

Save Our Scenic Hill Country Environment, Inc.

Annual Report on Operations

November 1, 2021- October 31, 2022

Save Our Scenic Hill Country Environment (SOSHCE) continued to monitor renewables and transmission developments and to take related actions. **We continue to strongly believe that industrial wind and solar energy development and the directly related transmission system additions do not make sense in Gillespie and surrounding counties.**

SOSHCE, with the assistance of others, actively opposed industrial wind leasing activity in Gillespie, Llano and Kerr counties that we became aware of in May. Those efforts included contacting our members, other landowners, county officials and local media as well as the Greece based company's leasing agent. As the result of the opposition, the agent indicated that their efforts were being terminated in the area. As they were not willing to document their termination decision, SOSHCE continued its opposition efforts. The agent was also informed about opposition to industrial solar in the area.

We are now not aware of any current wind or solar development activities in Gillespie and surrounding counties. However, there are a number of factors that necessitate continued vigilance.

The "Inflation Reduction Act" that was enacted by the Biden Administration in August included \$369 million for "energy security and climate change investment". Among a number of additional incentives for renewables, it significantly expanded the federal Production Tax Credit (PTC) for industrial wind and the federal Investment Tax Credit (ITC) for solar. The PTC and ITC were effectively extended through at least 2032.

Even without these additional federal incentives, a significant amount of inland industrial wind continues to be under development in the state. With federal offshore industrial wind initiatives, an area offshore of Galveston is included as one of the planned leases.

Regarding industrial solar, ERCOT had already projected that there will continue to be a significantly increasing level of installations, even more so than wind in at least the near term, in spite of rising solar projects costs.

The number of industrial battery storage installations also continues to rapidly increase in Texas. The number of stand-alone projects will likely increase even more with the additional federal incentives. The 100 megawatt Bat Cave Energy Storage Project located near Mason was commissioned in 2021, and projects are under development in Kendall and Kerr counties. As current batteries only provide very short duration supply and are primarily used to arbitrage short term wholesale power price differences, ERCOT does not include the related supply capacity in its peak demand balances.

There was limited state legislative activity in 2021 as the result of Winter Storm Uri. More promising were Governor Abbott's subsequent instructions to the Public Utilities Commission (PUC) to streamline incentives and provide transmission for reliable/dispatchable generators and to allocate back-up costs to unreliable sources such as wind and solar. The PUC and ERCOT are continuing to evaluate and implement changes. Other follow-up includes the activities of the State Energy Plan Advisory Committee, the Texas Energy Reliability Council, and State Senate and House committees interim studies. 2023 renewables and transmission legislation and regulation will be critically important.

Renewable developers are rushing to get Chapter 313 school tax abatements approved before the year end 2022 deadline and will likely push for a renewal of the incentives in the legislative session.

For transmission developments, we continue to monitor the monthly ERCOT Regional Planning Group (RPG) meetings, the monthly Generator Interconnection Studies reports, the annual RPG Regional Transmission Plan, the annual Constraints and Needs report and the bi-annual Long-Term System Assessment.

ERCOT data indicates that the design capacity of the \$6.9 billion CREZ transmission additions has been significantly exceeded and that the resulting renewables generation curtailment will continue to increase. Efforts are underway to identify options for increasing transmission capacity from West Texas and the Panhandle to the major demand centers to the east. Conceptual ERCOT transmission line routes bypass Gillespie County and most of the surrounding counties. Non-transmission line capacity system operability constraints have been identified for the increasing levels of renewables.

The one active major transmission project in the area is the Mountain Home (Kerr County) Substation and Transmission line. The new substation and transmission lines to existing substations at Hunt (Kerr County) and Harper (Gillespie County) were completed in September. In addition, the existing 69kV transmission line from Fredericksburg to Harper will be upgraded to 138-kV with completion in June 2023.

Other area transmission projects include storm hardening, overhauling and upgrading of selected 69-kV circuits.

The involvement and support of the large number of new members that joined during this year's wind leasing opposition effort is greatly appreciated.

SOSHCE activities and key developments will be communicated to members and others at the November 16, 2022 Annual Membership meeting.

We will continue to monitor key renewable energy-related developments in the coming year and will be prepared to again become more actively engaged as appropriate.