

**CPS ENERGY**  
**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES**  
**HELD ON JANUARY 23, 2023**

The Special Meeting of the CPS Energy Board of Trustees was held on Monday, January 23, 2023 in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

**I. CALL TO ORDER**

Chair Dr. Mackey called the meeting to order at 1 p.m.

Present were Board members:

Dr. Willis Mackey, Chair  
 Ms. Janie Gonzalez, Vice Chair  
 Mr. John Steen  
 Dr. Francine Romero  
 Mayor Ron Nirenberg

Also present were:

Mr. Rudy Garza, President & CEO  
 Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary  
 Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer  
 Ms. Evan O'Mahoney, Acting Chief Information Officer  
 Ms. Lisa Lewis, Chief Administrative Officer  
 Mr. Benny Ethridge, EVP  
 CPS Energy staff members  
 City of San Antonio officials  
 Interested Citizens

**II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE**

A safety message, invocation, and the Pledge of Allegiance were delivered by Ms. Nathalia A. Lopez, Legal Program Manager.

**III. PUBLIC COMMENT**

Several members of the public that provided comment on Item #4, generation planning.

Mr. Terry Burns (Sierra Club), Dr. Cyrus Reed (Sierra Club), Mr. Alexander Papanastassiou (Texas Physicians for Social Responsibility), Ms. Emma Pabst (Sierra Club), Ms. Selene Garcia (Southwest Workers Union). Ms. Jordan Iglesias (Sierra Club), Ms. Isabella Nieto (Citizen), Mr. Ryan Weber (Citizen), Mr. Alan Montemayor (Sierra Club), Ms. Lexy Garcia (Citizen), Mr. Leo Lopez (Southwest Workers Union), Mr. Jimmy Perkins (Citizen), Dr. Meredith Maguire (Sierra Club), Mr. Scott Kanski (Citizen), Dr. Neil Debagge (Assistant Professor, UTSA), Mr. Russell Seal (Citizen), Ms. DeeDee Balmares (Public Citizen), Mr. Aaron Arguello (MOVE Texas Action Fund), Rev. David Archibald (Citizen), Mr. Hera Marin (Citizen), and Ms. Diana Lopez (Citizen) spoke and overall stated the following:

- Appreciated the Board's anticipated decision to end power generation using coal.
- Requested the Board to consider expanding energy efficiency, distributed energy, and demand response programs.
- Requested the Board consider alternate rate structures, such as time of use.
- Requested that CPS Energy Convert Spruce to natural gas ahead of schedule, if possible.
- Requested the Board, to the extent natural gas is used, to use the best quality natural gas and ensure leak detection is used.
- Requested the Board review generation planning every 2-3 years to ensure current technologies and costs are appropriately modeled.
- Requested the Board take advantage of federal funding opportunities.
- Requested the Board to take steps to meet CAAP goals and expressed concern that blended portfolio P2 does not meet extended CAAP goals.
- Requested that the Board continue to evaluate options and move away from fossil fuels as soon as possible to address the urgency of climate change. Some of the speakers requested that the Board not select any generation plan that includes the use of natural gas due to health risks and the urgency of climate change.
- Some of the speakers urged the Board to adopt portfolio option P9 or another option that utilizes more renewable fuels.

Mr. Patrick Garcia, incoming Chair of the San Antonio Manufacturers Association (SAMA), stated CPS Energy's power generation should be safe, reliable, environmentally responsible, and affordable to all its customers. He stated SAMA is especially concerned about the balance between environmental responsibility and affordability, but if CPS Energy follows the same priorities as SAMA, he believes that the CPS Energy Board, management, staff, and advisory groups will make sound decisions.

Dave Peterson, Interim President & CEO of the San Antonio Chamber of Commerce, provided the Chamber's collective support for the P2 blended portfolio. He stated it is thoughtfully well-balanced and eliminates coal by 2028, which upholds the utility's emphasis on sustainability without accepting undue risk on reliability.

