

CPS ENERGY
Quarterly STEP Report to the
CITY OF SAN ANTONIO

1st QUARTER
FOR CPS ENERGY FISCAL YEAR 2012

Prepared June 2011

Executive Summary

Ordinance 2009-05-21-0399 authorizes the funding of the CPS Energy conservation and sustainability STEP (Save for Tomorrow Energy Plan) program. The STEP Program is a demand management program designed to encourage customers to improve the energy efficiency of their homes, buildings and processes, thereby saving electricity and reducing system demand. The goal of the program is to save 771 megawatts (MW) of demand between 2009 and 2020. The 771 MW is equivalent to the amount of energy produced by a large power plant on an annual basis. To put this into perspective, the CPS Energy Spruce 1 power plant generates 575 MW and the newest Spruce 2 generates 750 MW of electricity.

In the short term, customers enjoy the benefits of a reduction in overall system fuel costs, which will produce savings for all customers. Those participating proactively in the programs like installing high-efficiency air conditioning/heating units, installing a Peak Saver programmable thermostat, and home efficiency updates will lower their energy use and monthly bills. In the long term, customers will benefit from a delay in the need for additional generation capacity and the rate increases to support the additional capacity. In addition, approximately 111 contracting firms have participated in our commercial and industrial rebate programs, 665 contracting firms have participated in our residential rebate programs, and 24 contracting firms have participated in our solar rebate programs.

For the purpose of accountability and transparency, specific procedures have been outlined and noted in the City Ordinance. The quarterly reports are part of the accountability procedures used to assist City staff in evaluating the program in savings and total costs, which are estimated at \$849 million. The annual cost ranges from \$12.3 million to over \$77 million, with approximately \$8 million of which is currently recovered in the base rates and the remaining amount would be recovered through an adjustment in the fuel surcharge.

Since inception in CPS FY2009, CPS has a cumulative reduction of approximately 257 MW or 257,800 kilowatts (kW) of energy demand. The bulk of the energy reduction is from the CFL Program, which accounts for approximately 115 MW (115,142 kilowatts) or 45% of the reduction. The CFL Program has been phased out due to market saturation of CFL bulbs in 2010. New STEP programs have been introduced which include New Residential Construction, New Commercial Construction, Refrigerator Recycling, Lean Clean Energy and Commercial Kitchen Equipment.

Program Expectations

The use of demand side management energy programs such as STEP enables customers who participate directly in the program to lower their utility bills almost immediately. Those customers who do not directly participate still benefit in the short run because

lower kilowatt per hour system usage will reduce overall system fuel costs and produces fuel savings to all customers. All customers benefit in the long term as CPS will be able to postpone the need for building additional generation capacity and raising utility rates to finance the construction of new generation. For FY2012 the goal is to reduce the growth of peak demand by 58 MW (58,000 kilowatts).

Another program expectation exhibited in the City Ordinance is the STEP Funding Accountability Procedures CPS must follow. The procedures are listed below:

- All funds collected for STEP programs, either from base rates or through the fuel adjustment, must be accounted for separately.
- CPS Energy shall provide an annual report, prepared by an independent third party consultant, to the City which quantifies the kilowatt savings from STEP expenditures by customer class and other measures deemed necessary by the City.
- Based on the report provided and the amount of STEP expenditures determined to be eligible for recovery through the fuel adjustment, CPS Energy will calculate the annual kilowatt per hour charge. It will be reviewed and approved by City staff before implementation of the kilowatt per hour charge.
- City staff will monitor the recovery through the fuel adjustment on a monthly basis. Annually, the amount of under or over recovery, if any, will be determined and the fuel adjustment will be adjusted accordingly to ensure that only the amount of eligible STEP expenditures are recovered.
- CPS Energy must maintain documentation of all STEP expenditures, by customer class and other measures deemed necessary by the City.
- CPS Energy shall provide quarterly reports to the City staff which show year to date STEP expenditures by program and customer class, funds accumulated and estimated kilowatt savings and other measures deemed necessary by the City.
- Examples of detailed quarterly report information include but are not limited to the following: number of kilowatt saved by customer class and program type; the number of participants and contractors; geographic area and council district program activity; and, total costs/expenditures by program type.
- CPS Energy shall provide an annual report to the City which shows the incentive payments made as a result of the Commercial Demand Response program for the prior twelve months and other measures deemed necessary by the City.
- A quarterly report detailing information shall be made available to the public with sufficient protection regarding confidential information as deemed necessary by the City.

