THE BOND BUYER

Investors snapped up Gainesville biomass plant bond deal

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BRADENTON, Fla. – Eager investors doled out just over $3 billion in orders for Gainesville Regional Utilities’ $416 million of fixed-rate, tax exempt bonds, a utility official said.

Although the north Florida utility faced a “tepid” market for the sale Tuesday, Chief Financial Officer Justin Locke said underwriters successfully pushed interest rates down to provide GRU with “the most successful spread” in its history.

Bond proceeds will be used as partial financing to purchase a 100-megawatt wood-burning biomass plant called the Gainesville Renewable Energy Center, or GREC, from a group of investors. Two private placements totaling $265 million were used to complete the purchase.

“To have the global marketplace validate the deal we struck with GREC in such an overwhelming and positive way is absolutely magnificent,” said a statement from GRU General Manager Ed Bielarski. “Words can’t express the pride I feel for all the folks who worked on making this financing a success.”

GRU officials said they expect to save at least $768 million by terminating the power purchase agreement with GREC.

The deal included a $150 million, swapped-to-fixed, variable rate placement with Wells Fargo Securities. Swaps were placed with Citi and Goldman Sachs & Co. Another $115 million of variable-rate securities were placed with Bank of America Merrill Lynch.

Under the power purchase agreement, GRU said it would have paid about $1.9 billion over the next 27 years. Under the asset purchase agreement, the buy-out will save more than $750 million over the PPA and enable the utility to cut electric rates by up to 10%, officials said.

The bonds priced to yield 1% with a 5% coupon in 2018, 2.7% with a 5% coupon in 2033, and 3.24% with a 4% coupon in 2040. The spread was under the benchmark by 6 basis points in 2018, while it was above the benchmark 26 basis points in 2033 and 52 basis points in 2040.

The bonds are rated Aa3 by Moody's Investors Service and AA-minus by Fitch Ratings and S&P Global Ratings.

Goldman Sachs was the book-runner and Bank of America Merrill Lynch was co-senior manager. Barclays, Citi, Ramirez & Co., and Wells Fargo Securities were co-managers.

PFM Financial Advisors LLC was the financial advisor for the deal. PFM Swap Advisors LLC consulted on the swaps.

Holland & Knight LLP was bond counsel, Bryant Miller Olive PA was disclosure counsel, and Nixon Peabody LLP counseled the underwriters.