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Beacon Power, Backed by U.S. Loan Guarantees, Files Bankruptcy

By Dawn McCarty on October 31, 2011

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Oct. 31 (Bloomberg) -- Beacon Power Corp., an energy-storage company that received \$43 million in backing from the U.S. program that supported failed solar-panel maker Solyndra LLC, filed for bankruptcy after struggling to raise private financing.

The money-losing company, which makes flywheels that manage energy moving through a power grid, had sought to avoid the fate of Solyndra, which entered bankruptcy last month after receiving a \$535 million loan guarantee from a U.S. Energy Department program designed to spur alternative energy development. Beacon faced delisting of its shares by the Nasdaq Stock Market and warned in an Aug. 9 regulatory filing that it might not remain a "going concern."

"The current economic and political climate, the financing terms mandated by DOE, and Beacon's recent delisting notice from Nasdaq have together severely restricted Beacon's access to additional investments through the equity markets," Chief Executive Officer F. William Capp said in papers filed yesterday in U.S. Bankruptcy Court in Wilmington, Delaware.

Beacon, based in Tyngsboro, Massachusetts, listed assets of \$72 million and debt of \$47 million in its Chapter 11 petition. Two affiliates also entered court protection.

Beacon's first grid-scale plant, with 200 flywheels, began operating in January. The 20-megawatt facility in Stephentown, New York, was funded using the \$43 million Energy Department loan guarantee issued in August 2010. About \$39.1 million is currently due under the loan, Capp said.

Pennsylvania Grants

In addition, Beacon received \$29 million in grants from the U.S. and Pennsylvania for a 20-megawatt plant in that state and hired Group Robinson LLC to help raise more funds for the \$53 million project. Group Robinson, a Menlo Park, California-based renewable-energy consulting company, also was helping Beacon find customers outside the U.S.

Beacon's U.S. loan agreement includes "many protections for the taxpayer," said Damien LaVera, an Energy Department spokesman.

"This plant itself, which is operational and generating revenue, is a valuable collateral asset," LaVera said in an e-mail yesterday. The Beacon Power subsidiary that received the loan guarantee "has cash reserves and proceeds from the plant that it was required to hold as collateral on the loan."

FERC Rule

The bankruptcy filing came 10 days after the Federal Energy Regulatory Commission approved a rule providing incentive payments to companies such as Beacon. The payments may double Beacon's revenue and make it easier to arrange financing, Walter Nasdeo, director of research at Ardour Capital in New York, said in an interview at the time.

Gene Hunt, a Beacon spokesman, and Jeremy Ryan of Potter Anderson & Corroon LLP, an attorney for Beacon in Wilmington, didn't immediately respond to e-mails seeking comment on the bankruptcy filing.

The Obama administration on Oct. 28 ordered a review of the Energy Department's loan guarantee program as congressional committees and the Federal Bureau of Investigation probe Solyndra's failure.

The administration's review, to be conducted by former Treasury official Herbert Allison, will look at the department's loan portfolio and focus on future monitoring and management, William Daley, President Barack Obama's chief of staff, said in a statement.

Fremont Factory

Solyndra used its loan guarantee, the biggest provided by the Obama administration for solar-power manufacturing, to build a \$733 million factory in Fremont, California. Republicans on the House Energy and Commerce Committee called a hearing for Nov. 3 to consider subpoenaing White House e-mails and documents about the process that led to Solyndra's guarantee, which was issued in September 2009. The energy panel has been investigating the loan since February.

"This latest failure is a sharp reminder that DOE has fallen well short of delivering the stimulus jobs that were promised," Representative Cliff Stearns, a Florida Republican and chairman of the House panel investigating Solyndra's award, said in an e-mail yesterday.

The House action may escalate the congressional investigation into the failed solar-panel maker, and force a legal fight over the White House's right to keep internal deliberations confidential.

The White House has said the committee received more than 70,000 pages of documents from federal agencies involved in the Solyndra loan guarantee.

Solyndra Terms

The Energy Department, which approved new loan terms for Solyndra in February that put taxpayer debt behind \$75 million in private investment in case of liquidation, rejected a second restructuring request the day before the company closed its doors on Aug. 31. Solyndra filed for bankruptcy on Sept. 6.

Beacon was founded in 1997 as a spinoff of SatCon Technology Corp.'s Energy Systems Division to develop advanced flywheel-based energy-storage technology. Beacon has invested more than \$200 million in research and development for the flywheel system and other products, Capp said in court papers.

Beacon's intellectual property includes 22 existing U.S. and 11 foreign patents, as well as six pending U.S. and 17 foreign patents, according to court papers.

Share Decline

The company's systems use 2,500-pound (1,134-kilogram) carbon fiber cylinders rotating as many as 16,000 times a minute to store kinetic energy.

The power can be converted into electricity quickly when a power grid needs an immediate bump to meet surges in demand. It also works in reverse when the grid has more power than needed.

Beacon closed at 45 cents on Oct. 28, down 1 cent in Nasdaq trading. The shares have plunged 80 percent this year, cutting the company's market value to \$12.8 million and prompting Nasdaq to warn Beacon that its stock might be delisted because the price had fallen below the \$1 minimum.

The case is *In re Beacon Power Corp.*, 11-13450, U.S. Bankruptcy Court, District of Delaware (Wilmington).

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