CITY OF SAN ANTONIO
INTERDEPARTMENTAL CORRESPONDENCE
CITY MANAGER'S OFFICE

TO: Mayor and Council
Erik Walsh, City Manager

FROM: Ben Gorzell, Jr., Chief Financial Officer
Russell Huff, Assistant Finance Director - Public Utilities and Compliance & Resolution

SUBJECT: Proposed CPS Energy Large Commercial Power Service – Green Tariff Approval Request

DATE: July 28, 2020

The purpose of this memorandum is to report the results of the Public Utilities Division's analysis of CPS Energy's (CPSE) proposed *Large Commercial Power Service – Green Tariff*.

Background

The market for renewable energy is evolving rapidly. Increasingly, electrical utility customers are seeking access to renewable energy. Companies are setting a variety of renewable energy goals. Traditionally, utilities view their generation resources as a single blended fleet to serve all customers. It is challenging to meet the varied renewable requests from customers under a blended fleet model.

In response CPSE is developing a suite of green products to meet the needs of customers across all customer segments. CPSE is first targeting large commercial customers because customer preferences are accelerating the most in this segment, and a solution for these customers will be well aligned with broader Flex Path objectives to drive renewable energy content.

Green Tariff Rate Design

- The Green Tariff and a Renewable Energy Supply Agreement (RESA) work together to define the customer's bill
- The Tariff moves fixed cost recovery components in the variable rate to the demand charge and fixed grid share fee, isolating the variable cost of energy from the CPSE generation fleet
- The Tariff removes the CPSE variable cost of energy and replaces it with the cost of the renewable energy supplied under the RESA.
- The RESA is a contract between CPS Energy and the customer, which defines the source of renewable energy provided to the customer. Effectively, the RESA isolates the benefits and the risks of the renewable energy supply to that customer, not the customer class.
- The RESA allows large commercial customers the ability to designate renewable sources for their energy consumption, rather than the blended CPSE generation fleet. This gives customers flexibility in selecting the type and amount of renewable energy to meet their goals
- Customer commits to the Green Tariff for the term of the RESA, but no less than 10 years
- The Green Tariff Customer is exposed to RESA generation shortages or overages at ERCOT market prices.

- STEP and Affordability variable charges move from the energy charge to a new variable category called Program Charges
- Rate is designed for full cost recovery
- Backup generation sources must transition to low- or non-emitting sources
- CPSE must be the Qualified Scheduling Entity (QSE) with ERCOT for the RESA generation
- The Tariff introduces other smaller fees - application fee, administration fee, and grid-share fee to capture all cost of service for the class of customers.

Qualifying Customers

- Large Commercial Customers who reside in SLP, ELP, LLP and LPT classes
- Customers must have at least one 5 MW account or 75M KWh per year.
- Eligible customers - approximately 30 with 480 accounts including the City of San Antonio.
- Approximately 1/3rd of commercial sales volumes
- Participation is voluntary, as such, not all 30 customers are expected to move to the new Green Tariff

Public Utilities Due Diligence

- Reviewed revenue proofs to ensure proposed rate design is self-supporting
- Analyzed customer impacts. Higher load factor customer benefit most due to previously variable components moving to a fixed demand charge. Load factor is the ratio of average load divided by the peak load indicating how often the customer is at peak.
- Reviewed bill and City Payment calculations to ensure consistency with prior City ordinances.
- Public Utilities worked closely with CPSE for several years, providing input on the Green Tariff as it evolved.

Recommendation

Public Utilities Staff recommends adoption of the Green Tariff to expand the CPSE renewable product offerings. The new tariff is designed to be self-supporting and not generate subsidies from other rate classes. The new tariff will allow generation expansion in line with CPSE's Flex Path. Participation in the class is voluntary; therefore, the economics of the class will depend on the number and types of customers subscribing to the tariff and will be reviewed in future rates studies based on actual customer data.

Public Utilities encourages CPSE to continue to expand its renewable offerings to other customer classes with self-supporting products to meet customer needs.