



City of San Antonio

Agenda Memorandum

File Number:20-5095

Agenda Item Number: 19.

Agenda Date: 9/17/2020

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT: Approval of a new CPS Energy product offering, the *Resiliency Service Rider E21*

SUMMARY:

The Resiliency Rider is a new product offering, designed to enable a cleaner and more economical alternative to diesel backup generators.

BACKGROUND INFORMATION:

The Resiliency Rider enables a new alternative for providing uninterrupted power for business customers. This Rider allows CPS Energy to provide value, align with community-partner business goals, and protect the community's investment in electric infrastructure. CPS Energy completed a pilot of the Resiliency Rider under the New Service Offering Tariff (Ordinance 2018-10-18-0836) and is now seeking City Council approval. The New Services Offering Tariff allows CPS Energy to pilot products in the market, testing and refining them before bringing them to Council for approval.

The Resiliency Rider will allow large commercial customers, particularly retail operations with potential food spoilage, to continue normal business operations during severe weather events and allow for CPS Energy to focus power restoration efforts to residential areas during weather events.

Currently, if a customer wants enhanced electrical reliability, they either pay CPS Energy to build dual electrical feeds or install on-site diesel backup generators. Both options are capital intensive and expensive.

With the Resiliency Rider, a 3rd Party will own, operate, and maintain on-site natural gas backup generators. When a local outage occurs, CPS Energy will use the generator to provide backup service to the customer.

Additionally, when power supplies are short and ERCOT prices rise, the 3rd party will run the generators to sell power on the ERCOT market and CPS Energy brokers the power for the 3rd party. For the 3rd party operator, this helps to defray the cost of the backup systems and is part of their business model.

Although the first application of the Resiliency Rider will be natural gas generators, the Rider is designed to adapt to future technologies which provide similar backup service like energy storage batteries.

Under the Resiliency Rider, CPS Energy will build and maintain the facilities needed to interconnect the 3rd party owned generators to its distribution system and recover the costs through the resiliency service fee, as applied to participating customers. Co-benefits of the Rider to CPS Energy are:

- The 3rd party operator becomes a natural gas customer.
- CPS Energy earns a share of the revenue from power sold to ERCOT from the backup resiliency system operators.

This is not a general rate increase. It has a narrow focus on a new type of customer. As such, it does not impact customers broadly.

ISSUE:

Should the proposed ordinance adopting the new CPS Energy Resiliency Rider be approved, or should large commercial customers continue to build dual electrical feeds or install on-site diesel backup generators.

ALTERNATIVES:

Council could choose not to approve the Resiliency Rider, in which case the cleaner and more economical alternative to diesel backup generators would not be available in the CPS Energy market. CPS Energy strives to provide new products to customers to ensure options are available locally, like those offered in other Texas markets, making San Antonio economically attractive to existing and new customers. This product is available outside the CPS Energy territory.

FISCAL IMPACT:

The new tariff will generate additional revenue to CPS Energy and accordingly additional City Payment. For each Megawatt (MW) of installed Resiliency Service capacity, the new tariff will generate \$12,480 annually for CPS Energy with corresponding City Payment of \$1,747. While it is unclear how many customers will eventually sign up for this offering, the pilot program is fully subscribed to 35MW and will generate approximately \$440,000 and \$62,000 in CPS Energy revenue and City Payment, respectively.

RECOMMENDATION:

The Supervisor of Public Utilities and City Staff recommend approval of the ordinance creating the new CPS Energy Resiliency Service Rider E21.