CALPINE®

OFFER TO PURCHASE FOR CASH
UP TO $335,000,000 IN AGGREGATE PRINCIPAL AMOUNT
OF ITS OUTSTANDING
5.250% SENIOR SECURED NOTES DUE 2026 (CUSIP Nos.: 131347 CK0 / U13055 AR6 / U13055 AS4)

THE OFFER (DEFINED BELOW) WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON DECEMBER 30, 2020, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "*EXPIRATION DATE*"). HOLDERS OF NOTES (AS DEFINED BELOW) MUST VALIDLY TENDER AND NOT VALIDLY WITHDRAW THEIR NOTES AT OR PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 15, 2020, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "*EARLY TENDER DATE*"), TO RECEIVE THE TOTAL CONSIDERATION (AS DEFINED BELOW). TENDERED NOTES MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 15, 2020, UNLESS EXTENDED (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "*WITHDRAWAL DATE*") AND, EXCEPT AS REQUIRED BY LAW, AFTER SUCH TIME MAY NOT BE VALIDLY WITHDRAWN.

Upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended or supplemented from time to time, this "*Statement*"), Calpine Corporation, a Delaware corporation (the "*Company*," "*Calpine*," "*we*" or "*us*"), hereby offers to purchase for cash (the "*Offer*") up to $335,000,000 in aggregate principal amount (as such amount may be increased or decreased by the Company, the "*Tender Cap Amount*") of its 5.250% Senior Secured Notes due 2026 (CUSIP Nos.: 131347 CK0 / U13055 AR6 / U13055 AS4) (the "*Notes*"), issued pursuant to an indenture dated as of May 31, 2016 (the "*Indenture*"), among the Company, the guarantors from time to time party thereto (the "*Guarantors*") and Wilmington Trust, National Association, as trustee (the "*Trustee*"), from the registered holders of the Notes (the "*Holders*" and each a "*Holder*"), subject to proration as described herein.

The "Total Consideration" for each $1,000 principal amount of Notes validly tendered and not validly withdrawn in the Offer at or prior to the Early Tender Date and accepted for purchase is specified in the table below (the "*Total Consideration*"). The Total Consideration includes an early tender payment specified in the table below (the "*Early Tender Payment*"). Holders who validly tender Notes in the Offer after the Early Tender Date but at or prior to the Expiration Date and whose Notes are accepted for purchase will not be entitled to receive the Early Tender Payment and will therefore be entitled to receive, for each $1,000 principal amount of Notes tendered and accepted for purchase, only the tender offer consideration specified in the table below (the "*Tender Offer Consideration*"), which amount is equal to the Total Consideration *less* the Early Tender Payment.

Tendered Notes may be withdrawn prior to the Withdrawal Date, and except as provided herein or required by law, after such time may not be validly withdrawn. We may extend or otherwise amend the Withdrawal Date, and may extend or otherwise amend the Early Tender Date or the Expiration Date without otherwise reinstating withdrawal rights of such Holders.

The Offer is being made in connection with, and is conditioned upon, the satisfaction or waiver of the Financing Condition and the General Conditions (each as defined herein). The Offer is not conditioned upon any minimum of Notes being tendered.

The following table identifies the principal amount outstanding, the Total Consideration, the Early Tender Payment and the Tender Offer Consideration for the Notes. The Tender Offer Consideration will equal the Total Consideration minus the Early Tender Payment, as set forth in the table below.

Title of Securities	Principal Amount Outstanding	Tender Offer Consideration(1)(3)	Early Tender Payment(1)(2)	Total Consideration(1)(2)(3)
5.250% Senior Secured Notes due 2026 (CUSIP Nos.: 131347 CK0 / U13055 AR6 / U13055 AS4)	$1,185,000,000	$1,017.25	$30.00	$1,047.25

(1) Per $1,000 principal amount of Notes tendered and accepted for purchase.
(2) The Early Tender Payment is included in the Total Consideration for Notes tendered at or prior to the Early Tender Date.
(3) Excludes accrued and unpaid interest from the last interest payment date up to, but not including, the applicable Settlement Date, which will be paid in addition to the Tender Offer Consideration.

The principal amount of the Notes that may be purchased pursuant to the Offer will not exceed the Tender Cap Amount. As a result, if the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer exceeds the Tender Cap Amount, then, we will accept such Notes on a pro rata basis (subject to minimum denomination requirements). See "Terms of the Offer—Tender Cap Amount; Proration" for more information on proration. Notwithstanding the above, we reserve the right, but are under no obligation, to increase or decrease the Tender Cap Amount, at any time, subject to compliance with applicable law.

The Offer is not conditioned upon the tender of any minimum principal amount of the Notes. Subject to applicable law, the Company reserves the right to increase or decrease or eliminate the Tender Cap Amount in its sole discretion. There can be no assurance that the Company will exercise its right to increase or decrease or eliminate the Tender Cap Amount, at any time, subject to compliance with applicable law, without extending withdrawal rights.

The Dealer Manager for the Offer is:

J.P. Morgan

December 2, 2020

All of the Notes are held in book-entry form. In the event of a termination or withdrawal of the Offer, Notes tendered through The Depository Trust Company ("*DTC*") will be credited to the related Holder through DTC and such Holder's DTC participant. In the event Notes tendered are not purchased, they will be promptly credited to the related Holder's account in the same manner.

Provided that the conditions to the Offer have been satisfied or waived, payment for Notes purchased in the Offer shall be made on the Final Settlement Date (as defined below), except as described below. The "*Final Settlement Date*" shall promptly follow the Expiration Date and is expected to be January 4, 2021.

On any date that is (i) on or after the Early Tender Date and (ii) prior to the Expiration Date, if all conditions have been or concurrently are satisfied or waived by the Company, the Company may, but is not obligated to, upon the terms and subject to the conditions set forth in this Statement, accept for payment all Notes validly tendered in the Offer, as of such date (the "*Early Settlement Date*" and, together with the Final Settlement Date, the "*Settlement Dates*"), and payment for such Notes will be made promptly thereafter.

Upon the terms and subject to the conditions of the Offer, we will notify the Tender Agent (as defined below) promptly after the Early Tender Date or the Expiration Date, as applicable, which tendered Notes are accepted for purchase and payment pursuant to the Offer. If you validly tender your Notes and we accept such Notes for purchase, subject to the terms and conditions of the Offer, we will pay you the Total Consideration or Tender Offer Consideration, as applicable, together with accrued and unpaid interest on the tendered Notes from the last interest payment date of the Notes to, but not including, the applicable Settlement Date ("*Accrued Interest*").

Notwithstanding any other provision of the Offer, we will not be required to accept any Notes for purchase, and may terminate, extend or amend the Offer, and may postpone, subject to Rule l4e-1 under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), the acceptance of Notes so tendered if any of the conditions of the Offer set forth under "Terms of the Offer—Conditions of the Offer" have not been satisfied or waived. The Offer is not conditioned upon any minimum principal amount of Notes being tendered.

Subject to the Tender Cap Amount and the other terms and conditions described herein, and our right to increase or decrease the Tender Cap Amount, we intend to accept for payment all Notes validly tendered and not validly withdrawn at or prior to the Expiration Date, and will only prorate the Notes if the aggregate principal amount of Notes validly tendered and not validly withdrawn at or prior to the Early Tender Date or the Expiration Date, as applicable, exceeds the Tender Cap Amount. If the aggregate principal amount of Notes validly tendered and not validly withdrawn as of the Early Tender Date does not exceed the Tender Cap Amount and we elect to have an Early Settlement Date, Holders who validly tender Notes after the Early Tender Date may be subject to proration, whereas Holders who validly tender Notes at or prior to the Early Tender Date will not be subject to proration. In addition, if the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer at or prior to the Early Tender Date exceeds the Tender Cap Amount and we elect to have an Early Settlement Date, Notes tendered after the Early Tender Date will not be eligible for purchase, unless the Tender Cap Amount is increased. However, in the event we do not elect to have an Early Settlement Date and the aggregate principal amount of Notes validly tendered and not validly withdrawn at or prior to the Expiration Date exceeds the Tender Cap Amount, all Holders who validly tendered Notes will be subject to proration. Notes which were not accepted for purchase due to the Tender Cap Amount may be accepted if we increase the Tender Cap Amount, which we are entitled to do at our sole discretion, and such increase is not fully used up by Notes validly tendered and not validly withdrawn at or prior to the Early Tender Date (in the event we elect to have an Early Settlement Date). There can be no assurance that we will increase the Tender Cap Amount.

The Company reserves the right to (i) waive any and all conditions to the Offer as permitted by law, (ii) extend or terminate the Offer, including the Withdrawal Date, the Early Tender Date and the Expiration Date, (iii) increase or decrease the Tender Cap Amount in its sole discretion, or (iv) otherwise amend the Offer.

See "Terms of the Offer—Significant Consequences to Holders" and "Certain United States Federal Income Tax Considerations" for a discussion of certain factors that should be considered in evaluating the Offer.

This Statement has not been filed with or reviewed by any federal or state securities commission or regulatory authority of any jurisdiction, nor has any such commission or authority passed upon the accuracy or adequacy of this Statement. Any representation to the contrary is unlawful and may be a criminal offense.

We have retained J.P. Morgan Securities LLC to act as Dealer Manager in connection with the Offer (the "*Dealer Manager*"). D.F. King & Co., Inc. is acting as both the Tender Agent (in such capacity, the "*Tender Agent*") and the Information Agent (in such capacity, the "*Information Agent*") for the Offer. Wilmington Trust, National Association is the Trustee for the Notes.

None of the Company, the Guarantors, the Tender Agent and Information Agent, the Dealer Manager or the Trustee is making any recommendation as to whether you should tender your Notes in response to the Offer.

IMPORTANT INFORMATION

All of the Notes are registered in the name of Cede & Co., the nominee of DTC. Any Holder desiring to tender Notes pursuant to the Offer who holds Notes in book-entry form must (i) request such Holder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction or (ii) tender pursuant to the procedures for book-entry transfer set forth herein. Beneficial owners whose Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender Notes with respect to Notes so registered. See "Terms of the Offer—Procedures for Tendering Notes."

Tendering Holders will not be obligated to pay brokerage fees or commissions to the Company, the Dealer Manager, the Tender Agent and Information Agent, the Trustee or DTC.

We have not provided guaranteed delivery provisions in connection with the Offer. You must tender your Notes in accordance with the procedures set forth under "Terms of the Offer—Procedures for Tendering Notes."

Requests for additional copies of this Statement or the other documents relating to the Offer and requests for assistance relating to the procedure for tendering Notes may be directed to the Information Agent at the address and telephone numbers on the last page of this Statement. Requests for assistance relating to the terms and conditions of the Offer may be directed to the Dealer Manager at the address and telephone numbers on the last page of this Statement. Beneficial owners may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance regarding the Offer.

DTC has authorized DTC participants that hold Notes on behalf of beneficial owners of Notes through DTC to tender their Notes as if they were the Holders. To effect such a tender, DTC participants should transmit their acceptance to DTC through the DTC Automated Tender Offer Program ("*ATOP*"), for which the transaction will be eligible, and follow the procedure for book-entry transfer set forth in "Terms of the Offer—Procedures for Tendering Notes."

A beneficial owner of Notes that are held of record by a broker, dealer, commercial bank, trust company or other nominee must instruct such broker, dealer, commercial bank, trust company or other nominee to tender the Notes on the beneficial owner's behalf. See "Terms of the Offer—Procedures for Tendering Notes."

This Statement contains important information which should be read before any decision is made with respect to the Offer.

This Statement does not constitute an offer to purchase Notes in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such an offer under applicable securities or blue sky laws. The delivery of this Statement shall not under any circumstances create any implication that the information contained herein or incorporated by reference is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or incorporated by reference or in any attachments hereto or in the affairs of the Company since the date hereof.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Statement, and, if given or made, such information or representation may not be relied upon as having been authorized by the Company, the Guarantors, the Tender Agent and Information Agent, the Dealer Manager or the Trustee.

YOU SHOULD READ THIS STATEMENT CAREFULLY BEFORE MAKING A DECISION WHETHER TO TENDER YOUR NOTES.

The consummation of the Offer is subject to, and conditioned upon, the satisfaction or waiver of certain conditions described in this Statement. See "Terms of the Offer—Conditions to the Offer." We intend to finance the Offer with a portion of the net proceeds from one or more financing transactions on terms and conditions acceptable to us, in our sole discretion, in an amount sufficient, together with cash on hand (if necessary), to fund the aggregate consideration for all Notes tendered pursuant to the Offer and accepted for purchase by us, and to pay all fees and expenses incurred in connection with the Offer. We intend to issue a conditional notice

of partial redemption for the Notes to redeem $335,000,000 in aggregate principal amount of the Notes less the aggregate principal amount of Notes purchased in the Offer. This Statement does not constitute a notice of redemption of the Notes.

Subject to applicable law and regulations, we expressly reserve the absolute right, in our sole discretion from time to time in the future, to purchase any of the Notes, whether or not any Notes are purchased pursuant to the Offer, in the open market, in privately negotiated transactions, through tender offers, exchange offers or otherwise or we may redeem any of the Notes, pursuant to their terms. Any such purchases or redemption may be on the same terms or on terms that are more or less favorable to Holders of Notes than the terms of the Offer, and may occur before or after the Expiration Date. Any such purchases by us or such redemption by us will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) we may choose to pursue.

The CUSIP numbers referenced in this Statement have been assigned by Standard & Poor's Corporation and are included solely for the convenience of the Holders. None of the Company, the Guarantors, the Dealer Manager or the Tender and Information Agent is responsible for the selection or use of the referenced CUSIP numbers, and no representation is made as to the correctness of any CUSIP number on the Notes or as indicated in this Statement or any other document.

The Trustee and the Dealer Manager have not independently verified, make no representation or warranty, express or implied, regarding, and assume no responsibility for, the accuracy or adequacy of the information provided herein. The Trustee and the Dealer Manager will conclusively rely on the results of the Offer as reported by the Tender Agent and us, and the Trustee and the Dealer Manager will have no liability in connection therewith.

IMPORTANT DATES

You should take note of the following dates in connection with the Offer:

Date	Calendar Date and Time	Event
Early Tender Date	December 15, 2020 at 5:00 p.m., New York City time, unless extended.	The last day and time to tender Notes in the Offer to qualify for payment of the Total Consideration (which includes the Early Tender Payment).
Withdrawal Date	December 15, 2020 at 5:00 p.m., New York City time, unless extended.	The deadline to validly withdraw tendered Notes. Following the Withdrawal Date, Holders who have tendered Notes (whether before, on or after the Withdrawal Date) may not withdraw such Notes, unless the Company is required to extend withdrawal rights under applicable law.
Early Settlement Date	Promptly after the Early Acceptance Date (as defined under "Event"). Expected to be December 17, 2020. See "Summary—Settlement Date."	On any date (the "*Early Acceptance Date*") that is (i) on or after the Early Tender Date and (ii) prior to the Expiration Date, if all conditions have been or concurrently are satisfied or waived by us, the Company may, but is not obligated to, accept for payment all Notes validly tendered in the Offer as of the Early Tender Date, and payment for such Notes will be made promptly thereafter. If we accept Notes for purchase on the Early Settlement Date, we will deposit with DTC, upon direction of the Tender Agent, the amount of cash necessary to pay to each Holder of Notes that are accepted for purchase the Total Consideration, plus Accrued Interest, in respect of such Notes. DTC will make any payments to each Holder.
Expiration Date	December 30, 2020 at 11:59 p.m., New York City time, unless extended.	The last day and time to tender Notes in the Offer to qualify for payment of the Tender Offer Consideration.
Final Settlement Date	Promptly after the Expiration Date. Expected to be January 4, 2021. See "Summary—Settlement Date."	If we accept Notes for purchase in the Offer, we will deposit with DTC, upon direction of the Tender Agent, the amount of cash necessary to pay to each applicable Holder of Notes that are accepted for purchase the Total Consideration or the Tender Offer Consideration, as applicable, plus Accrued Interest, in respect of such Notes. DTC will make any payments to each Holder.

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SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the information appearing elsewhere or incorporated by reference in this Statement. Each of the capitalized terms used in this Summary and not defined herein has the meaning set forth elsewhere in this Statement.

The Company....................	The Offer is being made by Calpine Corporation, a Delaware corporation.
The Notes..........................	$1,185,000,000 in aggregate principal amount outstanding of our 5.250% Senior Secured Notes due 2026 (CUSIP Nos.: 131347 CK0 / U13055 AR6 / U13055 AS4).
Purpose of the Offer; Source of Funds............	The purpose of the Offer is to extend the average maturity of our outstanding consolidated indebtedness. We intend to fund the aggregate required Total Consideration and Tender Offer Consideration and the costs and expenses of the Offer from a portion of the net proceeds that we receive from the Financing Transaction, together with cash on hand (if necessary). See “Terms of the Offer—Purpose of the Offer; Source of Funds.”
Effect of the Offer on Any Unpurchased Notes.......	As a result of the consummation of the Offer, the aggregate principal amount of Notes outstanding will be reduced, which may adversely affect the liquidity of the Notes that remain outstanding. See “Terms of the Offer—Significant Consequences to Holders.” We intend to issue a conditional notice of partial redemption for the Notes to redeem $335,000,000 in aggregate principal amount of the Notes less the aggregate principal amount of Notes purchased in the Offer. This Statement does not constitute a notice of redemption of the Notes.
The Offer	We are offering to purchase for cash, on the terms and subject to the conditions set forth in this Statement, up to a total of $335,000,000 in aggregate principal amount of the Notes in the Offer (subject to proration as described herein if Notes have been validly tendered in excess of the Tender Cap Amount and our right to increase or decrease the Tender Cap Amount).
Expiration Date................	The Offer will expire at 11:59 p.m., New York City time, on December 30, 2020, unless extended.
Consideration for the Notes.............................	Holders who have validly tendered and not validly withdrawn their Notes at or prior to the Early Tender Date, and whose Notes are accepted for purchase, will be entitled to receive the Total Consideration specified on the front cover of this Statement, which includes the Early Tender Payment. **Holders who have validly tendered their Notes after the Early Tender Date but at or prior to the Expiration Date, and whose Notes are accepted for purchase, will be entitled to receive only the Tender Offer Consideration specified on the front cover of this Statement, which is equal to the Total Consideration minus the Early Tender Payment.**
Withdrawal.......................	Tendered Notes may be validly withdrawn at any time prior to the Withdrawal Date but may not be validly withdrawn after such time, except as provided herein or required by law. We may increase or decrease the Tender Cap Amount without extending the Withdrawal Date or otherwise reinstating withdrawal rights of Holders.

Accrued Interest	If your Notes are accepted for purchase, you will also be paid accrued interest from the last interest payment date for the Notes to, but not including, the applicable Settlement Date.
Tender Cap Amount..........	We are offering to purchase the Notes up to the Tender Cap Amount. If the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer exceeds the Tender Cap Amount, only $335,000,000 in aggregate principal amount of Notes tendered in the Offer will be accepted for purchase. If the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer exceeds the Tender Cap Amount, then we will accept the Notes on a pro rata basis (subject to minimum denomination requirements). **If the aggregate principal amount of Notes validly tendered and not validly withdrawn as of the Early Tender Date does not exceed the Tender Cap Amount and we elect to have an Early Settlement Date, Holders who validly tender Notes after the Early Tender Date may be subject to proration, whereas Holders who validly tender Notes at or prior to the Early Tender Date will not be subject to proration. In addition, if the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer at or prior to the Early Tender Date exceeds the Tender Cap Amount and we elect to have an Early Settlement Date, Notes tendered after the Early Tender Date will not be eligible for purchase, unless the Tender Cap Amount is increased. However, in the event we do not elect to have an Early Settlement Date and the aggregate principal amount of Notes validly tendered and not validly withdrawn at or prior to the Expiration Date exceeds the Tender Cap Amount, all Holders who validly tendered Notes will be subject to proration. Notes which were not accepted for purchase due to the Tender Cap Amount may be accepted if we increase the Tender Cap Amount, which we are entitled to do at our sole discretion, and such increase is not fully used up by Notes validly tendered and not validly withdrawn at or prior to the Early Tender Date (in the event we elect to have an Early Settlement Date).** We reserve the right, but are under no obligation, to increase or decrease the Tender Cap Amount, subject to compliance with applicable law, which could result in us purchasing a greater or lesser principal amount of Notes in the Offer. There can be no assurance that we will exercise our right to increase or decrease the Tender Cap Amount. If we increase or decrease the Tender Cap Amount, we do not expect to extend the Early Tender Date or the Withdrawal Date, subject to applicable law. If proration of the tendered Notes is required, we will determine the final proration factor, as soon as practicable after the Early Tender Date or the Expiration Date, as applicable, and after giving effect to any increase or decrease in the Tender Cap Amount. We will announce the results of such proration as described in "Terms of the Offer— Expiration Date; Early Tender Date; Extensions; Amendments." Holders may obtain such information from the Information Agent and may be able to obtain such information from their brokers. Depending on the amount tendered and not validly withdrawn and the proration factor applied with respect to the Notes, if the principal amount of Notes returned to a Holder as a result of proration would (i) result in less than the minimum denomination being returned to such Holder, we will accept all of such Holder's validly tendered Notes, subject to the Tender Cap Amount or (ii) result in less than an integral multiple of $1,000 principal amount of Notes being returned to such Holder (other than as described in the preceding clause (i)), we will round down the amount of such Holder's Notes to be accepted for purchase to the nearest $1,000 principal amount.

Settlement Dates	The Final Settlement Date will promptly follow the Expiration Date. On any date that is (i) on or after the Early Tender Date and (ii) prior to the Expiration Date, if all conditions have been or concurrently are satisfied or waived by us, the Company may, but is not obligated to, upon the terms and subject to the conditions set forth in this Statement, accept for payment all Notes validly tendered and not validly withdrawn in the Offer (subject to the Tender Cap Amount), as of the Early Tender Date, and payment for such Notes will be made promptly thereafter.
Acceptance of Tendered Notes and Payment	Upon the terms of the Offer and upon satisfaction or waiver of the conditions to the Offer specified herein under "Terms of the Offer—Conditions of the Offer," the Company will accept for purchase Notes validly tendered (or defectively tendered, if we waive such defect) and not validly withdrawn, subject to the Tender Cap Amount.
Conditions of the Offer	Consummation of the Offer is subject to the Tender Cap Amount and conditioned upon satisfaction of the Financing Condition and the General Conditions, although we may waive any of these conditions in our sole discretion. We reserve the right to terminate or extend the Offer if any condition to the Offer is not satisfied (or otherwise in our sole discretion) and to amend the Offer in any respect. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular Notes.
How to Tender Notes	See "Terms of the Offer—Procedures for Tendering Notes." For further information, call the Tender Agent and Information Agent or the Dealer Manager or consult your broker, dealer, commercial bank, trust company or other nominee for assistance. If your Notes are held by a broker, dealer, commercial bank, trust company or other nominee, you must contact the nominee if you desire to tender your Notes. DTC participants are required to transmit their acceptance to DTC through ATOP.
Certain United States Federal Income Tax Considerations	For a discussion of certain United States federal income tax considerations of the Offer, see "Certain United States Federal Income Tax Considerations."
Dealer Manager	The Dealer Manager for the Offer is J.P. Morgan Securities LLC. The Dealer Manager's contact information appears on the last page of this Statement.
Tender Agent and Information Agent	D.F. King & Co., Inc. is acting as Tender Agent and Information Agent for the Offer. The Tender Agent and Information Agent's contact information appears on the last page of this Statement. Requests for additional copies of this Statement should be directed to the Tender Agent and Information Agent.

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

We are incorporating by reference certain information into this Statement. This means that we can disclose important information to you by referring you to another document. We incorporate by reference into this Statement the following documents, which we have filed with the Securities and Exchange Commission:

- Annual Report on Form 10-K for the year ended December 31, 2019;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020; and
- Current Reports on Form 8-K filed on February 14, 2020, February 28, 2020, June 12, 2020 and August 21, 2020.

Our quarterly report for the quarterly period ended September 30, 2020 is attached to this Statement as Annex A.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Statement to the extent that a statement contained herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Statement.

The Tender Agent and Information Agent will also provide without charge, upon written or oral request, to each person to whom a copy of this Statement is delivered, a copy of any or all of the documents (other than exhibits to such documents unless such exhibits are specifically incorporated by reference) incorporated herein by reference. Requests for such documents should be directed to the Tender Agent and Information Agent at its address set forth on the last page of this Statement.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Statement contains and incorporates by reference "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements may appear throughout this Statement. We use words such as "believe," "intend," "expect," "anticipate," "plan," "may," "will," "should," "estimate," "potential," "project" and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. We believe that the forward-looking statements are based upon reasonable assumptions and expectations. However, you are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to:

- the ongoing COVID-19 pandemic and its impact on our business, suppliers, customers, employees and supply chains;
- financial results that may be volatile and may not reflect historical trends due to, among other things, seasonality of demand, fluctuations in prices for commodities such as natural gas and power, changes in U.S. macroeconomic conditions, fluctuations in liquidity and volatility in the energy commodities markets and our ability and the extent to which we hedge risks;
- laws, regulations and market rules in the wholesale and retail markets in which we participate and our ability to effectively respond to changes in laws, regulations or market rules or the interpretation thereof including those related to the environment, derivative transactions and market design in the regions in which we operate;
- our ability to manage our liquidity needs, access the capital markets when necessary and comply with covenants under our senior unsecured notes, first lien notes, revolving credit facility, the term loans and other existing financing obligations;
- risks associated with the operation, construction and development of power plants, including unscheduled outages or delays and plant efficiencies;
- risks related to our geothermal resources, including the adequacy of our steam reserves, unusual or unexpected steam field well and pipeline maintenance requirements, variables associated with the injection of water to the steam reservoir and potential regulations or other requirements related to seismicity concerns that may delay or increase the cost of developing or operating geothermal resources;
- extensive competition in our wholesale and retail businesses, including from renewable sources of power, interference by states in competitive power markets through subsidies or similar support for new or existing power plants, lower prices and other incentives offered by retail competitors, and other risks associated with marketing and selling power in the evolving energy markets;
- structural changes in the supply and demand of power, resulting from the development of new fuels or technologies and demand-side management tools (such as distributed generation, power storage and other technologies);
- the expiration or early termination of our power purchase agreements and the related results on revenues;
- future capacity revenue may not occur at expected levels;
- natural disasters, such as hurricanes, earthquakes, droughts and floods, acts of terrorism, cyber-attacks or wildfires that may affect our power plants or the markets our power plants or retail operations serve and our corporate offices;
- disruptions in or limitations on the transportation of natural gas or fuel oil and the transmission of power;
- our ability to manage our counterparty and customer exposure and credit risk, including our commodity positions or if a significant customer were to seek bankruptcy protection under Chapter 11;
- our ability to attract, motivate and retain key employees;

- the impact of changes to federal and state tax regulations on our financial condition, results of operations or cash flows;
- present and possible future claims, litigation and enforcement actions that may arise from noncompliance with market rules promulgated by the SEC, the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission and other regulatory bodies; and
- other risks identified in this Statement or the documents incorporated herein by reference.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Many of these factors are beyond our ability to control or predict. Our forward-looking statements speak only as of the date of this Statement. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

THE COMPANY

We are one of the largest power generators in the United States. We own and operate primarily natural gas-fired and geothermal power plants in North America and have a significant presence in major competitive wholesale and retail power markets in California, Texas and the Northeast and mid-Atlantic regions of the United States.

