

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

)	
In re:)	Chapter 11
)	
EDISON MISSION ENERGY, <u>et al.</u> , ¹)	Case No. 12-49219 (JPC)
)	
Debtors.)	(Jointly Administered)
)	

**DECLARATION OF MARIA RIGATTI IN SUPPORT OF CHAPTER 11
PETITIONS OF AND FIRST DAY RELIEF FOR HOMER CITY DEBTORS**

I, Maria Rigatti, hereby declare under penalty of perjury:

1. I am: (a) a Vice President and the Chief Financial Officer of Mission Energy Westside, Inc., the general partner of debtor and debtor in possession EME Homer City Generation L.P. (“EMEHC”), a limited partnership organized under the laws of the Commonwealth of Pennsylvania; (b) a Vice President and the Chief Financial Officer of debtor and debtor in possession Homer City Property Holdings, Inc. (“Property Holdings”), a California corporation; and (c) the President and Chief Financial Officer of Edison Mission Finance Co. (“Finance” and, together with EMEHC and Property Holdings, the “Homer City Debtors”), a California corporation. I am generally familiar with the Homer City Debtors’ businesses, financial affairs, and books and records.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Edison Mission Energy (1807); Camino Energy Company (2601); Chestnut Ridge Energy Company (6590); Edison Mission Energy Fuel Services, LLC (4630); Edison Mission Fuel Resources, Inc. (3014); Edison Mission Fuel Transportation, Inc. (3012); Edison Mission Holdings Co. (6940); Edison Mission Finance Co. (9202); Midwest Holdings Co. (6553); EME Homer City Generation L.P. (6938); Homer City Property Holdings, Inc. (1685); Midwest Finance Corp. (9350); Midwest Generation EME, LLC (1760); Midwest Generation, LLC (8558); Midwest Generation Procurement Services, LLC (2634); Midwest Peaker Holdings, Inc. (5282); Mission Energy Westside, Inc. (0657); San Joaquin Energy Company (1346); Southern Sierra Energy Company (6754); and Western Sierra Energy Company (1447). The location of parent Debtor Edison Mission Energy’s corporate headquarters and the Debtors’ service address is: 3 MacArthur Place, Suite 100, Santa Ana, California 92707.

2. I understand that the Homer City Debtors have filed the *Debtors' Motion for Order Applying Certain Orders in Initial Debtors' Chapter 11 Cases to Homer City Debtors* (the "First Day Motion") and the *Debtors' Motion for Order Directing Joint Administration of Initial Debtors' and Homer City Debtors' Chapter 11 Cases* (the "Joint Administration Motion"). I understand that the First Day Motion seeks entry of an order applying certain orders previously entered in the chapter 11 cases of Edison Mission Energy and certain of its domestic subsidiaries (collectively, the "Initial Debtors" and, together with the Homer City Debtors, the "Debtors") to the Homer City Debtors in their chapter 11 cases, effective *nunc pro tunc* to the date of commencement of the Homer City Debtors' chapter 11 cases. I further understand that the Joint Administration Motion seeks entry of an order directing joint administration of the Initial Debtors' and the Homer City Debtors' respective chapter 11 cases. I am familiar with the contents of the First Day Motion and the Joint Administration Motion and I believe that the relief sought therein is necessary to enable the Homer City Debtors to transition smoothly into chapter 11 and best serves the Debtors' estates and creditors' interests.

3. I submit this declaration to provide an overview of the Homer City Debtors, their affairs, and their chapter 11 cases and to support the Homer City Debtors' chapter 11 petitions, the First Day Motion, and the Joint Administration Motion. Except as otherwise indicated herein, all facts set forth in this declaration are based upon my personal knowledge of the Homer City Debtors' operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Homer City Debtors' management and advisors, or my opinion based on my experience, knowledge, and information concerning the Homer City Debtors' operations and financial condition. I am authorized to

submit this declaration on behalf of the Homer City Debtors and, if called upon to testify, I could and would testify competently to the facts set forth herein.

Background Regarding the Debtors and Their Chapter 11 Cases

4. Edison Mission Energy, together with its Debtor and non-Debtor affiliates, is a leading independent power producing enterprise specializing in developing, operating, and selling energy and capacity from approximately 40 generating facilities in 12 states and the Republic of Turkey. The Debtors have approximately 925 employees and maintain headquarters in Chicago, Illinois and Santa Ana, California.

