

**CPS Energy’s Energy Efficiency & Conservation Program  
Frequently Asked Questions (FAQs)**

**May 17, 2022**

**1. What did the original STEP program achieve and what were the benefits?**

The original STEP program allowed us to avoid the need to build a new power plant by saving 980 MW of demand. The original goal of 771 MW was achieved a year early and under budget. Through STEP we worked to create a robust portfolio of programs aimed at everyone and that would help customers make informed decisions about their energy use and ultimately save energy and money. Besides energy savings, STEP also had community benefits like the creation of local jobs and reduced air emissions.

**2. Are we rushing into this decision?**

It’s been three years since we achieved the original STEP goal in August 2019. Since then we’ve extended the program twice and the authorization for the program ends on July 31, 2022. Since 2019, we’ve completed two full program assessments, put out an RFP to solicit program and technology options, and engaged in community discussions on future options. We believe there isn’t anything substantial left to discover and there is sufficient information to make a decision.

**3. How much of the future budget is focused on LMI customers?**

Each of the proposed options have been designed to support LMI customers. We don’t believe it’s prudent to limit ourselves to percentages of spend as the market will evolve, and we believe it’s important to remain flexible. In Option 1, funds are heavily concentrated on LMI programs (36% share), with limited funding for new programs and energy efficiency. In Options 2 & 3, LMI budgets are larger in dollar terms, but the percentage share is lower (28% and 23%) as incremental dollars are allocated to fully funding energy efficiency and new programs.

The estimated percentage allocation to LMI programs varies by option:

	<b>Program details</b>	<b>Estimated Budget</b>	<b>% Share of Budget</b>
<b>Option 1</b>	<ul style="list-style-type: none"> <li>• 16,000 single family homes</li> <li>• 10,400 multifamily units</li> <li>• Targeted LMI retail rebates</li> </ul>	\$90M	36%
<b>Option 2</b>	<ul style="list-style-type: none"> <li>• 16,000 single family homes</li> <li>• 20,000 multifamily units</li> <li>• Targeted LMI retail rebates</li> <li>• Non-traditional solar</li> </ul>	\$97M	28%
<b>Option 3</b>	<ul style="list-style-type: none"> <li>• 18,000 single family homes</li> <li>• 30,000 multifamily units</li> <li>• Targeted LMI retail rebates</li> <li>• Non-traditional solar</li> </ul>	\$116M	23%

The above figures are estimates based on past performance and future expected results.

**4. Why is there more funding in commercial energy efficiency than for residential energy efficiency?**

While there is more funding in commercial energy efficiency, it's important to note the commercial segment includes all sizes of business, from small to large, and including government, non-profits and schools. In addition, we should consider the totality of residential spend across all program categories. For example, the weatherization program is 100% focused on residential.

**5. Why are we ending the solar rebates and what will be done instead?**

The purpose of rebates is to spur market adoption. In this regard the solar market has been transformed. We have seen the solar market growing, year over year, even as the solar rebate level has been declining to a point where it is self-sustaining. Today, a solar rebate makes up a small part of the cost of installing a system. That said, our support for solar will remain. We are pivoting to supporting new solar programs that address barriers to adoption or incorporate new technology like battery storage.

**6. How do these programs benefit customers and CPS Energy?**

In the short term, CPS Energy customers will benefit from a reduction in overall system fuel cost and this will produce fuel savings for all customers, participants and non-participants alike. Those that choose to participate in a program will also lower their energy use and monthly bills. Over the long term, CPS Energy and its customers will benefit from a delay in the need for additional generation capacity, in addition to environmental benefits from reduced emissions.

**7. What type of programs are included in the \$70M budget versus \$100M?**

The \$70M budget is comprehensive and allows us to continue offering programs at a significant scale while bringing in some new and innovative offerings. A \$100M budget is similar in terms of the program offerings but with additional dollars available to amplify the impacts. The \$100M budget represents what we can achieve in an aggressive scenario based on resources and market potential.

**8. Will you make it easier to qualify for weatherization? How will you target the customers with most need?**

Yes, it is our goal to make it easier to qualify. Currently, customers must be at or below 200% of the federal poverty level to qualify for weatherization. We are proposing to expand the criteria to include customers with an energy burden greater than 10% or customers who receive some type of federal, state or local low-income assistance.

