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**III. CONCLUSION**

For the reasons specified above, Staff respectfully recommends that Iberdrola's application be approved.

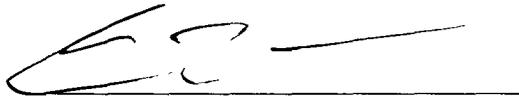
Dated: June 25, 2019

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

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**DOCKET NO. 49459**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on June 25, 2019, in accordance with 16 TAC § 22.74.

  
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Creighton R. McMurray

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Creighton McMurray, Attorney, Legal Division  
**FROM:** Mariah Benson, Economist, Competitive Markets Division  
**DATE:** June 24, 2019  
**RE:** Docket No. 49459 - *Application of Iberdrola Solutions, LLC. for a Retail Electric Provider Certificate*

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### **Recommendation**

#### **Regarding Approval of Financial Analysis for Application of REP Certificate**

##### **Applicant's Request**

On April 17, 2019, Iberdrola Solutions, LLC ("Applicant") filed an application requesting a new Option 1 Retail Electric Provider (REP) Certificate to provide retail electric services in the entire State of Texas. Order No. 3 (Granting Request for Extension) was issued on June 17, 2019 and requires that Commission Staff shall provide a supplemental final recommendation by June 25, 2019.

##### **Analysis**

###### *Access to Capital*

Pursuant to 16 Tex. Admin. Code (TAC) §25.107(f)(1)(A) a REP or its guarantor must demonstrate and maintain investment-grade credit rating or tangible net worth greater than or equal to \$100 million, a minimum current ratio (current assets divided by current liabilities) of 1.0, and a debt to total capitalization ratio not greater than 0.60, where all calculations exclude unrealized gains and losses resulting from valuing to market the power contracts and financial instruments

used as supply hedges to serve load, and such calculations are supported by an affidavit from an executive officer of the REP attesting to the accuracy of the calculation.

Pursuant to 16 TAC §25.107(f)(4)(G)(iii), a REP may rely upon a guarantor to meet the requirements of 16 TAC §25.107(f)(1)(A) if the guarantor is a financial institution that maintains an investment-grade credit rating and has executed and maintains guaranty agreements, business financial commitments, or credit support agreements that demonstrate financial support for credit or collateral requirements associated with power purchase agreements and for security associated with participation at ERCOT.

Iberdrola Solutions, LLC has provided a Collateral Support and Reimbursement agreement that meets the requirements of 16 TAC §25.107(f)(4)(G)(iii). In addition, the Applicant has provided a credit rating agency report which demonstrates compliance with 16 TAC §25.107(f)(1)(A)(i).

#### *Risk Management Experience*

Pursuant to 16 TAC §25.107(g)(1)(E) a REP must 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.

Iberdrola Solutions, LLC has provided the name and resume of at least one principal or permanent employee who has five years of experience in energy commodity risk management of a substantial energy portfolio pursuant to 16 TAC §25.107(g)(1)(E).

#### **Recommendation**

Iberdrola Solutions, LLC has demonstrated compliance with 16 TAC §§25.107(f)(1)(A), 25.107(f)(4)(G)(iii) and 25.107(g)(1)(E). I recommend the application be approved from a financial perspective.

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Creighton McMurray, Attorney  
Legal Division

**FROM:** Fred Goodwin, Competitive Market Analyst  
Competitive Markets Division

**DATE:** June 16, 2019

**RE:** Docket No. 49459 – *Application of Iberdrola Solutions LLC for a Retail Electric Provider Certificate*

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### **Recommendation on Final Disposition**

#### **Technical and Managerial Requirements**

#### **Application**

On April 17, 2019, Iberdrola Solutions LLC (Iberdrola or the Applicant) filed an application with the Public Utility Commission of Texas (Commission) for certification as an Option 1 retail electric provider (REP) in Texas pursuant to 16 Texas Administrative Code (TAC) § 25.107. Iberdrola supplemented its application on April 26, 2019, and on May 6, 2019 to provide additional information regarding its technical and managerial qualifications.

#### **Technical and Managerial Analysis**

The substantive technical and managerial requirements applicable to a new REP certification application are listed in 16 TAC § 25.107(g)(1).

Under 16 TAC §25.107(g)(1)(A)-(H), certain technical and managerial requirements must be satisfied by the REP in order to be certified by the Commission. Staff confirmed that the application provided evidence to satisfy the requirements as detailed in the chart below:

<i>Rule</i>	<i>Requirement</i>	<i>Applicant's Response</i>
16 TAC §25.107(g)(1)(A)	ERCOT scheduling, etc.	Confidential Attachment D-11
16 TAC §25.107(g)(1)(B)	ERCOT registration, etc.	Confidential Attachment D-11
16 TAC §25.107(g)(1)(C)	Renewable energy standards.	Confidential Attachment D-11
16 TAC §25.107(g)(1)(D)	Fifteen years comp. experience	Conf. Attachments D-4, D-11
16 TAC §25.107(g)(1)(E)	Risk management	Confidential Attachment D-5
16 TAC §25.107(g)(1)(F)	Adequate staffing	Confidential Attachment D-6
16 TAC §25.107(g)(1)(G)	Customer point of contact	Confidential Attachment D-11
16 TAC §25.107(g)(1)(H)	Customer service plan	Confidential Attachment D-11

Pursuant to 16 TAC §§ 25.107(g)(1)(A)-(D), the Applicant is required to comply with all procedures established by the ERCOT Independent System Operator (ISO); to register with and be certified by the ERCOT ISO; to comply with all renewable portfolio standards in accordance with 16 TAC § 25.173; and to demonstrate that the Applicant's principals or permanent employees in managerial positions have combined experience in the competitive retail electric service or a related industry that equals or exceeds fifteen years (an individual that was a principal of a REP that experienced a mass transition of the REP's customers to Provider of Last Resort shall not be considered for purposes of satisfying the fifteen-year managerial experience and shall not own more than 10% of a REP or directly or indirectly control a REP). The Applicant provided evidence in its original application and its supplemental filings to satisfy these requirements.

Pursuant to 16 TAC § 25.107(g)(1)(E), Iberdrola is required to have at least one principal or permanent employee who has five years of energy commodity risk management of a substantial energy portfolio. The risk-management qualifications (as well as the other financial qualifications of 16 TAC § 25.107(f)) of the Applicant will be reviewed separately by Staff.

Pursuant to 16 TAC §§ 25.107(g)(1)(F)-(H), Iberdrola is required to commit to adequate staffing and training, be the primary point of contact for its customers, and demonstrate its plans for a customer service plan that complies with the Commission's customer protection and anti-discrimination rules. The Applicant provided evidence in its original application and its supplemental filings to satisfy these requirements.

**Conclusion**

Based on Staff's review of Iberdrola's application as amended, specifically the Applicant's demonstrated Texas office requirement, its technical and managerial resources, and the signed affidavit for an Option 1 REP certificate, Iberdrola Solutions LLC is qualified to be certified as a REP in Texas.

Therefore, Staff recommends that the application be approved from a technical and managerial perspective. This memorandum does not address the financial or risk-management qualifications of the Applicant.

If you have any questions please contact Fred Goodwin at (512) 936-7454.