



Control Number: 49437



Item Number: 6

Addendum StartPage: 0

DOCKET NO. 49437

APPLICATION OF CI-II BEARKAT
HOLDING B LLC UNDER § 39.158
OF THE PUBLIC UTILITY
REGULATORY ACT

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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 response to Order No. 2 and would show the following:

I. BACKGROUND

On April 11, 2019, CI-II Bearkat Holding B LLC (Bearkat) filed an application for approval of the sale of 100% of the managing membership interest in Bearkat to Terna DEN, LLC. Bearkat and Terna DEN, LLC and their respective affiliates and subsidiaries hold ownership interests in generation facilities that are interconnected to the Electric Reliability Council of Texas (ERCOT).

On May 6, 2019, Order No. 2 was issued, establishing a deadline of May 31, 2019, for Staff to file a recommendation on final disposition of the application or request a hearing on the merits. This pleading is therefore timely filed.

II. RECOMMENDATION

As detailed in the attached memorandum from Werner Roth in the Commission's Competitive Markets division, Staff has reviewed the application and recommends that the application be approved. As further detailed in the attached memorandum, the relevant entities combined own 3,670.01 MW of installed generation capacity that is located in or capable of delivering energy into the ERCOT region. Based on the total installed capacity in ERCOT of 89,348 MW,¹ the calculated combined share of capacity is approximately 4.11%.² As a result, Staff has concluded that the combined percentage share of installed generation capacity located in

¹ See *Estimate of Installed Generation Capacity in ERCOT*, Project No. 39870, AIS Item No. 11 (Jan. 25, 2019).

² 3,670.01 MW / 89,348 MW = 4.11%.

or capable of delivery into ERCOT does not exceed the 20% threshold of PURA³ § 39.154. Staff therefore recommends approval of the application.

III. CONCLUSION

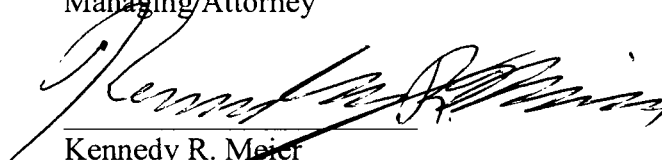
For the reasons detailed above, Staff recommends that the application be approved.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

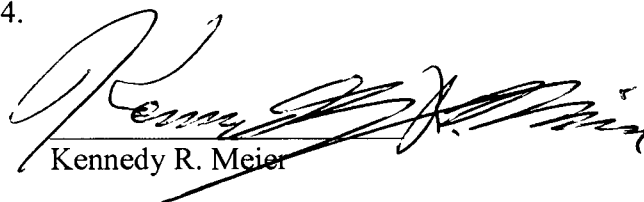


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DOCKET NO. 49437

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 31st of May, 2019 in accordance with 16 TAC § 22.74.



Kennedy R. Meier

³ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–66.016 (PURA).

Public Utility Commission of Texas

Memorandum

TO: Kennedy Meier, Attorney
Legal Division

FROM: Werner Roth, Market Economist
Competitive Markets Division

DATE: May 31, 2019

RE: Docket No. 49437 - Application of CI-II Bearkat Holding B LLC for Approval Pursuant to Section 39.158 of the Public Utility Regulatory Act

On April 11, 2019, CI-II Bearkat Holding B LLC (Applicant) submitted an application (Application) with the Public Utility Commission of Texas (Commission) for approval of a proposed transaction, wherein Terna DEN, LLC (Terna DEN) will acquire 100% of the interests in Applicant (the Transaction). The Transaction is expected to be completed on or before August 9, 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

Applicant is owned 68.25% by CI-II Bearkat QFPF LLC (QFPF LLC), 31.55% by CI-II Bearkat Non-QFPF Inc. (Non-QFPF), and 0.20% by Bearkat CIV II Inc. (CIV). QFPF LLC is wholly-owned by CI-II QFPF LP (QFPF LP). Bearkat Wind Energy I, LLC (Project Company) owns and operates a 196.65 MW wind-powered electric generation project (the Project) located in Glasscock County, Texas that is interconnected into the Electric Reliability Council of Texas

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

² PURA § 39.158(a).

³ PURA § 39.154(a).

(ERCOT) power region. The Project Company is owned by Bearkat I TE Partnership LLC (TE Partnership). BAL Investment & Advisory, Inc. (BALIA) and Antrim Corporation (Antrim) collectively own 100% of the passive Class A interests in TE Partnership, and Sponsor Bearkat I HoldCo LLC (Sponsor Member) owns 100% of the managing Class B interests in TE Partnership. Applicant in turn owns 100% of the interests in Sponsor Member. Through the Transaction, Terna DEN will acquire from Non-QFPF 31.55% of the interests in Applicant, from CIV 0.20% of the interests in Applicant, and from QFPF LP 100% of the interests in QFPF LLC, which holds the remaining 68.25% of the interests in Applicant. As a result, through direct and indirect means, Terna DEN will own 100% of the interests in Applicant, and thus will own the managing interests in TE Partnership, the Project Company, and the Project.

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 Applicant, Terna DEN, BALIA, Antrim, 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, Applicant and its affiliates own approximately 196.65 MW of installed generation capacity that is located in ERCOT. Terna DEN and its affiliates own approximately 313.4 MW of generation capacity that is located in ERCOT. BALIA and its affiliates own approximately 1,992.7 MW of generation capacity that is located in ERCOT. Antrim and its affiliates own approximately 347.26 MW of generation capacity that is located in ERCOT. In total, Applicant, Terna DEN, BALIA, Antrim, and their respective affiliates own approximately 2,850.01 MW of installed generation capacity that is located in ERCOT.

In addition, Applicant, Terna DEN, BALIA, Antrim, and their respective affiliates also own interests in generation assets in power regions capable of delivering electricity into ERCOT. In the Application, Applicant 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 Applicant, Terna DEN, BALIA, Antrim, and their respective affiliates that is located in or capable of delivering energy into ERCOT is 3,670.01 MW. Based on the total installed capacity in ERCOT of 89,348 MW,⁴ the calculated combined share of capacity is approximately 4.11%.⁵

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

⁵ $3,670.01 \text{ MW} / 89,348 \text{ MW} = 4.11\%$.

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 Applicant, Terna DEN, BALIA, Antrim, 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.