In-ERCOT Generation Loan Program

Program Manual

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Before You Get Started

Overview of the Texas Energy Fund (TEF)

The TEF provides grants and loans to finance the construction, maintenance, modernization, and operation of electric facilities in Texas. The Texas Legislature passed Senate Bill 2627, the Powering Texas Forward Act, to administer the TEF, and Texans voted to create the TEF through a constitutional election on November 7, 2023. The 88th Texas Legislature appropriated $5B to implement TEF programs for fiscal year (FY) 2024-25.

TEF Programs

The TEF is administered through four programs, each of which provides funding opportunities for electric generation projects—both inside and outside of the ERCOT power region—through loans and grants. Each of the four programs is guided by a set of rules approved and adopted by the Public Utility Commission of Texas (PUCT), which are foundational to program administration. The programs include:

- In-ERCOT Generation Loan Program
- Completion Bonus Grants Program
- Outside ERCOT Grants Program
- Texas Backup Power Program

For more information regarding each program, visit TEF Online.

Before You Get Started

Purpose of the Program Manual

The In-ERCOT Generation Loan Program Manual is designed to provide general information on the TEF and the In-ERCOT Generation Loan Program including eligibility requirements, key dates, and deadlines. The document also provides guidance on how to navigate the TEF Portal with a step-by-step walkthrough of the application process.

Application Checklist

Prior to beginning your application:

- ❑ Read *16 TAC §25.510* and other materials to understand eligibility criteria for the In-ERCOT Generation Loan Program
- ❑ Review the program timeline and key application submission dates
- ❑ Review Appendix A to understand the application questions before beginning the application process in the TEF Portal
- ❑ Review Appendix B for the list of file uploads and gather and prepare necessary documents

As you complete your application:

- ❑ Follow steps outlined in this Program Manual to complete the application
- ❑ Gather, prepare, and upload all necessary supporting documents
- ❑ Ensure all required sections of the application are filled out

After completing your application:

- ❑ Visit the TEF Online for updates on the In-ERCOT Generation Loan Program
- ❑ Check back as this program manual will be updated

Before You Get Started

Terms and Definitions

Applicant: The entity applying to the In-ERCOT Generation Loan Program
Borrower: An applicant to the TEF who is successfully awarded a loan and executes a loan agreement with the commission
CBG: Completion Bonus Grant
CCGT: Combined Cycle Gas Turbine
CFADS: Cash Flow Available for Debt Service*
DSCR: Debt Service Coverage Ratio*
EAF: Equivalent Availability Factor
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization
ERCOT: Electric Reliability Council of Texas
IPP: Independent Power Producer
MOU: Municipally Owned Utility
NOI: Notice of Intent
PAF: Performance Availability Factor*, **a** metric calculated with ERCOT availability and real time (RT) telemetered data for each generation resource in an electric generating facility financed by a loan. The PAF is computed as the average ratio of each generation resource's RT high sustainable limit (HSL) and its obligated capacity over a 12-month measurement period, expressed as a percentage. Intervals that occurred during an approved planned outage of a generation resource are excluded.
POF: Planned Outage Factor*, a metric calculated with ERCOT data for each generation resource in an electric generating facility financed by a loan. The POF is computed as the percentage of time each generation resource spent in planned outages over a 12-month measurement period.
PUCT or the commission: Public Utility Commission of Texas
PUN: Private Use Network
TBPP: Texas Backup Power Package
TEF: Texas Energy Fund
TEF Administrator: The individuals responsible for administering TEF programs. The TEF Administrator consists of the PUCT and the PUCT contractor.
* = Calculations for these items can be found on page 6.

Before You Get Started

Calculations

Current Ratio = $\frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$

Quick Ratio = $\frac{Cash\ and\ Equivalents + Marketable\ Securities + Accounts\ Receivable}{Current\ Liabilities}$

Debt Service Coverage Ratio (DSCR) = $\frac{Cash\ Flow\ Available\ for\ Debt\ Service\ (CFADS)}{Total\ Debt\ Service}$

Cash Flow Available for Debt Service (CFADS) = $Revenue - Expenses \pm Net\ Working\ Capital\ Adjustments - Capital\ Expenditures - Cash\ Tax + Depreciation\ and\ Amortization$

Total Debt Service = $Principal + Interest\ due\ in\ any\ given\ period\ of\ measurement$

Performance Availability Factor (PAF) = $\sum \left(\frac{\text{RT Telemetered HSL x Available Flag}}{\text{Obligated Capacity}} \right) \text{x } 100$

Planned Outage Factor (POF) = $\left[1 - \frac{\text{Total Evaluated Period Intervals}}{\text{Total Period Intervals}} \right] \text{x } 100$

Overview of the In-ERCOT Loan Generation Program

In-ERCOT Generation Loan Program Overview

The Texas Energy Fund (TEF) In-ERCOT Generation Loan Program, enacted on June 9, 2023, through Senate Bill 2627, is an initiative by the Texas Legislature designed to offer low-interest rate loans to electric generation facilities and power plants in Texas. As part of the overarching $10 billion in funding approved by voters in November 2023, the TEF program will award up to $7.2 billion for both loans and grants for dispatchable power generation facilities (i.e., natural gas, coal, nuclear) within the ERCOT grid. With $5 billion already appropriated for FY 2025-2026, the program's objective is to support the establishment, maintenance, enhancement, and operation of electric generation facilities and auxiliary power sources in Texas.

Eligibility Requirements

Per 16 TAC §25.510(c).

(1) A power generation company, municipally owned utility (MOU), electric cooperative, or river authority is eligible for a loan under this section. An electric utility other than a river authority is not eligible for a loan under this section.

(2) The following are eligible for a loan:

> (A) New construction of an electric generating facility having at least 100 megawatts (MW) of nameplate capacity with an output that can be controlled primarily by forces under human control. New construction of an electric generating facility means that the facility site has no existing point of interconnection to the ERCOT power region.

Overview of the In-ERCOT Loan Generation Program

Eligibility Requirements (Continued)

(B) An upgrade to an existing electric generating facility that results in a net increase of at least 100 MW of nameplate capacity for the facility with an output that can be controlled primarily by forces under human control. An existing electric generating facility already has a point of interconnection to the ERCOT power region, and the upgrade does not require an additional point of interconnection to enable delivery of energy from the increased capacity.

(C) A new or upgraded electric generating facility that is serving or will serve an industrial load or PUN, provided that the electric generating facility meets the following conditions: the portion of new nameplate capacity that will serve the industrial load or PUN must be less than 50 percent of the facility's total new nameplate capacity, and the remainder of new capacity serving the ERCOT market must be greater than 100 MW.

(3) In addition, to be eligible for a loan, a proposed electric generating facility must:

(A) Be designed to interconnect and provide power to the ERCOT region;

(B) Be designed to participate in the ERCOT wholesale market;

(C) Consist of one or more generation resources that interconnect to the ERCOT region through a single point of interconnection; and

(D) Be eligible to interconnect to the ERCOT region based on the attributes of the owners of the facility, according to the requirements in the Lone Star Infrastructure Protection Act (codified at Texas Business and Commerce Code §117.002).

Overview of the In-ERCOT Loan Generation Program

Eligibility Requirements (Continued)

(4) The following activities are not eligible for a loan:

(A) Construction or operation of an electric energy storage facility.

(B) Construction or operation of a natural gas transmission pipeline. Only the infrastructure necessary to connect an electric generating facility to a natural gas supply system may be considered part of the cost of the facility and eligible for a loan. Only those costs in support of new or upgraded capacity that is exclusively provided to the ERCOT region are eligible.

(C) Construction of an electric generating facility that met the planning model requirements necessary to be included in the capacity, demand, and reserves report issued by ERCOT before June 1, 2023.

(D) Construction or upgrade of an electric generating facility that will provide more than 50 percent of its nameplate capacity to an industrial load or PUN.

(E) Construction or upgrade of an electric generating facility that is capable of switching service at its point of interconnection between ERCOT and another power region.

Overview of the In-ERCOT Loan Generation Program

Key Application Submission Dates

May 1 – May 31, 2024: Notice of Intent (NOI) Submission Period

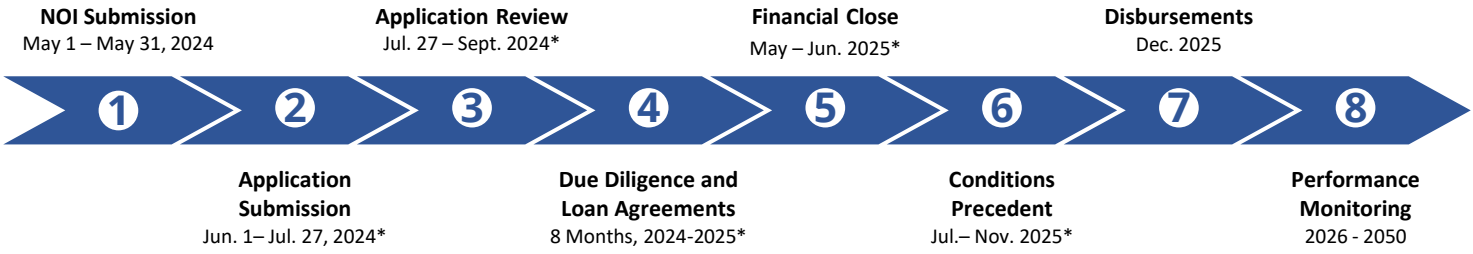
June 1, 2024: In-ERCOT Generation Loan Application Window Opens

July 27, 2024: In-ERCOT Generation Loan Application Window Closes

Program Application Process

The TEF Portal will open applications for the In-ERCOT Generation Loan Program for an eight-week window, beginning on **June 1, 2024**, and closing **on July 27, 2024.** The PUCT executive director may extend the application window by providing public notice of the extension at least 30 days prior to the previously announced closing date. During this time, applicants will be asked to provide detailed information on the categories found in *16 TAC §25.510(e)*.

