Transcript of the Testimony of

FlexSTEP Discussion

Date:

Case:

CPS ENERGY MEETING

VOLUME 1 OF 1

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VIDEO TRANSCRIPTION OF:

CPS ENERGY ZOOM MEETING CONVERSATION

FlexSTEP Discussion

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Furthermore, proper names were spelled phonetically.

(Beginning of Zoom Transcription.)

RUDY GARZA: Good afternoon, Cyrus.

KATHLEEN GARCIA: Good afternoon, everybody.

I'll go ahead and kick us off here.

First, we'd like to welcome everyone to this meeting.

Please know, up front, we are recording and it will be transcribed.

I am going to offer a few logistical and opening comments and then look to the members of Sierra Club to see if they have any opening comments they would like to make as well.

We have an hour today. So we are going to do our best to cover the topics at hand.

However, we want to say right up front, please know that we stand ready to continue meeting past today. We very much support continuing this dialogue.

I'll serve as timekeeper for us; and I'll provide periodic time checks.

Participating in the meeting today are executives of our utility, who I believe you-all know.

So I will highlight Rudy Garza, our chief customer engagement officer; Drew Higgins, our senior director of products and services; and Rick Luna, director of technology and product innovation.

I highlight them because our STEP and FlexSTEP programs fall under their - Rudy's unit.

In terms of approach, we have some slides that we've prepared and we are -- we are ready to move quickly through them.

Yet, we also recognize that you may prefer to get straight to the conversation.

If that's the case, we'll simply use the slides as topical components to support our discussion.

In our materials and our discussion points, we have highlighted where we believe there are synergies, and where there may be some differences.

Through this thoughtful and considerate conversation, we are very thankful to receive your input.

And we know all of us on this call are very passionate about our community, our environment, and the services that this utility provides.

So today, we really do look forward to the conversation.

With that, Cyrus, Greg, Adam, all, I'll turn to you to see if you have opening remarks and thoughts on how you'd like to proceed.

PAULA GOLD-WILLIAMS: Greg, I can't hear you.

CRIS EUGSTER: I think you are on mute.

GREG HARMAN: -- on another screen.

But yeah, thank you very much.

I noticed on the agenda is going to set up for introductions -- and maybe we don't want go all the way around the room, or we can. -- but I did want to just -- many of you do know Cyrus has been serving as the interim director for the State's [sic] Sierra Club for a number of years and long beyond that, conservation director, engages regularly as a lobbyist during the legislative sessions as a, kind of, a water-policy expert, and increasingly in the realm of energy -- clean energy.

Adam -- I think a couple of you had a chance to meet when we -- prior to first releasing the recommendations that Adam works on with Optimal Energy.

His background is in environmental analysis, economics and energy engineering.

Coming to Optimal Energy, prior to that, was an energy manager for the city of Boston -- did I say that right? Boston? I don't know how you-guys do that.

Where he worked on maintaining the city

in the top one position with the ACEEE Scorecard.

And prior to that, was the energy analyst at Johnson Controls.

And my name is Greg -- he/him pronouns -- local organizer out of San Antonio and journalist before that, going back to, I guess, to '07 when I first got here.

So that's who is on the call.

I think the interest in other folks may have -- Cyrus or Adam, feel free to interject.

We wanted an opportunity to follow up on a conversation with staff that I thought it was a good one that we started back in the spring, and to be able to kind of come back around and revisit that in light of the work that's gone on inside of CPS.

I know in the November presentation it was presented, all the different organizations y'all been in communication with before this goes about to (inaudible) in January of -- to be able to kind of close the loop on some of these recommendations and come to a clear understanding and what's moving forward and the rationale behind that.

So I think limiting, you know -- Cyrus or Adam, if you would go through the presentation. I think both of you are familiar or saw what came out of the November board meeting.

But I'll close there and let other folks step in.

Thank you. It is good to be here.

CYRUS REED: Yeah and if I can just say one thing by means of introduction just why Sierra Club hired out to Optimal Energy.

I want y'all to know, we weren't just picking on CPS Energy.

Actually, last year we hired two different folks; one was Optimal Energy to look at your guys energy efficiency program.

And then we hired Frontier, which I know has worked with you-guys to look at Austin Energy's energy program because they -- Austin Energy was going through their resource planning process, and we were advocating certain goals.

So we never released the report. It was more of an internal report, but we had Frontier to look at some of their programs and some of their goals.

So we're not -- this is not picking on CPS Energy. It is a goal of Sierra Club to get, in particular, municipal utilities to, you know, get as much energy savings and peak amount savings as possible, especially when you have a long-term plan, that's more than year to year.

So just to put that out there.

ADAM JACOBS: Sorry. Just a quick thank you for having me today, and I'll clear up one quick point is since I left the city of Boston they're now, I believe, they are number two of the most energy efficient city in the country.

I won't say it was all me, but, you know, they no longer maintain the top spot. But I just thought I'd throw that one out there.

I appreciate the opportunity to talk with you-all today and learn more about how the FlexSTEP planning has evolved since we last caught up, you know, back in the Spring, Rick and (inaudible).

So looking forward to the discussion.

KATHLEEN GARCIA: So, Greg, Cyrus, Adam: Are you wanting to make -- to bring forward any key highlights of the report? Did you want us to flip quickly or did you want to maybe dive into the conversation about synergies, differences? And we can just utilize the slides as discussion points.

