

March 3, 2021

Paula Gold-Williams
CPS Energy President & CEO
500 McCullough Ave
San Antonio, TX 78215

Dear Paula Gold-Williams,

Considering the crippling Arctic storm that just rolled through San Antonio leaving nearly 400,000 without power that has prompted public investigations at a state and local level, we were surprised to see CPS Energy move forward with a Request for Proposals for the utility's FlexSTEP program. Winter Storm Uri exposed massive vulnerabilities in our energy infrastructure at the broadest possible level and should have prompted a deep pause to reevaluate this raft of critical programs, many of which we remain at odds over. Uri has shown that even our own recommendations, considered too aggressive by CPS a month ago, were not adequate to the city's of our city.

It is time to triple down on energy conservation to best protect our neighbors and loved ones. To maximize our potential we recommend CPS partnerships be formed across City departments and wider community in envisioning and developing these programs.

Your letter dated February 11, 2021, attempting to summarize our weeks of conversation around the Save for Tomorrow Energy Program, now FlexSTEP, was sent just days before this storm. In it your team emphasizes points of agreement about the program's goals. However, we remained generally skeptical of both the program goals and some of its justifications. **Now, on the other side of this massive humanitarian disaster, we are calling for CPS to retract the FlexSTEP RFP to develop it into an even more robust package of programs in keeping with the overwhelming needs of our communities.** These needs are not only for reliable and affordable energy, but for tightly weatherized homes, decentralized energy storage, and even resiliency centers to serve as emergency survival hubs in the heart of low-income communities located on "non-critical" circuits.

As we emphasized consistently since first releasing our FlexSTEP recommendations (1) in the spring of 2020 and later by joining a Open Letter (2) with nearly two dozen community organizations, these critical programs can become a vehicle for COVID-19 recovery. We now know acutely that they can also mean the difference between life and death for those living in substandard housing.

In response to the particular points of your letter, we offer our responses here, in the hopes that a reimagining of STEP's possibilities can lead a citywide energy reformation to help keep more San Antonio residents safe in their homes, lower their bills, expand rooftop solar and storage, create clean energy employment opportunities, pilot resiliency hubs cited in communities of need on "non-critical" circuits, and dramatically reduce our city's overall energy use, all of which would make San Antonio that much more resilient to extreme weather events, be they hot or cold.

Your February 11 comments are below. Our responses are marked "Sierra Club Response."

1. CPS Energy should establish a 1.5% energy saving (kWh) per year target

As we shared in the meeting, we are in agreement with adding a secondary goal focused around energy savings, measured in kWh. Our proposal is to establish such a goal at 1.0% per year, given that increasing the size of STEP beyond that level would raise customer bills and compete with other community requests. In our dialogue, you seemed agreeable to this 1.0% goal as a constructive step forward. This was added to the RFP.

Sierra Club Response

While we are pleased that CPS Energy has agreed to include an explicit energy savings goal based on kilowatt-hours (kWh) saved, we believe a more robust goal is both achievable and prudent for the residents and businesses of San Antonio. Winter Storm Uri has laid bare the dire need for energy efficiency, home and business insulation and weatherization, as well as distributed energy resources such as solar PV and energy storage that may allow customers to ride out grid-scale outages. The American Council for an Energy Efficient Economy's (ACEEE) ranks the top 52 largest electric utilities for their energy efficiency program delivery and ranks CPS Energy #33. CPS received only 7 out of a possible 26 points for their program performance in the ranking. CPS Energy falls short of other large municipal utilities Los Angeles Department of Water, Power & Light (#7), as well as nearby Southwest utilities such as Arizona's Salt River Project (#20) and Oklahoma Gas & Electric (#27). We remain confident that the benefits of a more robust goal of 1.5%, or even higher rates as those achieved by over a dozen utilities ranked in the ACEEE, is San Antonio's best path forward to a clean and resilient future. (3)

2. The capacity reductions in FlexSTEP should be measured in Coincident Peak (CP) demand terms instead of Non-Coincident Peak (NCP) as has been our custom

We continue to believe NCP is a broader measure that better aligns with how our customers use energy. We have consistently tracked and reported CP values and will continue to do so for benchmarking purposes. In the meeting, you stated that continuing with NCP is acceptable in light of our agreement to add energy savings as a secondary goal in FlexSTEP. The focus on kWh savings will help translate to bill savings for customers.

Sierra Club Response

Simply stated, using Non-coincident Peak (NCP) to measure conservation performance overstates the benefits of the STEP program. As we have noted throughout our dialogue, NCP was and remains a non-industry standard way to measure demand-side management program performance and CPS Energy is alone in their use of this metric as their primary goal. Demand savings, or reductions in instantaneous power use from customers, are not all created equal. Reducing the demand for power specifically at times that are coincident or simultaneous with the grid's peak demands are what reduce the need for building new generating capacity and new power plants. CPS has argued that focusing on non-coincident peak demand savings allows them to pursue measures such as streetlight LED retrofits, where the kW savings achieved occur at night (whereas peak energy demand is usually in the afternoons/evenings). This argument does not make sense now that CPS has agreed to an actual energy savings target (measured in kWh) because projects like streetlight LED retrofits will be highly attractive from a kWh savings perspective.

3. We should develop a program to promote efficient use of natural gas through an expanded & integrated STEP program

As discussed, we are open to creating a natural gas efficiency program. Simultaneously, we see STEP continuing as an electric reduction program. Still, the two programs could be operationally aligned, which was a recommendation from you that we will embrace. We will continue to look at opportunities around all energy reduction, including ways that we may intentionally reduce local consumption of natural gas, which will conserve our resources and help customers better manage their bills.