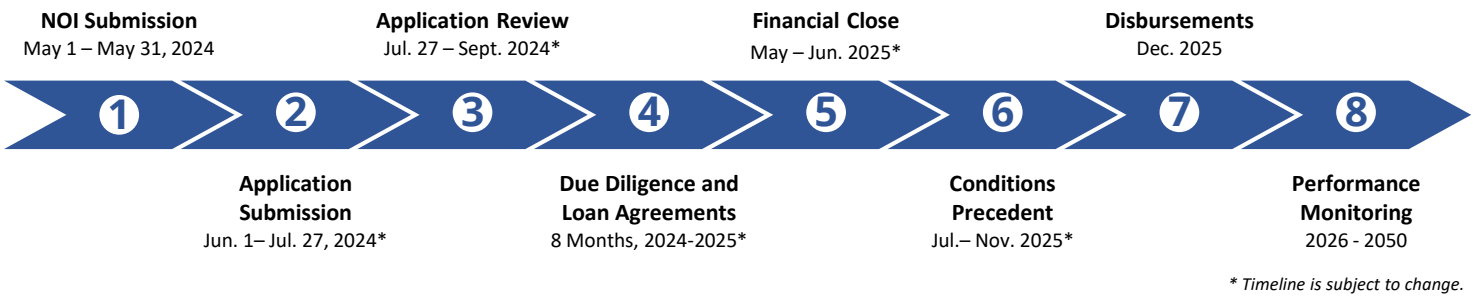
A corporate sponsor or parent may apply on behalf of a subsidiary applicant, and an applicant may withdraw an application at any time while under the commission's review. *An applicant must have submitted a Notice of Intent (NOI) by May 31, 2024, to be considered for an In-ERCOT Generation Loan. For more information on the NOI, read the NOI FAQ and NOI User Guide on TEF Online.* For application submission information, see pages 16-25. For information on next steps after submission, see pages 26-36.



** Timeline is subject to change.*

Overview of the In-ERCOT Loan Generation Program

Program Application Process (Continued)



** Timeline is subject to change.*

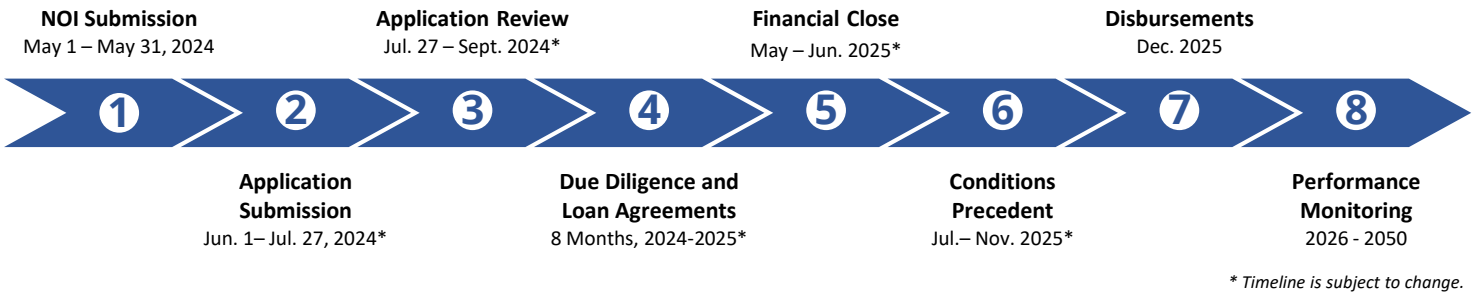
1. **Notice of Intent (NOI) Submission:** In this initial stage, the applicant expresses interest in applying for the program via a NOI. The NOI includes basic information about the project and the applicant. ***A NOI must be submitted to the commission during the period of May 1 to May 31, 2024, to be eligible to apply.***

2. Application Submission: In this stage, the applicant will need to submit all required application materials to TEF. Please refer to *16 TAC §25.510(e)* for detailed information on the application requirements and process to apply to the program. The submission window will be open from June 1 to July 27, 2024. During this period, applicants will be able to submit their applications via the TEF Portal.

3. Application Review: The TEF Administrator will conduct a thorough review of each application, focusing on alignment with the evaluation criteria listed in *16 TAC §25.510(f)* and the project's overall commercial feasibility. Upon review, their findings will be submitted to the commission, which will have the final say in selecting projects for due diligence. It should be noted that a corporate or parent sponsor may apply on behalf of a subsidiary applicant. Moreover, applicants have the flexibility to withdraw their applications at any stage during the commission's review. The In-ERCOT Generation Loan program will evaluate all revenue generated by the applicant project for repayment of the loan, that includes revenue from ancillary services, energy sales, or other sources of revenue generation.

Overview of the In-ERCOT Loan Generation Program

Program Application Process (Continued)



** Timeline is subject to change.*

4. Due Diligence and Loan Agreements: In the due diligence phase, projects' creditworthiness and viability will be evaluated to determine their eligibility for TEF funding. This process encompasses eight key areas: financial, market, legal, technical, insurance, tax and accounting, human resources, and environmental due diligence. For more comprehensive details on the due diligence process, please refer to pages 30-35. Legal documentation will be prepared to formalize the loan agreement. This will include the credit agreement and other legal contracts that will outline the rights and obligations of all parties involved.

5. Financial Close: Financial close is achieved after all loan documentation has been finalized and signed.

6. Satisfaction of Conditions Precedent: The satisfaction of conditions precedent is required after the financial close to initiate loan disbursements. Only upon fulfilling these varied conditions can disbursements be made.

7. Disbursements: Disbursements for loans can be provided in single or multiple installments, contingent on project milestones and agreement terms, and may cover up to 60% of the project's documented incurred expenses that are part of the total estimated cost of constructions. Once applicants meet all conditions precedent and reach financial close, disbursement requests and award reports are prepared.

8. Performance Monitoring: Throughout the project lifecycle, the TEF Administrator will monitor progress, financial performance, and compliance with loan covenants to mitigate risks and ensure loan repayment.

Navigating the TEF Portal

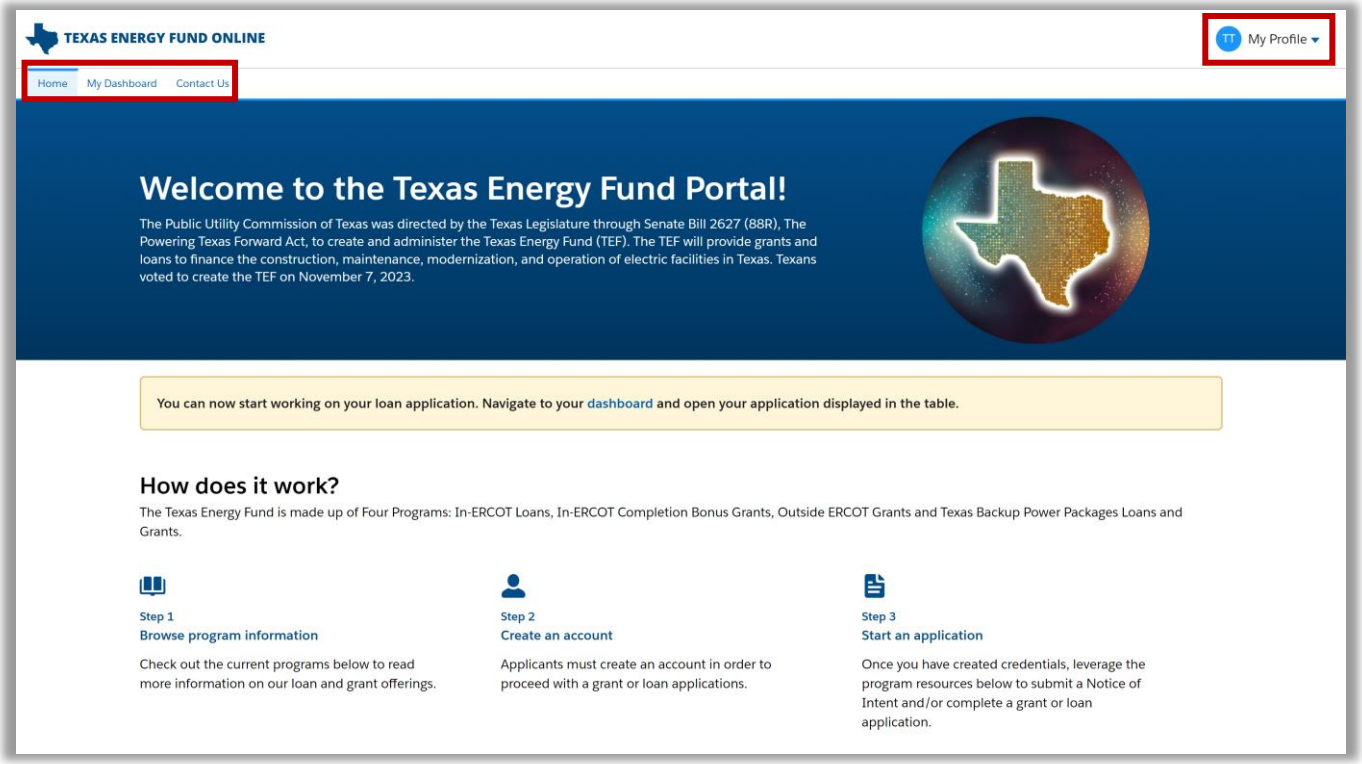
Key Pages

1. The **Home** page contains high-level information about the In-ERCOT Generation Loans Program process and the programs offered under the TEF. Information will be updated as program details become available.

