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STATEMENT OF THE TECHNICAL & COMMUNITY ADVISORY COMMITTEE OF THE SAN ANTONIO CLIMATE ACTION AND ADAPTATION PLAN (CAAP)

DRAFT // 1-11-22

Foreword/Introduction

CPS Energy provides an essential service to the City of San Antonio and its residents as the primary supplier of utility electricity, providing reliable power at affordable rates, and planning responsibly for an uncertain future of population growth, energy needs, extreme weather, and emerging technologies. CPS has also been a leader in environmental sustainability; a trailblazer among utilities across the United States in its early and aggressive adoption of renewable energy. CPS should be rightfully credited as the single most impactful company at reducing San Antonio's collective greenhouse gas emissions to-date. With stationary emissions tied to electricity generated by CPS as one of the single largest sources of San Antonio's emissions today, it is equally clear that CPS's short- and long-term power generation plans are intrinsic to San Antonio's future emissions reduction goals, as well as the public health of its citizens.

The Role of the Climate Technical Community & Advisory Committee

In 2019, San Antonio City Council passed the Climate Action & Adaptation Plan (CAAP), committing the city to achieving net-zero emissions by 2050, with emissions reduction targets identified by sector, and interim milestones established to track progress along the trajectory to the ultimate goal of carbon neutrality. The Technical and Community Advisory Committee was formed to advise City Council on policies and strategies which can advance this plan, as well as identifying policy decisions that would jeopardize achieving City-approved CAAP targets.

The Rate Advisory Committee and its Process

CPS Energy has repeatedly reiterated their commitment to the CAAP and supported a Rate Advisory Commission (RAC) to identify and convey community priorities as CPS considers its resource planning and rate-setting responsibilities. CPS Energy, City leadership, and members of the RAC themselves should be commended for the transparent, accessible, and in-depth fashion with which this process was designed and executed. Chair Reed Williams successfully managed a complex, contentious, but ultimately productive and respectful process.

While the Climate Technical Advisory Committee was neither formally included in the RAC process nor asked to provide any assessment of the impact CPS power generation plans would have on the City's CAAP goals, we feel it is integral to our charge to share key observations, given the out-sized impact CPS's generation planning will have on San Antonio's future emissions, economic impact, and environmental sustainability.

Community Priorities and the Top Performing Portfolio

The resource planning objectives, modelling and scoring methodologies, and external oversight included in the RAC process improved the Commission's ability to make informed decisions and increased the trust that San Antonio residents can place in the resulting analysis. In particular, the RAC's decision to identify, define, and apply weighted-scoring of different objectives to best-convey community priorities to CPS was especially innovative and valuable to help decision-makers properly understand how the sophisticated modelling provided by Charles Rivers Associates (CRA) should be evaluated. Table 1 shows the results of the RAC's weighted scoring in order of overall performance, indicating which portfolio (or energy pathway) best aligned with community priorities.

Portfolios	System Reliability	Environmental Sustainability	Affordability	System Flexibility	Workforce Impact	Total Weighted Score
Weighting	**37%**	**27%**	**24%**	**10%**	**2%**	**100%**
P9	1.01	0.88	0.98	0.31	0.03	3.21
P2	1.29	0.71	0.49	0.41	0.06	2.95
P4	1.19	0.62	0.65	0.41	0.06	2.94
P8	1.10	0.88	0.49	0.20	0.03	2.71
P5	0.92	0.88	0.65	0.20	0.02	2.68
P1	1.01	0.53	0.65	0.41	0.06	2.66
P3	0.73	0.88	0.65	0.20	0.03	2.49
P6	0.46	1.06	0.57	0.10	0.05	2.24
P7	0.46	1.06	0.57	0.10	0.05	2.24

Table 1 – Final portfolio weighted scores, showing ranked order and quartiles.

The Technical Advisory Committee is concerned that these values were not the basis of CPS's recommendations or the source of CPS-defined 'top performing portfolios.' As a result, the CPS Board may not be aware that Portfolio 9 was the highest-scoring portfolio when community priorities as defined by the RAC were properly taken into account, or have best-visibility on its strong performance within high-priority categories when compared to other portfolios.

Despite these challenges, it is significant to note that CPS' modelling conclusively shows that there is an available option (P9) based on existing technology that exceeds CPS's reliability threshold, offers a greater diversity of energy sources (reducing CPS reliance on the natural gas supply chain without eliminating natural gas from its operations), while also being the most-affordable of all modeled portfolios through 2030. This same portfolio (P9) also achieves both CAAP 2030 and 2040 targets, and puts the 2050 net-zero goal within reach. Even more than that, it cuts emissions deeply enough before 2030 that it will create room for other, harder-to-mitigate CAAP sectors, like transportation, to improve their own emissions reductions over time without pushing San Antonio as a whole above its collective 2030 target.

