

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
ORDINANCE OR RESOLUTION ADOPTED BY THE CITY COUNCIL**

ORDINANCE

**AUTHORIZING FUNDING OF CPS ENERGY'S ENERGY
EFFICIENCY & CONSERVATION PROGRAM THROUGH AN
ADJUSTMENT IN THE FUEL SURCHARGE**

* * * * *

WHEREAS, CPS Energy manages and operates a combined electric and gas utility system (the "System"), on behalf of the City of San Antonio (the "City"), through its executive body, the CPS Energy Board of Trustees; and

WHEREAS, in Ordinance 2009-05-21-0399, CPS Energy was authorized to develop and fund the Save for Tomorrow Energy Plan (the "Program") as a program with a target of 771 MW of electric demand reduction by encouraging customers to improve the energy efficiency of their homes, buildings and operations, and

WHEREAS, CPS Energy successfully achieved the Program target a year early and under budget; and

WHEREAS, as part of the Program extensions authorized by Ordinance 2020-01-30-0063 and Ordinance 2021-01-14-0011, CPS Energy would evaluate and develop, with feedback from customers and stakeholders, an improved program focused on energy efficiency and conservation; and

WHEREAS, the extension of the Program expires July 31, 2022; and

WHEREAS, stakeholders provided feedback regarding the need to focus the energy efficiency and conservation program on equity, customer bill savings, emissions reduction, energy demand reduction, and innovative technologies; and

WHEREAS, CPS Energy engaged a third-party consultant to evaluate the Program, incorporate feedback, and assist with determining the feasibility of new targets, initiatives and performance; and

WHEREAS, the CPS Energy Board of Trustees determined that a new energy efficiency and conservation program (the "New Program"), with a program name to be determined, will continue proven initiatives while adding new strategic categories to include multifamily weatherization, non-traditional solar options, electric vehicle managed charging, battery storage, and customer education/behavioral programs; and

WHEREAS, the New Program aligns with the City of San Antonio Climate Action and Adaptation Plan and will contribute to emissions reduction; and

WHEREAS, in the long-term, CPS Energy customers will benefit from a delay in the need for additional generation capacity in addition to environmental benefits from reduced emissions; and

WHEREAS, in the short term, CPS Energy customers will enjoy the benefits of a reduction in overall System fuel cost and this will produce fuel savings for all customers, and those participating proactively in the New Program will lower their energy use and monthly bills; and

WHEREAS, CPS Energy will recover through the fuel surcharge costs corresponding with actual reductions in energy demand; and

WHEREAS, the fuel surcharge recovery begins in the following fiscal year only after a third-party consultant has verified actual energy savings resulting from implementation of the New Program, and produces an annual report, which must be reviewed and approved by City staff; and

WHEREAS, on May 23, 2022, the CPS Energy Board of Trustees approved the New Program through July 31, 2027, with targets of 410 MW of incremental demand reduction, 1.00 percent of energy savings per year relative to annual retail electric sales, and 16,000 single family homes to be weatherized over the next 5 years; and

WHEREAS, the total cost of the New Program will be up to \$350 million, with an estimated annual cost of \$70 million, \$9 million of which shall be recovered through base rates, and the additional amount to be recovered through an adjustment in the fuel surcharge; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. After public hearing and consideration of the benefits of the New Program approved by CPS Energy, the City Council hereby approves funding of this program through an adjustment in the fuel surcharge.

SECTION 2. The City Council hereby approves the New Program through July 31, 2027 and approves funding through the fuel surcharge adjustments.

SECTION 3. The Funding Accountability Procedures, attached as Exhibit A, will be utilized to verify actual reductions in energy usage and for calculating the appropriate cost recovery through the fuel surcharge. The City's Office of Public Utilities may request additional accountability measures as may be deemed necessary.

SECTION 4. CPS Energy will provide a formal evaluation at the third year of program implementation (targeting July 31, 2025) to provide an update on program performance and propose any recommended changes to the New Program.

SECTION 5. CPS Energy will reassess the New Program in 2026 to determine if continuing the program beyond 2027 is a viable option based on projected annual reductions in energy consumption going forward and the costs that would be incurred to achieve such reductions. CPS Energy will provide the City's Office of Public Utilities its recommendation at least six (6) months prior the end of the program.

SECTION 6. The eligibility criteria for the low-income weatherization component of the New Program will apply to CPS Energy customers whose household income is within 200% of the federal poverty guidelines, or who demonstrate a high energy burden (defined as annual electric expense greater than 10% of annual household income), or who demonstrate they receive some type of federal, state, or local low-income assistance. For the multifamily weatherization program, the multifamily complex can qualify by providing IRS documentation recognizing the property owner as a 501(c)(3) not-for-profit provider of low-income housing, or by demonstrating that at least 25% of distinct units are occupied by tenants that either use housing assistance vouchers as a form of payment or receive some type of federal, state, or local low-income assistance.

SECTION 7. This Ordinance shall become effective ten (10) days following its passage.

PASSED AND APPROVED, this 16th day of June 2022.

M A Y O R
Ron Nirenberg

ATTEST:

APPROVED AS TO FORM:

Debbie Racca-Sittre, City Clerk

Andrew Segovia, City Attorney

Exhibit A

Funding Accountability Procedures

1. All funds collected for the “New Program”, either from base rates or through the fuel adjustment, must be accounted for separately.
2. CPS Energy shall provide an annual report, prepared by an independent third-party consultant, to the City which quantifies the kW and kWh savings from the New Program expenditures by customer class, the calculated System savings attributable to the New Program and benefiting all customers, and other measures deemed necessary by the City. CPS Energy will report to the City Council on an annual basis the results of the independent third-party consultant's reports and the report will be provided to the City’s Office of Sustainability for review, comment and publication on the City’s website.
3. Based on the report provided and the amount of the New Program expenditures determined to be eligible for recovery through the fuel adjustment, CPS Energy will calculate the annual kWh charge. It will be reviewed and approved by City staff before implementation of the kWh charge.
4. City staff will monitor the recovery through the fuel adjustment on a monthly basis. Annually, the amount of under or over recovery, if any, will be determined and the fuel adjustment will be adjusted accordingly to ensure that only the amount of eligible program expenditures is recovered.
5. CPS Energy must maintain documentation of all of the New Program expenditures, by customer class, to include a category for affordability customers, and other measures deemed necessary by the City.
6. CPS Energy shall provide quarterly reports to the City staff which show year to date expenditures by program and customer class, to include a category for affordability customers, funds accumulated, estimated kW and kWh savings and other measures deemed necessary by the City.
7. CPS Energy shall provide an annual report to the City which shows the incentive payments made as a result of the Commercial Demand Response program for the prior twelve months and other measures deemed necessary by the City.
8. A quarterly report detailing information shall be made available to the public with sufficient protection regarding confidential information as deemed necessary by CPS Energy.