



Filing Receipt

Filed Date - 2025-09-18 02:43:12 PM

Control Number - 57501

Item Number - 109

SOAH DOCKET NO. 473-25-14211

PUC DOCKET NO. 57501

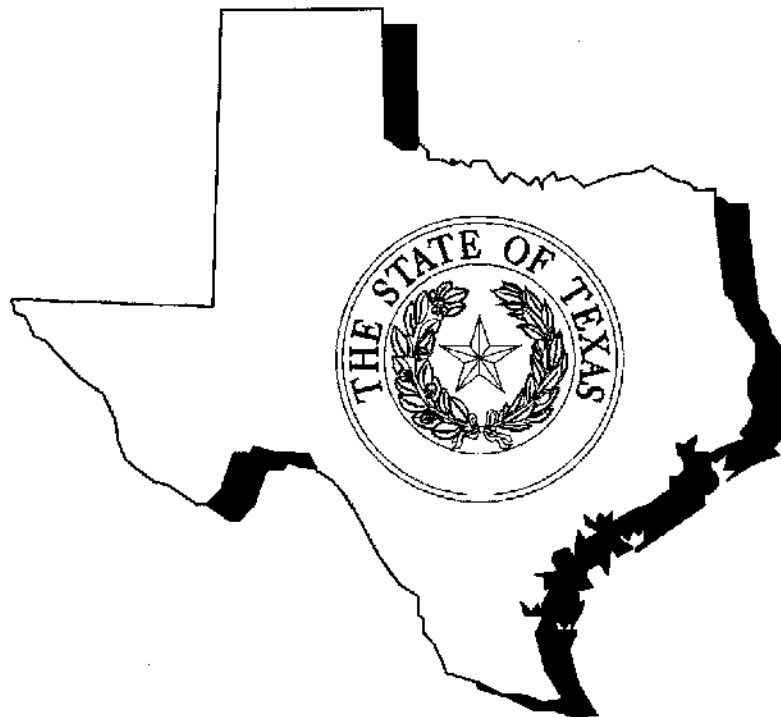
**APPLICATION OF EL PASO
ELECTRIC COMPANY TO AMEND
ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY
FOR A 100 MW SOLAR/100 MW
BATTERY STORAGE FACILITY**

§
§
§
§
§
§
§

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS



DIRECT TESTIMONY OF

TSUNGIRIRAI GOTORA

INFRASTRUCTURE DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

SEPTEMBER 18, 2025

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS	4
II. PURPOSE AND SCOPE OF TESTIMONY	4
III. RECOMMENDATIONS	6
IV. EPE’S 2023 ALL-SOURCE REQUEST FOR PROPOSAL FOR ELECTRIC POWER SUPPLY AND LOAD MANAGEMENT RESOURCES FOR TEXAS	7
V. NEED FOR ADDITIONAL CAPACITY	11
VI. REGULATORY APPROVALS	13
VII. ANALYSIS	14
VIII. CONCLUSION AND RECOMMENDATION	16

ATTACHMENTS

Attachment TG-1 Educational and Professional Background

Attachment TG-2 List of Dockets

WORKPAPERS

Attachment TG-3 *EPE’s Response to Texas Industrial Energy Consumers’ (TIEC) First
Request for Information, Response to TIEC 1-12, TIEC 01-
12 Attachment 01 HSPM and Attachment 03 HSPM
EPE’s Response to Commission Staff’s Second Request for Information,
Response to Staff 2-5
EPE’s Response to OPUC’s Second Request for Information, Response to
OPUC 2-1
EPE’s Response to OPUC’s Third Request for Information, Response to
OPUC 3-1
EPE’s Response to CEP’s Third Request for Information, Response to
CEP 3-2
EPE’s Response to Commission Staff’s Second Request for Information,
Response to Staff 2-3(b)*

*EPE's Supplemental Response to TIEC's First Request for Information,
Supplemental Response to TIEC 1-10, Attachment 1
EPE's Response to Commission Staff's Seventh Request for Information,
Response to Staff 7-1*

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name, occupation, and business address.

A. My name is Tsungirirai Gatora. I am employed by the Public Utility Commission of Texas (Commission) as a Senior Infrastructure Analyst in the Infrastructure Division. My business address is 1701 N. Congress Avenue, Austin, TX.

Q. Please describe your professional background.

A. Attachment TG-1 details my educational and professional background.

Q. Have you previously testified or provided other types of recommendations in regulatory proceedings?

A. Yes. Please see Attachment TG-2 for a list of dockets which I have provided recommendations.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present my recommendation regarding the application of El Paso Electric Company (EPE or the Company) for approval to amend its Certificate of Convenience and Necessity (CCN) to construct, own, and operate the 100-megawatt (MW) solar photovoltaic generating facility together with a 100- MW

1 battery energy storage system (BESS) (together, Newman Buffer).¹ My
2 recommendations focus on the process that EPE used to select the Newman Buffer
3 and if EPE demonstrated a need for additional capacity.

4
5 **Q. What issues identified by the Commission will you address in this docket?**

6 A. In the Preliminary Order issued on March 13, 2025, the Commission identified the
7 following issues which I will discuss in my testimony:

8 14. Has El Paso Electric demonstrated a need for additional capacity?

9 16. What alternatives to the proposed solar photovoltaic generating facility and battery
10 were considered to satisfy any identified need for additional service?

11 27. From what other regulatory authorities, if any, must El Paso Electric or an entity
12 affiliated with El Paso Electric seek approval to build, own, or build-own-transfer and
13 operate the proposed solar photovoltaic generating facility and battery?

14

15 **Q. If you do not address an issue or position in your testimony, should that be**
16 **interpreted as Staff supporting any other party's position on that issue?**

17 A. No. The fact that I do not address an issue in my testimony should not be considered
18 as agreeing, endorsing, or consenting to any position taken by any other party in this
19 proceeding.

20

¹ Application of El Paso Electric Company to Amend Its Certificate of Convenience and Necessity for A 100 Mw Solar/100 Mw Battery Storage Facility at 2 (Jan. 7, 2025) (Application).

1 **Q. What information have you relied upon or considered to reach your conclusion**
2 **and make your recommendation?**

3 A. I have relied on the application of EPE, supporting testimony, exhibits and
4 workpapers; and information gathered through the requests for information (RFI).

5
6 **III. RECOMMENDATIONS**

7 **Q. What recommendations do you have regarding EPE's application for approval**
8 **to amend its CCN to construct, own, and operate the Newman Buffer?**

9 A. I recommend that the Commission:

- 10 • deny EPE's request for approval to amend its CCN to construct, own, and
11 operate the 100 MW Newman Buffer BESS. It is concerning that EPE limited
12 their modeled scenarios to only charging the battery storage facility from the
13 solar facility. Factors including, but not limited to, time of day, weather
14 conditions or seasonal variations may affect solar power or meeting peak
15 demand during peak hours (if peak demand occurs when solar generation is
16 low, the BESS may not have sufficient stored energy to meet the demand). I
17 believe EPE should model other scenarios and provide a detailed explanation
18 of potential fuel or purchase energy costs associated with charging the 100
19 MW Newman Buffer BESS from the grid; and
- 20 • grant EPE's request of approval to amend its CCN to construct, own, and
21 operate the 100 MW Newman Buffer solar photovoltaic generating facility
22 contingent upon the Commission adopting the conditions proposed by Staff
23 witness Sherryhan Ghanem in her direct testimony.

**IV. EPE’S 2023 ALL-SOURCE REQUEST FOR PROPOSAL FOR ELECTRIC
POWER SUPPLY AND LOAD MANAGEMENT RESOURCES FOR TEXAS
(2023 TX ALL-SOURCE RFP)**

Q. Please describe Newman Buffer.

A. The Newman Buffer comprises the 100 MW solar photovoltaic generating facility together with a 100 MW BESS. The Newman Buffer is expected to be operational by the first quarter of 2027 and will be dedicated to serve EPE's Texas customers.² The Newman Buffer will be co-located in northeast El Paso in El Paso County, adjacent to the Newman Power Station.³

Q. Please describe how the Newman Buffer was selected.

A. EPE issued its Request for Proposal (RFP) on October 31, 2023, for Electric Power Supply and Load Management Resources for Texas. EPE issued a revised 2023 TX All-Source RFP on November 14, 2023.⁴ The goal of EPE’s 2023 TX All-Source RFP was to select long-term cost effective, reliable electric resources that will meet its Texas customer load requirements. EPE sought to acquire approximately 300 MW of long-term capacity by May 1, 2025, but no later than May 1, 2027. Further, EPE sought an additional 300 MW of long-term capacity by May 1, 2030, for a total cumulative

² Application at 1-2.

³ Direct Testimony of George Novela at 4 (Bates 18) (Novela Direct).

⁴ Direct Testimony of Emmamel Villalobos, Exhibit EV-5 at 1 (Bates 97) (Villalobos Direct).

1 capacity of 600 MW to meet EPE's summer peak periods beginning the month of May
2 2030 through the end of September 2030.⁵

3

4 **Q. Please summarize the bids that EPE received in response to its 2023 TX All-**
5 **Source RFP.**

6 A. EPE received 94 bids from a variety of resource types with capacity options ranging
7 in size from 42 MW to 396 MW. The proposals included standalone solar, standalone
8 storage, solar photovoltaic plus storage, wind, gas-fired generation, and transmission
9 resources.⁶ EPE evaluated each proposal to determine whether it met specific
10 eligibility and threshold requirements and then performed qualitative and quantitative
11 assessments to produce a bidder shortlist.⁷

12

13 **Q. Did EPE offer a self-build option in its 2023 TX All-Source RFP solicitation?**

14 A. Yes.⁸

15

16 **Q. Did EPE select an Independent Evaluator to review the 2023 TX All-Source RFP?**

17 A. Yes. EPE retained Mr. Oliver of Merrimack Energy Group, Inc. (Merrimack Energy)
18 to serve as the Independent Evaluator (IE) for EPE's 2023 TX All-Source RFP.⁹

⁵ Villalobos Direct, Exhibit EV-5 at 5 (Bates 101).

⁶ Villalobos Direct at 16-17 (Bates 77-78).

⁷ Villalobos Direct at 16-20 (Bates 77-81).

⁸ Novela Direct at 7 (Bates 21); El Paso Electric's Response to TIEC's First Request for Information Question Nos. TIEC 1-1 through TIEC 1-19, Response to TIEC 1-12, TIEC 01-12_Attachment 01_HSPM (Feb. 17, 2025) (EPE's Response to TIEC's First RFI) (Feb. 18, 2025).

⁹ Villalobos Direct at 14 (Bates 75).

1 **Q. Did Mr. Oliver provide a report of its findings to the Commission?**

2 A. Yes. The independent evaluator report was filed as a supplemental response to Texas
3 Industrial Energy Consumers' (TIEC) First RFI 1-10.¹⁰

4
5 **Q. Did all the proposals meet the 2023 TX All-Source RFP eligibility and threshold**
6 **criteria?¹¹**

7 A. No. Two proposals were eliminated after considering the eligibility and threshold
8 requirements. EPE eliminated one proposal for a pre-developed battery project and
9 another for a transmission line.¹²

10
11 **Q. Did the Company eliminate any of the remaining proposals based on economics?**

12 A. Yes. EPE evaluated resources in groupings by resource technology type and ranked
13 all similar proposals by category (i.e., solar only, wind only, solar plus storage, stand-
14 alone storage, demand response, conventional combustion turbine unit, conventional
15 combined cycle unit, etc.) for purposes of evaluating proposals and informing shortlist
16 selection.¹³ EPE used the Levelized Cost of Energy (LCOE)¹⁴ rankings, in conjunction

¹⁰ El Paso Electric's Supplemental Response to TIEC's First Request for Information Question Nos. TIEC 1-1 through TIEC 1-19, Supplemental Response to TIEC 1-10, Attachment 1 (May 29, 2025).

¹¹ Villalobos Direct at 17 (Bates 78) explains the eligibility and threshold requirements of EPE's 2023 Texas RFP.

¹² Villalobos Direct at 18 (Bates 79).

¹³ Villalobos Direct at 15 (Bates 76).

¹⁴ *Application of El Paso Electric Company to Amend Its Certificate Of Convenience And Necessity For A 150 Mw Solar Facility*, Docket No. 54929, El Paso Electric Company's Response to Commission Staff's Second Request for Information Question No. Staff 2-1 through Staff 2-15, Response to Staff 2-14 (Sept. 13, 2023) states that, "The levelized cost of energy (LCOE) represents the average revenue per unit of electricity generated or discharged that would be required to recover the costs of building and operating a generating plant during an assumed financial life and duty cycle."

1 with the eligibility and threshold review, and the qualitative review¹⁵ to develop a
2 shortlist.¹⁶

3
4 **Q. Please describe the components for the LCOE.**

5 A. Mr. Oliver explains that EPE used three spreadsheet models to calculate the LCOE as
6 part of conducting the initial evaluation of the proposals received: (1) a model for
7 power purchase agreement (PPA) proposals including solar, wind, storage and other
8 renewable only bids; (2) a revenue requirements model for cases where EPE would
9 own the project and include the project in rate base (i.e., self-build, build-transfer for
10 EPE to purchase the proposed generation resources for standalone solar and solar
11 paired with storage, and proposals for EPE purchase or equity participation in the
12 bidder's existing generating facility); and (3) an extension of the PPA spreadsheet
13 model to evaluate the combination of renewable resources and energy storage options.
14 The combination of renewable resources and energy storage options is evaluated by
15 calculating the levelized cost of renewable energy plus separate or bundled storage
16 costs given the round-trip efficiencies proposed for charging and discharging the
17 battery or storage facility.¹⁷

18
19 **Q. What is the LCOE for the Newman Buffer?**

¹⁵ Villalobos Direct at 15 (Bates 76) describes the qualitative (non-economic) assessment.

¹⁶ Villalobos Direct at 20 (Bates 81).

¹⁷ El Paso Electric Company's Supplemental Response to TIEC's First Request for Information Question Nos. TIEC 1-1 through TIEC 1-19, Supplemental Response to TIEC 1-10, Attachment 1 at 31.

A. EPE estimates the that the LCOE for the Newman Buffer would be [REDACTED] ¹⁸

Q. What is the LCOE for the Newman Buffer [REDACTED]?

A. EPE estimates the that the LCOE for the Newman Buffer [REDACTED]

[REDACTED] ¹⁹

V. NEED FOR ADDITIONAL CAPACITY

Q. Does EPE forecast a need for capacity?

A. Yes. Excluding future resources, EPE forecasts a capacity shortfall of 343 MW in 2025, 333 MW in 2026, 405 MW in 2027, 577 MW in 2028, 672 MW in 2029 and the Company's forecasted capacity shortfall increases to 1,765 MW by 2044.²⁰

Q. What factors contribute to EPE's need for additional capacity?

A. EPE states that the Company has a need for additional resources to meet the growth in demand from the Company's Texas customers and its planning reserve margin, and to account for the eventual replacement of older, less efficient gas-fired generation units that EPE plans to retire in the next several years.²¹

¹⁸ EPE's Response to TIEC's First RFI, Response to TIEC 1-12, TIEC 01-12_Attachment 01_HSPM.

¹⁹ *Id* and TIEC 01-12_Attachment 03_HSPM.

²⁰ Villalobos Direct, Exhibit EV-4.

²¹ Application at 4.

1 **Q. Please describe the impact that the planned retirements of Newman Unit 2, Unit**
2 **3 and Unit 4 has on EPE’s need for resources.**

3 A. EPE plans to retire Newman Unit 2 in December 2027, and Newman Unit 3 and 4 in
4 2031. According to EPE’s 2023 Texas Loads and Resources (L&R), the planned
5 retirements of Newman Unit 2 (57 MW), Newman Unit 3 (71 MW) and Unit 4 (173
6 MW) a total of 301 MW contribute to the requirement solicited in the 2023 TX All-
7 Source RFP.²²

8
9 **Q. How does the Company support the planned retirement of Newman Unit 2, Unit**
10 **3, and Unit 4?**

11 A. In EPE’s response to Staff’s RFI 2-3(b), the Company states that, “EPE performs
12 technical life extension studies for each dispatchable generating unit to understand the
13 major maintenance, upgrades, and replacement activities necessary to maintain a safe
14 and reliable operating condition beyond the original lifespan of each unit, while
15 balancing costs and ultimate impact to EPE’s customers.²³

16
17 **Q. How did EPE account for the reserve-margin threshold in determining EPE’s**
18 **capacity needs?**

19 A. EPE states that the Company elected to implement a 2-in-10 loss of load expectation
20 (LOLE), or two loss of load events every 10 years, as a reliability target through 2029

²² Villalobos Direct at 12-13 (Bates 73-74), Exhibit EV-3.

²³ El Paso Electric Company’s Response to Commission Staff’s Second Request for Information Question Nos. Staff 2-1 through Staff 2-8, Response to Staff 2-3(b) (Apr. 30, 2025) (EPE’s Response to Staff’s Second RFI).

