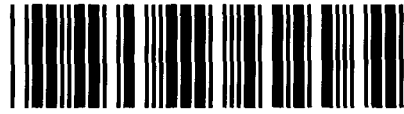




Control Number: 49270



Item Number: 5

Addendum StartPage: 0

RECEIVED

APPLICATION OF LOCKETT §
WINDFARM CLASS B MEMBER, §
LLC FOR APPROVAL PURSUANT §
TO § 39.158 OF THE PUBLIC §
UTILITY REGULATORY ACT §

PUBLIC UTILITY COMMISSION: 30
PUBLIC UTILITY COMM. OF TEXAS
FILING CLERK

COMMISSION STAFF’S FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this Final Recommendation. In support thereof, Staff shows the following:

I. BACKGROUND

On February 27, 2019, Lockett Windfarm Class B Member, LLC (Lockett or Applicant), filed an application pursuant to the requirements of §§ 39.154 and 39.158 of the Public Utility Regulatory Act (PURA).¹ The application seeks of a conveyance of certain passive equity interests in Lockett Windfarm Project Holdings, LLC (Lockett Holdings) to MidAmerican Wind Tax Equity Holdings, LLC (MidAmerican or Investor) (hereinafter the “Transaction”).

Lockett is the owner of 100% of the membership interests in Lockett Holdings, which is currently the owner of 100% of the membership interests in Lockett Windfarm, LLC (Project Company). The Project Company is constructing 183.75 MW wind-powered electric generation project that will be located in Wilbarger County, Texas and interconnected into the Electric Reliability Council of Texas (ERCOT) power region. Lincoln Clean Energy, LLC directly owns 100% of the membership interests in Lockett. Through the Transaction, Lockett will convert some of its currently-held interests to passive Class A interests and sell those interests to MidAmerican, and the remaining interests held by Lockett will become Class B interests.

Order No. 2 issued March 14, 2019, found the application and notice sufficient and adopted a procedural schedule setting April 22, 2019, as the deadline for Staff to request a hearing on the merits or make a final recommendation. Therefore, this pleading is timely filed.

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001 – 66.016 (PURA).

5

II. RECOMMENDATION ON FINAL DISPOSITION

Staff has reviewed Applicant's Application and Supplement, and, as supported by the attached memorandum of Werner Roth of the Commission's Competitive Markets Division, Staff recommends that the application be approved.

As further detailed in Mr. Roth's memorandum, the installed generation capacity owned by Lockett, MidAmerican, and their respective affiliates that is located in or capable of delivering energy into the Electric Reliability Council of Texas (ERCOT) power region is 5834.29 MW. Based on the total installed capacity in ERCOT of 89,348MW, the calculated combined share of capacity following the proposed transaction is approximately 6.53%. Therefore, Staff has concluded that the combined percentage share of the installed generation capacity in ERCOT does not exceed the 20% threshold set out in PURA § 39.154.


III. CONCLUSION

For the reasons discussed above, Staff respectfully recommends that Applicant's application be approved.

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

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DOCKET NO. 49270

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on April 18, 2019 in accordance with 16 TAC § 22.74.



Rashmin J. Asher

Public Utility Commission of Texas

Memorandum

TO: Rashmin Asher, Attorney
Legal Division

FROM: Werner Roth, Market Economist
Competitive Markets Division

DATE: April 18, 2019

RE: Docket No. 49270 - Application of Lockett Windfarm Class B Member, LLC for Approval Pursuant to Section 39.158 of the Public Utility Regulatory Act

On February 27, 2019, Lockett Windfarm Class B Member, LLC (Lockett) submitted an application (Application) with the Public Utility Commission of Texas (Commission) for approval of the conveyance of certain passive equity interests in Lockett Windfarm Project Holdings, LLC to MidAmerican Wind Tax Equity Holdings, LLC (MidAmerican) (the sale hereinafter referred to as the Transaction). The Transaction is expected to close by June 28, 2019.

