



# City of San Antonio

## Agenda Memorandum

**File Number:**20-4401

---

**Agenda Item Number:** 5.

**Agenda Date:** 8/20/2020

**In Control:** City Council A Session

---

**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott, Deputy Chief Financial Officer

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Consider approval of a new CPS Energy product offering, the *Large Commercial Power - Green Tariff* (Green Tariff).

### **SUMMARY:**

The Green Tariff is a new product offering, designed to provide flexibility for customers to achieve their renewable goals, while isolating the risk of the renewables to the individual customer.

### **BACKGROUND INFORMATION:**

CPS Energy is owned by the City of San Antonio and is governed by a five-member Board of Trustees with the Mayor serving as an ex-officio member. The City Council exercises its oversight of CPS Energy through the approval of rates and charges, authorization of debt issuances, approval of all condemnations, and the confirmation of the appointment of all Trustees except the Mayor. This item is a request for approval of rates.

Over the next few months, CPS Energy is bringing forward several tariff recommendations to stay current with customer trends and interests. CPS Energy strives to provide new products to customers to ensure options are available locally, similar to those offered in other Texas markets, making San Antonio economically attractive to existing and new customers.

The first tariff recommendation is the Green Tariff, which is designed to meet diverse energy requests from customers, specifically, large commercial customers. CPS Energy continues to look for innovative ways to offer customers new products that align with customer values and community goals, while also protecting and

enhancing the community's investment in the electric infrastructure.

CPS Energy has many tariffs which support customer needs and recover costs of service. A tariff sets out a pricing structure used to calculate rates and charges in a customer utility bill. Each of these tariffs allows CPS Energy and the customer to clearly see a set schedule of fees designed to recover the cost of providing service to that customer class. Cost recovery for each tariff is essential so that one customer group does not subsidize the cost of providing service to another customer group.

CPS Energy has a long track record of supporting renewable energy offerings for its residential and small business customers. Over 10 years ago, CPS Energy launched the Solar Rebate Program to help make it more affordable for customers to install solar panels at their home or business. Most recently, CPS Energy launched two product offerings, SolarHost and Community Solar, that give customers low cost pathways to participate in renewable energy.

The market for renewable energy is evolving rapidly. Increasingly, electrical utility customers are seeking access to renewable energy and setting a variety of renewable energy goals. The Green Tariff is designed to give large commercial customers the flexibility to select the type and amount of renewable energy to meet their goals, while isolating the risks of the supply to that customer, rather than the customer class.

The Green Tariff creates a product aligned with the utility's ***Flexible Path*** strategy and supports the Climate Action and Adaptation Plan (CAAP) adopted by the City of San Antonio. CPS Energy, in conjunction with commercial partner input, have worked for several years to launch a Green Tariff that includes a mechanism to use renewable energy and invest in climate-friendly infrastructure, furthering the collective goal of reducing greenhouse gas emissions. The Green Tariff will give large business customers flexibility to use renewable sources to support their renewable energy and business goals and demonstrate their shared values to customers. The tariff is designed for full cost recovery. Further, CPS Energy must be the Qualified Scheduling Entity (QSE) with ERCOT for the renewable resource in the Renewable Energy Supply Agreement (RESA) (discussed below) and the customer's backup generation must transition to low- or non-emitting sources.

Eligible customers interested in this tariff must meet one of the following criteria:

1. Have at least one 5MW account, or
2. Usage of at least 75M kWh/year across all accounts,

#### Green Tariff Rate Design Considerations:

The Green Tariff moves fixed cost recovery components in the variable rate to the fixed demand charge and fixed grid share fee, isolating the variable cost of energy from the CPS Energy generation fleet. The Tariff removes the CPS Energy variable cost of energy and replaces it with the cost of the renewable energy supplied under a RESA. Therefore, the Green Tariff and its subcomponent, the RESA, work together to define the customer's bill.

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. All Green Tariff customers will commit to a RESA term of no less than 10 years and will be exposed to renewable generation shortages or overages at ERCOT Market prices.

#### **ISSUE:**

The proposed ordinance authorizes the expansion of CPS Energy renewable energy offerings to large

commercial customer with the Green Tariff.

**ALTERNATIVES:**

If the Green Tariff is not approved, it will limit CPS Energy's renewable offerings, as compared to other Texas markets, and may hinder the San Antonio region as it evolves as a Smart City of the Future.

**FISCAL IMPACT:**

The Green Tariff is designed to be revenue neutral with the large commercial tariffs, through which the eligible customers are currently billed. Accordingly, the Green Tariff is expected to generate similar levels of revenue and City Payment.

**RECOMMENDATION:**

Staff recommends approval of the ordinance creating the Large Commercial Power - Green Tariff.