2. The **My Dashboard** page is where submission information is stored.

3. The **Contact Us** page allows you to contact the TEF Administrator with questions on the TEF and In-ERCOT Generation Loans Program process.

4. The **My Profile** dropdown includes user details (e.g., Email, First Name, Last Name, Phone Number) and the option to "Logout."

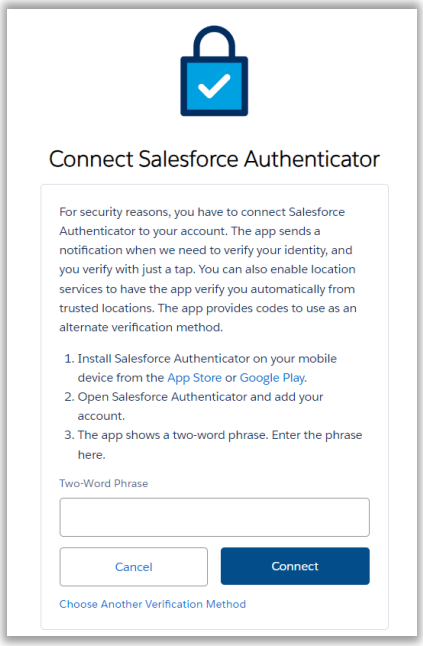


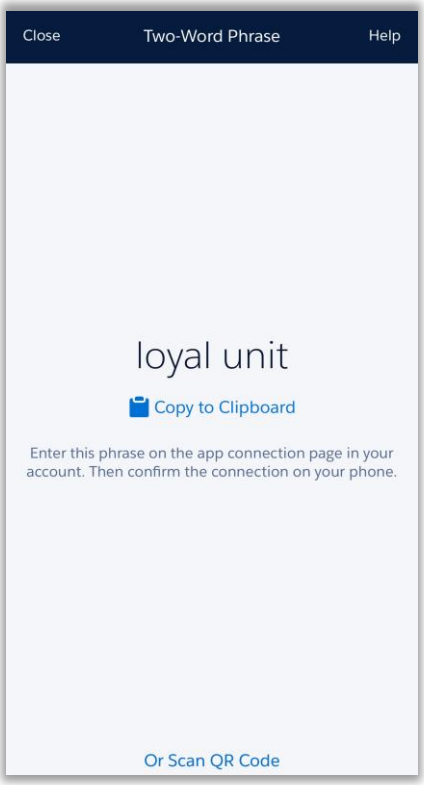
TEF Portal

Navigating the TEF Portal

Multi-Factor Authentication via Salesforce Authenticator

The following are steps on how to register Salesforce Authenticator as a multi-factor authentication method.





1. Download and install the Salesforce Authenticator app on your iPhone or Android. For detailed instructions, access the **Register Salesforce Authenticator as an Identity Verification Method** page.

2. Log into the TEF Portal and follow the prompt directing you to connect the Salesforce Authenticator.

3. In the Salesforce Authenticator app, select "Add an Account." The app generates a unique two-word phrase.

4. Enter the two-word phrase in the TEF Portal, then select "Connect."

   Note: There may be a slight lag before the login is successful.

   *If you previously installed Salesforce Authenticator for use with a different account, you may see a six-digit code generated by the app. Ignore this code and select "Add Account."

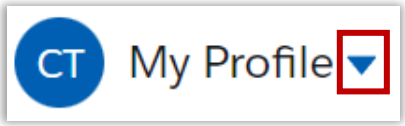
   **If you are not able to access the Salesforce Authenticator, please reach out to info@txenergyfund.texas.gov.

Navigating the TEF Portal

Adding a Phone Number

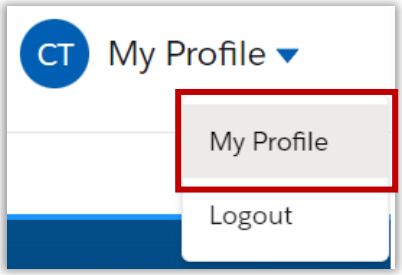
Upon logging into the TEF Portal for the first time, you will need to provide your phone number. The following steps highlight the process for adding a phone number to your account.

1. On the TEF Portal Home Page, select the blue arrow to the right of "My Profile."



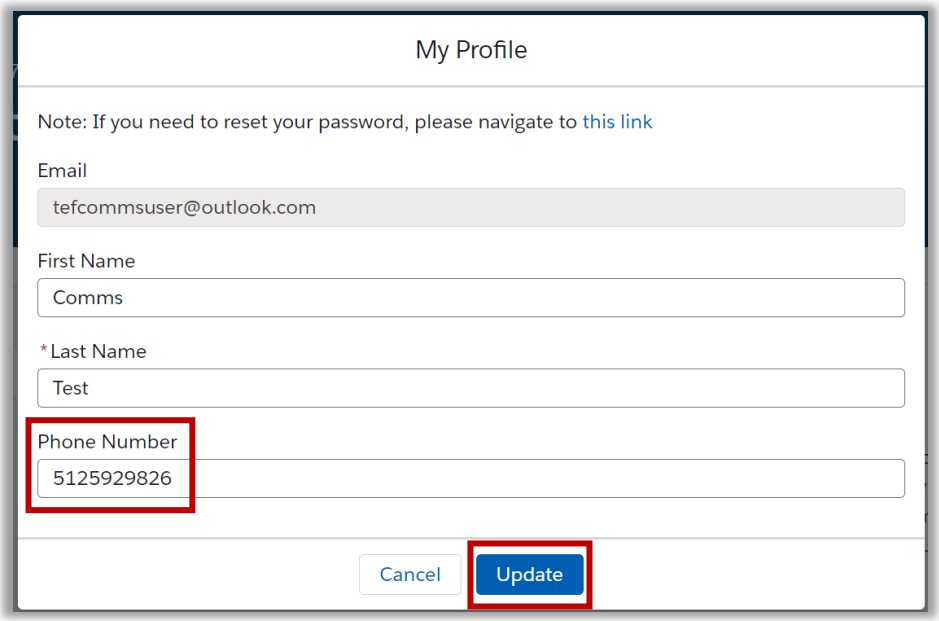
TEF Portal – My Profile

2. In the dropdown, select "My Profile."



TEF Portal – My Profile

3. Enter a phone number into the "Phone Number" field and select "Update."



TEF Portal – My Profile

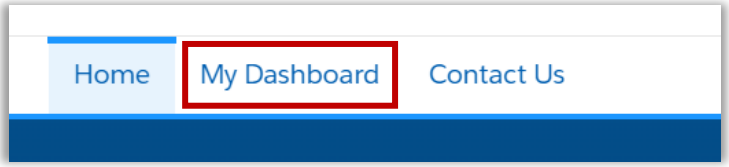
Submitting a Loan Application

The following are the steps for navigating the Loan Application process in the TEF Portal.

Navigating to the In-ERCOT Loan Application on the TEF Portal

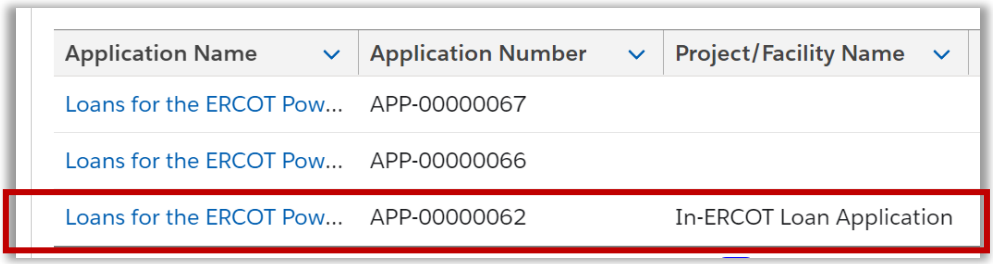
1. To begin the application, select the "My Dashboard" tab.

   Note: A Notice of Intent (NOI) must be submitted in order to access a loan application.



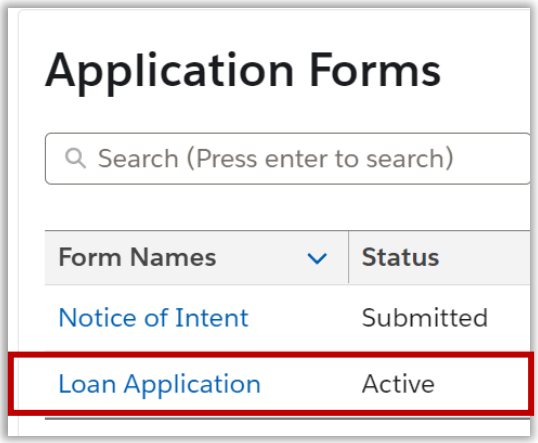
TEF Portal – Home

2. Select the Application from the list that has "In-ERCOT Loan Application" in the Project/Facility Name Column.



TEF Portal – Notice of Intent: Dashboard

3. Under Application Forms, select "Loan Application."



TEF Portal – Notice of Intent: Dashboard

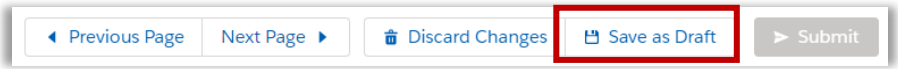
Submitting a Loan Application

The following are the tips & tricks for navigating the Loan Application process in the TEF Portal.

