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David Gordon

From: David Carter <dcarter204040@gmail.com>
Sent: Monday, October 9, 2023 2:24 PM
To: David Gordon
Cc: Steve Munisteri Policy Director for Gov Abbott; Commissioner Cobos; Commissioner Cobos Advisory Team; Sen Charles Schwertner SD 5
Subject: Statutory uses of the Texas Energy Fund - to increase total dispatchable capacity in & out of ERCOT region
Attachments: 230511 modified 7Sep23_ New Peak Demand capacity_How to obtain.docx; Texas Energy Fund - authorized uses.docx

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David, we visited briefly during the last bi-weekly PUC public meeting, about SB 2627 and associated PUC Project 54997.

I am preparing brief input to the next meeting on 12 Oct and public input before the deadline of 3pm Fri 13 Oct for Project 54997.

Having attended the House State Affairs Committee hearing on SB 2627, I sense a lack of clarity and focus on the "purposes" of the bill and the resulting PUC project. Please see my first attachment.

... I chatted briefly on the phone with Commissioner Cobos' chief of staff Jon Oliver Fri Oct 6th. I inquired about electrical generating plants that are mothballed or decommissioned, or scheduled to be mothballed or decommissioned. Will they be eligible for Texas Energy Fund loans? See 2nd attachment taken from the PUC website.

... I feel there needs to be a clear and focused report by the PUC and/or ERCOT staffs on 1) existing plant capacity, 2) new plants authorized/in construction, 3) renovations/expansions of existing plants (not mothballed or decommissioned), 4) mothballed, and 5) decommissioned but could be brought back into service, and 6) an exposition of a rational and sufficient "review, assessment, analysis of peak load capacity and projected need for additional plants to be "available" to service the need for continuously growing demand for electrical energy.

... Further, I, as a citizen and consumer of electrical energy, want to know if there is a map display that shows the service areas of all generating plants (non-wind or solar) and some kind of display of plants and associated regions that are most in need of "additional plants/capacity". In other words, how does ERCOT and the PUC display, for the information of plant managers and potential investors, where additional capacity (non-wind and solar) is most needed?

... From testimony at the hearing, two witnesses who actually have financed/built new plants expressed the view that the Texas Energy Fund was not needed, that investment capital is available - IF the unintended consequences of deregulation were addressed and "fixed". I shared these views with the Committee members the day after the hearing, but with no influence on the bill moving forward and being passed and signed by the governor. I shared this view briefly with Commissioner Cobos after the last PUC meeting, at the dais, but that was not a viable venue for fully informed discussion.

I request that this e-mail be accepted as my formal input to the staffing of public and corporate responses to Project 54997.

David Carter



Texas Electrical Generation Grid
Key findings from hearings in House State Affairs
Wednesday 10 May 2023 - - SB 2627

A. There are two completely different functions of electrical generators in the grid:

1. "Base load" and "Intermediate load" plants - which produce electricity continuously or which can be on line in ten minutes ("dispatchable), and

2. "Peak Load" plants - which are started up only a few days a year
- To cover "Peak loads" - typically for a few daylight hours on a couple of days in July, and continuously for a few days and nights (less than a week) in January or February.

1. Generator plants that produce electricity continuously. "Base load" and "Intermediate".

a. These plants have a steady, reliable income stream from customers using the product (electricity). That is, for their consumption of electricity, customers are billed an amount sufficient to pay the costs of

a) operations (fuel, salaries, and maintenance) and

b) regularly recurring loan payments to investors who financed the construction of the plants.

The investors invested with the normal expectation that they would be repaid, with some reasonable return/gain on their investment. This repayment is assured by the normal anticipation that customers/consumers of the product (electricity) would be charged sufficient to cover all costs. In other words, the consumer would constitute the "revenue stream" for repayment of construction debt.

SUMMARY: The "paragraaph 1" above describes a commonly accepted business practice involving capital investments by those seeking a reasonable return on their loans.

This is not in any way related to our current problem of lack of new plants to take care of "peak loads" in a few summer days (e.g., in July) and a few days of extreme cold in winter (e.g., some days in Jan - Feb). I REPEAT: Generators that produce nearly continuously are NOT the problem to be solved.

HOWEVER, if we try to solve "the real problem" (below) by trying to finance "the problem" with this normal business model, then THAT IS A PROBLEM of its own - of our own (mis-)construction!

2. Generator plants that are started up only a few days a year - To cover "Peak loads" - typically for a few hours on a couple of days in July and continuously for a few days (less than a week) in some Jan-Feb timeframes

a. These plants do not produce electricity continuously, therefore they cannot have a continuous and reliable "stream of revenue" based on charging customers for the electricity that a "peak load" generator may occasionally produce.

Therefore a completely different financial mechanism has to be used to provide a "steady, reliable stream of revenue" to the "peak load" generator plant and its investors.

This financial mechanism must bill "all" ERCOT customers for what they consume plus a small additional monthly amount so there is a "steady, adequate income stream" to cover total annual costs of the "peak load" plants.

AN OBSERVATION: These "peak load" plants are physically and operationally identical to any "dual fuel" "base load" plant and "intermediate load" plant. They are simply used differently.

They are seldom even started up - only in preparation for a "peak" event, and for occasional, routine functional test and exercise to assure readiness for providing the "reliability" that customers and their government expect.

