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MAY 22 2014

**Electricity Delivery and  
Energy Reliability** May 22, 2014

Christopher Lawrence  
U.S. Department of Energy, OE-20  
Office of Electric Delivery and Energy Reliability  
1000 Independence Avenue, SW  
Washington, DC 20585

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**Re: Application of Frontera Generation Limited Partnership and Lonestar  
Power Marketing LLC for Transfer of Authorization to Transmit Electric  
Energy to Mexico, Docket No. EA-206**

Dear Mr. Lawrence,

Enclosed please find: (i) an original and two copies of the above-referenced Application of Frontera Generation Limited Partnership and Lonestar Power Marketing LLC for Transfer of Authorization to Transmit Electric Energy to Mexico; and (ii) a check in the amount of \$500.00, payable to the Treasurer of the United States, as required by 10 C.F.R. § 205.309. Pursuant to 10 C.F.R. § 205.309, a copy of the Application is also being filed with the Federal Energy Regulatory Commission.

Respectfully,

**US Department of Energy**

MAY 22 2014

**Electricity Delivery and  
Energy Reliability**



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Dated: May 22, 2014

*Counsel for Lonestar Power Marketing LLC  
and Frontera Generation Limited Partnership*



At the time the presidential permit and export authorization were issued, Frontera and its then general partner, CSW Frontera GP II, were wholly-owned subsidiaries of CSW Energy, Inc., a Texas corporation involved in the non-regulated generation and sale of electric power. On March 15, 2001, the partnership interests of Frontera were transferred from CSW Frontera GP II, Inc. and CSW Frontera LP II, Inc. to TPS Tejas GP, LLC and TPS Tejas LP, LLC; these entities were in turn each wholly-owned subsidiaries of TPS Tejas Holdings, Inc., a Florida corporation which itself was a wholly-owned subsidiary of TECO Power Services Corporation (“TPS”). One of TPS’ wholly-owned subsidiaries was TECO EnergySource, Inc. (“TES”).

On May 21, 2002, Frontera and TES jointly applied to DOE to have Frontera’s authority to export electric energy transferred from Frontera to TES. Frontera and TES made this request because they contemplated making retail sales of electric energy from the Frontera Generating Station to one or more entities in Mexico, and Frontera was prohibited from engaging in retail sales because of its status as an Exempt Wholesale Generator pursuant to Section 32 of the Public Utility Holding Company Act of 1935. On August 6, 2002, in Order No. EA-206-A, FE rescinded Frontera’s electricity export authorization and simultaneously authorized TES to export electric energy to Mexico using the PP-206 transmission facilities.

On October 1, 2004, Frontera and TES jointly applied to DOE to have the export authorization held by TES returned to Frontera due to a planned restructuring by the parent company of Frontera and TES, TECO Energy Inc. (“TECO Energy”). TECO Energy planned to restructure and exit the merchant energy business. One element of the restructuring was to be the sale of Frontera to a new parent company, Centrica North American Companies (“Centrica”). Under the terms of the proposed sale, Frontera would retain its corporate identity and also the authority to export electric energy on its own behalf. On January 6, 2005, in Order No. EA-206-

B, FE rescinded TES' authorization to export electric energy to Mexico and granted Frontera the Export Authorization, which allows Frontera to export electric energy to Mexico.

Until January 17, 2014, Frontera was a wholly-owned indirect subsidiary of Centrica North American Companies ("Centrica"). On January 17, 2014, Lonestar Generation LLC ("Lonestar Generation") acquired 100 percent of the indirect membership interests in Frontera from Centrica.<sup>1</sup>

## **II. DESCRIPTION OF APPLICANT**

The exact legal names of the applicants are Frontera Generation Limited Partnership and Lonestar Power Marketing LLC. Frontera and Lonestar are both wholly-owned subsidiaries of Lonestar Generation, which is a wholly-owned subsidiary of Blackstone Management Partners LLC. The owner and controlling entity of Blackstone Management Partners is The Blackstone Group L.P. ("Blackstone"), a leading global alternative asset manager and provider of financial advisory services. Blackstone's alternative asset management businesses include the management of corporate private equity funds, real estate opportunity funds, funds of hedge funds, mezzanine funds, senior debt funds, proprietary hedge funds, and closed-end mutual funds.