Would -- how would you like to -- does the latter sound like a good use of the 50 minutes that remain?

ADAM JACOBS: I can just quickly

highlight some of the things that I think you've already pulled out of the report that I found to be, you know, key findings.

So, to start, I would just say that, you know, having a program that delivers energy efficiency renewables and demand responses is quite comprehensive.

So I want to commend you-all on having that wide net that you're casting in the delivery of your programs for your customers.

It is something that is, I think, frankly the envy of other program administrators that I work with where they are more limited by statute in what they can do.

So I would say that a lot of the agreements that we have are on some of the programmatic approaches.

I saw that, you know, obviously, CPS wants to continue delivering energy efficiency in addition to these other services, such as demand response and customer (inaudible) solar.

I think some of the questions that we had were on some of the goal setting, both in the selection of the goal type, being based on noncoincident peak demand versus something like energy that you might measure in kilowatt hours, or, actually, also therms for the gas side of the business.

Then the quantification of how you set a goal, particularly, for a longer term, ten-year planning cycle, in that we usually see -- in fact, CPS did this for the past ten-year plan cycle.

We see independent market potential studies conducted to determine how much both technical and economically viable energy efficiency and demand response potential exists.

So those were some of the higher level things. There are certainly some of the smaller details on, you know, effectiveness of commercial solar incentives given the rate that it is at -- for a fixed amount of rate for larger systems that we can get into.

But I think given the time crunch, the goal setting was one of the main things that I thought would be a productive conversation for today.

And I am happy to hear any sort of responses to those.

I do see you have the slides here so I can jump down to those if that is helpful.

KATHLEEN GARCIA: We do think Rick is prepared to screenshare. So he can share the slides, any one that he wants to refer to.

RICK LUNA: Okay. Can everyone see my

screen there?

KATHLEEN GARCIA: Uh-huh.

RICK LUNA: Great. Well, okay. If you'd like I can maybe start with -- you brought up a couple of points.

Perhaps we can start with the discussion around the goal-setting question that you asked. We have a slide relative to that. I'll jump right to that.

You know -- we, again -- well, let me just start by saying, we do want to say thank you so much for the feedback that we received from you. It was very detailed.

We spent a lot of time studying it. And so we are very much -- are looking forward to today's discussion to really delve into the details of that.

We do want to say one thing, we -- you will see throughout the slides. We are using the term "ESG" relative to the Environmental Stakeholder Group.

We do that as a general term.

You guys, of course, have been leaders at Sierra Club, Environment Texas, as well as the leaders in that group.

We'll use that generally for the information that we're presenting today.

And, again, very much appreciate the leadership roles that you had for, you know, as advocates for stuff from the very beginning.

I think that -- again, I think we would all agree that STEP has lived up to its goals and really has become a fifth fuel in our portfolio -- has lived up to that promise.

And with the thanks out of the way, let me just jump to --

GREG HARMAN: Rick --

RICK LUNA: -- the goal --

GREG HARMAN: Sorry. Real quickly.

RICK LUNA: Absolutely, Greg.

GREG HARMAN: I think it will be helpful to -- because there are so many constellations of community organizations appearing in different places which I think maybe contributed to some of the misunderstanding about who's communicating with whom, that for the purpose of this call, that we refer to the Sierra Club rather than "Stakeholders" because I don't want to misrepresent who is on the call or where this came from.

It was a Sierra Club product prior to Covid, obviously, and prior to a lot of other community activity that's developed since then.

So I think that would be really good as people view this as a public document, rather than community setting or an institutional setting; that would be helpful.

So just a request.

CYRUS REED: Yeah. I mean, he mentioned Environment Texas as well because they also put out some recommendations.

I don't know if they were invited to this call, but that was the other group with some specific recommendations.

I know that they put something out there.

RICK LUNA: That's correct. We did receive feedback from Environment Texas, which, frankly, they endorsed your report and then had some additional comments around solar targets in addition to that.

So we did reference them on that slide.

PAULA GOLD-WILLIAMS: Hey, Rick.

RICK LUNA: Sorry. Go ahead.

PAULA GOLD-WILLIAMS: Rick, this is Paula.

So good point, Greg. What we can make sure -- and I affirm your request that you want this to be primarily representation of Sierra Club.

So let's make sure we are documenting that in the -- in this -- in this conversation.

I will tell you that the way that we look at the strategy and the way that we are trying to do something comprehensively, we really have taken into consideration the meetings that we've had with the bigger group, the feedback that we've gone through.

But we will try our best to focus on Sierra Club in this case.

But know that our design has been comprehensive from that standpoint.

Can we proceed under that?

GREG HARMAN: Yeah. I recognize that, and that reflects kind of an ongoing conversation with the stakeholders, which -- again, as was described in the November board meeting -- was fairly high level.

It is hard -- in a report like this is where we have the opportunity to dig down and get into the sand a little bit.

I just, you know, for the purpose of representation, I don't want any of the other organizations who are part of the stakeholders or wherever that process goes, to feel like we were trying to step in front or speak for those groups.

This is primarily to address kind of key elements of the Optimal report and gets clarity on where things are moving forward in relation to those recommendations.

So thank you. I agree with that.