Mr. Jeff Webster, Vice President of People & Places Solutions and member of the San Antonio Chamber of Commerce, echoed Mr. Peterson's comments. He stated that we cannot grow our community without CPS Energy – we need a well-balanced source of power that is affordable and supports of growth. He stated that the P2 blended portfolio provides the best option at this time. Finally, he stated that he wished for CPS Energy to always be looking for the next level of opportunity to be even more effective and better for our environment.

Ms. Patty Gibbons, Greater Harmony Hills Neighborhood Association, expressed her concern about lack of outreach to neighborhood associations. She stated that affordability will be the primary focus for neighborhoods.

Ms. Sandra Crocker, citizen, believes that moving away from coal will hurt low-income and minorities communities due to increases in utility bills. She stated that "green energy" is not clean from mining and impacts to rights of laborers and use of native lands.

Ms. Denise Gutierrez Homer, citizen, stated that low-income residents in the urban area rely on natural gas, which helped keep them warm. She expressed concern about narrowing generation options and relying on fewer power plants. Finally, she stated that the P2 blended portfolio is a wise, equitable choice.

#### IV. GENERATION PLANNING

##### A. Generation Planning Recommendation & Resolution to Approve the Generation Planning Portfolio

Chair Dr. Mackey made a recommendation to approve the P2 blended portfolio option, Mayor Nirenberg seconded. The Board of Trustees asked questions and discussed the motion.

Ms. Shanna Ramirez read the following resolution:

#### RESOLUTION APPROVING GENERATION PLANNING PORTFOLIO

**WHEREAS**, CPS Energy plans to retire 2,249 MWs of dispatchable generation capacity before 2030 as follows; and

<u>Unit</u>	<u>Capacity</u>	<u>Planned Retirement Date</u>
Braunig 1	217 MWs	March 2025
Braunig 2	230 MWs	March 2025
Braunig 3	412 MWs	March 2025
Sommers 1	420 MWs	March 2027
Spruce 1	560 MWs	December 2028
Sommers 2	410 MWs	March 2029
	2,249 MWs	

**WHEREAS**, in recognition of the need for thoughtful generation planning to replace these retiring megawatts, this Board of Trustees, by resolution at its February 2022 Regular Meeting, directed CPS Energy management and the Rate Advisory Committee to “consider the costs, timeline and generation alternatives necessary to transition from coal to lower emission cleaner alternatives by the 2030 timeframe”; and

**WHEREAS**, CPS Energy, working with Charles River & Associates, a recognized industry expert in generation planning, and the Rate Advisory Committee, identified nine diverse generation portfolios using various combinations of generation resources - dispatchable, renewable, and storage; and

**WHEREAS**, these nine portfolios were analyzed under four market scenarios; four sensitivities were also analyzed, resulting in 50 data sets, providing a range of projected outcomes that included items such as extreme weather and conservation; and

**WHEREAS**, scenario analysis results for these portfolios were then evaluated relative to planning objectives - system reliability & climate resiliency, customer affordability, environmental sustainability, system flexibility, and workforce impact; and

**WHEREAS**, the Rate Advisory Committee selected Burns & McDonnell to provide it with an independent peer review of the generation planning work; and

**WHEREAS**, CPS Energy also engaged the community for feedback through open houses, town halls, media and social media outreach, a survey, and many other types of engagement; and

**WHEREAS**, after analyzing the benefits and risks, the Rate Advisory Committee recommended to this Board of Trustees, the Blended Portfolio (P2), which includes gas, solar, wind, and storage generation resources; and

**WHEREAS**, the Rate Advisory Committee found that the P2 option increases reliability, reduces system risk, continues progress to San Antonio Climate Action and Adaption Plan (CAAP), and facilitates new technologies; and

**WHEREAS**, CPS Energy management, in alignment with the Rate Advisory Committee, also recommended the Blended Portfolio (P2) to this Board of Trustees, noting that it:

- balances reliability with affordability
- continues transition to a lower carbon future
- retains experienced workforce to support transition
- retains a greater degree of fuel diversity to manage cost risk
- supports expansion of renewables while providing greater protection from extreme weather risks,
- aligns with community survey results; and

**NOW, THEREFORE, BE IT RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to take steps to:

1. Complete preparations to retire generation units listed above as planned.
2. Implement the Blended Portfolio (P2) generation improvements to support planned unit conversions and/or retirements.
3. Discontinue coal use for generation before 2030.

