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TransCanada To Pay $13B For Columbia Pipeline Group

By **Kat Greene**

Law360, Los Angeles (March 17, 2016, 6:11 PM ET) -- TransCanada Corp. will pay $13 billion to buy Columbia Pipeline Group Inc., combining the company behind the controversial Keystone XL oil pipeline project with one of the largest interstate pipeline operators in the U.S., in a deal guided by Mayer Brown LLP and Sullivan & Cromwell LLP, the companies said Thursday.

The all-cash deal would net TransCanada the Houston-based Columbia's 15,000 miles of pipeline reaching from New York to the Gulf of Mexico and a heavy presence in Appalachia, according to a statement by TransCanada.

Columbia stockholders will get $25.50 a share, about an 11 percent premium on its closing price Wednesday, valuing the deal at about $13 billion including TransCanada's assumption of $2.8 billion in debt, the company said.

"The acquisition represents a rare opportunity to invest in an extensive, competitively-positioned, growing network of regulated natural gas pipeline and storage assets in the Marcellus and Utica shale gas regions," TransCanada CEO Russ Girling said in a statement.

The combined company would create a 57,000-mile natural gas pipeline system, he said.

The proposed deal would close in the second half of the year, the companies said. It's still subject to shareholder and regulatory approval, including compliance with federal antitrust law.

TransCanada said sales of its U.S. Northeast merchant power assets and its minority interest in its Mexican natural gas pipeline business, along with new common equity, will cover the cost of the acquisition. In the meantime, the company has bridge term loan credit facilities for up to $10.3 billion, TransCanada said.

The deal would give TransCanada a combined $23 million portfolio of near-term projects, the company said.

"This transaction delivers tremendous value to our shareholders and places Columbia Pipeline Group within a leading energy platform that can maximize the value of our strategic positioning and deep inventory of transformational growth projects," Columbia CEO Robert C. Skaggs Jr. said in a statement.

TransCanada in January dug in for a fight with the White House over President Barack Obama's denial of a cross-border presidential permit for the Keystone pipeline, claiming in a Texas federal suit that the president lacked the authority to reject a project that the U.S. Department of State concluded wouldn't significantly raise greenhouse gas emissions globally and that had legislative approval from Congress.

The company also filed a notice of intent to lodge a North American Free Trade Agreement arbitration claim against the U.S. that seeks more than $15 billion in damages, claiming the rejection of Keystone had breached the government's obligations.

Goldman Sachs & Co., represented by Jeremy London, Paul Schnell and Ryan Dzierniejko of Skadden Arps Slate Meagher & Flom LLP, acted as lead financial advisor on the Columbia deal.

TransCanada's legal advisers on the deal were Marc Sperber, Andrew Noreuil, Mike Hermsen and Joe Hable of Mayer Brown LLP, Blake Cassels & Graydon LLP and Osler Hoskin & Harcourt LLP. Its financial adviser was Wells Fargo Securities LLC. Its antitrust advisors were Mary Anne Mason and Olivier Antoine of Crowell & Moring LLP.

Columbia's legal adviser was Sullivan & Cromwell LLP. Its financial advisor was Lazard Freres & Co.

--Additional reporting by Keith Goldberg. Editing by Brian Baresch.