B. So, what is the root problem that the needed "peak load" generator plants have not been built?

1. The problem was created by a state law passed in 1998 or 1999 (citation can be cited by someone else - "deregulation") that became effective in 2000. This law effectively allowed/required ERCOT to STOP billing consumers-customers for an amount to cover the cost of loan repayments to investors in "peak load" generator plants, killing steady revenue stream - and killing the incentive to invest.

Therefore, the start of solving our problem is to rescind that law.

2. So, what will our "reliable electrical grid"" look like, so as to incentivize investors to build "peak demand" generator plants and earn an acceptable return on their investment?

There will be a billing method to cover cost of building - and paying for - enough base, intermediate, and peak generating capacity to take care of summer and winter peak demands.

Either there will be a return to reliable (non-solar, non-wind) generation or we will continue to mix in solar and wind. Weening off of wind and solar would require invoke remembrance of "the emperor's invisible clothes" parable, i.e., the rejection of the fraud of man-made global warming and its accompanying fraud that restricting use of carbon based fuels will help mankind.

Or, if we persist in giving in to the climate fraud perpetrators, then we need a new way of showing the total cost (including government mandated taxpayer subsidies) and projected total output (capacity) at key times and events - of our mix of coal, natural gas, nuclear, wind, and solar plants.

3. Regardless - REALLY regardless - of which way we choose to go in 2. above, there is another more immediate task that must be addressed better than we are doing now: Project (verb) steadily increasing electricity CONSUMPTION, and project corresponding steady increase in need for generating CAPACITY/AVAILABILITY.

a. Collect and report city and county approval of new construction (plants) - to project the total megawatts of power (capacity) that is projected to be used by new customers. Bell County told me there is no formal assignment of this "reporting and amalgamation" process as plants and plants are approved and constructed.

Besides "projected increases" there is also "actual increases" that could be analyzed. Are all the plants communicating with ERCOT to track increasing amounts of electrical power being produced/consumed?

Analysis of the above data should periodically trigger recognition of the need for "the grid team of producers and managers and regulators" to publicize Requests for Proposals for addition plants, or expansion of existing plants - and NOT JUST SOLAR and/or WIND.

As a citizen, I have a strong sense of concern that the process of projecting future needs and projecting new construction is broken - or inadequate. Someone or some people are getting paid while not fulfilling their responsibility. Or, their responsibility is not fully and properly defined. AN EXAMPLE: The recurring notices in July 2022 and summer of 2023 to customers - to "conserve" - is a symptom of a problem - a problem of lack of generating capacity - specifically lack of carbon fuel "Peak load" plants.

b. GOAL: Collect historical data and forecasts and project the additional "peak load" power needs, to be supplied by RELIABLE "peak load" plants that can be prepared seasonally 2 weeks or a month in advance of need in summer and winter - to bring them up to operational "dispatchable" status, i.e., able to go on-line in 10 minute.

c. CONSIDERATIONS: If just a single NEW "peak load" plant can provide the "marginal" capacity to handle future peak loads, then can it be located at a single site within the grid? If not, i.e., if 2 or more such plants need to be "seeded" around the grid, then make the decision.

3) Decide who is going to "own" this/these plants. An existing company that has "base" and "intermediate" load plants? A state entity? Hopefully not a state owned (socialist, fascist) plant.

4) Issue the Requests for Proposals and get on with the task of creating adequate "peak" capacity.

DEFINE "VICTORY": Spread the total cost of the "peak" systems among all Texas grid consumers and add it to their monthly bills until investors are paid in full. Then, would the line item on consumer bills be eliminated - with investors out of the picture? Or, would a continuing percentage or dollar amount continue to be paid to investors? This second option is the model of "publicly traded corporations" - you invest, you get returns.

PROBLEM IS SOLVED.

OBSERVATIONS:

1. There is no need for a "state lending agency/fund". SB 2627 should be repealed.
2. There is no need for an amendment to the Texas Constitution to create that fund. (SJR 93)
3. There is no need for the complicated SB 6 & 7 and CSSB 2627
4. Use HB 5190 as a new "starting point" in the special session.
5. Fundamental principle: Let "consumers/customers pay for (fund) peak demand", not "taxpayers (with large "fiscal note" of more state bureaucracy).

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Drafted with information from John Gordon, a knowledgeable investor in funding and construction of new power plants, who testified at the May 10, 2023 hearing
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MFR:

Original May 11, 2023 version presented to some members of the State Affairs Committee

Texas Energy Fund

Copied from PUC website 9 Oct 2023:

“Texas Energy Fund Programs

The TEF would provide funding opportunities for electric generation projects -- both in and outside of the Electric Reliability Council of Texas (ERCOT) Power Region -- based upon an application process and award system to be developed and implemented the by the Public Utility Commission of Texas.

Inside the ERCOT Power Region

Loans

Entities may apply for a loan to finance upgrades to existing *dispatchable electric generating facilities* providing power to the ERCOT region **or** to finance the construction of *new* electric generating facilities within the ERCOT region. To qualify, a project must result in a net increase of at least 100 megawatts of generation capacity for a single facility. Loans for *new* construction are only available for facilities added to ERCOT's Capacity, Demand, and Reserves (CDR) Report after June 1, 2023.