Funding Recovery

The total cost of the STEP Program during the 2009 to 2020 time period is estimated at \$849 million with an annual cost ranging from \$12.3 million to over \$77 million, of which approximately \$8 million annually is to be recovered in base rates. The remaining annual amount would be recovered through an adjustment in the fuel surcharge. The

cost recovery would occur in the following fiscal year and be subject to third party review and verification of incremental kilowatt reduction. Customers could offset the additional costs of these fuel surcharges by implementing some of the STEP energy efficiency measures.

The CPS Energy fiscal year runs from February 1st through January 31st, and the fiscal year is denoted by the year in which the fiscal year ends. For example, CPS FY 2009 would be the period from February 1, 2008 through January 31, 2009.

For the CPS FY 2009, STEP expenditures totaled \$11,489,514, and after removing the \$8 million of base rate recovery, there was \$3,489,514 to be recovered in the adjustment to the fuel surcharge. As of July 31, 2010, CPS had the following recoveries for this adjustment:

Recoverable Amount	Amount Recovered as of 07/31/10	Under/(Over) Recovery
\$3,489,514	\$4,060,315	(\$570,801)

For the calculation of the FY 2010 adjustment to the fuel surcharge listed below, a majority of this Over Recovery was taken into account, and the remaining amount will be taken into account when the FY 2011 fuel surcharge adjustment is calculated.

FY	Incremental STEP Cost	Recovery Period	Est. Monthly Impact on Fuel Charge		
			Residential Impact per 1,000 kWh		
			STEP	Fuel Savings	Net
2009	\$3.5M	Jul09-Jul10**	\$0.21	(\$0.21)	\$0.00
2010	\$11.7M	Aug10-Jun11	\$0.77	(\$0.41)	\$0.36

**Note: Recovery Period for FY 2009, originally Jul09-Jun10, was extended thru Jul10 while City staff evaluated FY 2010 expenses.

As noted above, a new STEP recovery factor was implemented in August 2010, with recovery going through June 2011. This recovery factor was based on the CPS FY2010 STEP expenditures of \$20,442,063, and once the base rate recovery and the over recovery from the previous period was removed, this left \$11,671,707 to be recovered in the adjustment to the fuel surcharge. The following table shows the status of this recovery from August 2010 through April 2011:

Amount to be recovered Aug 2010 – Apr 2011	Amount Recovered Aug 2010 – Apr 2011	Under/(Over) Recovery
\$9,456,866	\$9,881,637	(\$424,771)

Residential Programs

Compact Fluorescent Lamps (CFL) Program – The CFL program has been phased out; however CPS Energy continues to distribute 10,000 to 15,000 CFL bulbs annually through various customer events like National Night Out and Earth Day Celebrations. Additionally, upon request CPS Energy will donate a small number of CFL bulbs to organizations that will utilize them to promote energy efficiency within our customer service area.

Home Efficiency Program – targets a wide range of energy efficiency measures that save cooling and heating energy in existing homes.

HVAC Program – offers incentives for the purchase of eligible high efficiency central air conditioners, heat pumps and room air conditioners.

Peak Saver Program – a residential air-conditioner demand response control program. CPS Energy will install a free Honeywell programmable thermostat in participating customers' homes when they enroll in the program. The thermostat is used by CPS to cycle off the compressor of participating air conditioners during periods of peak demand throughout the summer (May – September).

Solar Photovoltaic & Water Heaters – offers incentives for the installation of both solar photovoltaic systems and solar water heaters.

New Residential Construction – offers incentives to developers to build at least 15% more energy efficient than current CoSA building codes.

Refrigerator Recycling – offers incentives to homeowners to recycle old/extra refrigerators and freezers to remove inefficient appliances from use.

Commercial Programs

Lighting – offers incentives to customers who install efficient lighting in their facilities. Incentives are offered for both retrofit and new construction projects.

