



***PROGRAM UPDATES:
ENERGY EFFICIENCY (EE)
LIMITED CONTRACT EXTENSION***

PRESENTED BY:

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April 29, 2019

Approval Requested

OBJECTIVES & TAKEAWAYS

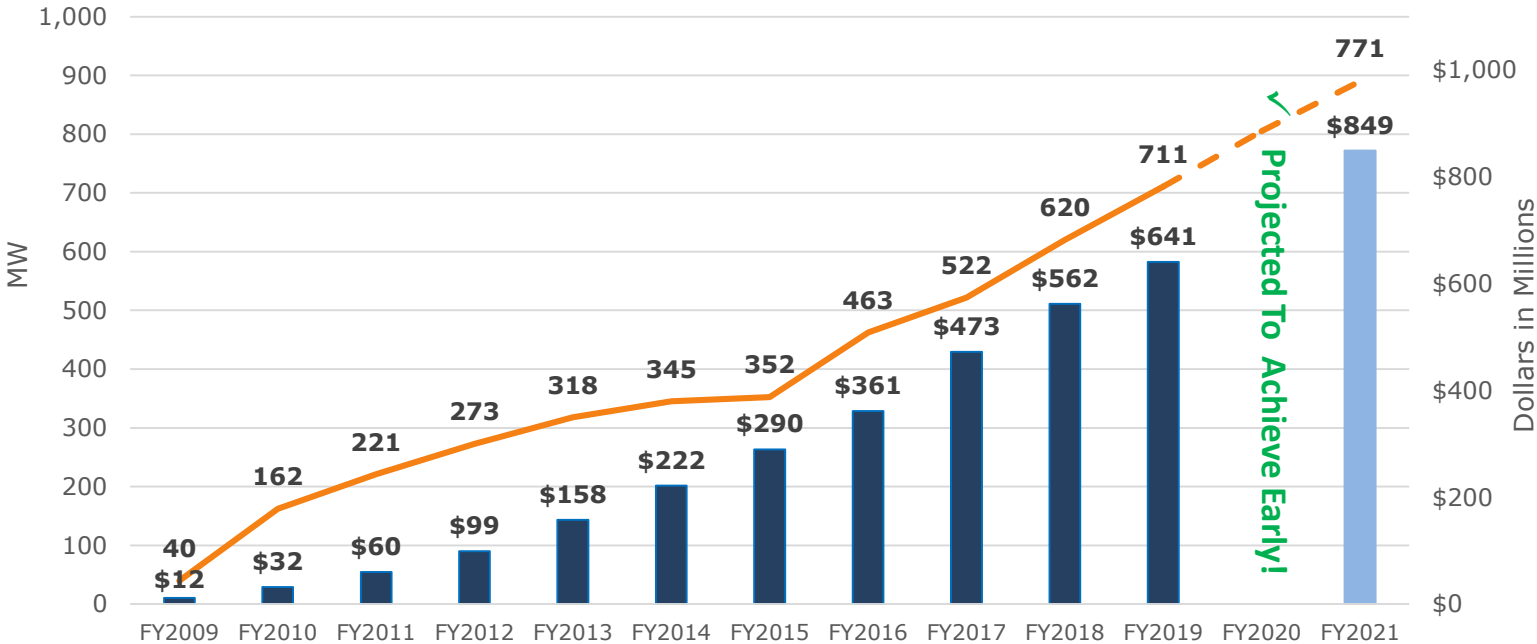


- **RECEIVE AN UPDATE:** On our Save for Tomorrow Energy Plan (STEP) energy efficiency (EE) programs, results & customer impacts
- **RECEIVE PROCUREMENT BACKGROUND:** on our implementation service contracts to date with Franklin Energy and CLEAResult
- **CONSIDER MANAGEMENT'S RECOMMENDATION:**
To extend current contracts solely through January 31, 2020

AGENDA

- **STEP UPDATE**
- **CUSTOMER BENEFITS**
- **HISTORICAL VIEW**
- **VENDOR PARTNERS**
- **PROPOSED EXTENSION**
- **STEP ENHANCEMENTS**
- **REQUEST FOR APPROVAL**

STEP: ON PATH TO SUCCESS



STEP has so far delivered 711 MW without debt / major capital spend for 13 years!

