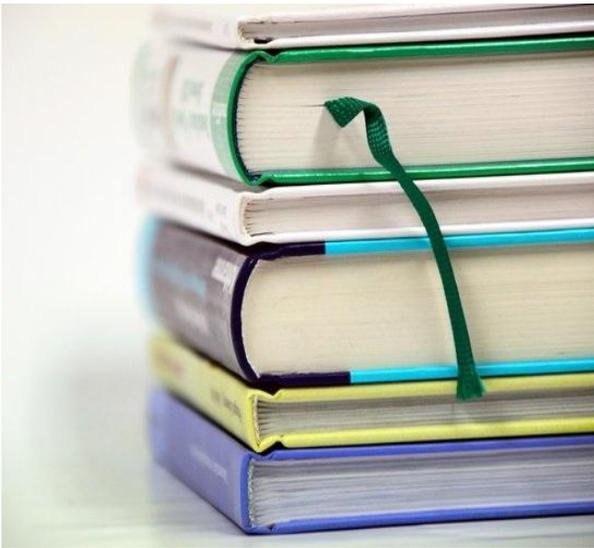
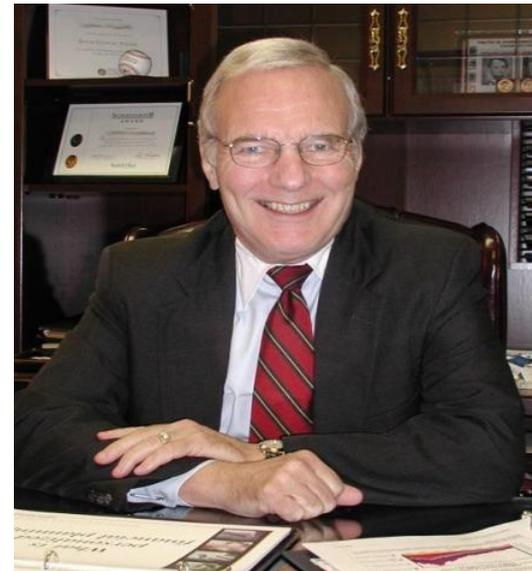


PROJECT FINANCE PERSONAL STORIES

6 GREAT STORIES IN UNDER 10 MINUTES



John E. Burget



Project Capital Strategies

Project Finance Story 1

Successful financings of large gas fired cogeneration projects in the 1980's with nearly 100% debt, for example:

- Falcon Seaboard's 100 MW project on the Houston Ship Channel.
- Cogen Technologies' 1000 MW projects at the Exxon Mobil refinery in NJ. (Details on next slide)



Story 1 Details

- **Both of these projects were “qualified facilities” even though they used conventional fossil fuel.**
- **As cogeneration or “Combined Heat & Power” (CHP) projects they were QF’s requiring regular utilities to buy their electrical output, because they captured over 80% of their fuel’s energy input.**
- **They did this by producing both electricity and steam for chemical production in Houston, or for the large energy requirements of the Exxon refineries in Northern NJ.**

Project Finance Story 2

- **1970's near default on \$200-\$300MM of tax- exempt industrial development bonds to create Battery Park City, starting with a 98 acre landfill on the West side of Lower Manhattan, N.Y. C. (Details on next slide)**



This second story concerns the 1970's near default on \$200-\$300 million of tax-exempt industrial development bonds for a 98 acre landfill in the Hudson River on the West side of lower Manhattan.

The bond proceeds that financed the landfill included three years of "interest during construction", but that fund was about to run out because prospective developers believed current city taxes were so high that none of them could make a profit.

Luckily a new Executive Director persuaded the NY City Council that it must lower taxes. The developers were then willing to pay certain special fees needed to cover interest on the bonds. It later became Battery Park City, a modern and highly successful residential and commercial development.

Project Finance Story 3

- **Westinghouse multi-billion dollar “force majeure” default on otherwise sound nuclear power plant building contracts, due to exorbitantly high nuclear fuel prices demanded by a short-term uranium cartel. (Details on next slide)**



(Story 3) During the 1970's Westinghouse declared a multi-billion dollar default on several contracts it had for building many of the first major commercial nuclear power plants in the US. It claimed "force majeure" (an unforeseeable event outside its control) when a uranium mining cartel drove prices to great heights.

That prevented the company from delivering several well designed and reasonably priced nuclear plants that were still uncompleted, even though it had already built many of them successfully on a fixed price "turnkey" basis.

Project Finance Story 4

- **Bankruptcy of the then largest US wind power developer in the early 1990's after building hundreds of successful California wind farms in the 1980's. (Details on next slide)**



(Story 4)The 1990's bankruptcy and complete demise of a California company that was then the largest wind power developer in the world.

In the late 1980's California eliminated all its future ten year "standard offer contracts". Therefore the company faced unavoidable losses on hundreds of wind projects already operating there, when their initial standard offer contracts expired.

The company bet its future on a combination of several much more efficient but unproven wind turbine technologies, and became bankrupt even though it had large wind projects under development all over the US.

Project Finance Story 5



Actual default on \$2.25 billion of public power revenue bonds issued by a large regional group called the Washington Public Power Supply System, based in Hanford, WA. It was the largest default in tax-exempt bonds in US history.

WPPSS had to suspend construction on all but one of five nuclear reactors it had started in the 1970's, and expected to complete in the 1980's.

WPPSS had only begun these five large projects when the quasi-Federal Bonneville Power Authority said it might not be able to continue supplying what had been extremely cheap hydroelectric power in the event of a “100 year drought”. Only one of the nuclear projects was completed, but the first three had binding contracts with BPA that required payment of all their costs in any event.

Projects 4 and 5, on which \$2.25 billion had already been spent, had similarly strong contracts with the many regional power utilities that comprised WPPSS, but without BPA’s backing. Similar contracts had previously been utilized by a large number of regional public power systems elsewhere, and were always upheld legally.

However the elected Supreme Court in Washington State chose to reject these widely accepted contracts, due to bad publicity about the wisdom of undertaking such a large program in the first place.

Project Finance Story 6

1990's stalled privatization of local gas supply system in Tbilisi, capitol of the former USSR Republic of Georgia. (Details on next slide.)



(Story 6) Large Natural Gas System in Tbilisi, Georgia

The final example of what should have been a viable energy project occurred in Tbilisi, capitol of the former Soviet Republic of Georgia. Eduard Shevardnadze, the widely admired foreign minister under Russian President Gorbachev, had been elected President of Georgia after the Soviet system's disintegration in 1990.

Even though Georgia had access to plentiful and inexpensive natural gas reserves from nearby countries, its own country wide gas pipeline system was governed by a board of directors controlled by Russian energy giant Gazprom. Therefore Tbilisi's local gas utility could not negotiate long term gas delivery contracts from any inexpensive sources, because Gazprom could still force all the gas it purchased to be bought from them at much higher prices.

I hope you have enjoyed these few short stories from my personal experience, and that you will take a moment confidentially to share your candid comments or brief questions

Anything we discuss directly or by Email will be in strict confidence, at no charge. I greatly appreciate your time and interest, and for taking the trouble to respond with a brief Email or phone call.

**John E. Burget Project Capital Strategies
281-549-6088(W) 956-501-3713(M)**

johnburget@comcast.net

www.Linkedin.com/in/ProjectFinanceExpert