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**TEXAS BACKUP POWER PACKAGE
PROGRAM COMMENTS**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

**COMMENTS BY EXERGY ENERGY, THE CONCIERGE UTILITY FOR TEXAS
CRITICAL COMPANIES**

Exergy Energy appreciates the opportunity to provide feedback on the recently posted Final Report submitted by Patrick Engineering on January 21, 2005. As a preferred Concierge Utility for “Critical Companies” in Texas, Exergy Energy applauds the PUCT for recognizing the dire need for backup power in this customer segment.

Exergy Energy provides energy solutions, including backup power, as a turnkey managed service. Our clients rely on Exergy Energy to solve their power security challenges, not to provide them with a product such as a micro-grid. The reasons they utilize our resiliency as-a-service solutions, as opposed to owning and operating backup power themselves, are closely aligned with the dynamics facing the target Critical Company organization potentially served by the TBPP.

- 1) They do not have access to the capital required for backup power and choose to allocate their capital towards enabling their mission for providing a service to the community.
 - Our resiliency as-a-service solutions require zero down. The first managed service payment is due after the backup power is installed and commissioned.
 - The cost of the backup power is spread out over the life of the term, easing the financial burden. Ownership is transferred to the client at the completion of the resiliency as-a-service agreement term.
 - We leverage the idle backup power and manage participation in grid services on our client’s behalf. The revenue earned helps offset their cost for backup power.

2. Facility Maintenance staffing is a challenge.

- We design, install, commission, and manage the backup power. Our clients focus on their mission, we focus on providing backup power.
- We have the bandwidth to stay abreast of local, state, and federal requirements to meet compliance and provide real-time reporting for worry free audits.

While we whole-heartedly agree with the spirit of the Texas Backup Power Package program, we feel that the requirements of the program will prohibit any meaningful adoption.

“Critical Companies” want resiliency; they do not want to purchase a product. When power from the grid goes down, they want to be able to provide heat in the Wintertime, air conditioning in the Summertime, and safety to their clients and employees. They want a backup to power from the grid but cannot afford it.

If the primary aim of the TBPP is to provide resiliency for critical companies, a standby diesel generator or a natural gas-powered generator that provides standby and also generates revenue by participating in grid services is the lowest cost way to provide this resiliency. The critical companies that are a target of the TBPP need financial assistance obtaining the minimum cost backup power or they would already have it in place.

The primary issue with the TBPP rules as they are constructed is the requirement for the solution to be a microgrid and contain a natural gas genset (propane when natural gas is not available), solar, a BESS equal to the size of the generator, and a microgrid controller. The redundancy of the solar and BESS that is layered on top of the redundancy provided by the generator blows the economics of the solution, even after factoring in the \$500 per kW grant. Critical companies need a solution that provides resiliency, not to purchase a microgrid.

For comparison, we utilized the TBPP pricing that was provided in the Final Report to compare the cost of a TBPP 1,250kW solution as it is constructed, with our typical 1,250kW resiliency as-a-service solution.

If a critical company utilized the TBPP grant opportunity and purchased a 1,250kW microgrid solution and had it installed, they would spend \$1,014,165 for

capital costs only with additional spend for annual service, maintenance and reporting and other holding costs.

If the same critical company utilized the Exergy Energy all-inclusive resiliency as-a-service model and received backup power in the form of a natural gas generator that provides them with resiliency when power from the grid goes down, with no TBPP microgrid stipulations or use restrictions, they would pay a Net average monthly resiliency as-a-service payment of \$6,575.00 a month for 10 years. At the end of the term, they would own the equipment.

- Using the same installation cost for a 1,250kW solution given in the Final Report.
- Net average monthly payment is the committed RSA payments minus estimated ancillary revenues based on current programs and is subject to change.

It is our belief that if the PUCT is interested in fulfilling the spirit of the program, the rules for participation would be amended by removing the requirement for a microgrid. “Critical Companies” would be able to meet their needs for resiliency by utilizing the \$500 per kW grant award to acquire the resiliency they feel meets their needs best, whether it be the cost-effective standalone generator, a BESS, solar, or a combination forming a microgrid.

Respectfully,

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