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PROJECT NO. 54999

TEXAS ENERGY FUND	§	**PUBLIC UTILITY COMMISSION**
	§	**OF TEXAS**
	§	

POST-WORKSHOP COMMENTS OF
GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW, Golden Spread Electric Cooperative, Inc. ("Golden Spread"), and submits these comments in response to the Public Utility Commission ("Commission") of Texas Staff ("Staff") request for comments regarding the Texas Energy Fund ("TEF") following the TEF workshop on September 21, 2023. Staff requested comments to be filed by October 13, 2023. These comments are therefore timely filed.

I. SUMMARY OF GOLDEN SPREAD'S COMMENTS

Golden Spread is a member of Texas Electric Cooperatives, Inc. ("TEC") and hereby incorporates the comments filed by TEC in this project. Golden Spread submits these comments to provide additional information and or support on these issues. To ensure that all Texans, including rural Texans, benefit from the state-funded programs established in SB 2627, Golden Spread encourages the Commission to incorporate the following recommendations:

1. The grant and loan application processes should be streamlined and, to the maximum degree possible, designed to minimize the burden placed on applicants, particularly electric cooperatives = who likely are to have more limited in-house resources.

2. The Commission should apportion the grant and loan funds such that a portion is designated for rural and hard-to-serve areas of the State to avoid a concentration of fund benefits in a handful of geographic pockets.

3. When evaluating applications for grants outside of the Electric Reliability Council of Texas ("ERCOT") power region (PURA § 34.0103), the Commission should prioritize grant awards for projects in geographic areas that have been subject to recent or recurring weather disasters and were ineligible for FEMA disaster relief to rebuild and harden their systems. Golden Spread believes the Commission has the authority to apply this criterion under Section 34.0103(b) given the legislative intent of the program to facilitate weatherization and modernization of facilities to protect against natural disasters.

II. OVERVIEW OF GOLDEN SPREAD

Golden Spread is a non-profit electric generation and transmission cooperative with its principal office in Amarillo, Texas. It supplies cost effective and reliable wholesale electric power to its sixteen-member non-profit distribution cooperatives ("Members").[1] Golden Spread's Members serve about 310,000 retail electric meters providing service to their member-consumers located over an expansive area, including the Panhandle, South Plains and Edwards Plateau regions of Texas (covering twenty-four percent (24%) of the State, the Panhandle of Oklahoma, and small portions of Southwestern Kansas and Southeastern Colorado. The map below shows the location of Golden Spread's electric generating units and its Members' service territories. As shown, five Golden Spread Members have service territories exclusively in the Southwest Power Pool ("SPP"), four have service territories exclusively in ERCOT, and seven serve both SPP and ERCOT.

Additionally, over the past 20 years, Golden Spread has invested more than a billion dollars to build and maintain generation to serve its Members' growing demand. An increasing portion

1 Golden Spread's Members are Bailey County Electric Cooperative Association (Muleshoe, Texas); Big Country Electric Cooperative, Inc. (Roby, Texas); Coleman County Electric Cooperative, Inc. (Coleman, Texas); Concho Valley Electric Cooperative, Inc. (San Angelo, Texas); Deaf Smith Electric Cooperative, Inc. (Hereford, Texas); Greenbelt Electric Cooperative, Inc. (Wellington, Texas); Lamb County Electric Cooperative, Inc. (Littlefield, Texas); Lighthouse Electric Cooperative, Inc. (Floydada, Texas); Lyntegar Electric Cooperative, Inc. (Tahoka, Texas); North Plains Electric Cooperative, Inc. (Perryton, Texas); Rita Blanca Electric Cooperative, Inc. (Dalhart, Texas); South Plains Electric Cooperative, Inc. (Lubbock, Texas); Southwest Texas Electric Cooperative, Inc. (Eldorado, Texas); Swisher Electric Cooperative, Inc. (Tulia, Texas); Taylor Electric Cooperative, Inc. (Merkel, Texas); and Tri-County Electric Cooperative, Inc. (Hooker, Oklahoma).

of this investment includes quick start generation that supports the reliability of the electric grid while renewable resources continue to expand in the Panhandle and West Texas regions. Golden Spread's assets include a natural gas combined-cycle unit and three natural gas fired simple-cycle ("NGSC") units located at its Mustang Station in Denver City, Texas; 18 reciprocating internal combustion engines and three NGSC units located at its Antelope Elk Energy Center in Abernathy, Texas; and the Golden Spread Panhandle Wind Ranch near Wildorado, Texas.

Should Proposition 7 pass in November, Golden Spread Members could benefit greatly from the programs established in SB 2627, including (non-exhaustive list):

1. Improving the strength of distribution poles and wires to help ensure they can withstand winter storms and provide continuous retail service to consumers;
2. Potentially adding dispatchable, quick-start power plants to meet the growing needs of our Members and the resource adequacy, system stability, and ancillary service needs of ERCOT;
3. Providing backup power to local areas when needed; and
4. Communication upgrades for timelier and more accurately identifying system outages/problems and to facilitate quicker switching operations.

