



## Filing Receipt

**Received - 2021-08-11 02:36:50 PM**  
**Control Number - 51587**  
**ItemNumber - 201**



168 E. Market Street  
Akron OH 44308

August 11, 2021

VIA E-FILING

Public Utility Commission of Texas  
Central Records  
1701 N Congress, Suite 8-100  
Austin, Texas 78701

Re: Energy Harbor LLC (Certificate No. 10274) – REP Semi-Annual Report

Dear Sir/Madam:

Energy Harbor LLC ("Energy Harbor"), a certified retail electric provider ("REP") (Option 1) in Texas, submits its REP Semi-Annual Report pursuant to TAC § 25.107(i)(5)(B).

Please be advised that in addition to the attached documents, pursuant to 16 TAC Section 22.71(d), Energy Harbor is also separately filing a portion of its Semi-Annual Report under confidential seal because the information constitutes sensitive commercial and financial information and/or is a trade secret. Specifically, Energy Harbor is filing under seal documentation and information pertaining to customer deposits or advance prepayments, which includes an affidavit containing confidential information.

If you have any questions or concerns about this information, please do not hesitate to contact me via email, [lthomas@energyharbor.com](mailto:lthomas@energyharbor.com) or phone, 330-315-7385.

Sincerely,

A handwritten signature in cursive script that reads "Lynne Thomas".

Lynne Thomas  
Regulatory Compliance Paralegal

Attachment

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns first-time Baa3 Issuer Rating to Energy Harbor; outlook stable**

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**27 Feb 2020**

New York, February 27, 2020 -- Moody's Investors Service, ("Moody's") assigned a first-time Issuer Rating of Baa3 to Energy Harbor Corp. ("Energy Harbor"), an independent power producer (IPP) operating in the PJM power market. The rating outlook is stable. Energy Harbor, formerly known as FirstEnergy Solutions Corp., emerged from bankruptcy as a new company on 27 February 2020.

#### Assignments:

..Issuer: Energy Harbor Corp.

.... Issuer Rating, Assigned Baa3

#### Outlook Actions:

..Issuer: Energy Harbor Corp.

....Outlook, Assigned Stable

#### RATINGS RATIONALE

The Baa3 rating reflects Energy Harbor's stable cash flow generated from power sales and capacity revenue in PJM as well as the Clean Air Credit revenue for its nuclear power plants in Ohio. It also incorporates Energy Harbor's very low leverage as it emerged out of bankruptcy with only \$431 million of tax-exempt secured debt and Moody's expectation that the company's leverage will remain low.

"As a new independent power company with a relatively small and concentrated generation portfolio consisting of approximately 6.8 GW of capacity, we expect Energy Harbor to maintain sufficient financial flexibility to absorb potential unexpected risk, particularly associated with the operation of its nuclear power plants," stated Jairo Chung, Moody's analyst. "Energy Harbor will exhibit stable earnings and cash flow generation if it is able to maintain strong and consistent nuclear plant performance and continue to benefit from Clean Air Credit revenue in Ohio," added Chung.

With approximately \$1 billion of cash on hand at the time of the emergence, Energy Harbor maintains ample liquidity, which we would expect will be augmented with the addition of external revolving credit and/or letter of credit facilities going forward. This is important in that the company maintains and expects to grow its regional retail energy business. Although Energy Harbor does not currently have an external source of liquidity, the high level of cash on hand will help in mitigating unexpected risks that may arise over time for either its generation or retail businesses.

The cost structure of Energy Harbor has improved over the last three years since it reduced the large generation portfolio that characterized FirstEnergy Solutions Corp., and pared it down to three nuclear plants and two baseload coal-fired power plants. Medium term, greater than 95% of Energy Harbor's cash flow is 'carbon-free'. In addition, over 60% of its cash flow is derived from its visible and carbon free clean air credits and retail business, with an additional 35% from its inherently carbon free nuclear assets. Thus, Moody's views Energy Harbor's carbon transition risk to be low, benefiting the company's overall risk profile.

Moody's expects Energy Harbor to face challenges associated with weak power market prices in PJM as well as the uncertainties surrounding the future of PJM's capacity market. However, Clean Air Credit revenue provides additional visibility into the company's cash flow, providing some buffer to absorb these market challenges. As Energy Harbor can operate its nuclear power plants at the current cost level or lower without jeopardizing its safety and reliability, Moody's expects the company to manage these challenges.

The company's financial metrics are expected to be very strong due to the very low level of debt on the balance sheet and robust cash flow from its clean air credits, retail and generation assets.

## Rating Outlook

The stable outlook incorporates Moody's expectation that Energy Harbor will continue to operate its nuclear power plants with high availability and capability factors, thereby generating relatively stable cash flow, and remain free cash flow positive while maintaining very low leverage.

### Factors that could lead to an upgrade

Given Energy Harbor's relatively small generation portfolio, regional and market concentration, and limited track record, a rating upgrade is not likely over the next few years. However, a rating upgrade could be considered if Energy Harbor is able to further improve its cash flow generation visibility through additional legislative-based payments; develops a consistent track record of operating its power plant portfolio, as well as demonstrates financial stability and strong liquidity management over time.

### Factors that could lead to a downgrade

A rating downgrade could be considered if Energy Harbor's cash flow decreases or if leverage increases significantly such that its CFO pre-WC to debt ratio falls to the low 30% range, or low 20% range on a nuclear fuel adjusted basis. Also, significant deterioration in its nuclear plant operations, that would increase its nuclear operating costs on a sustained basis, could also lead to a downgrade.

Headquartered in Akron, Ohio, Energy Harbor is an independent power producer in PJM, producing more than 40 TWh of power primarily from its three nuclear power plants: Beaver Valley, Davis-Besse and Perry. It also owns and operates two coal-fired power plants Sammis in Ohio and Pleasants in West Virginia.

The principal methodology used in these ratings was Unregulated Utilities and Unregulated Power Companies published in May 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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