PAULA GOLD-WILLIAMS: Okay. Sorry, Rick. Go right ahead

RICK LUNA: All right. Thank you, Paula.

So we put together this slide to highlight, you know, the differences with respect to how we set the goal for the STEP program.

As you know, the original STEP program was measured in NCPs.

We have -- you know, our approach has been to continue that, and for a couple of reasons that I will highlight.

You know, first of all, let me say, obviously, you know this: Goals matter. How you measure a program will ultimately determine the types of measures, the types of approaches that you use in building a portfolio.

So that inherently gives a critical point. We feel like NCP is a broad measure that is reflective of how customers use energy.

So what do we mean by that?

You know when you think about a goal,

that would be narrowly focused on the peak; that would place a lot of emphasis on measures that are aligned with, you know, summer afternoons.

So things like demand response and things like air conditioning programs would -- would be rewarded in a CP-type of focus.

But we know that we have lots of customers where strip heating, where insulation, you know, really drive winter savings.

So we feel like that broader measure is more reflective of how customers use energy.

Plus, the fact that, you know, winter peak is becoming more of an issue -- more of a thing in Texas than maybe it used to be ten years ago.

So we feel like it's a broader measure that will promote more equity and, ultimately, it will drive decisions that are more reflective of community values.

So we have a second slide that I'll turn to. It will kind of highlight what we are talking about there.

ADAM JACOBS: Rick, if I might, can we go back one?

I just want to ask a follow-up question on this.

RICK LUNA: Sure.

ADAM JACOBS: So I fully agree with, you know, set your target based on coincident peak, you will drive or you will motivate, you know, the program to go after things like demand response.

Our recommendation was not to solely focus on coincident peak, but rather peak demand savings, which you would measure on the right side of your table here, but also energy savings.

And one thing -- I want to make sure we are not (inaudible) here -- is energy is measured in kilowatt hours and therms.

The way that you're measuring the performance of noncoincidental peak is a kilowatt measure. That's an instantaneous demand reduction.

It does not account for the duration of that reduction.

So -- so fully agree that you do want to be able to get at those other measures. You want to get at insulation. You want to get at, you know, things that are not, you know, just peaking measures.

But the -- pardon the pun -- the "optimal" way to do that, as our report highlights is to target energy consumption or energy use.

So, again, I just want to make sure that when we are saying "energy" that is measured in specific units, and noncoincident peak is not a measure of energy. That is a measure of demand

RICK LUNA: That is right.

You know, uh, so the way we would think about that is, you know, the goal that we set for the program is -- is, basically, the headline, right?

And for ten years, was our goal.

But it wasn't the only goal, right?

We -- as an offshoot of that -- were calculating energy savings. We were calculating participation by program, cost effectiveness, and emissions reductions; all of which are encompassed in the reports that we produce every quarter and every year and report on, right?

So -- so I hear your point, and I agree.

Obviously, demand reduction doesn't encompass energy, but I think the larger point that we have is that -- you know, whatever that headline goal is going to drive the behavior of your portfolio, or it is going to drive the priorities of your portfolio.

And for that perspective, we felt like NCP is a broader measure and it is more reflective of some of the community programs that we think are important, and broadened participation.

So, if it is okay, I'll jump to the next slide to try to highlight that point, unless there's another question here.

ADAM JACOBS: No, that's fine

RICK LUNA: Okay. So I just want to highlight what we are talking about here.

Is -- what we did is we went back and looked at our portfolio of programs to highlight sort of this tilt that would have happened if we were to focus on coincident peak.

So what we have done here is -- is lay out the programs to indicate the ones that are high coincidence with the peak.

This is the CPS system peak.

And, of course, no surprise our demand response programs are right there.

Our residential HVAC rebate program is right there.

All of -- all of these programs that we know save most of their energy -- I'm sorry -- most of peak demand occurs, you know, in the summer afternoons.

If you look over to the right, you see the programs that we've highlighted as sort of the lower ones on that CP scale.

So this is where we think that that tilt would be away from these types of programs.

Weatherization is one that has got a high winter peak savings value and less -- less on peak because a lot of the measures are envelope measures; and that's where the insulations and strip heating comes into play.

Likewise, even some of our solar programs and some of our lighting programs.

Which I will point out with lighting is a huge energy efficiency saver, right?

Because the conversion from LED -- to an LED is big in terms of energy but less so in terms of coincident peak value.

And so -- anyway, again, the main point here being that that goal matters that we set.

And we feel like, you know, trying to run a broad portfolio that addresses a lot of different needs, you know, NCP gives us more flexibility to layer in these types of more community focused programs.

ADAM JACOBS: Right.

RICK LUNA: On this topic, let me see if you have any other questions.

ADAM JACOBS: So, I guess, the way this is displayed is, is saying that two options are to target coincident peak or noncoincident peak.

And, again, for traditional energy efficiency programs, I have not seen any example anywhere elsewhere else where noncoincident peak is the primary or even any part of the goal structure.

If there are examples that you can refer me to, I would love to see them.

But I think things like weatherization and things like, you know, lighting as you mentioned are best quantified by looking at the actual energy reduction that accounts for that delta of the wattage, the reduction in -- in kilowatts over a period of time.

So what in effect -- and I do acknowledge that, yes, in the reports you do report out those factors, which is where we were able to do some benchmarking of CPS's performance against other utilities in terms of energy savings.