1 and phase into the industry standard of 1-in-10 LOLE, one loss of load event every 10
2 years, in 2030 to maintain best practices in system reliability planning. EPE uses a 2-
3 in-10 LOLE through 2029, which for EPE equates to a 10.1% planning reserve margin.
4 The Company will phase in use of the industry standard of a 1-in-10 LOLE, which for
5 EPE will equate to a 12.9% planning reserve margin from 2030 forward.²⁴

6
7 **VI. REGULATORY APPROVALS**

8 **Q. Is approval of any other state regulatory body required for the Newman Buffer?**

9 A. No. EPE states that the proposed Newman Buffer will be located in Texas and operated
10 to provide service to EPE's Texas customers. The facilities will be entirely dedicated
11 to serve Texas customers and will not serve New Mexico retail customers.²⁵

12
13 **Q. From what other regulatory authorities must EPE or an entity affiliated with**
14 **EPE seek approval to build, own, or build-own-transfer and operate the proposed**
15 **Newman Buffer?**

16 A. EPE is only seeking approval from the Commission because the Newman Buffer
17 facility would be a state dedicated facility, so no approval is needed from the Federal
18 Energy Regulatory Commission or the New Mexico Public Regulation Commission.
19 However, standard permitting approvals from local entities as well as environmental
20 permitting are needed in order to operate the facility.²⁶ The engineer, procure and

²⁴ Villalobos Direct at 8 (Bates 69).

²⁵ Novela Direct at 5 (Bates 19).

²⁶ EPE's Response Staff's Second RFI, Response to Staff 2-5.

construct (EPC) provider, DepCom Power Inc (DPI) has processed the following permits in Table 1 on EPE's behalf for Newman Buffer:

Table 1: Permits²⁷

Texas Commission on Environmental Quality (TCEQ)	Texas Department of Transportation (TXDOT)	City of El Paso
Wastewater permit: completed	ROW permit: in progress	Grading permit: in progress
Construction General Storm Water Permit: completed	Traffic management plan: in progress	Building permit: not yet submitted
Storm Water Pollution Prevention Plan: in progress		Temporary trailer permit: completed
		Knox Box: not yet submitted
		Fire Response Plan Recommendations: not yet submitted

VII. ANALYSIS

Q. How will the Newman Buffer impact the fuel costs for Texas customers?

A. EPE states that the solar generation and battery storage have no associated fuel cost components.²⁸ Furthermore, EPE states that there are no fuel or purchase energy costs associated with charging the 100 MW Newman Buffer BESS, since the analysis for this resource did not assume charging from the grid. Although the 100 MW Newman Buffer BESS can be charged from the grid, the Company's cost for the selected

²⁷ *Id.*

²⁸ Novela Direct at 15 (Bates 29).

Newman Buffer solar coupled with battery storage project is based on the battery charging from the solar facility.²⁹

Q. Do you have concerns with EPE's explanation of how the proposed 100 MW Newman Buffer BESS has no associated fuel cost components?

A. Yes, even though EPE states that there are no fuel or purchase energy costs associated with charging the 100 MW Newman Buffer BESS,³⁰ EPE confirmed that there is a possibility that the Newman Buffer BESS may be charged from the grid. EPE did not model grid charging in the capacity expansion analyses that informed the project selection. As a result, EPE does not have specific fuel or purchased power costs associated with grid charging.³¹ In other words, EPE did not model scenarios other than charging the battery storage facility from the solar facility³²

Q. How do you evaluate 2023 All-Source Request for Proposal for Electric Power Supply and Load Management Resources for Texas as it relates to this case?

A. In this case, the Commission is called upon to decide whether there is a need for Newman Buffer, and whether it is appropriate considering reasonable alternatives. Regarding this specific issue, [REDACTED] is cost-effective

²⁹ El Paso Electric Company's Response to OPUC's Second Request for Information Question Nos. OPUC 2-1 through OPUC 2-14, Response to OPUC 2-1 (May 15, 2025).

³⁰ Novela Direct at 15 (Bates 29).

³¹ El Paso Electric Company's Response to Commission Staff's Seventh Request for Information Question Nos. Staff 7-1 through Staff 7-2, Response to Staff 7-1 (Jun. 9, 2025).

³² El Paso Electric Company's Response to OPUC's Third Request for Information Question Nos. OPUC 3-1 through OPUC 3-8, Response to OPUC 3-1 (May 27, 2025).

1 among the alternatives that EPE considered in its 2023 TX All-Source RFP. However,
2 I have concerns that EPE did not model scenarios other than charging the battery
3 storage facility from the solar facility.³³ I believe EPE should have modeled scenarios
4 of potential fuel or purchase energy costs associated with charging the 100 MW
5 Newman Buffer BESS from the grid.

6
7 **VIII. CONCLUSION AND RECOMMENDATION**

8 **Q. Please summarize your conclusions and recommendations.**

9 **A. I conclude that EPE has demonstrated a need for capacity. I recommend that the**
10 Commission:

- 11 • deny EPE's request for approval to amend its CCN to construct, own, and
12 operate the 100 MW Newman Buffer BESS. As mentioned above, it is
13 concerning that EPE limited their modeled scenarios to only charging the
14 battery storage facility from the solar facility. Factors including, but not
15 limited to, time of day, weather conditions or seasonal variations may affect
16 solar power or meeting peak demand during peak hours (if peak demand
17 occurs when solar generation is low, the BESS may not have sufficient stored
18 energy to meet the demand). I believe EPE should model other scenarios and
19 provide a detailed explanation of potential fuel or purchase energy costs
20 associated with charging the 100 MW Newman Buffer BESS from the grid;
21 and

³³ *Id.*

- grant EPE's request of approval to amend its CCN to construct, own, and operate the 100 MW Newman Buffer solar photovoltaic generating facility contingent upon the Commission adopting the conditions proposed by Staff witness Sherryhan Ghanem in her direct testimony.

Q. Does this conclude your testimony?

A. Yes, but I reserve the right to supplement this testimony during the course of the proceeding as new evidence may be presented.

Attachment TG-1

Statement of Qualifications

Tsungirirai Gatora

I have a Bachelor of Arts Degree in Economics and a Master of Arts Degree in Economics with a focus in Public Utility Policy and Regulation, both from New Mexico State University.

Prior to my employment at the Public Utility Commission of Texas (Commission), I worked at Sharyland Utilities, LP (Sharyland) as a Regulatory Analyst for more than three years. As a Regulatory Analyst, I was responsible for Sharyland's compliance filings with the Commission and the U.S. Energy Information Administration.

After working for Sharyland, I served as a Research Analyst for the Connecticut Department of Energy and Environmental Protection, Bureau of Energy Technology Policy for three years. As a Research Analyst, I analyzed and reviewed natural gas rate case applications. I also analyzed and reviewed compliance reports filed by local distribution companies.

My current role at the Commission includes analyzing and reviewing fuel factor applications; fuel reconciliation proceedings; generation certificate of convenience and necessity (CCN) applications; advanced metering system deployment applications; energy efficiency cost recovery factor applications; service area exceptions and boundary issues; and applications to obtain or amend a water or sewer CCN.

Attachment TG-2

Docket No. 57376

SOAH Docket No. 473-25-10413

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT THE HALLSVILLE NATURAL GAS PLANT IN HARRISON COUNTY, TEXAS AND CONVERT WELSH POWER PLANT UNITS 1 AND 3 TO NATURAL GAS

Docket No. 57149

SOAH Docket No. 473-25-05084

APPLICATION OF EL PASO ELECTRIC COMPANY TO RECONCILE FUEL COSTS

Docket No. 56693

SOAH Docket No. 473-24-21530

APPLICATION OF ENTERGY TEXAS, INC. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT A PORTFOLIO OF DISPATCHABLE GENERATION RESOURCES

Docket No. 56865

SOAH Docket No. 473-24-00481

APPLICATION OF ENTERGY TEXAS, INC. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT A PORTFOLIO OF RENEWABLE GENERATION RESOURCES

Docket No. 56216

SOAH Docket No. 473-24-21528

APPLICATION OF ENTERGY TEXAS, INC. FOR APPROVAL OF RATE SCHEDULE UODG

Docket No. 56572

SOAH Docket No. 473-24-17664

APPLICATION OF EL PASO ELECTRIC COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR

Docket No. 56552

SOAH Docket No. 473-24-17665

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

Docket No. 56548

SOAH Docket No. 473-24-17310

APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR APPROVAL OF ITS TRANSMISSION AND DISTRIBUTION SYSTEM RESILIENCY PLAN

Docket No. 55849

SOAH Docket No. 473-24-11573

SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR APPROVAL OF POWER PURCHASED AGREEMENTS PURSUANT TO PUBLIC UTILITY REGULATORY ACT § 36.205(E) AND FOR RELATED RELIEF

Docket No. 55255

SOAH Docket No. 473-24-02691

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT GENERATION FACILITIES IN LAMB COUNTY, TEXAS AND LEA COUNTY, NEW MEXICO; FOR GOOD-CAUSE EXCEPTIONS; AND FOR RELATED RELIEF

Docket No. 54929

SOAH Docket No. 473-23-24883

APPLICATION OF EL PASO ELECTRIC COMPANY TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR A 150 MW SOLAR FACILITY

Docket No. 54950

SOAH Docket No. 473-23-18234

APPLICATION OF EL PASO ELECTRIC COMPANY TO REVISE ITS ENERGY EFFICIENCY COST RECOVERY FACTOR

Docket No. 54948

SOAH Docket No. 473-23-18232

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

Docket No. 54142

SOAH Docket No. 473-23-03500

APPLICATION OF EL PASO ELECTRIC COMPANY FOR AUTHORITY TO RECONCILE FUEL COSTS

Docket No. 53679

SOAH Docket No. 473-22-00990

APPLICATION OF AEP TEXAS INC. TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

Docket No. 53625

SOAH Docket No. 473-22-00991

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZATION AND RELATED RELIEF FOR THE ACQUISITION OF GENERATION FACILITIES

Docket No. 53551

SOAH Docket No. 473-22-2610

APPLICATION OF EL PASO ELECTRIC COMPANY TO REVISE ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND ESTABLISH REVISED COST CAPS

Docket No. 53034

SOAH Docket No. 473-22-1801

SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR AUTHORITY TO RECONCILE FUEL AND PURCHASED POWER COSTS FOR THE PERIOD JULY 2, 2018 THROUGH JUNE 30, 2021

Docket No. 53542

SOAH Docket No. 473-22-2605

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

Docket No. 52451

SOAH Docket No. 473-22-0816

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR APPROVAL OF ADVANCED METERING SYSTEM (AMS) DEPLOYMENT PLAN, AMS SURCHARGE, AND NON-STANDARD METERING SERVICE FEES

Docket No. 52389

SOAH Docket No. 473-22-0009

SOUTHWESTERN ELECTRIC POWER COMPANY'S REQUEST FOR APPROVAL OF ADVANCED METERING SYSTEM (AMS) DEPLOYMENT PLAN, AMS SURCHARGE AND NON-STANDARD METERING SERVICE FEES

Docket No. 52210

SOAH Docket No. 473-21-2996

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY TO IMPLEMENT AN INTERIM NET SURCHARGE FOR UNDER-COLLECTED FUEL COSTS

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	OF
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	ADMINISTRATIVE HEARINGS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S SUPPLEMENTAL RESPONSE TO
TEXAS INDUSTRIAL ENERGY CONSUMERS
FIRST REQUESTS FOR INFORMATION
QUESTION NO. TIEC 1-10

TABLE OF CONTENTS

MAY 29, 2025

TIEC 1-10 Supplemental	2
------------------------------	---

SOAH DOCKET NO. 473-25-14211
DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	OF
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	ADMINISTRATIVE HEARINGS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S SUPPLEMENTAL RESPONSE TO
TEXAS INDUSTRIAL ENERGY CONSUMERS
FIRST REQUESTS FOR INFORMATION
QUESTION NOS. TIEC 1-1 THROUGH TIEC 1-19

The following Rf's pertain to the Direct Testimony of Emmanuel Villalobos:

TIEC 1-10:

Referring to page 14, lines 7-25, please provide the independent evaluator's report for the 2023 Texas RFP.

RESPONSE:

The independent evaluator has not yet issued his report for the 2023 Texas RFP.

SUPPLEMENTAL RESPONSE:

Please see TIEC 1-10 Supplemental, Attachment 1, for a copy of the independent evaluator report for the 2023 Texas RFP.

Preparer: Khimani Smith

Judith M. Parsons

Title: Associate Analyst – Market Development
and Resource Strategy
Regional Manager – Regulatory Resource
Strategy

Sponsor: Emmanuel Villalobos

Title: Director – Market Development and
Resource Strategy

Independent Evaluator Final Report

El Paso Electric Company 2023 All-Source Request for Proposals for Electric Power Supply and Load Management Resources for Texas

May 29, 2025



Prepared By



MERRIMACK
ENERGY GROUP, INC.

Table of Contents

1	INTRODUCTION.....	3
1.1	OVERVIEW	3
2	EL PASO ELECTRIC'S COMPETITIVE BIDDING PROCESS.....	5
2.1	BACKGROUND	5
2.2	SUMMARY OF COMPONENTS OF THE 2023 ALL-SOURCE RFP FOR TEXAS	5
2.3	BIDDING DOCUMENTS	16
3	ROLE OF THE INDEPENDENT EVALUATOR.....	17
3.1	ACTIVITIES OF THE IE	18
3.1.1	IE Requirements.....	18
3.1.2	Receipt of Bids.....	19
3.1.3	Bid Evaluation and Selection Process.....	19
3.1.4	Contract Negotiations.....	20
3.1.5	Reporting Requirements	20
4	DESCRIPTION OF THE COMPETITIVE PROCUREMENT PROCESS THROUGH EVALUATION AND SELECTION OF PROPOSALS	20
4.1	OVERVIEW	20
4.2	PHASE 1 – RFP DEVELOPMENT PHASE	22
4.2.1	Development of the 2023 All-Source RFP for Texas	22
4.2.2	Bid Evaluation Methodology and Evaluation Inputs & Criteria.....	23
4.2.3	Safeguards.....	23
4.2.4	Issuance of the 2023 Texas RFP.....	24
4.2.5	Outreach Activities.....	25
4.3	PHASE 2 – PROPOSAL DEVELOPMENT PHASE	25
4.3.1	Pre-Bid Webcast.....	25
4.3.2	Questions & Answers.....	26
4.3.3	Notice of Intent.....	26
4.3.4	Overview of the Bid Evaluation Methodology.....	26
4.3.5	Transmission System Impact Assessment.....	30
4.4	PHASE 3 – RECEIPT AND EVALUATION OF PROPOSALS.....	33
4.4.1	Receipt of Proposals	33
4.4.2	Review of Proposals and Follow-Up Questions to Bidders.....	35
4.4.3	Evaluation of Proposals.....	36
4.4.4	Shortlist Selection.....	38
4.4.5	Portfolio Considerations	41
4.4.6	PLEXOS Modeling.....	43
4.4.7	Notifications to Bidders of Final Selection.....	44

5	CONCLUSIONS AND RECOMMENDATIONS	45
5.1	CONCLUSIONS	45
5.2	RECOMMENDATIONS	49

LIST OF TABLES

TABLE 1: SUMMARY OF 2023 ALL-SOURCE RFP FOR TEXAS REQUIREMENTS	5
TABLE 2: SCHEDULE FOR THE 2023 ALL-SOURCE RFP FOR TEXAS	17
TABLE 3: SUMMARY OF THE PROPOSALS RECEIVED BY TYPE OF PROJECT	33
TABLE 4: SELF-BUILD PROPOSALS SUBMITTED	35
TABLE 5: PROPOSED INITIAL SHORTLIST	38
Table 6: Summary of Proposals Selected for Contract Negotiations	45

1 INTRODUCTION

1.1 OVERVIEW

El Paso Electric Company ("EPE") selected Merrimack Energy Group, Inc. ("Merrimack Energy") to serve as the Independent Evaluator ("IE") for El Paso Electric's 2023 All-Source Request for Proposals for Electric Power Supply and Load Management Resources for Texas ("2023 All-Source RFP for Texas" or "2023 Texas RFP"). Merrimack Energy's role as Independent Evaluator began at the time of development of the RFP and continued through the selection of the preferred resource(s).

El Paso Electric Company issued its 2023 All Source RFP for Texas on October 31, 2023, with the objective of obtaining long-term, supply-side and/or demand-side resources that are cost-effective, reliable electric resources to meet EPE's Texas customer load requirements¹.

EPE issued the 2023 Texas RFP to obtain cumulative long-term capacity of approximately 600 MW during its summer peak periods (May through the end of September) in two tranches:

- The first tranche is to fulfill a 300 MW capacity need in the 2025-2027 timeframe with resources to be online and operational by May 1, 2025 but no later than May 1, 2027;
- The second tranche is for an additional 300 MW to help fulfill EPE's long-term capacity needs by 2030 with resources to be online and operational by May 1, 2030.

