

# Core Scientific PPA and Lease Amendments



ID 24-1876

ID 24-1881

ID 24-2122

ID 24-2273



# Current Project Status

Phase I - cryptocurrency

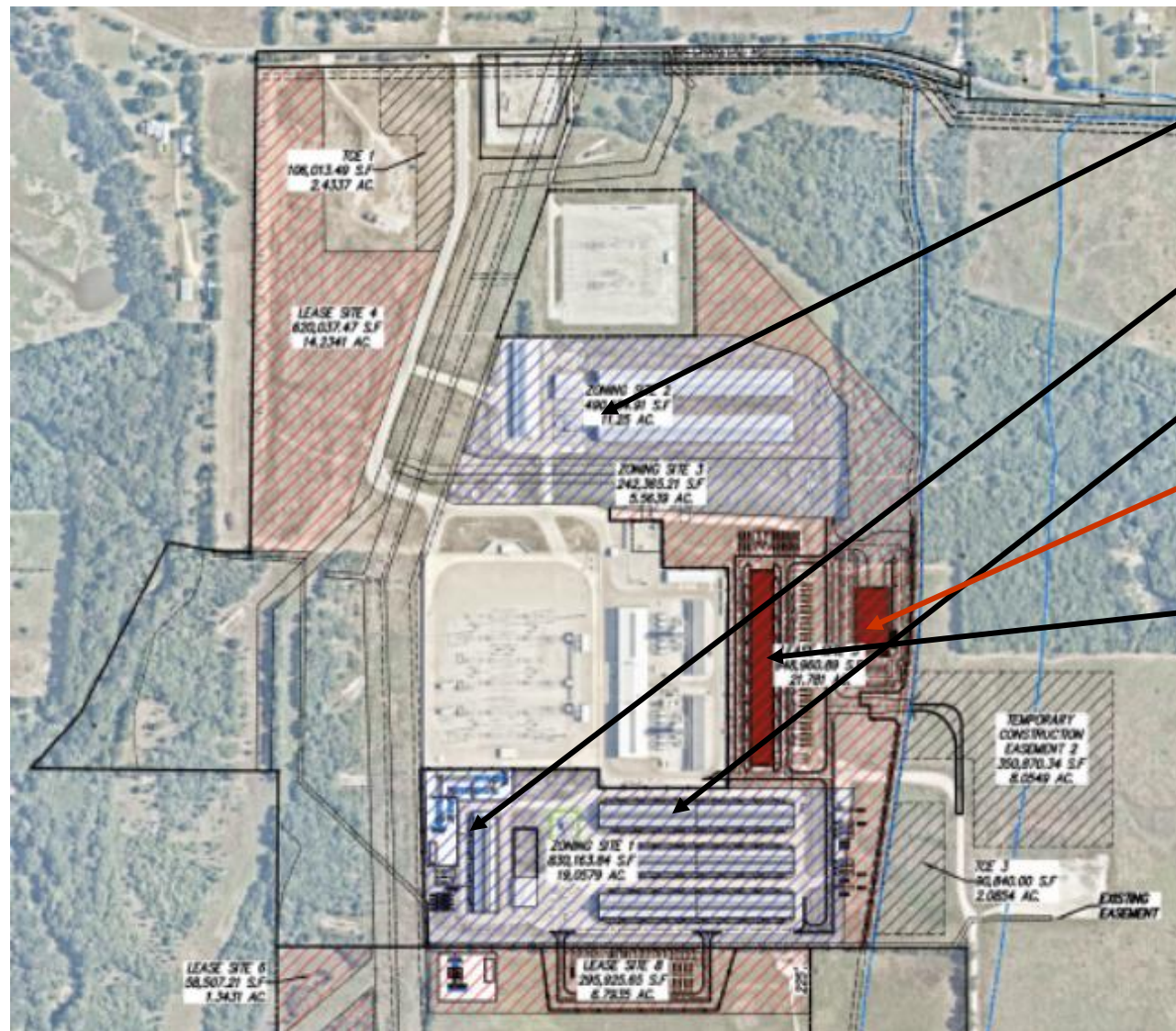
Phase II ~ cryptocurrency

Phase III – HPC (June 2025)





