

Case Study 8

Calpine Corporation: The Evolution from Project to Corporate Finance

Case Study Assignments

1. Demonstrate in this particular case how project finance can reduce the opportunity costs associated with leverage induced under-investment in positive net present value projects.
2. What kind of profit opportunities in the US power industry justified the development of Calpine's project?
3. Which are the chief advantages and disadvantages to use project finance instead corporate finance in case of Calpine's project?
4. Which are the characteristics of the *new hybrid financing structure* proposed in this case that incorporates elements of both project and corporate finance in an attempt to solve disadvantages associated with each structure?
5. How a financial institution can lead the credit markets by developing an innovative financial structure to support a client's evolving financial need?