5. On December 17, 2012, the Initial Debtors filed voluntary petitions with this Court under chapter 11 of the Bankruptcy Code. The Initial Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On December 18, 2012, the Court entered an order [Docket No. 115] approving procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b) (as amended by the Court's order entered on December 21, 2012 [Docket No. 154]).

6. Similarly, on the date hereof, each of the Homer City Debtors filed a voluntary petition with this Court under chapter 11 of the Bankruptcy Code. The Homer City Debtors are managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrently with the filing of this Motion, the Debtors requested procedural consolidation and joint administration of the chapter 11 cases of the Homer City Debtors and the Initial Debtors pursuant to Bankruptcy Rule 1015(b).

7. No party has requested the appointment of a trustee or examiner in these chapter 11 cases. On January 7, 2013, the U.S. Trustee for the Northern District of Illinois

appointed an official committee of unsecured creditors in these chapter 11 cases [Docket No. 202] (as amended on January 18, 2013 [Docket No. 308]).

Events Leading to EMEHC's Chapter 11 Case

I. The Homer City Debtors' Organizational Structure

8. EMEHC is a limited partnership formed under the laws of the Commonwealth of Pennsylvania. Initial Debtor Mission Energy Westside, Inc. ("Westside") is EMEHC's general partner and holds a 0.1-percent partnership interest in EMEHC. Initial Debtor Chestnut Ridge Energy Company ("Chestnut") holds a 99.9-percent limited partnership interest in EMEHC. Property Holdings and Finance are each corporations formed under the laws of the State of California. Each Homer City Debtor is an indirect wholly-owned subsidiary of Initial Debtor Edison Mission Energy.

II. Homer City Generating Station

9. From December 2001 until December 14, 2012, EMEHC leased the Homer City Generating Station in Homer City, Pennsylvania (the "Facility") from eight owner lessors (collectively, the "Owner Lessors") pursuant to a sale-leaseback financing transaction (the "Sale-Leaseback Transaction"). In December 2001, EMEHC transferred the assets constituting the Facility to the Owner Lessors, which, in turn, leased the Facility back to EMEHC. EMEHC leased and operated the Facility until December 14, 2012, when, as discussed in greater detail below, EMEHC transferred the assets related to the Facility (and specified other assets and liabilities) to an affiliate of General Electric Capital Corporation ("GECC").²

² Through a subordinated revolving intercompany loan, Finance provided financing commitments to EMEHC in connection with its operation of the Facility. Property Holdings previously owned certain real property adjacent to the Facility. Substantially all of Property Holding's assets were transferred to an affiliate of GECC pursuant to the Master Transaction Agreement (as defined below).

10. The Facility includes three coal-fired electric generating units and related facilities with approximately 1,884 megawatts of generating capacity. EMEHC's non-Debtor affiliate, Edison Mission Marketing & Trading, Inc. ("EMMT"), on behalf of EMEHC, marketed and sold energy, capacity, and ancillary services from the Facility into the PJM Interconnection, LLC ("PJM") and/or New York Independent System Operator ("NYISO") marketplaces.³

11. To finance the Sale-Leaseback Transaction, the Owner Lessors issued lessor notes (collectively, the "Lessor Notes") pursuant to certain lease indentures, which Lessor Notes were held by Homer City Funding, LLC ("Homer City Funding"), a special purpose financing entity (unaffiliated with the Debtors) that, in turn, issued bonds (collectively, the "Homer City Funding Bonds," the holders of such bonds, the "Homer City Funding Bondholders") pursuant to an indenture. Lease payments made by EMEHC serviced principal and interest payments on the Lessor Notes, which payments serviced principal and interest payments on the Homer City Funding Bonds, as well as payments to the Sale-Leaseback Transactions' equity investors. As of June 30, 2012, approximately \$640 million in aggregate principal amount of Homer City Funding Bonds were outstanding, which bonds were held and traded publicly by a number of different holders.

III. Effect of Environmental Regulations and Rules on EMEHC

12. Legislative and regulatory activities by federal, state, and local authorities in the United States relating to energy and the environment imposed numerous restrictions and requirements with respect to the operation of the Facility. In 2011, the United States Environmental Protection Agency (the "U.S. EPA") adopted the Cross-State Air Pollution Rule,

³ PJM and NYISO coordinate the transmission of electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

which established emissions reduction targets for sulfur dioxide and nitrogen oxide. These regulations were to have been implemented in two phases, the first to become effective in January 2012 and the second phase in January 2014. While the rule was subsequently stayed, and then vacated, by the United States Court of Appeals for the District of Columbia, EMEHC commenced construction of flue-gas desulfurization equipment or “scrubbers” at the Facility in July 2012 to meet then anticipated regulatory deadlines. The cost of construction and installation of the scrubbers was estimated at approximately \$700 million to \$750 million.

