



# AD HOC COMMITTEE MEETING #1

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## BENCHMARKING

October 12, 2023  
*Informational Update*

# AGENDA

- CPS Energy Rates Overview
- Texas Utilities Benchmarking
- Residential Rate Design

We compare ourselves to other utilities in Texas to ensure our programs and our rates are aligned, if not the best in the State.

# CPS ENERGY RATES OVERVIEW



## Cost Recovery



- Implemented rate increase on March 1, 2022
- Fixed cost still recovered mostly through variable charges
- Commercial rates contribute more than their cost to serve (new Cost of Service - COS completed in 2022)

## Affordability



- Qualify by income, age or other circumstances
- Participation: ~64K electric and ~36K gas customers
- Annual funding of ~\$12M/year
- Discount of ~\$16/mo
- Many other programs (including REAP)

## Conservation



- Prefer to use seasonal rates over year round tiers
  - Peak capacity charge
  - Seasonal demand charges
- Sustainable Tomorrow Energy Plan (STEP) includes demand response programs for residential & commercial customers

## Innovation



- Time of Use (TOUD rate for commercial customers
- Piloting several electric vehicle rates
- Updated wheeling rate in 2021 to enable battery storage
- Resiliency rate offered to expand generation resources & improve reliability

# TEXAS UTILITIES DASHBOARD



## RATE DESIGN DASHBOARD -MUNICIPALLY OWNED UTILITIES & COOPERATIVES IN TX-

	 CPS Energy	 Austin Energy	 Pedernales Electric Cooperative	 Medina Electric Cooperative	 El Paso Electric <sup>3</sup>	 Guadalupe Valley Electric Cooperative	 New Braunfels Utilities
	CPSE	AE	PEC	MEC	EPE	GVEC	NBU
<b>Avg Residential Price<sup>1</sup></b>	~12.4¢/kWh	~12.3¢/kWh	~12.5¢/kWh	~12.9¢/kWh	~13.3¢/kWh	~13.6¢/kWh	~13.8¢/kWh
<b>Avg Commercial Price<sup>1</sup></b>	~9.9¢/kWh	~10.5¢/kWh	See note 2 below	~9.2¢/kWh	~9.2¢/kWh	~9.6¢/kWh	~9.3¢/kWh
<b>Rate Structure/ Cost Recovery</b>	<ul style="list-style-type: none"> <li>Low monthly fixed charge with higher variable charge</li> <li>Demand charges on Commercial rates</li> <li>1 seasonal volumetric tier (summer peak capacity charge)</li> <li>Fuel adjustment changes monthly</li> </ul>	<ul style="list-style-type: none"> <li>Increasing monthly fixed charge &amp; reducing # of tiers for variable charge</li> <li>4 volumetric tiered charges</li> <li>Demand charges on Commercial rates</li> <li>No seasonal charges</li> <li>Fuel adjustment changes annually</li> </ul>	<ul style="list-style-type: none"> <li>High monthly fixed charge with lower variable charge</li> <li>Demand charges on Commercial rates</li> <li>Mandatory TOU rate for Large Commercial</li> <li>No seasonal or tiered charges</li> <li>Fuel adjustment changes as needed</li> </ul>	<ul style="list-style-type: none"> <li>High monthly fixed charge with lower variable charge</li> <li>Demand charge for Residential &gt;15kVA</li> <li>No seasonal or tiered charges</li> <li>Demand charges on Commercial rates</li> <li>Fuel adjustment changes monthly</li> </ul>	<ul style="list-style-type: none"> <li>Low monthly fixed charge with higher variable charge</li> <li>Demand charges on Commercial rates</li> <li>1 seasonal volumetric tier (summer peak capacity charge)</li> <li>Mandatory TOU rate for Large Commercial</li> <li>Fuel adjustment changes every 4-6 months</li> </ul>	<ul style="list-style-type: none"> <li>High monthly fixed charge with lower variable charge</li> <li>No seasonal or tiered charges</li> <li>Demand charges on Commercial rates</li> <li>Fuel adjustment changes as needed</li> </ul>	<ul style="list-style-type: none"> <li>High monthly fixed charge with lower variable charge</li> <li>Seasonal energy charges, no tiered charges</li> <li>Demand charges on Commercial rates</li> <li>Fuel adjustment changes monthly</li> </ul>
<b>Affordability</b>	<ul style="list-style-type: none"> <li>Affordability Discount Program (ADP) = ~\$12M annual funding provides ~\$140 annual discount</li> <li>REAP = ~\$1M funding (+more from City/County) up to \$400 in assistance</li> </ul>	<ul style="list-style-type: none"> <li>Customer Assistance Program (CAP) = Discount to standard residential rate - waives fixed charge and provides 10% off kWh charges ~\$312. Funded by all customers not participating in the program.</li> <li>Financial Support Plus 1 = Bill assistance for those who temporarily are having difficulty paying utility bills. Customers may donate to funding</li> </ul>	<ul style="list-style-type: none"> <li>Member Assistance Program = Bill assistance of up to \$300 per yr &amp; funded by donations.</li> </ul>	<ul style="list-style-type: none"> <li>No program, they refer their customers to local &amp; state assistance.</li> </ul>	<ul style="list-style-type: none"> <li>Low Income Rider = exempt from customer charge, provides ~\$111 annual discount</li> <li>Bright Hearts Fund = ~\$240K funding (half funded by utility, half by donations) roughly \$267 in assistance</li> </ul>	<ul style="list-style-type: none"> <li>Bill assistance provided to customers based on level of need. Funded completely by donations.</li> </ul>	<ul style="list-style-type: none"> <li>Discount to standard residential rate provides annual discount of ~\$36 on whole utility bill (electric, water, &amp; sewer). Funded completely by donations.</li> </ul>