■ STEP Cumulative Expenditures — STEP Cumulative MWs ■ Threshold Numbers

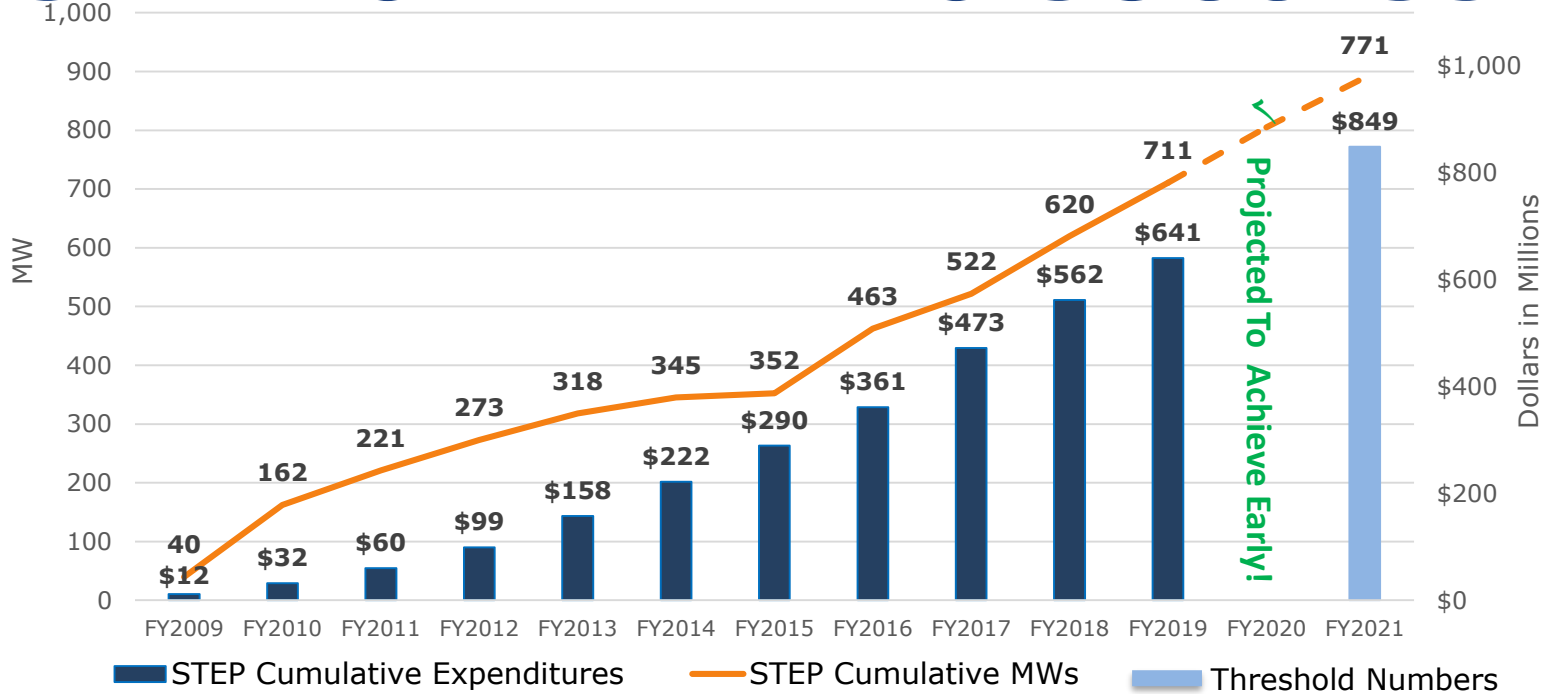
\$'s Supporting Conservation: STEP



\$1B Capital for Coal Plant + O&M for 30-40 years

*Note: FY2019 MW number is preliminary, subject to final Measurement & Verification.

STEP: ON PATH TO SUCCESS



This Program has also reduced our generation technology selection risk!

*Note: FY2019 MW number is preliminary, subject to final Measurement & Verification.

CUSTOMER BENEFITS



200K ↑

Energy Efficiency
Rebates



15K ↑

Solar Rooftop Systems



22K ↑

Weatherized Homes



142K ↑

Thermostats Installed



36K ↑

Students reached
through School 2 Home



212MW ↑

Demand Response
Capacity

Through diverse programs & partnerships, we are making an impact in our community

HISTORICAL VIEW

- **ORIGINALLY:** Received & optimized federal weatherization funds in partnership with COSA.
- **May 2009:** Began managing EE & other programs internally.
- **May 2016:** The Board of Trustees approved outsourcing energy efficiency programs to CLEARResult and Franklin Energy for 3-year terms.
 - This expanded our program offerings & added technical expertise to better serve our customers.





Franklin Energy employee assisting our customer

VENDOR PARTNERS



Franklin Energy and CLEAResult are New Energy Economy (NEE) Partners that provide services & jobs

Residential Energy Efficiency	Weatherization	Commercial Energy Efficiency
		CLEAResult
<ul style="list-style-type: none">• Home Efficiency• New Home Construction• Retail Partners• Home Energy Assessments• Schools 2 Home	<ul style="list-style-type: none">• Casa Verde (Weatherization)	<ul style="list-style-type: none">• Commercial & Industrial Solutions• Schools & Government• Small Business Solutions• Whole Building Optimization
19 local direct jobs	11 local direct + 123 contractor jobs	17 local jobs

STEP ENHANCEMENTS



In response to Board of Trustee (BOT) input, we are further enhancing our programs by “bundling” whereby we will:

- **ADD**: Thermostats into Weatherization & Home Energy Assessments
- **INCREASE**: Focus on Small Business solutions
- **TARGET**: Retail programs to low/moderate income areas
- **FOCUS ON**: Schools through in-school education program & energy master planning



CLEAResult performing a Master Planning Workshop for San Antonio ISD

PROPOSED EXTENSION



While we are on track to meet STEP goals ahead of schedule & under budget, ...

