

ATTACHMENT 1

STATE OF NEW HAMPSIRE
BEFORE THE ENERGY FACILITY SITE EVALUATION COMMITTEE

DOCKET NO. SEC _____

Joint Petition of Granite Ridge Energy, LLC and
Calpine Granite Holdings, LLC
For Approval to Transfer Membership Interests in Granite Ridge Energy, LLC
Under RSA 162-H

TESTIMONY OF MAURICIO DEL VALLE
ON BEHALF OF GRANITE RIDGE ENERGY, LLC,
CALPINE GRANITE HOLDINGS, LLC AND CALPINE CORPORATION

1 **Q. Please state your name, position and affiliation.**

2 **A.** My name is Mauricio Del Valle. I am Vice President of Finance and Chief Risk Officer for
3 Calpine Corporation. My business address is 717 Texas Avenue, Houston, Texas.

4 **Q. Please describe your work experience.**

5 **A.** I have been employed by Calpine Corporation (“Calpine”) as a finance executive since
6 2013. In my current role, I serve as the Vice President of Finance and Chief Risk Officer. I
7 report directly to Zamir Rauf, Executive Vice President and Chief Financial Officer for Calpine.
8 My responsibilities include (a) financial analysis for capital allocation, including mergers and
9 acquisitions, share repurchases and long-range planning, (b) assessment and implementation of
10 risk measurement and reporting for new strategic initiatives and transactions, (c) supervision of
11 quantitative and analytic models and (d) overall responsibility for company risk management,
12 including market exposure, credit and risk controls. Prior to becoming Vice President of
13 Finance and Chief Risk Officer, I served as Vice President for Financial Planning and Analysis
14 which included such duties as managing the company budget, reporting and financial
15 forecasting. I have been directly involved in the negotiation for the purchase of the Granite
16 Ridge Energy Facility. In addition, I was involved in the acquisition of the Fore River Energy
17 Center in North Weymouth, MA in November 2014, the divestiture of six Calpine facilities in
18 July 2014 and the acquisition of the Guadalupe Energy Center in Marion, Texas in February
19 2014.

20 From 2005 to 2013, I held several positions at Morgan Stanley in various capacities of
21 increasing responsibility. Starting as an Associate, I was involved in numerous financial
22 transactions for energy companies including equity offerings, refinancings, debt offerings and
23 secured credit facilities. As Vice President, I provided financial advisory services to clients,
24 including analysis and execution of mergers and acquisitions, and debt and equity capital
25 markets transactions. In my capacity as Executive Director, I was primarily responsible for
26 relationship management for public corporations in the Power and Utilities sector in the United
27 States. I also worked extensively for independent power producers, hybrids and electric
28 utilities.

1 Other work experience includes three years at Deutsche Bank as an Associate in the
2 Investment Banking, Latin America Group and two years with Vertex as Manager of Operations
3 developing hedging strategies for companies from different industries.

4 In 1997 I received a Bachelor of Science, Actuary, from Instituto Tecnológico Autonomo
5 de Mexico, Mexico City, Mexico, and, in 2001, a Masters in Finance from the same institution. I
6 received a Master's of Business Administration from the Darden Graduate School of Business
7 Administration at the University of Virginia in 2005.

8 My resume is appended to this testimony as Exhibit A.

9 **Q. What is the purpose of your testimony?**

10 **A.** The purpose of my testimony is to support the Joint Petition of Granite Ridge Energy,
11 LLC ("Granite Ridge") and Calpine Granite Holdings, LLC ("Calpine Granite") for Approval to
12 Transfer Membership Interest in Granite Ridge to Calpine Granite ("Joint Petition"). On
13 October 12, 2015, Calpine Granite and Granite Ridge Holdings, LLC ("Granite Ridge Holdings")
14 entered into an agreement whereby Calpine Granite will acquire from Granite Ridge Holdings
15 all of the membership interests of Granite Ridge in exchange for cash and other consideration.
16 Upon consummation of the transaction, all of the membership interests of Granite Ridge will be
17 directly owned by Calpine Granite and indirectly owned by Calpine Corporation ("Calpine").