# Future State of Core Project



- Phase III - Converted to HPC by 11/25 (phased beginning in June 2025)
- Phase I – Converted to HPC by 12/2025
- Phase II – Converted to HPC by 7/2026
- Office Complex - ~300 full time professionals
- Phase IV Constructed and online after completion of required transmission system upgrades

Denton Data Center will become 100% dedicated to High Performance Computing (HPC) to support Artificial Intelligence applications.

# Phase IV PPA Provisions

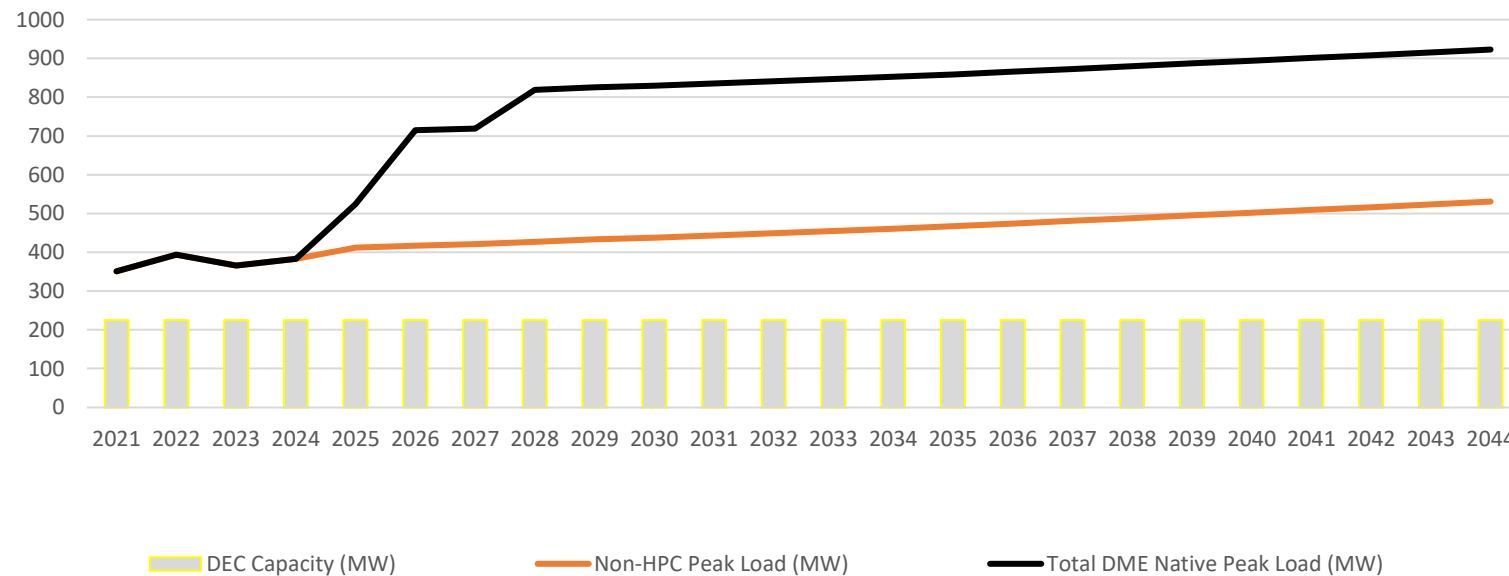
- All energy sold to Core for HPC operation to be based upon Cost of Service consistent with PPA Amendment 3 approved by City Council 8/20/24
  - Pass through of energy costs via Energy Cost Adjustment
  - Pass through of transmission costs via Transmission Cost Recovery Factor
  - DME fixed costs recovered via cost of service based demand charge (base rate)
- Core responsible for costs associated with interconnection infrastructure
  - Two new on-site substations required
  - Significant rerouting of transmission lines on-site
- Phase IV can only be powered up if:
  - Modeled transmission system overloads are remedied
    - DME completing analysis of DME transmission and connected transmission system impacts
    - DME has identified several options to remedy transmission system limitations
    - Both the Regional Transmission Group and ERCOT must approve the chosen solution
    - All physical transmission system improvements -- planned completion (2027-2029)