But, again, if you are trying to optimize a portfolio of efficiency measures -- and I'll leave efficiency to the side for the moment because I do think it does make -- obviously, you know, you are going to measure demand in kilowatts, and that's your demand response portfolio.

But if you're measuring energy efficiency measures, the wattage reduction matters, but equally important is how long does that wattage reduction last.

So, you know, there are technical reference manuals abound throughout the US that quantify hours of operations for various pieces of equipment that lead into the overall savings associated with the measures being delivered.

So, I guess, the point is not to set, you know, a single goal for various services.

I think I started off my point here and that you have a very comprehensive portfolio of various services, and I think the way you measure the effectiveness of those different services, be it demand response or energy efficiency, it -- it matters.

Optimizing your goals for those various services may require looking at different metrics for different services.

And one thing I'll just return back to here is this does not give you any mechanism to account for natural gas savings, which may be captured through some of the work you're doing through weatherization, through other measures.

But a comprehensive, you know -- uh, modern program targets both electric and gas energy savings potential.

So I'll just, you know, reiterate the comprehensive goals would lend itself better to the comprehensive portfolio of measures that CPS delivers right now.

RICK LUNA: Fair enough.

I will -- I will -- again, just two comments on that.

One is, traditionally, natural gas efficiency has not been a component of the STEP program.

Not to say that -- we do have a gas rebate program, but that's not encompassed in our STEP and it is not part of the savings that we -- that we report.

It was specifically focused on electric demand savings, STEP, that is.

The other thing is, you know, we read the report -- the Optimal report; and, uh, you know, there were some language in there that was pretty strong about NCP not having society value -- societal value or delivering savings and so forth.

We took issue with that comment just because we do think -- and, again, we do report on those numbers, and we've seen, you know, significant emission reductions from our portfolio approach.

Maybe this issue about, you know, whether CP or NCP, is really more around -- uh, you know, what you want to emphasize in your portfolio.

And you said that we have a broad portfolio. I think it is an outcome of the goal that we have set.

So I think it has worked well from that perspective.

But, I guess, I'll stop there and see if we want -- I don't want to eat all the time on this one subject.

CYRUS REED: Hey, Rick?

RICK LUNA: Shall we move on to the next topic?

CYRUS REED: Rick, you mentioned that you-guys already met for things like energy savings. Your overall goal is set on the NCP, but you are measuring energy savings.

What are -- what have you achieved in terms of annual savings on said annual basis? What percentage?

Do you know the answer to that?

RICK LUNA: I don't know that off the top of my head. We did produce a report -- uh, last November that was a ten-year look-back of the STEP program, where all of those numbers are laid out, both the kilowatt hour savings, the emission reductions --

all of that is quantified.

And we can share a copy of that if y'all don't already have it.

CYRUS REED: Yeah. I guess my thinking is, rather than get in a he said/she said, CP versus NCP, if there is a way to get -- I think what Sierra Club cares more about than anything else is energy savings because that's where you get the most benefit to consumers, but also you get benefits in terms of emissions.

You know, if you don't have to run a power plant, then you don't produce those emissions, right?

And so, I think it would be important to know that number and then as you-guys think about the next ten years, you know -- we put out -- I say "we" -- Adam put out a recommendation of 1.5 percent that is more aggressive than most utilities in Texas.

It is less aggressive than some utilities around the country.

Okay. So you've got .84 percent annual electric savings.

So I guess I would, you know, just reacting to that -- and, you know, Adam was suggesting that 1.5 percent is achievable.

I mean, maybe it is thinking about whatever you use for peak savings, what kind -- can you set a secondary goal of energy savings and can you look at the potential -- you know, what would it cost to get to 1.5 percent annual savings?

So rather than having a big debate about coincident versus noncoincident peak, I think what we really care about is energy savings because that's what most consumers care about.

So I am wondering if that is something that, you know, I don't know whether it is through your RFP, or if that is something you can think about.

Or a potential study to look at how could we -- as we do all of these programs, how could we really prioritize energy savings going forward?

I'll say Austin Energy did set through their resource plan, they set a 1 percent goal, which they have been meeting.

And, you know, we know that a lot of utilities -- Adam had some examples from Los Angeles and a lot of states are setting 2 or 3 percent goals.

So, you know, we thought 1.5 percent was a reasonable sort of thing to aim for.

And knowing that you may not be able to achieve that in the first year of a ten-year program, but that would be the goal to work towards.

I don't know if that is something you-guys can think about.

PAULA GOLD-WILLIAMS: Hey, Cyrus. This is Paula.

I think, yes.

I think trying to set a secondary goal can make sense. And, you know, we have the data in there, but haven't cited.

We do have other goals all over the place and other things that we measure.

But I think the request to set a secondary goal matters, and you-all raise a, you know, very viable point about that.

I would like us to move on and talk about the thing that constrains us the most is this ability to try to figure out the balance of how much emphasis to put on this program versus other things that are in our portfolio, which is primarily constrained by our funding requirement.

I want to get to that.

But is there -- before we do that, is there another point in the report that you want to emphasize?

ADAM JACOBS: Yeah. And it nicely segues

into your point there, Paula.

One note I am seeing here on this slide is the cost one; and I completely agree with your point.

You know our recommended goals are based on, one, what CPS has done in the past; and, two, what other similarly situated utilities can and do achieve.