18 On May 25, 1999, the State of New Hampshire Site Evaluation Committee issued an
19 Order and Certificate of Site and Facility in Docket No. 98-02 (the "Certificate") to AES
20 Londonderry LLC. The Certificate granted AES Londonderry the right to construct and operate
21 what is now referred to as the Granite Ridge Energy Facility, an approximately 720 MW
22 combined-cycle natural gas cogeneration plant, configured with two Westinghouse 501G
23 combustion turbine trains and a single Heat Recovery steam turbine (the "Facility"). The
24 Certificate expressly requires the prior approval of the Site Evaluation Committee for any
25 change in ownership. In 2004, the SEC approved the transfer of the Facility ownership to
26 lenders through voluntary foreclosure and appointment of a special purpose holding company,
27 as described more fully in the Joint Petition. The special purpose holding company was created
28 to own and operate the Facility until the Facility could be sold. The Facility company name was
29 subsequently changed to Granite Ridge, and a new holding company, Granite Ridge Holdings,

1 LLC, was formed to hold the membership interests in Granite Ridge. As Calpine’s Vice President
2 of Finance and Chief Risk Officer, my testimony will demonstrate unequivocally that Calpine
3 and Calpine Granite have the financial wherewithal to acquire the membership interests of
4 Granite Ridge, and that Calpine Granite has the financial capability to successfully operate and
5 manage the plant in a financially sound manner in compliance with the terms and conditions of
6 the Certificate.

7 **Q. Please describe Calpine Corporation**

8 **A.** Calpine is a Delaware corporation engaged through subsidiaries in the development,
9 financing, acquisition, ownership, and operation of independent power production facilities and
10 the wholesale marketing of electricity in the United States and Canada. Through various
11 subsidiaries, Calpine currently owns, leases, and operates natural gas-fired and renewable solar
12 and geothermal power plants in the United States and Canada with an aggregate generating
13 capacity of nearly 27,000 MW. Calpine’s headquarters are located in Houston, Texas. Calpine
14 is a publicly-owned company with stock traded on the New York Stock Exchange.

15 Through its subsidiaries, Calpine owns the following generation facilities in the New
16 England region:

- 17 • Calpine Fore River Energy Center, LLC (“Calpine Fore River”). Calpine Fore River
18 owns and operates an approximately 725 MW natural gas-fired generation facility in
19 North Weymouth, Massachusetts; and
- 20 • Westbrook Energy Center, LLC (“Westbrook”). Westbrook owns and operates an
21 approximately 500 MW natural gas-fired facility near Westbrook, Maine.

22 Other Calpine subsidiaries own or control generation facilities throughout the rest of the
23 country, including New York, the Mid-Atlantic, the Midwest, the Southeast, Texas and
24 California.

25 Calpine’s financial reports are filed with the U.S. Securities and Exchange Commission
26 (“US SEC”) and can be accessed on Calpine’s website at www.calpine.com under “Investor
27 Relations.” Calpine’s most recent Form 10-K filing, filed with the US SEC on February 13, 2015,
28 and its most recent Form 10-Q filing, filed with the US SEC on July 30, 2015, are attached hereto
29 as Exhibit B.

1 **Q. Please describe Calpine Granite**

2 **A.** Calpine Granite is a Delaware limited liability company that is an indirect wholly owned
3 subsidiary of Calpine Corporation. Calpine Granite is the signatory to the October 12, 2015
4 agreement with Granite Ridge Holdings to acquire the membership interest in Granite Ridge.
5 All of the membership interests of Calpine Granite are owned by Calpine Power Company,
6 which is a direct wholly owned subsidiary of Calpine.

