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Public Utility Commission of Texas

Memorandum

TO: Chairman Thomas J. Gleeson
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty
Commissioner Kathleen Jackson
Commissioner Courtney K. Hjaltman

FROM: David Gordon, Executive Counsel
Tracie Tolle, Texas Energy Fund Program Manager

DATE: August 29, 2024

RE: **August 29, 2024 Open Meeting – Item No. 19**

Project No. 56896 – Texas Energy Fund In-ERCOT Loan Program Reports and Filings

Commission Staff (Staff) has reviewed all 72 applications seeking funding under the Texas Energy Fund (TEF) In-ERCOT Loan Program. After evaluating the applications in consultation with the TEF administrator, Staff recommends that the Commission advance the application portfolio in Attachment 1 to this memo.

Collectively, Staff's recommended portfolio represents 9,781 MW in potential new generation and would result in \$5.38 billion in loaned TEF funds if all recommended applicants were to execute a loan agreement at the requested loan amounts. Attachment 2 shows aggregated application information for Staff's recommended portfolio as well as information pertaining to the full set of applications.

Methodology

Application Evaluation by Major Category

Staff arrived at its portfolio recommendation by undertaking a comparative analysis of all 72 applications. As stated in Staff's August 15, 2024 memo, application questions were correlated to four major categories: (1) project technical and regional attributes, (2) project financial attributes, (3) application sponsor history, and (4) application sponsor financial characteristics. Based on application questions that returned quantifiable responses, Staff and the TEF administrator ranked every application in each of these four categories. Staff did not give greater emphasis to any single category through a weighting mechanism.

For application questions that returned non-quantifiable responses, Staff and the TEF administrator assessed responses to determine whether each applicant was able to demonstrate project viability. This assessment also involved consideration of any significant impediments to project success—e.g., failure to show contract relationships necessary to undertake power plant development or operation.

As the final step in its evaluation process, Staff and the TEF administrator reviewed two commission priorities: speed to market and ability to relieve known transmission constraints. For the first priority, Staff and the TEF administrator ranked each application by the year of its proposed commercial operations date. For the second, ERCOT staff conducted a basic grid benefit analysis using the proposed project locations and facility operating characteristics to evaluate a project's potential to address load growth and known transmission constraints. Each project was ranked based on the likelihood that the project would benefit the ERCOT power region.

Building the Portfolio

Using the evaluation process above, Staff first selected projects in the top rankings in each of the four major application categories. Next, Staff conducted an iterative assessment of the portfolio relative to the commissioners' stated priorities by elevating projects that demonstrated higher potential benefit to the ERCOT region and earlier commercial operations dates. Staff then endeavored to meet the Commission's preferences for diversity in resource types, applicant types, and locations throughout ERCOT. While applications were not ranked under any diversity metric in these areas, Staff compiled a varied portfolio that did not overrepresent any segment type. As an additional measure to advance portfolio diversity, Staff included no more than one application per applicant for recommended advancement to due diligence.

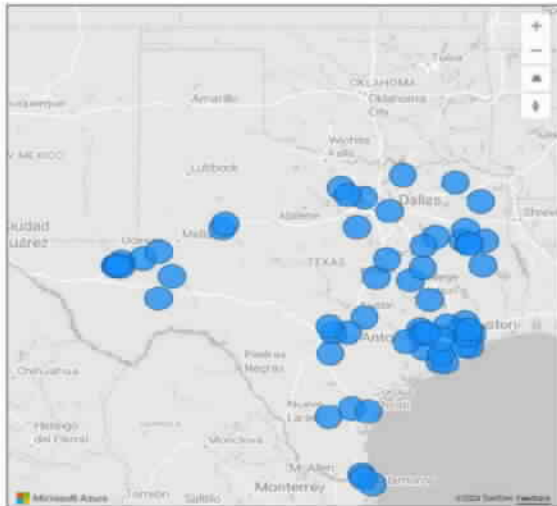
Staff Recommendation to Due Diligence

Staff recommends that the Commission advance Staff's recommended portfolio to due diligence as presented in this memo. In due diligence, the TEF administrator will evaluate whether each applicant can sufficiently support the material assertions in its application. The TEF administrator anticipates that the due diligence period for each application will require between four to eight months to complete. Staff further recommends that the Commission delegate authority to the executive director to enter into a loan agreement with any applicant that completes due diligence review to the satisfaction of the executive director. This approach will allow all approved applicants to receive initial loan disbursements by December 31, 2025.