We sell power, steam, capacity, renewable energy credits and ancillary services to our wholesale customers, which include utilities, independent electric system operators and industrial companies, retail power providers, municipalities, community choice aggregators and other governmental entities and power marketers. Additionally, through our retail brands, we market retail energy and related products to commercial, industrial, governmental and residential customers. We continue to focus on providing products and services that are beneficial to our wholesale and retail customers. We purchase primarily natural gas and some fuel oil as fuel for our power plants and engage in related natural gas transportation and storage transactions. We also purchase power and related products for sale to our customers and purchase electric transmission rights to deliver power to our customers. We also enter into natural gas, power, environmental product, fuel oil and other physical and financial commodity contracts to hedge certain business risks and optimize our portfolio of power plants.

We assess our wholesale business on a regional basis due to the effect on our financial performance of the differing characteristics of these regions, particularly with respect to competition, regulation and other factors affecting supply and demand. Our geographic reportable segments for our wholesale business are West (including geothermal), Texas and East (including Canada) and we have a separate reportable segment for our retail business.

Our wholesale power plant portfolio, including partnership interests, consists of 76 power plants, including one under construction, with an aggregate current generation capacity of 25,867 MW and 20 MW under construction. Our fleet consists of 60 natural gas-fired combustion turbine-based plants, one natural gas and fuel oil-fired steam-based plant, 13 geothermal steam turbine-based plants, one photovoltaic solar plant and one battery storage plant. Our wholesale geographic segments have an aggregate generation capacity of 7,590 MW with an additional 20 MW under construction in the West, 8,947 MW in Texas and 9,330 MW in the East. Inclusive of our power generation portfolio and our retail sales platforms, we serve customers in 23 states in the U.S. and in Canada and Mexico.

Our retail business consists of multiple brands with a focus on reaching key retail energy markets. Our primary brands are Calpine Solutions (which focuses on commercial and industrial customers) and Champion Energy (which focuses on residential, mass market and commercial and industrial customers). In total, our retail business delivered approximately 60 million MWh of power in 2019. Our retail activities are primarily located in the power markets where our generation fleet maintains a presence. Products sold include standard electricity service as well as customized solutions to aid customers in their business goals (including sustainability goals).

Our principal offices are located at 717 Texas Avenue, Suite 1000, Houston, Texas 77002 and our telephone number is (713) 830-2000. We operate our business through a variety of divisions, subsidiaries and affiliates. See "Where You Can Find More Information; Incorporation by Reference."

TERMS OF THE OFFER

General

We are offering to purchase for cash, upon the terms and subject to the conditions set forth in this Statement, up to the Tender Cap Amount of our Notes, subject proration as described herein. Valid tenders of Notes pursuant to the Offer will be accepted only in principal amounts of $2,000 or an integral multiple of $1,000 in excess thereof.

The Company will only prorate Notes validly tendered at or prior to the Early Tender Date of the Expiration Date, as applicable, and not validly withdrawn at or prior the Withdrawal Date. Furthermore, if the Offer is fully subscribed as of the Early Tender Date, Holders who validly tender Notes following the Early Tender Date will not have any of their Notes accepted for purchase.

Holders who have validly tendered and not validly withdrawn their Notes in the Offer at or prior to the Early Tender Date, and whose Notes are accepted for purchase, will be entitled to receive the Total Consideration specified on the front cover of this Statement, which includes the related Early Tender Payment.

Holders who have validly tendered their Notes in the Offer after the Early Tender Date, but at or prior to the Expiration Date and whose Notes are accepted for purchase, will be entitled to receive only the Tender Offer Consideration specified on the front cover of this Statement, which is equal to the Total Consideration less the Early Tender Payment.

On the terms and subject to the conditions of the Offer, in addition to the Total Consideration or Tender Offer Consideration, Holders who validly tender and do not validly withdraw their Notes in the Offer and whose Notes are accepted for purchase will also be paid Accrued Interest on the tendered Notes from the last interest payment date applicable to such Notes to, but not including, the applicable Settlement Date. Under no circumstances will any interest be payable because of any delay in the transmission of funds to Holders by the Tender Agent.

We do not currently intend to accept for purchase an aggregate amount of Notes in excess of the Tender Cap Amount, although we reserve the right to increase the Tender Cap Amount. As a result, each Holder who validly tenders Notes pursuant to the Offer may have a portion of its Notes returned to it, and the amount of Notes returned will depend on the level of participation of Holders in the Offer. For more information regarding possible proration of the Notes, please see "—Tender Cap Amount; Proration" below.

Total Consideration and Tender Offer Consideration

Holders who have validly tendered and not validly withdrawn their Notes in the Offer at or prior to the Early Tender Date, and whose Notes are accepted for purchase, will be entitled to receive the Total Consideration specified on the front cover of this Statement, which includes the Early Tender Payment.

Holders who have validly tendered their Notes in the Offer after the Early Tender Date, but at or prior to the Expiration Date and whose Notes are accepted for purchase, will be entitled to receive only the Tender Offer Consideration specified on the front cover of this Statement, which is equal to the Total Consideration minus the Early Tender Payment.

The consideration paid to Holders will be the Total Consideration or Tender Offer Consideration, as applicable, plus Accrued Interest per $1,000 principal amount of Notes tendered and accepted for purchase pursuant to the Offer rounded to the nearest cent.

Purpose of the Offer; Source of Funds

The purpose of the Offer is to extend the average maturity of our outstanding consolidated indebtedness.

A portion of the net proceeds from one or more financing transactions (the "*Financing Transaction*") on terms and conditions acceptable to us, in our sole discretion, are expected to be source of funds sufficient, together with cash on hand (if necessary), to fund the aggregate Total Consideration and Tender Offer Consideration and Accrued Interest for all Notes validly tendered (and not validly withdrawn) pursuant to the Offer and accepted for purchase by us, and to pay all fees and expenses incurred in connection with the Offer.

No assurances can be given that we will in fact complete the Financing Transaction. Consummation of the Offer is expressly contingent upon, among other things, the satisfaction or waiver of the Financing Condition (as defined below). See "—Conditions of the Offer" below.

Conditions of the Offer

Our obligation to accept and pay for Notes in the Offer is subject to the Tender Cap Amount, satisfaction or waiver of the Financing Condition and the other conditions described below.

Notwithstanding any other provisions of the Offer and in addition to (and not in limitation of) the Company's right to extend or amend the Offer, the Company shall not be required to accept for purchase, purchase or pay for, and may delay the acceptance for purchase of, or payment for, any tendered Notes, in each event subject to Rule 14e-1 under the Exchange Act, and may terminate any or all of the Offer, if any of the Financing Condition or the General Conditions set forth below shall not have been satisfied or waived:

(i) The "*Financing Condition*" shall mean the completion of the Financing Transaction (as defined in "—Purpose of the Offer; Source of Funds" above); and

(ii) The "*General Conditions*" shall be deemed to be satisfied with respect to each purchase of Notes on the applicable Settlement Date, unless any of the following conditions shall occur on or after the date of this Statement and on or prior to the date that we accept such tendered Notes for purchase:

(a) there shall have been instituted, threatened or be pending any action or proceeding before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the Offer, that is, or is reasonably likely to be, in the sole judgment of the Company, materially adverse to the business, operations, properties, condition (financial or other), assets, liabilities or prospects of the Company or its subsidiaries;

(b) there shall have been any statute, rule, regulation, judgment, order or injunction promulgated, entered, enforced, enacted, issued or deemed applicable to the Offer by any domestic or foreign, federal or state governmental authority or court which directly or indirectly (1) prohibits, or makes illegal or delays or otherwise directly or indirectly restrains the acceptance for payment, payment for or purchase of some or all of the Notes or the consummation of the Offer; (2) renders the Company unable to accept for payment, pay for or purchase some or all of the Notes tendered; or (3) imposes or confirms material limitations on the scope, validity or effectiveness of the ability of the Company to acquire or hold or to exercise full rights of ownership of the Notes tendered;

(c) there shall have been any significant adverse change in the price of the Notes or in the United States securities or financial markets;

(d) there shall have occurred any change or development, including, without limitation, any change or development involving a prospective change in or affecting the business or financial affairs of the Company that, in the sole judgment of the Company, would or might prohibit, prevent, restrict or delay consummation of the Offer or would or might impair in any respect the contemplated benefits of the Offer to the Company or that is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or other), assets, liabilities or prospects of the Company or its subsidiaries; or

(e) there shall have occurred, in the sole judgment of the Company, (1) any general suspension of, or shortening of hours for, or limitation on prices for, trading in securities in the United States securities or financial markets, (2) a material impairment in the United States trading market for debt securities, (3) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (4) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that might affect the extension of credit by banks or other lending institutions, (5) a commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States or (6) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

The conditions of the Offer are for the sole benefit of the Company and may be asserted by the Company, in its sole discretion, regardless of the circumstances (including any action or inaction by the Company) giving rise to such conditions, or may be waived by the Company, in whole or in part, at any time or from time to time, in its sole discretion, except as required by law. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Company concerning the events described in this section shall be final and binding upon all persons.

In addition to the foregoing, the Company reserves the right to (i) waive any and all conditions to the Offer as permitted by law, (ii) extend or terminate the Offer, including the Early Tender Date, the Withdrawal Date or the Expiration Date, (iii) increase or decrease the Tender Cap Amount without extending the Early Tender Date or the Withdrawal Date or otherwise reinstating withdrawal rights of Holders, or (iv) otherwise amend the Offer. The Company will give Holders notice of such amendments as may be required by applicable law.

Tender Cap Amount; Proration

We are offering to purchase the Notes up to the Tender Cap Amount. The principal amount of Notes that may be purchased pursuant to the Offer will not exceed the Tender Cap Amount. If the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer exceeds the Tender Cap Amount, only $335,000,000 in aggregate principal amount of the Notes tendered in the Offer will be accepted for purchase. If the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer exceeds the Tender Cap Amount, then we will accept the Notes on a pro rata basis (subject to minimum denomination requirements).

If the aggregate principal amount of Notes validly tendered and not validly withdrawn at or prior to the Early Tender Date exceeds the Tender Cap Amount and we elect to have an Early Settlement Date, Notes tendered after the Early Tender Date will not be eligible for purchase, unless the Tender Cap Amount is increased.

In the event that the aggregate principal amount of Notes accepted for payment on the Early Settlement Date (the "*Early Acceptance Amount*") does not exceed the Tender Cap Amount, but the aggregate principal amount of Notes tendered and not validly withdrawn in the Offer at or prior to the Expiration Date exceeds the Tender Cap Amount, we will accept an amount of Notes tendered after the Early Tender Date but at or prior to the Expiration Date up to the Tender Cap Amount (after taking into account the Early Acceptance Amount) for purchase. If the aggregate principal amount of Notes validly tendered and not validly withdrawn in the Offer after the Early Tender Date exceeds the Tender Cap Amount then we will accept such Notes on a pro rata basis (subject to minimum denomination requirements). In the event we elect to have an Early Settlement Date and the Early Acceptance Amount does not exceed the Tender Cap Amount, Holders who validly tendered Notes at or prior to the Early Tender Date will not be subject to such proration.

However, in the event we do not elect to have an Early Settlement Date and the aggregate principal amount of Notes validly tendered and not validly withdrawn at or prior to the Expiration Date exceeds the Tender Cap Amount, all Holders who validly tendered Notes will be subject to proration.

We reserve the right, but are under no obligation, to increase or decrease the Tender Cap Amount, subject to compliance with applicable law, which could result in us purchasing a greater or lesser principal amount of Notes in the Offer. Notes which were not accepted for purchase due to the Tender Cap Amount may be accepted if we increase the Tender Cap Amount, which we are entitled to do at our sole discretion, and such increase is not fully used up by Notes validly tendered at or prior to the Early Tender Date (in the event we elect to have an Early Settlement Date). There can be no assurance that we will exercise our right to increase or decrease the Tender Cap Amount. If we increase or decrease the Tender Cap Amount, we do not expect to extend the Early Tender Date or the Withdrawal Date, subject to applicable law.

If proration of the tendered Notes is required, we will determine the final proration factor as soon as practicable after the Early Tender Date or the Expiration Date, as applicable, and after giving effect to any increase or decrease in the Tender Cap Amount. We will announce results of such proration as described in "—Expiration Date; Early Tender Date; Extensions; Amendments" below. Holders may obtain such information from the Information Agent and may be able to obtain such information from their brokers. Depending on the amount tendered and the proration factor applied with respect to the Notes, if the principal amount of such Notes returned to a Holder as a result of proration would (i) result in less than the minimum denomination being returned to such Holder, we will accept all of such Holder's validly tendered Notes, subject to the Tender Cap Amount or (ii) result in less than an integral multiple of $1,000 principal amount of Notes being returned to such Holder (other than as described in the preceding clause (i)), we will round down the amount of such Holder's Notes to be accepted for purchase to the nearest $1,000 principal amount.

Significant Consequences to Holders

The following considerations, in addition to the other information described elsewhere herein or incorporated by reference herein, should be carefully considered by each Holder before deciding whether to tender Notes pursuant to the Offer.

Position of the Company Concerning the Offer

None of the Company, the Guarantors, the Dealer Manager, the Tender Agent and Information Agent or the Trustee makes any recommendation to any Holder in connection with the Offer, and neither the Company nor any such other person has authorized any person to make any such recommendation. Holders are urged to evaluate carefully all information in this Statement or incorporated by reference herein, consult their own investment and tax advisors and make their own decisions whether to tender Notes and, if tendering, the principal amount of Notes to tender.

Limited Trading Market

The Notes are not listed on any national or regional securities exchange. To our knowledge, the Notes are traded infrequently in transactions arranged through brokers. To the extent that Notes are tendered and accepted for purchase pursuant to the Offer, the trading market for Notes subject to the Offer that remain outstanding is likely to be even more limited.

A debt security with a smaller outstanding principal amount available for trading (a smaller "float") may command a lower price than would a comparable debt security with a larger float. Therefore, the market price for Notes that are not tendered and accepted for purchase pursuant to the Offer may be affected adversely to the extent that the principal amount of Notes purchased pursuant to the Offer reduces the float. A reduced float may also increase the volatility of the trading prices of Notes that are not purchased in the Offer.

Withdrawal Rights

Notes tendered prior to the Withdrawal Date may only be validly withdrawn prior to the Withdrawal Date (5:00 p.m., New York City time on December 15, 2020, unless extended by us). Notes tendered after the Withdrawal Date and prior to the Expiration Date may not be withdrawn unless required by law (as determined by us). We are not required to extend the Withdrawal Date in connection with any extension of the Early Tender Date or the Expiration Date. We may (i) extend or otherwise amend the Early Tender Date or the Expiration Date, or (ii) increase or decrease the Tender Cap Amount without extending the Early Tender Date or the Withdrawal Deadline or otherwise reinstating withdrawal rights of Holders. We will not be able to definitively determine whether the Offer is oversubscribed or what the effects of proration may be until after the Early Tender Date or the Expiration Date, as applicable, have passed. Therefore you will not be able to withdraw tenders of your Notes at the time we establish the amount of Notes to be purchased pursuant to the Offer.

Expiration Date; Early Tender Date; Extensions; Amendments

The Offer expires on the Expiration Date, unless extended, in which case the Expiration Date will be such date to which the Expiration Date is extended.

Holders wishing to receive the Total Consideration must tender their Notes at or prior to the Early Tender Date, unless extended, in which case the Early Tender Date will be such date to which the Early Tender Date is extended.

We may extend the Early Tender Date or the Expiration Date for any purpose, including, without limitation, to permit the satisfaction or waiver of all conditions to the Offer. In any such case, we reserve the right not to extend withdrawal rights unless required by law. In order to extend the Early Tender Date or the Expiration Date, we will notify DTC, and will make a public announcement on the next business day after the previously scheduled Early Tender Date or Expiration Date, as applicable. Such announcement will state that we are extending the Early Tender Date or Expiration Date, as applicable, for a specified period or on a daily basis. Without limiting the manner in which we may choose to make a public announcement of any extension, amendment or termination of the Offer, we will not have any obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a timely press release.

We expressly reserve the right, subject to applicable law, to:

- delay accepting Notes pursuant to the Offer without extending withdrawal rights, unless required by law;
- extend the Offer without extending withdrawal rights, unless required by law;
- terminate or withdraw any or all of the Offer; and
- amend, modify or, waive at any time, or from time to time, the terms of the Offer in any respect, including waiver of any conditions to consummation of the Offer without extending withdrawal rights, unless required by law.

The minimum period during which the Offer will remain open following material changes in the terms of the Offer or in the information concerning the Offer will depend upon the facts and circumstances of such change, including the relative materiality of the changes. If we change the consideration or principal amount of Notes sought, the Offer must remain open for at least ten business days including the date we disseminate notice of such change. If we amend any terms of the Offer in a manner we determine will constitute a material change adversely affecting any Holder, we will promptly disclose any such amendment in a manner reasonably calculated to inform Holders of such amendment, and we will extend the Offer for a time period that we deem appropriate, depending upon the significance of the amendment and the manner of disclosure to Holders, if the Offer would otherwise expire during such time period.

Procedures for Tendering Notes

The method of tendering Notes and all other required documents, including delivery through DTC and any acceptance of an Agent's Message (as defined below) transmitted through ATOP, is at the election and risk of the person tendering the Notes or transmitting an Agent's Message and, except as otherwise provided, delivery will be deemed made only when actually received by the Tender Agent.

Tenders of Notes will be accepted only in principal amounts equal to $2,000 or an integral multiple of $1,000 in excess thereof. See "—Tender Cap Amount; Proration."

Any Holder whose Notes are held in book-entry form through a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Notes should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such nominee to submit instructions on such holder's behalf. Please check with your nominee to determine the procedure for such firm.

A defective tender of Notes (which defect is not waived by the Company or cured by the Holder) will not constitute a valid tender of Notes and will not entitle the Holder thereof to the Total Consideration or the Tender Offer Consideration.

Tender of Notes Held Through DTC

The Tender Agent will establish one or more ATOP accounts on behalf of the Company with respect to the Notes promptly after the date of this Statement. ATOP allows a financial institution that is a participant in DTC's system to make book-entry delivery of Notes by causing DTC to transfer Notes into the ATOP account. Tenders of Notes are effected through the ATOP procedures by delivery of an Agent's Message by DTC to the Tender Agent. The term "*Agent's Message*" means a message transmitted by DTC and received by the Tender Agent through the ATOP system and forming part of a book-entry confirmation ("*Book-Entry Confirmation*"), which states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that (i) such participant has received and agrees to be bound by this Statement and that the Company may enforce such agreement against such participant, (ii) such participant has full power and authority to tender, exchange, assign, transfer and deliver the Notes and (iii) when the tendered Notes are accepted for payment by the Company, the Company will acquire good and marketable title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims.

An Agent's Message must be received at or prior to the Early Tender Date (in order for such Holder to be eligible to receive the Total Consideration) or the Expiration Date (in order for such Holder to be eligible to receive the Tender Offer Consideration). Delivery of tendered Notes must be made to the Tender Agent pursuant to the book-entry delivery procedures described herein.

Delivery through DTC and acceptance of an Agent's Message transmitted through ATOP is at the risk of the Holder, and delivery will be deemed made when actually received by the Tender Agent. Holders must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC to validly tender their Notes.

No Letter of Transmittal and No Guaranteed Delivery

There will be no letter of transmittal for the Offer. In addition, the Company will not permit tenders of Notes by guaranteed delivery procedures. Notes being tendered must be delivered to the Tender Agent in accordance with the procedures described in this Statement, at or prior to the Early Tender Date (in order for you to be eligible to receive the Total Consideration) or the Expiration Date (in order for you to be eligible to receive the Tender Offer Consideration).

Backup Withholding Taxes

For a discussion of certain United States federal income tax considerations relating to backup withholding, see "Certain United States Federal Income Tax Considerations—Information Reporting and Backup Withholding."

Compliance with "Short Tendering" Rule in the Offer

It is a violation of Rule 14e-4 promulgated under the Exchange Act for any person acting alone or in concert with others, directly or indirectly, to tender Notes in a partial tender offer for such person's own account unless at the time of tender and at the Expiration Date such person has a "net long position" in the Notes that is equal to or greater than the amount tendered and will deliver or cause to be delivered such Notes for the purpose of tendering to the Company within the period specified in the Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of Notes in the Offer made pursuant to any method of delivery set forth herein will constitute the tendering Holder's representation and warranty to the Company that (a) such Holder has a "net long position" in Notes at least equal to the Notes being tendered within the meaning of Rule 14e-4 and (b) such tender of Notes complies with Rule 14e-4.

Acceptance of Notes for Purchase; Payment for Notes

On the terms and subject to the conditions of the Offer, we will accept for purchase, and pay for, validly tendered Notes that were not validly withdrawn pursuant to the Offer (subject to the Tender Cap Amount not being exceeded and any required proration) upon the satisfaction or waiver of the conditions to the Offer specified under "—Conditions of the Offer." We will promptly pay the Tender Agent for Notes accepted. The Notes that are validly tendered pursuant to the Offer may be subject to proration or may not be purchased at all. For more information regarding possible proration of the Notes, please see "—Tender Cap Amount; Proration."

The Company expressly reserves the right to delay acceptance of any of the Notes or to terminate any or all of the Offer and not accept for purchase any Notes not theretofore accepted if any of the General Conditions or the Financing Condition shall not have been satisfied or waived by the Company, subject to applicable law. The Company will make payment of the Total Consideration or the Tender Offer Consideration, as the case may be, plus Accrued Interest pursuant to the Offer promptly after the acceptance for purchase of Notes validly tendered and not validly withdrawn, pursuant to the Offer. In all cases, the purchase of Notes accepted for purchase pursuant to the Offer will be made only after timely confirmation of a transfer to the Tender Agent pursuant to the procedures set forth under "—Procedures for Tendering Notes."

For purposes of the Offer, the Company will be deemed to have accepted for payment tendered Notes if and when the Company gives written notice to the Tender Agent of its acceptance for payment of such Notes. Payment for Notes will be made by the Company in immediately available funds by deposit with the Tender Agent on the applicable Settlement Date of the aggregate purchase price of such Notes accepted for purchase.

Under no circumstances will any additional interest be payable by the Company because of any delay in the transmission of funds from the Tender Agent to the tendering Holders. The Company expressly reserves the right, in its sole discretion and subject to Rule 14e-1(c) under the Exchange Act, to delay acceptance for payment of or payment for the Notes in order to comply, in whole or in part, with any applicable law or stock exchange requirements.

All questions as to the form of all documents and the validity (including the time of receipt), eligibility, acceptance and withdrawal of tendered Notes will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company expressly reserves the absolute right (i) to reject any and all tenders of Notes not in proper form and to determine whether the acceptance of or payment by it for such tenders of such Notes would be unlawful and (ii) subject to applicable law, to waive or amend any of the conditions to the Offer, or to waive any defect or irregularity in the tender of Notes. None of the Company, the Dealer Manager, the Tender Agent and Information Agent or the Trustee or any other person, will be under any duty to give notification of any defects or irregularities in tenders of Notes or will incur any liability for failure to give any such notification. No tender of Notes will be deemed to have been validly made until all defects and irregularities with respect to such Notes have been cured or waived. The terms and conditions of the Offer will be interpreted by the Company in its sole discretion and such interpretation will be final and binding on all parties.

If any tendered Notes are not accepted for purchase because of an invalid tender, the occurrence or nonoccurrence of certain other events set forth herein or otherwise, then such unaccepted Notes will be credited to the appropriate participant's account maintained at DTC as promptly as practicable after the Expiration Date or the termination of the Offer. No alternative, conditional or contingent tenders of Notes will be accepted.

Payment of Consideration

The Company will pay for Notes accepted for purchase in the Offer by depositing such payment in cash with the Tender Agent, which will act as agent for you for the purpose of receiving the Total Consideration or Tender Offer Consideration, as applicable, and Accrued Interest and transmitting the Total Consideration or Tender Offer Consideration, as applicable, and Accrued Interest to you on the applicable Settlement Date. Tendering Holders should indicate the book-entry transfer facility account and, in the case of holders who electronically transmit their acceptance through ATOP, the name and address to which payment of the cash consideration and/or certificates evidencing Notes not accepted for purchase, each as appropriate, are to be issued or sent, if different from the name and address of the person transmitting such acceptance through DTC. Persons who are beneficial owners of Notes but are not Holders and who seek to tender Notes should contact the holder of such Notes and instruct such holder to tender on such beneficial owner's behalf. Any Notes properly tendered prior to or as of the Expiration Date accompanied by a properly transmitted Agent's Message for such Notes will be transferred of record by the registrar either prior to or as of the Expiration Date at the Company's discretion.