7 **Q. Please describe Granite Ridge**

8 **A.** Granite Ridge is a Delaware limited liability company that owns and operates the
9 Granite Ridge Energy Facility, an approximately 720 MW natural gas-fired, combined cycle
10 electric generating station located in Londonderry, New Hampshire. Granite Ridge is authorized
11 by the Federal Energy Regulatory Commission to make wholesale sales of electric capacity,
12 energy, and certain ancillary services at market-based rates. All of Granite Ridge's membership
13 interests are owned by Granite Ridge Holdings, LLC, a Delaware limited liability company, all of
14 whose membership interests are currently owned by investors (the "Members"), some of which
15 are affiliated. Each of the Members is a financial company not primarily engaged in energy-
16 related business activities.

17 **Q. Please explain Calpine's organizational structure with regard to Calpine Granite and**
18 **Granite Ridge?**

19 **A.** The organizational structure is relatively simple and straightforward. Calpine Granite is
20 a wholly owned subsidiary of Calpine Power Company. Calpine Power Company is a wholly
21 owned subsidiary of Calpine Corporation. Calpine Granite will own the membership interest in
22 Granite Ridge and will operate Granite Ridge as a going concern. An organizational structure is
23 attached to my testimony as Exhibit C.

24 **Q. Please describe Calpine's experience as a power plant owner and operator.**

25 **A.** As explained in the testimony of my colleague, William Ferguson, Calpine has more than
26 three decades of experience related to the development, construction and operation of large-
27 scale power generating facilities. Calpine employs more than 2,000 employees to support its
28 national fleet of power plants. Calpine has a proven track record with respect to the acquisition
29 of power plants similar to Granite Ridge, including its acquisition last year of the Fore River

1 Energy Center, located in North Weymouth, Massachusetts, from Exelon Corporation in a \$530
2 million transaction, and its acquisition in late 2012 of the 762 MW Bosque Energy Center in
3 Laguna Park, Texas and its acquisition in early 2014 of the 1,009 MW Guadalupe Energy Center
4 in Marion, Texas. Calpine has successfully integrated these and many other existing power
5 plants into its power fleet.

6 **Q. Please discuss Calpine’s approach for financing the acquisition of power plants.**

7 **A.** Calpine has extensive experience in financing the acquisition of power plants, having
8 financed or refinanced more than a dozen power plants over the last several years, including its
9 most recent acquisitions discussed above. Calpine has several financing options available to it
10 which provides us a tremendous amount of flexibility when deciding the appropriate financing
11 vehicle for a particular project. We approach each financing opportunity with the best interests
12 of Calpine in mind. Calpine typically uses a combination of resources to fund a new power
13 plant, including cash on hand and debt, with the ratio of cash and debt dependent on the
14 amount of leverage we want to take on for the plant and how we intend to manage our overall
15 financial profile. In some cases, for instance when we purchase a plant in the same timeframe
16 that we sell one or more other facilities, Calpine may choose to redeploy the funds received
17 from the sale to pay for the newly acquired facility. In that case, we would pay for the new
18 facility entirely with cash, without the need for additional financing.

19 Calpine’s most recent power plant acquisitions provide examples of how Calpine
20 finances power plants. In the Fore River transaction, Calpine paid \$530 million for the facility
21 with cash on hand. Calpine’s acquisition of the \$625 million Guadalupe facility in Texas was
22 funded with cash on hand and a \$425 million incremental Term Loan B through Calpine
23 subsidiary, Calpine Construction Finance Company, L.P. The \$432 million purchase price (plus
24 adjustments) for the Bosque Energy Center was funded by Calpine through cash on hand.