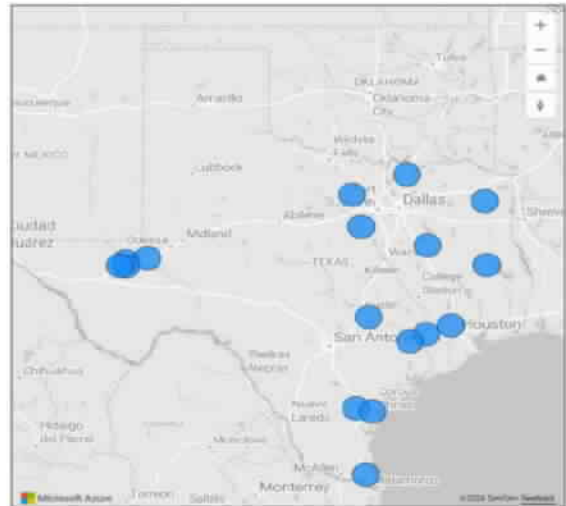
Staff is prepared to discuss any part of this memo during the open meeting.

Application Number	Sponsor Name	Capacity (MW)
APP-007	Howard Power Generation, LLC	271
APP-017	NRG Energy, Inc.	456
APP-021	Hunt Energy Network, L.L.C.; John Hancock Life Insurance Company (U.S.A.); Manualife Infrastructure III AIV Holdings B, L.P.	132
APP-031	Competitive Power Ventures (CPV Group LP), GE Vernova	1,350
APP-115	Rayburn County Electric Cooperative, Inc.; Rayburn Energy Station LLC	570
APP-122	Frontier Group of Companies (Lonestar Industrial Park LLC)	162
APP-128	Calpine Corporation	460
APP-129	LS Power Equity Advisors, LLC	490
APP-131	EmberClear Management; Jupiter Island Capital	900
APP-143	Constellation Energy Generation, LLC	300
APP-162	NextEra and Aegle Power	1,292
APP-194	Hull Street Energy through wholly owned subsidiary MPH Bastrop Peakers, LLC	1,080
APP-201	Kerrville Public Utility Board Public Facility Corporation; Kerrville Public Utility Board	122
APP-215	WattBridge Energy IPP Holdings, LLC	600
APP-219	Mercuria Investments US, Inc; Reliability Design and Development, LLC	226
APP-223	ENGIE Flexible Generation NA LLC	930
APP-245	Vistra Corp.	440
TOTAL		9,781

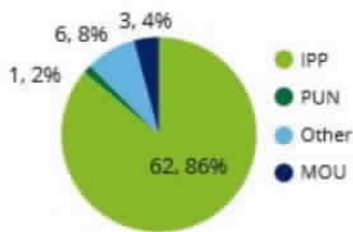
Locations of Loan Applications



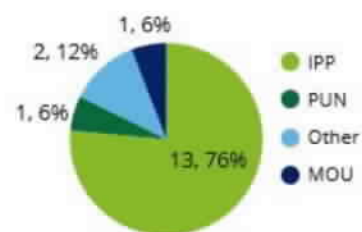
Locations of Loan Portfolio



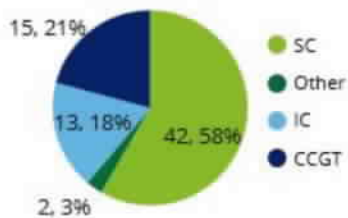
Entity Type¹ of Loan Applications



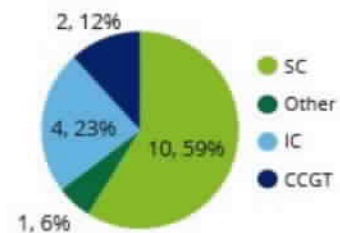
Entity Type of Loan Portfolio



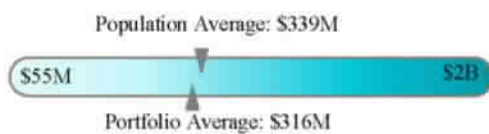
Technology Type² of Loan Applications



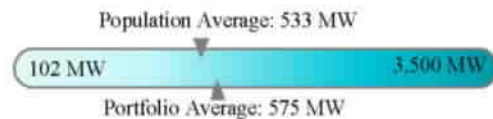
Technology Type of Loan Portfolio



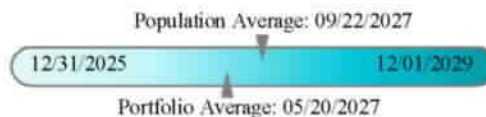
Value of Loans



Megawatts (MW) of Projects



Commercial Operations Date



¹ Independent Power Producer (IPP), Private Use Network (PUN), Municipal Owned Utility (MOU)

² Simple Cycle (SC), Internal Combustion (IC), Combined Cycle Gas Turbine (CCGT)