

January 25, 2021

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

Dear Paula Gold-Williams,

As we prepare for our third dialogue around the FlexSTEP program goals and pending Request for Proposals, we wanted to make a few requests, encouragements, and observations.

While we appreciate the dialogue, and note your agreement to include a separate goal for total kilowatt-hour reductions within the STEP RFP, we regret that we've seen little noticeable movement toward our recommendations to date. We remain hopeful that you will move toward a more ambitious program overall—including our recommendation of 1.5% energy reduction per year target. Yet we recognize that setting such ambitious targets requires more dialogue about both the costs and the benefits of these programs. To date we've heard almost exclusively about cost.

Overall, we remain strongly opposed to measuring reductions under STEP by using non-coincident peak demand (NCP) rather than the industry standard coincident peak demand. In short, every kilowatt reduction of NCP demand that CPS Energy claims under its STEP program is, by definition, less valuable than the coincident peak demand kilowatts savings claimed by nearby Austin Energy and other utilities around the country. Continuing to organize the STEP portfolio around NCP demand presents a false sense of program benefits and reduces the ability to benchmark CPS Energy's programs against its peers. We continue to advocate for a multi-goal framework for the STEP program that sets goals for reducing kilowatt hours (electrical energy), coincident peak kilowatts (electrical demand), and therms (natural gas energy).

It is exciting to hear of your openness to developing a program to intentionally reduce local consumption of fracked gas by CPS Energy's owners/customers. We believe that for the sake of program efficiency that these gas reductions be sought through an expanded and integrated STEP. For Thursday's call, perhaps we can discuss the next steps on this effort and any ways the Sierra Club can be of assistance.

As to home weatherization and efficiency programs, which can be an important component of COVID-19 recovery, we shared some recent examples of changes made in Austin Energy's weatherization program that have helped make a third-party air conditioning program available to those with low-credit scores, as well as facilitated an expansion into multi-family housing. Considering an expanded weatherization program as part of the RFP might be one way to prioritize kWh savings and expand access to San Antonio's most vulnerable communities.

In keeping with the spirit of our discussion and today's Board of Trustees presentation, we are requesting to see the economic assumptions relied upon for the slides presented at our last meeting (13-15) showing large bill increases for owners/customers corresponding with conservation goals and early

retirement of the Spruce coal plant. You likely recall this information was offered at our last meeting. If at all possible, we would like to be able to review the requested information before we meet on Thursday.

Any information CPS Energy has on average customer bill savings from participation in various parts of the STEP program (residential and commercial) would also be welcome. The customer impacts shown in CPS Energy's slides look at the cost of expanding the STEP program, but neglect to include or account for any of the benefits that would be delivered from customers participating and saving energy. Obviously, these programs bring tremendous benefits, which is why CPS pursues them, however those benefits are neglected in the presentations we've seen to date on these programs.

The desire you expressed during today's Board meeting to open a new dialogue with the community concerning the transition to cleaner energy options is pleasantly noted. We regret it ran into such resistance from Board members. While such a city-wide conversation around decarbonization is desperately needed, we would welcome this same attitude of openness into our meetings on STEP.

Lastly, to gauge how the RFP is changing around our evolving conversation it would be helpful to review the existing draft language as previously discussed.

We look forward to further discussion.

With Appreciation,

Greg Harman, Sierra Club
Cyrus Reed, Sierra Club
Adam Jacobs, Optimal Energy

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