



SOLAR REBATE UPDATE

INTRODUCTION BY:

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Informational Update

AGENDA

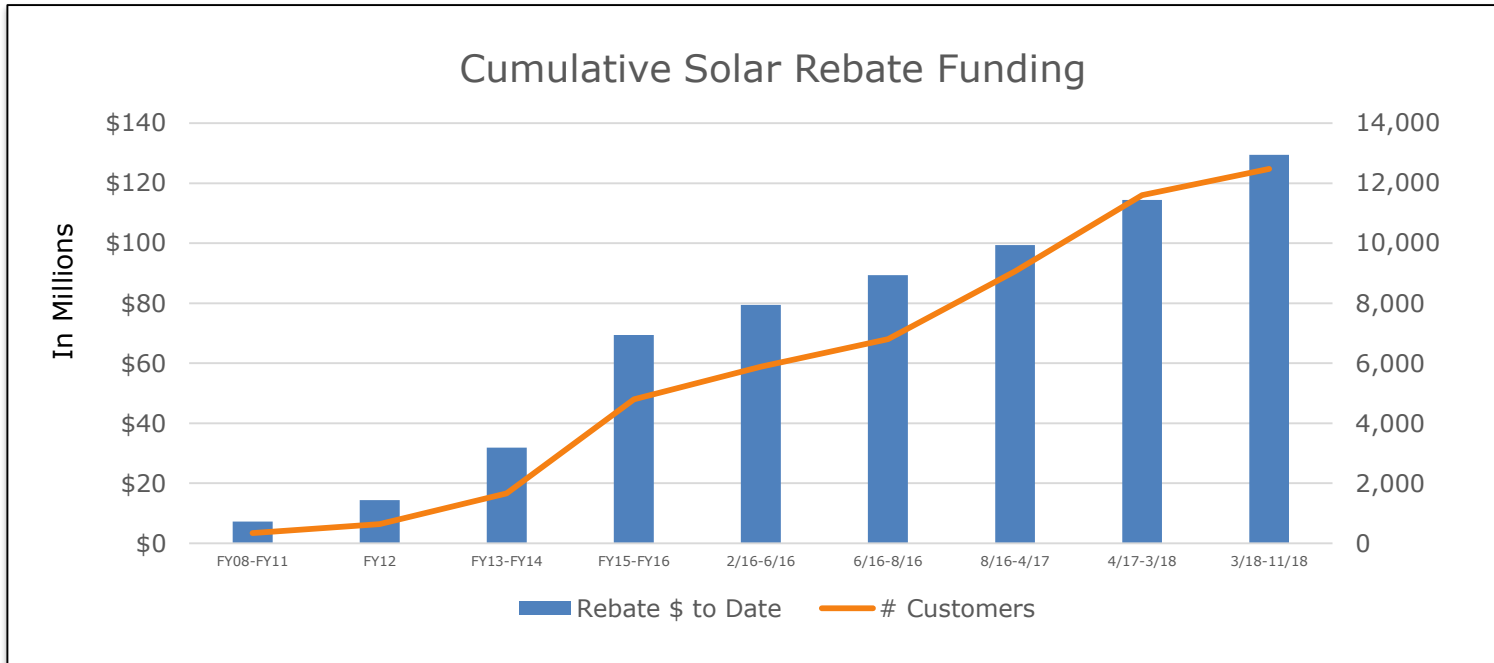


- **SOLAR REBATE HISTORY**
- **COST EFFECTIVENESS**
- **SOLAR ADOPTION**
- **PATH FORWARD**
- **REBATE EXTENSION**
- **BENCHMARKS**
- **COMMUNICATION PLAN**