But the way you would specifically determine how much it would cost to get there and you're getting at your budget constraint would be to conduct those independent potential studies.

That's the industry standard practice for how you go about determining cost achievable, potential, and determining what -- you know, what are your, you know, budget constraints.

So that's what we see done all around the country.

PAULA GOLD-WILLIAMS: Okay. I will say about this: The goal isn't always to figure out where -- whether or not you can reach for something based upon the community.

Part of the thing that we have to do all the time is to know the constraints that we have.

We had tremendous financial constraints before we ever got to Covid, and now we're going to have even more constraints based upon this year.

So we hear you, and we would be glad to kind of explore that.

But it is not infinite because the funding doesn't come from anywhere else but the customers. That's our challenge.

Let us go talk about that, and then we'll circle back around to your comment about that.

ADAM JACOBS: Sure.

CYRUS REED: I know less about your guys uh -- I know because I serve on the local, kind of, advisory, uh, utility commission in the city of Austin.

It is an advisory group. It is not a -- you know, we don't set the policy. We make recommendations, basically.

So I know a lot more about Austin Energy.

But do you -- are you guys using just general revenue from base rates to fund these programs? You don't have a specific energy efficiency rider or something like, right, to fund these programs?

PAULA GOLD-WILLIAMS: We have -- we have a specific ordinance that allows us to create, uh, equal value for what we are saving.

So it is actually a very progressive program.

In other words, when we size it out, and design it based upon the savings that are supposed to be achieved, then we get reimbursed. So it is a mechanism above base rates.

CYRUS REED: Okay. But what I am saying is, there's not -- in your rate design, there is not a line item that funds this program?

It is more you look overall at your revenues, you look at your goals, and you try to match those together?

PAULA GOLD-WILLIAMS: It is designed. It is designed inside of our rates, but it is called -- it's treated like, uh, like fuel.

And that's when -- with -- what Rick mentioned we call it the fifth fuel.

So it actually has some perfection to it because -- just like we would go out and buy a commodity of this fuel, whatever we're costing inside through the program rolls through the bills automatically.

So that -- you know, it really has a self-contained mechanism to make sure that we recover what we invest into the program.

It is built and designed to do that.

It doesn't look like a rider, but it is

coming through the fuel factor.

CYRUS REED: It is part of the fuel factor?

Okay. I got it.

PAULA GOLD-WILLIAMS: Yes. Yes.

Okay. Rick, I'll turn it back over to you and we'll just keep talking about.

Because we do want to keep evolving.

Go ahead, Rick.

RICK LUNA: Okay. And thank you, Paula.

And we just have a short set of slides here. We just talk about how we are thinking about this decision and cost, and what is the appropriate size of the program and so forth.

You've seen this slide. We show this at the board every time.

You know financial responsibility and affordability are critical components of everything we do.

About a year ago, we kicked off a number of focus groups, surveys, and so forth -- really trying to get at this issue of, you know, how customers are thinking about efficiency and conservation, and what is their willingness to pay for these programs.

I want to share this graph that -- that

if you look there.

We ask customers, "How much are you willing to pay per month to support efficiency and conservation?"

And you will see kind of a sweet spot there, is $1 to $5 or $60 a year.

And after that, the support really, you know, drops off, you know, 10 percent and 3 percent.

Now, 40 percent of customers said, you know, we are not really willing to pay anything.

Well, we don't think it is viable. These programs are important, you know. And efficiency is important.

So we are really focused in on that -- on that sweet spot.

Again, we shared this slide that shows -- this is our bill view today -- gas and electric -- combined bill for the last 12 months.

You will see there, you know, what we are spending on conservation programs in the green, relative to other markets.

You know, the basic take-away there is we are underneath that sweet spot -- underneath that $60 per year. We are in about $49.

And yet, we are able to maintain very

competitive rates.
So that helps frame up our thought process about the future and what FlexSTEP could look like and what we have done here is set up a table to show you -- you know, again, you know, bill impact at different funding levels.
So I'll just call out, you know, if we were to double the STEP program, you know, we would get $7 a month.
If we were to triple the STEP investment, it would be $11.
So it really starts to grow quite a bit.
We did take a look at the goals that we are setting in your reports.
We got lots of cost data. We got lots of experience.
We came up with an estimate of about $1.5 billion to achieve the targets that you laid out.
You can see that translates to about $8 a month.
So getting back to -- you know, she quoted the loop on the discussion of cost. That was sort of our early look at what we think that would cost.
So I'll stop there.

ADAM JACOBS: Yeah.

RICK LUNA: Would you like me to do another slide before I hand it over?

PAULA GOLD-WILLIAMS: I'm sorry. Can you indulge us for, like, a few minutes because I really want him to get to those other slides.

Because it is not -- you know, from the original thing that we talked about. Like, we can set traditional goals.

It gets to be prioritization of the STEP potential, relative to other things that we are being asked to do, like, close coal and -- which we understand is extremely important.

And so -- so I really -- if you could give us just a couple of minutes and -- Rick, go very fast.

And then we'll turn it over to you.

GREG HARMAN: Just real quick, and I'm not sure who's watching the stack on the comments, but I just wanted to drop something in when we talk about the economics, right?

I think one of things from the community level, uh, a frustration maybe is an expectation on messaging.