**9. What will the qualification criteria be for multifamily weatherization?**

A multifamily complex can qualify by providing IRS documentation recognizing the property owner as a 501c(3) not for profit provider of low income housing, or by demonstrating that at least 25% of distinct units are occupied by tenants that either use housing assistance vouchers as a form of payment or receive some type of federal, state or local low income assistance.

**10. How can the rebate program be integrated with the PACE program?**

The Property Assessed Clean Energy (PACE) program is an innovative mechanism for financing energy efficiency and renewable energy improvements on private property. PACE allows property owners to finance the upfront cost of energy improvements on a property and then pay back the cost over time through a voluntary assessment attached to the property. The improvements can qualify for rebates through CPS Energy programs which lowers the amount that owners need to finance.

**11. Are you taking credit for savings that customers would have done anyway?**

The program only provides incentives and claims savings on projects that exceed the existing minimum building code requirements. For example, the current code requirement for residential air conditioning is 14 SEER. We only claim savings for the difference between a more efficient unit (say 18 SEER) and the baseline (14 SEER).

**12. Does the City have authority to approve funding this program? Why doesn't everyone get a vote on it?**

The City of San Antonio, as our owner, is our regulator with authority over rates. In 2009, the City Council used its authority to approve the funding of energy efficiency and conservation programs through an adjustment to the fuel surcharge.

**13. Why do we encourage customers to use less of our product?**

Energy efficiency and conservation is one component of our strategy to meet the generation needs of our community. Our population is growing and with it the need for additional generation. We also have older generating capacity that is reaching retirement. By incentivizing customers to save energy, we are partly offsetting the need to build new capacity. Beyond this, these programs help us satisfy our customers' desire to save money on their bills by making their home or business more efficient.

**14. Has there been a financial audit of the STEP program?**

The funds spent on the STEP program are separately accounted for and reported through the annual verification process as required by the STEP ordinance. We can only recover funds expended after a third-party verification and report of the savings claimed from the program.

**15. Why doesn't COSA run the program and pay for it?**

As a municipally-owned utility, we have a responsibility to serve our customers and provide programs and services that meet their needs. On the generation supply slide, energy efficiency and conservation is a part of our strategy to diversify our generation sources. As a vertically-integrated utility, we are able to bring together both aspects, delivering value for our customers and community while meeting the community's energy needs.

**16. Are we measuring the MW reduction in NCP (non-coincident peak) or CP (coincident peak)?**

The goal is stated in NCP which is consistent with how MW savings has been stated from the beginning of STEP. We received feedback from stakeholders asking us to

consider switching to CP. We believe we have addressed their concern by adding a goal for energy savings which is stated as energy savings as a percentage of annual electric sales.

**17. Why not build a new power plant instead of encouraging efficiency? Wouldn't it be cheaper?**

Experience has shown that energy efficiency is a cost-effective way to help meet the community's energy needs. It's one part of our overall generation strategy, along with acquiring more renewable energy and firming resources through the FlexPOWER Bundle. Some of the benefits of energy efficiency is we can meet our energy needs without taking on long term debt or increasing operations and maintenance expense. In addition, by avoiding a long-term commitment to a power plant, we're able to mitigate risk, build in more flexibility, and reduce our environmental impact. Our approach to energy efficiency is no different than the WaterSaver landscape effort to reduce water usage and what the auto industry is doing with electrification and improved mileage efficiencies.

**18. How is CPS Energy going to address the growing demand for electric vehicles through this program?**

The transition to sustainable transportation will be a multi-pronged effort which includes CPS Energy, the City of San Antonio, Bexar County as well as private businesses. CPS Energy will take the lead with programs like our managed charging program that is a part of this proposal. Managed charging helps reduce the utilization of the electric grid when it is most stressed and compensates customers for participation.

**19. Are we applying for grants to support more programs for LMI customers?**

Yes, we are pursuing additional sources of funds for low income programs including federal grants. This is a change in policy as we have not traditionally sought federal funds. We anticipate working closely with federal and state resources to identify additional funding options to expand the number of homes that may qualify for weatherization, including those that may need small repairs. For example, we recently applied to the U.S. House Committee on Appropriations Community Project Funding (CPF) and are waiting to hear back on the application.