Sierra Club Response

As made abundantly clear by Winter Storm Uri, gas energy conservation is incredibly important to both the affordability and resilience of heating homes and businesses in San Antonio. Additionally, reducing the consumption of gas is absolutely essential to meeting San Antonio's GHG reduction goals, including CPS's 2030 required reductions of 41 percent under the San Antonio Climate Action and Adaptation Plan. We continue to believe that a fully integrated program that provides customers electric and gas energy conservation measures in a single pathway remains the best option for CPS Energy. We urge CPS Energy to learn from the lessons of others and follow the "Successful Practices in Combined Gas and Electric Utility Energy Efficiency Programs," a report from the American Council for an Energy Efficient Economy.(4) Keeping these programs separate and excluding gas savings from STEP creates unnecessary barriers and confusion among CPS Energy's customers and potential efficiency program participants.

4. Consider expanding Weatherization efforts, including a multi-family housing program & low cost, third party financing for air conditioners

We are in agreement with your recommendations and have included both program concepts in our upcoming RFP. As you know, weatherization is a core component of our FlexSTEP program. We will continue to evaluate industry best practices for ways to improve the program and make it available to those with low credit scores, as well as facilitate expansion into multi-family housing.

Sierra Club Response

We are pleased to see CPS Energy agrees with the need to expand weatherization efforts, especially in multi-family housing, where landlords and tenants must be engaged in the process. Winter Storm Uri resulted in loss of heat, power, and potable water for hundreds of thousands of CPS Energy customers. Renters of multi-family buildings, who often do not carry renters insurance, have less recourse for lost or damaged property that a homeowner might have. We urge CPS Energy to learn from other national leaders in multi-family energy efficiency program delivery, as outlined by ACEEE's report, "Closing the Gap in Energy Efficiency Programs for Affordable Multifamily Housing," which highlights how best to serve these customer segments.(5)

5. Consider Austin Energy's local solar and storage RFP

As we shared during our meeting, we believe we are ahead of the curve on this request. Our FlexPOWER BundleSM RFP focuses on solar and demonstrates our commitment to growing our local distributed solar and storage resources. In fact, we just announced last week the exciting news that our

FlexPOWER Bundle RFP received 654 proposals from 99 companies located in 9 countries.

Sierra Club Response

We are pleased that the response to your recent FlexPOWER RFP was positive. We hope the information can help supplement your FlexSTEP RFP. That being said, we believe the purposes of these two programs are fundamentally different. Our hope is that the “new technologies” part of the STEP program RFP can include some language similar to Austin Energy’s to emphasize the need for LOCAL solar, demand response and storage resources, including customer-sited resources. Because the FlexBUNDLE RFP is by its nature focused on utility-scale resources, we believe that the language shared from a nearby utility company could be useful. Thus, we hope CPS Energy will consider including in its RFP a call for ways to make solar and storage and other technologies more affordable and accessible to CPS Energy ratepayers as part of the RFP process.

6. You asked to review the RFP draft language in advance to gauge how the RFP is changing around our evolving conversation

As we indicated in our discussion, the RFP is a competitive solicitation. Our perspective is, to be respectful and fair to interested parties and the process, it is best not to share the document with outside parties in advance of its release. However, we will ensure the final document reflects the agreements we have come to relative to your feedback.

7. You requested the economic assumptions relied upon for showing large bill increases for owners/customers, and any information CPS Energy has on average customer bill savings from participation in various parts of the STEP program.

As of the time of our meeting, our Board was reviewing the economic assumptions document underlying our forecasts. On February 5, 2021, our Board released the Flexible Path Resource Plan that provides this information, which can be found on the cpsenergy.com website.

Sierra Club Response

We continue to believe CPS Energy’s framing of the STEP program focuses only on costs (increases in rates) and ignores the obvious benefits (reduced bills), therefore it fails to value energy efficiency and other demand-side management resources for the flexible assets they are. Energy efficiency is commonly referred to as the “first fuel,” not the “fifth fuel” as CPS calls it in their Flexible Power Resource Plan. (6) Sierra Club and our consultants plan to generate a true bill impacts analysis in line with industry standards and full cost-benefit analysis of the STEP program. We implore CPS Energy to do the same in their presentations to customers, elected officials and the public.

8. More fully communicate the benefits of STEP by specifically highlighting the bill savings for participating customers

As we discussed, since most customers do not participate in STEP programs, we would want to provide a fair balance by showing two views - one for participants and another for non-participants.

Sierra Club Response

Based on the information provided in CPS Energy's Flexible Power Resource Plan, one-third of CPS Energy's customers participated in the STEP program in the latest program year. While only one-of customers participated, the benefits of participation will last for many years to come. CPS Energy's narrow view on individual program year participation completely ignores this fact, and again fails to accurately value the benefits of energy conservation programs. CPS Energy's Flexible Power Resource Plan also showed that residential customer average usage per year has steadily declined over the term of the STEP plan, further illustrating the long-term benefits of program participation years after an efficiency measure is implemented. These are all items that will be addressed in Sierra Club and their consultants accurate bill-impacts analysis.

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- (1) deceleration.news/wp-content/uploads/2020/03/FULL_CPS-Energy-STEP-Report.pdf
- (2) climateactionsa.com/open-letter-on-energy-justice-and-a-san-antonio-covid-19-recovery
- (3) aceee.org/utility-scorecard
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