On any date that is (i) on or after the Early Tender Date and (ii) prior to the Expiration Date, if all conditions have been or concurrently are satisfied or waived by the Company, the Company may, but is not obligated to, upon the terms and subject to the conditions set forth in this Statement, accept for payment all Notes validly tendered in the Offer, as of the Early Tender Date, and payment for such Notes will be made promptly thereafter.

With respect to Notes that are tendered and accepted for payment pursuant to the Offer, Holders will be entitled to Accrued Interest on their Notes to, but not including, the applicable Settlement Date. Under no circumstances will any additional interest be payable because of any delay by the Tender Agent in the transmission of funds to the Holders of purchased Notes or otherwise.

Holders of Notes purchased in the Offer will not be obligated to pay brokerage commissions or fees to the Dealer Manager. The Company will pay all charges and expenses in connection with the Offer. See "Dealer Manager; Tender Agent; Information Agent." The Company will pay all transfer taxes, if any, with respect to the Notes. If, however, Notes for principal amounts not accepted for tender are to be delivered to, or are to be registered or issued in the name of, any person other than the Holder, or if tendered Notes are to be registered in the name of any person other than the person electronically transmitting acceptance through ATOP, or if a transfer tax is imposed for any reason other than the purchase of Notes pursuant to the Offer, then the amount of any such transfer tax (whether imposed on the Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such tax or exemption therefrom is not submitted, then the amount of such transfer tax will be deducted from the Total Consideration or Tender Offer Consideration, as applicable, otherwise payable to such tendering Holder. Any remaining amount will be billed directly to such tendering Holder.

Withdrawal of Notes

Tendered Notes may be validly withdrawn at any time prior to the Withdrawal Date and, except as provided herein or required by law, after such time may not be validly withdrawn or revoked. We may extend or otherwise amend the Withdrawal Date, the Early Tender Date or the Expiration Date with respect to the Offer, without otherwise reinstating withdrawal rights of the applicable Holders. In the event of a termination of the Offer without any Notes being purchased, Notes not purchased will be promptly returned to the tendering Holders.

For a withdrawal of a tendered Note to be effective, a written or facsimile transmission notice of withdrawal must be received by the Tender Agent prior to the Withdrawal Date by a properly transmitted "Request Message" through ATOP. Any such notice of withdrawal must (i) specify the name of the person who tendered the Notes to be withdrawn, the name in which those Notes were registered (or, if tendered by a book-entry transfer, the name of the participant in DTC whose name appears on the security position listing as the owner of such Notes, if different from that of the person who deposited the Notes) and (ii) contain the description of the Notes to be withdrawn, the certificate number or numbers of such Notes, unless such Notes were tendered by book-entry delivery, and the aggregate principal amount represented by such Notes.

The Company reserves the right to contest the validity of any withdrawal. A purported notice of withdrawal that is not received by the Tender Agent in a timely fashion will not be effective to withdraw a Note previously tendered.

Permitted withdrawals of tendered Notes may not be rescinded, and any Notes properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer; provided, however, that withdrawn Notes may be re-tendered by following the appropriate procedures described herein at any time at or prior to the Expiration Date.

If the Company extends the Offer (including the Early Tender Date) or is delayed in its acceptance for purchase of Notes or is unable to purchase Notes pursuant to the Offer for any reason, then, without prejudice to the Company's rights under the Offer, the Tender Agent may, subject to applicable law, retain tendered Notes on behalf of the Company, and such Notes may not be withdrawn (subject to Rule 14e-1 under the Exchange Act, which requires that the Company deliver the consideration offered or return the Notes deposited by or on behalf of the holders of Notes promptly after the termination or withdrawal of the Offer), except to the extent that tendering holders are entitled to withdrawal rights as described herein.

All questions as to the validity, form and eligibility (including the time of receipt) of notices of withdrawal of Notes will be determined in the sole discretion of the Company, whose determination will be final and binding on all parties. None of the Company, the Information Agent and Tender Agent, the Dealer Manager, the Trustee or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal of Notes or incur any liability for failure to give any such notification.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax consequences of the Offer. It is not a complete analysis of all the potential U.S. federal income tax considerations relating to the Offer. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), Treasury Regulations promulgated under the Code, administrative rulings and judicial decisions, all as of the date hereof. The foregoing authorities may be changed or subject to differing interpretations, perhaps with retroactive effect, so as to result in United States federal income tax consequences different from those set forth below. We have not sought and do not intend to seek any rulings from the Internal Revenue Service (the "*IRS*") regarding the matters discussed below. No assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation.

This summary deals only with Notes that are held as capital assets for United States federal income tax purposes. This summary does not address the income tax considerations arising under the laws of any foreign, state or local jurisdiction and does not address any United States federal taxes other than United States federal income taxes (such as estate and gift tax considerations). In addition, this discussion does not address all United States federal income tax considerations that may be applicable to holders' particular circumstances or to holders who may be subject to special tax rules, such as, for example:

- holders subject to the alternative minimum tax;
- banks, insurance companies, or other financial institutions;
- tax-exempt entities;
- regulated investment companies;
- real estate investment trusts;
- dealers in securities or currencies;
- expatriates of the United States;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- United States Holders (defined below) whose functional currency is not the United States dollar;
- United States Holders that hold Notes through non-United States brokers or other non-United States intermediaries;
- persons that will hold the Notes as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction;
- persons that acquire senior notes pursuant to the Financing Transaction;
- persons deemed to sell the Notes under the constructive sale provisions of the Code; or
- partnerships or other pass-through entities (or owners of such entities).

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding Notes and persons holding interests in Notes through a partnership should consult their tax advisors.

We believe, and the following discussion assumes, that the Notes are not instruments subject to the Treasury Regulations that apply to "contingent payment debt instruments." If they were so treated, the amount, timing and character of income recognized by a holder upon the sale of Notes pursuant to the Offer could differ from that described below. Each holder should consult its tax advisor as to the potential application of the contingent payment debt instrument regulations to the Notes.

This summary of certain United States federal income tax considerations is for general information only and is not tax advice. You should consult your tax advisor with respect to the application of United States federal income tax laws to your particular situation as well as any tax consequences arising under the United

States federal estate, gift or other non-income tax laws or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Consequences to Tendering United States Holders

For purposes of this discussion, a "United States Holder" is a beneficial owner of Notes that is, for United States federal income tax purposes: (a) an individual who is a United States citizen or United States resident; (b) a corporation created or organized under the laws of the United States or any state thereof or the District of Columbia; (c) an estate, the income of which is subject to United States federal income taxation regardless of its source; or (d) a trust if (1) a court within the United States can exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of that trust or (2) that trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a United States person.

Sale of Notes

The receipt of cash for Notes pursuant to the Offer will generally be a taxable transaction for United States federal income tax purposes. Subject to the discussion below regarding the possible treatment of the Early Tender Payment as a separate fee, a United States Holder that tenders a Note in the Offer will generally recognize gain or loss, if any, equal to the difference between (i) the total amount realized for the tendered Note, other than any portion that is attributable to accrued but unpaid stated interest, which will be taxable as ordinary income to the extent not previously reported as income, and (ii) the United States Holder's adjusted tax basis in the tendered Note. In general, a United States Holder's adjusted tax basis in a Note equals (a) the price such United States Holder initially paid for such Note, increased by any market discount, discussed below, previously included in income by such United States Holder with respect to such Note and (b) decreased by the amount of any payments received, other than stated interest payments, and any bond premium previously amortized by the United States Holder with respect to such Note.

Except to the extent that any gain is recharacterized as ordinary income pursuant to the market discount rules discussed below, any gain or loss will be capital gain or loss and will generally be long-term capital gain or loss if the United States Holder's holding period in the Note for United States federal income tax purposes is more than one year. Long-term capital gains recognized by non-corporate United States Holders are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Market Discount

Any gain recognized by a tendering United States Holder with respect to a Note will be treated as ordinary income to the extent of any market discount on such Note that has accrued during the period that the tendering United States Holder held such Note and that has not previously been included in income by the United States Holder. A Note generally will be considered to be acquired with market discount if the initial tax basis of the Note in the hands of the United States Holder was less than the stated redemption price at maturity by more than a specified *de minimis* amount. Market discount accrues on a ratable basis, unless the United States Holder elects to accrue the market discount using a constant-yield method. Generally, accrued market discount is not included in a United States Holder's income as it accrues unless the United States Holder elects to include market discount in income currently. United States Holders should consult their tax advisors regarding the possible application of the market discount rules of the Code to a sale of the Notes pursuant to the Offer.

Early Tender Payment

The tax treatment of the receipt of an Early Tender Payment by a United States Holder whose Notes are purchased pursuant to the Offer is uncertain. If treated as additional consideration for the Notes, the Early Tender Payment would be treated as part of the amount realized by a United States Holder in respect of its tendered Notes, as provided in the discussion above. It is also possible that such payments may be treated as a separate fee that would be subject to tax as ordinary income. We intend to treat the Early Tender Payment as additional consideration with respect to the Notes purchased. There can be no assurance, however, that the IRS will not attempt to treat the receipt of the Early Tender Payment as the receipt of a separate fee. United States Holders should consult their tax advisors as to the proper treatment of the Early Tender Payment.

Medicare Tax

A United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such United States Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such United States Holder's modified adjusted gross income (or adjusted gross income in the case of estates and trusts) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A United States Holder's net investment income will generally include its gross interest income and any net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States Holder that is an individual, estate or trust, you should consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the Notes.

Consequences to Tendering Non-United States Holders

For purposes of this discussion, a Non-United States Holder means a beneficial owner of Notes that, for United States federal income tax purposes, is an individual, corporation, estate or trust that is not a United States Holder.

Sale of Notes

Subject to the discussions below of amounts received in the Offer attributable to interest, receipt of an Early Tender Payment and information reporting and backup withholding, a Non-United States Holder generally will not be subject to United States federal income or withholding tax on any gain recognized on the disposition of Notes pursuant to the Offer, unless:

- in the case of gain recognized by a Non-United States Holder that is an individual, the Non-United States Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are satisfied; or
- the gain is effectively connected with the conduct by the Non-United States Holder of a trade or business in the United States.

If the first exception applies, the Non-United States Holder generally will be subject to tax at a rate of 30% (or lower applicable tax treaty rate) on the amount by which its United States-source gains from sales or exchanges of capital assets exceed certain United States-source losses from such sales or exchanges. If the second exception applies, the Non-United States Holder will generally be required to pay United States federal income tax on the net gain derived from the disposition in the same manner as United States Holders, as described above, unless an applicable income tax treaty provides otherwise. In addition, corporate Non-United States Holders may be subject to a 30% (or lower applicable tax treaty rate) branch profits tax on such Holder's effectively connected earnings and profits (subject to adjustments).

Any amount received by a Non-United States Holder that is attributable to accrued but unpaid interest generally will not be subject to United States federal income tax, provided that: (a) the Non-United States Holder does not actually or constructively own stock possessing 10% or more of the total combined voting power of all series of our stock that are entitled to vote; (b) the Non-United States Holder is not a controlled foreign corporation (within the meaning of the Code) that is related to us through stock ownership and is not a bank receiving the interest on a loan agreement entered into in the ordinary course of business; (c) the interest is not effectively connected with the conduct by the Non-United States Holder of a trade or business within the United States; and (d) the applicable withholding agent has received or receives, on our behalf, appropriate documentation from the Non-United States Holder (generally, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or applicable substitute form) establishing that the Non-United States Holder is not a United States person for United States federal income tax purposes. A Non-United States Holder that does not qualify for exemption from United States federal income tax under the preceding sentence generally will be subject United States federal withholding tax at a 30% rate (or lower applicable tax treaty rate) on payments of interest pursuant to the Offer, unless the interest is effectively connected with the conduct of a trade or business within the United States. If the amount received on account of any accrued but unpaid interest is effectively connected with the conduct by a Non-United States Holder of a trade or business within the United States, such Non-United States Holder generally will be subject to United States federal income taxation on the interest in the same manner as a United States Holder unless an applicable income tax treaty provides otherwise (and, in the case of corporate holders, may also be subject to a 30% (or lower applicable tax treaty rate) branch profits tax on such Holder's effectively connected earnings and profits (subject to adjustments)). Unless an applicable income tax treaty provides otherwise, interest that is effectively connected with the conduct by a Non-United States Holder of a trade or business within the United States will not be subject to United States federal withholding tax so long as the relevant Non-United States Holder provides the applicable withholding agent, on our behalf, with the appropriate documentation (generally, IRS Form W-8ECI).

Early Tender Payment

The tax treatment of the receipt of an Early Tender Payment by a Non-United States Holder whose Notes are purchased pursuant to the Offer is subject to the same uncertainty as it is for United States Holders, as discussed above under "Consequences to Tendering United States Holders." While we intend to treat the Early Tender Payment as additional consideration with respect to the Notes purchased, it is possible that the IRS or any applicable withholding agent could treat the Early Tender Payment as a separate fee, in which case the United States federal income tax consequences to a Non-United States Holder are unclear. In that case, the Early Tender Payment may be taxable as income effectively connected with the conduct by the Non-United States Holder of a trade or business within the United States or subject to United States federal income tax withholding at a rate of 30%, unless reduced or eliminated by an applicable income tax treaty. Because it is unclear under United States federal income tax law whether an Early Tender Payment constitutes additional sales proceeds or ordinary income, an applicable withholding agent may take a contrary position and subject such Early Tender Payment to United States federal withholding tax at a rate of 30%, unless the Non-United States Holder establishes an exemption from, or reduction of, such withholding tax to the satisfaction of the applicable withholding agent. In order to claim an exemption from or reduction of withholding tax, the Non-United States Holder generally must deliver to the applicable withholding agent a properly executed (A) IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, (or other applicable form) claiming an available exemption or reduction under the "business profits" or "other income" articles of an applicable income tax treaty or (B) IRS Form W-8ECI claiming amounts to be received are effectively connected with the conduct of a trade or business by the Non-United States Holder within the United States.

Non-United States Holders should consult their tax advisors regarding the U.S. federal income tax treatment of the receipt of the Early Tender Payment, including the possibility of withholding tax, eligibility for a withholding tax exemption or reduction and the possibility of delivering IRS Forms W-8BEN or W-8BEN-E, as applicable, or W-8ECI (or other applicable form), as well as the possibility of claiming a refund with respect to any amounts that are withheld.

Consequences to Non-Tendering Holders

The Offer will not result in a taxable event for Holders not tendering Notes in the Offer or for Holders that do not have their tender of Notes accepted for purchase pursuant to the Offer. As a result, such non-tendering Holders generally will not recognize any income, gain or loss for U.S. federal income tax purposes as a result of the Offer, and will have the same holding period, adjusted tax basis and accrued market discount, if any, with respect to their Notes as immediately before the Offer.

Information Reporting and Backup Withholding

Information reporting requirements will generally apply to Notes tendered in the Offer.

If the applicable withholding agent is not provided with the correct tax identification number ("*TIN*") or an adequate basis for exemption, each non-exempt tendering Holder may be subject to backup withholding, imposed on the Total Consideration or Tender Offer Consideration received (as the case may be). To prevent backup withholding, each tendering United States Holder must submit an appropriate, properly completed IRS Form W-9 (available on the IRS website at www.irs.gov) and either (i) provide its correct TIN and certain other information under penalties of perjury or (ii) provide an adequate basis for exemption. Each tendering Non-United States Holder must submit an appropriate, properly completed IRS Form W-8BEN or W-8BEN-E, as applicable, W-8IMY or W-8ECI (or successor form), as the case may be, certifying, under penalties of perjury, to such Holder's non-U.S. status in order to establish an exemption from backup withholding.

Backup withholding is not an additional United States federal income tax. Rather, the United States federal income tax liability of persons subject to backup withholding will be offset by the amount of tax withheld. If backup withholding results in an overpayment of United States federal income taxes, a refund or credit may be obtained from the IRS, provided the required information is timely furnished to the IRS.

FATCA Withholding

Pursuant to Sections 1471 to 1474 of the Code and the Treasury Regulations promulgated thereunder (the provisions commonly known as FATCA), interest (and other fixed or determinable annual or periodical gains, profits, and income) paid to a foreign financial institution (whether such foreign financial institution is a beneficial owner or an intermediary) may be subject to U.S. federal withholding tax at a rate of 30% unless (x)(1) such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or (2) such institution resides in a jurisdiction with which the United States has entered into an intergovernmental agreement to implement FATCA and (y) such foreign financial institution provides the withholding agent with a certification that it is eligible to receive payment free of FATCA withholding. The legislation also generally will impose a U.S. federal withholding tax of 30% on interest paid to a non-financial foreign entity (whether such non-financial foreign entity is a beneficial owner or an intermediary) unless such entity provides the withholding agent with a certification (i) that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which will in turn be provided to the U.S. tax authorities. FATCA withholding may apply to amounts attributable to accrued but unpaid interest on the Notes.

As discussed above, we intend to treat the Early Tender Payment as additional consideration with respect to the Notes purchased, and if this position is respected, FATCA withholding will not apply to the Early Tender Payment. However, it is possible that the IRS or any applicable withholding agent could treat the Early Tender Payment as a separate fee. In this event, it is unclear whether FATCA withholding will apply, and an applicable withholding agent may apply FATCA withholding at a rate of 30% on the Early Tender Payment, unless an exemption from FATCA withholding is established. Holders should consult with their tax advisors regarding the possible implications of this legislation on their participation in the Offer and their receipt of the Early Tender Payment.

DEALER MANAGER;
TENDER AGENT; INFORMATION AGENT

We have retained J.P. Morgan Securities LLC to act as Dealer Manager in connection with the Offer. The Dealer Manager may contact you regarding the Offer and may request brokers, dealers, commercial banks, trust companies or other nominees to forward this Statement and related materials to beneficial owners of Notes.

We have agreed to reimburse the Dealer Manager for its reasonable out-of-pocket expenses in connection therewith. We have also agreed to indemnify the Dealer Manager and its affiliates against certain liabilities in connection with their services, including liabilities under the federal securities laws.

The Dealer Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. From time to time, the Dealer Manager and its affiliates have provided, are currently providing and in the future may continue to provide investment banking, commercial banking and other financial services to us in the ordinary course of business, for which they have received and will receive customary compensation. In addition, the Dealer Manager or its affiliates may hold some of the outstanding Notes, and, to the extent that the Dealer Manager or its affiliates own Notes during the Offer, they may tender such Notes pursuant to the terms of this Statement.

D.F. King & Co., Inc. has been appointed Tender Agent for the Offer. All deliveries and correspondence sent to the Tender Agent should be directed to the address set forth on the last page of this Statement. We have agreed to pay the Tender Agent reasonable and customary fees for its services and to reimburse the Tender Agent for its reasonable out-of-pocket expenses in connection therewith. We have also agreed to indemnify the Tender Agent for certain liabilities, including liabilities under the federal securities laws.

D.F. King & Co., Inc. also has been appointed Information Agent for the Offer. Requests for additional copies of documentation may be directed to the Information Agent at the address set forth on the last page of this Statement. We have agreed to pay the Information Agent reasonable and customary fees for its services and to reimburse the Information Agent for its reasonable out-of-pocket expenses in connection therewith. We have also agreed to indemnify the Information Agent for certain liabilities, including liabilities under the federal securities laws.

Neither the Dealer Manager nor the Tender Agent and Information Agent assumes any responsibility for the accuracy or completeness of the information concerning us or our affiliates or the Notes contained or referred to in this Statement and related documents.

In connection with the Offer, our and our affiliates' officers and other representatives may solicit tenders by use of the mails, personally or by telephone, facsimile, telegram, electronic communication or other similar methods. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Statement and related documents to the beneficial owners of the Notes and in handling or forwarding tenders of Notes by their customers.

ANNEX A

Form 10-Q

For the quarterly period ended September 30, 2020

Calpine Corporation

(A Delaware Corporation)

I.R.S. Employer Identification No. 77-0212977

717 Texas Avenue, Suite 1000, Houston, Texas 77002
Telephone: (713) 830-2000

CALPINE CORPORATION AND SUBSIDIARIES

REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2020

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DEFINITIONS

As used in this report for the quarter ended September 30, 2020 (this "Report"), the following abbreviations and terms have the meanings as listed below. Additionally, the terms "Calpine," "we," "us" and "our" refer to Calpine Corporation and its consolidated subsidiaries, unless the context clearly indicates otherwise. The term "Calpine Corporation" refers only to Calpine Corporation and not to any of its subsidiaries. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments in each case as amended, restated, supplemented or otherwise modified to the date of filing this Report.

ABBREVIATION	DEFINITION
2019 Form 10-K	Calpine Corporation's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 25, 2020
2022 First Lien Notes	The $750 million aggregate principal amount of 6.0% senior secured notes due 2022, issued October 31, 2013, repaid on December 20, 2019 and January 21, 2020
2023 Senior Unsecured Notes	The $1.25 billion aggregate principal amount of 5.375% senior unsecured notes due 2023, issued July 22, 2014, repaid on December 27, 2019 and January 21, 2020
2024 First Lien Notes	The $490 million aggregate principal amount of 5.875% senior secured notes due 2024, issued October 31, 2013, repaid on December 20, 2019 and January 21, 2020
2024 First Lien Term Loan	The $1.6 billion first lien senior secured term loan, dated May 28, 2015 (as amended December 21, 2016), among Calpine Corporation, as borrower, the lenders party thereto, Morgan Stanley Senior Funding, Inc., as administrative agent and Goldman Sachs Credit Partners L.P., as collateral agent
2024 Senior Unsecured Notes	The $650 million aggregate principal amount of 5.5% senior unsecured notes due 2024, issued February 3, 2015, repaid on August 10, 2020 and August 12, 2020
2025 Senior Unsecured Notes	The $1.55 billion aggregate principal amount of 5.75% senior unsecured notes due 2025, issued July 22, 2014, repaid on August 10, 2020 and August 12, 2020
2026 First Lien Notes	Collectively, the $625 million aggregate principal amount of 5.25% senior secured notes due 2026, issued May 31, 2016, and the $560 million aggregate principal amount of 5.25% senior secured notes due 2026, issued on December 15, 2017
2026 First Lien Term Loans	Collectively, the $950 million first lien senior secured term loan, dated April 5, 2019, among Calpine Corporation, as borrower, the lenders party thereto, Morgan Stanley Senior Funding, Inc., as administrative agent and MUFG Union Bank, N.A., as collateral agent and the $750 million first lien senior secured term loan, dated August 12, 2019, among Calpine Corporation, as borrower, the lending party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and MUFG Union Bank, N.A., as collateral agent
2028 First Lien Notes	The $1.25 billion aggregate principal amount of 4.5% senior secured notes due 2028, issued December 20, 2019
2028 Senior Unsecured Notes	The $1.4 billion aggregate principal amount of 5.125% senior unsecured notes due 2028, issued December 27, 2019
2029 Senior Unsecured Notes	The $650 million aggregate principal amount of 4.625% senior unsecured notes due 2029, issued August 10, 2020
2031 Senior Unsecured Notes	The $850 million aggregate principal amount of 5.000% senior unsecured notes due 2031, issued August 10, 2020
Accounts Receivable Sales Program	Receivables purchase agreement between Calpine Solutions and Calpine Receivables and the purchase and sale agreement between Calpine Receivables and an unaffiliated financial institution, both which allows for the revolving sale of up to $250 million in certain trade accounts receivables to third parties
AOCI	Accumulated Other Comprehensive Income
Average availability	Represents the total hours during the period that our plants were in-service or available for service as a percentage of the total hours in the period
Average capacity factor, excluding peakers	A measure of total actual power generation as a percent of total potential power generation. It is calculated by dividing (a) total MWh generated by our power plants, excluding peakers, by (b) the product of multiplying (i) the average total MW in operation, excluding peakers, during the period by (ii) the total hours in the period
Btu	British thermal unit(s), a measure of heat content

ABBREVIATION	DEFINITION
CAISO	California Independent System Operator which is an entity that manages the power grid and operates the competitive power market in California
Calpine Receivables	Calpine Receivables, LLC, an indirect, wholly owned subsidiary of Calpine, which was established as a bankruptcy remote, special purpose subsidiary and is responsible for administering the Accounts Receivable Sales Program
Calpine Solutions	Calpine Energy Solutions, LLC, an indirect, wholly owned subsidiary of Calpine, which is a supplier of power to commercial and industrial retail customers in the United States with customers in 20 states, including presence in California, Texas, the mid-Atlantic and the Northeast
CCA	Community Choice Aggregators which are local governments that procure power on behalf of their residents, businesses and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their existing utility
CCFC	Calpine Construction Finance Company, L.P., an indirect, wholly owned subsidiary of Calpine
CCFC Term Loan	The $1.0 billion first lien senior secured term loan entered into on December 15, 2017 among CCFC as borrower, the lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent
CDHI	Calpine Development Holdings, Inc., an indirect, wholly owned subsidiary of Calpine
Champion Energy	Champion Energy Marketing, LLC, an indirect, wholly owned subsidiary of Calpine, which owns a retail electric provider that serves residential, governmental, commercial and industrial customers in deregulated electricity markets in 13 states and the District of Columbia, including presence in Texas, the mid-Atlantic and Northeast
Chapter 11	Chapter 11 of the U.S. Bankruptcy Code
Cogeneration	Using a portion or all of the steam generated in the power generating process to supply a customer with steam for use in the customer's operations
Commodity expense	The sum of our expenses from fuel and purchased energy expense, commodity transmission and transportation expense, environmental compliance expenses, ancillary retail expense and realized settlements from our marketing, hedging and optimization activities including natural gas and fuel oil transactions hedging future power sales
Commodity Margin	Measure of profit that includes revenue recognized on our wholesale and retail power sales activity, electric capacity sales, REC sales, steam sales, realized settlements associated with our marketing, hedging, optimization and trading activities, fuel and purchased energy expenses, commodity transmission and transportation expenses, environmental compliance expenses and ancillary retail expense. Commodity Margin is a measure of segment profit or loss under FASB Accounting Standards Codification 280 used by our chief operating decision maker to make decisions about allocating resources to the relevant
Commodity revenue	The sum of our revenues recognized on our wholesale and retail power sales activity, electric capacity sales, REC sales, steam sales and realized settlements from our marketing, hedging, optimization and trading activities excluding natural gas and fuel oil transactions
Company	Calpine Corporation, a Delaware corporation, and its subsidiaries
Corporate Revolving Facility	The approximately $2.0 billion aggregate amount revolving credit facility credit agreement, dated as of December 10, 2010, as amended on June 27, 2013, July 30, 2014, February 8, 2016, December 1, 2016, September 15, 2017, October 20, 2017, March 8, 2018, May 18, 2018, April 5, 2019 and August 12, 2019 among Calpine Corporation, the Bank of Tokyo-Mitsubishi UFJ, Ltd., as successor administrative agent, MUFG Union Bank, N.A., as successor collateral agent, the lenders party thereto and the other parties
CPUC	California Public Utilities Commission

