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PROJECT NO. 57236

TEXAS BACKUP POWER PACKAGE PROGRAM	§ § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

POWERFIN PARTNERS COMMENTS

PowerFin Partners ("PowerFin") respectfully submits these responses to discussion topics posed by the Public Utility Commission of Texas in its Texas Backup Power Package Program Workshop on March 20, 2025 (the "TBPP Workshop") for *Project No. 57236.*

Comments A, B, C, D and E, below, address TBPP Workshop questions relating to how (i) cost offsets, particularly alternative ownership models and financing mechanisms, and (ii) flexibility and applicability of technical specifications that can be implemented to enable successful implementation and operation of Texas Backup Power Packages ("TBPPs").

A. Third-party financing of onsite generating and storage assets, such as TBPPs, enables critical facilities to save money on their energy bills without the burden of upfront capital investment or long-term asset maintenance obligations. This is the case because many facility operators are undercapitalized and/or organized as not-for-profit entities, thus lacking taxable income against which to monetize federal tax credits and other incentives. In typical project finance structures, third party investors fill these two needs, sharing the economic benefits with the critical facility operator. The estimated cost savings to critical facilities of onsite generation from TBPPs, if allowed to operate during non-emergency conditions, ranges from $30 per megawatt-hour to $60 per megawatt-hour, relative to prevailing retail electricity rates in Texas.

B. To protect customers, investors and other stakeholders, performance guarantees are always provided by third-party institutional investors and secured by the underlying generating assets. As is common project-finance practice, under-performance at any period over the 20+ year life of the generating assets would trigger pre-determined monetary penalties and liens. In the case of the Texas Energy Fund, we suggest that non-performance or unavailability of a TBPP during clearly defined "emergency grid conditions" would trigger such penalties, potentially to include recapture of previously deployed TEF funds or a springing lien in favor of the State of Texas (or the entity disbursing TEF). Such triggers would ensure performance of the assets and material recourse in favor of the critical facility as well as the citizens of Texas.

C. The implementation of third-party financing requirements and covenants (operating guarantees) mitigates the need to define technical specifications in order to protect critical facilities and taxpayers. As most participants have attested, prescribing rigid technical specifications for all TBPPs is extremely challenging, given highly uncertain future power market and grid operating scenarios, as well as consumption profiles that significantly vary from customer to customer. Technical flexibility will be required to meet the needs of each critical facility's unique operations and budgets, and to commensurately pass third-party financing diligence.

D. As a general point, leasing with performance guarantees, rather than purchasing and operating, is common practice for operating entities of all kinds, but particularly critical facility operators, to alleviate capital and operating risks outside of their core domain. Third-party financing of onsite generating assets provides critical facilities the equipment and guarantees they need to continue operations during grid outages, while allowing them to efficiently retain their capital and focus on their core missions. Third-party financing and guarantees insulates critical facility owners from technology and operating risk associated with expensive assets, more appropriately shifting those obligations to dedicated capital providers and operators of onsite generating assets. Such third-party financing is common and predominates non-residential solar and battery assets throughout the United States and Texas, including markets served by municipal utilities and cooperatives.

E. During the Workshop, certain comments asserted that TBPPs would need to be owned by electric cooperatives and municipal utilities in non-opt-in-entity ("NOIE") or non-competitive power market jurisdictions. This assertion is inconsistent with well-established regulatory and tax precedent as well as real-world ownership of onsite self-generating assets through equipment leases – another form of third-party financing – that have proliferated throughout Texas. As such, communal entities have never been burdened by ownership or operation of onsite self-generation assets, such as TBPPs.