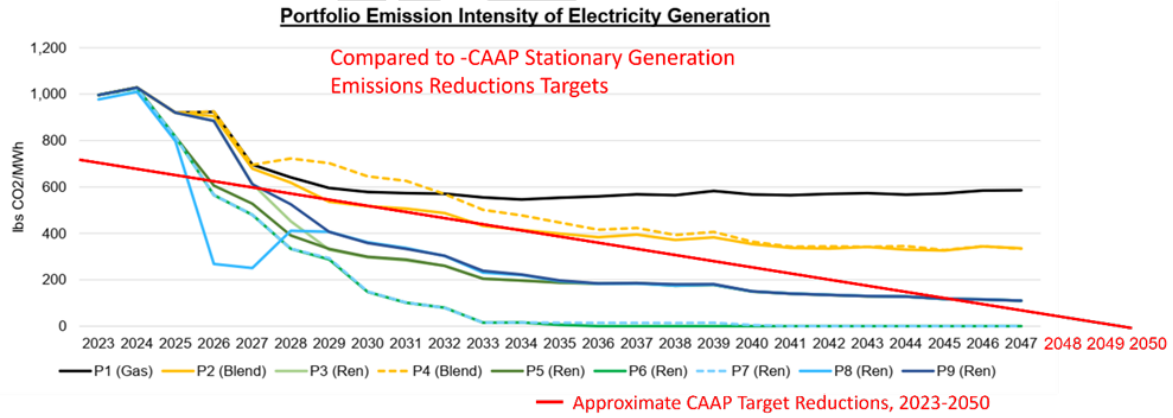
Ultimately, this offers an opportunity to reduce future utility costs to San Antonio residents, provide service above CPS's stated reliability requirements, and reduce reliance on increasingly volatile fuels like natural gas- - while also achieving near- and long-term climate objectives. This is backed up by the modelling of CPS and its consultants, Charles River Associates (CRA).

Remarkably, this performance could be even further improved upon though enhancing STEP efforts, which CPS and CRA modelling also showed to improve energy efficiency, reduce related emissions, and produce net-positive financial benefits to the community.

Concerns with Other Portfolio Options

Despite all the evidence and indicators pointing to P9 as a safe, reliable, affordable, and climate-positive generation plan, 13 members of the RAC chose to recommend a different pathway. Portfolio 2 will cost San Antonio rate payers more, and puts them at risk of further price increases in normal and extreme weather due to the increasing volatility of natural gas prices. It invests heavily in new capital gas generation assets, reducing the diversity of CPS's generation mix and exacerbating the vulnerability to gas supply and price spikes. As Burns & McDonnell note in their **Review of Power Supply Study** on December 6th, a "diverse mix of different technologies help[s] offset any risk associated with any given technology." Diversification is a key risk mitigation strategy in any business, and CPS is no exception.

While P2 does - just barely - reach the 2030 CAAP target for stationary emissions, it is not in any way 'aligned' to the CAAP, which explicitly calls for an urgent downward trajectory toward 2050 net-zero target (see Graph 1). By CPS's own modelling, P2 only gets below the CAAP trajectory in the final year of this decade, and positions San Antonio to fail future CAAP targets past 2035. If selected, this pathway will force future San Antonians to shoulder the necessary costs of converting or shutting newly-built gas facilities in order to re-align with the CAAP. These costs are not factored into CPS's modeling of the portfolio 2, which already has among the worst combined affordability score of any tested portfolio.



Graph 1 – expected portfolio emissions, 2023-2047.

Conclusion

The San Antonio Climate Action and Adaptation Plan calls our community, and partners like CPS Energy, to do everything we reasonably can to quickly and significantly cut our near- and long-term greenhouse gas emissions. CPS and CRA have shown that a more environmentally sustainable approach, as represented by P9 or something similar, can achieve the CAAP targets, exceed CPS's reliability thresholds, and produce the most affordable pathway for San Antonio

ratepayers. While this is not the pathway that a slim majority of RAC members chose to recommend, the CPS Board should consider the totality of concerns and the community priorities determined and weighted through the RAC's thorough and inclusive process, and its own stated commitment to achieving the CAAP in making its final decision.

The SA Climate Ready Technical and Equity Advisory Committees are available to provide support on this important topic. Out of respect for the community-driven process, we also welcome the RAC's third-party reviewer, Burns & McDonnell, to evaluate this statement.