The 2023 Texas RFP indicated EPE would consider proposals from Bidders that would include: (1) Power Purchase Agreements ("PPA") for the sale of capacity and/or energy; (2) proposals for EPE purchase of or equity participation in the Bidder's new or existing generation facility; (3) build-transfer agreements ("BTA")²; (4) load management programs implemented by the Bidder including distributed generation ("DG"), as well as other proposals that will help EPE achieve its long-term energy and capacity needs. EPE stated that it may also submit a self-build in response to the RFP.

¹ EPE issued a revised version of the RFP document on November 14, 2023, which included clarification changes regarding communications with the EPE team.

² Build Transfer Agreements ("BTA") are also referred to by some utilities as Build Own Transfer ("BOT") Agreements.

The 2023 RFP stated EPE's preference for capacity resources that can provide high availability, guaranteed generation output during peak hours in the months of May through September, as well as guarantee a minimum annual generation output for renewable energy resources. It also stated EPE would consider acquiring a single resource or a combination of supply-side and/or demand-side resources that are proposed and evaluated in response to the RFP.

For the 2023 Texas RFP, EPE proposed to use a single-stage pricing process to evaluate proposals in response to this RFP whereby the evaluation and selection of proposals would be based solely on the proposals submitted on the proposal due date. Therefore, this RFP does not contemplate Best and Final proposals. Bidders would be required to submit their "best" proposals on the initial proposal due date.³ EPE also noted in its 2023 Texas RFP that it would utilize a third-party independent evaluator ("IE") to oversee the RFP process. The IE will have access to all proposals and will actively participate in the RFP process.

EPE and Merrimack Energy agreed to a Statement of Work of Merrimack Energy as the Independent Evaluator. The Statement of Work is consistent with other competitive bidding assignments Merrimack Energy has undertaken in the industry in which Merrimack Energy had served as the IE.

The overriding responsibility of the IE is to ensure that the competitive bidding process is undertaken in a fair, transparent and unbiased manner with the objective of providing the best deal or outcome for EPE's customers. In addition, because there is a possible option of a self-build resource, one of the roles of the IE is to ensure that the self-build option does not receive any undue preferential treatment. The Statement of Work identifies the following high-level requirements for the Independent Evaluator. More specific and detailed information on the requirements of the IE Statement of Work and activities of the IE is contained in Section III of this report.

One of the other requirements of the IE is to submit a Final Findings Report to EPE which should include but not be limited to: (1) description of the role of the IE; (2) description and review of the competitive bidding process and evaluation of proposals; (3) evaluation of the framework and principles for proposal bid evaluation and selection; and (4) recommendations for improving the RFP process.

³ The RFP process was designed to base evaluation and selection of proposal on the initial proposal submitted due to the compressed RFP schedule. However, as noted later in the report, EPE did accept best and final pricing for final evaluation and selection due to the extended timeframe for the RFP.

2 EL PASO ELECTRIC'S COMPETITIVE BIDDING PROCESS

2.1 BACKGROUND

As noted, the purpose of the 2023 All Source RFP for Texas was to obtain long-term, cost effective and reliable electric resources for its Texas customer base that will commence operations in two tranches with the latest online and operational date being May 1, 2030. EPE also stated that it would consider proposals from persons and/or entities ("Bidders") responding to this RFP for delivery of renewable energy to EPE, and the transfer of all associated Renewable Energy Certificates or Credits ("RECs"), from supply-side renewable energy resources.

2.2 SUMMARY OF COMPONENTS OF THE 2023 ALL-SOURCE RFP FOR TEXAS

The 2023 Texas RFP clearly identifies the requirements of El Paso Electric regarding the need for the resources solicited, types of products requested, the term of the proposals for each resource option, the amount of capacity in megawatts ("MW") requested, the timing of requirements, price and non-price factors considered in the evaluation process, a description of El Paso Electric's existing system including existing generation resources and demand/supply balance, a description of the role of transmission costs and access, and information which bidders need to incorporate into their proposals. As background, a brief summary of the key components and provisions of the 2023 Texas RFP are included in Table 1.

Table 1: Summary of 2023 All-Source RFP for Texas Requirements

RFP Characteristics	2023 All-Source RFP for Texas Provisions
Resource Requirements	EPE has a long-term capacity need of approximately 600 MW which is being solicited in two tranches – (1) 300 MW in the 2025 – 2027 timeframe to be online and operational by May 1, 2025 but no later than May 1, 2027, or (2) 300 MW by 2030 to be online and operational by May 1, 2030.
Objectives of RFP	EPE seeks to obtain cost effective and reliable long-term capacity for its Texas customer base.
Eligibility	The following eligibility requirements are listed in the RFP: • A Notice of Intent to Bid ("NOI") is mandatory for proposals to be accepted;

- | | |
|--|--|
| | <ul style="list-style-type: none">• The capacity resource need is required to be online and operational no later than May 1, 2027 for tranche 1 and May 1, 2030 for tranche 2. EPE is not obligated to accept proposals for projects with CODs after May 1, 2030;• A \$3,500 non-refundable filing fee must be submitted with each proposal that can include a primary proposal and an additional two options. Bidders may submit up to an additional seven options for a proposal which incurs an additional \$1,500 per option;• The resource must be eligible for designation by EPE as a Network Resource or Energy Resource under EPE's Open Access Transmission Tariff ("OATT");• Bidders pursuing Network Resource Interconnection Service under EPE's Large Generator Interconnection Procedures, must submit an Interconnection Request under EPE's OATT in the next open cluster window, which is the 2024 Spring cluster study. A Bidder's interconnection request must be submitted by March 29, 2024 to be eligible to move into the negotiation phase, if selected;• Failure to complete and return all required forms, tables and templates may result in disqualification of the bidder's proposal;• Proposals are to include and denote anticipated tax amounts. Actual tax treatment will be governed by the final executed contracts;• EPE required bidders to have and provide evidence to EPE of a feasible site selected and at a minimum have a firm option to purchase or lease to demonstrate site control. For sites on federal land such as Bureau of Land Management, alternate documentation may be considered; |
|--|--|

	• All capacity and energy that EPE may purchase pursuant to this RFP must be delivered to the EPE local transmission system within EPE's Balancing Authority to ultimately serve EPE's Texas retail customers; • The bidder must clearly define dispatch capabilities for the power resource proposed. The proposal must outline any and all capacity and energy limitations; • All supply-side proposals will be required to establish real-time communications with EPE's Energy Management System ("EMS") to provide status information and be able to receive control signals for requirements such as Automatic Generation Control ("AGC"), curtailment, and dispatch control; • The RFP document also identified specific requirements for each resource type and contract type; and • PPAs for renewable energy resources are to include the transfer of associated RECs to EPE at no additional cost.
Requirements Specific to Resource Types	The following requirements are listed in Section 5.0 of the RFP document and are applicable to specific resource types: • For all renewable resources, EPE prefers the ability to dispatch/curtail the renewable energy on an hourly basis. Bidders must submit their proposals by providing the data required for PPA proposals in Attachment 9.4. Proposals may only propose capacity pricing if they include battery storage or some other method to firm up the energy output. Proposals that include capacity pricing must provide the basis for measurement to determine the firm capacity. Bidders shall provide a predictable, specific methodology for energy pricing or energy and capacity pricing on an annual basis. For dispatch-limited resources, EPE will evaluate the

	Effective Load Carrying Capability ("ELCC") metric to quantify the capacity contribution of the resource. The capacity contribution of dispatch-limited resources towards a utility's resource adequacy needs is usually lower than their full operating capacity. For example, variable renewable resources like wind and solar have a variable output, for which their capability to generate at the times needed for resource adequacy is typically less than their rated capacity; • For non-intermittent renewable resources, proposals such as geothermal, biogas or biomass should identify and quantify fuel resource availability and ability to secure fuel resources for the life of the project. Any dispatchability or output limitations should be clearly described, including yearly total output expectations and commitments. Additionally, typical daily output profiles should be provided for each month and any firm commitment amounts should be conveyed; • For Intermittent Renewable Resource proposals such as solar and wind, these proposals should provide annual expected output profiles, expected yearly energy output and guaranteed/committed yearly energy output amounts. Inverter-based renewable resources, like Solar and wind proposals, are required to utilize inverters and controls capable of output regulation/curtailment for load following, frequency response and voltage support via EPE's EMS control. EPE will place value on projects offering an ability to better match generation to EPE's load in conjunction with these resources. Projects should be a minimum of 5 MW and proposals with a nameplate capacity greater than 50 MW should propose the project in 25 MW increments;
--	---

	• EPE is interested in evaluating renewable energy resources paired with battery storage to mitigate and regulate intermittency of the renewable energy resource and firm up the renewable energy to make EPE whole in any year, and which may provide regulation, firm capacity output during peak hours, or renewable energy load shifting. EPE requests that solar and wind proposals provide an option with battery storage at 50% of the renewable energy resource's nameplate capacity (AC). If the proposal is also capable of providing regulating and system support Bidders should provide operating capabilities and specifications including: number of expected cycles, charge and discharge ranges, round trip efficiency and degradation schedules. All proposals should be capable of direct monitoring and control by EPE's EMS system; • Energy storage proposals submitted for the purposes of serving load during the peak hours or for load shifting should provide a minimum of 15 MW for four or eight hours of output and should be capable of multiple discharge and charge cycles per day. If the proposal is also capable of providing regulating and system support, bidders should provide operating capabilities and specifications and • Variable Energy Resources ("VERs") are to be AGC control capable for management of curtailment commands directly from EPE's EMS. For energy curtailment measurement, the bidder shall consent to using the five-minute VER forecast that is used in the market to establish the baseline for any measurement of curtailed energy.
Resource Alternatives/Product	Proposals to be considered by EPE will include supply-side and demand-side energy alternatives

Requirements/Commercial Transactions	including distributed generation (i.e., interconnection at the distribution grid voltage level). EPE will consider the proposal arrangements of the following types listed below: (1) Long-term PPA (term length from 5 years up to 20 years) for sale of energy or capacity and energy from new or existing resources; (2) Build-Transfer Agreement ("BTA") for standalone renewable generation, renewable generation paired with battery storage, stand-alone energy storage, and conventional resources in which ownership would be transferred to EPE; (3) proposals for renewable generation that are initially a PPA, to provide a build-transfer option at year five; (4) Tolling PPA for conventional, gas-fired thermal generation; (5) proposals for EPE purchase or equity participation in the Bidder's new or existing generating facility; (6) Agreements for Load Management to participate in energy efficiency and/or demand response programs. EPE requires bidders to include a Right of First Offer and Right of First Refusal option in conjunction with any PPA proposal.
Bidding Process	EPE proposed a multi-stage bid evaluation process which included a single-stage pricing process to evaluate those proposals that have satisfied the threshold evaluation of responsiveness and viability. The steps in the bid evaluation process include the following steps: • threshold evaluation • economic evaluation • non-economic evaluation • load management resource evaluation • environmental evaluation (if applicable) • selection of proposals and discussions with Bidders • contract negotiations
Utility Self-Build Options	EPE stated in the RFP that it may submit a self-bid option in response to the RFP.
Threshold Requirements/Evaluation	EPE initially reviews each proposal to determine whether it satisfies the threshold criteria of:

		(1) responsiveness, (2) technical viability, and (3) Bidder financial ability and capability. The responsiveness review would ensure that the proposal is complete, follows the guidelines set forth in the RFP, and includes all information required for a more thorough review. The technical viability review would determine whether the proposal meets EPE's requirements in a reliable manner and within the timeframe stated in the RFP. The Bidder financial ability and capability review would determine whether the bidder has adequate financial capability and adequate competence, resources, and skills to perform its proposal.
Economic Process	Evaluation	Proposals that pass the threshold evaluation will be analyzed via a single-stage pricing process to evaluate proposals, whereby the evaluation and selection of proposals will be based solely on the proposals submitted on the proposal due date. The proposals would be evaluated from a levelized cost analysis basis and will be compared to proposals within their resource type group and economic standpoint to determine the proposed resource's relative cost effectiveness in meeting EPE's requirements. Once grouped, EPE may select the top-ranking bids from each group for inclusion on the shortlist. The shortlisted bidders will be modeled in EPE's optimization model to determine resource portfolio costs for selection of the winning bid(s). To quantify the capacity contribution of different energy resource types, EPE will also evaluate proposals based on the effective load carry capability ("ELCC") of the resources. The ELCC of each resource type will feed into EPE's resource portfolio analyses and help serve as a basis for ensuring resource adequacy.
Economic/Pricing Requirements		The economic analysis will incorporate the following characteristics of the proposed resource type as applicable: • net capacity offer or purchase offer and capacity costs

	• energy costs, including fuel costs • fixed and variable O&M costs • facility/Unit Start-up costs • variable costs impacting production cost • transmission and/or distribution system costs • other costs and system impacts • potential federal regulation of carbon emission costs, and • taxes and tax credits
Non-Economic Evaluation	EPE indicated it may also consider non-economic criteria not incorporated into the economic analyses in evaluating each proposal such as high-level criteria related to: • development feasibility and completion risk • financial and operational viability • operating characteristics • other factors, and • EPE financial impact
Resource Selection	EPE may initiate contract discussions with bidder(s), as appropriate, following a review of the technical, economic, risk, and environmental factors. The RFP states that EPE reserves the right to enter into an agreement at any time with a Bidder who, in the opinion of EPE, would provide the greatest value to EPE and its customers. EPE also reserved the right to pursue contracts with other than the lowest price Bidder or with other than the Bidder evidencing the greatest technical ability, if EPE, in its sole discretion, determines that to do so would result in the greatest value to EPE and its customers. EPE reserves the right to enter into discussions with multiple bidders at any time in order to determine and pursue what EPE believes is in the best interest of EPE and its customers.
Site Control	EPE requires bidders to, at a minimum, have a firm option to purchase or lease the site, demonstrate site control with landowners and other stakeholders that may impact the execution of the land purchase. For sites on federal land such as Bureau of Land Management, alternate documentation may be considered.

Transmission Requirements	All energy or capacity and energy that EPE may purchase pursuant to this RFP must be delivered to EPE's local transmission system (transmission system within the EPE Balancing Authority Area) to ultimately serve EPE's Texas retail customers. It may be possible for proposals between 5-20 MW to interconnect to EPE's distribution system or local transmission system (depending on location and feeder/system characteristics) which may facilitate shorter project lead-times. Given the amount of planned capacity retirements at EPE's Newman Power Station, future generation resources in the general vicinity of EPE's Balancing Authority area are preferred. However, EPE is open to all proposals which demonstrate ability to deliver energy to EPE's load area, regardless of proposal arrangement, i.e., PPA or a facility build/transfer agreement. Where the Bidder's resource is interconnected to a third-party transmission system, and not to the EPE local transmission or distribution system, the Bidder should identify in its proposal (a) the charges assessed by the third-party transmission service provider to reach the EPE transmission system and (b) the point on the EPE transmission system at which the Bidder's energy is to be tendered by the Bidder to EPE. In addition, the proposal must be accompanied by a demonstration that the Bidder has (or will) secure firm transmission capacity on such third-party systems from the location of the resource to EPE's local transmission system. The Bidder must identify the total cost to have its resource delivered to a substation on EPE's local transmission system and must include those third-party transmission system costs in its proposal. In cases where a resource directly interconnects to the EPE transmission system, the Bidder should identify (a) the point on the EPE transmission system at which the Bidder's energy is to be
---------------------------	---

tendered by the Bidder to EPE; (b) whether the Bidder's resource is currently interconnected to the EPE transmission system and receiving interconnection service from EPE or whether the Bidder has requested interconnection service from EPE (and the type of interconnection service requested); (c) the current status of the Bidders generator interconnection request; and (d) the estimated Network Upgrade costs, if any identified in the generator interconnection process as necessary to permit the Bidder's generating facility to interconnect to the EPE transmission system.

The RFP document also provides guidance for bidders regarding areas of delivery of power to EPE's transmission system that are subject to operating limits since these factors will be taken into consideration during the evaluation.

The delivery of power to EPE's local transmission system into Springerville, Greenlee, and West Mesa is subject to the operating limits of the Western Electricity Coordinating Council ("WECC") Path 47, which will be taken into account during the bid evaluations. Similarly, the Eddy-Amrad transmission line is fully subscribed by third parties from Empire to Amrad on a firm basis, which leaves only the portion of the Eddy-Amrad transmission line from Eddy 345kV to Empire 345kV available at this time. If the resource is located outside of EPE's Balancing Area and is intermittent/non-dispatchable, the bid must also include the proposed method of dealing with regulating and balancing requirements, and any associated costs (*i.e.*, battery storage regulation and regulating services by the host Balancing Authority Area).