HVAC Program – offers incentives for the installation of high efficiency unitary AC equipment, heat pump and chillers.

Roof Coating Programs – offers incentives for the installation of reflective roofing.

New Commercial Construction – offers incentives to developers to build at least 15% more energy efficient than current CoSA building codes.

Lean Clean Energy – offers incentives for industrial customers to evaluate their energy use and make efficiency upgrades.

Commercial Kitchen Equipment – offers incentives for upgrades to more efficient cooling equipment including ice makers.

Other Commercial Programs – includes incentives for the installation of custom projects, mainly involving the installation of efficient commercial kitchen appliances.

CPS FY2012 1st Quarter STEP Report

Attachment A illustrates the kW reduction and dollars expended for the various commercial and residential efficiency and demand response programs. This data is presented for the 1st Quarter only. Since the fiscal year for CPS Energy runs from February 1st to January 31st, the 1st Quarter covers February 1, 2011 through April 30, 2011.

Attachment B shows the cumulative number of rebates broken down by City Council District. The table shows the numerical values, and the charts are a graphical representation of the numerical data. This attachment does not include Peak Saver, Demand Response installations, as these are demand response programs and not energy efficiency per se, nor does it include New Construction installations as these rebates are provided directly to home builders and not to individual customer accounts.

Attachment C shows the cumulative rebate dollars broken down by City Council District. The table shows the numerical data, and the charts are a graphical representation of the numerical data. This attachment does not include Peak Saver, Demand Response installations, as these are demand response programs and not energy efficiency per se, nor does it include New Construction installations as these rebates are provided directly to home builders and not to individual customer accounts.

Attachment D illustrates the cumulative rebate locations overlaid on a map of Bexar County and the City Council Districts. As with Attachments B – E, Peak Saver installations are not included in the data, as Peak Saver is a demand response and not an energy rebate program.

Attachment E illustrates the cumulative rebate locations overlaid on the various census tract income segments.

Attachment - A

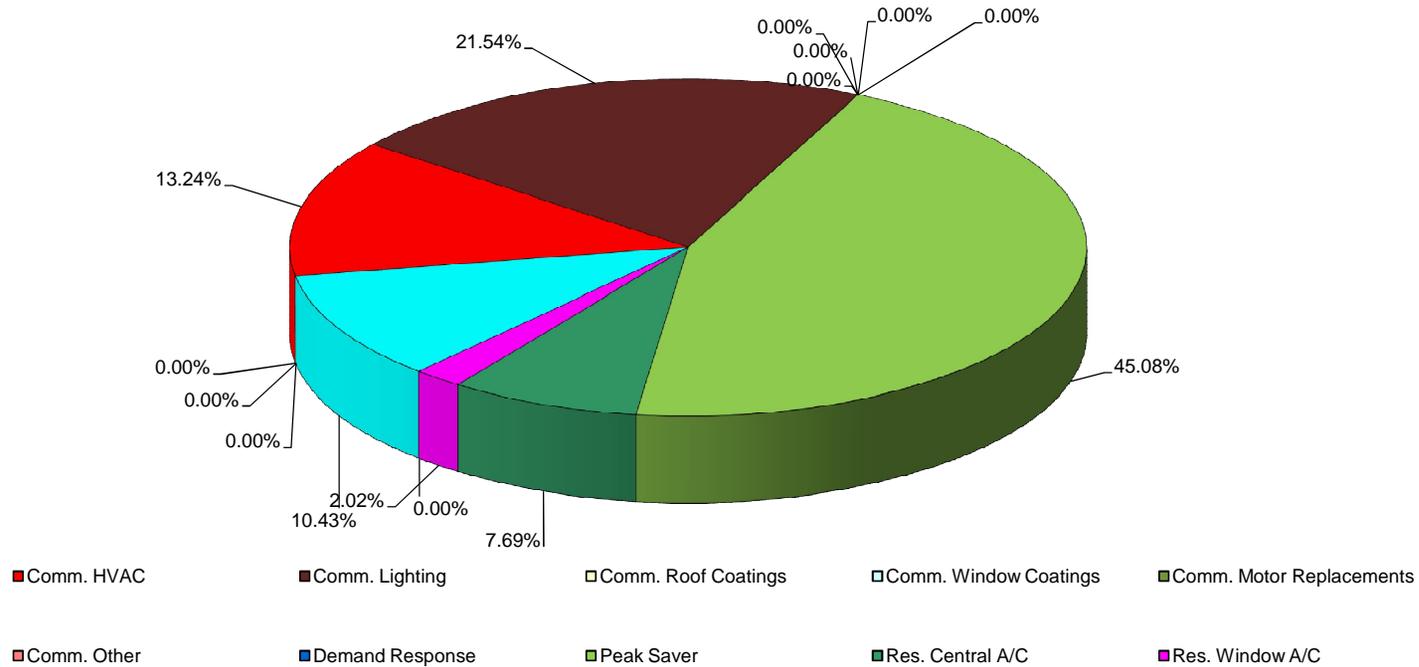
1st Quarter Energy Efficiency & Demand Response Summary Through April 30, 2011