ABBREVIATION	DEFINITION
EPA	U.S. Environmental Protection Agency
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	U.S. Federal Deposit Insurance Corporation
FERC	U.S. Federal Energy Regulatory Commission
First Lien Notes	Collectively, the 2022 First Lien Notes, the 2024 First Lien Notes, the 2026 First Lien Notes and the 2028 First Lien Notes
First Lien Term Loans	Collectively, the 2024 First Lien Term Loan and the 2026 First Lien Term Loans
Geysers Assets	Our geothermal power plant assets, including our steam extraction and gathering assets, located in northern California consisting of 13 operating power plants
GPC	Geysers Power Company, LLC, an indirect, wholly owned subsidiary of Calpine
GPC Term Loan	The $900 million first lien senior secured term loan and $200 million letter of credit facility dated as of June 9, 2020, among Geysers Power Company, LLC, the guarantors party thereto and MUFG Bank, Ltd, as administrative agent, MUFG Union Bank, N.A., as First Lien Collateral Agent, and the lenders and issuing banks parties thereto
Greenfield LP	Greenfield Energy Centre LP, a 50% partnership interest between certain of our subsidiaries and a third party which operates the Greenfield Energy Centre, a 1,038 MW natural gas-fired, combined-cycle power plant in Ontario, Canada
Heat Rate(s)	A measure of the amount of fuel required to produce a unit of power
IRS	U.S. Internal Revenue Service
ISO(s)	Independent System Operator(s), which is an entity that coordinates, controls and monitors the operation of an electric power system
ISO-NE	ISO New England Inc., an independent nonprofit RTO serving states in the New England area, including Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
KWh	Kilowatt hour(s), a measure of power produced, purchased or sold
LIBOR	London Inter-Bank Offered Rate
Lyondell	LyondellBasell Industries N.V.
Market Heat Rate(s)	The regional power price divided by the corresponding regional natural gas price
MMBtu	Million Btu
MW	Megawatt(s), a measure of plant capacity
MWh	Megawatt hour(s), a measure of power produced, purchased or sold
NOL(s)	Net operating loss(es)
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income
OMEC	Otay Mesa Energy Center, LLC, an indirect, wholly owned subsidiary of Calpine, that owns the Otay Mesa Energy Center, a 608 MW power plant located in San Diego County, California

ABBREVIATION	DEFINITION
OTC	Over-the-Counter
PG&E	Pacific Gas and Electric Company
PJM	PJM Interconnection is a RTO that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia
PPA(s)	Any term power purchase agreement or other contract for a physically settled sale (as distinguished from a financially settled future, option or other derivative or hedge transaction) of any power product, including power, capacity and/or ancillary services, in the form of a bilateral agreement or a written or oral confirmation of a transaction between two parties to a master agreement, including sales related to a tolling transaction in which the purchaser provides the fuel required by us to generate such power and we receive a variable payment to convert the fuel into power and steam
REC(s)	Renewable energy credit(s)
Risk Management Policy	Calpine's policy applicable to all employees, contractors, representatives and agents, which defines the risk management framework and corporate governance structure for commodity risk, interest rate risk, currency risk and other risks
RTO(s)	Regional Transmission Organization(s), which is an entity that coordinates, controls and monitors the operation of an electric power system and administers the transmission grid on a regional basis
SEC	U.S. Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
Senior Unsecured Notes	Collectively, the 2023 Senior Unsecured Notes, the 2024 Senior Unsecured Notes, the 2025 Senior Unsecured Notes, the 2028 Senior Unsecured Notes, the 2029 Senior Unsecured Notes and the 2031 Senior Unsecured Notes
Spark Spread(s)	The difference between the sales price of power per MWh and the cost of natural gas to produce it
Steam Adjusted Heat Rate	The adjusted Heat Rate for our natural gas-fired power plants, excluding peakers, calculated by dividing (a) the fuel consumed in Btu reduced by the net equivalent Btu in steam exported to a third party by (b) the KWh generated. Steam Adjusted Heat Rate is a measure of fuel efficiency, so the lower our Steam Adjusted Heat Rate, the lower our cost of generation
Steamboat	Calpine Steamboat Holdings, LLC, an indirect, wholly owned subsidiary of Calpine
U.S. GAAP	Generally accepted accounting principles in the U.S.
VIE(s)	Variable interest entity(ies)
Whitby	Whitby Cogeneration Limited Partnership, a 50% partnership interest, which we sold on November 20, 2019, between certain of our subsidiaries and a third party, which operates Whitby, a 50 MW natural gas-fired, simple-cycle cogeneration power plant located in Ontario, Canada

Forward-Looking Statements

This Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements may appear throughout this Report, including without limitation, the “Management’s Discussion and Analysis” section. We use words such as “believe,” “intend,” “expect,” “anticipate,” “plan,” “may,” “will,” “should,” “estimate,” “potential,” “project” and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. We believe that the forward-looking statements are based upon reasonable assumptions and expectations. However, you are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to:

- The ongoing COVID-19 pandemic and its impact on our business, suppliers, customers, employees and supply chains;
- Financial results that may be volatile and may not reflect historical trends due to, among other things, seasonality of demand, fluctuations in prices for commodities such as natural gas and power, changes in U.S. macroeconomic conditions, fluctuations in liquidity and volatility in the energy commodities markets and our ability and the extent to which we hedge risks;
- Laws, regulations and market rules in the wholesale and retail markets in which we participate and our ability to effectively respond to changes in laws, regulations or market rules or the interpretation thereof including those related to the environment, derivative transactions and market design in the regions in which we operate;
- Our ability to manage our liquidity needs, access the capital markets when necessary and comply with covenants under our Senior Unsecured Notes, First Lien Term Loans, First Lien Notes, Corporate Revolving Facility, CCFC Term Loan, GPC Term Loan and other existing financing obligations;
- Risks associated with the operation, construction and development of power plants, including unscheduled outages or delays and plant efficiencies;
- Risks related to our geothermal resources, including the adequacy of our steam reserves, unusual or unexpected steam field well and pipeline maintenance requirements, variables associated with the injection of water to the steam reservoir and potential regulations or other requirements related to seismicity concerns that may delay or increase the cost of developing or operating geothermal resources;
- Extensive competition in our wholesale and retail businesses, including from renewable sources of power, interference by states in competitive power markets through subsidies or similar support for new or existing power plants, lower prices and other incentives offered by retail competitors, and other risks associated with marketing and selling power in the evolving energy markets;
- Structural changes in the supply and demand of power, resulting from the development of new fuels or technologies and demand-side management tools (such as distributed generation, power storage and other technologies);
- The expiration or early termination of our PPAs and the related results on revenues;
- Future capacity revenue may not occur at expected levels;
- Natural disasters, such as hurricanes, earthquakes, droughts and floods, acts of terrorism, cyber attacks or wildfires that may affect our power plants or the markets our power plants or retail operations serve and our corporate offices;
- Disruptions in or limitations on the transportation of natural gas or fuel oil and the transmission of power;
- Our ability to manage our counterparty and customer exposure and credit risk, including our commodity positions or if a significant customer were to seek bankruptcy protection under Chapter 11;
- Our ability to attract, motivate and retain key employees;

- The impact of changes to federal and state tax regulations on our financial condition, results of operations or cash flows;
- Present and possible future claims, litigation and enforcement actions that may arise from noncompliance with market rules promulgated by the SEC, Commodity Futures Trading Commission, FERC and other regulatory bodies; and
- Other risks identified in this Report and in our 2019 Form 10-K.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Many of these factors are beyond our ability to control or predict. Our forward-looking statements speak only as of the date of this Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

Where You Can Find Other Information

Our website is www.calpine.com. Information contained on our website is not part of this Report. Our historical SEC filings made prior to August 21, 2020, including exhibits filed therewith, are available directly on the SEC's website at www.sec.gov. As previously announced in our Current Report on Form 8-K filed with the SEC on August 21, 2020, as a result of the purchase of our 2024 Senior Unsecured Notes and 2025 Senior Unsecured Notes, we are no longer contractually required to file any reports or other information with the SEC and instead are permitted to satisfy the financial reporting obligations of our debt instruments by posting such required financial information on our website (which may be subject to reasonable confidentiality restrictions). As of August 21, 2020, we ceased filing all reports with the SEC. All future financial reports will be posted on our website.

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Operating revenues:				
Commodity revenue	$ 2,705	$ 2,710	$ 6,500	$ 7,376
Mark-to-market gain (loss)	(56)	78	176	601
Other revenue	4	4	13	13
Operating revenues	2,653	2,792	6,689	7,990
Operating expenses:				
Fuel and purchased energy expense:				
Commodity expense	1,467	1,620	3,924	4,745
Mark-to-market (gain) loss	(382)	11	(386)	301
Fuel and purchased energy expense	1,085	1,631	3,538	5,046
Operating and maintenance expense	237	255	743	739
Depreciation and amortization expense	165	173	492	522
General and other administrative expense	33	39	95	105
Other operating expenses	16	15	47	53
Total operating expenses	1,536	2,113	4,915	6,465
Impairment losses	—	—	—	55
(Income) from unconsolidated subsidiaries	(3)	(3)	(7)	(14)
Income from operations	1,120	682	1,781	1,484
Interest expense	131	153	467	459
Loss on extinguishment of debt	51	12	59	11
Other (income) expense, net	8	5	17	33
Income before income taxes	930	512	1,238	981
Income tax expense (benefit)	(41)	21	(26)	40
Net income	971	491	1,264	941
Net income attributable to the noncontrolling interest	—	(6)	(2)	(15)
Net income attributable to Calpine	$ 971	$ 485	$ 1,262	$ 926

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
		(in millions)		
Net income	$ 971	$ 491	$ 1,264	$ 941
Cash flow hedging activities:				
Loss on cash flow hedges before reclassification adjustment for cash flow hedges realized in net income	—	(5)	(132)	(57)
Reclassification adjustment for (gain) loss on cash flow hedges realized in net income	17	3	48	(2)
Foreign currency translation gain (loss)	2	(1)	(2)	2
Income tax benefit (expense)	(1)	1	1	2
Other comprehensive income (loss)	18	(2)	(85)	(55)
Comprehensive income	989	489	1,179	886
Comprehensive (income) attributable to the noncontrolling interest	—	(6)	(2)	(14)
Comprehensive income attributable to Calpine	$ 989	$ 483	$ 1,177	$ 872

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	September 30, 2020	December 31, 2019
	(in millions, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 809	$ 1,131
Accounts receivable, net of allowance of $9 and $9	780	757
Inventories	547	543
Margin deposits and other prepaid expense	430	367
Restricted cash, current	219	299
Derivative assets, current	148	156
Other current assets	232	49
Total current assets	3,165	3,302
Property, plant and equipment, net	11,673	11,963
Restricted cash, net of current portion	14	46
Investments in unconsolidated subsidiaries	73	70
Long-term derivative assets	325	246
Intangible assets, net	305	340
Goodwill	242	242
Other assets	397	440
Total assets	$ 16,194	$ 16,649
LIABILITIES & STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 652	$ 714
Accrued interest payable	54	61
Debt, current portion	348	1,268
Derivative liabilities, current	91	225
Other current liabilities	606	657
Total current liabilities	1,751	2,925
Debt, net of current portion	10,552	10,438
Long-term derivative liabilities	114	63
Other long-term liabilities	489	565
Total liabilities	12,906	13,991
Commitments and contingencies (see Note 9)		
Stockholder's equity:		
Common stock, $0.001 par value per share; authorized 5,000 shares, 105.2 shares issued and outstanding	—	—
Additional paid-in capital	9,651	9,584
Accumulated deficit	(6,161)	(6,923)
Accumulated other comprehensive loss	(202)	(114)
Total Calpine stockholder's equity	3,288	2,547
Noncontrolling interest	—	111
Total stockholder's equity	3,288	2,658
Total liabilities and stockholder's equity	$ 16,194	$ 16,649

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDER'S EQUITY

For the Three and Nine Months Ended September 30, 2020 and 2019
(Unaudited)
(in millions)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholder's Equity
Balance, December 31, 2019	$ —	$ 9,584	$ (6,923)	$ (114)	$ 111	$ 2,658
Net income	—	—	128	—	2	130
Other comprehensive loss	—	—	—	(108)	—	(108)
Acquisition of noncontrolling interest (Note 3)	—	67	—	(3)	(113)	(49)
Balance, March 31, 2020	$ —	$ 9,651	$ (6,795)	$ (225)	$ —	$ 2,631
Net income	—	—	163	—	—	163
Other comprehensive income	—	—	—	5	—	5
Balance, June 30, 2020	$ —	$ 9,651	$ (6,632)	$ (220)	$ —	$ 2,799
Dividends	—	—	(500)	—	—	(500)
Net income	—	—	971	—	—	971
Other comprehensive income	—	—	—	18	—	18
Balance, September 30, 2020	$ —	$ 9,651	$ (6,161)	$ (202)	$ —	$ 3,288

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholder's Equity
Balance, December 31, 2018	$ —	$ 9,582	$ (6,542)	$ (77)	$ 93	$ 3,056
Net income	—	—	175	—	5	180
Other comprehensive loss	—	—	—	(23)	—	(23)
Other	—	2	—	—	(2)	—
Balance, March 31, 2019	$ —	$ 9,584	$ (6,367)	$ (100)	$ 96	$ 3,213
Net income	—	—	266	—	4	270
Other comprehensive loss	—	—	—	(29)	(1)	(30)
Balance, June 30, 2019	$ —	$ 9,584	$ (6,101)	$ (129)	$ 99	$ 3,453
Dividends	—	—	(401)	—	—	(401)
Net income	—	—	485	—	6	491
Other comprehensive loss	—	—	—	(2)	—	(2)
Balance, September 30, 2019	$ —	$ 9,584	$ (6,017)	$ (131)	$ 105	$ 3,541

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Cash flows from operating activities:		
Net income	$ 1,264	$ 941
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization(1)	542	585
Loss on extinguishment of debt	17	—
Deferred income taxes	(38)	33
Impairment losses	—	55
Mark-to-market activity, net	(527)	(297)
(Income) from unconsolidated subsidiaries	(7)	(14)
Return on investments from unconsolidated subsidiaries	—	11
Other	9	12
Change in operating assets and liabilities:		
Accounts receivable	(41)	138
Accounts payable	(25)	(217)
Margin deposits and other prepaid expense	(63)	14
Other assets and liabilities, net	13	169
Derivative instruments, net	292	1
Net cash provided by operating activities	1,436	1,431
Cash flows from investing activities:		
Purchases of property, plant and equipment	(440)	(435)
Proceeds from sale of power plants	—	303
Other	22	(5)
Net cash used in investing activities	(418)	(137)
Cash flows from financing activities:		
Borrowings under First Lien Term Loans	—	1,687
Repayment of CCFC Term Loan and First Lien Term Loans	(32)	(1,496)
Repayments of First Lien Notes	(429)	—
Borrowings under Senior Unsecured Notes	1,500	—
Repayments of Senior Unsecured Notes	(2,288)	(44)
Borrowings under revolving facilities	450	280
Repayments of revolving facilities	(450)	(250)
Borrowings from project financing, notes payable and other	900	—
Repayments of project financing, notes payable and other	(442)	(311)
Financing costs	(104)	(20)
Acquisition of noncontrolling interest(2) (Note 3)	(49)	—
Dividends paid	(500)	(401)
Other	(8)	54
Net cash used in financing activities	(1,452)	(501)
Net increase (decrease) in cash, cash equivalents and restricted cash	(434)	793
Cash, cash equivalents and restricted cash, beginning of period	1,476	406
Cash, cash equivalents and restricted cash, end of period(3)	$ 1,042	$ 1,199

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS — (CONTINUED)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 391	$ 402
Income taxes	$ 8	$ 8
Supplemental disclosure of non-cash investing activities:		
Change in capital expenditures included in accounts payable and other current liabilities	$ (61)	$ 6
Plant tax settlement offset in prepaid assets	$ —	$ (4)
Asset retirement obligation adjustment offset in operating activities	$ —	$ (10)
Freeport Energy Center property, plant and equipment, net, classified as current assets held for sale within other current assets	$ 196	$ —

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(1) Includes amortization recorded in Commodity revenue and Commodity expense associated with intangible assets and amortization recorded in interest expense associated with debt issuance costs and discounts.

(2) On January 28, 2020, we completed the acquisition of the 25% noncontrolling interest of Russell City Energy Company, LLC for $35 million plus working capital adjustments of approximately $14 million for a total purchase price of approximately $49 million.

(3) Our cash and cash equivalents, restricted cash, current and restricted cash, net of current portion are stated as separate line items on our Consolidated Condensed Balance Sheets.

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

We are one of the largest power generators in the U.S. We own and operate primarily natural gas-fired and geothermal power plants in North America and have a significant presence in major competitive wholesale and retail power markets in California, Texas, and the Northeast and mid-Atlantic regions of the U.S. We sell power, steam, capacity, renewable energy credits and ancillary services to our wholesale customers, which include utilities, independent electric system operators and industrial companies, retail power providers, municipalities, CCAs and other governmental entities and power marketers. Additionally, through our retail brands, we market retail energy and related products to commercial, industrial, governmental and residential customers. We continue to focus on providing products and services that are beneficial to our wholesale and retail customers. We purchase primarily natural gas and some fuel oil as fuel for our power plants and engage in related natural gas transportation and storage transactions. We also purchase power and related products for sale to our customers and purchase electric transmission rights to deliver power to our customers. Additionally, consistent with our Risk Management Policy, we enter into natural gas, power, environmental product, fuel oil and other physical and financial commodity contracts to hedge certain business risks and optimize our portfolio of power plants.

Basis of Interim Presentation — The accompanying unaudited, interim Consolidated Condensed Financial Statements of Calpine Corporation, a Delaware corporation, and consolidated subsidiaries have been prepared pursuant to the rules and regulations of the SEC. In the opinion of management, the Consolidated Condensed Financial Statements include the normal, recurring adjustments necessary for a fair statement of the information required to be set forth therein. Certain information and note disclosures, normally included in financial statements prepared in accordance with U.S. GAAP, have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, these financial statements should be read in conjunction with our audited Consolidated Financial Statements for the year ended December 31, 2019, included in our 2019 Form 10-K. The results for interim periods are not indicative of the results for the entire year primarily due to acquisitions and disposals of assets, seasonal fluctuations in our revenues and expenses, timing of major maintenance expense, variations resulting from the application of the method to calculate the provision for income tax for interim periods, volatility of commodity prices and mark-to-market gains and losses from commodity and interest rate derivative contracts.

Use of Estimates in Preparation of Financial Statements — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures included in our Consolidated Condensed Financial Statements. Actual results could differ from those estimates.

Cash and Cash Equivalents — We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We have cash and cash equivalents held in non-corporate accounts relating to certain project finance facilities and lease agreements that require us to establish and maintain segregated cash accounts. These accounts have been pledged as security in favor of the lenders under such project finance facilities, and the use of certain cash balances on deposit in such accounts is limited, at least temporarily, to the operations of the respective projects.

Restricted Cash — Certain of our debt agreements, lease agreements or other agreements require us to establish and maintain segregated cash accounts, the use of which is restricted, making these cash funds unavailable for general use. These amounts are held by depository banks in order to comply with the contractual provisions requiring reserves for payments such as for debt service, rent and major maintenance or with applicable regulatory requirements. Funds that can be used to satisfy obligations due during the next 12 months are classified as current restricted cash, with the remainder classified as non-current restricted cash. Restricted cash is generally invested in accounts earning market rates; therefore, the carrying value approximates fair value. Such cash is excluded from cash and cash equivalents on our Consolidated Condensed Balance Sheets.

The table below represents the components of our restricted cash as of September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020			December 31, 2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Debt service	$ 5	$ 7	$ 12	$ 58	$ 8	$ 66
Construction/major maintenance	36	5	41	28	6	34
Security/project/insurance(1)	169	—	169	209	31	240
Other	9	2	11	4	1	5
Total	$ 219	$ 14	$ 233	$ 299	$ 46	$ 345

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(1) At December 31, 2019, includes $119 million in restricted cash associated with margin deposits received from PG&E that were returned to PG&E and replaced with letters of credit during the second quarter of 2020.

Accounts Receivable — Accounts receivable represents amounts due from customers. Accounts receivable are recorded at invoiced amounts, net of reserves and allowances, and do not bear interest as the balances are short term in nature. On January 1, 2020, we adopted the provisions of Accounting Standards Update 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). We use a variety of information to determine our allowance for expected credit losses based on multiple factors including the length of time receivables are past due, current and future economic trends and conditions affecting our customer base, significant one-time events, historical write-off experience and forward-looking information such as internally developed forecasts. See below for further information related to our adoption of ASU 2016-13.

Property, Plant and Equipment, Net — At September 30, 2020 and December 31, 2019, the components of property, plant and equipment are stated at cost less accumulated depreciation as follows (in millions):

	September 30, 2020	December 31, 2019	Depreciable Lives
Buildings, machinery and equipment	$ 16,205	$ 16,510	1.5 – 50 Years
Geothermal properties	1,609	1,553	13 – 58 Years
Other	272	291	3 – 50 Years
	18,086	18,354	
Less: Accumulated depreciation	6,919	6,851	
	11,167	11,503	
Land	128	128	
Construction in progress	378	332	
Property, plant and equipment, net	$ 11,673	$ 11,963	

Capitalized Interest — The total amount of interest capitalized was $2 million and $2 million during the three months ended September 30, 2020 and 2019, respectively, and $7 million and $10 million during the nine months ended September 30, 2020 and 2019, respectively.

Current Environmental Liability — At September 30, 2020 and December 31, 2019, we recognized a current liability of $232 million and $128 million, respectively, associated with environmental compliance obligations at our power plants in the West and Northeast in accordance with the regulatory compliance programs in place. These balances are included in other current liabilities on our Consolidated Condensed Balance Sheets.

Goodwill — We assess the carrying amount of our goodwill annually for impairment during the third quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We have not recorded any impairment losses or changes in the carrying amount of our goodwill during the three and nine months ended September 30, 2020 and 2019.

Leases

Lessee — Supplemental balance sheet information related to our operating and finance leases is as follows as of September 30, 2020 and December 31, 2019 (in millions):

	Location on Consolidated Condensed Balance Sheet	September 30, 2020	December 31, 2019
Right-of-use assets – operating leases	Other assets	$ 160	$ 171
Right-of-use assets – finance leases	Property, plant and equipment, net	$ 101	$ 107
Operating lease obligation, current	Other current liabilities	$ 13	$ 12
Operating lease obligation, long-term	Other long-term liabilities	$ 161	$ 170
Finance lease obligation, current	Debt, current portion	$ 10	$ 10
Finance lease obligation, long-term	Debt, net of current portion	$ 58	$ 63

Lessor — We apply lease accounting to PPAs that meet the definition of a lease and determine lease classification treatment at commencement of the agreement. Revenue recognized related to fixed lease payments on our operating leases was $112 million and $130 million during the three months ended September 30, 2020 and 2019, respectively, and $217 million and $269 million during the nine months ended September 30, 2020 and 2019, respectively.

Subsequent Events — We have evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued and have disclosed all material subsequent events in this Report. On October 15, 2020, our board of directors approved a cash dividend of $650 million to be paid to our parent, CPN Management, LP, which was funded from cash on hand and was paid on October 19, 2020.

New Accounting Standards and Disclosure Requirements

Financial Instruments–Credit Losses — In June 2016, the FASB issued ASU 2016-13. The standard provides a new model for recognizing credit losses on financial assets carried at amortized cost using an estimate of expected credit losses, instead of the "incurred loss" methodology previously required for recognizing credit losses that delayed recognition until it was probable that a loss was incurred. The estimate of expected credit losses is to be based on consideration of past events, current conditions and reasonable and supportable forecasts of future conditions. The scope of the standard is limited to our trade account receivable balances and the standard is effective for fiscal years beginning after December 15, 2019. We adopted ASU 2016-13 on January 1, 2020 with no cumulative effect adjustment recognized upon adoption. The adoption of ASU 2016-13 did not have a material effect on our financial condition, results of operations or cash flows.

Fair Value Measurements — In August 2018, the FASB issued Accounting Standards Update 2018-13, “Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” The standard removes, modifies and adds disclosures about fair value measurements and is effective for fiscal years beginning after December 15, 2019. We adopted Accounting Standards Update 2018-13 on January 1, 2020, which did not have a material effect on our financial condition, results of operations or cash flows.

Income Taxes — In December 2019, the FASB issued Accounting Standards Update 2019-12, “Simplifying the Accounting for Income Taxes.” The standard is intended to simplify the accounting for income taxes by removing certain exceptions and improve consistent application by clarifying guidance related to the accounting for income taxes. The standard is effective for fiscal years beginning after December 15, 2020 with early adoption permitted including in interim periods. We adopted Accounting Standards Update 2019-12 on January 1, 2020, which did not have a material effect on our financial condition, results of operations or cash flows.

