



City of San Antonio

Agenda Memorandum

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In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell, Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

An Ordinance approving the establishment of a CPS Energy tariff for piloting New Service Options. This Ordinance does not include a rate increase.

SUMMARY:

CPS Energy is requesting approval of a tariff which would allow piloting of New Service Options (NSO) to gauge customer interest in new products and services that embrace innovative technologies and refine the offering prior to bringing a final tariff to Council for approval. This Ordinance does not include a rate increase.

BACKGROUND INFORMATION:

The City Council provides oversight of CPS Energy through the approval of rates and charges, authorization of debt issuances, approval of all condemnations, and the approval of the appointment of all Trustees except the Mayor.

Council exercises its oversight over electric and gas rates and charges by approving rate tariffs for various customer classes. Taken together, these rate tariffs define the rates and charges for all retail products and services offered by CPS Energy, and they are designed to recover all costs of serving customers.

Under the current process, Council must approve each rate tariff before that product or service can be offered to customers. This process works well for CPS Energy's standard electric and gas products and services. However, as CPS Energy seeks to develop and launch new innovative products and services, the information and time required to optimally design a new rate tariff is frequently not available. This can result from any

number of uncertainties, such as:

- Technology and customer desires are rapidly evolving,
- Customer adoption of new products and services may still be emerging, making it difficult to predict how much of a product will be sold, and/or
- Information on cost requirements to provide an emerging product or service are based on estimates, making it difficult to quantify the full cost of serving customers.

CPS Energy is proposing a process to allow draft rate tariffs for New Service Options to be piloted and refined prior to the submission of a final rate tariff to Council for approval. CPS Energy believes new products and services will be faster to market if these uncertainties can be eliminated through the proposed piloting program. Further, rapidly evolving technologies and customer desires make it critical to innovate and test solutions in the marketplace.

Proposal

Working with the City's Office of Public Utilities, CPS Energy has developed a new piloting program detailed on the attached NSO Tariff. The program will enable the utility to evaluate technologies, assess changing customer needs, and measure the cost of service requirements while ensuring appropriate oversight from the City of San Antonio acting in its regulatory authority. The NSO Tariff creates a regulatory framework that protects customers and limits risk of experimenting with innovative new services.

With Council approval of the NSO Tariff, CPS Energy will be able to launch new pilot programs with oversight from the Office of Public Utilities. Specifically, the NSO Tariff stipulates:

- The terms of any new pilot will be submitted to the Office of Public Utilities for review and approval prior to launch.
- Elements of each new pilot must be documented such as
 - The nature and charges of each pilot,
 - Length of each pilot,
 - Maximum number of customers included in each pilot, and
 - Criteria used to evaluate pilot success.
- Accountability procedures are defined including regular status reports to the Office of Public Utilities and periodic updates to City Council.
- At the conclusion of each pilot, CPS Energy will still be required to either seek approval from City Council for a new tariff or discontinue the pilot.
- All pilots will be time bound and will not continue perpetually.
- Offering a pilot is not a guarantee that the service will evolve to a City Council approved rate tariff. A pilot may be terminated by CPS Energy at any time.

CPS Energy has identified commercial electric vehicle charging as the first pilot program to be launched based on strategic priorities.

There are currently over 700 electric vehicles (EVs) in the San Antonio area, and adoption of EVs is expected to accelerate significantly. EVs represent a strategic opportunity for the community's electric infrastructure, and CPS Energy is working to develop new products and services for EV customers.

The first such offering is an electric rate for Direct Current Fast Charging (DCFC) stations that are projected to deploy rapidly across the country. DCFC stations are typically owned by a third party, and offer their end customers the ability to rapidly charge Electric Vehicles with only a brief stop during their commute. CPS

Energy is developing a time-based pilot rate that optimizes the use of electric infrastructure while driving adoption of this valuable technology. Piloting is needed to determine how actual consumption patterns manifest themselves, rather than relying on estimations.

ISSUE:

In order to serve customers with innovative and flexible products and services, CPS Energy seeks the ability to test new concepts in the market. A pilot testing period helps ensure that products and services are designed to meet customer needs while fully recovering costs.

ALTERNATIVES:

CPS Energy would follow the traditional pattern of setting rates and developing full tariffs for new products and services, requiring a much longer period of time to develop, and often without required information.

FISCAL IMPACT:

The NSO tariff would allow CPS Energy to test and release more products & services, enabling revenue growth. The exact amount of revenue growth to CPS Energy (and to the City of San Antonio through associated General Fund Transfer) will be determined by the breadth of future new offerings that are enabled by the NSO tariff.

RECOMMENDATION:

Staff recommends approval of the New Service Options piloting tariff.