### **A. Frontera Generation Limited Partnership**

Frontera is a Delaware limited partnership that owns and operates the Frontera Generating Station, a 524 megawatt ("MW") electric generating facility located in Hidalgo County, Texas. Frontera is an Exempt Wholesale Generator, as defined in section 32 of the Public Utility Holding Company Act of 1935, as incorporated by the Public Utility Holding Company Act of 2005, 42 U.S.C. § 16451(6), and is engaged exclusively in the business of

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<sup>1</sup> Frontera notified DOE of this change in upstream ownership on January 27, 2014.

owning and operating an “eligible facility” and selling electric energy at wholesale.<sup>2</sup> In addition to Delaware, Frontera is also authorized to do business in the State of Texas. Frontera is registered with the North American Electric Reliability Corporation (“NERC”) as a Generation Owner and a Generation Operator and will comply with the applicable reliability standards promulgated by NERC and the Federal Energy Regulatory Commission (“FERC”) and the Texas Reliability Entity, Inc. (“Texas RE”).

**B. Lonestar Power Marketing LLC**

Lonestar is a Delaware limited liability company formed for the purpose of marketing some of the output from the Frontera Generating Station. Lonestar will operate as a power marketer and will apply to the FERC for authority to make sales of electricity at market-based rates. Lonestar does not own, operate or control any electric generation or transmission facilities. Lonestar will be a Purchasing Selling Entity, as defined by the NERC, and will register as such with NERC. Lonestar will comply with the reliability standards promulgated by NERC, FERC and the Texas RE, as well as all terms and conditions contained in the Export Authorization. Lonestar is authorized to do business in both Delaware and Texas.

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<sup>2</sup> *Frontera Generation LP*, 61 FERC ¶ 61,155 (1999) (finding Frontera to be an Exempt Wholesale Generator).

### III. COMMUNICATIONS

Thomas Favinger  
Chief Executive Officer  
Lonestar Power Marketing LLC  
c/o The Blackstone Group L.P.  
345 Park Avenue  
New York, New York 10154

Thomas Favinger  
Chief Executive Officer  
Frontera Generation GP, LLC  
320 S. Goodwin Road  
Mission, Texas 78572

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### IV. JURISDICTION

Applicants are not aware of any other Federal, State, or local government agency that has jurisdiction over the action to be taken in this application.

### V. DESCRIPTION OF TRANSMISSION FACILITIES

The Export Authorization grants Frontera the authority to transmit electric energy from the Frontera Generating Station to Mexico using the electric transmission facilities authorized in Presidential Permit PP-206. The facilities authorized by Presidential Permit PP-206 consist of a single-circuit 138-kilovolt (“kV”) transmission line, which may be replaced at a later date by a double-circuit 230-kV line. The Export Authorization provides that “Frontera may export electric energy over either the 138-kV or the 230-kV facilities authorized by that permit.”<sup>3</sup>

Lonestar requests continued authority to export electric energy to Mexico on the facilities authorized in Presidential Permit PP-206.

### VI. TECHNICAL DISCUSSION OF IMPACT OF PROPOSED EXPORTS

Section 202(e) of the Federal Power Act and DOE’s regulations provide that exports should be allowed unless the proposed export would impair the sufficiency of electric power

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<sup>3</sup> *Frontera General Limited Partnership*, Order No. EA-206-B at 2 (Jan. 6, 2005).

supply within the United States or would tend to impede the coordinated use of the United States power supply network.<sup>4</sup>

DOE has previously assessed the impact of the proposed exports authorized by the Export Authorization and determined that these exports “would not impair the sufficiency of electric power supply within the United States and would not impede the sufficiency of electric power supply within the United States and would not impede or tend to impede the coordination in the public interest of facilities within the jurisdiction of DOE.”<sup>5</sup> Lonestar has no electric power supply system on which the proposed exports could have a reliability, fuel use, or system stability impact. Further, Lonestar has no native load obligations usually associated with a franchised service territory. Therefore, allowing the continued export of electric energy generated by the Frontera Generating Station to Mexico by Lonestar will not negatively impact the reliability of the U.S. electric power supply system.

Lonestar will continue to comply with the terms and conditions contained in the Export Authorization, and will obtain any and all regulatory approvals required in order to effect any power exports.

## VII. EXHIBITS

Pursuant to Section 205.303 of DOE’s regulations,<sup>6</sup> the following exhibits are attached hereto as follows:

- Exhibit A – Not applicable
- Exhibit B – Legal Opinion of Lonestar’s Counsel
- Exhibit C – General Map Showing Applicants’ Overall Electric System and Location of Facilities to be Used for Export of Electric Energy
- Exhibit D – Not applicable

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<sup>4</sup> 16 U.S.C. § 824a(e).

<sup>5</sup> *Frontera General Limited Partnership*, Order No. EA-206-B at 2 (Jan. 6, 2005).