SOLAR REBATE HISTORY



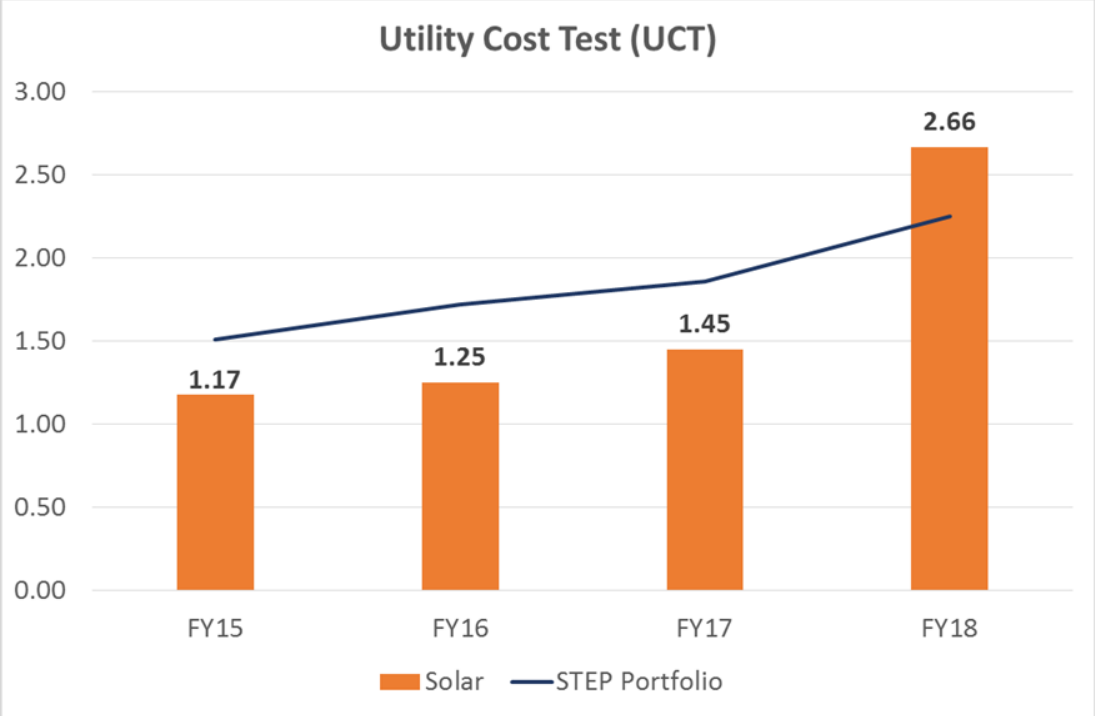
CPS Energy has supported growth of rooftop solar in our community with \$129M in STEP dollars



COST EFFECTIVENESS



Recalibrating incentive levels has made our solar rebates program highly cost effective



ROOFTOP SOLAR

CONTINUING POPULARITY

- In February 2018, we extended solar funding

| Tranche 5 | |
|---------------------------------------|-------------|
| Additional Funding | \$15M |
| Incentive Level | \$0.60/Watt |
| Additional Incentive for Local Panels | \$0.10/Watt |

- Customer demand remains strong
 - Applications are up 24% versus same period last year



Solar panels on customer residence

Current funding is projected to be fully allocated by mid-December 2018

SOLAR ADOPTION

The pace of solar activity remains strong with over 110 MW of customer-owned solar systems

| | |
|-----------------------|---------|
| Total Customers | 13,680* |
| Total Capacity | 110 MW |
| Registered Installers | 73 |
| Local offices | 53 |
| Employment | 976** |

* Includes approved projects in construction

**Based on employment numbers reported by registered installers



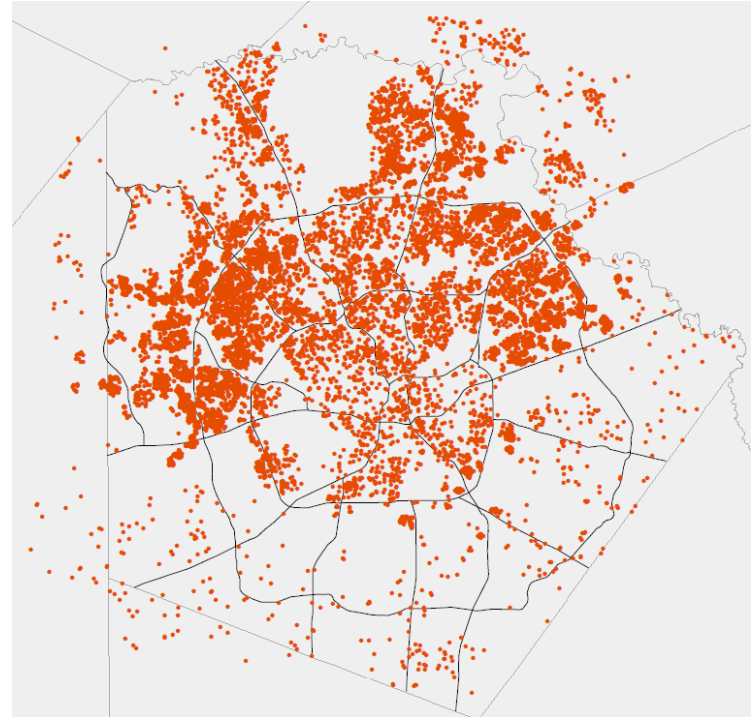
Rooftop solar installation at Alamo Beer Company

PATH FORWARD

We're making changes to the incentive structure to:

- Stretch funding to support more projects
- Make it easier for customers to understand the rebate
- Encourage smaller systems in less solar concentrated areas

Solar Customers – 2008 to Current



REBATE EXTENSION



By lowering incentive level, we're able to stretch funding to support more projects