EPE will select the winning proposal(s) after EPE identifies and evaluates proposals that best meet its objectives and that are comprised of the most

	economic and reliable resources from each resource type group based upon each resource's total cost delivered to the boundary of EPE's transmission system. Final selection of winning proposals will include consideration of whether the resource proposed requires network upgrades in order for EPE to receive the energy into the EPE local transmission system and/or in order to deliver the energy to EPE's Texas retail customers by including those estimated costs. Final selection of winning proposal(s) will also include consideration of whether the resource(s) and the Bidder(s) have demonstrated a commitment and ability to be ready to timely serve EPE load. The winning Bidders will be required to have in place or to secure Interconnection Service as specified in the EPE Large Generator Interconnection Procedures or Small Generator Interconnection Procedures and sign a Generator Interconnection Agreement as specified in EPE's OATT. Bidders pursuing Network Resource Interconnection Service under EPE's Large Generator Interconnection Procedures must submit an Interconnection Request under EPE's OATT in the next open cluster window for any Bidder that is not already in EPE's interconnection queue. In addition, the resource must also be eligible to be designated by EPE as a Network Resource or Energy Resource under EPE's OATT.
Bid Fees	A \$3,500 non-refundable filing fee must be submitted with each proposal. The filing fee will apply to a Bidder's proposal and an additional two alternative options. A Bidder may submit an additional seven options (up to ten total options) for \$1,500 per option. A proposal is defined by proposal site/location and resource technology type. An option is defined as the same proposal with varying options for nameplate, COD, pricing, inclusion of battery storage, or inclusion of a Right of First Offer and Right of First Refusal provision for a PPA.

Information Required of Bidders	The RFP contains in Attachment 9.3 a list of all the information required from bidders with regard to submission of their proposals. Bidders must complete Attachments in Section 9 and Excel workbook "2023 TX All Source RFP Tables and Input Templates". Section 6 of the RFP also identifies the outline of the proposal by topic area to ensure the format is consistent for all proposals.
---------------------------------	--

2.3 BIDDING DOCUMENTS

The 2023 Texas RFP document and website contains a number of Attachments which bidders were required to complete and submit with their proposals, as applicable to each proposal type. These include the following:

1. Attachment 9.1 – Notice of Intent to Bid;
2. Attachment 9.2 – Notice of Wire Payment Information;
3. Attachment 9.3 – Data Required For All Projects;
4. Attachment 9.4 – Additional Data for Purchased Power Agreements;
5. Attachment 9.5 – Additional Data for Equity Purchase (Full or Partial);
6. Attachment 9.6 – Additional Data for Renewable Energy or Any Intermittent, Non-Dispatchable Resources;
7. Attachment 9.7 - Load Management Required Data; and
8. Attachment 9.8 - Additional Data for Purchase or Equity Participation in the Bidder's New or Existing Conventional Generation Facility (e.g., Turnkey Projects).

Additionally, El Paso Electric provided an Excel file Workbook on the website for the 2023 All Source RFP for Texas (2023 Texas All Source RFP Tables and Input Templates) which Bidders were also required to complete and submit with their proposals. These files included project specific information and pricing information which EPE could utilize to populate its evaluation models for undertaking the levelized cost of energy ("LCOE") assessment for purposes of ranking proposals and selecting a shortlist. The Excel File posted to the website contained the following tabs:

- 10.1 – General Information Table for All Bids;
- 10.2 – Standalone Renewable Bids;
- 10.2.5 – Standalone Storage Bids;
- 10.3 – Renewable Plus Storage Bids;
- 10.4 – Bid Pricing;
- 10.5 – Conventional Bids;

- 10.5.1 – Conventional Tables;
- 10.6 – Load Management;
- 10.6.1 – Load Management Tables; and
- 10.7 – 8760 Energy Profile.

The RFP document also included a copy of the solicitation schedule. Table 2 provides the original schedule contained in the final version of the RFP document.

Table 2: Schedule for the 2023 All-Source RFP for Texas

Event	Date
Issue RFP	October 31, 2023
Pre-Bid Webcast	November 14, 2023
Notice of Intent to Bid	November 21, 2023
Date for Final Submission of Questions	December 19, 2023 ⁴
Response to Questions	January 5, 2024
Proposal and Fee Due	January 26, 2024
Shortlist Notification	February 16, 2024
Notice of Final Bid Selections	March 22, 2024
Submittal to Spring Study Cluster for LGIA and SGIA Projects	March 29, 2024

Any procurement resulting from this 2023 All-Source RFP for Texas is subject to approval by EPE's Board of Directors and the Texas Public Utilities Commission.

3 ROLE OF THE INDEPENDENT EVALUATOR

The role of the Independent Evaluator was agreed to by Merrimack Energy and EPE, as included as Appendix 2 in the Master Consulting Services Agreement between the parties and is entitled Independent Evaluator Services Statement of Work. The general roles of the IE are defined in Section I (i.e., Introduction) of the Statement of Work. Provided below are the more specific roles and activities which the IE was expected to be involved in throughout this competitive bidding process. As listed in the Statement of Work, the overriding responsibility of the Independent Evaluator is to ensure the competitive bidding process is undertaken in a fair and unbiased manner with the objective of providing the best outcome for EPE's customers. The discussion in Section IV of the Statement of Work will also

⁴ The original date for final submission of questions was revised 10 days to December 29, 2023 while the date for response by EPE to bidder questions was delayed seven days from January 5, 2024 to January 12, 2024.

identify the specific roles and activities of Merrimack Energy as the IE in the solicitation process.

3.1 ACTIVITIES OF THE IE

3.1.1 IE Requirements

- Review and track the utility's implementation of the competitive bidding process from design of the RFP through contract negotiations, if requested⁵;
- Maintain a review and oversight function over the RFP process including:
 - RFP draft review;
 - Bidder proposal review;
 - monitor communications with market participants; and
 - monitor contract negotiations, if needed.
- Report any problems and concerns with the bidding process to EPE to aid in issue resolution if any arise;
- Review and comment on the draft RFP documents and supporting documentation with the goal of:
 - ensuring that the RFP documents are clear and concise with regard to the definition of the products sought, information required of bidders, solicitation schedule, and solicitation process;
 - ensuring the RFP processes and procedures will lead to a fair and equitable solicitation process and encourage a robust market response;
 - ensuring consistency between the RFP, Model Contracts or term sheets (if applicable) and information required of bidders;
 - ensuring that bidders are provided sufficient information to allow bidders to determine how to effectively compete in the process; and
 - reviewing and commenting on the evaluation criteria, evaluation process and methodology, and ranking and selection process.
- Review and comment on EPE's procedures and policies to ensure that self-build or affiliate options do not have any undue preferential treatment and to ensure the process is fair and transparent;
- Relationship to Bidders

⁵ In this solicitation process, Merrimack Energy was not tasked with monitoring the contract negotiation process by EPE.

- review and critique EPE's responses to bidder's questions prior to distributing to bidders;
 - monitor discussions with shortlisted bidders, if applicable; and
 - review and monitor communications with shortlisted bidders, including requests for additional information to ensure all bidders are treated equitably;
- Advisory Function
 - identify and resolve any issues as they arise, that could affect the fairness of the process; and
 - identify "industry best practices" or strategies used by others to address similar issues; and
- Bid Evaluation Protocols and Procedures such as:
 - review and verify that the bid evaluation was undertaken consistently with the bid evaluation criteria and protocols for non-price and price evaluation;
 - review and verify the shortlist selection process;
 - review economic modeling approach and price evaluation for different resources (i.e., PPA, self-build, Acquisition, load management resources, DG resources) and;
 - review and lock down input assumptions prior to receipt of bids.

3.1.2 Receipt of Bids

The IE was required to perform the following functions associated with this activity:

- The IE should be present at bid receipt and opening of bids when there is a self-build option⁶;
- The IE, along with representatives of EPE will be responsible for receiving bids, securing the bids, and logging in the bids received; and
- The IE is required to prepare a high-level summary of the bids received and compare to EPE's list to ensure all bids are accounted for.

3.1.3 Bid Evaluation and Selection Process

The IE was required to perform the following activities during the bid evaluation and selection phase of the process:

- oversee the evaluation and selection process to ensure that the process is fair and objective for all bidders;

⁶ The IE was not present at the bid opening but had access to proposals at the same time as EPE's team. Merrimack Energy and EPE's team coordinated on initial review and summary of the proposals submitted to ensure the parties were consistent with regard to the number of proposals submitted.

- read and review all bids relative to the established criteria;
- meet with the bid evaluation team during the bid evaluation process and to “challenge” the results of the bid evaluation process;
- review the modeling inputs, model assumptions, and model methodologies prior to receipt of bids;
- thoroughly review and assess all the economic evaluation results, including model outputs; and
- request supporting documentation, if necessary.

3.1.4 Contract Negotiations

The role of the IE in contract negotiations includes the following:

- monitor the contract negotiation process, if required;
- participate in select negotiation sessions if deemed necessary by EPE, including all negotiation sessions with any affiliate; and
- review draft copies of the contracts, if applicable.

3.1.5 Reporting Requirements

The role of the IE with regard to reporting requirements includes:

- identify a “watch list” of issues that needs to be closely monitored during the process;
- submit a Final Findings Report to EPE which shall include the following:
 - description of the role of the IE;
 - description and review of the competitive bidding process and evaluation of proposals;
 - evaluation of the framework and principles for proposal evaluation and selection process; and
 - recommendations for improving the RFP process; and
- testify in the contract approval, project approval, and regulatory proceedings, if required.

4 DESCRIPTION OF THE COMPETITIVE PROCUREMENT PROCESS THROUGH EVALUATION AND SELECTION OF PROPOSALS

4.1 OVERVIEW

EPE's 2023 Texas RFP solicitation process was comprised of several phases, with a number of major activities within each phase. This section of the report will discuss

each of the RFP phases and the major activities, issues and decisions which occurred in each Phase. The primary phases of most power procurement solicitation processes include the following:

1. RFP Development Phase – The initial phase includes activities associated with the development of the RFP documents, bid evaluation process, methodology and evaluation criteria, outreach activities to inform bidders of the issuance of the RFP, and coordination of project team members. In addition, at the beginning of this phase, the self-bid team and RFP management and evaluation team are separated with regard to their functions in the process before the RFP document preparation begins. The EPE project team⁷ and IE held discussions during this phase to identify issues and tasks that needed to be addressed with regard to the implementation of the solicitation process and the timing for completing such tasks.

2. Bid Preparation Phase - Once the RFP is issued, the second phase of the solicitation process generally involves activities associated with proposal development on the part of the bidders and preparation for receipt of proposals by the utility. Activities in this phase include implementation of a Bidders Conference to describe the solicitation process and seek questions from Bidders, an extended Q&A process after the Bidders Conference to allow bidders to seek responses to questions which aid in the development of their proposals, completion and lock-down of the bid evaluation methodology and evaluation criteria, and preparation and lock-down of input assumptions that will be used to ensure a consistent evaluation of all proposals.

3. Receipt and Evaluation of Proposals – The third phase of the solicitation process begins with the receipt of proposals, and includes initial assessment to ensure the proposals conform to minimum or threshold requirements listed in the RFP document, and includes evaluation of proposals, selection of a shortlist (if applicable), submission and evaluation of final offers (if applicable) and culminates with final proposal(s) selection after a thorough review of the quantitative and qualitative aspects of the proposals. EPE initially proposed a one-step pricing process for the evaluation and selection process⁸ because EPE had a short time period to select a shortlist

⁷ EPE's project team for the RFP was largely comprised of members of the Market Development and Resource Strategy Department at EPE which were responsible for managing the solicitation process and conducting the evaluation of proposals.

⁸ Both approaches (one-step and two-step pricing processes) are commonly used in the industry to evaluate and select proposals.

and allow shortlisted bidders sufficient time to submit an interconnection application for the Spring 2024 cluster study process by March 29, 2024.

4. Contract Negotiations – Once the final selection list had been identified, the utility will then begin contract negotiations with the selected entities with the objective of executing a final contract with third-party bidders.

5. Regulatory Filing – The final stage in the process is the resource approval stage in which the utility makes the required filings to the regulatory commissions seeking regulatory approval for the resources selected.

Merrimack Energy was primarily involved in the initial three phases of the solicitation process. As noted, Merrimack Energy was not requested to monitor contract negotiations with bidders. Subsequent sections of the report address the activities and decisions in each of these phases.

4.2 PHASE 1 – RFP DEVELOPMENT PHASE

El Paso Electric selected Merrimack Energy to serve as Independent Evaluator for the 2023 All Source RFP for Texas, as well as for the 2023 Request for Proposals for Renewable Energy for New Mexico in August, 2023, before development of the final RFPs and associated documents⁹. For both RFPs, Merrimack Energy had the opportunity to comment on the draft RFP documents and submit questions to the EPE team to clarify the bid evaluation methodology and evaluation criteria. As a result, the IE was involved in the solicitation process from development of the RFP and development of the evaluation methodology and processes through the final selection of the preferred resources.

4.2.1 Development of the 2023 All-Source RFP for Texas

EPE provided a draft of the 2023 Texas RFP to Merrimack Energy for review and comment in mid-October, 2023. The IE had a few comments on the draft RFP, but the comments were limited as a result of Merrimack Energy's involvement as IE on the 2023 Renewable Energy RFP for New Mexico, which preceded the 2023 All Source RFP for Texas by a couple of weeks, and included some similar requirements and processes. Merrimack Energy had provided comments and suggestions on the 2023 RFP for Renewable Energy for New Mexico and additional comments on the 2023 Texas RFP.

⁹ The 2023 New Mexico RPS RFP was issued on October 6, 2023, several weeks before the 2023 Texas RFP. Proposals were due on January 5, 2024 for the New Mexico RPS RFP, with bids for the 2023 Texas RFP due on January 26, 2024.

4.2.2 Bid Evaluation Methodology and Evaluation Inputs & Criteria

One of the initial areas of discussion between the IE team and the EPE RFP team was generally focused on the development of the appropriate evaluation methodology and process along with the evaluation criteria that would be used to evaluate and select proposals submitted in response to the RFP. Since Merrimack Energy served as IE for the 2023 Renewable Energy RFP for New Mexico, Merrimack Energy was familiar with the proposed evaluation methodology for shortlisting and final selection as well as qualitative or non-price criteria that would also be considered in ranking and selecting proposals. For the 2023 All Source RFP for Texas, the IE was focused on any changes that EPE intended to make to the evaluation process and methodology relative to the methodology and processes used by EPE for the 2023 Renewable Energy RFP for New Mexico.

EPE informed Merrimack Energy during the development of both the 2023 New Mexico and Texas RFPs that it was planning to use the LCOE methodology to evaluate and rank proposals by resource category and the PLEXOS¹⁰ model for portfolio optimization based on the shortlisted proposals in the RFP since EPE has adopted the PLEXOS model for the preparation of its previous Integrated Resource Plan. EPE noted it still planned to utilize its spreadsheet Levelized Cost of Energy Model to calculate the levelized cost of energy for each bid and for comparing similar bids (i.e., bids for similar or like resources) against each other. From a fairness and consistency perspective, the IE's view was that the overall methodology constructs and input assumptions should be prepared prior to receipt of proposals. EPE conformed to this suggestion.

4.2.3 Safeguards

Because EPE identified that it may also submit a self-build resource in response to the 2023 Texas RFP and the 2023 Renewable Energy RFP for New Mexico, one of the issues was a discussion of the safeguards that would be adopted by EPE to ensure that the self-build resources would have no undue advantage over other bidders and that all bidders would be treated fairly and consistently. EPE's RFP team and the IE held discussions about the safeguards that were in place to ensure that all bidders would be treated equitably as a follow-up to similar discussions during the 2021 All Source solicitation processes and the 2023

¹⁰ The PLEXOS model is a capacity expansion software that selects the lowest cost portfolio of resources from those resources modeled that can meet the capacity and energy needs of a utility system at the lowest system cost. PLEXOS optimizes resource selection based on a set of specific assumptions and constraints that are built or input into the PLEXOS model.

Renewable Energy RFP for New Mexico. EPE notified the IE that similar safeguards would be in place for this solicitation as well. These included the following:

- The team that would submit the self-build proposals and the team responsible for management and implementation of the RFP were separate from both a physical and operational perspective. The "walls" between the self-build team and the RFP team were established before the development of the RFP commenced;
- EPE retained the services of Merrimack Energy as Independent Evaluator early in the development of the solicitation process. Merrimack Energy has served as Independent Evaluator or similar function on over 180 competitive bidding processes in 23 states and 3 Canadian Provinces;
- The RFP team implemented a secure filing and database system that would only be accessible to 2023 Texas RFP evaluation team members. Files associated with confidential information regarding the 2023 Texas RFP were stored in a document management system ("Microsoft Teams") with restricted access only to select members of the RFP evaluation team. Microsoft Teams provides a protected database that would be used to share information about the RFP, proposals received, and evaluation results among only the evaluation team members responsible for implementing the RFP process;
- EPE has a detailed Standards of Conduct and a Code of Ethics in place to which all employees must adhere and agree to be bound; and
- The self-build team was required to provide all the same information for their proposal(s) as all other third-party proposals to ensure all proposals were evaluated based on the same general information.

4.2.4 Issuance of the 2023 Texas RFP

On October 31, 2023¹¹, El Paso Electric issued its 2023 Texas RFP and posted it to its website. EPE also sent the 2023 Texas RFP documents to a list of previous RFP participants and any participants that had requested to be included on the distribution list. EPE sent notification to its list of potential bidders regarding issuance of the RFP and issued the notification through a press release. EPE stated in the notification that through the 2023 Texas RFP EPE plans to obtain long-term capacity resources, including renewable energy for Texas customers by 2030. The objective of this RFP is to meet the growing customer demand EPE is experiencing, specifically for its Texas service territory, and to meet the anticipated 2025 summer peak. EPE's initial resource planning studies project a capacity need of approximately 300 MW before May 1, 2027 and another 300 MW by May 1, 2030.