Tips & Tricks

Saving Your Work

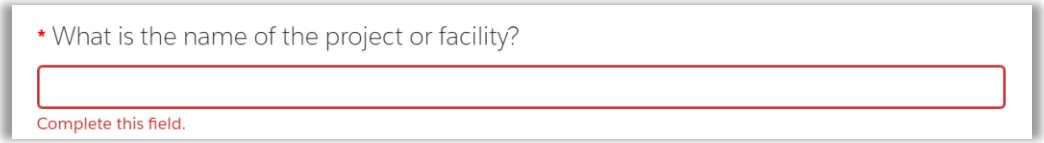
1. You must "Save as Draft" for each page of the application, as opposed to each section.



TEF Portal – Save as Draft

Incomplete Questions and Document Uploads

1. The application cannot be submitted until all required questions in each section have been completed. The “Complete this field” message indicates fields that are missing. For a list of required questions, please see Appendix A.

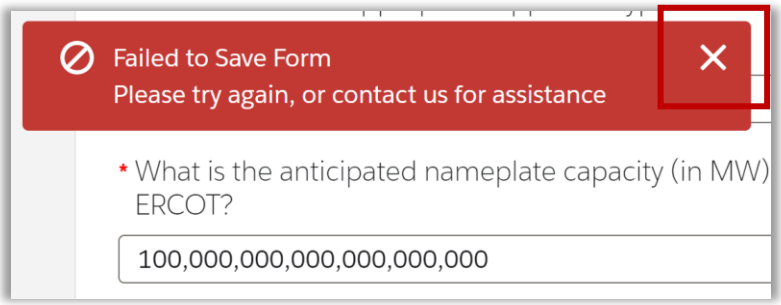


TEF Portal – Complete this field Message

2. Required file uploads must also be completed before the application can be submitted. For a list of required file uploads, please see Appendix B.

Numerical Value Limits

1. For questions that require an answer as a numerical value, numbers greater than 999,000,000,000 will render a “Failed to Save Form” message. To correct this error, change the number to less than 999,000,000,000.



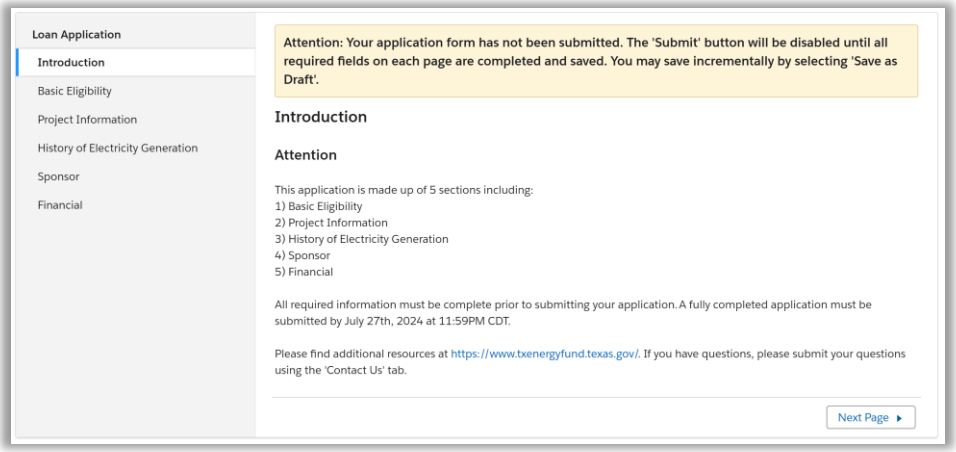
TEF Portal – Failed to Save Form

2. Select the “X” to remove the “Failed to Save Form” message.

Submitting a Loan Application

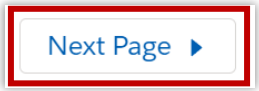
Introduction

1 Review the **Introduction** page of the application outlining the sections of the application and important application deadline information.



TEF Portal – Loan Application - Introduction

2 Select “Next Page” to be brought to the **Basic Eligibility** section of the application.



TEF Portal – Loan Application - Introduction

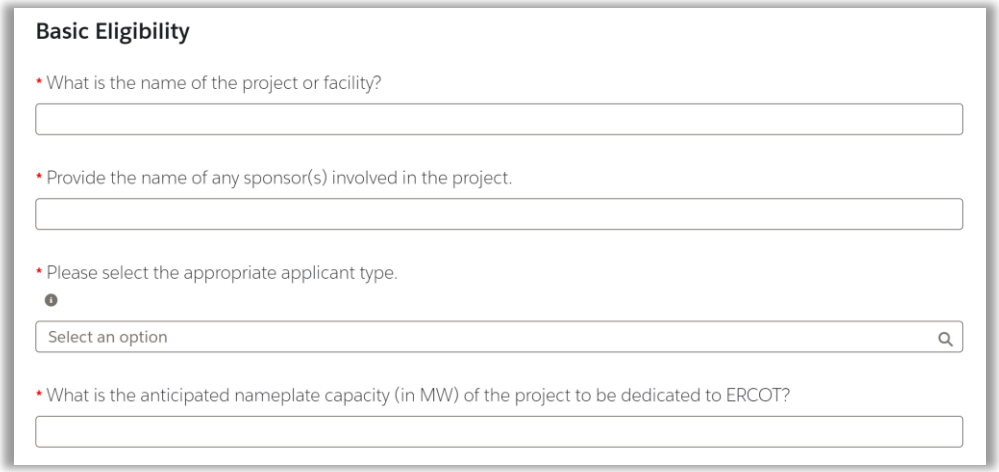
3 The following pages of this document will provide further information and guidance to aid in the completion of each section including equations for necessary calculations and required file uploads.

For a consolidated list of application questions, please see Appendix A.

Submitting a Loan Application

Basic Eligibility

1. Navigate to the **Basic Eligibility** section and answer the required questions (* = required question).



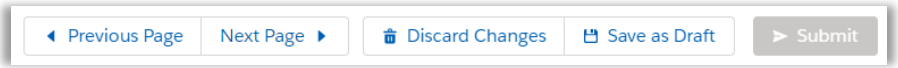
TEF Portal – Loan Application – Basic Eligibility

File Uploads

Note: File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

- ERCOT Market Participant Citizenship Attestation

2. Select "Previous Page" to be brought back to the Introduction page, "Next Page" to be brought to the **Project Information** page, "Discard Changes" to erase any updates made to the application, and "Save as Draft" to save the changes made to the application. (**Note: The application cannot be submitted until all required fields in each section have been completed).**

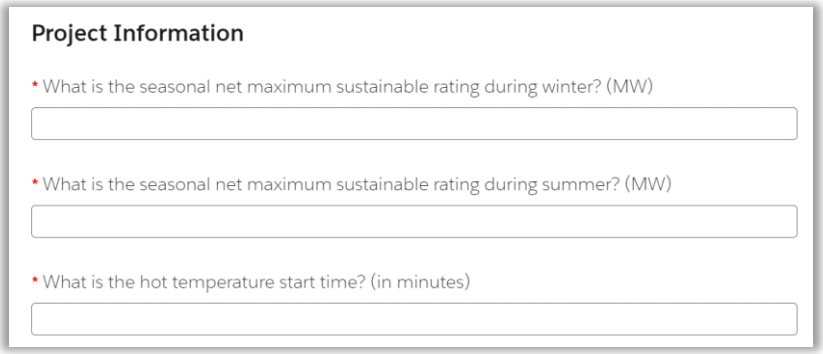


TEF Portal – Loan Application – Basic Eligibility

Submitting a Loan Application

Project Information

1 Navigate to the **Project Information** section and answer the required questions (* = required question).



TEF Portal – Loan Application – Project Information

File Uploads

Note: File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

- Site Control Documentation
- Independent Engineer's Report
- Fuel Supply Agreement(s)
- Water Supply Agreement(s)
- Description of water and fuel supply arrangements, including companies of applicable fuel and water supply agreements, if available, and evidence of necessary water rights and applicable permits.
- Electric Interconnection Plan
- Environmental, Construction, and Operating Permit(s)
- Receipt of any required air emissions credits
- Details of all obligations or commitments of the electric generating facility to provide energy or capacity to the industrial load or PUN, and whether the proposed electric generating facility's generation capacity would be available to the ERCOT bulk power system during any Energy Emergency Alert, and a copy of any information submitted to ERCOT regarding PUN net generation capacity availability.

Submitting a Loan Application

Project Information (Continued)

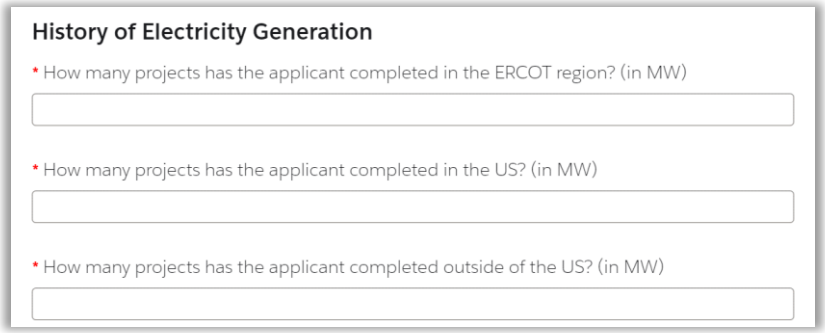
File Uploads (Continued)

- One-line Diagram Documentation
- Environmental Assessment Documentation
- Full Interconnection Study
- ECP Agreement
- Executed Standard Generation Interconnection Agreement
- Operations, Maintenance and Management Plan
- Operating Programs and Procedures
- Organizational Charts
- Proposed Project Schedule (A proposed project schedule with anticipated dates for major project milestones, such as the start date for project engineering, construction start date, submission of available interconnection documents with ERCOT, completion date of the ERCOT screening study, completion date of the full interconnection study, execution of the standard generation interconnection agreement, if applicable, submission of applicable registration documents with ERCOT and the commission, and commercial operations date).