We're proposing an 8-month extension to January 31, 2020, for the following reasons:

- The current vendors have a track record of achieving performance goals
- Changing vendors so close to the end of STEP would be disruptive & costly
- Creates a bridge to future program opportunities

CONTRACT UPDATE



See the summary table below:

Implementers	Original Purchase Order	Proposed Extension	Total Community Investment
Franklin Energy - Residential	\$33.0 M	\$9.3 M	\$42.3 M
Franklin Energy - Weatherization	\$56.0 M	\$12.2 M	\$68.2 M
CLEAResult - Commercial	\$34.6 M	\$12.8 M	\$47.4 M
Total	\$123.6 M	 \$34.3 M	\$157.9 M

REQUEST FOR APPROVAL



To properly support our current & successful STEP Program again this year:

- **We are requesting approval to extend the Franklin Energy and CLEAResult service contracts through Jan. 31, 2020, for a combined amount of \$34.3M★**

After including the incremental spend above, we currently project that STEP will achieve its MW goals early & for less spend!




Thank You



Appendix

EXTENSION DETAILS



Program	Implementer Fees (Admin + Labor)	Pass Thru Costs (Rebates+Materials)	Total Spend
Franklin Energy – Residential Rebates	\$2.3 M	\$7.0 M	\$9.3 M
Franklin Energy - Weatherization	\$1.2 M	\$11.0 M	\$12.2 M
CLEAResult – Commercial Rebates	\$3.8 M	\$9.0 M	\$12.8 M
Totals	\$7.3 M	\$27.0 M	 \$34.3 M

VENDOR PERFORMANCE



Vendor performance is evaluated each performance year by our third party evaluator (Frontier Energy).

Year 1 (6/1/16 to 5/31/17)	kW	kWh	Utility Cost Test	Number of Homes	Customer Satisfaction
Franklin Energy - EE	Achieved	Achieved	Achieved	N/A	Achieved
Franklin Energy - WX	Achieved	Achieved	Achieved	Achieved	Achieved
CLEARResult	Not Achieved	Not Achieved	Achieved	N/A	Achieved
Year 2 (6/1/17 to 5/31/18)	kW	kWh	UCT	Homes	Customer Satisfaction
Franklin Energy - EE	Achieved	Achieved	Achieved	N/A	Achieved
Franklin Energy - WX	Achieved	Achieved	Achieved	Achieved	Achieved
CLEARResult	Achieved	Achieved	Achieved	N/A	Achieved

The table shows achievement against contract goals.

Year 3 results will be available in August 2019

GLOSSARY / DEFINITIONS



Acronym or Word	Definition
Demand Response (DR)	Demand Response is a change in the power consumption of electric customers to better match the demand for power with the supply. Customers may adjust power demand by reducing or shifting tasks that require large amounts of electric power.
Energy Efficiency (EE)	Energy Efficiency is using technology or services that requires less energy to perform the same function.
Weatherization (WX)	Weatherization is the process of modifying a building to reduce energy consumption and optimize energy efficiency.
Casa Verde	CPS Energy's branded version of the Weatherization program, which applies to CPS Energy customers with incomes within 200% of the federal poverty guidelines.
Utility Cost Test (UCT)	Utility Cost Test measures cost-effectiveness from the viewpoint of the sponsoring utility or program administrator. A $UCT > 1.0$ means avoided capacity and energy costs exceed the costs incurred to operate a program.

GLOSSARY / DEFINITIONS



Acronym or Word	Definition
STEP	CPS Energy's Save for Tomorrow Energy Plan (STEP) is an aggressive energy conservation program. The goal of the program is to save 771 MW of electricity between 2009 and 2020.
Megawatt (MW)	A measure of capacity to produce electric power. A megawatt equals 1,000 kilowatts or 1,000,000 watts.
Kilowatt (kW)	A measure of capacity to produce electric power. A kilowatt equals 1,000 watts.
Kilowatt Hour (kWh)	A measure of energy generated. 1 kWh is equivalent to 1,000 watts.
Non Coincident Peak (NCP)	Non Coincident Peak is the maximum energy savings regardless of time of occurrence.
New Energy Economy (NEE) Partner	Businesses who share CPS Energy's vision for clean energy, innovation, and energy efficiency by creating jobs in San Antonio.