When the message is simply, you know,

"Will you pay more for this or less for that?"

We know that the full cost of some of our energy decisions are not reflected in the amount of energy somebody uses in their home, but there's external cost.

I think utilities -- a city owned utility can -- you know, in a city, like, working through, like, the CAAP.

So the CAAP develop did a really poor job, I think, especially on the first draft and got a lot of important blowback because it wasn't reflecting the potential benefits of making potential -- you know, some of these decisions that are typically called "environmental decisions."

But there is -- there is a larger cost to certain energy choices that I think sometimes that -- that utility could be communicating in surveys such as this, for instance.

I then dropped in the Chat just a note and if we get to in the course of this conversation -- a potential for rolling in gas into the STEP, or at least beginning to measure, in a way that the conservation and zeroing out those emissions is a priority.

Thanks.

RICK LUNA: Okay. Okay.

So I'll just touch on two slides, as Paula said.

So this slide shows you going from 70 million a year to 210 million a year.

It shows you that bill impact.

Of course, it jumps to $11 a month.

So that is an increase of about $7 -- a little more than $7 per month in the customer bills.

And that's important because we frame it up here in this slide where we show you that's $7.

But also with a high and low case for the Flexible Path, and then the closure of Spruce 1 and 2.

We'll note that this does not include any amounts for, you know, everyday maintenance and operations and growth in our service, number of customers, and so forth.

So I think to Paula's point, this is really to show you these decisions altogether, right?

So if you stack these on top of each other, you know, we are way beyond the $5 that we had talked about earlier.

So that's why we had the discussion around the prioritization and the community decision on these big issues.

So I'll stop there.

GREG HARMAN: I think the mayor brought it up at this last board meeting is what are the assumptions that are baked into when you talk about closing Spruce 1 and 2?

Are you talking -- are these -- this $12 figure about closing both units in 2021? Both units in 2030?

Maybe we can hear a little bit more about that as we transition back to the STEP itself.

PAULA GOLD-WILLIAMS: I'll step in and then Cris can clean it up.

So (inaudible).

What we know is that we currently have over a billion dollars in debt and over a billion dollars in asset value associated with those units.

And I think we are loudly hearing the fact about, "What can you do by 2030?"

What exact year that is -- it is tomorrow?

Are we going to get in a situation where the demand, you know, gets clarity and we figure out the timing?

But I think in general, we are just saying a general estimate of the values that we see today.

By 2030, those units will not be significantly depreciated, and the debt on those units will not be gone, particularly relative to Spruce 2 -- to Spruce 2.

So they're general estimates and it is tied primarily to those values.

But what happens for us -- and I don't -- it is not because we are trying to defend anything. We have to push that values -- those values, particularly the asset value through the financials.

When we do that, it drops a lot of negativity to the bottom line.

Then when we go and get compared by the rating agencies and the bondholders, we've just got to deal with that.

So that drives rate increase support and that number also assumes we are replacing the capacity.

And we made some (Zoom sound interruptions) probably isn't that expensive.

So the majority of that cost is coming from the asset (inaudible).

GREG HARMAN: Thank you for that.

We are moving away from Adam and Optimal's report a bit, but I do want -- obviously, worth noting that analysis done within, like a Synapse (phonetic) Reports don't necessarily be -- aren't reflected or jive with what maybe we are hearing from CPS and that's because there is a lack of information sharing.

I recognize the previous discussions and justifications for that.

But I just want to drop that note in and maybe turn it back to Adam.

ADAM JACOBS: Yeah. If I may, I do have a question on or just a point of clarity on Slide 14. If you can jump back there, Rick.

KATHLEEN GARCIA: While you're transitioning, I will just point out that we have about 15 minutes remaining. Just time check.

ADAM JACOBS: Thank you, Kathleen.

So -- so as I totally understand, you know, this is a common exercise conducted.

One thing that jumps off the page to me -- which I don't think we talked about it all is that last bullet point.

In that 82 percent of the respondents indicated that they were not aware that STEP is funded from their monthly electric bills.

This is something that we see in a lot of places where, frankly, there is just not a great understanding of how these programs are structured -- where the funding comes from, who is even eligible for them -- which is why we do spend a significant amount of time and energy on marketing and outreach.

So I think drawing conclusions off of this with an understanding that a vast majority of customers actually don't understand what they are paying for and how is maybe a little broad. And I wouldn't draw a lot of conclusions off of that necessarily.

I would just add to this, you know, understanding cost constraints are real. I understand you have a number of other things you're working into the portfolio, looking at generating assets.

I would just say that, you know, understanding you are constrained, you do need to fit it into a broader budget.

That to me, gives even more reason to set goals with a much finer and more granular view of which goals you're setting for which services.

So I understand the ease of a single top-line goal, but understanding that you are constrained capitally, and you can only do so much.

It is really important to make sure that those dollars are being used most effectively.

So while I think coincident peak demand is a great measure of a demand response program, perhaps fine-tuning the energy efficiency part of the portfolio to better reflect the metric that optimizes that specific service, you know, is -- is spot-on with exactly of [sic] what you're looking to accomplish here.

So those are just two quick points on that.

CYRUS REED: And I will add to that point.

I started to put something in the Chat. I just put it in the Chat.

Is -- if you go to that next slide, Rick.