25

26 **Q. How do Calpine and Calpine Granite intend to finance its acquisition of the**
27 **membership interest in Granite Ridge?**

28 **A.** As with prior financings, Calpine expects to fund the transaction with a combination of
29 debt and cash on hand. The financing plan has not yet been decided, but it will ultimately be

1 based upon prevailing market conditions. Calpine has already proactively obtained committed
2 debt financing from a world-leading investment banking firm. The debt financing is sufficient to
3 cover the purchase price of the facility and will be used unless we determine that a superior
4 financing vehicle is available at the time of closing.

5 In any event, Calpine and Calpine Granite do not intend to project finance the Facility.

6 **Q. Is this approach consistent with Calpine’s approach for financing power plants it has**
7 **acquired in the past?**

8 **A.** Yes, it is. As with all of our power plant acquisitions, we assess Calpine’s financial
9 position, cash on hand, and sufficiency of the credit markets at the time of the acquisition. We
10 typically use a combination of cash on hand and debt, sized to fit that amount of leverage we
11 feel is appropriate at the time of the acquisition, consistent with Calpine’s overall financial
12 profile.

13 **Q. Please address Calpine Granite’s financial capability to operate the Facility once it**
14 **acquires the membership interests in Granite Ridge, consistent with the terms and conditions**
15 **of the Certificate.**

16 **A.** Calpine has a proven track record for successfully operating our power plants to ensure
17 strong cash flow. Once Calpine acquires the Facility, it will join Calpine’s other 82 operating
18 power plants as part of a coordinated, managed portfolio of assets. As described by my
19 colleague, Mr. Ferguson, the Facility will benefit from the size of Calpine’s fleet by being a part
20 of an organized, disciplined operations and maintenance program. Furthermore, through its
21 affiliation with Calpine’s electricity and natural gas marketing arm, Calpine Energy Services
22 (“CES”), Calpine Granite will benefit from CES’ extensive experience in the wholesale power and
23 natural gas markets. Through CES, Calpine Granite will have access to potential electric
24 customers such as utilities, independent electric system operators, industrial and agricultural
25 companies, retail power providers, municipalities, power marketers and others. CES personnel
26 collectively have decades of experience managing power plant output and will utilize this
27 experience to ensure that the Facility’s output will be produced and sold in the most efficient
28 and profitable manner, consistent with all laws, rules and regulations and Calpine’s Risk
29 Management policies.

1 With regard to ensuring an adequate fuel supply for the Facility, CES has extensive
2 relationships with natural gas producers, suppliers, marketers, pipelines and storage facilities.
3 Through these relationships, CES purchases primarily natural gas and some fuel oil as fuel for
4 Calpine’s power plants and engages in related natural gas transportation and storage
5 transactions. Moreover, consistent with our Risk Management Policy, CES enters into natural
6 gas, power and other physical and financial contracts to hedge certain business risks and
7 optimize our portfolio of power plants. Once acquired, the Facility will benefit from this
8 extensive experience in the electricity and natural gas markets. Furthermore, Granite Ridge has
9 contractual rights to firm pipeline transportation service. As part of the transaction, the rights
10 to that firm pipeline transportation service will be transferred to Calpine Granite who will then
11 transfer those rights to CES in order to allow CES to fully manage the fuel needs of the Facility.
12 Consequently, Calpine Granite remains confident that it will be able to successfully manage the
13 fuel supply for the Facility.

14 In order to manage risk, CES conducts hedging and optimization activities within a
15 structured risk management framework based on controls, policies and procedures. As Chief
16 Risk Officer, my team and I monitor these activities through active and ongoing management
17 and oversight, defined roles and responsibilities, and daily risk estimates and reporting. For
18 control purposes, we have “Value at Risk” (“VAR”) limits that govern the overall risk of our
19 portfolio of power plants, energy contracts, financial hedging transactions and other contracts.
20 Our VAR limits, transaction approval limits and other risk related controls are consistent with
21 our Risk Management Policy which is approved by our Board of Directors and by a committee
22 comprised of members of our senior management and administered by my Risk Department.
23 Under my oversight, Calpine’s Risk Management Policy is primarily designed to provide Calpine
24 with a degree of protection from significant downside commodity price risk exposure to our
25 cash flows.

