



Filing Receipt

Filing Date - 2024-11-07 03:05:22 PM

Control Number - 57004

Item Number - 15

PROJECT NO. 57004

**TEXAS ENERGY FUND GRANTS FOR
FACILITIES OUTSIDE OF THE
ERCOT REGION**

**§
§
§
§**

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

EL PASO ELECTRIC COMPANY'S INITIAL COMMENTS

El Paso Electric Company ("EPE") provides these comments on the Rulemaking Related to Texas Energy Fund Grants for Facilities Outside of the ERCOT Region. This proposed rule would create 16 Texas Administrative Code ("TAC") §25.512 *Texas Energy Fund Grants for Facilities Outside of the ERCOT Region* (Rule). The proposed new Rule would establish requirements and terms for grants to finance modernization, weatherization, reliability and resiliency enhancements, and vegetation management for transmission and distribution infrastructure and electric generating facilities in this state outside of the ERCOT region. Public Utility Commission of Texas ("Commission") Staff has provided a strawman rule.

I. Introduction

EPE appreciates the opportunity to comment on the proposed rule 16 TAC §25.512. This rule aims to establish procedures and criteria for Texas Energy Fund Grants as outlined in the PURA §§34.0103 and 34.0106, enacted by Senate Bill (SB) 2627.

EPE, a dedicated provider of energy services, operates across a 10,000 square mile area spanning from Hatch, New Mexico, to Van Horn, Texas. Our service areas, including significant urban centers such as El Paso, Texas, and Las Cruces, New Mexico, are home to approximately 460,000 customers. This region is characterized by a high degree of climatic variability, experiencing extreme heat, sporadic heavy rainfall, and severe straight-line winds.

The increasing frequency of extreme weather events has underscored the critical need for hardened infrastructure capable of withstanding these challenges. In this context, EPE highly appreciates the Commission's initiatives through the Texas Energy Fund to foster substantial investments in our grid's modernization and resilience.

II. Comments

A. §25.512.(b)(1)(A) Applicant Eligibility

Including qualifying facilities expands the applicant pool significantly, potentially diverting funds away from pressing infrastructure upgrades and resilience initiatives explicitly needed in the non-ERCOT regions.

PROJECT NO. 57004

The primary legislative intent behind the Rule is to support substantial infrastructure projects that directly enhance the state's transmission and distribution capabilities. Extending grant eligibility to owners of qualifying facilities, as defined broadly under PURPA, misaligns with this intent and could lead to allocations that do not address the most critical infrastructure needs.

The effectiveness of the Texas Energy Fund is predicated on its strategic focus on transmission and distribution infrastructure. Broadening the eligibility criteria may undermine this focus, leading to less targeted use of allocated funds and reduced overall impact on state energy resilience. As such, the phrase “or own a qualifying facility as defined by the Public Utility Regulatory Policies Act of 1978 (PURPA) §201, codified at 16 U.S.C.A §§796(17) and (18)” should be struck from §25.512.(b)(1)(A), shown below.

- (A) be an existing electric utility, electric cooperative, municipally owned utility, or river authority that owns or manages transmission or distribution infrastructure or one or more electric generating facilities in this state outside of the ERCOT region, ~~or own a qualifying facility as defined by the Public Utility Regulatory Policies Act of 1978 (PURPA) §201, codified at 16 U.S.C.A §§796(17) and (18); and~~

B. §25.512.(d)(1) Application Review

The first-come, first-served basis for grant allocation, while straightforward, inherently benefits applicants who have more resources to submit applications quickly, regardless of the project's impact or strategic importance. This method does not account for the varying needs and capacities of utilities, especially those that may face unforeseen delays in preparing and submitting grant applications.

The Rule should also include a 60-day submittal period for the applications to be considered. This will allow TEF administrator and the commission to evaluate a group of applications based on project evaluation as well as other criteria listed in the Rule and provide more flexibility in selecting the projects. The cap would still apply, but then selection process by the TEF administrator and the commission would be better able to maximize the value and effectiveness of the grants to the applicants.

C. §25.512.(e)(3) Grant Award Amount

Awards are limited to \$200 million to a single applicant under §25.512.(e)(3). However, the cap limits would have a better allocation of the dollars if it were based on Texas customer count,

PROJECT NO. 57004

energy sales, or some other metric that is not a fixed amount. This method ensures that funds are distributed more fairly, aligning grant awards with the scale of impact and need. This approach not only promotes equity but also aligns with the fund's objective to enhance the state's overall energy resilience.

Not addressed in the Rule is the amount an applicant can submit for multiple projects. An applicant should be able to submit multiple projects that may collectively exceed the cap limit, \$200 million, and the TEF administrator and commission could evaluate the proposals and decide on their priorities and then refer back to the applicant for the final submission. Alternatively, applicants may submit multiple projects for approval in the order of value to the applicant's system and customers.

III. Conclusion

We value the Commission's effort in developing this Rule and believe that with the recommended improvements, the effectiveness of the Texas Energy Fund Grants will be significantly enhanced. El Paso Electric is eager to continue contributing to this rulemaking process and is available for further discussions.

Thank you for considering our comments.

Respectfully submitted,

/s/Rosanna Alhakeem

Rosanna Alhakeem

State Bar No. 24097285

El Paso Electric Company

P.O. Box 982

El Paso, Texas 79960

(915) 521-4664

rosanna.alhakeem@epelectric.com

**ATTORNEY FOR
EL PASO ELECTRIC COMPANY**

TEXAS ENERGY FUND GRANTS FOR
FACILITIES OUTSIDE OF THE
ERCOT REGION

§
§
§
§

BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

El Paso Electric Company's Executive Summary

El Paso Electric Company ("EPE" or "Company") respectfully submits this Executive Summary of its comments in response to the Proposal for Publication of New 16 Texas Administrative Code ("TAC") § 25.512 relating to Texas Energy Fund Grants for Facilities outside of the ERCOT Region. EPE's comments include the following substantive recommendations to 16 TAC § 25.512:

- Strike qualifying facility language in subsection (b)(1)(A)(ii). Including qualifying facilities expands the applicant pool significantly, potentially diverting funds away from pressing infrastructure upgrades and resilience initiatives explicitly needed in the non-ERCOT regions.

- Amend subsection (e)(1) pertaining to grant award amount to clarify the award funding model, e.g. first-come, first serve basis. EPE proposes a system where grants are awarded based on a weighted scale. The scale could be based on the number of Texas residential customers, the number of total customers, or energy sales, served by each applicant. This method ensures that funds are distributed more fairly, aligning grant awards with the scale of impact and need. This approach not only promotes equity but also aligns with the fund's objective to enhance the state's overall energy resilience.

- The Rule should include a submittal period for the applications to be considered. This will allow TEF administrator and the commission to evaluate applications based on project as well as other criteria listed in the Rule.

- Not addressed in the Rule is the amount an applicant can submit for multiple projects. An applicant should be able to submit multiple projects that may exceed the cap limit, \$200 million, and the TEF administrator and commission could evaluate the proposals and decide on their priorities and then refer back to the applicant for the final submission.