

Feder, Kathijo

From: Feder, Kathijo
Sent: Thursday, January 2, 2020 6:24 PM
To: Dbelmares@citizen.org
Cc: Gold-Williams, Paula Y.
Subject: Re: Follow Up Email on No Coal By 2025

Importance: High

Hello Ms. Belmares,

Thanks for coming to the meeting that CPS Energy hosted on Tuesday, November 19, 2019. You also followed up with an email to me on November 25, 2019. While several topics were raised throughout this outreach, I will focus primarily on the subject of financial modeling, which is a specific point of interest for you.

NO-COAL / NO SOLAR MODELING COMPLEXITY & INCONCLUSIVENESS:

In answer to your various inquiries, my comments in November and at prior meetings were centered on CPS Energy's efforts to model various generation planning scenarios - not just "no coal," but also "all solar." Ultimately, we found that the model work has been very complicated and lacked reassuring conclusiveness. Through our work, we determined that the numerous assumptions were hard to nail down and prone to vast assumption ranges, as opposed to single value determinants. Also in some cases, items are influenced by qualitative or unknown measures.

EXAMPLES OF TOUGH ASSUMPTIONS:

Examples of those complex assumption inputs, in the form of questions, include the following:

1. What will be the probable scaled-up penetration rate of electric vehicles from now to 2050?
2. Will a price of carbon actually be adopted at the federal level, how impactful will it be, and in what manner will compliance be required?
3. How intolerant will customers be of increased energy outages, especially those driven by renewable energy instability / intermittency?
4. Under what circumstances will it be advantageous to repower the closed and/or currently open coal units to natural gas?
5. Relative to the future progress of technology, how many years will it take for fully incorporated energy storage to become more economical and efficient?

There are more assumptions. This is just a subset that is provided herein for context.

SOLAR CHALLENGES:

Relative to Item #3 above, we are very focused on solar intermittency. You are familiar with another Texas city that leaned into all solar in good faith and encountered fundamental issues because the sun does not shine consistently during storms, at night, and in the midst of colder weather seasons. There were many lessons learned and we are determined to be very mindful of our approach to expand solar with "firming capacity," which ideally should be some combination of gas and storage.

CONVERSIONS FROM COAL TO GAS NEED TO BE CONSIDERED:

I did pose a question to you and other stakeholders at the November 19 meeting. I asked your group about Item #4 above. Gas and gas conversions are viable options, relative to the technology's availability, abundance, price competitiveness, and reliability. Importantly, it is much less emitting than coal. This is critical as your group remains prioritized on shutting down coal units. Interestingly, within the Environmental Group, there seems to be a significant aversion to talking about coal conversions to gas. Conversely, I think it could serve as a positive step forward in reducing near-term emissions, and I remain very interested in keeping this robust discussion going with you and others groups.

TAKING CARE OF OUR HARD-WORKING & RESILIENT EMPLOYEES:

It is important to keep in mind that just a year ago we closed the two older Deely coal units. The Deely plant closure took about six years to effectuate. We did so methodically, respecting the careers of people who worked at that location for years, and in some cases decades. Some people came to us right out of high school and have wonderful careers and benefits here at CPS Energy. At our company, our employees enjoy ample Paid Sick Leave, Vacation, market-based pay and other benefits. Furthermore, we are proud that no one was laid off as a result of the Deely closures.

At the same time, during the six-year Deely shut-down program, we managed costs carefully, ensuring that we neither negatively affected our customers nor our community. This is our **People First** approach that is part of our organization's operational foundation.

Members of your group have focused on the no-coal option, with a desire to effectuate the closure of the remaining coal units as early as 2025. While the younger coal units continue to be important to assess, we are also primarily focused on our much older simple-cycle / steam gas units. The sequence of our assessments is essential because we cannot ignore the mechanical age of plants, which should actually be the priority because it is right in front of us. We must address the older gas units before focusing on the younger coal units.

LOOKING AT BALANCED OPTIONS THAT CONSIDER THE ENVIRONMENT:

We are keeping in mind that consistently our customers stress the importance of both **Reliability** and **Customer Affordability**, as well as **Environmental Responsibility, Resilience, Safety** and **Security**. Accordingly, our focus remains on all of these six pillars while we ensure that we effectively manage a complicated energy landscape, one in which San Antonio customers have invested in for decades.

