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**COMMENTS OF SOUTHWESTERN PUBLIC SERVICE COMPANY ON GRANTS FOR FACILITIES OUTSIDE OF THE ERCOT POWER REGION -PURA § 34.0103**

The Texas Energy Fund Public Workshop, Project No. 54999, was hosted on September 21, 2023, by the Public Utility Commission of Texas (“Commission”) to engage stakeholders on how the programs contemplated by the Public Utility Regulatory Act (“PURA”) 2023, Section 34.0103, could be established and administered effectively and fairly. Southwestern Public Service Company (“SPS”) appreciates the Commission’s timely action to begin planning for the administration of these programs. At the workshop, SPS encouraged the Commission to prioritize a straightforward application procedure, ensure the grant amounts awarded are of sufficient and meaningful size, and establish effective and not unduly burdensome reporting requirements that would provide the Commission the information it needs without creating administrative inefficiencies. SPS further encouraged the Commission to refrain from converting the grant program contemplated for the non-ERCOT region of Texas into a revolving loan program in the future. As discussed at the workshop, SPS is interested in applying for grant funding potentially for a variety of projects and expenditures, including but not limited to projects related to SPS’s transition of certain aging generation resources.

**I. Introduction**

Pursuant to PURA, Section 34.0103, and dependent on voter approval of Proposition 7, the Commission may award grants to electric utilities that own or operate facilities outside of

the ERCOT power region for the purpose of facility modernization, reliability improvement, or environmental compliance. The grants are funded by the Texas Energy Fund, which was established by the PUCT and consist of money appropriated by the legislature and any other money received by the PUCT for the fund.

## **Grants for Facilities Outside of the ERCOT Power Region – PURA § 34.0103**

### **II. Response to Non-ERCOT Questions**

- **What are the essential components of a rule to implement this program?**

The essential components of a rule to implement this program are:

- i. clear eligibility criteria and application process for non-ERCOT electric utilities that seek grant(s) under this section;
- ii. concise evaluation criteria and award process for the PUCT to evaluate and select the grant recipients as well as determine the amount and terms of the grant(s);
- iii. appropriate reporting and monitoring requirements for the grant recipients to demonstrate the progress and outcomes of projects;
- iv. appropriate enforcement and penalty provisions for the PUCT to ensure compliance with the rules and grant agreements; and
- v. reasonable and meaningful award levels that would provide material contributions to utility-scale projects.

- **What procedures should the PUC incorporate in developing the application and award requirements?**

The PUCT should incorporate the following procedures in developing the application and award requirements for the grants for facilities outside of the ERCOT power region:

- i. Establish clear and consistent criteria for the electric utilities eligible to apply for the grants, such as type, size, location, ownership of the facilities, eligible project types, and scope of the projects, as well as the anticipated benefits and outcomes of the projects.
- ii. The design of a user-friendly and secure application process that allows electric utilities to submit their proposals electronically through a

dedicated portal or website. The application process should be concise and include instructions, forms, templates, checklists, and deadlines for applicants.

- iii. The PUCT should develop a transparent and objective evaluation criteria and scoring system for reviewing and ranking the applications based on their merit and alignment with the program goals. The evaluation criteria should consider factors such as feasibility, resource adequacy, innovation, environmental impact, reliability improvement, and public interest in the projects.
- iv. The PUCT should implement a fair and timely award process that notifies the applicants of the award decisions and provides feedback on their proposals. The award process should also specify the amount and terms of the grants, such as the duration, payment schedule, matching funds, reporting requirements, and performance measure

- **How should the PUC interpret the term "facility modernization" in PURA § 34.0103(a)?**

The term "facility modernization" in PURA § 34.0103(a) refers to the alteration and replacement of electric utility facilities outside of the ERCOT, specifically making changes to existing infrastructure in order to meet new or higher standards, improve reliability, meet capacity needs, or environmental compliance. In addition to alteration and replacement of existing facilities, SPS encourages the Commission to consider new facilities along with implementation of new operational protocols in its interpretation of facility modernization in PURA § 34.0103(a). The process to plan, design, construct, operate, and maintain a safe, reliable, and resilient electric grid that incorporates new facilities, advanced technologies, and advanced operational and maintenance practices works to modernize utility infrastructure and operations. The PUCT should interpret the term "facility modernization" in a way that is consistent with the intent and scope of the program.

