

PurEnergy Scores a Touchdown in Asset Management for Goal Line LP



Goal Line LP owned a 50MW combined-cycle cogeneration project in Escondido, Calif., and the steam host that qualified it for FERC QF status: a massive sports complex that comprised two Olympic-size ice rinks and other recreational facilities. The project was overleveraged and faced an uncertain future, so the lenders called in PurEnergy as managing general partner in hopes of turning around their distressed asset.

The lenders' immediate concern was that they were missing out on summer peak capacity bonus payments because the plant fell short of the capacity required to qualify. They estimated this was costing them \$150,000 in annual revenues, so they looked at installing air-cooling units that would increase the plant's output – but found the \$500,000 price tag prohibitive.



Goal Line was a new facility equipped with a high-efficiency LM6000 turbine and operated by a respected third-party firm. The lenders essentially advised the PurEnergy team, "There's nothing you can do to improve things on the O&M side. We just need adult supervision, so here are the keys – don't screw up." The success of the project, they believed, hinged on bringing new business to the ice rinks, so they hired a professional ice management company to make it happen.

Goal Line Stand: How PurEnergy Added \$1M to GL's Bottom Line

- **Maximized the capacity factor bonus under the power purchase agreement**
- **Constructed a supplemental cooling tower to increase capacity**
- **Optimized the plant's run time**
- **Reduced startup time by ½ hour**
- **Negotiated a new gas supply contract**
- **Demineralized the cooling tower water**
- **Negotiated lower sewer charges with the water district**
- **Reduced property insurance costs**

Even so, the ice complex continued to struggle as a commercial venture in Southern California. On the power-generation side, however, it was a different story. After carefully reviewing the operational economics, the PurEnergy team found that Goal Line was being run at times when it was neither required by its power contract nor economical to do so, such that it was often losing money. They directed the operator to begin cycling the plant in response to market demand. In the process, they found a way to reduce the startup time by a half-hour, which may not sound impressive but had a huge financial impact.

The team also figured out that they could boost the plant's output by installing a small supplemental cooling tower. By spending less than a *tenth* of what it would've cost to install the air coolers, they were able to increase output enough to qualify for the summer peak capacity factor bonus. Between that and a number of other O&M cost management reductions, they made a substantial difference in relatively short order.

In spite of the ice complex's business issues, PurEnergy improved the plant's annual bottom-line performance by \$700,000 within the first year and by more than \$1 million the second year -- and spent only \$50,000 on the supplemental cooling tower and other minor capital improvements to achieve those numbers.

PurEnergy Turns \$75M Exposure Into \$220M Profit at Pittsfield Generating



In 2003, Pittsfield Generating Co. found itself in severe financial trouble. The firm had been leasing the combined-cycle power facility and supplying three steam hosts to maintain its Qualifying Facility (QF) status with FERC. Facing a \$75 million exposure and potential write-off, the lenders initiated foreclosure proceedings. PurEnergy was called in to assume the lessee position and take on all asset management and O&M responsibilities.

The bankruptcy court rejected one of the three off-take agreements, the thermal host had stopped taking steam, and Pittsfield's QF status was in jeopardy. The PurEnergy team moved quickly, making a major settlement with the court regarding the rejected off-take agreement and negotiating a buy-out of the two remaining agreements. They converted the project to Exempt Wholesale Generator status with FERC, which allowed the firm to go on selling power after losing its QF status.

The team also saw an opportunity to extract the optimum value from Pittsfield's long-term fixed gas and gas-supply transportation contracts. They managed a major litigation over one of the agreements, which gave Pittsfield the right to monetize the value of the gas it wasn't taking. The supplier sued to keep that value, but the PurEnergy team succeeded in getting a favorable judgment. In addition,



they renegotiated the property taxes and optimized all of the plant operations.

The team accomplished everything discussed here in the first two and a half years at Pittsfield, then managed the sale of the plant to a new owner several years later. When it was all said and done, they had not only protected the previous owners from a \$75 million write-off but ended up securing them a \$220 million profit.