<sup>6</sup> 10 C.F.R. § 205.303

- Exhibit E – Not applicable
- Exhibit F – Not applicable

To the extent necessary, Applicants request a waiver of the requirement to provide the exhibits that are not applicable to their application, as noted.

### **VIII. STATEMENT OF REASONS FOR TRANSFER**

Section 203.305(b) of DOE’s regulations<sup>7</sup> requires that parties provide a statement of the reasons for any voluntary transfer of an export authorization issued pursuant to section 202(e) of the Federal Power Act. Applicants seek to transfer the Export Authorization from Frontera to Lonestar because they contemplate making sales of electric energy from the Frontera Generating Station to one or more entities in Mexico, potentially including end-users, and Frontera is prohibited from engaging in end-user or “retail” sales because of its status as an Exempt Wholesale Generator. Therefore, the parties seek to transfer the Export Authorization to Lonestar, which will be authorized by FERC to make sales at market-based rates and will not be restricted from making sales to end-users in Mexico.

### **IX. REQUEST FOR EXPEDITED REVIEW**

Applicants respectfully request expedited review of this application and issuance of an order granting the application in 60 days. Issuing an order within 60 days is consistent with DOE precedent regarding approval of renewal and transfer applications.<sup>8</sup> Applicants are currently in dialogue with potential customers in Mexico, but their options are limited because regulations in Mexico limit wholesale sales and because U.S. regulations prevent Frontera from making retail sales. Expeditious processing of this application will enable Applicants to re-

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<sup>7</sup> 10 C.F.R. § 203.305(b).

<sup>8</sup> See, e.g., *Bruce Power Inc.*, Order No. EA-349-A (Apr. 17, 2014) (granting renewal of export authorization in 58 days); *NextEra Energy Power Marketing, LLC*, Order No. EA-348-B (Feb. 11, 2014) (granting renewal of export authorization in 53 days); *Dynegy Power Marketing, Inc.*, Order No. EA-121-B (Jun. 10, 2004) (granting renewal of export authorization in 28 days).

structure in such a way that they can pursue both wholesale and retail commercial opportunities, looking for ways to sell power to the highest valued users, while operating within all applicable regulatory limitations. Any delay in processing this application will prevent Applicants from being able to enter into contracts for the duration of the delay, and substantial delay may materially damage Applicants' bargaining position and ability to enter into agreements for the longer-term.

**X. CONCLUSION**

For the reasons contained herein, Applicants respectfully request that DOE authorize the transfer of Frontera's export authorization to Lonestar in 60 days.

Respectfully submitted,



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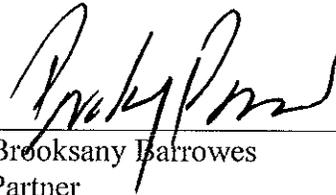
May 22, 2014

**EXHIBIT B**  
**OPINION OF LEGAL COUNSEL**

## LEGAL OPINION

The following opinion is given in support of the application of Frontera Generation, LP and Lonestar Power Marketing LLC to transfer the Authorization to Transmit Electric Energy to Mexico.

1. I am an attorney at law, authorized to practice in the District of Columbia;
2. I am counsel for Lonestar Power Marketing LLC;
3. Lonestar Power Marketing LLC has full corporate power and authority to engage in the export of electricity as proposed in the Application; and
4. Lonestar Power Marketing LLC will comply with all pertinent Federal and state laws.