# DME Implications

1. Modify Power Purchase Agreement to convert HPC to a firm tariff price
  - 24/7 load profile with contribution to DME's 4 coincident peak
  - Firm load subject only to ERCOT mandated load shed or DME outages
  - Tariff price must recover a portion of DME's fixed operating costs (excluding Distribution System)
2. Renewable Energy supply by DME will require immediate delivery
  - Not sufficient time to procure additional long-term renewable PPAs with immediate delivery
  - Purchase of energy futures contracts with Renewable Energy Credit (REC) will be short term supply strategy
3. Long-term Supply strategy dependent on Denton Renewable Resource direction from City Council

# Forecasted DME Peak Demand (MW)

DME Native Load Peak Demand Forecast (MW)



## Peak Demand Growth to Continue

- Forecasted known peak demand to increase by over 73% by 2044
  - Additional large loads are very likely
- Annual native load energy served increasing to > 4.8 million MWh from 1.8 million MWh (167% increase)

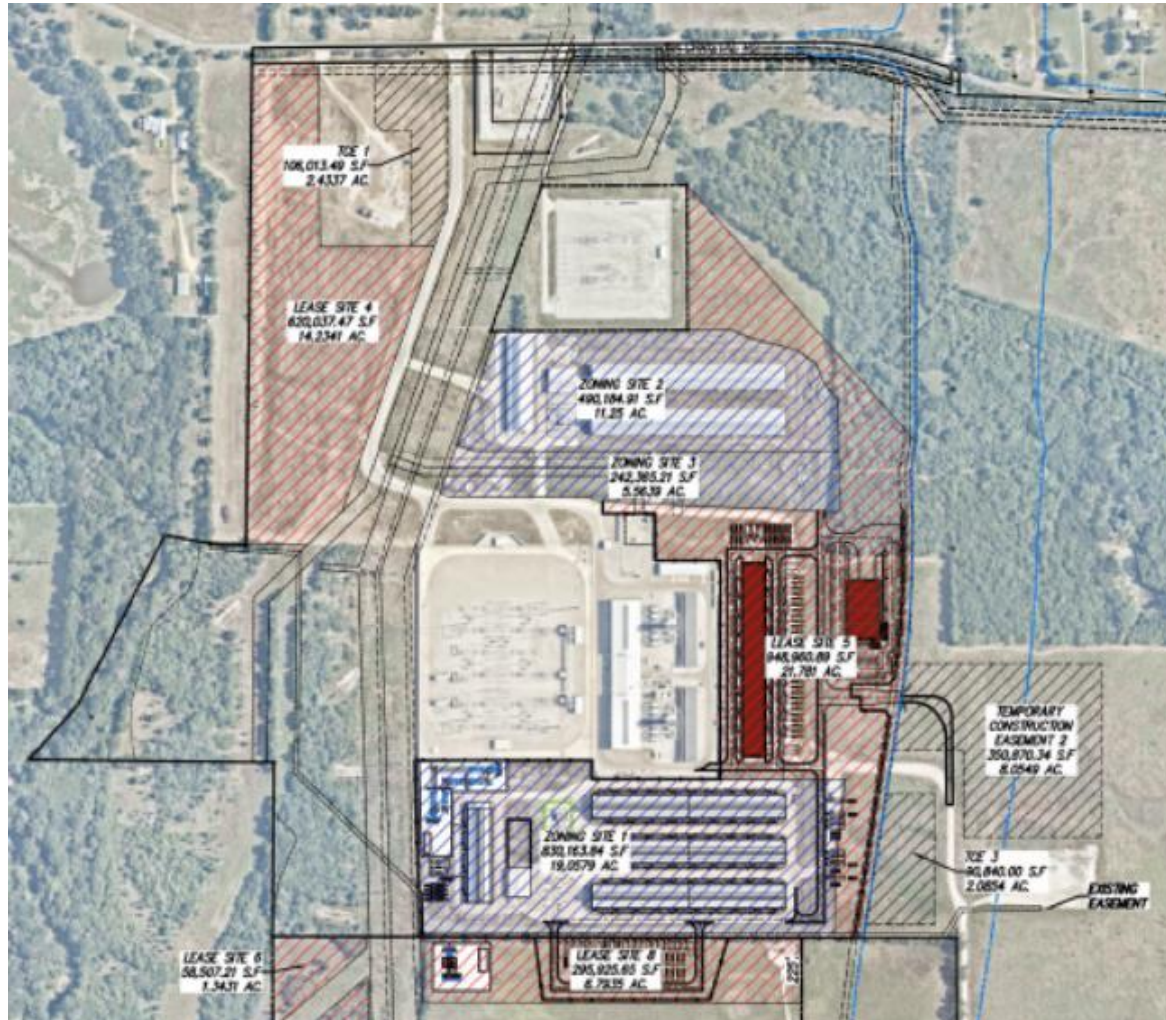
# Load Shed Implications

- Load shed events are very infrequent and will vary in amount and duration
- Core is converting from wholesale price responsive load to firm load
  - No longer curtailing operations when wholesale prices are high
- At 100% build out, Core operations will increase DME's percentage of ERCOT load shed requirement by ~90%
  - Moving from 0.5% to ~1% of total ERCOT demand
- Core will be treated the same as all other DME firm load customers and integrated into confidential Load Shed Plan

**DME will always prioritize the public health and safety of our customers**



# Lease Changes



- Blue areas are Initial Lease & Amendment No. 2
  - 36.5 Acres
