



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 6

Agenda Date: June 16, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Request for approval and funding of CPS Energy's new energy efficiency & conservation program through an adjustment in the fuel surcharge.

SUMMARY:

This ordinance authorizes the funding of a new energy efficiency and conservation program, through an adjustment in the fuel surcharge, (the "New Program") for CPS energy with a focus on energy demand reduction, customer bill savings, equity, emissions reduction and innovative technologies. The New Program's name is still being determined.

The New Program aligns with the City of San Antonio Climate Action and Adaptation Plan (CAAP) and contributes to emissions reduction. The proposed new program continues proven energy savings 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.

BACKGROUND INFORMATION:

In Ordinance 2009-05-21-0399, CPS Energy was authorized to develop and fund the Save for Tomorrow Energy Plan ("STEP Program"), as a demand reduction program to encourage

customers to improve the energy efficiency of their homes, buildings and operations and thereby reduce 771 MW of electric demand. CPS Energy successfully achieved the program target a year early and \$130M under the initial budget of \$849M.

Through the STEP program, CPS Energy has implemented over 20 energy efficiency and conservation products and services that provide financial incentives, rebates and programs to residential and commercial customers for energy saving enhancements (weatherization) and appliances; undertake energy conservation measures (demand response); and participate in solar programs. Since inception, the STEP program has delivered community benefits, including:

- 980 MW of customer demand savings from energy behavior modification and efficiency improvements to homes and businesses;
- Nearly 30,000 homes have been weatherized through the Casa Verde program, helping families save approximately \$450 on their electric bill every year;
- 150,000 smart thermostats have been installed in customer homes, helping reduce energy demand on the hottest days of summer;
- 29,000 solar systems have been installed on homes and businesses across the City, supporting a solar industry that has grown to 87 installers employing 1,000 local workers; and
- Significantly enhanced air quality in the Greater San Antonio area through emissions reductions.

Council twice authorized extending the STEP Program with Ordinance 2020-01-30-0063 and Ordinance 2021-01-14-0011, to allow CPS Energy to evaluate and develop, with feedback from customers and stakeholders, an improved program focused on energy efficiency and conservation. The STEP Program extension expires July 31, 2022. CPS Energy engaged a third-party consultant to evaluate and assist with determining the feasibility of new targets, programs and performance. CPS Energy also sought feedback from various stakeholders, including the Citizens Advisory Committee and Rate Advisory Committee, on options based on program goals, priorities, duration and budget.

On May 23, 2022, the CPS Energy Board of Trustees approved the New Program 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. The total cost of the New Program is up to \$350 million, with an estimated annual cost of \$70 million, \$9 million of which will be recovered through base rates and the additional amount to be recovered through an adjustment in the fuel surcharge.

In the long-term, CPS Energy customers will benefit from the New Program through a delay in the need for additional generation capacity in addition to environmental benefits from reduced emissions. 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.

The New Program has a focus on assisting low income customers in lowering their energy use. 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.

As with the prior Program, CPS Energy will recover through a fuel surcharge adjustment the costs corresponding with actual reductions in energy demand. 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.

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 program. CPS Energy will also 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.

ISSUE:

1. CPS Energy is requesting approval of a new 5-year Energy Efficiency & Conservation Program, through an adjustment in the fuel surcharge, through July 31, 2027 with a total estimated program cost of \$350 million and a goal of achieving an estimated 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.
2. Approval of this ordinance will allow CPS Energy to provide these programs that are important to customers and that assist low-income customers to reduce their electric bills.
3. Approval of the ordinance supports the CAAP by contributing to reductions in environmental emissions.

ALTERNATIVES:

If City Council takes no action or does not grant approval funding of a new energy efficiency and conservation program, through an adjustment in the fuel surcharge, then the resulting termination of the existing program will have a negative impact on customers and the businesses that support energy efficiency, weatherization, and conservation across our community.

FISCAL IMPACT:

This ordinance authorizes the funding of a new energy efficiency and conservation program, through an adjustment in the fuel surcharge, (the "New Program") for CPS energy with a focus on energy demand reduction, customer bill savings, equity, emissions reduction and innovative technologies. All costs related to CPS Energy's New Program will continue to be recovered through the fuel surcharge. Given the proposed budget for the New Program is consistent with historical spending, there is little to no change expected for the average residential bill or City Payment relative to the New Program.

As with the current program, costs are recovered a year in arrears. Based on the \$70 million annual budget for the New Program, the monthly cost will continue to be approximately \$3.50 for the average residential customer or 2.9% of the average residential bill.

RECOMMENDATION:

Staff recommends approval of the funding for CPS Energy's new energy efficiency and conservation program through July 31, 2027 at an estimated cost of \$350M to be recovered through fuel surcharge adjustments.