**BE IT FURTHER RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to provide this Board of Trustees an annual update on the status of these generation planning efforts; and

**BE IT FURTHER RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to thoroughly review its generation plan periodically, and continue to explore new technologies and consider ways to innovate and improve operations.

On a vote of 4-1, the resolution was approved. Trustee Steen voted against approving the resolution and his statement is attached as "Attachment A" to the meeting minutes.

**V. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, seconded by Trustee Dr. Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:13 p.m. by Chair Dr. Mackey.



---

Shanna M. Ramirez  
Secretary of the Board

1/23/23

## STATEMENT OF JOHN STEEN

Re: Generation Planning Recommendation and Portfolio Resolution

(Agenda Item #5)

I'll begin by complimenting our CEO Rudy Garza for keeping the electricity on and the gas flowing during the Arctic blast that occurred right before Christmas. That front brought strong north winds and plunged temperatures into the upper teens. Because of the commendable preparatory work of Executive Vice President Benny Ethridge and his team, we were ready and the problems that arose were relatively few and manageable. So, Mr. Garza, kudos to you on that score.

Let me pivot to the purpose of today's meeting, which is for this board, following up on the presentation we received at our last board meeting, to consider our Rate Advisory Committee's advice and our CEO's recommendation on generation planning. Again, I want to lead with something positive, which is that I certainly appreciate all the time and energy our volunteer RAC members have put into this effort. I especially want to acknowledge former city councilman Reed Williams for the outstanding job he's done chairing the RAC. Anybody who's interacted with Mr. Williams knows that he has all the qualities of an ideal RAC chair: Ethical and civic-minded, he's a subject-matter expert who elicits from his fellow committee members strategic thinking, innovation and action. So, Mr. Williams, thanks so much for all your hard work to date.

My remarks today focus on *affordability*, that is, our customers' ability to pay for service, which has purportedly been one of the major considerations of the RAC and its outside consultants as they've grappled with generation planning.

It should come as no surprise when I tell this board that I consider the financial health of CPS Energy to be alarming. To touch on some points I've been raising at meeting after meeting over the past year:

- As of November 31, 2022, our past due receivables continue to exceed \$200 million, and this despite our CEO's assurances that they'd be under control by the Spring of last year. 20% of our residential customers are at least 30 days past due on their CPS Energy payments. There's no sign that this intractable problem is close to being resolved, and our CEO's remedial efforts don't seem to be working all that well.
- Looking at our FY2023 Tier 1 Metrics, management has now declared that four out of the sixteen metrics are "unrecoverable" – meaning that overall we're headed toward a fair or average score at the end of our fiscal year on January 31<sup>st</sup>. CPS Energy's Tier 1 Metrics are often referred to as our report card, and it's looking like the company's going to get, at best, a "C." But what I want to draw particular attention to is the fact that one of our four unrecoverable metrics specifically gauges residential customer satisfaction. This metric is based on quarterly surveys by Escalent, a national survey research firm. Quarterly scores are averaged to come up with our annual performance metric. In FY 2021 our score was 83.2. In FY 2022 that score dropped to 78.9. I'm not sure who determined our target for

FY 2023, but it was set at 79. To repeat, our goal was to get to 79 – an improvement of 1/10 of 1%! Even with this extremely modest and frankly unambitious goal, we're on track for this number to be 73.4 by the end of this month.

- I'm citing these numbers to demonstrate with data that we're currently experiencing a significant affordability issue with our customers. Put simply, our customers are financially stressed, and many have reached their limits. Could the signs be any clearer?

