NextEra Energy Resources, LLC - Feedback to 2026 IPA Long-Term Plan, Chapter 5: Competitive Procurements

We appreciate the opportunity to submit comments regarding the 2026 Long-Term Plan and welcome a dialogue with the IPA on any of the topics in our submission.

Topic 2: Inflation Adjustment Mechanism

Question 1. Is there any additional feedback on the three inflation adjustment mechanism formulae that was not captured via the inflation adjustment mechanism feedback process?

NEER's position is that this mechanism does not create a sufficiently accurate correlation between contract price adjustments and actual project/technology-specific fluctuations in the supply chain. NEER has reviewed this concept of utilizing published cost category indices to drive contract price adjustments across renewable energy transaction opportunities in multiple US markets over the past year and has not found a solution that solves for the significant correlation problems.

In addition to fundamental index correlation risks, recently rising tariff / trade measure risks have elevated the potential variance on both timing and magnitude for project specific costs vs. a 6-month trailing average on general category indices. This especially would be true for sudden changes in U.S trade policy such as new tariffs on foreign equipment or trade barriers placed against foreign entities. These types of government actions could be effective immediately, impacting availability of equipment and project costs, and are unlikely to flow through the inflation data to be captured in a timely manner. Beyond timing, any product-specific tariff impacts (e.g. on solar modules) could be dramatically higher than more general tariffs placed on raw materials (e.g. on steel or all commodities).

Another matter of significant concern is the recently elevated risks for an adverse change in tax law, notably related to tax credits, which are not addressed by this mechanism. Potential changes on this topic could have a far more dramatic impact than interest rates.

We recognize that this mechanism provides price protection benefits to renewable developers that are not available in typical commercial PPAs in this industry such as offsetting broad based economic inflation and increases in interest rates, as developers are normally responsible to manage these risks once a standard industry PPA is signed. However, the potential for any downward price adjustment, together with upward adjustments exposed to substantive correlation issues and significant risks for tariff/trade measure and tax issues, results in a mechanism that we view as not viable under market conditions that we anticipate will exist for the foreseeable future.

Question 2. Are there any other changes that the Agency should pursue to tackle the larger issue of volatile economics post-award of an Indexed REC Agreement, specifically between the time of contract execution and the start of construction?

See response above and our "New Bid Option 3 - New Trade Measures and Change in Tax Laws" proposal below for IPA's consideration.

Question 3. What other changes to the Indexed REC procurement process should the Agency consider as it relates to a post-award contract renegotiation? Please explain?

See our "New Bid Option 3 - New Trade Measures and Change in Tax Laws" proposal below for IPA's consideration.

Question 4. What other changes can the Agency consider making to the Indexed REC procurement process, so it works better for both the Buyers and the Sellers while maintaining the delicate balance of risk between ratepayers and Sellers? Please explain why these changes are necessary?

We assume the argument for a potential 15% downward price adjustment in the IAM to protect ratepayers relies on the atypical benefits a seller enjoys under this structure regarding price protection for increases in general inflation and interest rates, which are not expected in the typical renewables PPA. We propose an alternative Option 3 as described in this submission package, which addresses the significant potential impact of tariffs / trade measures and change in tax law issues, as they are material economic drivers that are further outside the normal course of a developer's risk management practices. As Option 3 does not protect the seller from general price inflation, interest rates or other such issues in the normal course of development, we propose this price adjustment is only upward and note it may never even be triggered given the narrower scope of risks covered. We also note that among our proposals to increase seller security for the benefit of ratepayers in return for more robust and effective risk mitigation measures in the contract, we include higher seller security for Option 3 than existing Options 1 and 2.