2. Divestitures

On October 16, 2020, our indirect, wholly owned subsidiary, Calpine Steamboat Holdings, LLC, completed the sale of 100% of our ownership interests in Freeport Energy Center, LLC ("Freeport") to Fengate Watt US I, LLC for cash proceeds of approximately $313 million, subject to certain immaterial working capital adjustments. We expect to recognize a gain on sale of assets, net of approximately $115 million during the fourth quarter of 2020 associated with the sale. Freeport owns the Freeport Energy Center, a 236 MW natural gas-fired, combined-cycle cogeneration power plant located in Freeport, TX.

At September 30, 2020, we reclassified $200 million in assets of Freeport, which are part of our Texas segment, to assets held for sale, which are included in other current assets on our Consolidated Condensed Balance Sheet and consist primarily of property, plant and equipment.

3. Variable Interest Entities and Unconsolidated Investments

We consolidate all of our VIEs where we have determined that we are the primary beneficiary. There were no changes to our determination of whether we are the primary beneficiary of our VIEs for the nine months ended September 30, 2020. See Note 7 in our 2019 Form 10-K for further information regarding our VIEs.

Consolidated VIEs

Our consolidated VIEs include natural gas-fired and geothermal power plants with an aggregate capacity of 7,233 MW and 6,669 MW at September 30, 2020 and December 31, 2019, respectively. For these VIEs, we may provide other operational and administrative support through various affiliate contractual arrangements among the VIEs, Calpine Corporation and its other wholly owned subsidiaries whereby we support the VIE through the reimbursement of costs and/or the purchase and sale of energy. Other than amounts contractually required, we provided no additional material support to our VIEs in the form of cash and other contributions during each of the three and nine months ended September 30, 2020 and 2019.

The table below has been updated to incorporate GPC as a consolidated VIE following the issuance of the GPC Term Loan during the second quarter of 2020. The table details summarized financial information (excluding intercompany balances which are eliminated in consolidation) for our consolidated VIEs as of September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020	December 31, 2019
Assets:		
Current assets	$ 370	$ 371
Property, plant and equipment, net	3,835	3,454
Restricted cash, net of current portion	14	15
Other assets	130	53
Total assets	$ 4,349	$ 3,893
Liabilities:		
Current liabilities	$ 254	$ 303
Debt, net of current portion	2,059	1,635
Long-term derivative liabilities	8	8
Other long-term liabilities	71	53
Total liabilities	$ 2,392	$ 1,999

Noncontrolling Interest — On January 28, 2020, we completed the acquisition of the 25% noncontrolling interest of Russell City Energy Company, LLC, which was owned by a third party, for $35 million plus working capital adjustments of approximately $14 million for a total purchase price of approximately $49 million, resulting in a $67 million increase to additional paid-in capital. Prior to the acquisition, we accounted for the third party ownership interest as a noncontrolling interest.

Unconsolidated VIEs and Investments in Unconsolidated Subsidiaries

We have a 50% partnership interest in Greenfield LP which is also a VIE; however, we do not have the power to direct the most significant activities of this entity and therefore do not consolidate it. Greenfield LP is a limited partnership between certain subsidiaries of ours and of Mitsui & Co., Ltd., which operates the Greenfield Energy Centre, a 1,038 MW natural gas-fired, combined-cycle power plant located in Ontario, Canada.

Calpine Receivables is a VIE and a bankruptcy remote entity created for the special purpose of purchasing trade accounts receivable from Calpine Solutions under the Accounts Receivable Sales Program. We have determined that we do not have the power to direct the activities of the VIE that most significantly affect the VIE's economic performance nor the obligation to absorb losses or receive benefits from the VIE. Accordingly, we have determined that we are not the primary beneficiary of Calpine Receivables because we do not have the power to affect its financial performance as the unaffiliated financial institutions that purchase the receivables from Calpine Receivables control the selection criteria of the receivables sold and appoint the servicer of the receivables which controls management of default. Thus, we do not consolidate Calpine Receivables in our Consolidated Condensed Financial Statements and use the equity method of accounting to record our net interest in Calpine Receivables.

We account for these entities under the equity method of accounting and include our net equity interest in investments in unconsolidated subsidiaries on our Consolidated Condensed Balance Sheets. At September 30, 2020 and December 31, 2019, our equity method investments included on our Consolidated Condensed Balance Sheets were comprised of the following (in millions):

	Ownership Interest as of September 30, 2020	September 30, 2020	December 31, 2019
Greenfield LP[1]	50%	$ 69	$ 66
Calpine Receivables	100%	4	4
Total investments in unconsolidated subsidiaries		$ 73	$ 70

(1) Includes our share of AOCI related to interest rate hedging instruments associated with our unconsolidated subsidiary Greenfield LP's debt.

Our risk of loss related to our investment in Greenfield LP is limited to our investment balance. Our risk of loss related to our investment in Calpine Receivables is $59 million which consists of our notes receivable from Calpine Receivables at September 30, 2020 and our initial investment associated with Calpine Receivables. See Note 10 for further information associated with our related party activity with Calpine Receivables.

Holders of the debt of our unconsolidated investments do not have recourse to Calpine Corporation and its other subsidiaries; therefore, the debt of our unconsolidated investments is not reflected on our Consolidated Condensed Balance Sheets. At September 30, 2020 and December 31, 2019, Greenfield LP's debt was approximately $275 million and $299 million, respectively, and based on our pro rata share of our investment in Greenfield LP, our share of such debt would be approximately $138 million and $150 million at September 30, 2020 and December 31, 2019, respectively.

Our equity interest in the net income from our investments in unconsolidated subsidiaries for the three and nine months ended September 30, 2020 and 2019, is recorded in (income) from unconsolidated subsidiaries. The following table sets forth details of our (income) from unconsolidated subsidiaries for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Greenfield LP	$ (3)	$ (4)	$ (7)	$ (10)
Whitby[1]	—	1	—	(5)
Calpine Receivables	—	—	—	1
Total	$ (3)	$ (3)	$ (7)	$ (14)

(1) On November 20, 2019, we sold our 50% interest in Whitby to a third party.

Distributions from Greenfield LP were nil during each of the three and nine months ended September 30, 2020 and 2019. Distributions from Whitby were nil and $11 million during the three and nine months ended September 30, 2019, respectively.

We did not have material distributions from our investment in Calpine Receivables for the three and nine months ended September 30, 2020 and 2019.

4. Debt

Our debt at September 30, 2020 and December 31, 2019, was as follows (in millions):

	September 30, 2020	December 31, 2019
First Lien Term Loans	$ 3,149	$ 3,167
Senior Unsecured Notes	2,871	3,663
First Lien Notes	2,409	2,835
CCFC Term Loan	961	967
GPC Term Loan	849	—
Project financing, notes payable and other	471	879
Finance lease obligations	68	73
Revolving facilities	122	122
Subtotal	10,900	11,706
Less: Current maturities	348	1,268
Total long-term debt	$ 10,552	$ 10,438

Our effective interest rate on our consolidated debt, excluding the effects of capitalized interest and mark-to-market gains (losses) on interest rate hedging instruments, decreased to 5.0% for the nine months ended September 30, 2020, from 5.9% for the same period in 2019.

First Lien Term Loans

The amounts outstanding under our First Lien Term Loans are summarized in the table below (in millions):

	September 30, 2020	December 31, 2019
2024 First Lien Term Loan	$ 1,505	$ 1,514
2026 First Lien Term Loans	1,644	1,653
Total First Lien Term Loans	$ 3,149	$ 3,167

Senior Unsecured Notes

The amounts outstanding under our Senior Unsecured Notes are summarized in the table below (in millions):

	September 30, 2020	December 31, 2019
2023 Senior Unsecured Notes(1)	$ —	$ 623
2024 Senior Unsecured Notes(2)	—	479
2025 Senior Unsecured Notes(2)	—	1,174
2028 Senior Unsecured Notes(1)	1,388	1,387
2029 Senior Unsecured Notes(2)	643	—
2031 Senior Unsecured Notes(2)	840	—
Total Senior Unsecured Notes	$ 2,871	$ 3,663

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(1) On January 21, 2020, we redeemed the outstanding $623 million in aggregate principal amount of our 2023 Senior Unsecured Notes, which was included in debt, current portion on our Consolidated Condensed Balance Sheet at December 31, 2019, with the proceeds from the 2028 Senior Unsecured Notes, which was included in cash and cash equivalents on our Consolidated Condensed Balance Sheet at December 31, 2019.

(2) In August 2020, we utilized proceeds from our 2029 Senior Unsecured Notes and 2031 Senior Unsecured Notes, together with cash on hand, to purchase approximately $1.7 billion in aggregate principal amount of our 2024 Senior Unsecured Notes and 2025 Senior Unsecured Notes.

On August 10, 2020, we issued $650 million in aggregate principal amount of 4.625% senior unsecured notes due 2029 and $850 million in aggregate principal amount of 5.000% senior unsecured notes due 2031 in private placements. The 2029 Senior Unsecured Notes bear interest at 4.625% per annum and the 2031 Senior Unsecured Notes bear interest at 5.000% per annum with interest payable on both series of notes semi-annually on February 1 and August 1 of each year, beginning on February 1, 2021. The 2029 Senior Unsecured Notes and 2031 Senior Unsecured Notes mature on February 1, 2029 and February 1, 2031, respectively. We used the net proceeds from the 2029 Senior Unsecured Notes and 2031 Senior Unsecured Notes, together with cash on hand, to purchase approximately $1.7 billion in aggregate principal amount of our 2024 Senior Unsecured Notes and 2025 Senior Unsecured Notes. We recorded approximately $51 million in loss on extinguishment of debt which is comprised of approximately $41 million of prepayment premiums and approximately $10 million associated with the write-off of unamortized debt issuance costs during the third quarter of 2020 related to the redemption of our 2024 Senior Unsecured Notes and 2025 Senior Unsecured Notes.

First Lien Notes

The amounts outstanding under our First Lien Notes are summarized in the table below (in millions):

	September 30, 2020	December 31, 2019
2022 First Lien Notes[(1)]	$ —	$ 245
2024 First Lien Notes[(2)]	—	184
2026 First Lien Notes	1,174	1,172
2028 First Lien Notes	1,235	1,234
Total First Lien Notes	$ 2,409	$ 2,835

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(1) On January 21, 2020, we redeemed the outstanding $245 million in aggregate principal amount of our 2022 First Lien Notes, which was included in debt, current portion on our Consolidated Condensed Balance Sheet at December 31, 2019, with the proceeds from the 2028 First Lien Notes, which was included in cash and cash equivalents on our Consolidated Condensed Balance Sheet at December 31, 2019.

(2) On January 21, 2020, we redeemed the outstanding $184 million in aggregate principal amount of our 2024 First Lien Notes, which was included in debt, current portion on our Consolidated Condensed Balance Sheet at December 31, 2019, with the proceeds from the 2028 First Lien Notes, which was included in cash and cash equivalents on our Consolidated Condensed Balance Sheet at December 31, 2019.

GPC Term Loan

On June 9, 2020, GPC and the guarantors party thereto entered into a seven-year $900 million first lien senior secured term loan facility and three senior secured revolving letter of credit facilities totaling $200 million. The GPC Term Loan is certified under the Climate Bonds Standard. Any letters of credit issued under the GPC Term Loan letter of credit facilities must be at the request of and for the account of GPC. The GPC Term Loan bears interest, at GPC's option, at either (i) the Base Rate, equal to the highest of (a) the Federal Funds Rate plus 0.50% per annum, (b) the prime rate published in the Wall Street Journal, or (c) 1.0% plus an applicable margin of 1.0%, increasing by 0.125% every three years, or (ii) LIBOR plus an applicable margin of 2.0% per annum, increasing by 0.125% every three years. The GPC Term Loan matures on June 9, 2027, but may be prepaid at any time upon irrevocable notice to the Administrative Agent. We used a portion of the proceeds from the GPC Term Loan to repay project debt associated with Steamboat as further discussed below.

The GPC Term Loan is secured by certain real and personal property of GPC consisting primarily of the Geysers Assets. The GPC Term Loan is not guaranteed by Calpine Corporation and is without recourse to Calpine Corporation or any of our non-GPC subsidiaries or assets; however, GPC generates a portion of its cash flows from an intercompany tolling agreement with Calpine Energy Services, L.P. and has various service agreements in place with other subsidiaries of Calpine Corporation.

Project Financing, Notes Payable and Other

On June 12, 2020, we used a portion of the proceeds from the GPC Term Loan to repay approximately $342 million in carrying value of project debt associated with Steamboat and recorded approximately $8 million in loss on extinguishment of debt during the second quarter of 2020.

On July 1, 2020, PG&E and PG&E Corporation emerged from bankruptcy. Our Russell City Energy Center and Los Esteros Critical Energy Facility sell energy and energy-related products to PG&E through PPAs. Subsequent to the bankruptcy filing, we received all material payments under the PPAs, either directly or through the application of collateral. As a result of PG&E's bankruptcy, we were temporarily unable to make distributions from our Russell City and Los Esteros projects in accordance with the terms of the project debt agreements associated with each related project. Under PG&E's plan of reorganization, our PPAs were assumed by PG&E and any restrictions on distributing cash from our Russell City and Los Esteros projects were cured. Additionally, the forbearance agreements associated with our Russell City and Los Esteros project debt agreements were terminated in accordance with the terms of the agreements. Accordingly, following removal of bankruptcy proceeding restrictions, our Russell City and Los Esteros projects distributed funds in the amount of $89 million to Calpine Corporation in August 2020.

Corporate Revolving Facility and Other Letter of Credit Facilities

The table below represents amounts issued under our letter of credit facilities at September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020	December 31, 2019
Corporate Revolving Facility(1)	$ 369	$ 604
CDHI	3	3
Various project financing facilities(2)	379	184
Other corporate facilities(3)	288	294
Total	$ 1,039	$ 1,085

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(1) The Corporate Revolving Facility represents our primary revolving facility and matures on March 8, 2023.

(2) On June 9, 2020, we entered into the GPC Term Loan which provides for $200 million in letter of credit facilities.

(3) On April 9, 2020, we amended one of our unsecured letter of credit facilities to partially extend the maturity of $100 million in commitments from June 20, 2020 to June 20, 2022.

5. Assets and Liabilities with Recurring Fair Value Measurements

Cash Equivalents — Highly liquid investments which meet the definition of cash equivalents, primarily investments in money market accounts and other interest-bearing accounts, are included in both our cash and cash equivalents and our restricted cash on our Consolidated Condensed Balance Sheets. Certain of our money market accounts invest in U.S. Treasury securities or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities. We do not have any cash equivalents invested in institutional prime money market funds which require use of a floating net asset value and are subject to liquidity fees and redemption restrictions. Certain of our cash equivalents are classified within level 1 of the fair value hierarchy.

Derivatives — The primary factors affecting the fair value of our derivative instruments at any point in time are the volume of open derivative positions (MMBtu, MWh and $ notional amounts); changing commodity market prices, primarily for power and natural gas; our credit standing and that of our counterparties and customers for energy commodity derivatives; and prevailing interest rates for our interest rate hedging instruments. Prices for power and natural gas and interest rates are volatile, which can result in material changes in the fair value measurements reported in our financial statements in the future.

We utilize market data, such as pricing services and broker quotes, and assumptions that we believe market participants would use in pricing our assets or liabilities including assumptions about the risks inherent to the inputs in the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The market data obtained from broker pricing services is evaluated to determine the nature of the quotes obtained and, where accepted as a reliable quote, used to validate our assessment of fair value. We use other qualitative assessments to determine the level of activity in any given market. We primarily apply the market approach and income approach for recurring fair value measurements and utilize what we believe to be the best available information. We utilize valuation techniques that seek to maximize the use of observable inputs and minimize the use of unobservable inputs. We classify fair value balances based on the observability of those inputs.

The fair value of our derivatives includes consideration of our credit standing, the credit standing of our counterparties and customers and the effect of credit enhancements, if any. We have also recorded credit reserves in the determination of fair value based on our expectation of how market participants would determine fair value. Such valuation adjustments are generally based on market evidence, if available, or our best estimate.

Our level 1 fair value derivative instruments primarily consist of power and natural gas swaps, futures and options traded on the NYMEX or Intercontinental Exchange.

Our level 2 fair value derivative instruments primarily consist of interest rate hedging instruments and OTC power and natural gas forwards for which market-based pricing inputs in the principal or most advantageous market are representative of executable prices for market participants. These inputs are observable at commonly quoted intervals for substantially the full term of the instruments. In certain instances, our level 2 derivative instruments may utilize models to measure fair value. These models are industry-standard models, including the Black-Scholes option-pricing model, that incorporate various assumptions, including quoted interest rates, correlation, volatility, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Our level 3 fair value derivative instruments may consist of OTC power and natural gas forwards and options where pricing inputs are unobservable, as well as other complex and structured transactions primarily for the sale and purchase of power and natural gas to both wholesale counterparties and retail customers. Complex or structured transactions are tailored to our customers' needs and can introduce the need for internally-developed model inputs which might not be observable in or corroborated by the market. When such inputs have a significant effect on the measurement of fair value, the instrument is categorized in level 3. Our valuation models may incorporate historical correlation information and extrapolate available broker and other information to future periods.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement at period end. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect our estimate of the fair value of our assets and liabilities and their placement within the fair value hierarchy levels. The following tables present our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2020 and December 31, 2019, by level within the fair value hierarchy:

	Assets and Liabilities with Recurring Fair Value Measures as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents[1]	$ 271	$ —	$ —	$ 271
Commodity instruments:				
Commodity exchange traded derivatives contracts	890	—	—	890
Commodity forward contracts[2]	—	372	342	714
Interest rate hedging instruments	—	—	—	—
Effect of netting and allocation of collateral[3][4]	(890)	(204)	(37)	(1,131)
Total assets	$ 271	$ 168	$ 305	$ 744
Liabilities:				
Commodity instruments:				
Commodity exchange traded derivatives contracts	$ 744	$ —	$ —	$ 744
Commodity forward contracts[2]	—	210	90	300
Interest rate hedging instruments	—	144	—	144
Effect of netting and allocation of collateral[3][4]	(744)	(200)	(39)	(983)
Total liabilities	$ —	$ 154	$ 51	$ 205

	Assets and Liabilities with Recurring Fair Value Measures as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents[1]	$ 784	$ —	$ —	$ 784
Commodity instruments:				
Commodity exchange traded derivatives contracts	872	—	—	872
Commodity forward contracts[2]	—	245	294	539
Interest rate hedging instruments	—	12	—	12
Effect of netting and allocation of collateral[3][4]	(872)	(131)	(18)	(1,021)
Total assets	$ 784	$ 126	$ 276	$ 1,186
Liabilities:				
Commodity instruments:				
Commodity exchange traded derivatives contracts	$ 984	$ —	$ —	$ 984
Commodity forward contracts[2]	—	285	123	408
Interest rate hedging instruments	—	31	—	31
Effect of netting and allocation of collateral[3][4]	(984)	(133)	(18)	(1,135)
Total liabilities	$ —	$ 183	$ 105	$ 288

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(1) At September 30, 2020 and December 31, 2019, we had cash equivalents of $55 million and $573 million included in cash and cash equivalents and $216 million and $211 million included in restricted cash, respectively.

(2) Includes OTC swaps and options.

(3) We offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement for financial statement presentation; therefore, amounts recognized for the right to reclaim, or the obligation to return, cash collateral are presented net with the corresponding derivative instrument fair values. See Note 6 for further discussion of our derivative instruments subject to master netting arrangements.

(4) Cash collateral posted with (received from) counterparties allocated to level 1, level 2 and level 3 derivative instruments totaled $(146) million, $(4) million and $2 million, respectively, at September 30, 2020. Cash collateral posted with (received from) counterparties allocated to level 1, level 2 and level 3 derivative instruments totaled $112 million, $2 million and nil, respectively, at December 31, 2019.

At September 30, 2020 and December 31, 2019, the derivative instruments classified as level 3 primarily included commodity contracts. The fair value of the net derivative position classified as level 3 is predominantly driven by market commodity prices. The following table presents quantitative information regarding our level 3 fair value measurements at September 30, 2020 and December 31, 2019:

	Quantitative Information about Level 3 Fair Value Measurements		
	September 30, 2020		
	Fair Value, Net Asset (Liability) (in millions)	Valuation Technique	Significant Unobservable Input
Power Contracts[1]	$ 252	Discounted cash flow	Market price (per MWh)
Power Congestion Products	$ 7	Discounted cash flow	Market price (per MWh)
Natural Gas Contracts	$ (5)	Discounted cash flow	Market price (per MMBtu)
	December 31, 2019		
	Fair Value, Net Asset (Liability) (in millions)	Valuation Technique	Significant Unobservable Input
Power Contracts[1]	$ 158	Discounted cash flow	Market price (per MWh)
Power Congestion Products	$ 17	Discounted cash flow	Market price (per MWh)
Natural Gas Contracts	$ (20)	Discounted cash flow	Market price (per MMBtu)

(1) Power contracts include power and heat rate instruments classified as level 3 in the fair value hierarchy.

The following table sets forth certain information related to the changes in the fair value of our net derivative assets (liabilities) classified as level 3 in the fair value hierarchy for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Purchases and issuances:				
Purchases	$ —	$ —	$ 1	$ 3
Issuances	$ —	$ —	$ —	$ (1)
Transfers in and/or out of level 3:				
Transfers into level 3[1]	$ 7	$ 7	$ 8	$ 10
Transfers out of level 3[2]	$ (5)	$ (23)	$ (5)	$ (18)

(1) We had $7 million in gains transferred out of level 2 into level 3 for each of the three months ended September 30, 2020 and 2019, respectively, and $8 million and $10 million in gains transferred out of level 2 into level 3 for the nine months ended September 30, 2020 and 2019, respectively, due to changes in market liquidity in various power markets.

(2) We had $5 million and $23 million in gains transferred out of level 3 into level 2 for the three months ended September 30, 2020 and 2019, respectively, and $5 million and $18 million in gains transferred out of level 3 into level 2 for the nine months ended September 30, 2020 and 2019, respectively, due to changes in market liquidity in various power markets.

6. Derivative Instruments

Types of Derivative Instruments and Volumetric Information

Commodity Instruments — We are exposed to changes in prices for the purchase and sale of power, natural gas, fuel oil, environmental products and other energy commodities. We use derivatives, which include physical commodity contracts and financial commodity instruments such as OTC and exchange traded swaps, futures, options, forward agreements and instruments that settle on the power price to natural gas price relationships (Heat Rate swaps and options) or instruments that settle on power or natural gas price relationships between delivery points for the purchase and sale of power and natural gas to attempt to maximize the risk-adjusted returns by economically hedging a portion of the commodity price risk associated with our assets. By entering into these transactions, we are able to economically hedge a portion of our Spark Spread at estimated generation and prevailing price levels.

We also engage in limited trading activities related to our commodity derivative portfolio as authorized by our Board of Directors and monitored by our Chief Risk Officer and Risk Management Committee of senior management. These transactions are executed primarily for the purpose of providing improved price and price volatility discovery, greater market access, and profiting from our market knowledge, all of which benefit our asset hedging activities. Our trading results were not material for each of the three and nine months ended September 30, 2020 and 2019.

Interest Rate Hedging Instruments — A portion of our debt is indexed to base rates, primarily LIBOR. We have historically used interest rate hedging instruments to adjust the mix between fixed and variable rate debt to hedge our interest rate risk for potential adverse changes in interest rates. As of September 30, 2020, the maximum length of time over which we were hedging using interest rate hedging instruments designated as cash flow hedges was 7 years.

As of September 30, 2020 and December 31, 2019, the net forward notional buy (sell) position of our outstanding commodity derivative instruments that did not qualify or were not designated under the normal purchase normal sale exemption and our interest rate hedging instruments were as follows:

	Notional Amounts		
Derivative Instruments	September 30, 2020	December 31, 2019	Unit of Measure
Power	(230)	(184)	Million MWh
Natural gas	1,179	1,063	Million MMBtu
Environmental credits	37	26	Million Tonnes
Interest rate hedging instruments(1)	$ 7.0	$ 4.8	Billion U.S. dollars

(1) During the first nine months of 2020, we entered into interest rate hedging instruments to hedge approximately $2.4 billion of variable rate debt.

Certain of our derivative instruments contain credit risk-related contingent provisions that require us to maintain collateral balances consistent with our credit ratings. If our credit rating were to be downgraded, it could require us to post additional collateral or could potentially allow our counterparty to request immediate, full settlement on certain derivative instruments in liability positions. The aggregate fair value of our derivative liabilities with credit risk-related contingent provisions as of September 30, 2020, was $9 million for which we have posted collateral of $1 million by posting margin deposits, letters of credit or granting additional first priority liens on the assets currently subject to first priority liens under our First Lien Notes, First Lien Term Loans and Corporate Revolving Facility. However, if our credit rating were downgraded by one notch from its current level, we estimate that $4 million of additional collateral would be required and that no counterparty could request immediate, full settlement.

Accounting for Derivative Instruments

We recognize all derivative instruments that qualify for derivative accounting treatment as either assets or liabilities and measure those instruments at fair value unless they qualify for, and we elect, the normal purchase normal sale exemption. For transactions in which we elect the normal purchase normal sale exemption, gains and losses are not reflected on our Consolidated Condensed Statements of Operations until the period of delivery. Revenues and expenses derived from instruments that qualified for hedge accounting or represent an economic hedge are recorded in the same financial statement line item as the item being hedged. Hedge accounting requires us to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. We present the cash flows from our derivatives in the same category as the item being hedged (or economically hedged) within operating activities on our Consolidated Condensed Statements of Cash Flows unless they contain an other-than-insignificant financing element in which case their cash flows are classified within financing activities.