Submitting a Loan Application

History of Electricity Generation

1 Navigate to the **History of Electricity Generation** section and answer the required questions (* = required question).



TEF Portal – Loan Application – History of Electricity Generation

File Uploads

Note: File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

- Supporting documentation that demonstrates the applicant's prior experience with siting, permitting, financing, constructing, commissioning, operating, and maintaining dispatchable electric generating facilities to provide reliable electric service in competitive energy markets

Calculations

Performance Availability Factor (PAF) = $\sum \left(\frac{\text{RT Telementered HSL x Avalable Flag}}{\text{Obligated Capacity}} \right) \text{x } 100$

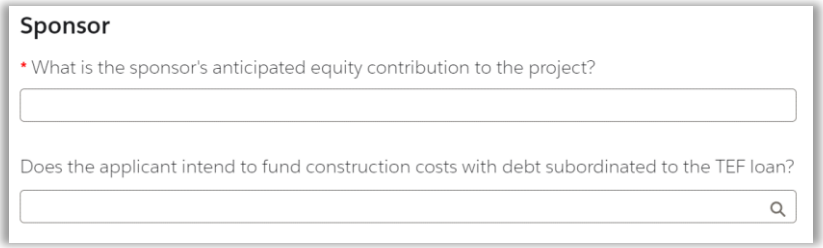
Planned Outage Factor (POF) = $\left[1 - \frac{\text{Total Evaluated Period Intervals}}{\text{Total Period Intervals}} \right] \text{x } 100$

Note: PAF and POF must be expressed as a percentage between 0 and 100%. More information on PAF and POF can be found on page 5.

Submitting a Loan Application

Sponsor

1 Navigate to the **Sponsor** section to answer the required questions (* = required question).



TEF Portal – Loan Application – Sponsor

File Uploads

Note: File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

- Applicant's and Sponsor's Audited Financial Statements for the last 5 years, as available (pdf with excel tables for statements if possible)
- Equity Commitment Letter

Calculations

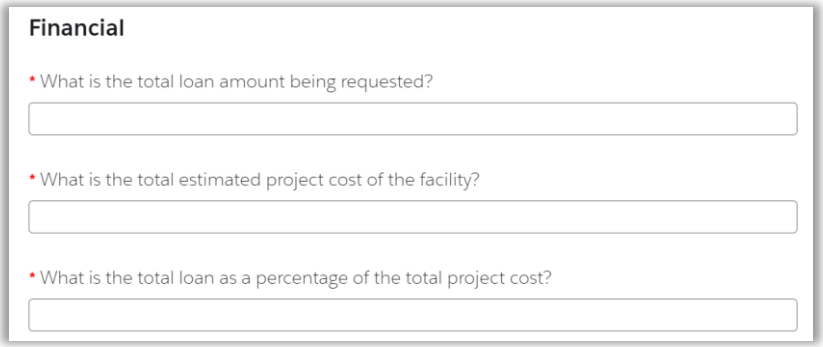
$$\textbf{Current Ratio} = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$$

$$\textbf{Quick Ratio} = \frac{Cash\ \&\ Equivalents + Marketable\ Securities + Accounts\ Receivable}{Current\ Liabilities}$$

Submitting a Loan Application

Financial

1. Navigate to the **Financial** section to answer the required questions (* = required question).



TEF Portal – Loan Application – Financial

File Uploads

Note: File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

- Fully functional, macro-free financial model (include a detailed forecast of cash flow available for debt service, covering the repayment period of the loan, including sources of revenue and an annual operating and maintenance budget).

Calculations

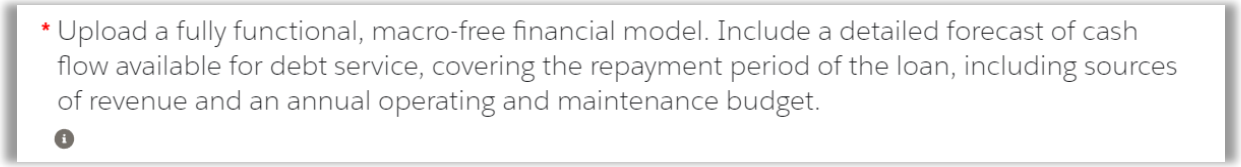
Debt Service Coverage Ratio (DSCR) = $\frac{Cash\ Flow\ Available\ for\ Debt\ Service\ (CFADS)}{Total\ Debt\ Service}$

Cash Flow Available for Debt Service (CFADS) = $Revenue - Expenses \pm Net\ Working\ Capital\ Adjustments - Capital\ Expenditures - Cash\ Tax + Depreciation\ and\ Amortization$

Submitting a Loan Application

Financial (Continued)

Helpful Tip



TEF Portal – Loan Application – Financial

In addition to total project cost and any contingencies, please include the following applicable associated costs: development, construction, capital commitments required for the project to reach completion, permitting-related costs, development fees, land acquisition, lease cost, legal fees, up-front fees, commitment fees, interest rate protection, ancillary credit facility fees, title insurance, and interconnection fees.

Submitting the Loan Application

1. After completing all sections of the Loan Application, select “Submit” to complete your application. A new “Submission Confirmation” page will appear.

TEF Portal – Loan Application – Financial

Note: After an application has been submitted, **fields will not be editable**.

Next Steps After Submission

After submitting an In-ERCOT Generation Loan Application, the application will be evaluated and proceed through the rest of the application process.

After applications are received, the TEF administrator will review them for accuracy and deficiencies. The TEF administrator may reach out for additional information, and applicants are required to provide their responses to the TEF administrator within five business days. After the application portal is closed, any additional information provided by the applicant will be reviewed at the TEF administrator's discretion.

Evaluation Criteria

The TEF administrator will assess each application, considering the application's eligibility and alignment with evaluation criteria listed in *16 TAC §25.510(f)* and the overall commercial feasibility of the project. Once evaluations are finalized, the TEF administrator will submit their findings to the commission, who will make the final decision on the application. The commission will select a portfolio of eligible applications to proceed to due diligence. Application approvals and loan awards are subject to funding availability.

Criteria:

**16 TAC §25.510(f).*

The commission will approve or deny an application based on the program criteria and TEF Administrator evaluations outlined in this subsection. Evaluations and other recommendations provided by the TEF Administrator are advisory only. All final decisions on whether to approve or deny each application will be made by the commission.

(1) The TEF Administrator will evaluate an application based on:

(A) The applicant's or its corporate sponsor or parent's:

(i) Quality of services and management and proposed organizational structure for the project for which the applicant seeks a loan;

(ii) Efficiency of operations, as shown by the applicant's existing generation resources and asset management practices;

Next Steps After Submission

Evaluation Criteria (Continued)

(iii) History of electricity generation operations in this state and this country;

(iv) Resource operation attributes, including fuel type and heat rate, seasonal net maximum sustainable ratings for winter and summer, cold and hot temperature start times, resource ramp rate, and the original equipment manufacturer's estimated electric arc furnace (EAF);

(v) Ability to address regional capacity constraints and reliability needs;

(vi) Access to resources essential for operating the facility for which the loan is requested, such as land, water, and reliable infrastructure, as applicable;

(vii) Evidence of creditworthiness and ability to repay the loan on the terms established in the loan agreement, including the applicant's ability to generate cash flow, net worth, and credit ratings issued by major credit rating agencies;

(viii) The nameplate capacity, total forecasted revenues, and total estimated costs of the facility for which the loan is requested; and

(ix) The completeness of the application.

Next Steps After Submission

Evaluation Criteria (Continued)

(2) The TEF Administrator may also consider the following criteria:

(A) The suitability of the facility site to support the construction, operation, and maintenance of the proposed facility and to provide sufficient access to utilities;

(B) The sufficiency of the various construction and equipment supply contracts necessary to construct the facility;

(C) Whether and to what extent the proposed facility will serve an industrial load or PUN;

(D) The commercial feasibility of the facility's construction schedule, including the projected commercial operations date;

(E) The facility's proposed environmental permits and commitments;

(F) The reasonableness of the applicant's forecast of non-fuel operating and maintenance costs;

(G) The methodology used to construct the facility's financial forecast of projected net revenues, expenses, and cash flows;

(H) The sufficiency of the applicant's proposed sources of equity or other funding sources to cover the costs of the facility not funded through a loan provided under this section;

Next Steps After Submission

Evaluation Criteria (Continued)

(I) Whether the facility can achieve the applicant's EAF and capacity projections over the life of the loan agreement; and

(J) The basis for the total projected construction costs, including project contingencies.

(3) The TEF Administrator will conduct due diligence on each application to gauge the feasibility of the project. Each applicant must submit an independent engineer's report, signed and sealed by a professional engineer licensed in the state of Texas, at the applicant's own expense, that assesses the feasibility of the project, its location, and all supporting commercial agreements relating to fuel, water, site control, and interconnection. The TEF Administrator may request that an applicant provide additional information it determines necessary to conduct a complete evaluation of the project proposal.

Next Steps After Submission

Due Diligence

Comprehensive due diligence is conducted by the TEF Administrator to assess the financial, market, legal, technical, insurance, tax and accounting, HR, and environmental aspects of the project. The project's engineering design, economic viability, regulatory compliance, environmental impact, and legal agreements will be evaluated by the TEF Administrator.