	Comm. HVAC	Comm. Lighting	Comm. Roof Coatings	Comm. Window Coatings	Comm. Motor Replacements	Comm. Other	Demand Response	Peak Saver	Res. Central A/C	Res. Window A/C	New Construction	Res. Solar	Res. Home Efficiency	Res. Air Flow	Refrigerator Freezer Recycling	Total
kW reduction	1325.01	2156.21	0.00**	0.00**	0.49	0.00	0.00	4512.80	769.68	202.04	0.00	1044.24	0.00	0.00	0.00**	10,010
Rebate Dollars	\$775,916	\$1,436,362	\$4,988	\$0	\$73	\$0	\$0	\$2,216,985	\$579,344	\$39,550	\$125,900	\$2,303,056	\$124,834	\$65,792	\$37,765	\$7,710,565

** kW savings calculated at completion of M&V Report

kW reduction *



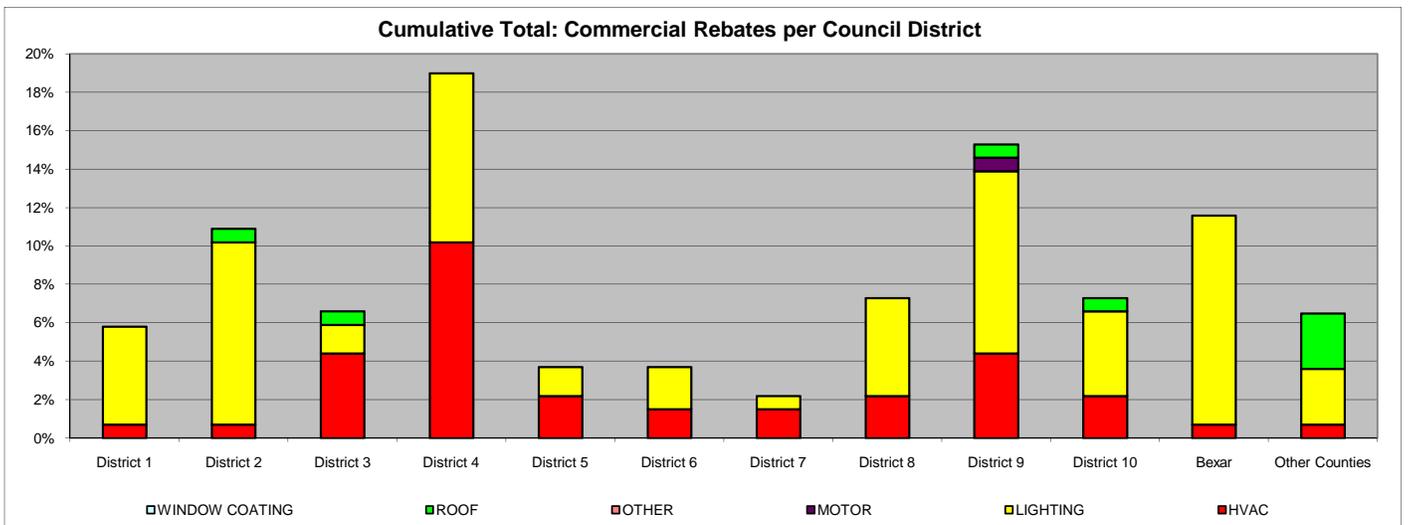
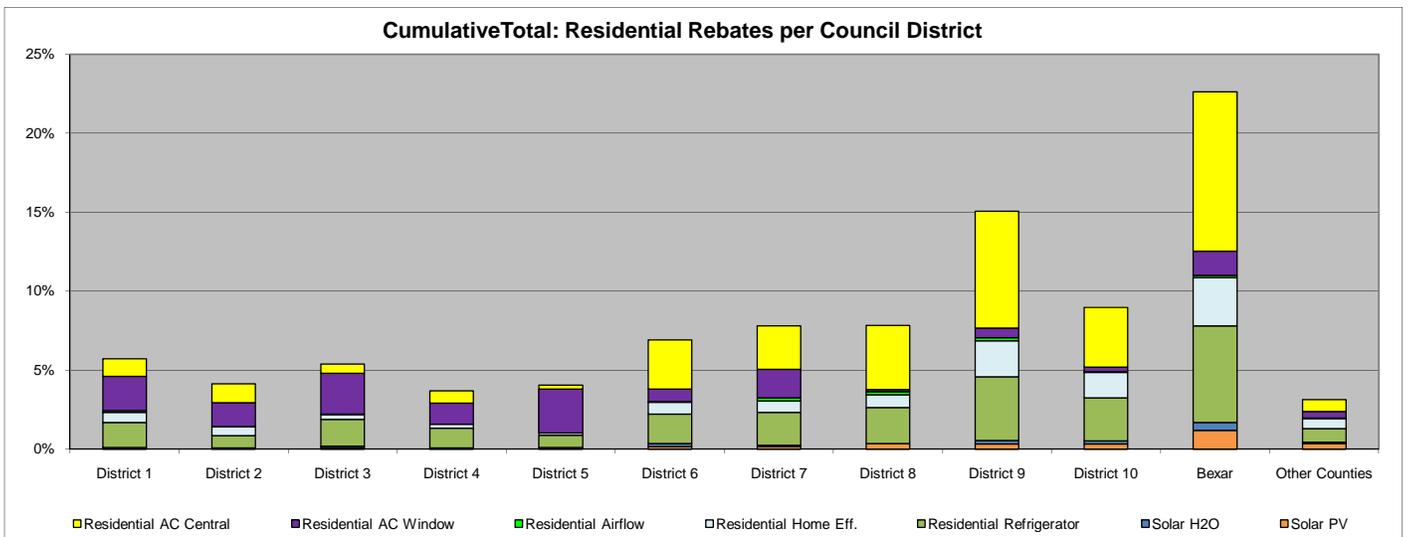