Section 39.158(a) of the Public Utility Regulatory Act (PURA)¹ requires that:

An owner of electric generation facilities that offers electricity for sale in the state and proposes to merge, consolidate, or otherwise become affiliated with another owner of electric generation facilities that offers electricity for sale in this state shall obtain the approval of the [C]ommission before closing, if the electricity offered for sale in the power region by the merged, consolidated, or affiliated entity will exceed one percent of the total electricity for sale in the power region.

PURA requires the Commission “[to] approve the transaction unless the [C]ommission finds that the transaction results in a violation of [PURA] Section 39.154,”² which prohibits a power generation company from “own[ing] and control[ing] more than 20 percent of the installed generation capacity located in, or capable of delivering electricity to, a power region.”³

Lockett is the owner of 100% of the membership interests in Company, which is currently the owner of 100% of the membership interests in Lockett Windfarm, LLC (Project Company). The Project Company is constructing a 183.75 MW wind-powered electric generation project (the Project) that will be located in Wilbarger County, Texas and interconnected into the

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–66.016 (PURA).

² PURA § 39.158(a).

³ PURA § 39.154(a).

Electric Reliability Council of Texas (ERCOT) power region. Lincoln Clean Energy LLC directly owns 100% of the membership interests in Lockett. Through the Transaction, Lockett will convert some of its currently-held interests to passive Class A interests and sell those interests to MidAmerican, and the remaining interests held by Lockett will become controlling Class B interests.

The methodology used to calculate the percentage share of installed generation capacity located in ERCOT, or capable of delivering electricity into ERCOT, accounts for the capacity of the wind and solar generation facilities owned by Lockett, MidAmerican, and their respective affiliates at full nameplate value. The methodology used to calculate the total installed capacity in ERCOT discounts all wind and solar generation facilities across the ERCOT footprint based on the ERCOT CDR methodology, which applies a capacity credit for these resources based on the average capacity available during the 20 highest system-wide peak load hours for the previous summer peak load seasons.

As shown in Exhibit A of the Application, Lockett and its affiliates own approximately 1,218.89 MW of installed generation capacity that is located in ERCOT, including the capacity from the Project. Additionally, MidAmerican and its affiliates own approximately 3,795.4 MW of generation capacity that is located in ERCOT. In total, Lockett, MidAmerican, and their respective affiliates own approximately 5,014.29 MW of installed generation capacity that is located in ERCOT.

In addition, Lockett, MidAmerican, and their respective affiliates also own interests in generation assets in power regions capable of delivering electricity into ERCOT. In the Application, Lockett sets the value of the combined generation capacity owned in other power regions capable of being delivered into ERCOT equal to the maximum capacity of the direct current (DC) ties between ERCOT and the Eastern Interconnection, which total 820 MW. Combined with the total capacity located in the ERCOT region, the installed generation capacity owned by Lockett, MidAmerican, and their respective affiliates that is located in or capable of delivering energy into ERCOT is 5,834.29 MW. Based on the total installed capacity in ERCOT of 89,348 MW,⁴ the calculated combined share of capacity is approximately 6.53%.⁵

Staff has reviewed the Application and determined that the input numbers used in the calculation are in compliance with the Commission's Substantive Rules. In addition, the calculation of the percentage value appears to be in accordance with PURA § 39.154. Therefore, Staff has concluded that Lockett, MidAmerican, and their respective affiliates have a combined percentage share of installed generation capacity in ERCOT, or capable of delivery to ERCOT, that does not exceed the 20% threshold set by PURA § 39.154.

Staff recommends that the Application is in compliance with applicable Commission rules and statutes, and therefore that it should be approved.

⁴ See *Estimate of Installed Generation Capacity in ERCOT*, Project No. 39870, AIS Item 11 (January 25, 2019).

⁵ $5,834.29 \text{ MW} / 89,348 \text{ MW} = 6.53\%$.