Cash Flow Hedges — We currently apply hedge accounting to a portion of our interest rate hedging instruments with the change in fair value of all other hedging instruments recorded through earnings. We report the mark-to-market gain or loss on our interest rate hedging instruments designated and qualifying as a cash flow hedging instrument as a component of OCI and reclassify such gains and losses into earnings in the same period during which the hedged forecasted transaction affects earnings. If it is determined that the forecasted transaction is no longer probable of occurring, then hedge accounting will be discontinued prospectively and future changes in fair value will be recorded in earnings. If the hedging instrument is terminated or de-designated prior to the occurrence of the hedged forecasted transaction, the net accumulated gain or loss associated with the changes in fair value of the hedge instrument remains deferred in AOCI until such time as the forecasted transaction affects earnings or until it is determined that the forecasted transaction is probable of not occurring.

Derivatives Not Designated as Hedging Instruments — We enter into power, natural gas, interest rate, environmental product and fuel oil transactions that primarily act as economic hedges to our asset and interest rate portfolio, but either do not qualify as hedges under the hedge accounting guidelines or qualify under the hedge accounting guidelines and the hedge accounting designation has not been elected. Changes in fair value of commodity derivatives not designated as hedging instruments are recognized currently in earnings and are separately stated on our Consolidated Condensed Statements of Operations in mark-to-market gain/loss as a component of operating revenues (for physical and financial power and Heat Rate and commodity option activity) and fuel and purchased energy expense (for physical and financial natural gas, power, environmental product and fuel oil activity). Changes in fair value of interest rate derivatives not designated as hedging instruments are recognized currently in earnings as interest expense.

Derivatives Included on Our Consolidated Condensed Balance Sheets

We offset fair value amounts associated with our derivative instruments and related cash collateral and margin deposits on our Consolidated Condensed Balance Sheets that are executed with the same counterparty under master netting arrangements. Our netting arrangements include a right to set off or net together purchases and sales of similar products in the margining or settlement process. In some instances, we have also negotiated cross commodity netting rights which allow for the net presentation of activity with a given counterparty regardless of product purchased or sold. We also post and/or receive cash collateral in support of our derivative instruments which may also be subject to a master netting arrangement with the same counterparty.

The following tables present the fair values of our derivative instruments and our net exposure after offsetting amounts subject to a master netting arrangement with the same counterparty to our derivative instruments recorded on our Consolidated Condensed Balance Sheets by location and hedge type at September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020		
	Gross Amounts of Assets and (Liabilities)	Gross Amounts Offset on the Consolidated Condensed Balance Sheets	Net Amount Presented on the Consolidated Condensed Balance Sheets[1]
Derivative assets:			
Commodity exchange traded derivatives contracts	$ 637	$ (637)	$ —
Commodity forward contracts	306	(158)	148
Interest rate hedging instruments	—	—	—
Total current derivative assets[2]	$ 943	$ (795)	$ 148
Commodity exchange traded derivatives contracts	253	(253)	—
Commodity forward contracts	408	(83)	325
Interest rate hedging instruments	—	—	—
Total long-term derivative assets[2]	$ 661	$ (336)	$ 325
Total derivative assets	$ 1,604	$ (1,131)	$ 473
Derivative (liabilities):			
Commodity exchange traded derivatives contracts	$ (528)	$ 528	$ —
Commodity forward contracts	(203)	157	(46)
Interest rate hedging instruments	(45)	—	(45)
Total current derivative (liabilities)[2]	$ (776)	$ 685	$ (91)
Commodity exchange traded derivatives contracts	(216)	216	—
Commodity forward contracts	(97)	82	(15)
Interest rate hedging instruments	(99)	—	(99)
Total long-term derivative (liabilities)[2]	$ (412)	$ 298	$ (114)
Total derivative liabilities	$ (1,188)	$ 983	$ (205)
Net derivative assets (liabilities)	$ 416	$ (148)	$ 268

	December 31, 2019		
	Gross Amounts of Assets and (Liabilities)	Gross Amounts Offset on the Consolidated Condensed Balance Sheets	Net Amount Presented on the Consolidated Condensed Balance Sheets[1]
Derivative assets:			
Commodity exchange traded derivatives contracts	$ 727	$ (727)	$ —
Commodity forward contracts	262	(108)	154
Interest rate hedging instruments	2	—	2
Total current derivative assets[3]	$ 991	$ (835)	$ 156
Commodity exchange traded derivatives contracts	145	(145)	—
Commodity forward contracts	277	(41)	236
Interest rate hedging instruments	10	—	10
Total long-term derivative assets[3]	$ 432	$ (186)	$ 246
Total derivative assets	$ 1,423	$ (1,021)	$ 402
Derivative (liabilities):			
Commodity exchange traded derivatives contracts	$ (830)	$ 830	$ —
Commodity forward contracts	(321)	109	(212)
Interest rate hedging instruments	(13)	—	(13)
Total current derivative (liabilities)[3]	$ (1,164)	$ 939	$ (225)
Commodity exchange traded derivatives contracts	(154)	154	—
Commodity forward contracts	(87)	42	(45)
Interest rate hedging instruments	(18)	—	(18)
Total long-term derivative (liabilities)[3]	$ (259)	$ 196	$ (63)
Total derivative liabilities	$ (1,423)	$ 1,135	$ (288)
Net derivative assets (liabilities)	$ —	$ 114	$ 114

(1) At September 30, 2020 and December 31, 2019, we had $355 million and $191 million, respectively, of collateral under master netting arrangements that were not offset against our derivative instruments on the Consolidated Condensed Balance Sheets primarily related to initial margin requirements.

(2) At September 30, 2020, current and long-term derivative assets are shown net of collateral of $(112) million and $(49) million, respectively, and current and long-term derivative liabilities are shown net of collateral of $2 million and $11 million, respectively.

(3) At December 31, 2019, current and long-term derivative assets are shown net of collateral of $(4) million and $(4) million, respectively, and current and long-term derivative liabilities are shown net of collateral of $108 million and $14 million, respectively.

	September 30, 2020		December 31, 2019	
	Fair Value of Derivative Assets	Fair Value of Derivative Liabilities	Fair Value of Derivative Assets	Fair Value of Derivative Liabilities
Derivatives designated as cash flow hedging instruments:				
Interest rate hedging instruments	$ —	$ 106	$ 12	$ 29
Total derivatives designated as cash flow hedging instruments	$ —	$ 106	$ 12	$ 29
Derivatives not designated as hedging instruments:				
Commodity instruments	$ 473	$ 61	$ 390	$ 257
Interest rate hedging instruments	—	38	—	2
Total derivatives not designated as hedging instruments	$ 473	$ 99	$ 390	$ 259
Total derivatives	$ 473	$ 205	$ 402	$ 288

Derivatives Included on Our Consolidated Condensed Statements of Operations

Changes in the fair values of our derivative instruments are reflected in cash for option premiums paid or collected, in OCI, net of tax, for derivative instruments which qualify for and we have elected cash flow hedge accounting treatment, or on our Consolidated Condensed Statements of Operations as a component of mark-to-market activity within our earnings.

The following tables detail the components of our total activity for both the net realized gain (loss) and the net mark-to-market gain (loss) recognized from our derivative instruments in earnings and where these components were recorded on our Consolidated Condensed Statements of Operations for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Realized gain (loss)[(1)(2)]				
Commodity derivative instruments	$ 88	$ 92	$ 121	$ 261
Interest rate hedging instruments[(3)]	(2)	—	(20)	—
Total realized gain (loss)	$ 86	$ 92	$ 101	$ 261
Mark-to-market gain (loss)[(4)]				
Commodity derivative instruments	$ 326	$ 67	$ 562	$ 300
Interest rate hedging instruments	3	(1)	(35)	(3)
Total mark-to-market gain (loss)	$ 329	$ 66	$ 527	$ 297
Total activity, net	$ 415	$ 158	$ 628	$ 558

(1) Does not include the realized value associated with derivative instruments that settle through physical delivery.

(2) Includes amortization of acquisition date fair value of financial derivative activity related to the acquisition of Champion Energy and Calpine Solutions.

(3) Includes costs associated with the termination of de-designated interest rate hedging instruments recorded to interest expense related to our Steamboat project debt that was repaid in June 2020.

(4) In addition to changes in market value on derivatives not designated as hedges, changes in mark-to-market gain (loss) also includes adjustments to reflect changes in credit default risk exposure.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Realized and mark-to-market gain (loss)[(1)]				
Derivatives contracts included in operating revenues[(2)(3)]	$ 74	$ 213	$ 615	$ 791
Derivatives contracts included in fuel and purchased energy expense[(2)(3)]	340	(54)	68	(230)
Interest rate hedging instruments included in interest expense[(4)]	1	(1)	(55)	(3)
Total activity, net	$ 415	$ 158	$ 628	$ 558

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(1) In addition to changes in market value on derivatives not designated as hedges, changes in mark-to-market gain (loss) also includes adjustments to reflect changes in credit default risk exposure.

(2) Does not include the realized value associated with derivative instruments that settle through physical delivery.

(3) Includes amortization of acquisition date fair value of financial derivative activity related to the acquisition of Champion Energy and Calpine Solutions.

(4) Includes costs associated with the termination of de-designated interest rate hedging instruments recorded to interest expense related to our Steamboat project debt that was repaid in June 2020.

Derivatives Included in OCI and AOCI

The following table details the effect of our net derivative instruments that qualified for hedge accounting treatment and are included in OCI and AOCI for the periods indicated (in millions):

	Three Months Ended September 30, Gain (Loss) Recognized in OCI		Three Months Ended September 30, Gain (Loss) Reclassified from AOCI into Income[(2)(3)]		
	2020	2019	2020	2019	Affected Line Item on the Consolidated Condensed Statements of Operations
Interest rate hedging instruments[(1)]	$ 17	$ (3)	$ (17)	$ (2)	Interest expense
Interest rate hedging instruments[(1) (2)]	—	1	—	(1)	Depreciation and amortization expense
Total	$ 17	$ (2)	$ (17)	$ (3)	

	Nine Months Ended September 30, Gain (Loss) Recognized in OCI		Nine Months Ended September 30, Gain (Loss) Reclassified from AOCI into Income[(2)(3)]		
	2020	2019	2020	2019	Affected Line Item on the Consolidated Condensed Statements of Operations
Interest rate hedging instruments[(1)]	$ (84)	$ (60)	$ (48)	$ 3	Interest expense
Interest rate hedging instruments[(1) (2)]	—	1	—	(1)	Depreciation and amortization expense
Total	$ (84)	$ (59)	$ (48)	$ 2	

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(1) We recorded an income tax expense (benefit) of $1 million and $(1) million for the three months ended September 30, 2020 and 2019, respectively, and an income tax (benefit) of $(1) million and $(2) million for the nine months ended September 30, 2020 and 2019, respectively, in AOCI related to our cash flow hedging activities.

(2) Cumulative cash flow hedge losses attributable to Calpine, net of tax, remaining in AOCI were $158 million and $72 million at September 30, 2020 and December 31, 2019, respectively. Cumulative cash flow hedge losses attributable to the

noncontrolling interest, net of tax, remaining in AOCI were nil and $3 million at September 30, 2020 and December 31, 2019, respectively.

(3) Includes losses of nil that were reclassified from AOCI to interest expense for the three months ended September 30, 2020 and 2019, respectively, and losses of nil and $2 million that were reclassified from AOCI to interest expense for the nine months ended September 30, 2020 and 2019, respectively, where the hedged transactions became probable of not occurring.

We estimate that pre-tax net losses of $53 million will be reclassified from AOCI into interest expense during the next 12 months as the hedged transactions settle; however, the actual amounts that will be reclassified will likely vary based on changes in interest rates. Therefore, we are unable to predict what the actual reclassification from AOCI into earnings (positive or negative) will be for the next 12 months.

7. Use of Collateral

We use margin deposits, prepayments and letters of credit as credit support with and from our counterparties for commodity procurement and risk management activities. In addition, we have granted additional first priority liens on the assets currently subject to first priority liens under various debt agreements as collateral under certain of our power and natural gas agreements and certain of our interest rate hedging instruments in order to reduce the cash collateral and letters of credit that we would otherwise be required to provide to the counterparties under such agreements. The counterparties under such agreements share the benefits of the collateral subject to such first priority liens pro rata with the lenders under our various debt agreements.

The table below summarizes the balances outstanding under margin deposits, natural gas and power prepayments, and exposure under letters of credit and first priority liens for commodity procurement and risk management activities as of September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020	December 31, 2019
Margin deposits[1]	$ 230	$ 432
Natural gas and power prepayments	30	29
Total margin deposits and natural gas and power prepayments with our counterparties[2]	$ 260	$ 461
Letters of credit issued	$ 796	$ 906
First priority liens under power and natural gas agreements	25	42
First priority liens under interest rate hedging instruments	150	31
Total letters of credit and first priority liens with our counterparties	$ 971	$ 979
Margin deposits posted with us by our counterparties[1][3]	$ 23	$ 127
Letters of credit posted with us by our counterparties	326	25
Total margin deposits and letters of credit posted with us by our counterparties	$ 349	$ 152

(1) We offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement for financial statement presentation; therefore, amounts recognized for the right to reclaim, or the obligation to return, cash collateral are presented net with the corresponding derivative instrument fair values. See Note 6 for further discussion of our derivative instruments subject to master netting arrangements.

(2) At September 30, 2020 and December 31, 2019, $(137) million and $117 million, respectively, were included in current and long-term derivative assets and liabilities, $389 million and $336 million, respectively, were included in margin deposits and other prepaid expense and $8 million and $8 million, respectively, were included in other assets on our Consolidated Condensed Balance Sheets.

(3) At September 30, 2020 and December 31, 2019, $11 million and $3 million, respectively, were included in current and long-term derivative assets and liabilities, $12 million and $93 million, respectively, were included in other current liabilities and nil and $31 million, respectively, were included in other long-term liabilities on our Consolidated Condensed Balance Sheets.

Future collateral requirements for cash, first priority liens and letters of credit may increase or decrease based on the extent of our involvement in hedging and optimization contracts, movements in commodity prices, and also based on our credit ratings and general perception of creditworthiness in our market.

8. Income Taxes

Income Tax Expense (Benefit)

The table below shows our consolidated income tax expense (benefit) and our effective tax rates for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income tax expense (benefit)	$ (41)	$ 21	$ (26)	$ 40
Effective tax rate	(4)%	4 %	(2)%	4 %

Our effective income tax rates do not bear a customary relationship to statutory income tax rates primarily as a result of the effect of our NOLs and valuation allowances. For the three and nine months ended September 30, 2020 and 2019, the income tax expense (benefit) recognized resulted from timing differences between the recognition of federal and state income tax expense and corresponding changes in NOLs and the valuation allowance.

Income Tax Audits — We remain subject to periodic audits and reviews by taxing authorities; however, we do not expect these audits will have a material effect on our tax provision. Any NOLs we claim in future years to reduce taxable income could be subject to IRS examination regardless of when the NOLs were generated. Any adjustment of state or federal returns could result in a reduction of deferred tax assets rather than a cash payment of income taxes in tax jurisdictions where we have NOLs. We are currently under various state income tax audits for various periods.

Valuation Allowance — U.S. GAAP requires that we consider all available evidence, both positive and negative, and future earnings to determine whether, based on the weight of that evidence, a valuation allowance is needed to offset the value of deferred tax assets. As of September 30, 2020, we have federal NOLs available to offset future income tax obligations recognized as deferred tax assets in the amount of $1.5 billion. As of September 30, 2020, the carrying value of our federal valuation allowance reserve totaled approximately $469 million. During the nine months ended September 30, 2020, we recorded a partial federal valuation allowance release in the amount of $310 million given continued strong financial performance. Future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback or carryforward periods available under the tax law. For purposes of this evaluation, we consider both the existence of future taxable earnings and the future reversal of existing temporary differences. To the extent that future expected sources of earnings materially changes, this could result in the reduction or increase in our valuation allowance.

9. Commitments and Contingencies

Litigation

We are party to various litigation matters, including regulatory and administrative proceedings arising out of the normal course of business. At the present time, we do not expect that the outcome of any of these proceedings, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

On a quarterly basis, we review our litigation activities and determine if an unfavorable outcome to us is considered “remote,” “reasonably possible” or “probable” as defined by U.S. GAAP. Where we determine an unfavorable outcome is probable and is reasonably estimable, we accrue for potential litigation losses. The liability we may ultimately incur with respect to such litigation matters, in the event of a negative outcome, may be in excess of amounts currently accrued, if any; however, we do not expect that the reasonably possible outcome of these litigation matters would, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows. Where we determine an unfavorable outcome is not probable or reasonably estimable, we do not accrue for any potential litigation loss. The ultimate outcome of these litigation matters cannot presently be determined, nor can the liability that could potentially result from a negative outcome be reasonably estimated. As a result, we give no assurance that such litigation matters would, individually or in the aggregate, not have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental Matters

We are subject to complex and stringent environmental laws and regulations related to the operation of our power plants. On occasion, we may incur environmental fees, penalties and fines associated with the operation of our power plants. At the present time, we do not have environmental violations or other matters that would have a material effect on our financial condition, results of operations or cash flows or that would significantly change our operations.

Guarantees and Indemnifications

Our potential exposure under guarantee and indemnification obligations can range from a specified amount to an unlimited dollar amount, depending on the nature of the claim and the particular transaction. Our total maximum exposure under our guarantee and indemnification obligations is not estimable due to uncertainty as to whether claims will be made or how any potential claim will be resolved. As of September 30, 2020, there are no material outstanding claims related to our guarantee and indemnification obligations and we do not anticipate that we will be required to make any material payments under our guarantee and indemnification obligations. There have been no material changes to our guarantees and indemnifications from those disclosed in Note 16 of our 2019 Form 10-K.

10. Related Party Transactions

We have entered into various agreements with related parties associated with the operation of our business. A description of these related party transactions is provided below:

Calpine Receivables — Under the Accounts Receivable Sales Program, at September 30, 2020 and December 31, 2019, we had $254 million and $222 million, respectively, in trade accounts receivable outstanding that were sold to Calpine Receivables and $49 million and $38 million, respectively, in notes receivable from Calpine Receivables which were recorded on our Consolidated Condensed Balance Sheets. During the nine months ended September 30, 2020 and 2019, we sold an aggregate of $1.6 billion and $1.8 billion, respectively, in trade accounts receivable and recorded $1.6 billion and $1.8 billion, respectively, in proceeds. For a further discussion of the Accounts Receivable Sales Program and Calpine Receivables, see Notes 7 and 17 in our 2019 Form 10-K.

Lyondell — We have a ground lease agreement with Houston Refining LP (“Houston Refining”), a subsidiary of Lyondell, for our Channel Energy Center site from which we sell power, capacity and steam to Houston Refining under a PPA. We purchase refinery gas and raw water from Houston Refining under a facilities services agreement. One of the entities which has a material ownership interest in Calpine also has an ownership interest in Lyondell whereby they may significantly influence the management and operating policies of Lyondell. We recorded $15 million and $16 million in operating revenues during the three months ended September 30, 2020 and 2019, respectively, and $42 million and $53 million in operating revenues during the nine months ended September 30, 2020 and 2019, respectively. We recorded $3 million and $4 million in operating expenses during the three months ended September 30, 2020 and 2019, respectively, and $9 million and $11 million in operating expenses during the nine months ended September 30, 2020 and 2019, respectively, associated with the Lyondell contract. At September 30, 2020 and December 31, 2019, the related party receivable and payable associated with the Lyondell contract were immaterial.

Other — We have identified other related party contracts for the sale of power, capacity, steam and RECs which are entered into in the ordinary course of our business. Most of these contracts relate to the sale of commodities and capacity for varying tenors. We have also entered into a long-term land lease agreement with a related party. As of September 30, 2020 and December 31, 2019, the related party revenues, expenses, receivables and payables associated with these transactions were immaterial.

11. Segment Information

We assess our business on a regional basis due to the effect on our financial performance of the differing characteristics of these regions, particularly with respect to competition, regulation and other factors affecting supply and demand. At September 30, 2020, our geographic reportable segments for our wholesale business are West (including geothermal), Texas and East (including Canada) and we have a separate reportable segment for our retail business. We continue to evaluate the optimal manner in which we assess our performance including our segments and future changes may result in changes to the composition of our geographic segments.

Commodity Margin is a key operational measure of profit reviewed by our chief operating decision maker to assess the performance of our segments. The tables below show financial data for our segments (including a reconciliation of Commodity Margin to income (loss) from operations by segment) for the periods indicated (in millions):

	Three Months Ended September 30, 2020					
	Wholesale				Consolidation	
	West	Texas	East	Retail	Elimination	Total
Total operating revenues[1]	$ 536	$ 1,462	$ 312	$ 883	$ (540)	$ 2,653
Commodity Margin	$ 426	$ 481	$ 270	$ 107	$ —	$ 1,284
Add: Mark-to-market commodity activity, net and other[2]	(50)	349	29	(34)	(10)	284
Less:						
Operating and maintenance expense	87	59	65	36	(10)	237
Depreciation and amortization expense	57	50	46	12	—	165
General and other administrative expense	8	12	9	4	—	33
Other operating expenses	9	2	4	1	—	16
(Income) from unconsolidated subsidiaries	—	—	(3)	—	—	(3)
Income from operations	215	707	178	20	—	1,120
Interest expense						131
Loss on extinguishment of debt and other (income) expense, net						59
Income before income taxes						$ 930

	Three Months Ended September 30, 2019					
	Wholesale				Consolidation	
	West	Texas	East	Retail	Elimination	Total
Total operating revenues[1]	$ 856	$ 867	$ 348	$ 1,096	$ (375)	$ 2,792
Commodity Margin	$ 393	$ 369	$ 265	$ 100	$ —	$ 1,127
Add: Mark-to-market commodity activity, net and other[2]	110	(107)	(69)	108	(8)	34
Less:						
Operating and maintenance expense	82	71	69	41	(8)	255
Depreciation and amortization expense	61	47	51	14	—	173
General and other administrative expense	10	13	12	4	—	39
Other operating expenses	9	2	4	—	—	15
(Income) from unconsolidated subsidiaries	—	—	(3)	—	—	(3)
Income from operations	341	129	63	149	—	682
Interest expense						153
Loss on extinguishment of debt and other (income) expense, net						17
Income before income taxes						$ 512

	Nine Months Ended September 30, 2020					
	Wholesale				Consolidation	
	West	Texas	East	Retail	Elimination	Total
Total operating revenues[3]	$ 1,711	$ 2,732	$ 1,098	$ 2,511	$ (1,363)	$ 6,689
Commodity Margin	$ 929	$ 766	$ 613	$ 287	$ —	$ 2,595
Add: Mark-to-market commodity activity, net and other[4]	71	433	73	6	(27)	556
Less:						
Operating and maintenance expense	269	198	199	104	(27)	743
Depreciation and amortization expense	169	150	137	36	—	492
General and other administrative expense	22	36	25	12	—	95
Other operating expenses	24	5	17	1	—	47
(Income) from unconsolidated subsidiaries	—	—	(7)	—	—	(7)
Income from operations	516	810	315	140	—	1,781
Interest expense						467
Loss on extinguishment of debt and other (income) expense, net						76
Income before income taxes						$ 1,238

	Nine Months Ended September 30, 2019					
	Wholesale				Consolidation	
	West	Texas	East	Retail	Elimination	Total
Total operating revenues[3]	$ 2,187	$ 2,509	$ 1,683	$ 3,176	$ (1,565)	$ 7,990
Commodity Margin	$ 908	$ 704	$ 765	$ 281	$ —	$ 2,658
Add: Mark-to-market commodity activity, net and other[4]	224	177	38	(127)	(26)	286
Less:						
Operating and maintenance expense	247	202	208	108	(26)	739
Depreciation and amortization expense	194	146	142	40	—	522
General and other administrative expense	22	40	31	12	—	105
Other operating expenses	25	5	23	—	—	53
Impairment losses	—	—	55	—	—	55
(Income) loss from unconsolidated subsidiaries	—	—	(15)	1	—	(14)
Income (loss) from operations	644	488	359	(7)	—	1,484
Interest expense						459
Loss on extinguishment of debt and other (income) expense, net						44
Income before income taxes						$ 981

(1) Includes intersegment revenues of $99 million and $133 million in the West, $436 million and $225 million in Texas, $4 million and $13 million in the East and $1 million and $4 million in Retail for the three months ended September 30, 2020 and 2019, respectively.

(2) Includes $38 million and $31 million of lease levelization and $13 million and $20 million of amortization expense for the three months ended September 30, 2020 and 2019, respectively.

(3) Includes intersegment revenues of $288 million and $395 million in the West, $868 million and $784 million in Texas, $203 million and $378 million in the East and $4 million and $8 million in Retail for the nine months ended September 30, 2020 and 2019, respectively.

(4) Includes $(2) million and $(4) million of lease levelization and $38 million and $59 million of amortization expense for the nine months ended September 30, 2020 and 2019, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our accompanying Consolidated Condensed Financial Statements and related Notes. See the cautionary statement regarding forward-looking statements at the beginning of this Report for a description of important factors that could cause actual results to differ from expected results.

Introduction and Overview

We are one of the largest power generators in the U.S. We own and operate primarily natural gas-fired and geothermal power plants in North America and have a significant presence in major competitive wholesale and retail power markets in California, Texas, and the Northeast and mid-Atlantic regions of the U.S. We sell power, steam, capacity, renewable energy credits and ancillary services to our wholesale customers, which include utilities, independent electric system operators and industrial companies, retail power providers, municipalities, CCAs and other governmental entities and power marketers. Additionally, through our retail brands, we market retail energy and related products to commercial, industrial, governmental and residential customers. We continue to focus on providing products and services that are beneficial to our wholesale and retail customers. We purchase primarily natural gas and some fuel oil as fuel for our power plants and engage in related natural gas transportation and storage transactions. We also purchase power and related products for sale to our customers and purchase electric transmission rights to deliver power to our customers. Additionally, consistent with our Risk Management Policy, we enter into natural gas, power, environmental product, fuel oil and other physical and financial commodity contracts to hedge certain business risks and optimize our portfolio of power plants.

We assess our wholesale business on a regional basis due to the effect on our financial performance of the differing characteristics of these regions, particularly with respect to competition, regulation and other factors affecting supply and demand. Our geographic reportable segments for our wholesale business are West (including geothermal), Texas and East (including Canada) and we have a separate reportable segment for our retail business.

