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Filing Date - 2024-11-07 02:55:25 PM

Control Number - 57004

Item Number - 14

PROJECT NO. 57004

TEXAS ENERGY FUND	§	BEFORE THE
GRANTS FOR FACILITIES	§	PUBLIC UTILITY COMMISSION
OUTSIDE OF ERCOT REGION	§	OF TEXAS

**COMMENTS OF THE EAST TEXAS DISTRIBUTION COOPERATIVES ON
PROPOSAL FOR PUBLICATION OF NEW 26 TAC § 25.512**

COMES NOW, the following group of East Texas distribution electric cooperatives (herein, “ETDCs”): (a) Cherokee County Electric Cooperative Association, (b) Deep East Texas Electric Cooperative, Inc., (c) Houston County Electric Cooperative, Inc., (d) Panola Harrison Electric Cooperative, Inc., (e) Upshur Rural Electric Cooperative Corp., and (f) Wood County Electric Cooperative, Inc., who are individually and collectively filing this, their comments in the above-referenced rulemaking project and in support thereof would show the following:

INTRODUCTION

The proposed rule dictates that comments in this matter must be filed by November 7, 2024, therefore; these comments of the ETDCs are timely filed. The ETDCs note that they are a group of distribution cooperatives in East Texas, primarily located outside of the Electric Reliability Council of Texas (“ERCOT”) and are members of Texas Electric Cooperatives, Inc. (“TEC”) and support all of TEC’s comments filed in this matter. In addition, the ETDCs desire to reiterate and emphasize their specific concerns as small to mid-sized electric cooperatives delivering service in the heavily wooded and rural areas of East Texas.

COMMENTS

Listing of Specific Project Objectives – Proposed 16 TAC § 25.512 (b)(3)

The ETDCs agree with TEC’s comments that the language of the rule should indicate that the existing list of eligibility for projects is only an example list and not all inclusive nor prohibitive of similar projects which would also be eligible for the grant program for facilities outside of ERCOT (“Non-ERCOT Grant Program”). The ETDCs reiterate that this Non-ERCOT Grant Program was specifically incorporated into Senate Bill (“SB”) 2627 through Amendment 1

authored by Chairman Metcalf¹; and as explained by Chairman Metcalf on the House Floor during the 88th Legislative Session, Amendment 1 was designed to create 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 2627.² Amendment 1 was coauthored by seventeen Texas state representatives and passed without objection. As such, the ETDCs believe that the Non-ERCOT Grant Program should be implemented liberally and broadly, in such a way that would give rural areas fair and broad access to the grant program as the legislature intended.

Joint Application Clarification – Proposed 16 TAC § 25.512 (c)(1)

The ETDCs agree with TEC’s recommendations on the addition of clarifying language that better suites cooperative and municipally owned utility’s (“MOU”) structures.

Also, to build off TEC’s points filed on this topic in this docket, the ability for a group of similarly-situated distribution cooperatives to file joint applications will allow electric cooperatives like the ETDCs that may not otherwise be able to participate or compete for competitive grant funding to pool their resources together in a synergistic way that creates administrative efficiencies for both the applicants and the Public Utility Commission (“PUC” or “Commission”) staff overseeing the Non-ERCOT Grant Program.

The language proposed by TEC makes clear that electric cooperatives such as the ETDCs (or some smaller pairing or grouping of cooperatives) can work together on similar projects to ensure a robust application package that makes the grant expenditures a worthwhile endeavor with minimized administrative overhead for the individual applicants and a more efficient application process.³

¹ See Amendment 1 at [SB 2627, House 2nd Rdg. Amendment #1 \(texas.gov\)](https://legis.texas.gov/bills/80/2627).

² Texas House Chamber at https://tlchouse.granicus.com/MediaPlayer.php?view_id=80&clip_id=24934 at 4:31:58 (May 22, 2024).

³ The ETDCs believe TEC’s proposed language would and should allow a distribution cooperative to work with a generation & transmission cooperative (G&T) on potential joint projects.