- **Should the rule address rate treatment of grant awards? If so, how?**

Yes, the rule should require that utilities submitting grant applications explain how any grant funds awarded will be accounted for in the project cost or otherwise incorporated into utility rates.

- **When does the PUC need to adopt a rule to implement this program?**

SPS encourages the Commission to adopt a rule by the end of 2023 so that utilities may apply for and be notified of grant awards in early 2024. This timing is ideal as it supports timely incorporation of grant awards into utility budgeting cycles and is consistent with the statutory intent to implement the grant program for near-term utility projects and activities.

- **What program functionality is necessary to administer grant awards under this program?**

SPS believes that the administration of grant awards under the Grants for Facilities Outside of the ERCOT Power Region program, as described in PURA § 34.0103 would require a comprehensive program management system with various functionalities to ensure effective management and compliance. SPS encourages the Commission to request information regarding program functionality from any entities that the Commission may consider to contract to administer the grant program.

- **What features should be included in applications, grant agreements, grant monitoring, and grant close out?**

SPS suggests the following functionalities and features<sup>1</sup> that should be included in the PUCT's process for applications, grant agreements, grant monitoring and grant close-out:

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<sup>1</sup> Based on the Pre-Solicitation Notice Pursuant to TEX. Gov't Code § 2262.051(j)

1) submission and tracking of applications, related documents and deadlines through an application management feature;

2) eligibility checks performed by analysts, not software, to ensure that applicants meet criteria, such as verification of location, facility type, and other program specific eligibility criteria;

3) evaluation and scoring of applications that would help select grant awardees based on eligibility criteria;

4) flexible grant agreements with roles and responsibilities, payment schedule and method, performance indicators and targets as part of audits and evaluation procedures, including submission of data and signatures online, among other features;

5) the ability for the PUCT to track and verify the progress and performance of the grantees, including collecting and reviewing reports periodically, validating and measuring the outputs and outcomes of the projects; providing appropriate feedback and guidance and identifying and resolve any issues that come up during the project implementation; and

6) process for completion and closure of the grant projects by confirming that all deliverables and obligations were met, reconciliation of outstanding fund payments, evaluating and documenting the results and impacts of the projects and publication of the lessons learned and best practices from the projects.

### **III. Conclusion**

SPS appreciates the opportunity to provide comments on this important Commission rulemaking. SPS reserves the right to make additional comments in response to other commenters and the Commission in the course of this rulemaking project.

Respectfully submitted,

/s/ Stephanie G. Houle

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ATTORNEYS FOR SOUTHWESTERN PUBLIC  
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## **SPS'S INITIAL COMMENTS**

### **EXECUTIVE SUMMARY**

Related to the the Public Utility Regulatory Act (“PURA”) 2023 Grants for Facilities Outside of the ERCOT Power Region, Section 34.0103; SPS provided comments to the Commission Staff on the following topics:

- Essential components of a rule to implement the program
  - SPS recommended 5 essential components to be implemented as part of the rule: clear eligibility, concise evaluation, appropriate reporting and monitoring, enforcement and penalty provisions, and reasonable and meaningful award levels.
- Procedures to incorporate in the development of the application and award requirements
  - SPS recommended the PUCT implement the following requirements: clear and consistent award application criteria, a user-friendly and secure application process, the development of a transparent and objective application evaluation criteria, and the implementation of a fair and timely award notification process to the applicants.
- Facility Modernization
  - SPS provided its interpretation of the term “facility modernization” based on PURA § 34.0103(a) along with recommendations to the PUCT to consider new facilities and operational protocols in its interpretation.
- Grant Awards
  - SPS provided a recommendation on how the rule should address rate treatment of grant awards and how they will be accounted for in the project cost.
- Rule Implementation
  - SPS recommended the Commission adopt the rule by the end of 2023.
- Grant Award Administration
  - SPS recommended comprehensive program management system for the administration of grant awards, to ensure effective management and compliance.
- Grant applications, agreements, monitoring and close out features
  - SPS recommended the following features: application submission and tracking, eligibility checks, evaluation and scoring, flexible grant agreements, tracking and verifying of progress and performance metrics of the grantees, and an implementation of a completion and closure process.