¹¹ The 2023 All Source RFP for Texas was issued nearly four weeks after the 2023 Renewable Energy RFP for NM was issued on October 6, 2023. In addition, proposals were due for the 2023 Renewable Energy RFP for New Mexico on January 5, 2024, while proposals were due for the 2023 Texas RFP on January 26, 2024.

New generation is also necessary to offset EPE's planned retirements of older, less efficient generating units. The notice on the webpage also informed prospective bidders that they had until November 31, 2023 to submit an intent to bid and identified the website link for the full RFP.

The webpage for the 2023 Texas RFP contained information on the Pre-Bid Webcast scheduled for November 14, 2023 as well as access to the RFP document and Q&A document. EPE also encouraged interested bidders to submit questions in advance of the Webcast so that EPE could strive to have prepared responses available at the Webcast.

4.2.5 Outreach Activities

In addition to providing notification of the RFP to the participants list, the issuance of a press release, and information posted to EPE's 2023 All Source RFP for Texas website that notified prospective bidders and interested parties of the availability of the RFP, the notice also identified the website address for accessing the RFP, and identified the date for the Pre-bid Webcast. The press release was also sent to major energy publications and newswires who typically publish information about power procurement activities.¹²

With regard to outreach activities, EPE also sent out formal invitations to over 300 contacts, in addition to issuing the press release. The list of potential bidders included the contacts from past RFPs, and a list from the Company's renewable energy group.¹³

4.3 PHASE 2 – PROPOSAL DEVELOPMENT PHASE

4.3.1 Pre-Bid Webcast

A Pre-Bid Meeting (Webcast) was held on November 14, 2023 as scheduled. EPE's project team manager introduced the RFP project team, staff and the IE, along with identifying the role of the IE. EPE's project team manager also provided an overview of the EPE system along with a high-level map of its service territory. EPE also provided an overview of the RFP requirements for long-term electric resources, including the amount and timing of capacity and energy requirements for long-term needs of 600 MW on line no later than May 1, 2030.

¹² The IE did see mention of issuance of the EPE All Source RFP for Texas on Daily Energy Insider, BusinessWire, and GridMonitor.

¹³ EPE issued RFPs for power resources in 2003, 2006, 2008, 2011, 2017, 2019, and 2021 All Source RFPs for both Texas and New Mexico.

The project team manager also provided an overview of the RFP minimum eligibility requirements for bidders, proposal and contract structure arrangement options, and transmission service requirements. The project manager also discussed the solicitation process schedule, email address for EPE staff and general email addresses regarding inquiries related to the RFP, bidder registration requirements and processes, offer forms, tables and templates bidders were required to complete and submit with their proposal. In addition, the project team manager discussed the confidentiality and public disclosure requirements and Questions and Answers process should bidders wish to submit questions about the RFP. EPE estimated that 43 third-party attendees participated in the Pre-Bid Webcast.

4.3.2 Questions & Answers

On November 14, 2023, EPE extended the question submittal deadline from December 19, 2023 to December 29, 2023 and extended the date for EPE's response to questions from January 5, 2024 to January 12, 2024. Over the roughly two-month Q&A period, EPE received and responded to seventy-seven (77) questions from prospective bidders. EPE posted the Q&A document for questions received through Pre-Bid Webcast on November 14, 2024 to the public website, which included nineteen questions and responses. The final document for the remaining Q&As were posted to the SharePoint website on January 10, 2024. The IE reviewed EPE's responses to the questions. The responses posted on the website were available to all bidders. The IE also found that EPE was efficient in preparing responses to bidders and posted the responses in a timely manner.

4.3.3 Notice of Intent

EPE received approximately 32 Notices of Intent to bid forms in response to the NOI request for the 2023 Texas RFP. The majority of the NOIs were for solar projects or solar with storage options.

4.3.4 Overview of the Bid Evaluation Methodology

As noted, EPE proposed to use a multi-phased evaluation process for review and assessment of the proposals received which included the phases listed below.¹⁴ The evaluation process and overall methodology was described in the RFP

¹⁴ EPE planned to utilize a one-stage or single-stage pricing process to evaluate all proposals in response to the RFP, whereby the evaluation and selection of proposals would be based solely on the proposal pricing submitted on the proposal due date. The evaluation process and methodology was the same for the 2023 Renewable Energy RFP for New Mexico.

document. A description of the bid evaluation methodology and evaluation process phases is provided below:

1. Threshold Evaluation - review of the proposals received to determine whether the proposals satisfy the threshold criteria of responsiveness, technical viability, and Bidder financial ability and capability. The responsiveness review was designed to ensure the proposal was complete, followed the guidelines set forth in the RFP, and included all information required for a more thorough review. The technical viability review determined whether the proposal met EPE's requirements in a reliable manner and for the timeframe stated in the RFP. The Bidder's financial ability and capability review was designed to determine whether the Bidder had adequate financial capability, adequate competence, resources and skills to perform as proposed. At EPE's discretion, any proposal deemed materially incomplete or technically deficient may be excluded from further consideration. EPE also reserved the right to seek clarification of proposal information or additional proposal information from bidders.

Proposals that passed the threshold evaluation would then be analyzed via a single-stage price evaluation process.

2. From an economic perspective, proposals would be evaluated on a levelized cost of energy ("LCOE") basis and would be compared to proposals within their resource type group (e.g., solar only, solar with battery storage¹⁵, wind only, wind with battery storage, stand-alone storage, and conventional resources as well as distinguishing PPAs and BOTs) from an economic standpoint to determine the proposed resource's relative cost effectiveness in meeting EPE's requirements. The economic analysis would incorporate the following characteristics of the proposed resource: (1) Net capacity offer or purchase offer and capacity costs and energy costs; (2) Fixed and variable O&M costs; (3) transmission and/or distribution system costs¹⁶; (4) Other costs and system impacts; (5) Potential federal regulations of carbon emission costs, if applicable; and (6) Taxes. The best proposals in each category would then be selected for the shortlist based on the original pricing contained in each proposal.

¹⁵ For solar with battery storage options, EPE organized and evaluated proposals in which the nameplate capacity for solar and storage was the same (i.e., solar at 100 MW and storage at 100 MW nameplate) and for proposals in which solar nameplate capacity was twice the size of the storage nameplate capacity (i.e., solar at 100 MW and storage at 50 MW nameplate).

¹⁶ While EPE included estimates of transmission and network upgrade costs in prior RFPs, these cost estimates were not included in this assessment at this stage in the process since many projects were in the early stages of development and would be required to enter the spring Study Cluster for the LGIA process.

EPE used three spreadsheet models to calculate the LCOE as part of conducting the initial evaluation of the proposals received: (1) a spreadsheet model for PPA proposals including solar, wind, storage and other renewable only bids; (2) a revenue requirements model for cases where EPE would own the project and include the project in rate base (i.e., self-build, build-transfer for EPE to purchase the proposed generation resources for standalone solar and solar paired with storage, and proposals for EPE purchase or equity participation in the Bidder's existing generating facility); and (3) an extension of the PPA spreadsheet model for evaluating the combination of renewable resources and energy storage options by calculating the levelized cost of renewable energy plus separate or bundled storage costs given the round-trip efficiencies proposed for charging and discharging the battery or storage facility.

The use of spreadsheet models to evaluate the LCOE values for various resource types and contract options was based on the expected energy generation profile, as provided by the bidder. Thus, for renewable resources, EPE used the estimated generation or generation profile provided by the bidder;

3. EPE would also conduct an initial risk assessment focused on non-price factors in conjunction with the economic analysis for informing selection decisions. The risk assessment would be performed for all proposal options for assessing the reasonableness of the proposed COD. High-level non-economic criteria included: (1) development feasibility and completion risk criteria such as interconnection, permitting and site status; (2) financial and operational viability; (3) operating characteristics; and (4) other factors or criteria;
4. EPE also noted that proposals will be evaluated from an environmental standpoint to determine whether existing resources are in environmental compliance with current regulations and that proposed facilities can be permitted within the timeframe indicated. Overall environmental impact of the facilities will also be addressed;
5. Following review of the proposals from an economic and non-economic perspective, EPE would select the top-ranking bids from each group for the overall shortlist. The shortlisted proposals would be modeled in EPE's optimization model(s) to determine the winning bid(s). EPE would then enter into contract negotiations with proposals that in the opinion of EPE provided the greatest value to EPE and its customers. EPE also indicated it reserved

the right to pursue contracts with other than the lowest price bidder if EPE determined that to do so would result in the greatest value or lowest risk to EPE and its customers.

The LCOE models were designed to calculate the levelized cost of each bid based on the pricing proposal submitted by each bidder subject to the input assumptions developed by EPE prior to receipt of bids. Separate LCOE models were developed for PPA options and for utility-owned or Build Transfer Agreement options. EPE planned to calculate two metrics using the spreadsheet models: (1) the models calculated the net present value of the total cost stream for each proposal over the contract term or economic life of the project divided by the net present value of the generation output over the same term; and (2) the models calculated the annual annuity of the total cost stream for each proposal over the contract term or economic life of the project divided by the average annual energy over the same term.

For utility-owned projects, the cost stream included the capital cost associated with constructing the project as well as the cost of operating the project.¹⁷ Annual costs ("Utility Revenue Requirements") were discounted based on the utility's discount rate. The present value of revenue requirements was calculated as the sum of the discounted annual revenue requirements. The Levelized Cost of Energy ("LCOE") was then calculated as the present value of revenue requirements over the life of the resource divided by the present value of the annual Megawatt hours ("MWh") generated by the project. An LCOE value was calculated by EPE for all offers in 2024 dollars. These spreadsheet models are best used to assess the costs of similar projects and select the best proposals or a short list of proposals from a group of similar projects.

As IE for recent EPE RFP's, Merrimack Energy reviewed and commented on EPE's spreadsheet models designed to calculate the LCOE values for each resource type, including the PPA options, combination of renewable resources and energy storage and a revenue requirements model designed to evaluate utility ownership options, which could include a self-build resource, purchase of an existing generation asset, or a Build-Transfer option built by a third-party on a bidder owned site. For example, Merrimack Energy had reviewed EPE's economic analysis of proposals submitted into the 2023 Renewable Energy RFP for New

¹⁷ For a project owned by the utility, the cost of service is based on utility annual revenue requirements associated with the project. For a PPA or tolling service agreement, the model assessment would be based upon a combination of an energy charge, capacity charge, fixed O&M charge, variable O&M charge and fuel costs included in the bidders pricing proposal that was applicable for the specific resource. For renewable resources such as solar and wind, an energy charge would likely be the only charge applicable, while for a solar plus storage project option, costs could include both an energy charge (for solar) and capacity charge (for storage).

Mexico. During the review, Merrimack Energy discovered several errors in the evaluation of PPA proposals associated with timing and term consistency as well as errors associated with Production Tax Credit ("PTC") treatment for self-build and Build Transfer Agreements. Corrections were made to the models prior to the evaluation results for the 2023 Texas RFP. Merrimack Energy and EPE project team staff conducted several discussions during the New Mexico and Texas RFP processes about the revenue requirements model to ensure the model contained consistent assumptions and methodologies to reflect the valuation of a cost-of-service resource option in light of the requirements associated with implementation of the Inflation Reduction Act.¹⁸ In addition, the EPE team and IE also met with E3 to discuss the implications of the Inflation Reduction Act on the tax incentive and regulatory constructs for evaluating utility ownership options relative to PPA options on a level playing field and in a consistent manner.

As noted, in addition to the economic evaluation, EPE also considered several non-economic factors in its evaluation, including factors associated with viability of the project including, but not limited to financial risk, technology risk and project execution risk. The IE reviewed the proposals with regard to the LCOE evaluation results as well as from the perspective of identifying project viability issues associated with each proposal, if applicable.

Under the original schedule for the 2023 Texas RFP, EPE intended to select a shortlist by February 16, 2024 and announce contract award by March 22, 2024 after conducting its portfolio optimization assessment on the shortlisted proposals. EPE informed Merrimack Energy that it intended to utilize the PLEXOS model to assess unique resource portfolios of shortlisted resources across a range of different planning cases to identify the most cost-effective resources that would be capable of meeting the capacity and energy needs of EPE's system requirements at the lowest reasonable cost. The modeling of proposals in PLEXOS would be based on EPE's 2023 IRP process.

4.3.5 Transmission System Impact Assessment

As previously described, the RFP document also provides a substantial amount of guidance to bidders regarding transmission system issues and requirements. The RFP requires that all energy or energy and capacity that EPE may purchase

¹⁸ Merrimack Energy suggested during the RFP development process that EPE consider asking E3 to review EPE's revenue requirements model to ensure the model accurately captures the tax benefits (i.e., Investment Tax Credits ("ITC") and Production Tax Credits ("PTC")) and treatment of the tax credits (i.e., normalization accounting) included in the Inflation Reduction Act and accurately included all required costs and input assumptions in the revenue requirements model before proposals were received including Fixed and Variable O&M costs, property taxes, insurance costs, land lease costs, degradation, round-trip efficiency and on-going capital expenditures.

pursuant to the RFP must be delivered to EPE's local transmission system (transmission system within the EPE Balancing Authority Area) to ultimately serve EPE's Texas retail customers.

One of EPE's RFP project team concerns was the implication of transmission constraints and cost on project evaluation and selection. As EPE noted, the company system is constrained by transmission import limits given its physical location as a terminal point in the WECC.¹⁹

As noted in the 2023 Texas RFP document, delivery of power to EPE's local transmission system into Springville, Greenlee and West Mesa is subject to WECC Path 47 operating limits and this factor will be taken into consideration during bid evaluation. Furthermore, if the resource is located outside of EPE's Balancing Area and is intermittent/non-dispatchable (e.g., solar and wind), the bid must also include a proposed method of dealing with regulating and balancing requirements, and any associated costs (i.e., battery storage regulation and regulating services by the host Balancing Authority Area Operator).

Where the Bidder's resource is directly interconnected to the EPE transmission system, the Bidder should identify in its proposal (a) the point on the EPE transmission system at which the Bidder's energy is to be tendered by the Bidder to EPE; (b) whether the Bidder's resource is currently interconnected to the EPE transmission system and receiving interconnection service from EPE or whether the Bidder has requested interconnection service from EPE (and the type of interconnection service requested); (c) the current status of the Bidder's generator interconnection request, and (d) the estimated Network upgrade costs, if any, identified in the generator interconnection process as necessary to permit the Bidder's generating facility to interconnect to the EPE transmission system.

EPE stated that it will select the winning proposal(s) after EPE identifies and evaluates the proposals that best meet its objectives and that are comprised of the most economic and reliable resources from each resource type group based upon each resource's total cost delivered to the boundary of EPE's transmission system. Final selection of winning proposal(s) will include consideration of whether

¹⁹ Where the bidder's resource is interconnected to a third-party transmission system, and not to the EPE local transmission or distribution system, the bidder should identify in its proposal (a) the charges assessed by the third-party transmission service provider, including applicable ancillary services, to reach the EPE transmission system; and (b) the point on the EPE transmission system at which the bidder's energy is to be tendered by the bidder to EPE. In addition, the proposal must be accompanied by a demonstration that the bidder has (or will) secure firm transmission capacity on such third-party systems, from the location of the resource to EPE's local transmission system. The bidder must also identify the total cost to have its resource delivered to a substation on EPE's local transmission system and must include those third-party transmission system costs in its proposal.

resources proposed require network upgrades in order for EPE to receive the energy into the EPE local transmission system and/or in order to deliver energy to EPE's Texas retail customers by including those estimated costs. Final selection of winning proposal(s) also will include consideration of whether the resource(s) and bidder have demonstrated a commitment and ability to be ready to serve EPE load in a timely manner.

The winning bidder(s) will be required to have in place or to secure Interconnection Service as specified in the EPE Large Generator Interconnection Procedures (Network Resource Interconnection Service or Energy Resource Interconnection Service) or as specified in EPE's Small Generator Interconnection Procedure, as applicable and sign a Generator Interconnection Agreement as specified in EPE's Open Access Tariff. In addition, Bidders pursuing Network Resource Interconnection Service must submit an Interconnection Request under EPE's OATT in the next open cluster window, for any bidder that is not already in EPE's interconnection queue. For this RFP, the required cluster study is EPE's 2024 Spring Cluster. A Bidder's Interconnection Request must be submitted by March 29, 2024 to be eligible to move to the negotiation phase, if selected.

Awarded proposals must submit into the Spring 2024 cluster study. EPE noted that if any unforeseen circumstances arose that delay the RFP award process, EPE may request that shortlisted proposals submit into the Spring cluster study pending award.

