



Rudy Garza
Chief Customer Engagement Officer (CCEO)

February 11, 2021

Dear Mr. Harman,

I want to start by again thanking Cyrus Reed, Adam Jacobs, and you for your time in continuing discussions with key members of our CPS Energy Team on January 28, 2021, to provide your feedback on our upcoming Request for Proposals (RFP) in support of the **FlexSTEPSM** plan. I also want to thank you for your letter, dated January 25, 2021, whereby you outlined the Sierra Club's perspectives on key items we have discussed in our meetings to date and which formed the basis for our discussion in the January 28 meeting.

We hope you found our most recent discussion to be a productive one. We have certainly taken your suggestions to heart and are incorporating them in our **FlexSTEP** RFP. We believe that both our teams have a shared goal to develop a robust, inclusive program that benefits all CPS Energy customers and maintains our community's leadership role in energy efficiency and conservation.

As we discussed previously, we are steadily moving toward the release of an RFP in support of **FlexSTEP** to ensure the continuity of our current programs. Based on our discussion, we have decided to issue one global RFP that encompasses both the Tried & True programs and the Innovative & New approaches. By combining the RFP, we can maximize our reach and the scale of the solicitation to ensure we get the best proposals from vendors on a global basis. The RFP is now being finalized and will be released later this month.

While our most recent meeting was only one hour long, we believe it was again constructive and insightful. There were several noteworthy points touched upon in the session. Those points are summarized below with a recap of our thoughts relevant to each as discussed in the meeting:

- **YOUR INPUT: 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.

- **YOUR INPUT: 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.
- **YOUR INPUT: 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.
- **YOUR INPUT: 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.
- **YOUR INPUT: 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 Bundle*SM 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.
- **YOUR INPUT: 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.
- **YOUR INPUT: 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.

- **YOUR INPUT: 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.

Thanks again for your collaboration. We also want you to know the meeting resource materials; the recording and transcript; your response letter; and this package of materials will be posted on our website. This approach is consistent with our updated and transparent process that was communicated to you and other environmental stakeholders extensively last year.

Best Regards,

Rudy Garza
Chief Customer Engagement Officer (CCEO)
CPS Energy

Copy Sierra Club:

- Mr. Cyrus Reed

Copy Optimal Energy:

- Mr. Adam Jacobs

CPS Energy:

- Board of Trustees
- Ms. Paula Gold-Williams, President & Chief Executive Officer (CEO)
- Sr. Chiefs
- Ms. DeAnna Hardwick, VP of Customer Success
- Ms. Kathy Garcia, VP of Government Relations, Regulatory Affairs & Public Policy
- Mr. Drew Higgins, Sr. Director of Products & Services
- Mr. Rick Luna, Director, Technology & Product Innovation
- Ms. Loretta Kerner, Interim Director of Board Relations & Chief of Staff to the CEO

Copy the City of San Antonio:

- City Council
- Mr. Erik Walsh, City Manager

- Mr. Ben Gorzell, CFO & Supervisor to Public Utilities
- Ms. Ivalis Meza, Chief of Staff to the Mayor
- Ms. Michelle Lugalía-Hollon, Director of Policy