Document Intake

Document intake in a loan transaction is a crucial procedure in due diligence. It entails gathering and reviewing key documents from the applicant, including the project's business plan, financial model, technical reports, environmental assessments, and legal documents. Documents are organized in a secure virtual data room (VDR) for all parties to access and review. Information submitted to the commission as part of the loan application process is confidential and not subject to disclosure under Chapter 552, Government Code. The applicant is responsible for the set-up, payment, and maintenance of the VDR. Document intake is essential for assessing project viability and risks and needs to be thorough and timely to prevent potential transactional delays.

Next Steps After Submission

Due Diligence (Continued)

Financial Due Diligence

In a loan transaction, financial due diligence commences with an extensive analysis of the proposed project. This analysis incorporates an evaluation of the project's feasibility, anticipated ability to generate cashflow, and associated risk profile. Following a thorough review of the project, a credit assessment of the applicant and any linked entities is conducted. The credit assessment seeks to determine their creditworthiness, financial health, and capacity to repay the loan. The analysis encompasses several key areas:

- *Historical financial performance:* A deep dive into past financial performance offers insights into the financial stability and profitability of the applicant.
- *Financial projections and assumptions:* A careful study of financial projections and their underlying assumptions enables lenders to anticipate future profitability and the applicant's ability to repay.
- *Sensitivity analysis and stress testing:* Different scenarios are tested to understand potential risks and the resilience of the applicant financials under various circumstances.
- *Debt service coverage ratio (DSCR) analysis:* DSCR, a crucial metric, measures the available cash flow for servicing current debt obligations, providing an indication of the applicant capacity to repay the loan.

Furthermore, the TEF Administrator will incorporate lender assumptions into the applicant's financial model, which will simulate the loan's performance over its term, and stress-test the project's resilience under potential adverse conditions.

Next Steps After Submission

Due Diligence (Continued)

Market Due Diligence

Market due diligence in a loan transaction necessitates a profound comprehension of the market dynamics pertinent to the project. The process begins with an extensive analysis of the market size, growth potential, current supply and demand conditions, competitor analysis, and future forecasts. The final stage of market due diligence involves analyzing the project's prospective customer base and pricing strategy, aimed at evaluating the project's potential profitability and sustainability amidst current and anticipated market conditions.

Legal Due Diligence

Legal due diligence in a loan transaction is a detailed process aimed at examining the legal aspects and potential ramifications of the project under consideration. Integral to this process is a comprehensive review of all contracts linked to the project, ensuring all legal documents are in order and any contractual risks are duly identified. Another crucial aspect of legal due diligence is verifying the project's compliance with all relevant laws and regulations. This includes tax laws, operational directives, and any industry-specific regulations. Legal due diligence serves to identify potential legal risks that could impact the project or loan agreements.

Next Steps After Submission

Due Diligence (Continued)

Technical Due Diligence

Technical due diligence in a loan transaction primarily focuses on the technical feasibility and reliability of the project. The process entails a rigorous assessment of the project's technology, engineering design, and operational schematics. During this stage, the TEF Administrator inspects the project's construction plans, timelines, and costs at this stage to appraise project feasibility, discern potential technical risks, and forecast potential cost overruns. Moreover, an examination of the reliability of the utilized technology is conducted, coupled with a review of the project's conformity with relevant technical standards and regulations. Site visits may also be integrated into the process to verify the physical and environmental conditions of the project site.

Environmental Due Diligence

Environmental due diligence in a loan transaction serves a pivotal role in affirming the project's compliance with environmental norms and regulations. This process entails a careful assessment of the project's potential environmental implications, encompassing any potential risks or liabilities tied to environmental concerns. The project's adherence to pertinent environmental laws and regulations is evaluated, and potential impacts on local ecosystems or communities are scrutinized. The environmental due diligence process enables the TEF Administrator to identify and mitigate potential environmental risks, ensuring the project's sustainability and conformity with environmental standards.

Next Steps After Submission

Due Diligence (Continued)

Insurance Due Diligence

Insurance due diligence necessitates a comprehensive understanding of risk coverage. The process requires a complete evaluation of the terms and conditions of insurance contracts, along with the validation of the insurers' creditworthiness. Adequate coverage ensures appropriate mitigation of potential risks associated with the project. Furthermore, the process might encompass an examination of business continuity and disaster recovery protocols of third-party service providers, which includes a review of the security measures they have implemented.

HR Due Diligence

HR due diligence is an intricate review that is vital for comprehending a project's feasibility, risks, and long-term sustainability. A review of employee contracts and workforce structure is carried out to pinpoint potential liabilities or costs, ensuring their alignment with legal and industry standards. Compliance checks related to labor laws and regulations are performed to affirm adherence, thereby mitigating legal and financial risks. Potential labor risks, such as labor disputes or shortages, are evaluated to devise risk mitigation strategies. Finally, the analysis of HR policies, including recruitment and retention, provides insights into the project's sustainability and potential for success.

Next Steps After Submission

Due Diligence (Continued)

Tax and Accounting Due Diligence

Tax and accounting due diligence are instrumental in gauging a project's financial stability and identifying potential risks. The process involves an analysis of the project's financial performance to unveil any potential irregularities that may pose a risk. A pivotal part of this process is the evaluation of the project's tax strategy, ensuring it aligns with legal requirements and best practices, and effectively manages tax liabilities and benefits. The project's accounting policies are appraised to ensure compliance with accounting standards and principles, providing valuable insight into its financial operations, which can greatly influence profitability. Finally, potential tax liabilities or benefits, such as tax credits, are identified as they can substantially impact the project's cash flows and profitability.

Loan Term and Agreements

Legal documentation will be prepared to formalize the loan agreement. This will include the credit agreement and other legal contracts that will outline the rights and obligations of all parties involved.

Financial Close

Financial close is achieved after all loan documentation has been finalized and signed.

Next Steps After Submission

Conditions Precedent

The satisfaction of conditions precedent is required after the financial close to initiate loan disbursements. Only upon fulfilling these varied conditions can disbursements be made.

Disbursements

Disbursements for loans can be provided in single or multiple installments, contingent on project milestones and agreement terms, and may cover up to 60% of the project's certified costs. Once applicants meet all conditions precedent and reach financial close, disbursement requests and award reports are prepared.

Performance Monitoring

Throughout the project lifecycle, the TEF Administrator will monitor progress, financial performance, and compliance with loan covenants to mitigate risks and ensure loan repayment.

Operational performance of the project will also be monitored per performance covenants noted in *16 TAC §25.510(h)* which requires that "each generation resource in an electric generating facility that is financed by a loan under this section must maintain a PAF of at least 85 percent and a POF no greater than 15 percent, evaluated monthly, over the trailing 12-month period, throughout the term of the loan."

Performance Availability Factor (PAF) =

$$\sum \left(\frac{\text{RT Telemented HSL x Avalable Flag}}{\text{Obligated Capacity}} \right) \text{x } 100$$

Planned Outage Factor (POF) =

$$\left[1 - \frac{\text{Total Evaluated Period Intervals}}{\text{Total Period Intervals}} \right] \text{x } 100$$

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Basic Eligibility

- ❑ What is the name of the project or facility?*
- ❑ Provide the name of any sponsor(s) involved in the project.*
- ❑ Please select the appropriate applicant type.*
    - Electric Cooperative, Municipal Owned Utility (MOU), River Authority, Private Use Network (PUN), Independent Power Producer (IPP), Other
    - If Other, specify the applicant type.
- ❑ What is the anticipated nameplate capacity (in MW) of the project to be dedicated to ERCOT?*
- ❑ What is the total capacity in MW currently operating under management within ERCOT? Please include all parent or majority owned subsidiary entities in your response.*
- ❑ Will the facility sell electricity into the ERCOT wholesale market?*
- ❑ Is the facility designed to be interconnected to ERCOT through only one point of interconnection?*
- ❑ Is the applicant eligible to interconnect the facility to ERCOT based on the requirements in the Lone Star Infrastructure Protection Act (codified at Texas Business and Commerce Code section 117.002)?*
- ❑ Please upload a copy of any information submitted to ERCOT regarding the applicant's attestation of market participant citizenship, ownership, or headquarters, if submitted, or a direct attestation of market participant citizenship, ownership, or headquarters, if such information has not yet been submitted to ERCOT.*
- ❑ Will the facility be new construction, dispatchable, and with a planned capacity of at least 100 MW or an upgrade to an existing, dispatchable facility with a planned capacity addition of at least 100 MW?*
    - New Construction, Upgrade to existing facility, Neither
- ❑ Did the facility meet the planning model requirements necessary to be included in ERCOT's Capacity Demand and Reserves Report before June 1, 2023?*
- ❑ Is the applicant able to deposit 3% of the total project costs into an escrow account to be held by the Comptroller or provide a letter of credit to be held by the Trust until loan proceeds are disbursed?*
- ❑ Will the requested loan be secured and senior to any other project debt obligations?*
- ❑ Please identify the primary point of contact and provide their contact information for the applicant.*