During the RFP, the EPE RFP project team worked with other departments within EPE during the evaluation process to ensure all projects that were eligible to be considered for selection were evaluated to consider the impact of each potential preferred proposal on import capability, transmission line loading, voltage and frequency support. This input would be used to determine any system upgrades that would be essential to maintain a reliable grid. As described later in this report, EPE's Transmission Group, or System Planning and Interconnection Department ("SPI") assessed the status of shortlisted proposals in the interconnection process, substation readiness to interconnect at the proposed POI, estimated interconnection facilities required, the estimated timeline to complete the facilities after execution of the LGIA, estimated timeline to complete the facilities, and the calculated in-service date timeline given the known information about the EPE system.

The requirements outlined in the RFP and methodology used by EPE were designed to ensure that all proposals are fairly treated from a transmission access and timing perspective for getting the projects on-line. Based on current market conditions, EPE's perspective was that transmission related issues can have a

major impact on project success and timing. Based on EPE's capacity needs, EPE utilized the internal analysis on the estimated timelines for completing interconnection facilities to assess the viability of the project's on-line date.

4.4 PHASE 3 – RECEIPT AND EVALUATION OF PROPOSALS

4.4.1 Receipt of Proposals

Proposals were received on January 26, 2024 as requested. EPE received a robust response from the market. Some of the projects submitted were also bid into EPE's 2023 Renewable RFP for New Mexico. All proposals were submitted by bidders directly into their specified SharePoint Channel folders. Merrimack was able to access and download all proposal documents after the offer submittal deadline. Merrimack Energy reviewed the proposals and prepared a summary of the proposals and alternatives submitted and reviewed EPE's list to ensure the Company and IE had accounted for all proposals and options received. EPE received a total of eighty-seven (86) alternative proposals from fourteen (14) Bidders who submitted thirty (30) separate and unique projects²⁰. The proposals submitted represented a diverse range of technologies (see Table 3 below) and contract structures, including Power Purchase Agreements, Build-Transfer options, and self-build options. In addition, Bidders submitted a number of alternative proposals or proposal options which included different project sizes, in-service dates, solar and storage project structures, and contract terms.²¹ Table 3 below lists the proposals by product type.

Table 3: Summary of the Proposals Received by Type of Project

Product/Technology	Number of Projects	Number of Alternative Proposals	PPA Options	BOT/Self-Build Options	Unique Total MWs ²²
Solar PV	10	14	9	5	1,400

²⁰ The thirty unique and separate projects reflect the unique project only without consideration whether a proposal includes the same project bid as a solar project as well as a solar plus storage project. Column 2 of Table 3 includes the number of separate projects such as a project bid as a solar only and solar plus storage resource. For example, the DESRI Santa Teresa project was submitted as both a solar only as well as a solar plus storage project. Column 2 includes the same project in both categories, which explains the difference between the number of projects in Table 3, Column 2 (41) relative to the number of unique and separate projects (30) described in the paragraph above.

²¹ All bidders for solar projects with the exception of one bidder (with three projects) submitted both solar and solar plus storage options.

²² The total Megawatts reported in this column reflect the unique capacity offered by each project. The values reported also reflect the largest option proposed for that unique project in MW. For example, if a bidder offered proposals for both standalone storage and solar combined with storage, the amount of MW reported reflects only one nameplate solar amount since the projects are mutually exclusive. EPE can either select a solar only option or a solar plus storage option for the same project but not both options.

Solar PV and Storage	15	25	22	3	2,971/1985.50
Stand-Alone Storage	8	34	30	4	1,325
Wind	1	2	1	1	396
Thermal	5	9		9	1,015
Linear Generators	1	1		1	19.5
Transmission	1	1	0	1	
Total	41	86	62	24	

In summary, there were eighty-seven alternative bids submitted. Total unique solar capacity was 1,400 MW while the total unique standalone storage capacity offered was 1,325 MW. Solar plus storage capacity represented the largest amount of nameplate capacity, and the largest number of projects submitted. Of the 15 solar plus storage projects submitted, ten projects included nameplate capacity of 2 to 1 solar to storage (i.e. if a bidder offered 100 MW of solar, it also offered 50 MW of storage capacity), while five projects offered the same solar and storage nameplate capacity (i.e., 100 MW of solar and 100 MW of storage).²³ Standalone storage represented the largest number of proposal options, but this is attributed to one bidder offering two projects and 10 options for each project. There were also a number of project proposals that included both PPA and BTA options for the project submitted. Also, EPE offered a number of self-build options that included solar, solar plus storage, standalone storage, and thermal options. The EPE self-build team submitted proposal options for seven different resources that included stand-alone storage, solar, solar plus storage, and natural gas turbine technologies (including one option as O&M only for the Palo Verde power plant). Table 4 provides a high-level summary of the self-build options and technologies submitted for each resource by the EPE self-build team.

²³ There was an inconsistency between the Texas and New Mexico RFPs with regard to the size requirements associated with solar and storage capacity. For the example, the Texas RFP requires that the battery storage component should be a 4-hour duration battery with a MW size that is 50% of the renewable energy resource's nameplate capacity (AC). The New Mexico RFP has a requirement that the battery storage and solar nameplate capacity should be equal. Since project developers submitted proposals that included both size consideration, EPE developed shortlists for each size option rather than rejecting proposals as non-conforming. Merrimack Energy agreed with this decision to allow more options for evaluation.

Table 4: Self-Build Proposals Submitted

Project	Solar	Storage	Solar & Storage	Thermal ²⁴	O&M
Black Mountain	✓	✓	✓		
Newman Buffer	✓	✓	✓		
Copper Power Station				✓	
Montana Power Station				✓	
Newman Power Station				✓	
Rio Grande Power Station				✓	
Palo Verde 3					✓

Merrimack reviewed all proposals in the several days following the submittal date and developed a full summary of proposals and collaboratively developed a list of clarification questions for each of the bidders.

4.4.2 Review of Proposals and Follow-Up Questions to Bidders

EPE's objective was to evaluate proposals individually and in combination to identify the best proposal options to meet EPE's capacity and energy requirements. The first step following receipt of proposals was for the project team to review the proposals, determine if the proposals were conforming to or in compliance with the eligibility and threshold requirements²⁵ of the RFP, and that the bidders provided the appropriate bid fees.²⁶

After reviewing proposals, EPE and the IE developed a list of clarification questions that were sent out to bidders to ensure the bidders provided a complete proposal and provided clarification of any information that was not clear. Several bidders, including EPE's self-build team, provided additional bid documents as requested to ensure a complete and conforming proposal. The IE agreed with EPE's approach to maintain flexibility with regard to allowing bidders to comply with proposal requirements. During the review of proposals, the EPE team and the IE identified follow-up questions for a number of bidders to ensure the appropriate

²⁴ EPE offered two options for the Montana Power Station, two options for Copper Power Station, two options for Rio Grande Power Station, and one option for Newman Power Station, as well as one option for Palo Verde 3. All options proposed by EPE for thermal generation options had a 2030 in-service date and would therefore be classified as Tranche 2.

²⁵ The Eligibility and Threshold requirements are listed in Table 1. As noted later in this report, EPE eventually classified two proposals as non-conforming.

²⁶ EPE did determine that every proposal submitted an appropriate bid fee.

information was provided so that all bids could be effectively and fairly evaluated.²⁷

During the conformance review period after receiving responses from the bidder, EPE determined that two proposals were non-conforming. The Transmission project proposal was deemed non-conforming for this RFP due to lack of pricing information and that no generation options were included with the transmission options. In addition, one variant associated with one of the project proposals was classified as non-conforming. This variant was an offer for a development-sale variant whereby the Seller will sell the project to EPE during project development. However, there was insufficient information provided to allow for an evaluation of the offer variant. The other four Apollo Energy Storage variants were evaluated. Merrimack Energy agreed with classification of the two proposals as non-conforming.

EPE and the IE discussed whether one proposal for a Linear Generator technology would be eligible for selection. EPE conducted due diligence on the proposal and made the determination based on the technology being unproven and in the early stages of development. EPE notified Merrimack of their determination on February 24, 2024. The IE was in agreement with this determination.

4.4.3 Evaluation of Proposals

During the conformance and evaluation period, EPE and Merrimack Energy held daily check-in calls to discuss the proposals, bidder responses to clarification questions, and evaluation progress. EPE's team worked quickly and diligently to get questions answered so that the evaluation inputs were accurate and complete. EPE initially conducted the LCOE calculations for the bids using the spreadsheet models previously identified. EPE sent a summary of the solar and solar plus storage PPA proposals, which also included preliminary LCOE results, to the IE on February 6, 2024. The spreadsheet provided also included the initial evaluation models used to calculate the LCOE values. EPE also provided copies of the Revenue Requirements models for those proposals offering a BTA option, self-build, or other resource options which EPE would own. Merrimack Energy reviewed the model runs and found a few minor errors in the model runs.²⁸ As noted previously, since the proposals for the 2023 Renewable Energy RFP for New

²⁷ Questions on issues such as appropriate pricing mechanisms, pricing components, generation profiles, degradation rates assumed, whether or not augmentation was included for storage options, assurance that BTA options included all relevant costs, and clarification of the Commercial Operation Date ("COD").

²⁸ For PPA options, Merrimack Energy found a few cases with inconsistencies that were fixed, including: (1) modeling of a few proposals which included a partial year for solar but a full year for storage costs based on the COD date proposed; (2) consistent property tax rates for BTA options; and (3) use of consistent degradation rates for solar BTA options. All errors were verified and corrected by EPE as part of its evaluation process.

Mexico were evaluated before the proposals for the 2023 Texas RFP, almost all of the errors were corrected for the Texas proposals prior to the evaluation process. The IE focused its review on the Revenue Requirements models to ensure consistent evaluation of BTA and self-build proposals.

While EPE was focused on completing the initial LCOE cost assessment as the basis for selecting a shortlist, EPE project team members were also involved in preparing the PLEXOS model²⁹ to undertake the portfolio evaluation that would incorporate the shortlisted proposals. EPE retained the services of Energy and Environmental Economics Inc. ("E3") to assist with the development and implementation of the PLEXOS model for evaluating portfolio options. E3 worked closely with the EPE project team throughout the process in preparing the inputs for the PLEXOS runs, reviewing the outputs, making necessary adjustments to the input information contained in the model, and testing for accurate and consistent results.

Merrimack also attended several meetings with EPE and E3 to discuss the evaluation inputs and assumptions to be used in the portfolio analysis. However, Merrimack Energy was not involved in setting up and running the PLEXOS cases. E3 also reviewed the LCOE models and results, particularly the build-own-transfer proposals, in the shortlist development phase as well. As noted, Merrimack submitted a few questions to EPE during the model review phase that included topics around the input assumptions being used, BOT LCOE calculations (particularly hybrid options), the storage-only model assumptions (O&M costs, augmentation, and degradation), and ITC normalization calculations. Based on feedback from Merrimack and E3, EPE made adjustments to the models and provided the final models on February 27, 2024.³⁰

As a result of the additional review and adjustments made to the LCOE models as described in the previous section, EPE extended the timeline for shortlisting a couple times. On February 16, 2024, EPE notified bidders that the Shortlist Notification date had been extended to February 23, 2024 due to additional time needed to finalize proposal evaluations. On February 23, 2024 EPE informed bidders that the shortlist notification date has been extended another week from February 23, 2024 date to March 1, 2024. The EPE team and IE each identified potential shortlisted proposals for consideration and discussed shortlisted options.

²⁹ As IE for several large-scale All Source solicitations, Merrimack Energy is seeing the PLEXOS model being used for portfolio optimization by more and more utilities.

³⁰ As noted previously, since Merrimack Energy also served as IE for the 2023 Renewable Energy RFP for New Mexico which preceded the 2023 Texas RFP, Merrimack Energy had the opportunity to review the revenue requirements model used by EPE to evaluate BOT and self-build options. In undertaking that review Merrimack Energy found an inconsistency with the treatment of Production Tax Credit (PTC) benefits for self-build and BOT projects and also raised questions about the fixed O&M costs used for evaluating solar only options and solar plus storage options.

EPE and the IE agreed on selection of a robust shortlist in late February. Following review of the LCOE models and results, the EPE team developed a preliminary shortlist based on LCOE rankings and sent the project list to their internal Transmission team to conduct a deeper analysis of the interconnection viability of the shortlisted projects.

4.4.4 Shortlist Selection

When considering project options to be included on the initial shortlist, EPE considered projects based on buckets of resource categories by technology type, transaction structure, and procurement tranche. The first tranche was designed to focus on meeting EPE's 300 MW capacity need in the 2025-2027 timeframe. Projects with an online date of May 1, 2027 or earlier were eligible to meet tranche 1 requirements. The second tranche was for an additional 300 MW of capacity to meet EPE's long-term capacity needs by May 1, 2030. As a result, projects with an online date after May 1, 2027 up through May 1, 2030 would be eligible for tranche 2. EPE determined an initial shortlist that was comprised of thirty-eight (38) proposal options that included all technology and transaction types submitted, which includes nineteen proposal (19) options in Tranche 1 and nineteen (19) proposal options in Tranche 2. Twenty (20) unique projects were selected for the shortlist, with several projects included in multiple categories (e.g., included in both the solar and solar plus storage categories).

EPE sent out notifications to the bidders on March 1, 2024 for both selection to the shortlist and non-selection. The initial shortlist of projects selected by the resource category is summarized in Table 5.

Table 5: Proposed Initial Shortlist

Resource Category	Number of Projects	Number of Options	First Tranche MW ³¹	Second Tranche MW
Solar PPAs	3	3	150	375
Solar BOTs/Self-build	4 ³²	4	500	0
Solar plus Storage PPA	5	8	550	600

³¹ The megawatt amounts in this column and the next reflects the nameplate capacity of the projects included on the shortlist in each tranche. For the solar plus storage category, the solar nameplate capacity is reported. In cases where a project proposal was selected with options in both tranches, the megawatt amounts offered are included in both tranches to reflect the fact that the PLEXOS model could select options in either tranche 1 or tranche 2. The IE cautions that the megawatt amounts are not additive but generally reflect the amount of capacity from which the model can choose.

³² This includes two self-build projects, one alternative each.

Solar plus Storage BOT/Self-build	3	3	350	300
Stand-Alone Storage PPA	3	9	400	350
Stand-Alone Storage BOT/Self-Build	2	2	150	0
Wind ³³	1	2	0	396
Natural Gas	4	7	0	522

EPE noted in their selection notification letters to shortlisted bidders that this is "only an invitation for the projects listed to move to the next stage in the evaluation process". The letter also reminded shortlisted bidders that the "awarded resource that results from this next stage in the evaluation process is required to submit an interconnection request by March 29, 2024, to be included in EPE's 2024 Spring Study Cluster". Given the upcoming queue cluster study interconnection application deadline, EPE wanted to provide the initial selection notification letters with adequate time for bidders to submit their applications.

Following shortlisting, EPE sent questions to each of the shortlisted bidders. One request was for bidders to complete a Curtailment Input Form to understand curtailment penalty information included in their proposals to be updated to the SharePoint website. A second request was for bidders to complete a questionnaire that included more detailed questions regarding the following information: (1) The bidder's expected and guaranteed COD; (2) Provide a description of underlying assumptions as well as the timeline for the expected and guaranteed CODs; (3) Provide an update to the project's interconnection status and progress made since submittal of the proposal; (4) Provide a detailed schedule and plan for completing interconnection and network upgrade facilities in sufficient time to meet COD; (5) Identify whether the Bidder has hired an independent consultant to assess interconnection and network upgrade requirements and costs; (6) Provide the lead times for major equipment and identifiers potential suppliers; (7) Provide any updated hourly 8,760 generation profiles; (8) Provide updates to IRA tax credits and progress made since proposal submittal; (9) Confirm the duration of the BESS if applicable; (10) Provide the number of cycles for the BESS; (11) Restate the life of the BESS; and (12) Provide the life of the inverters and proposed replacement cost on a \$/kW basis. Bidders provided reasonable responses to these questions.

³³ One wind project was proposed. The bidder offered the same size project under both a PPA and BTA contract structure.

On March 8, 2024, EPE sent Merrimack Energy a draft of the System Planning and Interconnection Department's ("SPI") Interconnection Assessment³⁴ for eleven projects, a narrowed down list from the twenty unique shortlisted projects.

On March 22, 2024, EPE sent a notice to shortlisted bidders that selections will occur no later than May 15, 2024. EPE encouraged bidders to submit applications into EPE's Spring 2024 interconnection queue cluster that would close on March 29, 2024. EPE extended its final selection deadline in order to allow for additional time to further evaluate proposals, particularly to better understand the interconnection and transmission constraints as determined by the System Planning and Interconnection department, in order to reduce the number of shortlisted proposals. Due to time and personnel constraints, EPE needed to reduce the number of projects included on the shortlist in order to conduct the PLEXOS runs as well as for the SPI team to conduct their analysis.

While Merrimack stated its preference not to reduce the shortlist without conducting further evaluation, Merrimack provided thoughts on a potential path forward with the recommendation to conduct the transmission analysis on projects in the first COD tranche initially and then conduct the transmission risk analysis on the second tranche later when the staffing concerns for completing the transmission assessment would be alleviated. EPE determined that it would be best to follow this process and prioritize the analysis on tranche 1 projects for Texas as well as the RPS requirements through the New Mexico RPS RFP in order to determine their interconnection viability and risks in meeting the proposed COD. After further discussion with Merrimack Energy, EPE followed Merrimack Energy's recommendation to develop a set of qualitative criteria to be applied uniformly and consistently across the remaining shortlisted proposals relating to transmission and interconnection risk that would be used by EPE's internal transmission in their analysis.