Where you compare the utilities. Well, maybe this is -- I guess it is rates versus bills.

One thing to consider is -- yeah, you probably don't want to quadruple or triple the amount you're spending on STEP immediately.

But remember that if you do expend STEP, and particularly it is focused on energy efficiency, then people's bills may not really go up by $5 or $7 because they are also using less energy.

So the impact may not be as great as if

you just look at it as if -- as if everything is additive.

So I think that's one thing that needs to be factored in.

Example is Austin. Austin has probably higher rates than San Antonio, but because, I think, they have done a pretty good job on energy efficiency, Austinites -- and, again, it is very different because Austin has very modern buildings and people live in different types of homes. I understand all of that, right?

But in general, Austinites use less energy on a per month basis.

So even if they are spending a lot of money on rates or on the energy efficiency rider, overall the impact isn't as great in terms of the impact on people's bills.

So, you know, all of this stuff gets really granular, but just -- that's one of the reasons we thought a potential study might be really good because if you just look at things as linear, you know, you spend -- you have this goal. You spend this much money. Here is the impact on rates. It doesn't really get at all of those -- all of that granularity.

Then if you go to the -- maybe the next

slide where you compare the different -- yeah, that one.

I mean, I don't think we are advocating necessarily getting to those, you know, to those last two if it is really going to be that much money.

So we are not saying spend $11 per bill to -- or even $8.

I think we are saying we think if you set a 1.5 percent goal and do a study, it may not cost that much.

ADAM JACOBS: Well, just -- and I do want to turn it back to the CPS folks and give them a chance to respond.

I will just note that you are holding constant this 1,000 kilowatt-hour bill, and to the point Cyrus just made, presumably energy efficiency would reduce those 1,000 kilowatt hours, and perhaps also some therm savings if you were to roll in gas.

So, yeah, I definitely agree that holding steady the volume while increasing the rider doesn't necessarily make sense because you are increasing your spending on energy efficiency presumably, you know, doing a good job that you're doing. You are going to generate more savings and customers' average consumption should go down.

PAULA GOLD-WILLIAMS: So I appreciate all of that. I know that we are close.

Hey, can I do one thing?

Can I -- can I extend to you-all -- again, Kathy started there another invitation to continue the conversation.

I think it was very helpful.

We really want to refresh our relationship with everyone, but we are invigorated by having this conversation with you.

We are open very much to things that you're mentioning like a secondary goal.

I will, you know, put it out there, and I will leave some time at the end to respond to that -- open invitation.

I will say there is this element inside of the presentation -- you were clear, Greg. You are not here representing the ESG.

We really do pay attention to the conversations that we are having all the time.

And there were others -- you know, admittedly, it wasn't you.

But there were others in the group that, you know, were very frustrated that the size of the program at the very beginning wasn't very good, and that we failed to think about the grandeur of the program.

So I do want to clarify to your point some of the items on here weren't coming from you.

But it is very refreshing to hear that you understand -- just put it out there to kind of show it collectively; and then, ultimately, again, do want to get the size correct.

And then, Adam, to your point: We get the iterative nature of what you're proposing and that, ultimately, the whole point is to -- the whole point is to save -- is to save energy, right?

And so we do believe that that is one of the lowest, direct and most effective ways to move through this goal of getting (inaudible) for San Antonio.

So very good points for us to continue to work on.

I will say -- you know, and he raised a really good point about -- we took a survey. Not everybody knew what it was. So you have to take it with a grain of salt.

I think we also have to take it with a grain of salt that even the $5 was surveyed before Covid.

And we are going to have to figure out an interesting way to manage through this as people have a general affordability challenge.

And, Greg, that's been your real point overall that affordability and helping people and all of these things are really difficult.

We do have a huge digital divide. I think we are very different from Austin from that standpoint.

When we are trying to educate the community about our programs, we do have a bit of a challenge trying to make sure everybody knows.

I do want to assure you that we are passionate about San Antonio, and what we are really trying to do is use Carid (phonetic) to make sure that we bring as many people in.

We try not to be as jargony. In some ways STEP is our jargony term, but the real point is we want to save energy, and we have got to spend a whole lot more time trying to get people to be aware of what's happening and what the possibilities are.

We are partnered with council members and they are helping us, uh, reach.

But we probably -- in the city of our size, which is much bigger than Austin, is there are

some huge challenges.
So if you would come back and maybe talk to us and share with us some more about marketing approaches and things that you've seen that you think really work.
Then let's think about what really helps San Antonio make this -- this transition.
And, you know, the shock I think -- the last thing I want to say about this. The shock that people have about not knowing this is on your bill is because if you are not in the program you are not consciously thinking about this cost.
The only way that we get the funds, which is a huge public process back in the 2008 time frame -- to tell everybody this is what we are doing and get board and council approval. We had multiple conversations about what that is.
It just goes on the bill -- like a rider would, but it is going through the fuel factor.
But, again, if a person is not really thinking about energy efficiency and conservation, they are not really thinking about the connection to that.
So participation -- you know, the way we can get more participation so that as people are paying in, they are benefiting.

Again, we would love to hear more of your idea on that.

CYRUS REED: Has the RFP itself already been written and is it, like, you are going to press go and it is going to go out there?

I guess, what I am getting at, is there a potential, when you do this RFP out to the market to deliver some of these programs, to do it in a way that -- that might lead to answers that would get at more energy savings?