Reduced Funding Cap – Proposed 16 TAC § 25.512 (e)(3)

The ETDCs agree with TEC that a smaller funding cap of \$100 million would encourage a greater number of applicants and prevent any monopolization of funds. While the ETDCs appreciate that there is a cap being proposed, they would submit that the currently proposed \$200 million cap is still far too high to allow the funds to be used for their maximum benefit across multiple areas in rural Texas. There are over 20 distribution cooperatives operating outside of ERCOT that are headquartered in rural Texas; accordingly, the ETDC's propose that a smaller cap per applicant would allow the non-ERCOT grant funds to be most fairly spread to the greatest number of applicants serving around the edges of rural Texas.

A grant of just a few million dollars would have an enormous impact to a single rural electric cooperative and its Texan members. Cooperatives in East Texas have recovered from many costly natural disasters ranging from ice storms, tornadoes, flooding, severe thunderstorms and hurricanes that increasingly threaten public safety with some of the most economically disadvantaged rural consumers bearing much of the cost. Even small grants are meaningful to ETDCs, to allow for directly benefiting their consumer-members with system hardening efforts to improve safety and reliability.

Once again, the ETDCs suggest the Commission recognize the (i) unique accountability of rural electric cooperatives to their member-owners and (ii) the fact that any grant funds received by rural electric cooperatives flow straight to the benefit of their member-owners. Cooperatives are not for profit, so all savings on projects go straight to lowering the rates required of members who are rural Texans, which is a huge distinction versus investor-owned utilities ("IOUs") – where savings from projects benefit investors who often live outside the State of Texas. So, a lower cap would also be a further safeguard against IOU investors profiting from assets paid with Texas taxpayer funds, which the ETDCs would contend is against the intent of the statute.

Expedited Process for Projects Under \$5 Million


The ETDCs filing these comments have some of the smallest staff and administrative resources in the state, and thus, may be less able to take advantage of the opportunities provided by the Non-ERCOT Grant Program at the same speed or scale as larger IOUs with substantial in-

house staff and resources. As such, the ETDCs agree with TEC that the Commission should consider an expedited and simplified application process, including a short and simple prescribed form by the Commission, for applicants whose total application requests are under \$5 million. This will allow a small cooperative applicant to take advantage of the funds offered by the program on an expedited basis for smaller scale projects, without the need to hire a professional to help with grant writing, thus improving efficiency in the writing and review process for everyone, including Commission Staff.

CONCLUSION

The ETDCs, jointly and individually, respectfully request that the Commission consider these comments when finalizing the rules, as relates to this important Non-ERCOT Grant Program opportunity for rural Texans and looks forward to working with PUC Staff and the other stakeholders in this project.

Respectfully submitted,



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Wood County Electric Cooperative, Inc.

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**TEXAS ENERGY FUND
GRANTS FOR FACILITIES
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**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

**EXECUTIVE SUMMARY
OF
EAST TEXAS DISTRIBUTION COOPERATIVES' COMMENTS**

- A group of East Texas electric cooperatives including (a) Cherokee County Electric Cooperative Association, (b) Deep East Texas Electric Cooperative, Inc., (c) Houston County Electric Cooperative, Inc., (d) Panola Harrison Electric Cooperative, Inc., (e) Upshur Rural Electric Cooperative Corp., and (f) Wood County Electric Cooperative, Inc. (the “ETDCs”), file comments encouraging the Commission to take into account TEC’s comments from a rural cooperative standpoint, as well as specifically consider the ETDC’s concerns as electric cooperatives delivering electric service in the heavily-wooded and rural areas of East Texas with a majority of their facilities in this state located outside of the ERCOT power region.
- The ETDCs agree with TEC’s comments that the language of **Proposed 16 TAC § 25.512 (b)(3)** should indicate the existing list of eligibility for projects is only an example list and is not all inclusive nor prohibitive of similar projects.
- The ETDCs also agree with TEC’s proposed addition on the **Proposed 16 TAC § 25.512 (c)(1)** language to make clear that electric cooperatives such as the ETDCs (or some smaller pairing or grouping of cooperatives) can work together on similar projects.
- The ETDCs would like to see a smaller funding cap than is being initially offered in **Proposed 16 TAC § 25.512 (e)(3)**, in order to directly benefit a wider array of rural Texans.
- The ETDCs agree with TEC that the Commission should consider an expedited and simplified application process, including a short and simple prescribed form by the Commission, for applicants whose total application requests are under \$5 million.