



City of San Antonio

Agenda Memorandum

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Agenda Date: 1/30/2020

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Request for extending the CPS Energy STEP program through January 31, 2021.

SUMMARY:

This item is a request for approval of an ordinance funding the CPS Energy Save for Tomorrow Energy Plan (STEP) through January 31, 2021, and consistent with the program's historical practice the STEP costs will be recovered through an adjustment in the fuel surcharge thereafter. The request to extend the STEP program will allow CPS Energy to comprehensively consider all stakeholder feedback and input prior to developing the next generation *FlexSTEP* program.

BACKGROUND INFORMATION:

CPS Energy's STEP program was created to be a progressive energy efficiency and conservation program with a community goal of reducing energy demand by 771 MW between 2009 and 2020. The 771 MW reduction is the equivalent amount of energy produced by a large power plant. The success of the STEP program has effectively eliminated the need to build a new power generation plant with 771 MW of capacity at a cost well over one billion dollars. Through STEP, CPS Energy has implemented over 20 energy efficiency and conservation products and services that provide financial incentives and rebates to residential and commercial customers to install energy saving enhancements (weatherization) and appliances; undertake energy conservation measures (demand response); and participate in solar programs.

In Ordinance 2009-05-21-0399, City Council created a mechanism for CPS Energy to invest in energy efficiency and conservation as an alternative to traditional generation sources and recover its STEP costs

through the fuel surcharge. The STEP program was approved for the 2009 to 2020 time-period at an estimated cost of \$849 million. A portion, approximately \$9 million, is recovered from base rates, and the remainder is recovered through an adjustment in the fuel surcharge. The recovery occurs in the following fiscal year only after a third-party consultant has verified actual energy savings resulting from implementation of the STEP program. This annual report is reviewed and approved by the City staff. Currently annual STEP recoveries are approximately \$78.3M resulting in a \$3.53 monthly impact to the average residential customer.

CPS Energy achieved the 771 MW goal a full year ahead of schedule and \$130 million under the initial \$849 million approved budget. Based on the highly successful results of the program, CPS Energy is seeking approval to continue the STEP program for an additional “bridge” year to achieve savings beyond the original 771 MW goal. The “bridge” year is intended to provide continuity in energy efficiency and conservation programs until the next program, *FlexSTEP*, is fully developed and approved. CPS Energy is currently soliciting feedback and input from customers to help design the next generation of energy management and conservation programs.

In addition to reducing the demand for energy, the STEP program has delivered community benefits including:

- \$283 million in rebates paid to 236,000 customers to encourage them to invest in energy efficiency improvements for their home or business;
- Nearly 30,000 homes that have been weatherized through the Casa Verde program, helping families save approximately \$400 on their electric bill every year;
- 150,000 thermostats which were installed in customer homes, helping reduce energy demand on the hottest days of summer; and
- 18,500 solar systems that were installed on homes and businesses across the City and supporting a solar industry that has grown to 80 installers employing 1,000 local jobs.

STEP has also contributed significantly, over the life of the program, to enhanced air quality in the Greater San Antonio area resulting in:

- Cumulative CO₂ emissions reductions equivalent to the amount of CO₂ that 3,586,238 acres of forest would sequester in one year, which is an air quality impact 5.3 times that of the National Forests and Grasslands in Texas; or
- Cumulative greenhouse gas emissions reductions equivalent to removing 646,946 vehicles from the road for one year in San Antonio.

Given the success of STEP and its community-wide impact, CPS Energy is committed to continuing to support energy efficiency and conservation. *FlexSTEP* is envisioned as the next generation energy management and conservation program that aligns with CPS Energy’s *Flexible Path* strategy as it balances tried and true practices and solutions with new technologies.

CPS Energy is currently in the development phase for *FlexSTEP*. A key part of the design process is obtaining feedback from customers and stakeholders. To continue to deliver the current STEP programs and allow time for a full, robust stakeholder engagement process, CPS Energy is requesting approval to continue the STEP program costs through January 31, 2021, recovering the cost through an adjustment in the fuel surcharge following the third-party verification process. During the one-year extension, CPS Energy will yield another approximately 75 MW of demand reduction with a program budget of \$70 million.

ISSUE:

1. The STEP Ordinance set a community goal of saving 771 MW at an approved budget of \$849 million

between 2009 and 2020. CPS Energy has achieved the STEP goal a year early and \$130 million below the original budget.

2. CPS Energy is committed to continuing to provide opportunities for customers to save energy and money through energy efficiency and conservation. The STEP program enables customers of all economic statuses to benefit. Even those customers who do not directly participate benefit because lower energy usage reduces the overall system cost of generation and fuel.
3. CPS Energy is seeking approval to continue the STEP program to achieve savings beyond the original 771 MW goal. This request is for approval to extend the STEP program through January 31, 2021. Through this “bridge” year, CPS Energy will seek an estimated 75 MW of demand reduction with a program budget of \$70 million.
4. In addition to continuing the delivery of energy efficiency and conservation projects, continuing the STEP program for an additional year will allow CPS Energy to continue to gather community and stakeholder input and formulate a comprehensive next iteration of a long-term *FlexSTEP* program.

ALTERNATIVES:

The program could be stopped, but that would have a negative impact on customers and businesses that support energy efficiency and conservation across our community.

FISCAL IMPACT:

All costs related to the extension of CPS Energy’s STEP program will continue to be recovered through the fuel surcharge. Given the proposed budget for the STEP program, there is little to no change expected in the fuel surcharge relative to STEP, and as such, would result in a projected minimal impact to the City’s budget.

RECOMMENDATION:

Staff recommends extending the STEP program for an additional year to allow CPS Energy to develop the next iteration of the program and seek Council approval.