Is there a way that we can sort of test the market and see what's out there?

I didn't know if you are doing RFP for everything or you've got one for -- one type of program and one for another or?

PAULA GOLD-WILLIAMS: I'll jump in and Rick -- Rudy, let me just say that Cris's RFP partnered with Rudy's until we got some information from a global standpoint from the RFI work that we did.

I will say that if you have suggestions about what you think should be in the RFP, we will definitely take those.

And I will turn it over to Rudy.

RUDY GARZA: I was just going to say, if you've got any kind of suggestions, you know, ways to -- to poke the industry, you know, for energy efficiency programs.

It is going to be open-ended. We are going to have a tried and true RFP for commercial, residential energy efficiency and weatherization.

That will go out in early January.

You know, any measure that allows us to advance our program goals in the ways that we are talking about here -- we're -- we're completely open to, Cyrus.

So -- I -- we really are interested.

We do have a framework for RFP written, but if you think we need to phrase things a certain way to get better responses, you know, offer it up.

And we'll certainly take a look at it.

We are going to follow up -- what we are calling our tried and true RFP with our innovation RFP.

The innovation RFP is going to be our forward-thinking programs that are not included in today's, uh, uh, offering that will take us into a new generation of energy efficiency and demand response programs.

That will probably come out in the early Spring, you know, maybe April time frame.

Because what we are trying to do is -- is really kind of a match the timing of FlexSTEP to the work that Cris is doing on Flex Power Bundle, which we -- which our board has asked us to accelerate, some of the decisions on the Flex Power Bundle side.

So that when we offer them to the community, it is a comprehensive look at, you know, what value the community is going to be extracting through these two programs which make up the basis of our -- of our flexible --

GREG HARMAN: Yeah. Yeah.

CYRUS REED: Is it through 2030? Is it a program through 2030 or is it a ten-year program?

Like for the RFP for tried and true programs is it -- are you trying to do an RFP for ten years or eight years or two years or you don't know yet?

RUDY GARZA: Well, typically, when we put on an RFP, Cyrus, it is going to be for three to five years, maybe max.

But we will have to go through multiple iterations of vendor selection through the -- throughout the longevity of the program to, you know, to just refresh our pricing.

Our program never stays static. So we are always looking at new ways to deliver value.

So the programs we might offer at the onset of FlexSTEP may look different than the programs in the middle of FlexSTEP.

And it should be evolving to reflect the market.

GREG HARMAN: Thank you.

We are right on the hour, obviously.

I want to insert -- I think it is important to insert here that, you know, appreciation that you guys are working closely with council.

We want to work closely with you as well.

Appreciate that invitation.

Obviously, I think this is, you know, a program that developed out of cooperation and communication with the broader environmental community to -- for an economic and as well as a social end -- you know, that the pair, you know, they all have economic consequences -- public health or, you know, just the costs of the centralized unit like we are tied down to this billion-dollar Spruce unit.

So I just want to offer encouragement that those conversations may be in relation to STEP be broadened across the city so that we can look at this as a recovery mechanism because it does benefit so many people, particularly low-income folks that didn't know about the benefit of weatherization.

It can move into a conversation with the housing commission, or move into a conversation with the work force in terms of getting community solar back in trainings.

I really -- I've been disappointed that wasn't something that was centered in the goals and the agenda of the CAAP when recovery processes were worked out with the mayor and city council.

I just think there is a tremendous amount of potential.

It has done a lot of good already.

And to be thinking about it in terms of Covid recovery kind of creates new -- puts new mirrors up and new opportunities.

So, thank you.

PAULA GOLD-WILLIAMS: So is that a "yes," you will meet with us again?

GREG HARMAN: I think this is a -- you know, related to STEP a good -- can be a good ongoing conversation.

PAULA GOLD-WILLIAMS: Well, we'll take all this in.

I just want to highlight again: The program will always talk about it, Cyrus, in term of the ten-year duration, but the procurement will -- as Rudy said.

So don't -- I don't want you then hear we said ten years and not -- and then not and send something that's confusing.

So all very good points.

I'll turn it back to Kathy, and we'll continue our outreach with you.

But thank you so much.

UNIDENTIFIED SPEAKER: Thank you.

KATHLEEN GARCIA: To conclude, again, just a sincere thank-you for the conversation today; and, again, an open invitation to continue the dialogue. If there are dates that work in the near future so we can continue the conversation, I think we would really like to do that.

So we stand ready to meet and continue talking.

PAULA GOLD-WILLIAMS: Thanks everyone.

If I don't talk to you again, have a very safe and hopefully beautiful holiday season.

Merry Christmas.

GREG HARMAN: -- everybody.

ADAM JACOBS: Merry Christmas.

(End of Zoom Transcription.)

REPORTER'S CERTIFICATION OF TRANSCRIPTION OF VIDEOTAPED PROCEEDINGS

I, Tiffani June-Yeates, Certified Shorthand Reporter in and for the State of Texas hereby certify that the foregoing is a correct transcription to the best of my ability from the VIDEO recording provided me of the proceedings in the above-entitled matter.

I further certify that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was taken, and further that I am not financially or otherwise interested in the outcome of this matter.

Certified to by me this 11th day of January, 2021.

/s/Tiffani June-Yeates

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