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FirstEnergy Unit's Collapse Casts Pall Over Nuveen Muni Holdings.

- **In February, firm held about half of unit's unsecured munis**
- **About a third of bankrupt power company's munis held by Nuveen**

The bankruptcy of an Ohio power company is reverberating in Chicago, home to one of the biggest money managers in the $3.9 trillion municipal-bond market.

Nuveen Asset Management, which oversees about $134 billion of municipal-debt investments, as of February held about half of the $1.5 billion of unsecured bonds that FirstEnergy Solutions Corp. — a unit of FirstEnergy Corp. — issued through government agencies in Pennsylvania and Ohio, according to holdings information posted on Nuveen's website. The company reported owning another $300 million of FirstEnergy Solution's secured municipal bonds.

The electricity producer's bankruptcy has left the Chicago-based firm exposed to defaults — a rarity in a market dominated by state and local governments with the power to raise taxes. But agencies are also allowed to sell tax-exempt bonds on behalf of corporations for projects like waste disposal facilities, power plants or airport terminals, a far-more riskier niche that's previously been affected by bankruptcies.

Kathleen Cardoza, a Nuveen spokeswoman, declined to comment. Tom Mulligan, a spokesman for FirstEnergy Solutions at Sitrick & Company, declined to comment.

Akron, Ohio-based FirstEnergy Solutions sought court protection from its creditors on March 31, listing more than $3 billion in unsecured claims, after unsuccessfully pushing for U.S. Energy Secretary Rick Perry to extend it a lifeline by declaring a grid emergency that would guarantee profits for ailing coal and nuclear power generators. Parent company FirstEnergy Corp. wasn't part of the bankruptcy.

FirstEnergy Solutions has about $2 billion outstanding municipal bonds. Some have already defaulted: One of its subsidiaries failed to make a payment due this month on bonds issued through Beaver County, Pennsylvania's industrial development authority. On Tuesday, FirstEnergy Solutions-backed bonds sold through an Ohio agency and due in 2020 traded for about 26 cents on the dollar, down from about 37 cents at the beginning of January.

The debt held by Nuveen is a fraction of its municipal-bond holdings or the approximately $970 billion it has under management overall. Nuveen's High Yield Municipal Bond Fund held about $273 million of FirstEnergy Solutions unsecured debt, about 1.5 percent of the total securities in the fund. The fund has lost 0.8 percent this year, compared to a 0.8 percent gain for the Bloomberg Barclays high-yield municipal index.

Electricity generators across the U.S. have been pummeled by low power prices as stagnant demand, cheap natural gas and surging development of wind and solar have squeezed profits. The trend is especially pronounced in eastern Ohio and western Pennsylvania, where the Marcellus shale

natural gas formation lies, causing regional prices to be lower than the rest of the country.

Few have embodied the struggle as much as FirstEnergy Solutions, which owns a fleet of coal and nuclear plants in Ohio and Pennsylvania. It has closed four coal-fired generators since 2012, reducing its operating capacity by almost 20 percent.

Bloomberg Markets

By Martin Z Braun

April 10, 2018, 11:26 AM PDT

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