- Red cross hatch areas are proposed Amendment No. 3 Lease areas
  - 42.9 additional acres including 6.7 acres of land purchased for future solid waste transfer station (Lease Site 8)

## Lease Provisions

- Total Monthly Lease Payment = \$53,939.81/mo.
  - Non-intervention in future Solid Waste transfer station permitting



# Letter Agreement for Value Loss Consideration

- One time payment of \$5,056,480 from Core to City (General Fund)
  - Estimated loss of value associated with change in transaction due removal of land swap.
- One time \$60,000 fee to cover cost of redesign of Solid Waste transfer station due to smaller footprint.

# Temporary Construction Easements

- DME granting Temporary Construction Easements (TCE) to enable construction of HPC Project
  - 48-month term initiated concurrent with approval of lease and PPA amendments
  - TCE lease rate of \$5,280/month for 12.577 Acres
  - Standard TCE terms and conditions

# Community Impacts

- Hosted tenant to have ~130 - 300 full time on-site personnel
  - Average annual salary of \$70 - \$75,000 plus benefits
  - Plan to hire most from local labor force and to work with UNT and TWU on apprenticeship/cooperative programs
  - 222 estimated spin off jobs @ average wage of \$37,670/yr.
- \$4 billion in real property investment
  - \$194 million in property tax over the first 10 years
- No tax abatements requested from the City of Denton
  - State of Texas incentives and abatements applied for



# Requested Action

Recommend approval of:

- Amendment No. 4 to the Power Purchase Agreement: ID 24-1876
- Amendment No. 3 to the Lease Agreement: ID 24-1881
- Value of Loss Consideration Agreement: ID 24-2273
- Temporary Construction Easement: ID 24-2122

# Questions and Discussion