But there's another chapter to the success story. The new owner kept PurEnergy on after the purchase, which closed in 2008. Two years later, with John Hanlon now on board as the PurEnergy team lead, they identified 5MW of additional capacity freed up by the loss of the steam host. To realize that capacity, they had to renew the three-party interconnect agreement with ISO New England and Northeast Utilities, which took over a year to complete.

They also saw an opportunity to reduce Pittsfield's electric station service cost. "When I came on, we were under just a tariff, which had us paying a lot for station service," said Hanlon. "The ISO offered a regional network service that enabled us to pay at wholesale pricing."

The team recently added a fogging overspray unit to one of the three turbines, which can add up to 5MW of capacity depending on ambient temperatures. They remain at Pittsfield today, continuing to help optimize efficiency and profitability...15 years and counting.

How PurEnergy Turned It Around

- **Negotiated settlement and buy-outs to free Pittsfield from all steam host agreements**
- **Extracted maximum value from gas-supply and gas-transportation agreements**
- **Identified 5MW of additional capacity and renewed interconnect agreement to realize it**
- **Installed fogging overspray to one of the turbines to add another 5MW of potential capacity**
- **Reduced station service cost through ISO program**
- **Renegotiated all property taxes**
- **Optimized all plant operations**

PurEnergy Puts Selkirk on a Path to Recovery in Less than 2 Years



When a new managing general partner joined the owners of Selkirk Cogeneration Plant near Albany, N.Y., in mid-2016, they put PurEnergy in charge of asset management. Right out of the gate, this put them miles ahead on budget, as PurEnergy had bid an annual fee that was \$700,000 less than its predecessor's.

The project's power purchase agreement had expired in 2014, freeing Selkirk to go merchant. The partners decided that a change in the energy marketing function would provide a needed boost to the facility, so that became PurEnergy's first assignment: find us a new marketer.

Selkirk operates in a challenging region of New York – Zone F, or the Capital region – which has an abundance of capacity and a number of constraints on getting the power out. "One of the main questions we asked respondents in the RFP was 'How would you go about selling power into the ISO New England market, which has better capacity pricing than New York?'" said John Hanlon, project lead for PurEnergy. "ConEd was the only one of the six that took this question seriously, which is largely why we recommended that our client sign them."



assistance, they prepared to participate in the auction for 2021. In the process, they took advantage of a bilateral opportunity presented by another generator that was looking to shed its current capacity supply obligation. They entered into a deal to take on that obligation: 291MW of capacity for June through October of 2018 at \$3.50/kW month – or nearly \$5.1 million.

"Not a bad result for having switched energy marketers just a year earlier," said Hanlon. "Having the flexibility to move capacity into either of these two differently structured markets will help us optimize Selkirk's profitability on a continuous basis over the long term."

The team had also noted that Selkirk was contracted with Tennessee Gas Pipeline under an operational balancing agreement. The plant was not using all of its contracted natural gas capacity, and they recognized there was value to be had there. "Last winter, with the extreme cold driving a blow-out in gas prices, we made roughly \$1 million just marketing the excess capacity on the pipeline," said Hanlon.

On the cost-reduction side, the team looked hard at staffing and eliminated several redundant positions. They also scrubbed the budget and optimized plant operations. "We had our work cut out for us considering Selkirk's challenging location," Hanlon said, "but we turned things around in a substantial way in less than two years."

How PurEnergy Made It Happen

- Eased the client's operating budget up front by charging a much lower fee than its predecessor
- Found a new energy marketer for the client that took a more strategic and innovative approach
- Began selling power into New England ISO, which has better capacity pricing structure than NY
- Extracted maximum value from Selkirk's gas pipeline spur by marketing excess capacity
- Reduced staff headcount, scrubbed the budget and optimized plant O&M

ISO New England has a very different pricing structure for capacity than New York. For one, they hold an annual auction with a three-year look-ahead. Once PurEnergy had completed the qualification process with ConEd's