III. GRANTS FOR FACILITIES OUTSIDE OF THE ERCOT POWER REGION - PURA § 34.0103

A. What are the essential components of a rule to implement this program?

The grant program for facilities outside of ERCOT was incorporated into SB 2627 through Amendment 1[2] authored by Chairman Metcalf. Prior to the amendment, the programs established in SB 2627 were focused on facilities inside the ERCOT region. As explained by Chairman Metcalf on the House Floor, Amendment 1 creates a program for non-ERCOT utilities to weatherize and modernize their facilities to protect against natural disasters ensuring that all taxpayers, benefit from the programs established in SB 2627.[3]

Golden Spread urges the Commission to craft the grant program for facilities outside of ERCOT in a way that ensures it benefits rural communities and the cooperatives that serve them. This approach would comport with the legislative intent of the bill to ensure all Texans, including rural Texas, have access to the program. Because of their geographic and demographic conditions,

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2 Tex. S.B. 2627, 88th Leg., R.S., Amendment 1 (2023).

3 Chairman Metcalf's explanation can be viewed at the Texas House Chamber Broadcast on from May 22, 2023, at https://tlchouse.granicus.com/MediaPlayer.php?view_id=80&clip_id=24934

rural electric cooperatives face unique cost challenges to reliably deliver electric service to their member-consumers, and their systems are particularly exposed to harsh weather events and natural disasters. The combination of dispersed infrastructure (higher costs), significantly lower distribution line densities (lower per-mile revenues), and limited capital resources leads to unique economic challenges for electric cooperatives, including Golden Spread's Members, in providing universal service for all people in Texas. This situation is illustrated by a simple metric: Golden Spread's Members' distribution line densities range from 1.85 to 6.89 meters per mile of distribution line, with an average of 3.14[4] meters per mile of distribution line. In stark contrast, more densely populated areas average 40 to 70 meters per mile of distribution line.[5] Consequently, electric distribution cooperatives experience higher per-consumer infrastructure costs than utilities elsewhere in the State. Accordingly, a grant awarded to a non-profit electric cooperative to improve facilities will have a more significant impact on the electric cooperative's per customer rates.

1. *To Make the Programs Accessible to All Texans, the Grant Application Process Should be as Efficient as Possible and Should Minimize Administrative Burden on Thinly-Staffed Electric Cooperatives.*

As non-profits that are owned and accountable to their members, rural electric cooperatives must prioritize their limited resources on delivering electric service to some of the hardest to serve and most sparsely populated regions of the State over all else. Accordingly, electric cooperatives' staffing resources and in-house expertise are limited on issues like grant application. Rural electric cooperatives do not have the resources to navigate an overly burdensome grant process even though they have projects that would greatly benefit from the program. Golden Spread encourages the Commission to develop a streamlined application process to ensure the legislative intent of the program is met and applications from rural electric cooperatives are not deterred.

Golden Spread also requests the Commission consider establishing a minimum rural set aside for electric cooperatives. As described above, the needs in rural Texas are unique and significant. The program proceeds should not be distributed in a way that excludes these hard to serve regions to concentrate on areas with new economic growth.

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4 Texas Electric Cooperatives Association 2021 Directory, pages 36-37.

5 Senate Committee on Business & Commerce, Texas Senate, Interim Report 2018, A Report to the Texas Senate 86th Texas Legislature, Kelly Hancock, Chairman, Direct Testimony from Mike Williams, President & CEO, Texas Electric Cooperative Association, to the Texas Senate Committee on Business & Commerce, May 1, 2018, pg. 49.

2. *Regions with Recent Subject Natural Disasters and Lack of Disaster Funding Should be Prioritized.*

The program should place an emphasis on addressing portions of the grid that have suffered natural disasters but which have not otherwise been able to access governmental support. As discussed above, the legislative intent of Amendment 1 was to create a program to weatherize and modernize non-ERCOT facilities to protect against natural disasters. In recent years, the region served by Golden Spread Members' in the Texas Panhandle and West Texas has experienced significant weather events causing millions of dollars in damages to rural communities and the electric cooperatives that serve them. In light of this legislative intent, Golden Spread encourages the Commission to give special consideration to applicants in rural areas of the state. In recent years, the region served by Golden Spread Members in the Texas Panhandle and West Texas has experienced significant weather events causing millions of dollars in damages to rural communities and the electric cooperatives that serve them. These disasters were ineligible for disaster recovery due to the Federal Emergency Management Agency's ("FEMA") methodology for assessing a disaster declaration including the need for assistance. FEMA relies almost exclusively on whether the estimated cost of the disaster exceeds an individual state's population-based assistance threshold or Cost of Assistance ("COA") indicator. FEMA's methodology disfavors rural areas where the state's COA is set at such a level that it makes the cost of disasters in these areas seem small and renders them ineligible for assistance. While the total damages caused by each of these disasters may seem small in comparison to FEMA's COA indicator for Texas (approximately $53 million in 2022),[6] the per capita damage (amount per cooperative member-consumer) may be exorbitant because of the low population density in those communities and, prior to the Texas Energy Fund, were not eligible for meaningful governmental relief. For example:

1. In June 2023, several members were impacted by the devastating storms in West Texas and the Texas Panhandle. One Golden Spread Member suffered approximately $1 million in damages to its distribution system in one of the smallest counties in the state (less than 4,000 residents). Even through the cost impacts per capita were exorbitant, Golden Spread's Member did not qualify for FEMA assistance because the total damages from the event did not surpass state-wide threshold.