* RESULTS HAVE NOT BEEN AUDITED. FINANCIAL INFORMATION CONTAINED WITHIN THE STEP QUARTERLY REPORT SOLELY REFLECTS THE REBATES ALLOCATED IN ACCORDANCE TO CPS ENERGY CUSTOMER DEMAND. THIS FINANCIAL INFORMATION IS ONLY A PORTION OF THE TOTAL STEP EXPENDITURES. ACTUAL STEP EXPENDITURES, CONFIRMED BY AN INDEPENDENT THIRD-PARTY, ARE STATED WITHIN THE ANNUAL STEP MEASUREMENT AND VERIFICATION (M&V) REPORT. THE INFORMATION AND DATA PROVIDED ON THE REPORT IS PROVIDED FOR REFERENCE PURPOSES ONLY AND IS PROVIDED TO THE USER OF THIS REPORT "AS IS" WITHOUT ANY WARRANTIES OF ANY TYPE, EXPRESS OR IMPLIED. CPS ENERGY DOES NOT WARRANT, REPRESENT OR GUARANTEE THAT THE INFORMATION OR DATA PROVIDED IN THIS REPORT IS CORRECT, ACCURATE OR FIT FOR ANY PARTICULAR USE OR PURPOSE BY USER OF THIS REPORT AS OF THE DATE THE REPORT IS PROVIDED TO USER OR OTHERWISE.