EPE completed and presented their analysis to the IE on April 26, 2024. The analysis included estimated timelines to complete the LGIA, POI substation upgrades, POI transmission upgrades, and the estimated timeline for eleven projects.³⁵ Based on SPI's analysis, there was only one viable proposal that could meet the tranche 1 COD requirements. However, this project would not be able to meet EPE's entire 300 MW capacity needs by May 1, 2027. The SPI analysis concluded that other

³⁴ The analysis conducted by the SPI was designed to evaluate the viability of the COD identified by each shortlisted bidder relative to the estimated time it could take to complete the necessary interconnection and network upgrade facilities in order to interconnect the project to the EPE system. It is Merrimack Energy's experience that this is a major issue in most power procurement processes to ensure selected projects can be completed and in service to meet the timing of utility requirements to meet reliability requirements.

³⁵ Five projects and the Self-build conventional resource proposals were not evaluated in the transmission analysis. The projects that were not evaluated had a proposed COD that would qualify for tranche 2.

projects which proposed a COD date that would qualify for tranche 1 would not be able to complete the necessary facilities to achieve COD during the tranche 1 window. The majority of these projects proposed to submit an interconnection request into the Spring 2024 interconnection queue cluster study process.

4.4.5 Portfolio Considerations

While the interconnection and transmission analysis was being conducted, EPE continued to prepare the PLEXOS model to evaluate portfolios of shortlisted proposals. As noted, the EPE project team was assisted by E3 personnel in developing the PLEXOS base case and alternative cases to test the portfolios along with a review and assessment of portfolio results. EPE kept Merrimack Energy informed regarding the status of the PLEXOS modeling.³⁶

In addition, in considering options for meeting both the tranche 1 requirements in Texas and the RPS requirements in New Mexico (150,000 MWh) by no later than May 1, 2027, it was obvious that there were few, if any, reasonable options for meeting the requirements of both RFPs for the following reasons:

- Even though it was explicitly identified in the 2023 Renewable Energy RFP for New Mexico, there were no reasonable proposals for RPS renewable projects that would provide the 150,000 MWhs of energy³⁷ requested by May 1, 2027.
- Based on proposal submissions combined with the transmission analysis conducted by EPE, there were minimal proposals that could reasonably meet the tranche 1 date for project in-service by May 1, 2027.
- One bidder originally submitted a solar plus storage resource with a potential May 1, 2027 on-line date into the New Mexico RFP but not the Texas RFP. In addition, the project was submitted into the 2023 RPS RFP for NM as solar plus storage options, which included three options: (solar capacity of 50 MW combined with a storage component of 50 MW), and two options with a solar capacity of 100 MW, combined with two storage options at 50 MW and 100 MW).

³⁶ Based on a question from Merrimack Energy regarding the calculation of the Effective Load Carrying Capability ("ELCC") values and use in the PLEXOS model, the EPE project team informed the IE that PLEXOS did not determine the capacity contribution of the resources. The capacity contribution was determined from ELCC values which were inputs and were modeled in PLEXOS as constraints. The ELCC values were calculated by E3 using their RECAP model.

³⁷ The nameplate capacity of a solar project that would likely provide the 150,000 MWh of RPS energy sought would be approximately 50 MW. However, there were no proposals that specifically offered a 50 MW solar only project. Instead, bidders generally proposed a larger solar project or a solar plus storage option that exceeded RPS requirements.

- Most projects were not very mature projects and would be required to submit interconnection applications into the Spring 2024 Cluster Study process which would be challenging to meet a May 1, 2027 on-line date.

As previously noted, there was only one viable tranche 1 project, which was originally submitted with three proposal options: 150 MW solar only, 150 MW solar plus 75 MW BESS, and 150 MW solar plus 150 MW BESS with an on-line date of March 31, 2026. After recognizing that only this one resource could meet the RFP needs by 2027, EPE included the three options in the PLEXOS modeling.

One of the highest ranked projects in the 2023 New Mexico RFP was a solar plus storage project which only bid into the New Mexico RFP. EPE did not formally receive a proposal from the bidder for the Texas RFP. In late April 2024, EPE followed up by asking the bidder why it did not submit the same project proposal into the Texas RFP since it had submitted a proposal into the New Mexico RFP. The bidder stated that it expected that the proposal would be considered in both RFPs since the bidder submitted a Notice of Intent into both RFPs. However, the bidder did not submit a bid fee into the 2023 Texas RFP. In response to EPE's inquiry regarding failure to submit a formal proposal into the Texas RFP, the bidder indicated it intended to be included in both the Texas and New Mexico RFPs. The parties agreed that if the bidder paid the bid fees it could be considered in both RFPs. The bidder expressed a willingness to pay the bid fees to allow the project to be considered in both RFPs. Since this bidder submitted a proposal comprised of 100 MW of solar plus 100 MW of storage, with a proposed COD date of April 1, 2027, this proposal could be considered for tranche 1 for the 2023 Texas RFP, given the capacity requirements associated with the 2023 Texas RFP. Merrimack Energy agreed with EPE's decision to include the project proposal in both RFPs as long as the bid fees were paid, like all other bidders.

The next consideration was what options would be available to meet the New Mexico RPS RFP requirements. To meet the 150,000 MWh requirement a solar only project of about 50 MW would be required. As noted, at this point only larger solar-only or solar plus storage projects were available, few of which had an even remote chance of meeting a May 1, 2027 date. EPE considered options to allocate 50 MW of solar from one project to New Mexico to meet the RPS requirements in New Mexico of 150,000 between May 1, 2025 and May 1, 2027 at the lowest possible cost. EPE contacted the bidder in late April, 2024 to inquire if a portion of the solar energy from the facility could be used for New Mexico. In response, the bidder provided revised proposals for the project for both New Mexico and Texas. The developer agreed to allocate 50 MW of solar from the project to New Mexico with the resulting 100 MW solar and 150 MW of storage to Texas. In addition, the bidder proposed other combinations of solar and storage

that could be considered and provided updated pricing for the options proposed. The result of these initiatives was a portfolio of resources that met the New Mexico RPS energy requirements and the majority of the Texas capacity requirements for tranche 1 for accredited capacity totaling 200 MW of solar and 250 MW of storage through two projects.

4.4.6 PLEXOS Modeling

Given the overlap in solicitations with the 2023 RPS RFP for New Mexico with several proposals submitted into both solicitations, EPE discussed selecting the most viable projects that could meet the needs of both solicitations at the lowest cost. EPE ran several iterations of the PLEXOS model to identify the most compelling and cost-effective portfolio of resources to meet both needs. Throughout May, EPE held meetings with Merrimack Energy to discuss the modeling results and selection options.

During the selection meeting on May 29, 2024, EPE presented to the IE that the PLEXOS modeling was choosing one project of 150MW of solar and 150MW of storage along with a second project of 100MW of solar and 100MW of storage for Texas needs as part of the tranche 1 selections. Also, 50 MW of solar from one of the projects would be allocated to the New Mexico requirements, with a total of 200 MW of solar and 250 MW of storage allocated to Texas.

For tranche 2, EPE noted that PLEXOS selected the following projects: a 250 MW solar combined with 250 MW storage resource, a 150 MW solar combined with a 75 MW storage resource, and a 150 MW storage project.

Merrimack Energy requested that EPE provide the IE with the outputs from the PLEXOS model for review. While the IE was aware, based on discussions with EPE, that the PLEXOS model had selected the five PPAs noted below, Merrimack Energy wished to review any reports prepared by E3 as well as the PLEXOS outputs which included the Net Present Value of system costs under each of the portfolios considered. Merrimack Energy was provided a draft presentation prepared by E3 and the output files for the PLEXOS analysis in February 2025.

Upon review, Merrimack Energy noted that while most shortlisted proposals and alternatives were included in the portfolio optimization PLEXOS modeling, several originally shortlisted projects were not modeled in PLEXOS. EPE felt that the final shortlist of projects needed to be pared down due to the timing constraints associated with running the PLEXOS model. Two of the projects not evaluated in PLEXOS were evaluated by SPI to have estimated COD dates beyond 2030. A

third project was a very large project and was not modeled based on size considerations.

4.4.7 Notifications to Bidders of Final Selection

On May 15, 2024, EPE notified the two tranche 1 proposals that they have been selected to move forward to negotiations. EPE notified the three tranche 2 proposals of their selections on May 29, 2024. All other shortlisted bidders were notified of their non-selection on May 15, 2024.

In the notification letters to selected tranche 2 bidders, EPE identified the selected proposal option and indicated that the notification letter is only an invitation from EPE to participate in contract negotiations and not a binding commitment to contract. EPE also asked the bidders to confirm receipt of this notification and the bidder's willingness to proceed with contract negotiations.

The final selection of resources is listed in Table 6. A total of five projects were selected based on the notification letters provided by EPE to bidders. Four of the projects were solar plus storage options with a total of 600 MW of solar combined with 575 MW of battery energy storage. The fifth project selected was a 150 MW standalone storage project. The expected online dates of the resources range from 2026 to 2028 and encompass both tranche 1 and tranche 2 requirements.

Table 6: Summary of Proposals Selected for Contract Negotiations

Size (MW) Nameplate	Resource Type	Contract Structure	Expected COD ³⁸	Proposed COD
Tranche 1				
100 solar/150 storage	Solar + Storage	PPA	3/31/2026	3/31/2026
100 solar/100 storage	Solar + Storage	PPA	4/1/2027	4/1/2027
Tranche 2				
250 solar/250 storage	Solar + Storage	PPA	12/31/2027	12/31/2027
150	Standalone Storage	PPA	12/1/2028	4/1/2027
150 solar/75 storage	Solar + Storage	PPA	12/1/2028	5/1/2027

In addition, as the IE understands, after the notification letters were submitted to bidders, EPE modeled a High Load Sensitivity case due to higher-than-expected load growth and expected increased load growth as a result of multiple large commercial and industrial facilities anticipated to come on line. A self-build project was selected by PLEXOS in the High Load Sensitivity case.

³⁸ The Expected COD date is based on SPT's analysis. The COD date in the last column matches the COD date included in EPE's notification letter to bidders which coincides with the bidder's proposed COD date.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The RFP procedures followed by EPE and the subsequent bid evaluation and selection processes and methodologies are, in substance, consistent with industry standards. The information included in the RFP, the evaluation process and evaluation criteria, and requirements are also consistent with industry standards. The following summarize some of the major considerations relative to the consistency of the RFP with industry standards.

In the IE's view, this process was a thorough, rigorous, and comprehensive evaluation and selection process, with every eligible bid scrutinized thoroughly based on threshold, quantitative, and qualitative criteria. The implementation of the solicitation process was generally effectively managed by EPE and should lead to economic benefits for consumers. However, as described previously, the process did deviate from the established process in certain circumstances. Notably, the lack of viable proposals for the Tranche 1 timeframe and the failure to receive proposals that would provide RPS energy at the level required by EPE for the 2023 Renewable Energy RFP for New Mexico. This resulted from the complications associated with the different requirements for the Texas and New Mexico portions of the EPE system, the timing of requirements, and the proposals submitted for each system.³⁹ The determination of in-service date viability was completed by EPE's transmission team. While conducting an analysis on interconnection viability is generally valuable, particularly with interconnection challenges being faced throughout the country, this part of the process was not contemplated in the original RFP design. As a result, EPE utilized previously completed LCOE analysis to narrow down the shortlist.

There were several factors that influenced the evaluation and selection process including the short timeframe for completing the evaluation of proposals and final selections to allow the final shortlisted proposals to submit an application for the Spring 2024 cluster study process by March 29, 2024. Also complicating the process was the expected interconnection timelines to get projects online. This is an issue that has arisen in solicitations across the country with significant backlogs in interconnection queues and extended timelines to complete interconnection

³⁹ As noted, EPE issued two RFPs, one for the New Mexico portion of the EPE system for 150,000 MWh of renewable energy per year by no later than May 1, 2027 and the second RFP for the Texas system that sought 300 MW of long-term capacity by no later than May 1, 2027 and an additional 300 MW of long-term capacity by May 1, 2030. The RFPs were issued sequentially, with the New Mexico RFP issued on October 6, 2023 with bid due on January 5, 2024 and the Texas RFP issued on October 31, 2023, with bids due on January 26, 2024.

facilities and network upgrades that are causing substantial delays for getting projects online under the schedule proposed by the project developer.

A list of important aspects and observations of the bid evaluation and selection process is provided below.

1. The 2023 All Source RFP for Texas was a very robust and competitive process, with more MW of nameplate capacity and energy submitted relative to the amount required. There were no Demand Response/Load Management proposals submitted but all other technologies were represented with a significant amount of capacity for solar plus storage and stand-alone storage being submitted. There were several contract structures, notably PPAs and BTAs for a few projects. EPE received a total of eighty-seven (87) proposal options from thirty (30) unique projects (as described in pages 33-34 of this report) submitted by fourteen (14) bidders with a total of renewable and other resource capacity and battery energy storage, which represents a significant amount of nameplate capacity proposed relative to the capacity requested.
2. The 2023 All Source RFP for Texas documents were reasonably detailed and transparent documents that clearly identified the nature of the solicitation process and requirements, the products requested, the amount of capacity required, eligible projects, characteristics of importance to EPE, the information required of the bidders, areas of the EPE transmission system that were constrained and those areas where available resources could be more accessible, and the context of the solicitation within the El Paso Electric system. These documents allowed bidders to effectively reflect the requirements outlined in the RFP and related documents in structuring their proposals.
3. One criterion the IE generally considers regarding the quality of the solicitation process is whether the procurement targets, products solicited, evaluation methodology and criteria, information required of bidders, and principles and objectives of the process are clearly defined in the bidding documents. EPE's RFP documents clearly defined the amount of renewable energy required, the timing for the requirements, the preferences of EPE, and the evaluation process and criteria.
4. The outreach process and related activities implemented by EPE were broad reaching and were targeted to a large number of potential bidders based on past solicitations and bidder contacts. The outreach activities were designed to attract a wide range of bidders. The types of outreach

activities initiated included marketing of the 2023 All Source RFP for Texas via direct contacts with known bidders, issuance of a press release associated with release of the RFP which resulted in coverage by industry trade publication regarding issuance of the RFP, bidder access to the EPE website for the RFP, the inclusion of a Bidders Webinar, and responses to bidder questions.

5. The response to the 2023 All Source RFP for Texas was sizeable compared to the response to the 2023 All Source RFP for New Mexico which preceded the Texas RFP by a few weeks. There was also a substantial increase in proposals and MWs received in this solicitation relative to the 2021 All Source RFPs.
6. EPE implemented a multi-stage bid evaluation and selection process which included a conformance check for each proposal, threshold evaluation, economic evaluation, non-economic evaluation, shortlist selection based on the LCOE for similar resources by resource category (solar only, wind only, solar plus storage, storage-only, and other resources), portfolio optimization, and contract negotiations.
7. EPE responded to nineteen (19) questions during the Pre-Bid Webcast meeting. In the general Q&A process, EPE responded to over seventy-five questions from bidders and provided detailed responses to aid bidders in submitting their proposals.
8. Because of the uncertainty associated with the timing for completing network upgrades and interconnection facilities in time to meet the proposed online date for projects proposed, EPE's subject matter expert on transmission and interconnection assessments conducted an internal analysis to determine the expected date for completing the necessary facilities to interconnect projects to the EPE system based on knowledge of system constraints and other studies completed for similar areas on the EPE system. The results of the analysis impacted the shortlist selection results, including whether a project would be included in tranche 1 or 2, or would be beyond the required online date.
9. The initial shortlist selected by EPE was very robust and contained all technology types and transaction types submitted. EPE selected shortlisted proposals for all resource categories, including selecting shortlisted resources in the solar plus storage category that included proposals that offered solar capacity at twice the nameplate capacity as storage as well as proposals that offered the same nameplate capacity for both solar and

storage components. In addition, for the Texas RFP, EPE also selected shortlist proposals for both tranche 1 (proposals which could potentially meet a May 1, 2027 online date) and tranche 2 (proposals that were expected online after May 1, 2027 but before May 1, 2030).