<b>Conservation</b>	<ul style="list-style-type: none"> <li>Optional TOU rates</li> <li>Seasonal rates &amp; tiers (peak capacity charge &amp; seasonal demand charges)</li> <li>\$70M Conservation Program (STEP)</li> </ul>	<ul style="list-style-type: none"> <li>Optional Residential TOU pilot</li> <li>Commercial load shifting discount</li> <li>~\$19M Conservation Program</li> </ul>	<ul style="list-style-type: none"> <li>Optional TOU rate program for Residential &amp; Small Commercial</li> <li>Mandatory TOU pricing for Large Commercial</li> <li>No conservation program</li> </ul>	<ul style="list-style-type: none"> <li>Offer rebates for energy efficient products or programmable thermostat</li> <li>Load management program for irrigation systems</li> </ul>	<ul style="list-style-type: none"> <li>TOU Rate for Res &amp; Cml</li> <li>Large commercial mandatory TOU rate</li> <li>Seasonal rates &amp; tiers</li> <li>\$5.2M Conservation Program</li> </ul>	<ul style="list-style-type: none"> <li>Optional Residential TOU rate</li> <li>Rebate for energy efficient AC/heating system</li> </ul>	<ul style="list-style-type: none"> <li>Seasonal rates</li> <li>No conservation program or TOU rates</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>EV pilots for residential &amp; commercial</li> <li>Windtricity (optional renewable adder)</li> <li>Green tariff for large commercial</li> <li>Resiliency for commercial</li> <li>Wheeling for commercial</li> </ul>	<ul style="list-style-type: none"> <li>Optional Residential EV rate pilots</li> <li>Green Power opportunities for residential &amp; commercial</li> <li>Solar Rates for residential &amp; commercial</li> </ul>	<ul style="list-style-type: none"> <li>Community Solar rate for residential &amp; commercial</li> <li>Renewable energy rider for residential &amp; commercial</li> </ul>	<ul style="list-style-type: none"> <li>Distributed generation - includes solar &amp; wind for residential &amp; commercial</li> </ul>	<ul style="list-style-type: none"> <li>Community Solar rate for residential &amp; commercial</li> <li>EV rates available to all customers</li> </ul>	<ul style="list-style-type: none"> <li>SunHub - community solar for residential &amp; commercial</li> </ul>	<ul style="list-style-type: none"> <li>Solar Energy rebates for residential &amp; commercial</li> <li>Net metering rates for solar &amp; wind for residential &amp; small commercial</li> </ul>
<b>Recent History</b>	<ul style="list-style-type: none"> <li>Implemented ~\$3.84/month residential rate increase March 1, 2022 (bi-annual rate increases planned for the future)</li> <li>Focused on emphasizing near-term investments &amp; creating immediate financial stability</li> <li>No structural changes made to rates</li> </ul>	<ul style="list-style-type: none"> <li>Implementing part two of their three part rate increase in November 2023, re-evaluating tiered pricing and seeking to increase fixed cost recovery</li> <li>Increasing residential fixed charge to \$15 by Nov 2024</li> </ul>	<ul style="list-style-type: none"> <li>Current rates effective Jan 1, 2023, adjustments made to move toward cost based rate structure &amp; minimize subsidization across classes</li> <li>Large Commercial Rate was modified from a standard rate to a mandated TOU rate</li> <li>No changes were made to the Residential rate</li> </ul>	<ul style="list-style-type: none"> <li>New rates went into effect Jan 1, 2021 to improve fixed cost recovery &amp; align rates with the cost of service study completed in 2018</li> <li>Impacted ~4,500 customers who use less than 50 kWh/month</li> </ul>	<ul style="list-style-type: none"> <li>Implemented rate increase effective July 2022 (~\$2.20 summer residential bill impact, ~\$1.41 winter residential bill impact)</li> <li>Decreased fuel charge for customers by 62.5% Feb 1, 2023 for customer bill relief</li> <li>No rate structure changes, their standard residential rate structure is very similar to ours</li> </ul>	<ul style="list-style-type: none"> <li>Increased their fixed charges for small commercial Oct 1, 2023</li> <li>Increased their cost of power charge Apr 1, 2023 to recover higher than expected power costs experienced in 2022</li> <li>Strategy to offer TOU rates to encourage customers to conserve &amp; adopt distributed energy resources</li> </ul>	<ul style="list-style-type: none"> <li>2 yr rate plan, Aug 1st, 2023 was a 4.8% increase and in Aug 1, 2024 will be a 5.9% increase.</li> <li>Includes increases to customer &amp; delivery charges; also shifted to monthly cost of power forecasting due to market volatility</li> </ul>