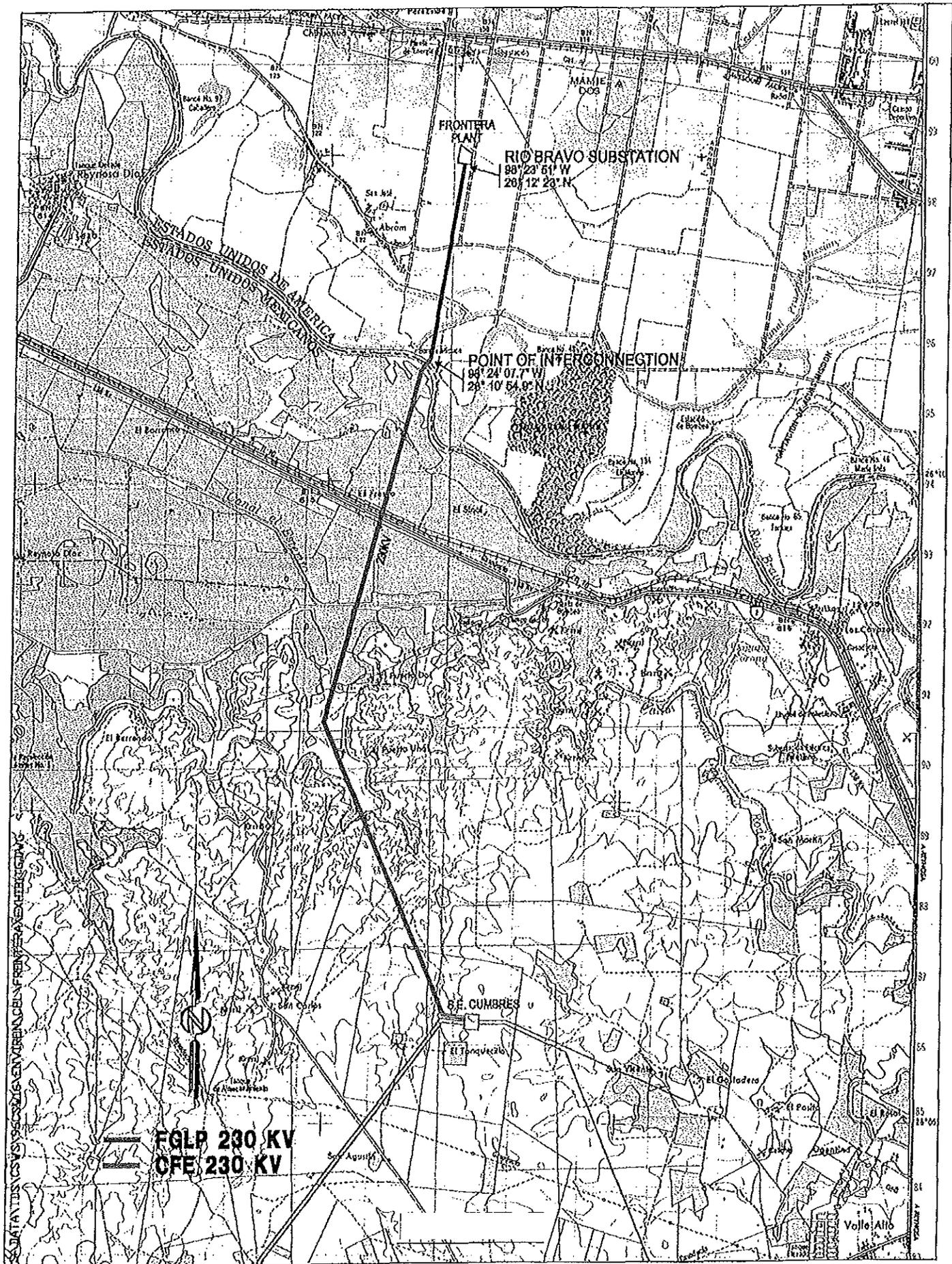
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Brooksany Barrowes  
Partner  
Baker Botts L.L.P.

Date: May 20, 2014

**EXHIBIT C**

**GENERAL MAP SHOWING APPLICANTS' OVERALL ELECTRIC SYSTEM AND  
LOCATION OF FACILITIES TO BE USED FOR EXPORT OF ELECTRIC ENERGY**



## VERIFICATION

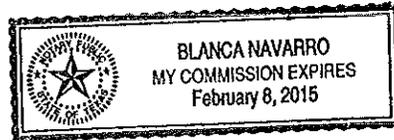
VERIFICATION

I, Thomas Favinger, being duly sworn on his own, do hereby affirm that I am Chief Executive Officer of Lonestar Power Marketing LLC and have authority to file the foregoing document, and that I have examined the statements contained therein and that all such statements are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Thomas Favinger  
Chief Executive Officer  
Lonestar Power Marketing LLC

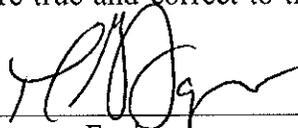
Subscribed and sworn to before me this 21st day of May, 2014.

  
\_\_\_\_\_  
My Commission Expires 02-8, 20 15



**VERIFICATION**

I, Thomas Favinger, being duly sworn on his own, do hereby affirm that I am Chief Executive Officer of Frontera Generation GP, LLC, the general partner of Frontera Generation Limited Partnership, and have authority to file the foregoing document, and that I have examined the statements contained therein and that all such statements are true and correct to the best of my knowledge, information, and belief.



Thomas Favinger  
Chief Executive Officer  
Frontera Generation GP, LLC

Subscribed and sworn to before me this 21st day of May, 2014.



My Commission Expires 2-8, 2015

