

Core Scientific PPA and Lease Amendments



Energizing tomorrow's community today!

PUB 24-244

PUB 24-245

PUB 24-246

PUB 24-247



Current Project Status

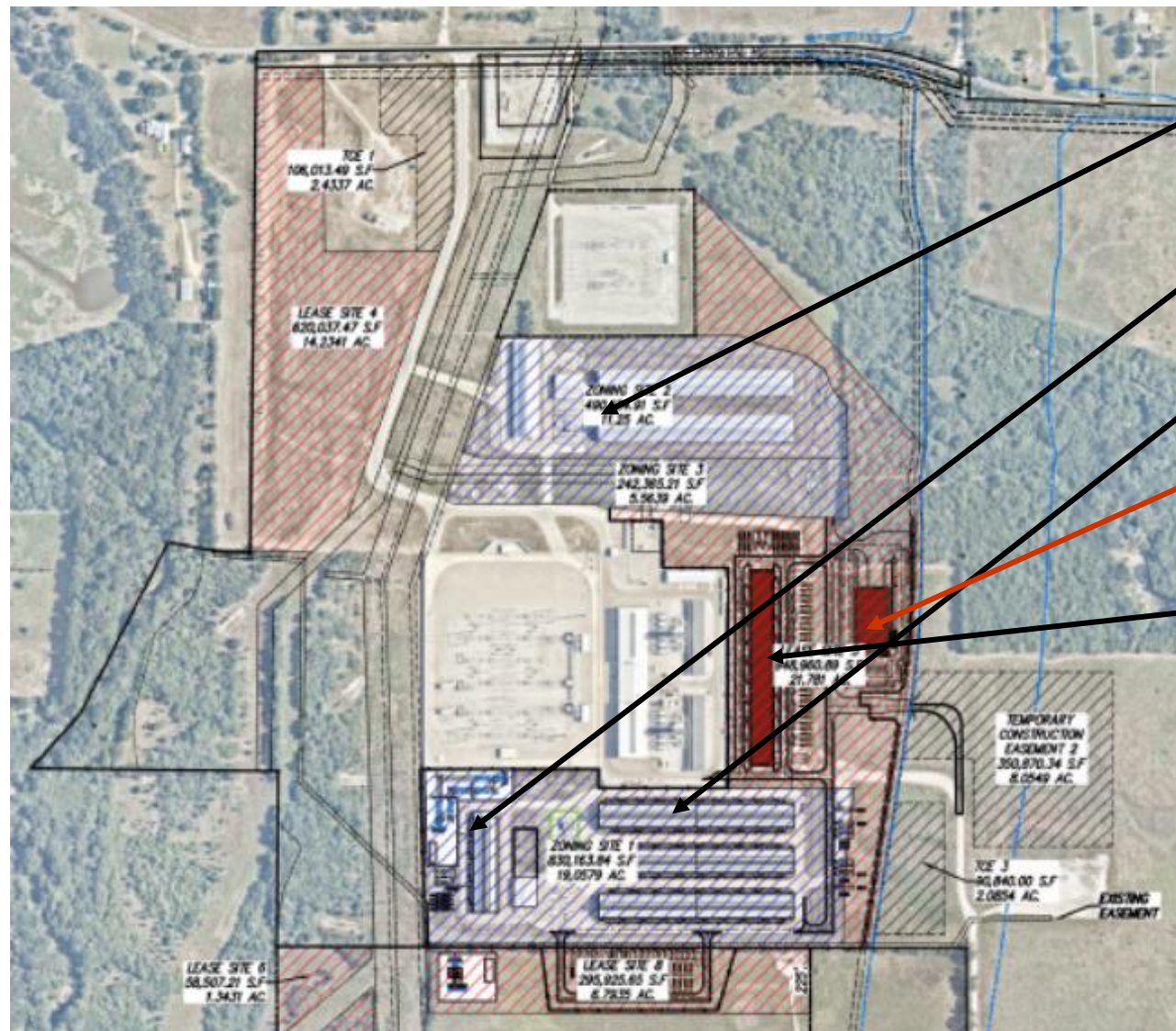
Phase I - cryptocurrency

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

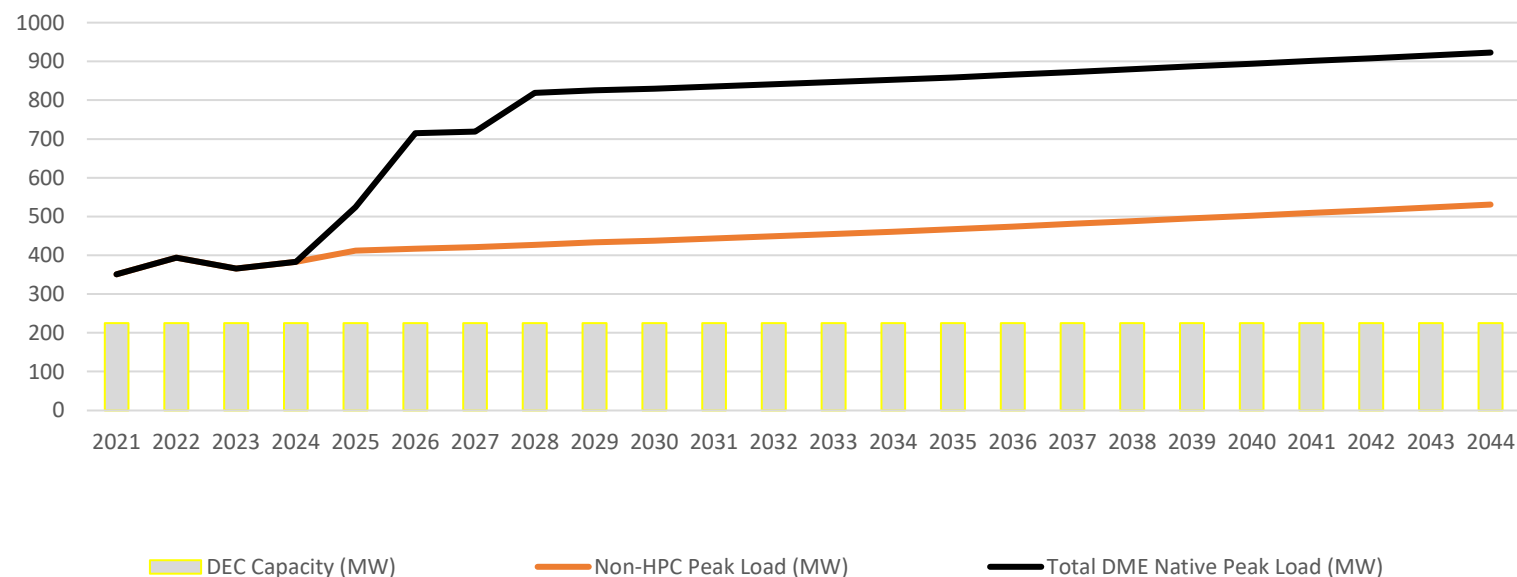
- All energy sold to Core for HPC operation to be based upon Cost of Service consistent with PPA Amendment 3 approved by City Council 8/20/24
 - Pass through of energy costs via Energy Cost Adjustment
 - Pass through of transmission costs via Transmission Cost Recovery Factor
 - DME fixed costs recovered 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: PUB 24-245
- Amendment No. 3 to the Lease Agreement: PUB 24-246
- Value of Loss Consideration Agreement: PUB 24-247
- Temporary Construction Easement: PUB 24-244

Questions and Discussion

