



Control Number: 41494



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DOCKET NO. 41494

**APPLICATION OF ELECTRANET
POWER, LLC FOR RETAIL
ELECTRIC PROVIDER
CERTIFICATION, PURSUANT TO
SUBST. R. §25.107**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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**COMMISSION STAFF'S RECOMMENDATION ON
DEFICIENCY/COMPLETENESS OF APPLICATION**

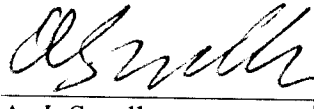
The Staff (Staff) of the Public Utility Commission of Texas (Commission) finds the May 15, 2013 application of Electranet Power, LLC to be insufficient and incomplete, based on the attached memorandum of Neal Frederick.

Dated: June 5, 2013

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director-Legal Division

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Managing Attorney-Legal Division



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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on June 5, 2013, in accordance with P.U.C. Procedural Rule 22.74.



A. J. Smullen

Public Utility Commission of Texas

Memorandum

June 5, 2013

TO: AJ Smullen, Attorney, Legal Division
FROM: Neal Frederick, Senior Financial Analyst, Competitive Markets Division *mf*
RE: Docket No. 41494 *Application of ElectraNet Power, LLC for
Retail Electric Provider Certification*

Recommendation on Completeness of the Application

ElectraNet Power, LLC ("ElectraNet") is requesting a new Option 1 REP Certificate. ElectraNet is not seeking authority to collect deposits or residential advance payments at this time. Order No. 1 requires that Commission Staff file a recommendation regarding the completeness of the application on or before June 5, 2013. The application is **not complete** from a financial perspective.

Access to Capital

P.U.C. Subst. R. 25.107(f)(1)(B) requires that a REP demonstrate shareholders' equity, determined in accordance with generally accepted accounting principles, of not less than \$1 million for the purpose of obtaining certification, and the REP must provide and maintain an irrevocable stand-by letter of credit payable to the Commission with a face value of not less than \$500,000 for the purpose of maintaining certification. Further, the rule requires that the required shareholders' equity shall be determined net of assets used for collateral pledged to secure the letter of credit, and places a two-year restriction on the distribution of capital to shareholders or affiliates. A REP that began serving load on or before January 1, 2009 is not required to demonstrate shareholders' equity and is not subject to the distribution restriction.

ElectraNet did not provide its audited financial statements for the most recent completed calendar or fiscal year and unaudited financial statements for the most recent completed quarter. ElectraNet did not provide the required letter of credit. The Commission's standard form for letters of credit is available on its internet webpage at <http://www.puc.texas.gov/industry/electric/forms/Default.aspx>

Risk Management Experience

P.U.C. Subst. R. 25.107(g)(1)(E) requires that a REP maintain at least one principal or employee who has five years of experience in energy commodity risk management of a substantial energy portfolio. Alternatively, the rule provides that a REP may provide documentation demonstrating that the REP has entered into a contract for a term not less than two years with a provider of commodity risk management services that has been providing such services for a substantial energy portfolio for at least five years. The rule defines “substantial energy portfolio” as managed electricity or gas market risks with a minimum value of at least \$10,000,000.

ElectraNet did not fully demonstrate its energy commodity risk management experience. Based on the information provided by ElectraNet in its application, I was unable to determine that the risk manager identified by ElectraNet has managed a “substantial energy portfolio” as defined by Commission rules.