26 Through this disciplined process of hedging and optimizing risk exposure, I believe that
27 Calpine Granite will be a profitable, successful entity that will continue to operate and thrive in
28 the New England electricity market.

29 **Q. Does Calpine have access to capital for the Facility?**

1 **A.** Calpine has a proven history of delivering strong financial performance with its ability to
2 access the capital markets and enter into transactions with counterparties.

3 This is demonstrated by Calpine's current fleet of power plants which is relatively
4 modern (the average age of our power plants is approximately 15 years) and clean, with overall
5 emissions about half or less than the emissions of other types of fossil fuel generation. The
6 forthcoming environmental regulations, coupled with low natural gas prices, favor natural gas-
7 fired generation at the expense of inefficient fossil fuel facilities. These factors result in an
8 advantaged cash flow profile for Calpine. We currently have no unscheduled environmental
9 compliance spending due to our clean generation fleet; we have limited maintenance
10 requirements due to our young fleet; and we have a low cost debt structure due to our prudent
11 and well-timed refinancings that have occurred over the past several years. All of these factors
12 combined give Calpine a significant positive cash flow profile across any commodity price
13 environment.

14 Calpine's access to the capital markets, with preferential lending terms, can be seen
15 with our first lien credit facility and with our recent plant financings and refinancings. Calpine
16 has a first lien credit facility which provides Calpine access to over \$1 billion in financing. This is
17 a credit agreement, dated January 31, 2008, as amended, among Calpine Corporation, as
18 borrower, certain subsidiaries of Calpine that are specifically named in the facility, as
19 guarantors, the lenders party thereto, Goldman Sachs Credit Partners L.P., as administrative
20 agent and collateral agent, and the other agents named in the facility. Through this credit
21 facility, we have ready access to \$1 billion of liquidity. As an example of plant financings,
22 Calpine funded the \$425 million purchase price for the Guadalupe facility through an
23 incremental Term Loan B through Calpine subsidiary, Calpine Construction Finance Company,
24 L.P. Similarly, in May of this year, we refinanced \$1.6 billion in term loans with certain lenders.
25 Morgan Stanley Senior Funding, Inc. served as administrative agent and Goldman Sachs Credit
26 Partners L.P. served as collateral agent. Through this refinancing, we were able to reduce
27 interest rates and extended the maturity date by four years, from 2018 to 2022.

28 As of June 30, 2015, Calpine had cash and cash equivalents of \$422 million, in addition
29 to our access to more than \$1 billion of additional liquidity through our first lien credit facility.

1 The covenants in our financings afford us the flexibility to allocate capital in a way that provides
2 the best returns for Calpine. Consequently, Calpine Granite’s ability to successfully own and
3 operate the Facility is well supported.

4

5 **Q. In your opinion, does Calpine Granite have the requisite financial capability to own
6 and operate the Facility?**

7 **A.** Unequivocally, yes. As a subsidiary of Calpine, Calpine Granite will have the tools and
8 resources needed to ensure successful operation of the Facility and continuing compliance with
9 the terms and conditions of the Certificate. Calpine Granite, through its affiliation with Calpine
10 entities, will possess the knowledge, expertise and relationships needed to excel in the
11 Northeast electricity markets. I am fully confident that Calpine Granite will excel in its
12 ownership and operation of the Facility.

13 **Q. Does this conclude your testimony?**

14 **A.** Yes. I would like to thank the Committee for its careful consideration of the Joint
15 Petition, and I am available to answer any questions.

Exhibits

- A. Resume of Mauricio Del Valle
- B. Calpine's most recent Form 10-K filing, filed with the SEC on February 13, 2015, and its most recent Form 10-Q filing, filed with the SEC on July 30, 2015 (see Appendix E to Joint Petition)
- C. Organizational structure