.8%</b>	<b>247.5</b>	<b>(7.4)</b>	<b>(2.9)%</b>
<b>Total Non-Renewable</b>	<b>226.7</b>	<b>(8.8)</b>	<b>(3.9)%</b>	<b>1,043.0</b>	<b>(7.0)</b>	<b>(0.7)%</b>

As of June 25, 2019.

"Other renewable" includes wood, black liquor, other wood waste, biogenic municipal solid waste, landfill gas, sludge waste, agriculture byproducts, other biomass, Geothermal, and wind.

"Other" includes petroleum liquids, petroleum coke, blast furnace gas, manufactured and waste gases derived from fossil fuels, nonbiogenic municipal waste, batteries, hydrogen, purchased steam, sulfur, tire-derived fuel, and other miscellaneous energy sources.

Sources: U.S. Energy Information Administration; SNL Energy.

# About Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in [mergers and acquisitions](#), [capital markets](#), [financial restructuring](#), and [valuation](#). The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm’s commitment to client success across its advisory services. Houlihan Lokey is [ranked](#) as the No. 1 M&A advisor for all U.S. transactions, the No. 1 global restructuring advisor, and the No. 1 global M&A fairness opinion advisor over the past 20 years, according to Thomson Reuters. For more information, please visit [www.HL.com](http://www.HL.com).

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## Industry Expertise

Product Expertise	Dedicated Industry Groups	Financial Sponsors
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Capital Markets	Consumer, Food & Retail	With a Diverse Group of 1000+ Sponsors
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Financial Advisory	Energy	Hedge Funds
	Financial Institutions	Capital Alliances
	Healthcare	
	Industrials	
	Real Estate, Lodging & Leisure	
	Technology•Media•Telecom	

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