Attachment - B

Cumulative Rebates by Council District Summary Feb 1, 2011 - Jan 31, 2012



Cumulative Total	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	District 10	Bexar	Other Counties	Total
HVAC	1	1	6	14	3	2	2	3	6	3	1	1	43
LIGHTING	7	13	2	12	2	3	1	7	13	6	15	4	85
MOTOR	0	0	0	0	0	0	0	0	1	0	0	0	1
OTHER	0	0	0	0	0	0	0	0	0	0	0	0	0
ROOF	0	1	1	0	0	0	0	0	1	1	0	4	8
WINDOW COATING	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	8	15	9	26	5	5	3	10	21	10	16	9	137
Residential - AC Central	33	35	17	23	7	91	81	119	217	111	296	22	1052
Residential - AC Window	64	44	76	39	82	23	53	4	18	8	45	12	468
Residential - Airflow	3	1	1	0	0	2	6	6	6	2	4	1	32
Residential - Home Eff.	19	16	9	7	4	22	21	24	67	47	90	19	345
Residential - Refrigerator	46	23	50	37	23	55	61	67	118	80	180	25	765
Solar - H2O	0	0	3	0	0	6	3	0	7	6	14	3	42
Solar - PV	3	2	2	2	3	4	4	10	9	9	35	10	93
	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumulative Total	176	136	167	134	124	208	232	240	463	273	680	101	2,934



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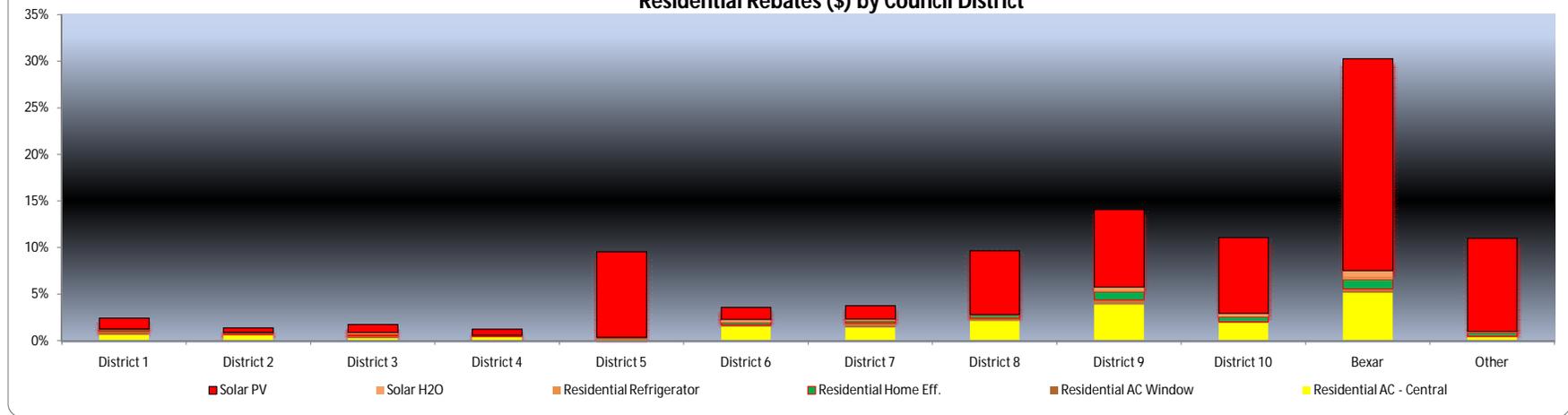
Attachment - C