Our wholesale power plant portfolio, including partnership interests, consists of 77 power plants, including two under construction, with an aggregate current generation capacity of 25,867 MW and 381 MW under construction. Our fleet consists of 61 natural gas-fired combustion turbine-based plants, one natural gas and fuel oil-fired steam-based plant, 13 geothermal steam turbine-based plants, one photovoltaic solar plant and one battery storage plant. Our wholesale geographic segments have an aggregate generation capacity of 7,590 MW with an additional 20 MW under construction in the West, 8,947 MW in Texas and 9,330 MW with an additional 361 MW under construction in the East. Inclusive of our power generation portfolio and our retail sales platforms, we serve customers in 23 states in the U.S. and in Canada and Mexico.

Our retail business consists of multiple brands with a focus on reaching key retail energy markets. Our primary brands are Calpine Solutions (which focuses on commercial and industrial customers) and Champion Energy (which focuses on residential, mass market and commercial and industrial customers). In total, our retail business delivered approximately 60 million MWh of power in 2019. Our retail activities are primarily located in the power markets where our generation fleet maintains a presence. Products sold include standard electricity service as well as customized solutions to aid customers in their business goals (including sustainability goals).

Uncertainty Related to the COVID-19 Pandemic

The novel coronavirus disease 2019 (COVID-19) pandemic continues to impact the United States and other countries, negatively affecting the global economy, disrupting global supply chains, threatening workforce participation, and causing volatility and disruption in financial markets. We continue to closely monitor the impact on our business, including its effect on our employees, customers, and suppliers, and the communities in which we operate.

Our first priority is to ensure the threat to the health of our employees and contractors is minimized. As one of the largest independent power producers in the U.S., we are designated as an "essential business" and have an obligation to operate our fleet of power plants to help sustain the bulk electric system and manage customer power delivery obligations. To ensure the continued reliable operations of our generation fleet and delivery of power to our customers, we have established and our employees abide by a set of health and hygienic measures designed to mitigate exposure to COVID-19 in the workplace. These measures include restricting access at our power plants to mission-critical individuals and adherence to mask wearing and social distancing protocols wherever possible.

To date, we have not experienced a material negative effect on our business operations and financial performance from the COVID-19 pandemic. The ultimate extent to which the COVID-19 pandemic may impact our business, operating results, financial condition or liquidity will depend on future developments, including the duration and intensity of the pandemic, unexpected business, supply chain and workforce disruptions, the effectiveness of actions taken to contain and treat the disease and the ultimate lasting effect on the economy and its impact on electric demand, especially in the geographic areas where we own and operate power generating facilities and serve customers. Although the ultimate effect is uncertain, we do not anticipate COVID-19 will have a material adverse effect on our financial condition, results of operations or cash flows for the year ended December 31, 2020. For further discussion, see "Item 1A. Risk Factors" in Part II of this Report.

Governmental and Regulatory Matters

We are subject to complex and stringent energy, environmental and other laws and regulations at the federal, state and local levels as well as rules within the ISO and RTO markets in which we participate. Federal and state legislative and regulatory actions, including those by ISO/RTOs, continue to change how our business is regulated. We are actively participating in these debates at the federal, regional, state and ISO/RTO levels. Significant updates are discussed below. For a further discussion of the environmental and other governmental regulations that affect us, see "— Governmental and Regulatory Matters" in Part I, Item 1 of our 2019 Form 10-K.

In November 2020, the United States held elections which resulted in Joseph R. Biden being elected as the 46th President of the United States. At this time, we cannot predict the effect that the result of the election will have on current or pending environmental regulations promulgated by the EPA or future changes to federal and state tax regulations. We intend to continue to advocate for reasonable regulations protecting the environment which positively benefit our competitive market position by recognizing the value of our investments in clean and efficient power generation technology.

CAISO

The CPUC determines Resource Adequacy ("RA") requirements for load serving entities ("LSEs") and for specified local areas utilizing inputs from the CAISO in order to ensure the reliability of electric service in California. CPUC rules require LSEs to contract for capacity with sufficient generation resources to ensure reliability. A recent CPUC decision implemented Central Procurement Entities ("CPEs") to meet local RA requirements. CPEs, initially Southern California Edison and PG&E in their respective service territories, will meet local RA requirements on behalf of all LSEs and recover the cost through non-bypassable charges. To the extent LSEs or CPEs have not procured sufficient capacity through the CPUC administered processes, the CAISO can procure additional capacity using the Capacity Procurement Mechanism ("CPM") as well as Reliability Must-Run contracts. We do not know at this point how the introduction of CPEs will affect our business.

PJM

On June 29, 2018, the FERC issued a decision finding PJM's current tariff to be unjust and unreasonable due to the price-suppressive effects of out-of-market compensation provided to certain generation resources by states within the PJM market. The FERC rejected both replacement proposals submitted by PJM to address the issue and instead opted for a paper hearing to identify a reasonable replacement mechanism. PJM's annual capacity auctions, scheduled to be held in May 2019 and May 2020, have been postponed pending final resolution of the issues in this proceeding.

On December 19, 2019, the FERC issued an order (the "December 2019 Order") in the paper hearing docket, directing PJM to expand its minimum offer price rule ("MOPR") to apply to most generators receiving a state subsidy, although certain existing resources are exempted from the MOPR requirement. For non-exempt resources receiving a state subsidy, the MOPR will be set at the net Cost of New Entry for new resources and the Net Avoidable Cost Rate for existing resources.

Multiple parties sought rehearing of the FERC's June 29, 2018 order and the December 2019 Order. The FERC issued an order on rehearing on April 16, 2020 largely affirming its December 2019 Order, although the FERC did provide further clarification of certain key issues and granted rehearing on a few issues, none of which significantly impacts the outcome of the December 2019 Order. PJM has made multiple compliance filings to comply with the December 2019 and April 16, 2020 orders. PJM informed the FERC that it intends to hold the first auction within six and a half months after the date of the FERC's acceptance of PJM's compliance filing, and every six months thereafter until the delayed auctions catch up to the original auction schedule. PJM anticipates these adjustments to apply to the next three auctions. Several notices of appeal have been filed. The Seventh Circuit Court of Appeals has been assigned the case. A briefing schedule has not been established. On October 15, 2020, the FERC issued an order largely accepting PJM's compliance filings. However, the FERC noted that PJM's parallel filing to change its reserve market and the Operating Reserve Demand Curves ("ORDC") (described below) will impact PJM's auction outcomes and directed PJM to delay recommencing the capacity auction process until the FERC issues an order on the reserve market and ORDC filing.

In addition, subsequent to the December 2019 Order, several states in the PJM region have expressed interest in considering the possible use of the Fixed Resource Requirement ("FRR") provisions of the PJM tariff to bilaterally contract for capacity instead of participating in PJM's market. The New Jersey Board of Public Utilities issued an order on March 27, 2020 initiating a proceeding to examine whether New Jersey can achieve its clean energy goals under the current PJM capacity market program and if not, how New Jersey can best meet its resource adequacy needs while meeting its clean energy goals. There are also discussions in the Illinois Legislature on FRR, and several FRR proposals have been made by Illinois stakeholders. Maryland is also considering its FRR options. No other states have taken specific action to examine the FRR option and it is unknown at this time whether or not states will pursue this approach, and what the resulting impact on our business would be.

On May 21, 2020, the FERC issued an order generally approving PJM's proposal to revise the rules relating to its reserve market and the ORDC shapes. However, the FERC determined that the approved reserve market and ORDC changes render PJM's current backward-looking method for calculating the energy and ancillary services offset ("E&AS Offset") in PJM's capacity market unjust and unreasonable, and directed PJM to amend the E&AS Offset methodology to be forward-looking. The FERC directed PJM to submit a compliance filing implementing this directive. PJM submitted its compliance filing on August 5, 2020 and supplemented its filing on August 19, 2020. We cannot predict at this time whether PJM's proposal will satisfy the FERC's requirements or when the FERC will issue a final order in this proceeding.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Below are our results of operations for the three months ended September 30, 2020 as compared to the same period in 2019 (in millions, except for percentages and operating performance metrics). In the comparative tables below, increases in revenue/income or decreases in expense (favorable variances) are shown without brackets while decreases in revenue/income or increases in expense (unfavorable variances) are shown with brackets.

	2020	2019	Change	% Change
Operating revenues:				
Commodity revenue	$ 2,705	$ 2,710	$ (5)	—
Mark-to-market gain (loss)	(56)	78	(134)	#
Other revenue	4	4	—	—
Operating revenues	2,653	2,792	(139)	(5)
Operating expenses:				
Fuel and purchased energy expense:				
Commodity expense	1,467	1,620	153	9
Mark-to-market (gain) loss	(382)	11	393	#
Fuel and purchased energy expense	1,085	1,631	546	33
Operating and maintenance expense	237	255	18	7
Depreciation and amortization expense	165	173	8	5
General and other administrative expense	33	39	6	15
Other operating expenses	16	15	(1)	(7)
Total operating expenses	1,536	2,113	577	27
(Income) from unconsolidated subsidiaries	(3)	(3)	—	—
Income from operations	1,120	682	438	64
Interest expense	131	153	22	14
Loss on extinguishment of debt	51	12	(39)	#
Other (income) expense, net	8	5	(3)	(60)
Income before income taxes	930	512	418	82
Income tax expense (benefit)	(41)	21	62	#
Net income	971	491	480	98
Net income attributable to the noncontrolling interest	—	(6)	6	#
Net income attributable to Calpine	$ 971	$ 485	$ 486	#

	2020	2019	Change	% Change
Operating Performance Metrics:				
MWh generated (in thousands)(1)(2)	35,330	32,555	2,775	9
Average availability(2)	97.3 %	96.8 %	0.5 %	1
Average total MW in operation(1)	25,348	25,167	181	1
Average capacity factor, excluding peakers	68.5 %	63.8 %	4.7 %	7
Steam Adjusted Heat Rate(2)	7,353	7,358	5	—

\# Variance of 100% or greater

(1) Represents generation and capacity from power plants that we both consolidate and operate and excludes Greenfield LP, Whitby (through the sale date of November 20, 2019), Freeport Energy Center, 21.5% of Hidalgo Energy Center, 25% of Freestone Energy Center and 25% of Russell City Energy Center through January 28, 2020. Subsequent to that date, 100% of Russell City Energy Center is included.

(2) Generation, average availability and Steam Adjusted Heat Rate exclude power plants and units that are inactive.

We evaluate our Commodity revenue and Commodity expense on a collective basis because the price of power and natural gas tend to move together as the price for power is generally determined by the variable operating cost of the next marginal generator to be dispatched to meet demand. The spread between our Commodity revenue and Commodity expense represents a significant portion of our Commodity Margin. Our financial performance is correlated to how we maximize our Commodity Margin through management of our portfolio of power plants, as well as our hedging and optimization activities. See additional segment discussion in "Commodity Margin by Segment."

Commodity revenue, net of Commodity expense, increased $148 million for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to (favorable variances are shown without brackets while unfavorable variances are shown with brackets):

(in millions)	
$ 134	Higher margins primarily driven by higher contribution from hedging activity and higher resource adequacy in the West
23	Higher PJM regulatory capacity revenue in our East segment
(9)	Period-over-period change in contract amortization, lease levelization relating to tolling contracts and other[1]
$ 148	

(1) Commodity Margin excludes amortization expense related to contracts recorded at fair value, non-cash GAAP-related adjustments to levelize revenues from tolling agreements, Commodity revenue and Commodity expense attributable to the noncontrolling interest and other unusual items or non-recurring items.

Mark-to-market gain/loss, net from hedging our future generation, fuel supply requirements and retail activities had a favorable variance of $259 million primarily driven by the effect on our commodity hedges of an increase in forward natural gas prices.

Our normal, recurring operating and maintenance expense, after excluding the effect of power plant portfolio changes and other one-time items such as COVID-19 pandemic costs as well as major maintenance expense associated with planned outages, decreased by $10 million primarily due to lower employee-related costs.

General and other administrative expense decreased by $6 million for the three months ended September 30, 2020 compared to the same period in 2019 primarily due to lower employee-related costs.

Interest expense decreased by $18 million for the three months ended September 30, 2020 compared to the same period in 2019 after excluding $4 million in mark-to-market gains on interest rate derivative instruments executed in the first quarter of 2020 which are accounted for as economic hedges of forward interest rate exposure. The decrease in interest expense is primarily driven by the effect of refinancing and repricing activities undertaken during 2019 and the nine months ended September 30, 2020.

Loss on extinguishment of debt had an unfavorable variance of $39 million for the three months ended September 30, 2020 compared to the same period in 2019 primarily due to debt extinguishment costs associated with the repayment of our 2024 and 2025 Senior Unsecured Notes in August 2020.

During the three months ended September 30, 2020, we recorded an income tax benefit of $41 million compared to an income tax expense of $21 million for the three months ended September 30, 2019. The favorable period-over-period change primarily resulted from the partial release of our valuation allowance associated with our NOLs during the three months ended September 30, 2020 partially offset by an increase in federal and state income taxes due to higher forecasted pre-tax income in 2020.

Net income attributable to the noncontrolling interest decreased by $6 million for the three months ended September 30, 2020 compared to the same period in 2019 due to our acquisition of the 25% noncontrolling interest of Russell City Energy Company, LLC on January 28, 2020.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Below are our results of operations for the nine months ended September 30, 2020 as compared to the same period in 2019 (in millions, except for percentages and operating performance metrics). In the comparative tables below, increases in revenue/income or decreases in expense (favorable variances) are shown without brackets while decreases in revenue/income or increases in expense (unfavorable variances) are shown with brackets.

	2020	2019	Change	% Change
Operating revenues:				
Commodity revenue	$ 6,500	$ 7,376	$ (876)	(12)
Mark-to-market gain	176	601	(425)	(71)
Other revenue	13	13	—	—
Operating revenues	6,689	7,990	(1,301)	(16)
Operating expenses:				
Fuel and purchased energy expense:				
Commodity expense	3,924	4,745	821	17
Mark-to-market (gain) loss	(386)	301	687	#
Fuel and purchased energy expense	3,538	5,046	1,508	30
Operating and maintenance expense	743	739	(4)	(1)
Depreciation and amortization expense	492	522	30	6
General and other administrative expense	95	105	10	10
Other operating expenses	47	53	6	11
Total operating expenses	4,915	6,465	1,550	24
Impairment losses	—	55	55	#
(Income) from unconsolidated subsidiaries	(7)	(14)	(7)	(50)
Income from operations	1,781	1,484	297	20
Interest expense	467	459	(8)	(2)
Loss on extinguishment of debt	59	11	(48)	#
Other (income) expense, net	17	33	16	48
Income before income taxes	1,238	981	257	26
Income tax expense (benefit)	(26)	40	66	#
Net income	1,264	941	323	34
Net income attributable to the noncontrolling interest	(2)	(15)	13	87
Net income attributable to Calpine	$ 1,262	$ 926	$ 336	36

	2020	2019	Change	% Change
Operating Performance Metrics:				
MWh generated (in thousands)(1)(2)	82,735	75,812	6,923	9
Average availability(2)	88.4 %	88.3 %	0.1 %	—
Average total MW in operation(1)	25,298	25,425	(127)	—
Average capacity factor, excluding peakers	54.3 %	50.4 %	3.9 %	8
Steam Adjusted Heat Rate(2)	7,331	7,328	(3)	—

\# Variance of 100% or greater

(1) Represents generation and capacity from power plants that we both consolidate and operate and excludes Greenfield LP, Whitby (through the sale date of November 20, 2019), Freeport Energy Center, 21.5% of Hidalgo Energy Center, 25% of Freestone Energy Center and 25% of Russell City Energy Center through January 28, 2020. Subsequent to that date, 100% of Russell City Energy Center is included.

(2) Generation, average availability and Steam Adjusted Heat Rate exclude power plants and units that are inactive.

We evaluate our Commodity revenue and Commodity expense on a collective basis because the price of power and natural gas tend to move together as the price for power is generally determined by the variable operating cost of the next marginal generator to be dispatched to meet demand. The spread between our Commodity revenue and Commodity expense represents a significant portion of our Commodity Margin. Our financial performance is correlated to how we maximize our Commodity Margin through management of our portfolio of power plants, as well as our hedging and optimization activities. See additional segment discussion in "Commodity Margin by Segment."

Commodity revenue, net of Commodity expense, decreased $55 million for the nine months ended September 30, 2020, compared to the same period in 2019, primarily due to (favorable variances are shown without brackets while unfavorable variances are shown with brackets):

(in millions)	
$ 4	Higher margins primarily driven by the commencement of commercial operations at our 828 MW York 2 Energy Center in March 2019 and higher resource adequacy revenue in the West. The increase was partially offset by the sale of our Garrison and RockGen Energy Centers in July 2019
(67)	Lower PJM and ISO-NE regulatory capacity revenue in our East segment
8	Period-over-period change in contract amortization, lease levelization relating to tolling contracts and other[1]
$ (55)	

(1) Commodity Margin excludes amortization expense related to contracts recorded at fair value, non-cash GAAP-related adjustments to levelize revenues from tolling agreements, Commodity revenue and Commodity expense attributable to the noncontrolling interest and other unusual items or non-recurring items.

Mark-to-market gain/loss, net from hedging our future generation, fuel supply requirements and retail activities had a favorable variance of $262 million primarily driven by the effect on our commodity hedges of an increase in forward natural gas prices.

Our normal, recurring operating and maintenance expense, after excluding the effect of power plant portfolio changes and other one-time items such as COVID-19 pandemic costs as well as major maintenance expense associated with planned outages, was relatively unchanged for the nine months ended September 30, 2020 compared to the same period in 2019.

Depreciation and amortization expense decreased by $30 million for the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to adjustments related to our asset retirement obligations during the first quarter of 2019 and various assets being fully depreciated in 2019.

General and other administrative expense decreased by $10 million for the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to lower legal, audit and information technology expenses.

During the nine months ended September 30, 2019, we recorded impairment losses of approximately $55 million related to the sale of our Garrison and RockGen Energy Centers in July 2019.

(Income) from unconsolidated subsidiaries decreased by $7 million for the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to the sale of Whitby in November 2019.

Interest expense decreased by $24 million for the nine months ended September 30, 2020 compared to the same period in 2019 after excluding the effects of $32 million in mark-to-market losses on interest rate derivative instruments executed in the first quarter of 2020 which are accounted for as economic hedges of forward interest rate exposure. The decrease in interest expense is primarily driven by the effect of refinancing and repricing activities undertaken during 2019 and the nine months ended September 30, 2020.

Loss on extinguishment of debt had an unfavorable variance of $48 million for the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to debt extinguishment costs associated with the repayment of our 2024 and 2025 Senior Unsecured Notes in August 2020 and our Steamboat project debt facility in June 2020. In addition, we incurred debt modification costs associated with our GPC Term Loan in June 2020.

Other (income) expense, net decreased by $16 million for the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to the settlement agreement with General Electric International, Inc. executed in February 2019 related to the Inland Empire Energy Center.

During the nine months ended September 30, 2020, we recorded an income tax benefit of $26 million compared to an income tax expense of $40 million for the nine months ended September 30, 2019. The favorable period-over-period change primarily resulted from the partial release of our valuation allowance associated with our NOLs during the nine months ended September 30, 2020 partially offset by an increase in federal and state income taxes due to higher forecasted pre-tax income in 2020.

Net income attributable to the noncontrolling interest decreased by $13 million for the nine months ended September 30, 2020 compared to the same period in 2019 due to our acquisition of the 25% noncontrolling interest of Russell City Energy Company, LLC on January 28, 2020.

COMMODITY MARGIN BY SEGMENT

We use Commodity Margin to assess reportable segment performance. Commodity Margin includes revenues recognized on our wholesale and retail power sales activity, electric capacity sales, REC sales, steam sales, realized settlements associated with our marketing, hedging, optimization and trading activity less costs from our fuel and purchased energy expenses, commodity transmission and transportation expenses, environmental compliance expenses and ancillary retail expense. We believe that Commodity Margin is a useful tool for assessing the performance of our core operations and is a key operational measure of profit reviewed by our chief operating decision maker. See Note 11 of the Notes to Consolidated Condensed Financial Statements for a reconciliation of Commodity Margin to income (loss) from operations by segment.

Commodity Margin by Segment for the Three Months Ended September 30, 2020 and 2019

The following tables show our Commodity Margin by segment and related operating performance metrics by regional segment for our wholesale business for the three months ended September 30, 2020 and 2019 (exclusive of the noncontrolling interest). In the comparative tables below, favorable variances are shown without brackets while unfavorable variances are shown with brackets. The MWh generated by regional segment below represent generation from power plants that we both consolidate and operate. Generation, average availability and Steam Adjusted Heat Rate exclude power plants and units that are inactive.

West:	2020	2019	Change	% Change
Commodity Margin (in millions)	$ 426	$ 393	$ 33	8
Commodity Margin per MWh generated	$ 44.97	$ 47.30	$ (2.33)	(5)
MWh generated (in thousands)	9,472	8,309	1,163	14
Average availability	98.1 %	98.3 %	(0.2)%	—
Average total MW in operation	7,590	7,435	155	2
Average capacity factor, excluding peakers	60.0 %	54.1 %	5.9 %	11
Steam Adjusted Heat Rate	7,439	7,372	(67)	(1)

West — Commodity Margin in our West segment increased by $33 million, or 8%, for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to higher resource adequacy revenue and the acquisition on January 28, 2020 of the 25% noncontrolling interest of Russell City Energy Company, LLC, which was previously owned by a third party. Further contributing to the increase in Commodity Margin as well as the 14% increase in generation was the restart of the second unit at our Sutter Energy Center during the third quarter of 2020, which was previously offline. Generation also increased due to higher market Spark Spreads during the third quarter of 2020 compared to the same period in 2019; however, our significant hedges offset any revenue gains.

Texas:	2020	2019	Change	% Change
Commodity Margin (in millions)	$ 481	$ 369	$ 112	30
Commodity Margin per MWh generated	$ 31.16	$ 24.83	$ 6.33	25
MWh generated (in thousands)	15,434	14,864	570	4
Average availability	97.1 %	95.2 %	1.9 %	2
Average total MW in operation	8,947	8,859	88	1
Average capacity factor, excluding peakers	78.1 %	76.0 %	2.1 %	3
Steam Adjusted Heat Rate	7,091	7,187	96	1

Texas — Commodity Margin in our Texas segment increased by $112 million, or 30% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to higher contribution from hedging activity despite weak market liquidations in Texas during the third quarter of 2020.

East:	2020	2019	Change	% Change
Commodity Margin (in millions)	$ 270	$ 265	$ 5	2
Commodity Margin per MWh generated	$ 25.90	$ 28.25	$ (2.35)	(8)
MWh generated (in thousands)	10,424	9,382	1,042	11
Average availability	96.8 %	97.1 %	(0.3)%	—
Average total MW in operation	8,811	8,873	(62)	(1)
Average capacity factor, excluding peakers	64.6 %	57.9 %	6.7 %	12
Steam Adjusted Heat Rate	7,693	7,639	(54)	(1)

East — Commodity Margin in our East segment increased by $5 million, or 2%, for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to higher regulatory capacity revenue in PJM. Further contributing to the increase in Commodity Margin and the 11% increase in generation was continued strong operational performance at our York Energy Center. The increase in Commodity Margin was partially offset by lower regulatory capacity revenue in ISO-NE and lower revenue in July and August 2020 compared to the same months in 2019 associated with a contract that was replaced in September 2020 by a new long-term agreement.

Retail:	2020	2019	Change	% Change
Commodity Margin (in millions)	$ 107	$ 100	$ 7	7

Retail — Commodity Margin in our retail segment increased by $7 million, or 7%, for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to higher contribution from our retail supply hedging activity.

Commodity Margin by Segment for the Nine Months Ended September 30, 2020 and 2019

The following tables show our Commodity Margin by segment and related operating performance metrics by regional segment for our wholesale business for the nine months ended September 30, 2020 and 2019 (exclusive of the noncontrolling interest). In the comparative tables below, favorable variances are shown without brackets while unfavorable variances are shown with brackets. The MWh generated by regional segment below represent generation from power plants that we both consolidate and operate. Generation, average availability and Steam Adjusted Heat Rate exclude power plants and units that are inactive.

West:	2020	2019	Change	% Change
Commodity Margin (in millions)	$ 929	$ 908	$ 21	2
Commodity Margin per MWh generated	$ 42.27	$ 47.56	$ (5.29)	(11)
MWh generated (in thousands)	21,977	19,093	2,884	15
Average availability	90.5 %	88.3 %	2.2 %	2
Average total MW in operation	7,574	7,430	144	2
Average capacity factor, excluding peakers	47.0 %	41.9 %	5.1 %	12
Steam Adjusted Heat Rate	7,449	7,382	(67)	(1)

West — Commodity Margin in our West segment increased by $21 million, or 2%, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to higher resource adequacy revenue and the acquisition on January 28, 2020 of the 25% noncontrolling interest of Russell City Energy Company, LLC, which was previously owned by a third party. Further contributing to the increase in Commodity Margin as well as the 15% increase in generation was continued strong operations at our power plants located in the Desert Southwest including our South Point Energy Center and Otay Mesa Energy Center. The period-over-period increase in Commodity Margin was partially offset by lower contribution from hedging activity during the nine months ended September 30, 2020 compared to the same period in 2019.

Texas:	**2020**	**2019**	**Change**	**% Change**
Commodity Margin (in millions)	$ 766	$ 704	$ 62	9
Commodity Margin per MWh generated	$ 20.30	$ 19.79	$ 0.51	3
MWh generated (in thousands)	37,729	35,577	2,152	6
Average availability	86.1 %	86.2 %	(0.1)%	—
Average total MW in operation	8,913	8,855	58	1
Average capacity factor, excluding peakers	64.4 %	61.3 %	3.1 %	5
Steam Adjusted Heat Rate	7,088	7,142	54	1

Texas — Commodity Margin in our Texas segment increased by $62 million, or 9%, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to higher contribution from hedging activity.