**Indicates required question.*

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Project Information

- ❑ What is the seasonal net maximum sustainable rating during winter? (MW)*
- ❑ What is the seasonal net maximum sustainable rating during summer? (MW)*
- ❑ What is the hot temperature start time? (in minutes)*
- ❑ What is the cold temperature start time? (in minutes)*
- ❑ What is the original equipment manufacturer's estimated equivalent availability factor (EAF) calculation? (%)
- ❑ What is the facility's fuel type?*
    - Natural Gas, Oil, Nuclear, Coal, Other
    - If Other, specify the facility's fuel type.
- ❑ What is the facility's technology type?*
    - Internal Combustion, Combined Cycle Gas Turbine (CCGT), Nuclear, Steam Turbine, Simple Cycle, Other
    - If Other, specify the facility's technology type.
- ❑ What is the facility's estimated full load heat rate? (in Btu/kWh)*
- ❑ What is the facility's estimated resource ramp rate? (MW/minute)*
- ❑ To which load zone will the project connect?*
    - Austin Energy (AEN), CPS Energy (CPS), Houston, Lower Colorado River Authority (LCRA), North, Rayburn Electric Cooperative (RAYB), South, West
- ❑ What is the project's longitude? (decimal degrees)*
- ❑ What is the project's latitude? (decimal degrees)*
- ❑ How will the project's location and operational profile serve demand for new capacity in the ERCOT region?*
- ❑ How will the project's location and operational profile impact any known transmission constraint?*
- ❑ Provide a narrative that details how the facility will contribute to meeting peak winter and summer load in the ERCOT region, including the project's plans to ensure adequate fuel supplies and preparations for compliance with section 25.55 of this title.*
- ❑ What is the estimated percentage of the facility's output that will be contracted during the term of the loan?*
- ❑ What is the facility's anticipated annual availability (excluding scheduled maintenance)?*
- ❑ Is the site control of the project consistent with applicable ERCOT planning guide requirements?*
    - If yes, upload Site Control Documentation
    - If no, picklist will appear: In Negotiation, Initial Contract, Not Yet Started, Site Not Selected
- ❑ Please provide an independent engineer's report that assesses the feasibility of the project, its location, and all supporting commercial agreements relating to fuel, water, site control, and interconnection.*
- ❑ Does the project have a Fuel Supply Agreement?*
    - If yes, upload Fuel Supply Agreement(s)
    - If no, picklist will appear: In Negotiation, Initial Agreement, Not Yet Started, Vendor Not Selected
- ❑ Does the project have a Water Supply Agreement?*
    - If yes, upload Water Supply Agreement(s)
    - If no, picklist will appear: In Negotiation, Initial Agreement, Not Yet Started, Vendor Not Selected

**Indicates required question.*

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Project Information (Continued)

- ❑ Please provide a description of Fuel and Water Supply Arrangements, including copies of applicable Fuel and Water Supply Agreements, if available, and evidence of receipt of necessary water rights and applicable permits.*
- ❑ Please Upload Supporting Documentation.
- ❑ What is the status of acquisition of components associated with the prime mover?*
- ❑ What is the status of acquisition of components associated with the generator?*
- ❑ What is the status of acquisition of components associated with the switch gear?*
- ❑ Provide a description of the electrical interconnection plan, including evidence that the proposed project is in the interconnection queue with ERCOT and has completed the ERCOT screening study.*
- ❑ Please Upload Supporting Documentation.
- ❑ Please upload a list of all required environmental, construction, and operating permits with current approval status.*
- ❑ Please upload any environmental, construction or operating permits the applicant has already obtained.
- ❑ Please provide a description of the air emissions compliance plan, including evidence of receipt of any required air emissions credits. *
- ❑ Please upload evidence of receipt of any required air emissions credits.
- ❑ Will the facility serve either an industrial load or private use network?*
    - If yes, how will the electric generating facility primarily serve the ERCOT bulk power system, given its relationship with an industrial load or private use network? Would full generation output be available to ERCOT?
    - If not, how many MW and what percentage of nameplate capacity would be available to serve ERCOT?
- ❑ Please describe the details of all obligations or commitments of the electric generating facility to provide energy or capacity to the industrial load or PUN, and whether the proposed electric generating facility's generation capacity would be available to the ERCOT bulk power system during any Energy Emergency Alert, and a copy of any information submitted to ERCOT regarding PUN net generation capacity availability.*
    - Please Upload Supporting Documentation.
    - If this question is not applicable, please record your answer as “N/A.”
- ❑ Do you have a One-Line Diagram of the proposed project?*
    - If yes, upload One-Line Diagram documentation.
- ❑ Please provide an up-to-date phase 1 Environmental Site Assessment, conducted in accordance with standards identified in 40 C.F.R. Part 312.*
- ❑ Do you have a copy of the completed Full Interconnection Study with the interconnecting transmission service provider?*
    - If yes, upload Full Interconnection Study.
- ❑ Please select the status of your Engineering, Procurement and Construction (EPC) agreement.*
    - Picklist: Executed, In Negotiation, Initial Contract, Not Yet Started
- ❑ Please upload a copy of the EPC agreement.

**Indicates required question.*

Appendix A: Application Questions Checklist

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Project Information (Continued)

- ❑ Provide a description of the operations and maintenance staffing plan, including copies of operations and maintenance agreements, if available. *
- ❑ Provide a description of the operating programs and procedures for the proposed project. Include copies of programs and procedures, if available. *
- ❑ Provide a description of the organizational structure for the proposed project, including copies of organizational charts, if available. *
- ❑ Please upload your proposed project schedule with anticipated dates for major project milestones. *
- ❑ What is the anticipated start date for project engineering?*
- ❑ What is the anticipated construction start date?*
- ❑ What is the anticipated date when the applicant will submit all available interconnection documents to ERCOT?*
- ❑ What is the anticipated completion date of the ERCOT screening study?*
- ❑ What is the anticipated completion date of the Full Interconnection Study?*
- ❑ What is the anticipated date when the standard generation interconnection agreement will be available?*
- ❑ What is the anticipated date when the applicable registration documents with ERCOT and the commission will be available?*
- ❑ What is the anticipated resource commissioning date?*
- ❑ Please provide any other additional information or relevant innovations which should be noted for the proposed project.

**Indicates required question.*

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

History of Electricity Generation

- ❑ How many projects has the applicant completed in the ERCOT region? (in MW)*
- ❑ How many projects has the applicant completed in the US? (in MW)*
- ❑ How many projects has the applicant completed outside of the US? (in MW)*
- ❑ What is the total years of experience of the project team (or sponsor) in procuring the proposed fuel type?*
- ❑ In how many of the last 3 years have any of the sponsor's projects had an average PAF of less than 85% or an annual POF of greater than 15%?*
- ❑ If any of the sponsor's projects had an average PAF of less than 85% or an annual POF of greater than 15% in any of the last three years, please explain why.*
- ❑ For all projects in operation by the sponsor, what is the average PAF of these facilities over the last 3 years?*
- ❑ For all projects in operation by the sponsor, what is the average POF of these facilities over the last 3 years?*
- ❑ Upload any supporting documentation that demonstrates the applicant's prior experience with siting, permitting, financing, constructing, commissioning, operating, and maintaining dispatchable electric generating facilities to provide reliable electric service in competitive energy markets.

**Indicates required question.*

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Sponsor

- ❑ What is the sponsor's anticipated equity contribution to the project?*
- ❑ Does the applicant intend to fund construction costs with debt subordinated to the TEF loan?
- ❑ Please provide the applicant's and sponsor's total assets for the last five years, as available.
- ❑ Please provide the applicant's and sponsor's total liabilities for the last five years, as available.
- ❑ Upload the applicant's and sponsor's Audited Financial Statements for the last five years, as available.*
- ❑ Upload a binding equity commitment letter, if the applicant proposes to fund any project costs using equity or upload a binding letter with information regarding the applicant's other funding sources, demonstrating the ability to fund the balance of project costs, separate from the loan under this section, plus the required three percent construction escrow deposit amount.*
- ❑ Will the project benefit from a parent company or sponsor guarantee?*
- ❑ If Yes, is the sponsor publicly rated?*
    - If so, which rating agency?
        - Picklist: Moody's, Standards and Poor's, Fitch
            - Moody's
            - Standards and Poor's
            - Fitch
- ❑ Is the applicant publicly rated?*
    - If so, which rating agency?
        - Picklist: Moody's, Standards and Poor's, Fitch
            - Moody's
            - Standards and Poor's
            - Fitch
- ❑ What is the sponsor's current ratio (current ratio = total current assets / total current liabilities) as of the most recent audited financial statement date?*
- ❑ What is the sponsor's quick ratio (Quick Ratio = [Cash & equivalents + marketable securities + accounts receivable] / Current liabilities) as of the most recent audited financial statement date?*

**Indicates required question.*

Appendix A: Application Questions

The following is a list of the questions per section in the In-ERCOT Generation Loan Application.

Financial

- ❑ What is the total loan amount being requested?*
- ❑ What is the total estimated project cost of the facility?*
- ❑ What is the total loan as a percentage of the total project cost?*
- ❑ What percentage of project costs does the applicant intend to finance through equity?*
- ❑ What is the estimated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for the project in its first full year of operations?*
- ❑ What is the projected minimum annual EBITDA throughout the life of the project?*
- ❑ What is the projected average annual EBITDA throughout the life of the project?*
- ❑ What is the projected minimum monthly EBITDA throughout the life of the project?*
- ❑ What is the projected monthly minimum Debt Service Coverage Ratio “DSCR” throughout the project? (DSCR = Cash Flow Available for Debt Service (CFADS) / Total Debt Service)*
- ❑ What is the projected monthly average Debt Service Coverage Ratio “DSCR” throughout the project? (DSCR = CFADS / Total Debt Service)*
- ❑ Upload a fully functional, macro-free financial model. Include a detailed forecast of cash flow available for debt service, covering the repayment period of the loan, including sources of revenue and an annual operating and maintenance budget.*

**Indicates required question.*

Appendix B: File Uploads

The following is a list of file uploads for the In-ERCOT Generation Loan Application. **Note:** File uploads are limited to 30MB. If the file exceeds 30 MB, please separate into smaller files, then upload each one. There is no limit to the number of files that can be uploaded.