Cumulative Feb 1, 2011 - Jan 31, 2012 Rebates \$ by Council District

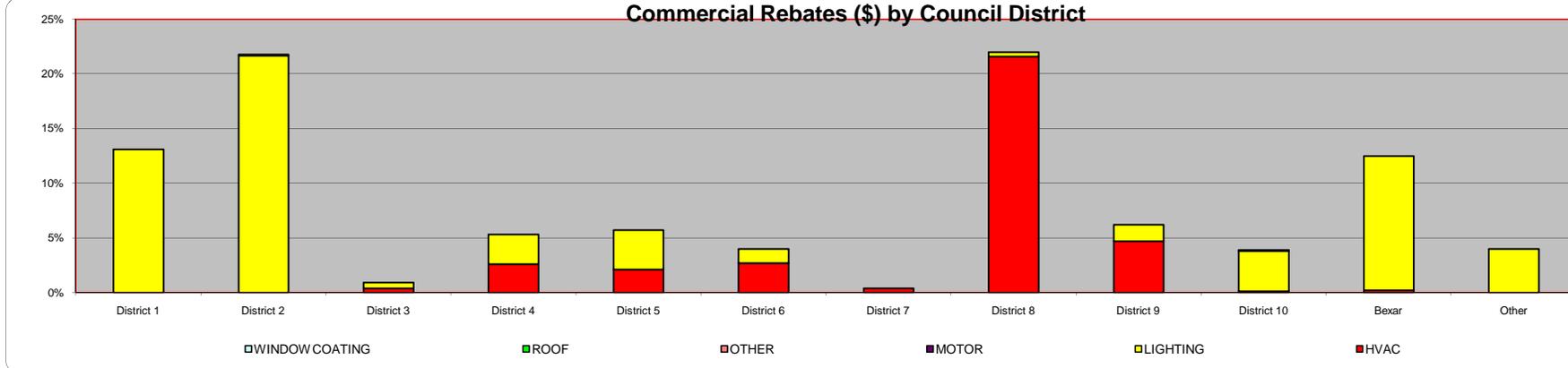


Rebate Dollars (\$)													
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	District 10	Bexar	Other	Total
HVAC	\$813	\$488	\$9,038	\$56,775	\$47,250	\$60,764	\$8,550	\$478,988	\$104,990	\$2,738	\$5,200	\$325	\$775,916
LIGHTING	\$290,882	\$480,787	\$10,578	\$59,147	\$79,127	\$28,160	\$1,004	\$8,146	\$32,686	\$83,074	\$273,437	\$89,334	\$1,436,362
MOTOR	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$73	\$0	\$0	\$0	\$73
OTHER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ROOF	\$0	\$2,000	\$270	\$0	\$0	\$0	\$0	\$0	\$702	\$1,184	\$0	\$832	\$4,988
WINDOW COATING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial Total	\$291,695	\$483,275	\$19,886	\$115,922	\$126,377	\$88,924	\$9,554	\$487,134	\$138,451	\$86,995	\$278,637	\$90,491	\$2,217,339
Residential - AC Central	\$19,923	\$17,608	\$8,973	\$11,855	\$3,660	\$47,155	\$44,994	\$68,078	\$122,751	\$59,413	\$162,884	\$12,053	\$579,344
Residential - AC Window	\$5,700	\$3,900	\$6,600	\$3,400	\$7,050	\$1,950	\$4,400	\$250	\$1,150	\$550	\$3,550	\$1,050	\$39,550
Residential - Airflow	\$7,462	\$2,075	\$2,346			\$3,954	\$10,190	\$8,082	\$14,732	\$4,173	\$10,028	\$2,750	\$65,792
Residential - Home Eff.	\$5,750	\$4,660	\$3,294	\$1,575	\$562	\$7,775	\$6,819	\$9,719	\$27,135	\$16,514	\$30,960	\$10,072	\$124,835
Residential - Refrigerator	\$2,360	\$1,135	\$2,475	\$1,900	\$1,195	\$2,615	\$2,945	\$3,160	\$5,695	\$3,885	\$9,010	\$1,390	\$37,765
Solar - H2O	\$0	\$0	\$4,356	\$0	\$0	\$8,712	\$4,330	\$0	\$10,043	\$8,767	\$21,810	\$4,613	\$62,631
Solar - PV	\$35,890	\$14,834	\$27,504	\$20,127	\$289,410	\$41,432	\$45,114	\$215,914	\$262,868	\$256,319	\$715,771	\$315,241	\$2,240,424
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential Total	\$77,084	\$44,211	\$55,547	\$38,857	\$301,877	\$113,593	\$118,792	\$305,203	\$444,374	\$349,620	\$954,013	\$347,169	\$3,150,341
Total	\$368,779	\$527,486	\$75,433	\$154,779	\$428,254	\$202,517	\$128,346	\$792,337	\$582,825	\$436,615	\$1,232,650	\$437,660	\$5,367,680

