



Control Number: 51812



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March 5, 2021

Chairman Arthur C. D'Andrea
Commissioner Shelly Botkin
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78711



RE: PUC Project No. 51812, Issues Related to the State of Disaster for the February 2021 Winter Weather Event

Dear Chairman and Commissioner,

I write to advise you of a multi-billion-dollar credit risk faced by ERCOT and by numerous companies in the Texas electric industry due to electric power pricing uncertainty arising from the extreme winter weather event in February. This problem can be mitigated only if a final and definitive decision to reprice the ERCOT market, or not, is promptly made and firmly communicated to the market.

We appreciate the very clear direction you both provided during this morning's meeting. It was apparent that you both have thought carefully about the impacts the market would experience if energy prices were retroactively adjusted. Yet even with your clear discussion this morning, the market may not perceive the outcome to be finally determined. The Wall Street Journal, reporting on this morning's meeting, stated that "The utility commission didn't vote to reject the independent market monitor's suggestion [of energy market repricing], leaving the door open for a change of policy in coming weeks." This letter is not about whether repricing is appropriate; we only ask that a final decision be made quickly and communicated definitively to avoid the ERCOT and industry credit risks I describe below.

Tenaska Power Services ("Tenaska") is one of the largest ERCOT Qualified Scheduling Entities ("QSE"), serving as QSE for approximately 100 generation customers, comprising nearly 20% of the ERCOT generation market. As QSE, Tenaska buys and sells energy through ERCOT on behalf of its power generator customers. In effect, Tenaska is the interface between ERCOT and those generators for whom Tenaska performs QSE services. Tenaska recently received billions of dollars from ERCOT for electricity that was bought and sold on behalf of its customers during last month's weather crisis. Tenaska in turn is prepared to distribute billions of dollars to its generator customers beginning next week and over the following several weeks. Companies like Tenaska are in a challenging position in paying their generator customers if the correct amount owed is currently uncertain and potentially subject to change due to decisions by the Texas government. As you know, the Public Utility Commission of Texas ordered ERCOT to administratively impose a price of \$9,000/MWh from Monday, February 15, 2021 to Friday,



14302 FNB Parkway
Omaha, Nebraska 68154-5212
402-691-9500
FAX: 402-691-9526

February 19, 2021. As I mentioned above, the press is reporting that ERCOT's mandated \$9,000/MWh pricing may be retroactively revised.

At a high level the risk is this: if QSEs like Tenaska distribute the funds received from ERCOT to their generator customers, and then there is a repricing event, the generators through the QSEs will be required to pay potentially enormous sums back to ERCOT, however the QSEs may not be able to recover those amounts from their generator customers if those funds were used to satisfy other obligations. This places QSEs as well as ERCOT in a very precarious position of potentially having to claw back billions of dollars from these generators. QSEs who are unable to recover all that they are owed may be unable to pay ERCOT.

Based on our understanding of ERCOT's credit policies, we believe the amount of collateral ERCOT holds from QSEs is a small fraction of the potential financial exposure that would be created by a material repricing event. This retroactive repricing and claw back risk obviously creates a large credit risk for Tenaska with respect to its customers, few if any of which could be expected to post additional collateral to secure obligations of this size. Tenaska believes most if not all of the larger QSEs are in the exact same situation. Thus, a delayed repricing scenario presents a massive credit exposure for QSEs, ERCOT, and for retail customers, and potentially for taxpayers, who could ultimately foot the bill for ERCOT's unsecured position.

Without clear and quick resolution to the repricing question, Tenaska and other QSEs that are simply part of the ERCOT payment process are caught in the middle, with no direct stake or ownership interest in the enormous amount of money involved here. The only comprehensive and reasonable solution is a timely and definitive decision on the currently unresolved repricing issue.

Thank you for your attention to this important matter. My team and I are available any time to discuss these matters with you in more detail, in whatever face to face or virtual format is most suitable.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry K. Crouse", with a long horizontal line extending to the right.

Jerry K. Crouse
Chief Executive Officer
Tenaska Energy, Inc.