And yet:

- In the first quarter of last calendar year, a base-rate increase of 3.85% was implemented.
- In May of last year CPS Energy had the opportunity to ease the pressure on its customers by pausing the STEP program, which was a 10-year program that staff announced had reached its goals two years before. Because this STEP charge – or what some have dubbed the STEP *tax* – represents an average of 3 to 4.5% of a customer's bill, suspending the program would have for many customers essentially negated the 3.85% increase implemented March 1<sup>st</sup>. (Granted, there'd have been a lag, but this would have happened.) Nevertheless, it was decided to plow ahead with it notwithstanding that I, a plurality of the RAC members, and three city council members favored a pause.
- I've confirmed by reading the most recent reports of our credit rating agencies that management has been representing to them that CPS Energy is anticipating 5.5% base-rate increases early in calendar years 2024 and 2026. I understand that these two additional rate increases are also imbedded in all the financial projections management has been presenting to this board. Furthermore, I've heard management refer to what's being called the "every two-year plan" meaning that they're anticipating additional rate increases in early 2028, 2030 and so on. Please note that before last year's rate increase, we had gone eight years without one. A major reason for this, I believe, was aggressive cost-cutting.

Before I move directly to the issue at hand, generation planning, let me detail some extraordinary expenses CPS Energy faces in the coming years.

- First, CPS Energy is still dealing with the ongoing impact of the aftermath of Winter Storm Uri. For this, I direct you to a recent [San Antonio Express-News](#) article written by Diego Mendoza-Moyers wherein he discusses the nearly \$17 million we've paid to eight law firms and a consultant for fighting bills for natural gas and electricity bought during the storm, accusing the vendors of price gouging. CPS Energy spent about \$850 million purchasing abnormally high-priced natural gas and electricity during Uri, roughly the amount typically spent for these items in a year. Per Mr. Mendoza-Moyers, 16 of these lawsuits have been confidentially settled while litigation continues with Energy Transfer and Enterprise Products over \$357 million in natural gas bills.
- Second, CPS Energy is grappling with an Enterprise Resource Planning (ERP) issue that's reaching a perilous point. ERP refers to a type of software that organizations use to manage day-to-day activities such as accounting, procurement, project management, risk

management and compliance, supply chain operations, etc. Unbelievably our current complex ERP ecosystem is *over 22 years old* – think about that for a second – and our vendors have told us they'll cease supporting it in 2027. So we must complete this transition in the next four years, and it will cost hundreds of millions of dollars – perhaps more than \$300 million before it's all done. We have only to look at the recent meltdown of Southwest Airlines to appreciate where complacency in this area might take us. Southwest had been slow to adopt new technology over the decades and look at what resulted. We have no choice here.

- Third, as I mentioned at our last meeting, in regard to our pensions, because of the dismal returns we've been getting lately and my concern about the economic headwinds we're facing in the years ahead, we should lower our actuarial rate of return (ARoR) from 7% to 6.75% and then be poised to reduce it further. I was told by staff that just the initial reduction would cost CPS Energy \$11 million a year for the next six years. Thus, to ensure that our benefit plans are financially healthy and able to pay the promised benefits to our esteemed and valued retirees, we need to get ready to expend tens of millions of dollars in the coming years.

I mention the above as but three examples of expenditures we can hardly sidestep, and the sums are eye-opening.

Now, in the midst of all this financial stress, for reasons related to deadlines set forth in the Paris Climate Accords and the City of San Antonio's 2019 Climate Action and Adaptation Plan (CAAP), we're aiming to close/convert our last two coal-fired plants. It appears that this board is going to follow the advice of the RAC and the recommendation of our CEO to embrace Portfolio 2. The community must realize that, by doing this, we're committing CPS Energy to spending hundreds of millions of dollars in the next decade.

Let me summarize. While we've been busy coming up with ways to expend massive amounts of money on these generation issues, our focus is straying from highly expensive bread-and-butter obligations, including resolving Uri-related expenses, replacing our seriously antiquated software systems, and buttressing our pension plans. By approving today's resolution, this board is committing CPS Energy to enormous expenditures without, I believe, sufficient thought as to how our already beleaguered customers are going to be able to shoulder the additional rate increases required to support them. For our customers' sake, I'm reluctant at this time to commit to any more major discretionary expenditures of funds. We profess to be a customer-centric organization. If CPS Energy has an overarching dynamic, it's that we should place our customers at the center. They should be our North Star. But, we're not listening our customers. We're not heeding our customers.

For the above reasons, I'm going to vote against this resolution.

*I respectfully ask that these remarks be included in toto in the minutes of today's meeting.*