East:	**2020**	**2019**	**Change**	**% Change**
Commodity Margin (in millions)	$ 613	$ 765	$ (152)	(20)
Commodity Margin per MWh generated	$ 26.62	$ 36.18	$ (9.56)	(26)
MWh generated (in thousands)	23,029	21,142	1,887	9
Average availability	88.8 %	90.5 %	(1.7)%	(2)
Average total MW in operation	8,811	9,140	(329)	(4)
Average capacity factor, excluding peakers	48.7 %	44.8 %	3.9 %	9
Steam Adjusted Heat Rate	7,648	7,615	(33)	—

East — Commodity Margin in our East segment decreased by $152 million, or 20%, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to lower regulatory capacity revenue in PJM and ISO-NE during the first half of 2020 compared to the same period in 2019 and the sale of our RockGen and Garrison Energy Centers in July 2019. We anticipate higher regulatory capacity revenue for the PJM planning year running from June 1, 2020 through May 31, 2021 as reflected in our higher regulatory capacity revenue during the third quarter of 2020 compared to the same period in 2019. The decrease in Commodity Margin was partially offset by the commencement of commercial operations at our 828 MW York 2 Energy Center in March 2019, which was also the primary contributor to the 9% increase in generation.

Retail:	**2020**	**2019**	**Change**	**% Change**
Commodity Margin (in millions)	$ 287	$ 281	$ 6	2

Retail — Commodity Margin in our retail segment increased by $6 million, or 2%, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to higher contribution from our retail supply hedging activity.

LIQUIDITY AND CAPITAL RESOURCES

We maintain a strong focus on liquidity. We manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our business is capital intensive. Our ability to successfully implement our strategy is dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business is dependent on maintaining sufficient liquidity. We believe that we have adequate resources from a combination of cash and cash equivalents on hand and cash expected to be generated from future operations to continue to meet our obligations as they become due.

Liquidity

The following table provides a summary of our liquidity position at September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020	December 31, 2019
Cash and cash equivalents, corporate(1)	$ 655	$ 1,072
Cash and cash equivalents, non-corporate(2)	154	59
Total cash and cash equivalents	809	1,131
Restricted cash(2)	233	345
Corporate Revolving Facility availability(3)	1,627	1,392
CDHI revolving facility availability(4)	1	1
Other facilities availability(5)	29	3
Total current liquidity availability(6)	$ 2,699	$ 2,872

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(1) Our ability to use corporate cash and cash equivalents is unrestricted. On January 21, 2020, we used the remaining cash on hand from the issuance of our 2028 First Lien Notes and 2028 Senior Unsecured Notes to redeem approximately $1,052 million aggregate principal amount of our 2022 and 2024 First Lien Notes and 2023 Senior Unsecured Notes. See Note 4 of the Notes to Consolidated Condensed Financial Statements for further information related to the redemption of our 2022 and 2024 First Lien Notes and 2023 Senior Unsecured Notes.

(2) See Note 1 of the Notes to Consolidated Condensed Financial Statements for a description of the restrictions on our use of non-corporate cash and cash equivalents and restricted cash.

(3) Our ability to use availability under our Corporate Revolving Facility is unrestricted. At September 30, 2020, the approximately $2.0 billion in total capacity under our Corporate Revolving Facility is composed of $369 million in letters of credit outstanding, no borrowings outstanding and $1,627 million in remaining available capacity.

(4) Our CDHI revolving facility is restricted to support certain obligations under PPAs and power transmission and natural gas transportation agreements as well as fund the construction of our Washington Parish Energy Center.

(5) On April 9, 2020, we amended one of our unsecured letter of credit facilities to partially extend the maturity of $100 million in commitments from June 20, 2020 to June 20, 2022. On June 9, 2020, we entered into the GPC Term Loan which provides for $200 million in letter of credit facilities.

(6) Includes $23 million and $127 million of margin deposits posted with us by our counterparties at September 30, 2020 and December 31, 2019, respectively. See Note 7 of the Notes to Consolidated Condensed Financial Statements for further information related to our collateral.

Our principal source for future liquidity is cash flows generated from our operations. We believe that cash on hand and expected future cash flows from operations will be sufficient to meet our liquidity needs for our operations, both in the near and longer term. See "Cash Flow Activities" below for a further discussion of our change in cash, cash equivalents and restricted cash.

Our principal uses of liquidity and capital resources, outside of those required for our operations, include, but are not limited to, collateral requirements to support our commercial hedging and optimization activities, debt service obligations including principal and interest payments, capital expenditures for construction, project development and other growth initiatives and opportunistically repaying debt to manage our balance sheet.

Cash Management — We manage our cash in accordance with our cash management system subject to the requirements of our Corporate Revolving Facility and requirements under certain of our project debt and lease agreements or by regulatory agencies. Our cash and cash equivalents, as well as our restricted cash balances, are invested in money market funds that are not FDIC insured. We place our cash, cash equivalents and restricted cash in what we believe to be creditworthy financial institutions.

On August 13, 2020, our board of directors approved a cash dividend of $500 million to be paid to our parent, CPN Management, LP, which was funded from cash on hand, and was paid on August 17, 2020. Further, on October 15, 2020, our board of directors approved a cash dividend of $650 million to be paid to our parent, CPN Management, LP, which was also funded from cash on hand and was paid on October 19, 2020.

Future cash dividends, if any, may be authorized at the discretion of our Board of Directors and will depend upon, among other things, our future operations and earnings, capital requirements, asset sales, general financial condition, contractual and financing restrictions and such other factors as our board of directors may deem relevant.

Liquidity Sensitivity

Significant changes in commodity prices and Market Heat Rates can affect our liquidity as we use margin deposits, cash prepayments and letters of credit as credit support (collateral) with and from our counterparties for commodity procurement and risk management activities. We estimate that as of September 30, 2020, a three standard deviation shift in collateral exposure based on commodity market price changes for the previous 12 months applied to our current portfolio of margined transactions would result in an increase in collateral posted of approximately $308 million. This amount is not necessarily indicative of the actual amounts that could be required, which may be higher or lower than the amounts estimated above, and also exclude any correlation between the changes in natural gas prices and Market Heat Rates that may occur concurrently. These sensitivities will change as new contracts or hedging activities are executed.

In order to effectively manage our future Commodity Margin, we have economically hedged a portion of our expected generation and natural gas portfolio as well as retail load supply obligations, where appropriate, mostly through power and natural gas forward physical and financial transactions including retail power sales; however, we currently remain susceptible to significant price movements for 2020 and beyond. In addition to the price of natural gas, our Commodity Margin is highly dependent on other factors such as:

- the level of Market Heat Rates;
- our continued ability to successfully hedge our Commodity Margin;
- changes in U.S. macroeconomic conditions;
- maintaining acceptable availability levels for our fleet;
- the effect of current and pending environmental regulations in the markets in which we participate;
- improving the efficiency and profitability of our operations;
- increasing future contractual cash flows; and
- our significant counterparties performing under their contracts with us.

Additionally, scheduled outages related to the life cycle of our power plant fleet in addition to unscheduled outages may result in maintenance expenditures that are disproportionate in differing periods. In order to manage such liquidity requirements, we maintain additional liquidity availability in the form of our Corporate Revolving Facility (noted in the table above), letters of credit and the ability to issue first priority liens for collateral support. It is difficult to predict future developments and the amount of credit support that we may need to provide should such conditions occur, we experience an economic recession or energy commodity prices increase significantly.

Letter of Credit Facilities

The table below represents amounts issued under our letter of credit facilities at September 30, 2020 and December 31, 2019 (in millions):

	September 30, 2020	December 31, 2019
Corporate Revolving Facility[1]	$ 369	$ 604
CDHI	3	3
Various project financing facilities[2]	379	184
Other corporate facilities[3]	288	294
Total	$ 1,039	$ 1,085

(1) The Corporate Revolving Facility represents our primary revolving facility and matures on March 8, 2023.

(2) On June 9, 2020, we entered into the GPC Term Loan which provides for $200 million in letter of credit facilities.

(3) On April 9, 2020, we amended one of our unsecured letter of credit facilities to partially extend the maturity of $100 million in commitments from June 20, 2020 to June 20, 2022.

California Wildfire

A wildfire known as the Kincade Fire began on October 23, 2019 in Sonoma County, California where our Geysers Assets are located and burned on parts of the 45 square miles that make up our Geysers Assets properties and leasehold. Operating equipment at our Geysers Assets sustained limited damage which has been repaired. The fire caused extensive damage to third-party property in the region. Transmission service owned and operated by PG&E was cut due to the fire and high wind conditions, forcing us to suspend operations. In March 2020, transmission was restored and we resumed full operations of our Geysers Assets.

Prior to the fire, in response to forecasted severe wind conditions and PG&E's Public Safety Power Shutoff ("PSPS"), personnel at our Geysers Assets followed fire prevention protocols, including de-energizing the local power system that supports our Geysers Assets operations. We do not believe our facilities caused or contributed to the start of the fire, nor do we believe we have any liability for damages caused by the fire. Notably, on July 16, 2020, the California Department of Forestry and Fire Protection ("CALFIRE") issued a press release stating that transmission lines owned and operated by PG&E were the cause of the Kincade Fire, however, CALFIRE has not yet released its investigation report.

Our Geysers Assets remain a critical part of the California plan to achieve a low-carbon future. In our view, our continued investment in our fire prevention systems and processes at our Geysers Assets assure the facilities are as fire resilient as possible, and we expect our Geysers Assets will remain ready to help California achieve its climate goals.

NOLs

We have significant NOLs that will provide future tax deductions as an offset to taxable income during the applicable carryover periods. At December 31, 2019, our consolidated gross federal NOLs totaled approximately $7.1 billion and our gross post apportioned state NOLs totaled approximately $3.2 billion, resulting in net tax effected federal and post apportioned state NOLs of $1.7 billion. We recorded a valuation allowance of $873 million at December 31, 2019 due to the uncertainty in our ability to utilize NOLs prior to expiration.

Cash Flow Activities

The following table summarizes our cash flow activities for the nine months ended September 30, 2020 and 2019 (in millions):

	2020	2019
Beginning cash, cash equivalents and restricted cash	$ 1,476	$ 406
Net cash provided by (used in):		
Operating activities	1,436	1,431
Investing activities	(418)	(137)
Financing activities	(1,452)	(501)
Net increase (decrease) in cash, cash equivalents and restricted cash	(434)	793
Ending cash, cash equivalents and restricted cash	$ 1,042	$ 1,199

Net Cash Provided By Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2020, was $1,436 million compared to $1,431 million for the nine months ended September 30, 2019. The increase was primarily due to:

- *Working capital employed* — Working capital employed decreased by $71 million for the nine months ended September 30, 2020, compared to the same period in 2019. The decrease is primarily driven by a reduction in margin postings associated with our forward hedging positions and a reduction in environmental products inventory procurement.

- *Income from operations* — Income from operations, adjusted for non-cash items primarily including depreciation and amortization, impairment losses, and mark to market gains decreased by $62 million for the nine months ended September 30, 2020, compared to 2019. The decrease in income from operations, adjusted for non-cash items, was primarily driven by a $55 million decrease in Commodity revenue, net of Commodity expense which is driven by a decrease in regulatory capacity revenue in PJM and ISO-NE.

Net Cash Used In Investing Activities

Cash used in investing activities for the nine months ended September 30, 2020, was $418 million compared to $137 million for the nine months ended September 30, 2019. The increase was primarily driven by the sale of our RockGen and Garrison Energy Centers for approximately $303 million during the nine months ended September 30, 2019, for which no comparable activity was noted during the same period in 2020.

Net Cash Used In Financing Activities

Cash used in financing activities for the nine months ended September 30, 2020, was $1,452 million compared to $501 million for the nine months ended September 30, 2019. The change was primarily due to:

- *Debt transactions* — During the nine months ended September 30, 2020, we redeemed aggregate principal outstanding in the amount of $1,052 million consisting of $623 million of the 2023 Senior Unsecured Notes, $245 million of the 2022 First Lien Notes and $184 million of the 2024 First Lien Notes utilizing proceeds received from the issuance of our 2028 First Lien Notes and 2028 Senior Unsecured Notes in December 2019. In addition, during August 2020, we issued $1.5 billion of 2029 and 2031 Senior Unsecured Notes and used the proceeds, together with cash on hand, to redeem the outstanding aggregate principal amount of $1.7 billion of the 2024 and 2025 Senior Unsecured Notes. During the nine months ended September 30, 2019, we refinanced $1.5 billion of First Lien Term Loans resulting in a net borrowing of approximately $200 million which was partially used to repay our OMEC project debt facility. Additionally, we repurchased $48 million in aggregate principal of Senior Unsecured Notes for $44 million.

- *Project financing, notes payable and other* — During the nine months ended September 30, 2020, GPC entered into a new seven-year $900 million first lien senior secured term loan facility and three senior secured revolving letter of credit facilities totaling $200 million. The proceeds from the Geysers financing transaction were utilized in part to repay the Steamboat project debt principal amount of $348 million. During the nine months ended September 30, 2019, we repaid the project debt associated with OMEC in the amount of $220 million in addition to standard amortization payments.

- *Dividends Paid* — During the nine months ended September 30, 2020, we paid dividends to our parent, CPN Management, of $500 million compared to dividends of $401 million during the same period in 2019.

- *Acquisition* — During the nine months ended September 30, 2020, we completed our acquisition of the 25% noncontrolling interest of Russell City Energy Company, LLC for $35 million plus working capital adjustments of approximately $14 million for a total purchase price of approximately $49 million.

Off Balance Sheet Arrangements

There have been no material changes to our off balance sheet arrangements from those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Form 10-K.

Special Purpose Subsidiaries

Pursuant to applicable transaction agreements, we have established certain of our entities separate from Calpine Corporation and our other subsidiaries. In accordance with applicable accounting standards, we consolidate these entities with the exception of Calpine Receivables (see Notes 7 and 17 of the Notes to Consolidated Financial Statements in our 2019 Form 10-K for further information related to Calpine Receivables). As of the date of filing of this Report, these entities included: Russell City Energy Company, LLC, GPC, Calistoga Holdings, LLC, Wildhorse Geothermal LLC, Geysers Intermediate Holdings LLC, Geysers Company, LLC and Calpine Receivables.

Russell City Energy Company, LLC — On January 28, 2020, we completed the acquisition of the 25% of Russell City Energy Company, LLC, which was owned by a third party, for $35 million plus working capital adjustments of approximately $14 million for a total purchase price of approximately $49 million.

RISK MANAGEMENT AND COMMODITY ACCOUNTING

Our commercial hedging and optimization strategies are designed to maximize our risk-adjusted Commodity Margin by leveraging our knowledge, experience and fundamental views on natural gas and power. We actively manage our risk exposures with a variety of physical and financial instruments with varying time horizons. These instruments include PPAs, tolling arrangements, Heat Rate swaps and options, retail power sales including through our retail subsidiaries, steam sales, buying and selling standard physical power and natural gas products, buying and selling exchange traded instruments, buying and selling environmental and capacity products, natural gas transportation and storage arrangements, electric transmission service and other contracts for the sale and purchase of power products. We utilize these instruments to maximize the risk-adjusted returns for our Commodity Margin. Our retail portfolio has been established to provide an additional source of liquidity for our generation fleet as we hedge retail load from our wholesale generation assets as appropriate.

We conduct our hedging and optimization activities within a structured risk management framework based on controls, policies and procedures. We monitor these activities through active and ongoing management and oversight, defined roles and responsibilities, and daily risk estimates and reporting. Additionally, we seek to manage the associated risks through diversification, by controlling position sizes, by using portfolio position limits, and by actively managing hedge positions to lock in margin. We are exposed to commodity price movements (both profits and losses) in connection with these transactions. These positions are included in and subject to our consolidated risk management portfolio position limits and controls structure. Changes in fair value of commodity positions that do not qualify for or for which we do not elect either hedge accounting or the normal purchase normal sale exemption are recognized currently in earnings and are separately stated on our Consolidated Condensed Statements of Operations in mark-to-market gain/loss as a component of operating revenues (for physical and financial power and Heat Rate and commodity option activity) and fuel and purchased energy expense (for physical and financial natural gas, power, environmental product and fuel oil activity). Our future hedged status and marketing and optimization activities are subject to change as determined by our commercial operations group, Chief Risk Officer, senior management and Board of Directors.

At any point in time, the relative quantity of our products hedged or sold under longer-term contracts is determined by the availability of forward product sales opportunities and our view of the attractiveness of the pricing available for forward sales. We have economically hedged a portion of our expected generation and natural gas portfolio as well as retail load supply obligations, where appropriate, mostly through power and natural gas forward physical and financial transactions including retail power sales; however, we currently remain susceptible to significant price movements for 2020 and beyond. When we elect to enter into these transactions, we are able to economically hedge a portion of our Spark Spread at pre-determined generation and price levels.

We have historically used interest rate hedging instruments to adjust the mix between our fixed and variable rate debt. A portion of our interest rate hedging instruments have been designated as cash flow hedges, and changes in fair value are recorded in OCI with gains and losses reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings. See Note 6 of the Notes to Consolidated Condensed Financial Statements for further discussion of our derivative instruments.

The primary factors affecting our market risk and the fair value of our derivatives at any point in time are the volume of open derivative positions (MMBtu, MWh and $ notional amounts); changing commodity market prices, primarily for power and natural gas; our credit standing and that of our counterparties for energy commodity derivatives; and prevailing interest rates for our interest rate hedging instruments. Since prices for power and natural gas and interest rates are volatile, there may be material changes in the fair value of our derivatives over time, driven both by price volatility and the changes in volume of open derivative transactions. Our derivative assets have increased to approximately $473 million at September 30, 2020, compared to approximately $402 million at December 31, 2019, and our derivative liabilities have decreased to approximately $205 million at September 30, 2020, compared to approximately $288 million at December 31, 2019. The fair value of our level 3 derivative assets and liabilities at September 30, 2020 represents approximately 41% and 25% of our total assets and liabilities measured at fair value, respectively. See Note 5 of the Notes to Consolidated Condensed Financial Statements for further information related to our level 3 derivative assets and liabilities.

We utilize the forward commodity markets to hedge price risk associated with our power plant portfolio. Our ability to hedge relies in part on market liquidity and the number of counterparties with which to transact. If the number of counterparties in these markets were to decrease, it could decrease our ability to hedge our forward commodity price risk and create incremental volatility in our earnings. The effects of declining liquidity in the forward commodity markets is also mitigated by our retail subsidiaries which provides us with an additional outlet to transact hedging activities related to our wholesale power plant portfolio.

Credit Risk — Credit risk relates to the risk of loss resulting from nonperformance or non-payment by our counterparties or customers related to their contractual obligations with us. Risks surrounding counterparty and customer performance and credit could ultimately affect the amount and timing of expected cash flows. We also have credit risk if counterparties or customers are unable to provide collateral or post margin. We monitor and manage our credit risk through credit policies that include:

- credit approvals;
- routine monitoring of counterparties' and customer's credit limits and their overall credit ratings;
- limiting our marketing, hedging and optimization activities with high risk counterparties;
- margin, collateral, or prepayment arrangements; and
- payment netting arrangements, or master netting arrangements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty.

We have concentrations of credit risk with a few of our wholesale counterparties and retail customers relating to our sales of power and steam and our hedging, optimization and trading activities. For example, our wholesale business currently has contracts with investor owned California utilities, which could be affected should they be found liable for recent wildfires in California and, accordingly, incur substantial costs associated with the wildfires.

On July 1, 2020, PG&E and PG&E Corporation emerged from bankruptcy. We currently have several power plants that provide energy and energy-related products to PG&E under PPAs, many of which have PG&E collateral posting requirements. Subsequent to the bankruptcy filing, we received all material payments under the PPAs, either directly or through the application of collateral. We also currently have numerous other agreements with PG&E related to the operation of our power plants in Northern California, under which PG&E continued to provide service subsequent to its bankruptcy filing. Under PG&E's plan of reorganization, our PPAs were assumed by PG&E and any restrictions on our projects arising from the bankruptcy were cured.

We believe that our credit policies and portfolio of transactions adequately monitor and diversify our credit risk, and currently our counterparties and customers are performing and financially settling timely according to their respective agreements. We monitor and manage our total comprehensive credit risk associated with all of our contracts irrespective of whether they are accounted for as an executory contract, a normal purchase normal sale or whether they are marked-to-market and included in our derivative assets and liabilities on our Consolidated Condensed Balance Sheets. Our counterparty and customer credit quality associated with the net fair value of outstanding derivative commodity instruments is included in our derivative assets and (liabilities), net of allocated collateral, at September 30, 2020, and the period during which the instruments will mature are summarized in the table below (in millions):

Credit Quality (Based on Credit Ratings as of September 30, 2020)	2020	2021-2022	2023-2024	After 2024	Total
Investment grade	$ 19	$ 130	$ 32	$ 23	$ 204
Non-investment grade	5	30	16	17	68
No external ratings[1]	15	62	41	22	140
Total fair value	$ 39	$ 222	$ 89	$ 62	$ 412

(1) Primarily comprised of the fair value of derivative instruments held with customers that are not rated by third-party credit agencies due to the nature and size of the customers.

New Accounting Standards and Disclosure Requirements

See Note 1 of the Notes to Consolidated Condensed Financial Statements for a discussion of new accounting standards and disclosure requirements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

For information regarding our exposure to certain market risks, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management and Commodity Accounting" in our 2019 Form 10-K. Except as disclosed in this Report, there have been no material changes from the disclosures presented in our 2019 Form 10-K regarding our exposures to certain market risks.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

See Note 9 of the Notes to Consolidated Condensed Financial Statements for a description of our legal proceedings.

Item 1A. ***Risk Factors***

Except as set forth below, there were no changes to the description of the risk factors previously disclosed in Part I, Item 1A "Risk Factors" of our 2019 Form 10-K.

The ongoing COVID-19 pandemic could have a material adverse effect on our business operations, results of operations, cash flows and financial position.

The COVID-19 pandemic has continued to negatively affect large segments of the economy, resulting in increased unemployment, threatening the health of the workforce and disrupting supply chains. In addition, federal, state and local governments have in the past and may in the future implement various restrictions, including travel restrictions, border closings, restrictions on public gatherings, shelter-in-place restrictions and limitations on business. Any of these conditions alone or in the aggregate could adversely impact our business and in turn could create a material adverse effect on our results of operations, financial condition and liquidity. In particular, the ongoing spread of COVID-19 and efforts to contain it could:

- reduce the availability and productivity and impact the health and well-being of our employees, customers and business partners;
- cause delays and disruptions in the availability of and timely delivery of materials and components used in our operations and development activities;
- result in cyber-security vulnerability due to the need for a portion of our employees to work remotely;
- reduce electricity and steam demand in some or all of the regions in which we operate for a prolonged period, impacting our revenue;
- impact our liquidity position and cost of and ability to access funds from financial institutions and capital markets; and
- cause other unpredictable events.

Although we have taken measures to:

- protect the health and well-being of our employees and contractors at our work sites, there is a risk that COVID-19 could adversely affect a disproportionate number of our employees, thereby jeopardizing our ongoing operations;
- preserve our supply chain, there is a risk that currently unforeseen prolonged shortages could have a material adverse impact on our maintenance and capital programs, thereby jeopardizing our plant operations;
- implement robust cyber-security measures to ensure our systems remain functional to serve our operational needs, our systems and operations remain vulnerable to cyber-attacks;
- retain sufficient liquidity and reduce our need for near-term access to capital markets, there is a risk that a prolonged COVID-19 pandemic could adversely impact our liquidity and access to capital markets.

Despite our efforts to manage various impacts, the far-ranging impacts of the COVID-19 pandemic remain fluid and the potential for a material impact on our results of operations, financial condition and liquidity increases the longer the pandemic impacts activity levels in the U.S. and globally. The ultimate impact of the COVID-19 pandemic depends on factors beyond our knowledge or control, including the duration and severity of the COVID-19 pandemic on the economy as well as third-party actions taken to contain its spread and mitigate its public health effects. Therefore, we currently cannot estimate with any degree of certainty the potential impact to our future financial position, results of operations and cash flows.

Item 6. ***Exhibits***

EXHIBIT INDEX

Exhibit Number	Description
4.1	Indenture, dated as of August 10, 2020, for the senior notes due 2029 between Calpine Corporation and Wilmington Trust, National Association, as trustee (incorporated by reference into Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on August 21, 2020).
4.2	Indenture, dated as of August 10, 2020, for the senior notes due 2031 between Calpine Corporation and Wilmington Trust, National Association, as trustee (incorporated by reference into Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on August 21, 2020).

SIGNATURES

Calpine has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2020	**CALPINE CORPORATION**	
	By:	/s/ ZAMIR RAUF
		Zamir Rauf Executive Vice President and Chief Financial Officer

In order to tender Notes in the Offer, a Holder should tender pursuant to DTC's Automated Tender Offer Program (ATOP). Any questions or requests for assistance concerning the Offer may be directed to the Dealer Manager or the Tender Agent and Information Agent at the addresses and telephone numbers set forth below. Requests for additional copies of this Statement or any other documents may be directed to the Tender Agent and Information Agent. Beneficial owners also may contact their Custodians for assistance concerning the Offer.

The Tender Agent and Information Agent for the Offer is:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor
New York, NY 10005
calpine@dfking.com

Banks and Brokers Call: (212) 269-5550
or
All Others Call Toll Free: (877) 478-5043

By Facsimile (For Eligible Institutions Only):
(212) 709-3328

Attn: Andrew Beck

Confirmation:
(212) 269-5552

By Mail, By Hand and Overnight Courier:
48 Wall Street New York, NY 10005

Any questions regarding the terms of the Offer should be directed to the Dealer Manager at the address and telephone numbers set forth below:

The Dealer Manager for the Offer is:

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179
Collect: (212) 834-4087
Toll Free: (866) 834-4087
Attention: Liability Management Group