



A No-Bid Natural Gas Contract is Risky for CPS Energy Customers

At the October 28 CPS Energy board meeting, staff indicated that they are seeking board approval to negotiate a 10-year no-bid contract with an unnamed, hand-picked company for a natural gas-fired power plant. The contract would be for two 250 megawatt blocks of capacity, with one block starting in 2020 and the other in 2021. CPS Energy hopes to negotiate both contracts to run through 2030. The utility plans to use a competitive bid process for additional solar and battery storage capacity.

Entering into a financial commitment of this magnitude and duration without soliciting competitive proposals risks wasting ratepayer money. CPS Energy customers will pay for any excessive costs. As a city-owned utility, CPS Energy should be especially attuned to this risk. It should seek competitive bids for all major purchases to ensure ratepayers are protected.

Why have utility staff determined that natural gas capacity will serve its needs best? CPS Energy staff appear to want additional flexible, or dispatchable, electric generating capacity. This may not actually be needed in the short term, but assuming it is, a better approach is to issue an all-source RFP, listing requirements such as capacity, dispatchability, flexibility, and any other criteria and allow companies to submit proposals that include the resources that would be most cost competitive. Perhaps a large battery charged by inexpensive wind and/or solar would be cheaper than natural gas. Other utilities have used these types of technology-neutral request for proposals with great success.

CPS Energy staff have requested approval to negotiate with the unnamed company they have selected before the end of the year. The board should give this request thoughtful consideration and discussion and demand a competitive and transparent procurement process for this large financial commitment. Customers are counting on the board to protect them from unnecessary rate hikes.

Please contact Kaiba White (kwhite@citizen.org, 607-339-9854) with any questions.

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RESPONSE TO PUBLIC CITIZEN FROM CPS ENERGY:

For approximately three years, we have been in the community talking about the future of energy. These discussions were filled with input from diverse stakeholders, including the environmental stakeholder group, and helped us develop our **Flexible Path** strategy. The input also included **People First!** Community Fairs, numerous focus groups, and helpful customer surveys. Periodically, this input and feedback has been and will continue to be shared via our website. Detailed information including presentations, public comment cards, Q&As and full transcripts from our Board Input Sessions can be found on our website at: <https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-public-input-sessions.html>

As a result of the public input we received, in July 2019, we proposed the **FlexPower** Bundle, which is a blended power approach for adding incremental generation resources. The **FlexPower** Bundle considers adding up to 900 MW of solar, up to 50 MW of energy storage, and up to 500 MW of a leased natural gas resource. At the October 28, 2019 CPS Energy Board meeting, CPS Energy did not request board approval to “negotiate a 10-year no-bid contract with an unnamed, hand-picked company for a natural gas-fired power plant.” The proposed approach for adding all **FlexPower** Bundle resources will be through a competitive and transparent Request for Proposal process. The **FlexPower** Bundle is intended to be a diversified solution set, including some emerging technologies, that recognizes today’s renewables alone cannot support all our community’s customers consistently and reliably, 24/7/365. And in proposing this, we continue our public input process of receiving feedback and commentary on this approach. No decisions have been made.

As we continue receiving input, we consistently hear that we must provide **Affordable, Reliable, Safe, Secure, and Resilient** electric & natural gas services, while caring for the **Environment**. That is why we have proposed this blended approach. Taking too much traditional generation off the grid too fast could inadvertently disrupt the goals our community is trying to achieve. While we seek cleaner forms of energy production, we also have to ensure that our customers have consistent, reliable power particularly when the sun doesn’t shine and the wind doesn’t blow.

Solar power is very weather and time-of-day dependent, which is why natural gas generation is needed to compensate for when the sun does not shine. Therefore, the purpose of including the natural gas resource is to firm up the solar component of the **FlexPower** Bundle under all-weather or time-of-day conditions. We are currently considering the duration of the natural gas resource while taking into account new and emerging technologies that may surface in the near term.

Emerging energy storage technologies will certainly help, but they have not yet advanced far enough to become a cure-all. Energy storage, such as batteries, is still very costly per unit in comparison to solar and natural gas resources. The additional natural gas capacity in the **FlexPower** Bundle will be designed to proactively bridge to a time when energy storage can reach better pricing levels and increased energy discharge/use timeframes. While battery storage systems are currently being designed in the 4-hour duration range, we need to get longer timeframes to reliably compensate for when the sun does not shine. The **FlexPower** Bundle will strengthen the reliability of our generating fleet as we phase