WE HAVE DONE A GREAT JOB BRINGING CLEAN ENERGY TO SAN ANTONIO:

CPS Energy's management team will continue to make good decisions that balance the six pillars noted above and keep CPS Energy's business model financially stable. This in turn optimizes the community's investment returns and will give San Antonio more energy **Flexibility** in the future. Also keep in mind that we continue to be a recognized leader in the following clean technologies:

Technology Type	Our Approximate Span of Experience
Wind	25 Years
Energy Efficiency & Conservation	10 Years
Solar	10 Years
Energy Storage	5 Years

Furthermore, keep in mind that our diverse and reliable portfolio of existing plants has helped us blend in the new offerings noted above. While we have been successful to date and have gained

a lot of additional and deep experience with a wide range of technologies, we remain focused on exploring more options as we move along our path to 2050.

FUTURE STAKEHOLDER DISCUSSIONS ON TOPICS LIKE THE ENVIRONMENT, POPULATION & RESERVE MARGINS:

In the meantime, and as discussed at the November 19 meeting, I and other members of the CPS Energy team will be available for constructive talks about our assumptions and possible energy opportunities in the short-, medium-, and long-term. We look forward to conversations with your group, as well as many other stakeholders.

To get started, in a separate response we are addressing the questions provided by EDF and Public Citizen at our Board of Trustees meeting on November 18, 2019. The next day at the November 19, 2019 meeting, the Environmental Stakeholders in attendance generally agreed that answers to the questions will be of interest to your entire group. This will include a discussion about another topic of interest to everyone – projections for population growth and the Reserve Margin. The Reserve Margin is the amount by which generation capacity exceeds the maximum level of energy demanded by the customers being served. There is a Total Reserve Margin for the State and for separate locations across Texas. All of it matters. More information is forthcoming.

CONCLUSION:

We look forward to sharing our thoughts on the points herein and to additional meetings during which we will dialogue and provide more context.

Most Sincerely,

KJ Feder, Director, Board Relations & Chief of Staff, on behalf of,

Paula Gold-Williams
President & CEO
CPS Energy
Keeping People First!

Copy: San Antonio City Council
CPS Energy's:
Board of Trustees
Senior Leadership Team
Chiefs of Staff
Union Leadership

From: DeeDee Belmares <Dbelmares@citizen.org>
Sent: Thursday, January 2, 2020 12:59 PM
To: Gold-Williams, Paula Y. <PYGold-Williams@CPSEnergy.com>
Subject: [InternetMail]Follow Up Email on No Coal By 2025
Importance: High

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Mrs.Gold-Williams,

I'm following up regarding an email that I sent you in November regarding CPS Energy modeling No Coal By 2025. I along with other community members would like to get an answer to this. Here is the original email:

Thank you for meeting with the Environmental Stakeholders last week. I wanted to follow up with you regarding the discussion around the No Coal by 2025 modeling. There is some confusion on whether CPS Energy has actually performed it. It has been something that the stakeholders have been requesting for some time now.

During the meeting, Mario Bravo mentioned that we were interested in looking at the inputs for the No Coal by 2025 scenario so that we could provide feedback on the assumptions that went into the model. Mario then asked if CPS Energy planned on sharing the information with us or was that information proprietary and/or competitive. You answered that CPS Energy had never model the no coal scenario.

Mario also mentioned that in a previous meeting, John Bonnin explained to us the No Coal by 2025 model, the inputs and how in the end nothing could be determined by the model's outputs. You had repeated that CPS Energy has done modeling in the past but not for a no coal scenario. Russell Seal wanted to be sure that he was clear on your answer and once again you stated that CPS Energy had never done this modeling.

A lot was discussed that evening so I wanted to take this opportunity to clarify with you if CPS Energy has indeed run a model for No Coal by 2025? Thank you for your time and I look forward to discussing this further.

DeeDee Belmares | Climate Justice Organizer, Texas Office

Public Citizen | Protecting Health, Safety and Democracy

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<http://www.citizen.org/texas>