IV. Restructuring Discussions and the Master Transaction Agreement

13. As EMEHC did not have, and did not expect to generate, sufficient capital to fund installation of the scrubbers, and the operative documents governing the Sale-Leaseback Transaction limited EMEHC’s ability to incur additional indebtedness, EMEHC sought new equity capital to fund construction of the scrubbers. Despite EMEHC’s extensive marketing efforts, however, EMEHC did not receive any qualified bids, leaving EMEHC with insufficient liquidity to fund construction of the scrubbers. In addition, due to depressed power prices, there was also insufficient liquidity to fund some or all of the lease payments due in April and October 2012. As a result, EMEHC and GECC, the indirect owner of seven of eight Owner Lessors, entered into discussions regarding a potential restructuring of the Facility’s capital structure, including a potential investment in the Facility for the scrubbers by GECC or an affiliate. These discussions were productive, and the parties entered into an implementation agreement to facilitate the transition of beneficial ownership of the Facility to an affiliate of GECC with the consent of Metropolitan Life Insurance Company, the indirect equity owner of the remaining Owner Lessor, pursuant to a master transaction agreement. The parties subsequently executed a definitive master transaction agreement that contemplated transferring the assets related to the

Facility and specified other assets and liabilities to a GECC affiliate as part of a transaction consummated through a prepackaged bankruptcy of Homer City Funding.⁴

A. The Implementation Agreement

14. On March 29, 2012, EMEHC and GECC entered into that certain Implementation Agreement (the “Implementation Agreement”), pursuant to which EMEHC agreed to transfer certain of its assets (including its leasehold interest in the Facility and its ownership interest in the Facility site) and certain liabilities to GECC in exchange for GECC’s agreement to enter into certain agreements for maintenance of the Facility and construction of the scrubbers.

15. Construction of the scrubbers, funded by GECC, began shortly thereafter. In addition, GECC and all of the Homer City Funding Bondholders entered into a plan support agreement and related term sheet regarding a turnover of the Facility to GECC and a restructuring of the Homer City Funding Bonds, clearing the way for the parties to enter into a comprehensive agreement addressing all issues related to the Facility and its capital structure.

B. The Master Transaction Agreement

16. EMEHC and Homer City Generation, L.P. (the “Assignee”), an affiliate of GECC, entered into that certain Master Transaction Agreement (the “Master Transaction Agreement”), dated as of September 21, 2012. Under the Master Transaction Agreement, EMEHC agreed, consistent with the Implementation Agreement’s framework, to transfer beneficial ownership of the Facility and certain related assets and assumed liabilities to the Assignee in exchange for a release of its obligations to the Owner Lessors under the Sale-Leaseback Transaction.

⁴ Section IV.C includes additional details regarding this transaction and the related chapter 11 case.

C. The Homer City Funding Chapter 11 Case

17. To consummate the transactions contemplated by the Master Transaction Agreement, Homer City Funding commenced a prepackaged case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on November 6, 2012, with the support of all of the Homer City Funding Bondholders.⁵ On December 7, 2012, the bankruptcy court overseeing Homer City Funding's chapter 11 case entered an order confirming Homer City Funding's chapter 11 plan. The parties consummated the transactions contemplated by the Master Transaction Agreement on December 14, 2012.

D. Assets and Liabilities

18. As of April 30, 2013, EMEHC had approximately \$2,500 of cash on hand. Finance and Property Holdings have no cash on hand, nor do they maintain bank accounts.⁶

19. In January 2011, the U.S. EPA filed a complaint in the United States District Court for the Western District of Pennsylvania against EMEHC and the Owner Lessors alleging, among other things, violations of Title V of the Clean Air Act, codified at 42 U.S.C. §7401 et seq., as a result of projects that EMEHC's codefendant-predecessors allegedly engaged in during the 1990s without obtaining proper permits from the U.S. EPA. In addition to civil fines and other monetary penalties, the U.S. EPA's complaint sought, among other things, injunctive relief that, if granted, would require the installation of controls and other upgrades sufficient to cause the Facility to meet emission rates established by the U.S. EPA. The Pennsylvania Department of Environmental Protection, the State of New York, and the State of New Jersey,

⁵ See In re Homer City Funding, LLC, No. 12-13024 (KG) (Bankr. D. Del.).