Question 5. Bidders are allowed the option to submit bids that opt-into or opt-out of using the optional, one-time post-award inflation adjustment mechanism. Regardless of whether a bidder choses to opt-into or out of use of the mechanism, the initial bid price (strike price) will be utilized when evaluating bids for the least price and selection to fill the target for each category of technology: utility-scale solar and brownfield site photovoltaic projects, utility scale wind projects, and hydropower projects.

a. *Do stakeholders agree with the approach to evaluate opt-in bids and opt-out bids together, or should each be evaluated separately? Please explain.*

We suggest bids under all structures be evaluated together with every RFP cycle, including what we would describe as Option 1 (fixed price bid that opts-out of the IAM), Option 2 (bid subject to the IAM) and the new Option 3 we have proposed within this submission package (bid mechanism that addresses tariff/trade measure and change in tax law issues). We suggest all bids for Option 3, with an upward only price adjustment limited to a 15% maximum increase, be scored with a 25% scoring factor assumed (equal to 1.0375 the base bid price) as a notional recognition of risk given that no relevant public index values exist.

New Bid Option 3 - New Trade Measures and Change in Tax Laws

In addition to what we describe as Bid Option 1 (Fixed price / Opt-out) and Option 2 (Inflation Adjustment Mechanism / Opt-In), we propose a new Bid Option 3 to address the critical issues of tariff/trade measures and adverse change in tax laws (notably IRA/tax credit related) which have in recent months become very serious concerns among developers and financing partners. We have provided suggested language for Option 3 in our markup of Article 4 of the contract. We believe that we are not alone among developers when we propose that we are highly unlikely to be able to participate in IPA procurement RFPs without contractual terms that address the substance of this topic.

Key points in our view:

- The IAM mechanism has fundamental gaps in risk mitigation per our responses to IPA questions submitted with this package.
- Addressing trade/tariff and tax topics is critical to create a viable bankable contract.
- Our proposed mechanism does not increase prices for ratepayers due to general cost inflation or increases in interest rates, unlike the IAM in Option 2 and also offers increased seller security in an amount higher than any other Option. In return the price adjustment mechanism is upward only, not downward.
- An upward price adjustment only occurs in the event of trade/tariff or tax impacts which, if IPA/Buyer choose, must be validated by an independent third party.
- The maximum price increase would be 15% under this Bid Option 3 (our language in the markup may need to be refined). Any cost impact of greater magnitude would require agreement from IPA.
- We propose all Option 3 bids be scored with a 25% scoring factor assumed (equal to 25% X 15% maximum adjustment = scoring at 1.0375 the base bid price) as a notional recognition of risk given that no relevant public index values exist.
- A portion of seller security is lost as a termination fee in the event there are impacts greater than specified in the contract, the IPA and Seller do not otherwise agree on an adjustment and the Seller elects to terminate.
- If further clarity is needed on the expiry milestone for Seller's rights under this Option 3 we suggest a linkage to COD could be implemented.
- Final language should be modified to recognize that the bid submission date, rather than contract execution date, is the time zero milestone given IPA's "auto-execution" process.

Seller Security vs. Risk Mitigation for Permitting and Interconnection Issues

While the current contract provides schedule relief, we propose more robust provisions to encourage participation and minimize bid prices for a broader universe of projects that are not shovel ready, in order to support the IPA's pursuit of significant RPS goals.

The ultimate viability of use permitting has increasing focus in a market environment where community sentiment is becoming less predictable. Our proposed permitting provisions in Article 4 address situations where schedule relief is not sufficient to achieve a viable outcome.

Interconnection costs are also not addressed by schedule relief. Our proposed mechanism in Article 4 on this topic addresses higher-than-expected costs. We note that the REC Delivery Obligation reduction right in 2.6 leaves a Seller highly exposed to the loss of economies of scale and reduction in cash flows and investment returns associated with a reduction in project size, therefore this clause does not achieve the goals of minimizing bid prices or address financing partner concerns.

Our language on both topics is a directional proposal and can be refined with further feedback from the IPA process.

We propose to increase Seller Security for all Bid Options as a mechanism to motivate the developer community to self-select opportunities that raise the quality of project bids, and prospects for REC delivery. This increase in security, noted in our markup, would align with new relief for permitting outcomes and interconnection costs.