6 FEMA, Notice of Adjustment of Statewide per Capita Impact Indicator, 87 Fed Reg 64508

2. In June 2023, several members were impacted by the devastating storms in West Texas and the Texas Panhandle. One Golden Spread Member suffered approximately $1 million in damages to its distribution system in one of the smallest counties in the state (less than 4,000). One Golden Spread Member suffered approximately $1 million in damages to its distribution system in one of the smallest counties in the state (less than 4,000 residents). Even through the cost impacts per capita were exorbitant, Golden Spread's Member did not qualify for FEMA assistance because the total damages from the event did not surpass state-wide threshold.

3. In October 2020, Golden Spread Members experienced $15 million in damages stemming from Winter Storm Billy. This storm produced significant icing and strong winds, damaging miles of distribution lines and poles and causing extended power outages. A few Golden Spread Members suffered the bulk of the damages and were forced to replace/repair significant portions of their systems. Those Members did not qualify for FEMA assistance because the state threshold for damages was not met. Instead, rural Texans as the member-consumers and owners of these electric distribution cooperatives are carrying the full costs of repairing the damaged facilities. [7]

4. In January 2017, several Golden Spread Members suffered significant damage to their systems from Winter Storm Jupiter. One Golden Spread Member suffered over $11 million in damages from Winter Storm Jupiter and was denied assistance because the total cost of the impact did not exceed Texas' state threshold.

Golden Spread requests that the Commission prioritize projects that help protect the grid in regions that have experienced natural disasters but have not been able to access governmental support.

3. Regulated Utility Rate Treatment of Grant Awards

Grant recipients should not be able to include assets paid for with grant money in the rate base used to compute Commission-approved rates. This recommendation is consistent with current state laws regarding treatment of invested capital in establishing a utility's rates. Specifically, PURA § 36.053(b) limits a utility's invested capital for rate making purposes to the original cost of the asset defined as "the actual money cost or the actual money value of consideration paid other than money." This provision requires that a utility's rate base should exclude assets that have not been acquired through shareholder capital investment, including assets funded with grant money.

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7 One county received an estimated $1,600 per capita in electric cooperative damages from Winter Storm Billy. By comparison, in 2020, FEMA's state threshold was based on cost impacts of $1.53 for each person in the state, and $3.89 for each person in the county. FEMA states that the threshold can trigger a disaster declaration.

The benefits of State-conferred grants and low interest loans should flow to Texans as consumers of power.

IV. THE TEXAS BACKUP POWER PACKAGE PROGRAM - PURA § 34.0201 -.0205

Any comments on procedures for grants and loans under the Texas Backup Power Package would be premature because of the statutory framework establishing this program. In particular, PURA § 34.0203 provides that the Commission shall establish an "advisory committee" to recommend criteria for this program and shall "contract with a research entity…to analyze critical facility characteristics and requirements in this state…". In particular, PURA § 34.0203 provides that the Commission shall establish an "advisory committee" to recommend criteria for this program and shall "contract with a research entity…to analyze critical facility characteristics and requirements in this state…" Therefore, Golden Spread believes that the committee and contracted entity must complete its work before it can provide informed and robust comments on any rules or procedures for this program.

Moreover, it is highly likely that all utilities that currently provide all electric service to critical facilities across the state already have robust procedures and policies in place to isolate and "island" facilities operating on backup generation. These utilities are in a better position to protect their systems and the larger grid from backup generation interconnected to their facilities and, therefore, the Backup Power Package Program does not need to establish additional requirements or criteria relating to interconnection of backup generation. Accordingly, any rules or procedures for this program should focus primarily on requirements for the critical facilities or third parties themselves that desire to establish back-up generation and should require those entities to comply with the rules and policies of the electric service providers that daily provide electric service to these critical facilities.

Since this program will be shaped by the recommended criteria of the advisory committee, Golden Spread believes the Commission should ensure that electric cooperatives are adequately represented on the advisory committee and that electric cooperatives from the differing geographical regions of the state are represented on the advisory committee. Golden Spread would thus refer you to its comments and the comments of TEC filed in Project No. 55407, Texas Backup Power Package Advisory Committee Rulemaking.

V. CONCLUSION

Golden Spread appreciates the opportunity to work with the Commission, Commission Staff, and other stakeholders in this project.

Respectfully submitted,

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

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