10. As outlined in the RFP, EPE clearly indicated to bidders that it would use a single-stage pricing process to encourage bidders to submit their "best" prices in their proposals. In addition, EPE sought to complete the evaluation and notification process in approximately one month to allow proposals selected to apply for the Spring 2024 cluster study process by the end of March 2024; however, as described earlier in this report, the shortlist and final selection deadlines were pushed back due to an extended evaluation period.
11. Once the initial shortlist was narrowed down, EPE evaluated the proposals using the PLEXOS system optimization model which was designed to evaluate portfolios of resources that provide the capacity and energy requirements to meet system reliability objectives at the lowest reasonable cost. EPE retained E3 to assist in the development of the PLEXOS model inputs and evaluate the output files for the portfolios considered.
12. The PLEXOS model utilized by EPE is common in the utility industry worldwide for valuing proposals containing energy storage options and conducting portfolio optimization for system resources. Over the past few years, Merrimack Energy is aware of several utilities applying the PLEXOS model for evaluation and selection of proposals through an RFP process by considering the portfolio of resources that will provide the lowest resource cost for the utility system.
13. EPE took steps to ensure there were no inherent advantages afforded to the self-build options that were submitted by EPE's Generation group, as well as EPE's Renewable Energy Solutions group. As noted, EPE retained an IE at the very beginning of the RFP development process to oversee the solicitation process and ensure the process was fair and equitable to all bidders. The self-build options were submitted at the same time as other proposals. In addition, the self-build team followed the protocols identified in the 2023 All Source RFP for Texas for all bidders and provided the same information as required of other bidders. EPE informed the IE that a separate self-build team was established to prepare the self-build options and that no member of the self-build team would be involved in bid evaluation. Also, all files associated with the proposals received, evaluation results, and other information that needed to be shared among the members of the RFP

evaluation team were stored in a document management system ("SharePoint"), with restricted access only to select members of the 2023 All Source RFP evaluation team. In addition, EPE had a shared network drive accessible only by the Market Development and Resource Strategy Department.

14. All proposals submitted, besides the one transmission proposal and another asset purchase proposal, were deemed to be conforming regarding the requirements of the RFP for bidder eligibility.
15. The projects selected in the portfolio evaluation based on notification letters to bidders in the mid-to-late May, 2024 timeframe included the five resources which included two proposals for tranche 1 totaling 200 MW of solar and 250 MW of storage and three proposals for tranche 2 totaling 400 MW of solar and 475 MW of storage.

The above projects were included in the lowest system cost portfolio generated by PLEXOS. As the IE understands, based on the High Load Sensitivity case, EPE increased the contract capacity from one project option for tranche 2 from 150 MW solar combined with 150 MW storage to 250 MW solar combined with 250 MW storage and also selected an EPE self-build 100 MW solar combined with a 100 MW storage project.

16. In the IE's view, once all the final adjustments and updates were made to the PLEXOS model by E3, EPE's evaluation and selection process was generally consistent and selected the least cost portfolio of resources. Merrimack Energy's independent review of the quantitative and qualitative evaluation confirms that the proposals were consistently and fairly evaluated from both a quantitative and qualitative perspective.
17. As noted, in addition to the projects selected in May, 2024, EPE later selected a self-build project, a combined 100 MW solar plus 100 MW storage self-build resource option. At the original capital cost proposed for the project, the project was competitive based on the LCOE of the project with other solar plus storage projects which proposed storage capacity equal to 100% of the solar capacity amount and were selected for the final portfolio of projects. For the Texas system, it appears based on the PLEXOS results that solar plus storage projects that include storage capacity at 100% of the solar capacity are a preferred resource.

5.2 RECOMMENDATIONS

1. EPE updated its proposal templates since the previous RFP. However, Merrimack Energy believes that the templates can be further enhanced by adding a description to the templates regarding the appropriate format for the data provided.
2. EPE has to be more realistic regarding the time required to complete the evaluation phase of a large-scale solicitation process. Due to the need to inform bidders of their status in the RFP process to allow the bidders to submit applications for the Spring 2024 Cluster Study interconnection process, the timeframe allotted for this RFP, particularly the evaluation period, was too short which affected the implementation of the process. EPE should allot several months for the analysis and evaluation of all proposals in order to complete the selection prior to any interconnection queue cluster process. Particularly with the NM RFP running simultaneously, there were time-intensive activities to complete in a short period of time. EPE should consider launching the RFP sooner to allow for a longer evaluation period.
3. EPE added the step in the process to undertake a more detailed review of the timeframe necessary to complete interconnection facilities and network upgrades to be able to connect a project to the EPE system as a means of determining if the project could meet its estimated online date. EPE did submit a series of questions to bidders to inquire about information they had gathered to support the online dates of their projects from an interconnection perspective. This part of the evaluation process, particularly if it impacts the selection process, should be fully defined and described prior to receipt of proposals. EPE may want to consider including this process as a part of future RFP processes if needed, including requesting additional information from bidders regarding their assessments of the impacts of completing interconnections in time to meet the online dates of the proposals submitted.
4. In future RFPs, EPE should include a more defined description of the portfolio optimization process.

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	OF
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	ADMINISTRATIVE HEARINGS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
OFFICE OF PUBLIC UTILITY COUNSEL'S
THIRD REQUESTS FOR INFORMATION
QUESTION NOS. OPUC 3-1 THROUGH OPUC 3-8

OPUC 3-1

Please refer to the Direct Testimony of George Novela ("Novela Direct") at 14:20 – 15:5. Please provide a detailed explanation of how battery storage has no associated fuel cost components and can operate as a beneficial hedge when natural gas costs are high. In your response, please address the fact that battery storage requires energy to be produced by generation facilities or supplied from purchased power agreements ("PPA").

RESPONSE:

Please see EPE's response to OPUC 2-1. While the battery storage facility may be charged from either the solar facility or from power taken from other generation sources, including purchased power agreements, El Paso Electric Company (EPE) did not model scenarios other than charging the battery storage facility from the solar facility.

Preparer: George Novela	Title: Senior Director – Regulatory Policy and Rates
-------------------------	--

Sponsor: Emmanuel Villalobos	Title: Director – Market Development and Resource Strategy
------------------------------	--

George Novela	Senior Director – Regulatory Policy and Rates
---------------	---

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	OF
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	ADMINISTRATIVE HEARINGS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUESTS FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-27

CEP 3-2:

Please provide the forecasted cost of energy (\$/MWh) and avoided energy cost (\$ and \$/MWh) for energy discharged from the proposed Newman Buffer BESS resource for each year of the forecasted life of the facility.

RESPONSE:

See responses to OPUC 2-1. In the Plexos modeling of the resource portfolios, it was assumed that the Newman Buffer BESS resource would be charged from the Newman Buffer Solar facility, at \$0/MWh cost. EPE did not model charging the Newman Buffer BESS from other resources. The Plexos modeling does not provide “avoided energy cost” at the time of discharge, so that information is not available. The Plexos modeling assumes dispatch of energy from the Newman Buffer BESS as appropriate consistent with system dispatch in conjunction with the other resources. However, while EPE’s modeling of the Newman Buffer BESS was limited as described, EPE expects it to provide opportunities as suggested by the question wherein it could be charged at a lower cost and then subsequently discharged during the day to avoid more costly power.

Preparer: Ronda R. Griffin

Title: Principal Analyst - Market Development
and Resource Strategy

Sponsor: Emmanuel Villalobos

Title: Director – Market Development and
Resource Strategy

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO ELECTRIC	§	PUBLIC UTILITY COMMISSION
COMPANY TO AMEND ITS	§	
CERTIFICATE OF CONVENIENCE AND	§	OF TEXAS
NECESSITY FOR A 100 MW SOLAR/100	§	
MW BATTERY STORAGE FACILITY	§	
	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
OFFICE OF PUBLIC UTILITY COUNSEL'S
SECOND REQUESTS FOR INFORMATION
QUESTION NOS. OPUC 2-1 THROUGH OPUC 2-14

OPUC 2-1:

Please provide the projected annual total cost of fuel and purchased energy, the projected annual average unit cost of fuel and purchased energy, and the projected annual kilowatt hours ("kWh") required to charge the 100 megawatt ("MW") battery energy storage system ("BESS") facility by calendar year that EPE used in its economic evaluation of the facility using the PLEXOS model or other economic analysis EPE performed in its evaluation of the proposed 100 MW BESS facility. Please provide the requested information for each year of the expected operation of the 100 MW BESS facility.

RESPONSE:

There are no fuel or purchase energy costs associated with charging the 100 megawatt ("MW") Newman Buffer battery storage, since the analysis for this resource did not assume charging from grid. Although the resource has the ability to be charged from the grid, El Paso Electric Company's cost for the selected Newman Buffer solar coupled with battery storage project is based on the battery charging from the solar facility.

The projected annual kilowatt-hour ("kWh") required to charge the battery is 168,009,206 kWh. This amount is based on a kWh discharge of 146,000,000 kWh with an annual round-trip efficiency rate of 86.9%. Please see the calculation below.

Newman Buffer Storage

(a)	MW		100
(b)	Hour Duration		4
(c)	Cycles per Year		365
(d)	Discharge MWh	= (a) x (b) x (c)	146,000
(e)	Discharge kWh	= (d) x 1000	146,000,000
(f)	Round-trip Efficiency Rate		86.9%
(g)	Charge MWh	= (d) / (f)	168,009
(h)	Charge kWh	= (g) x 1000	168,009,206

Preparer: Clarissa Reyes

Title: Staff Analyst – Market Development and
Resource Strategy

Sponsor: Emmanuel Villalobos

Title: Director – Market Development and
Resource Strategy

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	PUBLIC UTILITY COMMISSION
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	OF TEXAS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
COMMISSION STAFF'S SECON REQUEST FOR INFORMATION
QUESTION NOS. STAFF 2-1 THROUGH STAFF 2-8

STAFF 2-3:

Please explain in detail the alternatives to the proposed Newman Buffer solar facility and the Newman Buffer battery that were considered by EPE to satisfy any identified need for additional service.

- a. Please provide documentation and explain in detail how those alternatives measure up compared to the proposed Newman Buffer solar facility and the Newman Buffer battery.
- b. Please explain in detail if and how EPE adequately analyzes extending the operating life of existing dispatchable generating capacity.
- c. Please explain in detail if and how to adequately analyze the option of purchasing additional generation capacity, including from a competitive affiliate, instead of building the proposed solar photovoltaic generating facility and battery.

RESPONSE:

El Paso Electric Company ("EPE") conducted an all-source solicitation to identify available alternatives for serving the identified resource need. As explained in the Direct Testimony of EPE witness Emmanuel Villalobos, pages 12 through 31, there was a robust response with 94 proposals, all of which were potential alternatives for serving the need. After a thorough evaluation, EPE only considered for final selection the resources, including Newman Buffer, that provided the lowest-cost alternative portfolio selected by the PLEXOS model that met EPE's long-term capacity needs for its Texas jurisdiction.

- a. Please see EPE's response above.
- b. EPE performs technical life extension studies for each dispatchable generating unit to understand the major maintenance, upgrades, and replacement activities necessary to

maintain a safe and reliable operating condition beyond the original lifespan of each unit's lifespan, all while balancing the costs and ultimate impact to EPE's customers. EPE will typically retain the services of a professional engineering consulting firm to help perform these life extension studies. The studies generally focus on the major systems within each unit, and the major assets that comprise these systems using a combination of operations, condition, and economic criteria. The study criteria includes, but is not limited to, the age of unit, outage history, maintenance history, historical and projected operating and maintenance costs, planned improvement/replacement projects and major maintenance activities, operations history including quantity of dispatches and running hours, and existing condition reports and studies. The information used to establish the existing integrity of each unit is collected by a combination of records review, technical interviews with pertinent plant personnel who have close knowledge on each unit, as well as walkdowns and inspections performed by the professional engineering consulting firm. After ascertaining the working condition of each generating unit as well as its planned maintenance and improvement activities, a list of major maintenance, replacement, and upgrade activities are established including the cost, duration, and projected year the activity must be performed. EPE will then assess these activities using both economic and non-economic criteria during an optimization process to ensure the activities proposed by the engineering firm are both necessary and effectively allocates EPE resources without causing undue burden on EPE's customers.

- c. As explained above, EPE has a process for acquiring resources through competitive bidding from external, as well as internal developers, by issuing Request for Proposals ("RFPs").

Preparer: Ronda Richards Griffin
Tim Woo

Judith M. Parsons

Title: Principal Analyst
Manager – Power Generation and Asset
Management
Regional Manager – Regulatory Resource
Strategy

Sponsor: Emmanuel Villalobos

Title: Director – Market Development and
Resource Strategy

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	PUBLIC UTILITY COMMISSION
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	OF TEXAS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
COMMISSION STAFF'S SECON REQUEST FOR INFORMATION
QUESTION NOS. STAFF 2-1 THROUGH STAFF 2-8

STAFF 2-5:

Please provide and explain which other regulatory authorities, if any, must EPE or an entity affiliated with EPE seek approval to build, own, or build-own-transfer and operate the proposed Newman Buffer solar facility and the Newman Buffer battery.

RESPONSE:

EPE is only seeking approval from the PUCT because the Newman Buffer Facility would be a state dedicated facility, so no approval is needed from the Federal Energy Regulatory Commission or the New Mexico Public Regulation Commission.

However, standard permitting approvals from local entities as well as environmental permitting in order to operate the facility. See below for a listing as well as status of permits and assessments.

The Engineer, Procure and Construct (EPC) provider, DepCom Power Inc (DPI) has processed the following permits on EPE's behalf for Newman Buffer:

- TCEQ
 - Wastewater permit: completed
 - Construction General Storm Water Permit: completed
 - Storm Water Pollution Prevention Plan: in progress
- TXDOT
 - ROW permit: in progress
 - Traffic management plan: in progress
- City of El Paso
 - Grading permit: in progress
 - Building permit: not yet submitted
 - Temporary trailer permit: completed

- Knox Box: not yet submitted
- Fire Response Plan Recommendations: not yet submitted

Preparer: George Novela
Edmundo Salazar

Title: Senior Director- Regulatory Policy and
Rates
Director – Project Development

Sponsor: George Novela

Title: Senior Director- Regulatory Policy and
Rates

SOAH DOCKET NO. 473-25-14211
PUC DOCKET NO. 57501

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND	§	
ITS CERTIFICATE OF	§	OF
CONVENIENCE AND NECESSITY	§	
FOR A 100 MW SOLAR/100 MW	§	ADMINISTRATIVE HEARINGS
BATTERY STORAGE FACILITY	§	

EL PASO ELECTRIC COMPANY'S RESPONSE TO
COMMISSION STAFF'S SEVENTH REQUEST FOR INFORMATION
QUESTION NOS. STAFF 7-1 THROUGH STAFF 7-2

STAFF 7-1:

Please refer to EPE's response to OPUC 2-1.

- a. Please explain in detail if EPE has the option to sell excess energy generated by the proposed 100 MW Newman Buffer solar PV facility.
- b. Please explain in detail if there are any charges associated with discharging the proposed Newman Buffer battery energy storage system (BESS).
- c. Please confirm or deny if there is a possibility that the proposed 100 MW Newman Buffer BESS might charge from the grid. If confirm, please explain in detail the fuel or purchase energy costs associated with charging the proposed 100 MW Newman Buffer BESS and the cost of discharging the proposed 100 MW Newman Buffer BESS. What upgrades to existing transmission facilities and what additional transmission facilities, if any, will be necessary to support the proposed solar photovoltaic generating facility and battery?

RESPONSE:

- a. Yes, EPE has the option to sell excess energy generated by the proposed 100 MW Newman Buffer solar PV facility. While the solar facility is expected to primarily serve EPE's system needs, if any excess generation exists over what is used to charge the BESS it may be sold into the wholesale market. As a balancing authority, EPE must continuously balance supply and demand in real time. The ability to sell or purchase energy as needed is essential for maintaining system reliability, managing operational flexibility, and is thus a normal and necessary component of EPE's grid operations.
- b. There are no charges associated with discharging the Newman Buffer BESS.
- c. EPE can confirm that there is a possibility that the Newman Buffer BESS may be charged from the grid. However, grid charging was not modeled in the capacity expansion

analyses that informed the project selection. As a result, El Paso Electric does not have specific fuel or purchased power costs associated with grid charging, nor does it have a modeled cost profile for discharging energy charged from the grid. This modeling choice was intentionally conservative for several reasons:

- a. **Economic Conservatism:** By limiting the BESS to charge only from the co-located solar facility, the analysis did not account for the battery's full economic arbitrage potential. In actual operation, grid charging could allow the battery to charge during periods of low system-wide marginal energy cost which may offer more cost-effective opportunities than co-located solar alone.
- b. **Curtailment Avoidance:** The modeled configuration restricts the battery's ability to mitigate curtailment to only the co-located solar generation. In practice, a grid-charging battery would help absorb otherwise-curtailed energy across EPE's broader resource portfolio, increasing system efficiency and renewable utilization.
- c. **Operational Flexibility and Reliability:** While not explicitly modeled, the ability to charge from the grid enhances the battery's dispatch flexibility thus improving system reliability and resource adequacy.

EPE's conservative modeling approach ensures that the project's value is not overstated. By relying on a constrained configuration, the analysis isolates the standalone benefit of the solar-plus-storage pairing. This approach provides a clear and operational justification for the project, demonstrating that it is likely to perform even better under real-world conditions where additional flexibility exists.

The generating facility tie will require a 115kV transmission line from the facility's collector substation to the utility Patriot 115kV substation, with length of less than half a mile.

Preparer: Clarissa Reyes

Title: Staff Analyst – Market Development and Resource Strategy

Sponsor: Emmanuel Villalobos

Title: Director – Market Development and Resource Strategy