Basic Eligibility

- ❑ ERCOT Market Participant Citizenship Attestation*

Project Information

- ❑ Site Control Documentation*
- ❑ Independent Engineer Report*
- ❑ Fuel Supply Agreement(s)*
- ❑ Water Supply Agreement(s)*
- ❑ Description of water and fuel supply arrangements, including copies of applicable fuel and water supply agreements, if available, and evidence of receipt of necessary water rights and applicable permits
    - ❑ Supporting documentation for water & fuel supply arrangements if applicable
- ❑ Electric Interconnection Plan*
- ❑ Environmental, Construction, and Operating Permit(s)*
- ❑ Receipt of any required air emissions credits
- ❑ Details of all obligations or commitments of the electric generating facility to provide energy or capacity to the industrial load or PUN, and whether the proposed electric generating facility's generation capacity would be available to the ERCOT bulk power system during any Energy Emergency Alert, and a copy of any information submitted to ERCOT regarding PUN net generation capacity availability
- ❑ One-line Diagram Documentation*
- ❑ Environmental Assessment Documentation*
- ❑ Full Interconnection Study*
- ❑ Engineering, Procurement and Construction (EPC) Agreement
- ❑ Operations, Maintenance, and Management Plan*
- ❑ Operating Programs and Procedures*
- ❑ Organizational Charts*
- ❑ Proposed Project Schedule*

History of Electricity Generation

- ❑ Supporting documentation that demonstrates the applicant's prior experience with siting, permitting, financing, constructing, commissioning, operating, and maintaining dispatchable electric generating facilities to provide reliable electric service in competitive energy markets*

Sponsor

- ❑ Applicant's and Sponsor's Audited Financial Statements for the last 5 years, as available (*pdf with excel tables for statements if possible*) *
- ❑ Equity Commitment Letter*

Financial

- ❑ Financial Model*

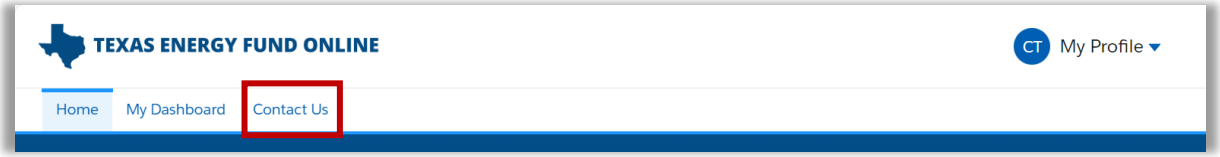
**Indicates file upload is required.*

*.***If all required documents are not uploaded, an applicant will not be able to submit the application.*

Appendix C: Contact Center Information

All inquiries, including questions on the application process, use of the TEF Portal, or other TEF programs can be directed to the TEF Contact Center (1-866-526-2269 or info@txenergyfund.texas.gov).

1. Select "Contact Us."

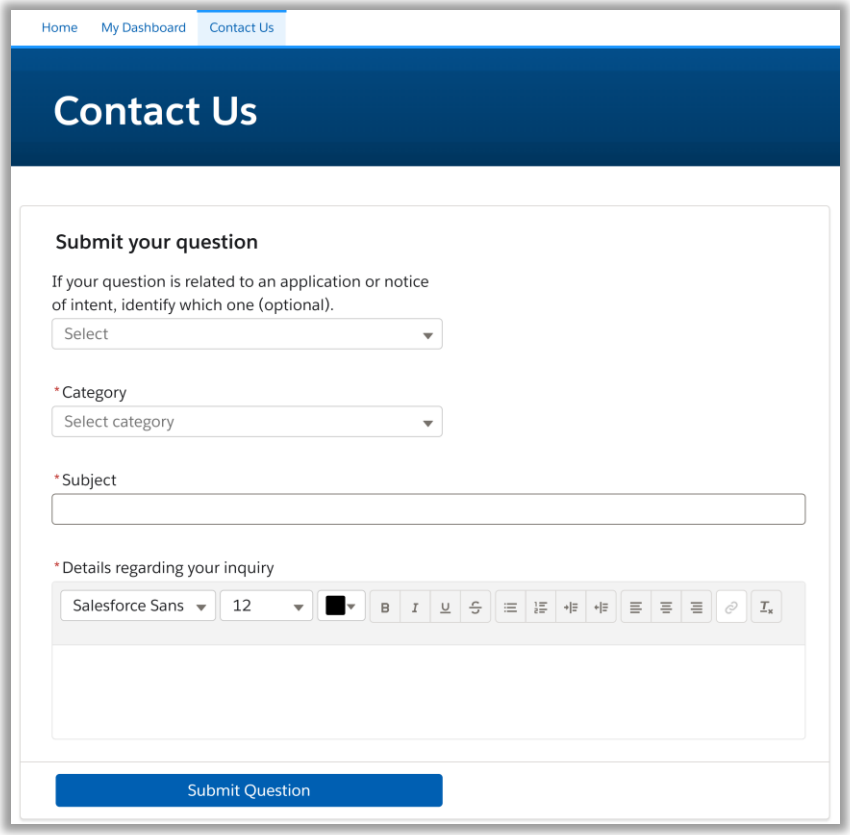


TEF Portal – Contact Us

2. Identify if your inquiry is for a specific submission in the "If your question is related to an application or notice of intent, identify which one" field.

3. Select a "Category" to provide additional information on your inquiry (e.g., NOI, Application Issue, Other, etc.).

4. Enter a "Subject."



TEF Portal – Contact Us

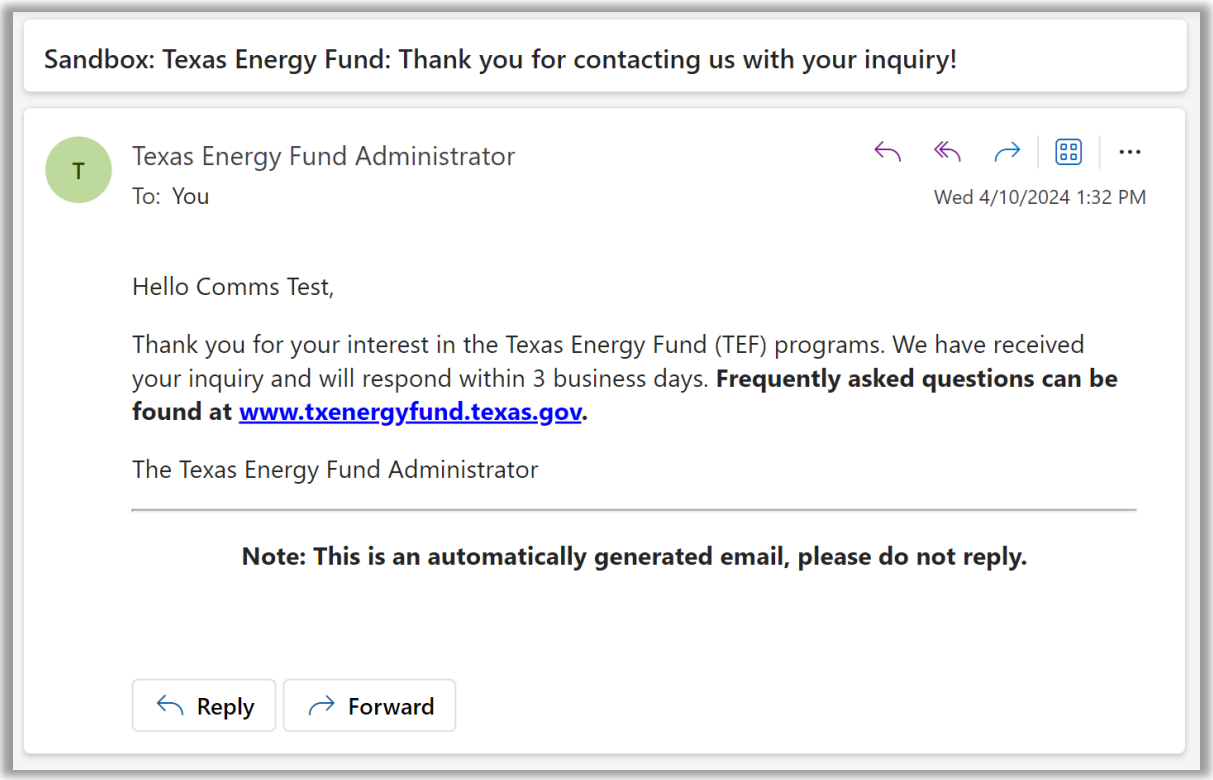
5. Enter your question in the "Details regarding your inquiry" section. This section supports rich text (e.g., lists, links, bold text) and has a 32,768-character limit.

Appendix C: Contact Center Information

6 Select “Submit Question.” A success message will appear confirming your form was submitted.

TEF Portal – Contact Us

7 You will receive an email confirmation from noreply@txenergyfund.texas.gov. Your inquiry will be responded to within 3 business days.



Email – Texas Energy Fund: Thank you for contacting us with your inquiry!

Note: Only authenticated users, or users who have logged in, will be able to access the Contact Us page.

Change Log

The following is a table displaying the changes that have been made to the In-ERCOT Loan Program Manual since the May 21, 2024 version was published.

Program Manual Change Log		
Version	**Change Made**	**Page #**
5/22/2024	N/A – Original Version	
5/31/2024	Added Salesforce Multi-Factor Authentication instructions to p. 14	14
5/31/2024	Added A Program Manual Change Log to p. 47	47