**Notes:**

1. Residential & Commercial prices were calculated at standard usage levels (1,000 kWh for Residential & ~127MWh & 309kW for Commercial).
2. PEC only has TOU rates available for this commercial customer group. We do not currently compare TOU rates as a part of our standard market intelligence reporting; This type of reporting is in the process of being developed.
3. El Paso Electric is an investor owned utility, but they are still a good comparison for this discussion

# EXISTING CPS ENERGY PRICE SIGNALS



Most prevalent



## SEASONAL PRICING

Higher prices during the summer; used to help encourage customers to conserve during the summer when demand is higher and power is more costly.

## INCLINING BLOCK RATES

Progressively increasing rates for incremental electricity consumption. Utilized to encourage lower consumption.

## DEMAND RATES

Currently used for commercial customers. Encourages customers to lower their peak consumption and level out their load by charging a fee for their highest 15 minute period of demand.

## TIME OF USE

Customers are charged a different price depending on the time of day. Higher prices typically occur in the afternoon and early evening & lower prices occur over night when demand is low.

Least prevalent

# RESIDENTIAL RATE DESIGN



## TRAILING TWELVE MONTHS ENDING SEPTEMBER 2023

	CPS Energy	AE	PEC	MEC	EPE	GVEC	NBU
Customer Charge ≥\$15		✓	✓	✓		✓	✓
Moving Toward Cost-Based Rates	✓	✓	✓				✓
Monthly Fuel Adjustment	✓			✓			✓
Affordability/Assistance Program	✓	✓	✓		✓	✓	✓
Seasonal Pricing	✓				✓		✓
Inclining Blocks	✓ <sup>1</sup>	✓			✓ <sup>1</sup>		
TOU Rates	✓	✓	✓		✓	✓	
EV Rates	✓	✓			✓		
Solar Rates	✓	✓	✓	✓	✓	✓	✓
Other Innovative Rates	✓	✓	✓				
						\$136	\$138

1. Inclining blocks in the summer only

2. Based on an average of 1,000 kWh/month; Bills reflect 12-month average pricing From October 2022 to September 2023



# APPENDIX

# GLOSSARY / DEFINITIONS

ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
Peak Capacity Charge	Applies during the months of June through September on Residential bills to recover the higher costs for electricity CPS Energy incurs during summer months when the demand for electricity is at its highest.	Resiliency Rate	Commercial rate to increase reliability of electric retail service at any business location. Resiliency unit can be a natural gas generator, energy storage, or any other energy tech unit capable of providing energy in resiliency mode.
Wheeling Rate	For wholesale distribution customers, this rate allows customer access to the transmission grid.	STEP	The Sustainable Tomorrow Energy Plan (STEP) is a program that incentivizes energy efficiency. STEP has helped our customers save over 6.3 TWhs of electricity.