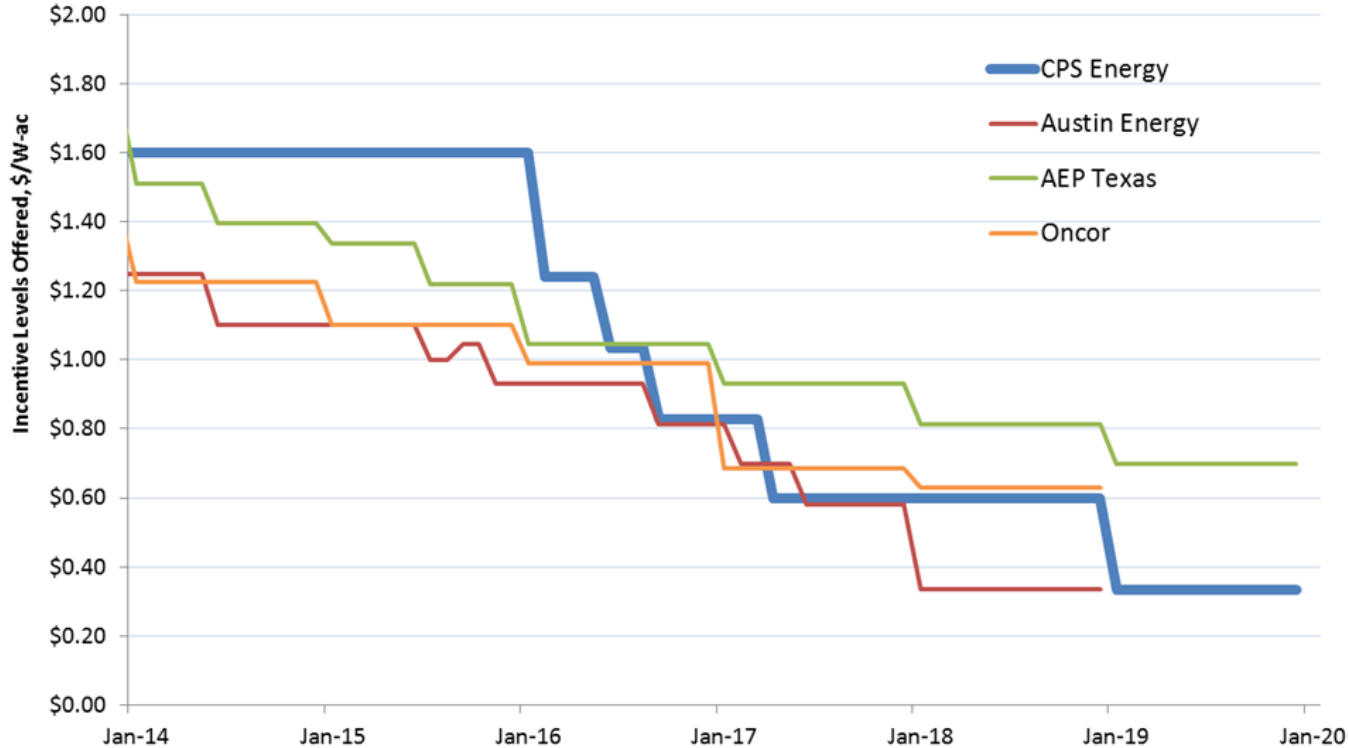
| | Current Program | Extension |
|------------------------|-----------------|---|
| Total Funding | \$15M | \$15M |
| Residential Incentive | \$0.60/Watt | <ul style="list-style-type: none">• First \$9M - \$2,500/Project• Next \$5M - \$1,500/Project |
| Commercial Incentive | \$0.60/Watt | <ul style="list-style-type: none">• First \$1M - \$0.60/Watt• >\$1M, incentive levels above apply |
| Local Module Incentive | \$0.10/Watt | \$500/Project |
| # Projects Funded | 3,050 | 6,200 |

Minimum system size of 1 kW. Rebate capped at 50% of project cost.

RESIDENTIAL BENCHMARKS



Texas Utilities Residential Solar Incentive Levels



2019 CPS incentive level based on average 7.5 kW system

Communicating the new solar funding



Nov 12:
Informational
update to
Board of Trustees

Late Nov:
Roll-out to
Solar Contractors

Mid Dec:
New program
takes effect at
expiration of
current funding



Thank You

Glossary

| Term | Definition |
|--------------------------------------|--|
| Fiscal Year (FY) | CPS Energy financial year from February 1 thru January 31. |
| Kilowatt (kW) | A measure of capacity to produce electric power. A kilowatt equals 1,000 watts. |
| Megawatt (MW) | A measure of capacity to produce electric power. A megawatt equals 1,000 kilowatts or 1,000,000 watts. |
| Million (M) | Abbreviation for million. |
| Save for Tomorrow Energy Plan (STEP) | CPS Energy's Save for Tomorrow Energy Plan (STEP) is an aggressive energy conservation program. The goal of the program is to save 771 MW of electricity between 2009 and 2020. |
| Watt | A measure of capacity to produce electric power. |
| Utility Cost Test (UCT) | Also known as the Program Administrator Cost Test (PACT), this test measures cost-effectiveness from the viewpoint of the sponsoring utility or program administrator. If avoided supply costs exceed costs incurred by the program administrator, average costs decrease. |