⁶ Finance and Property Holdings do not have any known material liabilities other than certain contingent, unliquidated, and disputed claims related to a personal injury claim asserted by a personal injury plaintiff against the Homer City Debtors and certain non-Debtor affiliates in Pennsylvania state court.

among other interested parties, also intervened in the lawsuit. In October 2011, the U.S. EPA's and the intervenors' claims were dismissed in their entirety, with prejudice. An appeal of the dismissal is pending before the United States Court of Appeals for the Third Circuit.

20. EMEHC historically provided welfare benefits to certain of its employees and retirees and their respective qualifying dependents. Rather than directly sponsoring a benefits plan, EMEHC participated in the Edison International Welfare Benefit Plan (the "Plan"), which Plan is sponsored by non-Debtor affiliate Southern California Edison Company ("SCE"). With SCE's consent, EMEHC withdrew from the Plan effective as of May 1, 2013; the final day of coverage under the Plan will be June 30, 2013. EMEHC participates separately in the Edison International Retirement Plan for Bargaining Unit Employees of EME Homer City Generation L.P., the Edison International Retirement Plan for Bargaining Unit Employees of Midwest Generation, LLC, and the Southern California Edison Company Retirement Plan, which historically covered, among others, certain non-represented EMEHC employees.

First Day Relief

21. To provide a centralized forum to address their remaining obligations, administer their remaining assets, and maximize value for their stakeholders, including certain Debtors, the Homer City Debtors commenced cases under chapter 11 of the Bankruptcy Code on the date hereof. Concurrently with the commencement of the Homer City Debtors' chapter 11 cases, I understand that the Debtors filed the First Day Motion and the Joint Administration Motion.

I. Joint Administration Motion

22. Given the integrated nature of the Debtors' affairs, I understand that joint administration of the Initial Debtors' and the Homer City Debtors' respective chapter 11 cases will provide significant administrative convenience. For example, I understand that joint administration will provide a host of benefits to the Debtors and their stakeholders by, among

other things: (a) permitting parties to send combined notices to both the stakeholders of the Homer City Debtors and the Initial Debtors and file pleadings on a single docket; (b) permitting counsel for all parties in interest to include the Homer City Debtors' and the Initial Debtors' respective chapter 11 cases in a single caption on documents that are filed and served in these cases; and (c) enabling parties in interest to be apprised of the various matters before the Court in each of these chapter 11 cases.

23. Moreover, I understand that joint administration will not adversely affect the Homer City Debtors' or the Initial Debtors' respective constituencies because this Motion requests only administrative, not substantive, consolidation of the estates. As a result, I understand that parties in interest will benefit from the cost reductions associated with the joint administration of the Initial Debtors' and the Homer City Debtors' respective chapter 11 cases and will not be harmed by the relief requested. Accordingly, I believe that that the joint administration of the Initial Debtors' and the Homer City Debtors' respective chapter 11 cases is in the best interests of their estates, their creditors, and all other parties in interest.

II. First Day Motion

24. To eliminate the need to file duplicative applications and motions and reduce the burdens on this Court and parties in interest, I understand that the Debtors now seek to apply the Initial Debtors' Orders (as defined in the First Day Motion) to the Homer City Debtors. Had the Homer City Debtors filed chapter 11 petitions at the same time as the Initial Debtors, each Homer City Debtor would have requested entry of the Initial Debtors' Orders at that time together with the Initial Debtors. I understand that the Debtors seek to streamline the motion process in connection with the relief requested herein, while at the same time providing the same requisite facts and justification for such relief as if the Homer City Debtors had filed such motions. I believe that the relief requested in the First Day Motion is necessary for the Homer

City Debtors to transition smoothly into chapter 11 with a minimum of delay, cost, and expense for the benefit of all parties in interest.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Chicago, Illinois
Dated: May 2, 2013



Maria Rigatti

Vice President and Chief Financial Officer
Mission Energy Westside, Inc.
Homer City Property Holdings, Inc.

President and Chief Financial Officer
Edison Mission Finance Co.