Residential Rebates (\$) by Council District

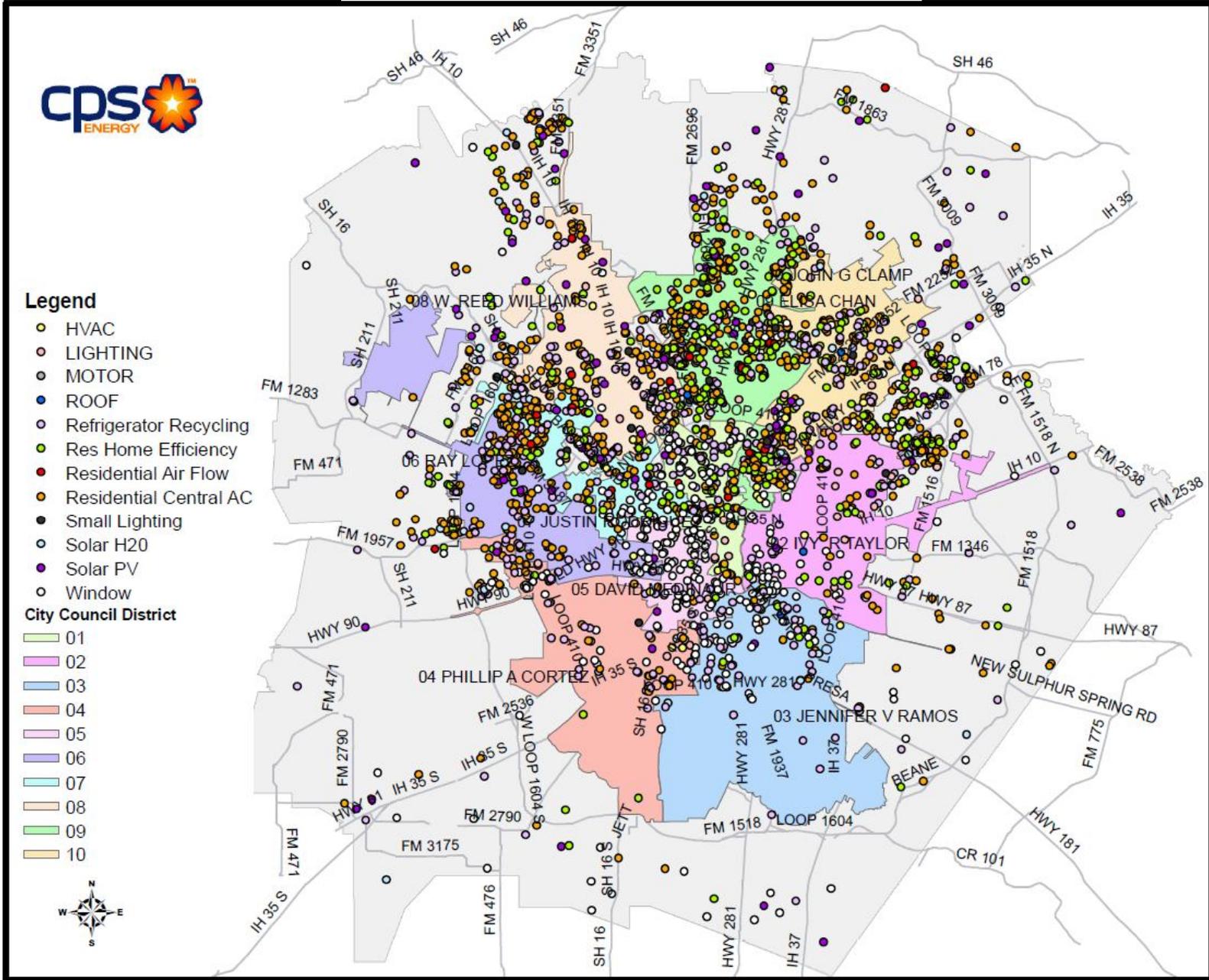


Commercial Rebates (\$) by Council District



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Rebates by Council District
Quarter 1 Fiscal Year 2012



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