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Troubled Rural Texas Utility 'Hopeful' for State Rescue Bill.

- **State grid says Rayburn Electric Cooperative owes \$641 million**
- **Legislation would let utilities securitize costs over years**

Amid a wave of bankruptcies by Texas electricity providers following February's crippling freeze, one cooperative says it can avoid Chapter 11 if state lawmakers pass legislation allowing it to pass on costs stemming from February's crippling winter storm.

"We have pretty high confidence in what the legislature is doing," David Naylor, chief executive officer of the Rayburn County Electric Cooperative Inc. said in a phone interview.

Texas lawmakers are advancing bills to reform the state's power market and address exorbitant costs resulting from the freeze, which knocked out nearly half of the state's power generation capacity, disrupted gas deliveries and pushed prices to unprecedented levels. Several power retailers and a large rural electric cooperative have already filed for bankruptcy under the crush of high bills.

The Electricity Reliability Council of Texas, the state's grid operator, says Rayburn owes \$641 million for electricity used during the storm.

The nonprofit utility, which serves 225,000 customers in Northeast Texas, disputes the amount and hasn't paid any of it, according to lawyers at Dentons, which is advising the cooperative on its financial options. The cooperative has also been getting advice from investment bank Jefferies Financial Group Inc.

Securitize Costs

Measures under consideration in the legislature include requiring generators and gas facilities to winterize with taxpayer help and to allow the issuance of bonds backed by future payments on customer bills as a way to spread the costs the utilities incurred over time.

"That ten days created enough disruption for people to start to reconsider the present structure of the Texas power market," said Colin Adams, senior managing director at M-III Partners in New York.

Rayburn expects the approval of a securitization bill by the end of May, when the current session ends, according to Clint Vince, an energy lawyer at Dentons. The utility is so confident that it will get some kind of help that it hasn't looked at any external financing so far, contrary to a recent S&P report.

'Last Resort'

Vince also said a Chapter 11 bankruptcy "would be an absolute last resort, and Rayburn is very hopeful that they don't have to go down that path."

In the mean time, the utility is working with Ercot, as the grid operator is known, to continue paying

its post-storm bills, he said.

"Everyone has agreed that we're going to see what happens with the state legislature and then make decisions at that point as to how to proceed," Vince said. "In our view, this whole event screams to have a market-wide solution."

S&P Global Ratings downgraded Rayburn from investment grade to low-rated junk last month on the expectation that it will default on its obligations to Ercot. It rates the utility CC due to a lack of liquidity to address its obligations.

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