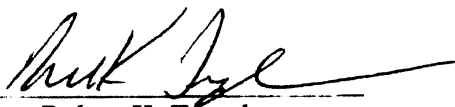


CERTIFICATE OF ASSISTANT SECRETARY

The undersigned Assistant Secretary of the City Public Service Board of San Antonio (“CPS Energy”), an independent board of the City of San Antonio, a Texas municipal entity, in his capacity as an officer of CPS Energy and not individually, does hereby certify that:

Attached hereto is a true and correct copy of the “Resolution Approving Funding for Development of South Texas Project Units 3 & 4, a Supplemental Partnership Agreement in Support of this Development Project, and Providing a Funding Cap for the Initial Phase of New Nuclear Development,” which was unanimously adopted by the City Public Service Board of Trustees on October 29, 2007.

This Certificate was duly executed on November 8, 2007.


Robert K. Temple
Assistant Secretary to the
City Public Service Board

(Seal)

**RESOLUTION APPROVING FUNDING FOR DEVELOPMENT OF SOUTH TEXAS
PROJECT UNITS 3 & 4, A SUPPLEMENTAL PARTNERSHIP AGREEMENT IN
SUPPORT OF THIS DEVELOPMENT PROJECT, AND PROVIDING A FUNDING CAP
FOR THE INITIAL PHASE OF NEW NUCLEAR DEVELOPMENT**

WHEREAS, CPS Energy is an electric and gas utility with an obligation to provide electric service to all of the customers within its certificated electric service territory; and

WHEREAS, the projected population growth and electricity demand for CPS Energy's electric service territory are expected to be approximately twice the national average growth rate for both population and electricity demand; and

WHEREAS, the Board of Trustees has approved an Energy Conservation and Demand Response Program, and more than \$96 million in funding for this Program, that is designed to treat conservation and energy efficiency as another form of electricity supply with a goal to achieve a reduction of 115 megawatts from the projected peak demand by the year 2011; and

WHEREAS, the Board of Trustees has adopted a target for having renewable capacity equal to 15% of CPS Energy's peak load demand by the year 2020; and

WHEREAS, CPS Energy staff and nationally recognized experts have determined that neither conservation and energy efficiency nor renewable energy supplies can reliably meet all of San Antonio's growing demand for electricity; and

WHEREAS, NRG South Texas ("NRG"), CPS Energy's partner at the South Texas Project ("STP"), has, since June 2006, been funding development of new advanced boiling water reactor units as Units 3 and 4 at STP (the "Project"); and

WHEREAS, under the existing Participation Agreement for STP, CPS Energy has a right to participate in the development of the Project; and

WHEREAS, in order to analyze the reasonableness of participating in new nuclear generation generally and the Project specifically CPS Energy formed a 30 person cross-functional team to study development of new nuclear power plants and the Project called the Nuclear Expansion Analysis Team (NEAT); and

WHEREAS, the NEAT considered and concluded that:

- (1) Conservation, energy efficiency and renewable energy together will not satisfy all of the community's growing energy needs;
- (2) More baseload generation is needed to ensure a reliable energy supply in the 2016 timeframe;
- (3) All generation alternatives have become increasingly more expensive;
- (4) Among baseload generation alternatives, nuclear generation costs appear to be most reasonable over the long term;
- (5) More nuclear generation would maintain CPS Energy's fuels diversity;
- (6) Nuclear generation helps mitigate fuels and emissions risks;

(7) Nuclear spent fuel and other risks are manageable and compare favorably to environmental and other risks of alternative baseload generation technologies; and

WHEREAS, the NEAT concluded that additional nuclear generation is worth pursuing to meet San Antonio's growing energy needs because nuclear appears to be the lowest overall risk considering possible costs and risks associated with it as compared to the alternatives; and

WHEREAS, as a result of the NEAT effort, CPS Energy staff formed a due diligence team to evaluate the range of nuclear projects in which CPS Energy might participate; and

WHEREAS, CPS Energy staff due diligence team determined that:

- (1) Incentives from the federal and state government create a limited window of opportunity to participate in new nuclear generation developments;
 - (2) There are a limited number of new nuclear projects within the service area known as the Electric Reliability Council of Texas that are likely to go forward in which CPS Energy could participate;
 - (3) Development of new nuclear resources will require significant lead time (8 – 10 years);
 - (4) CPS Energy must act expeditiously to keep options open for new nuclear generation;
- and

WHEREAS, based on the combined conclusions of the NEAT and CPS Energy staff due diligence team, CPS Energy management recommended that the CPS Energy Board of Trustees support further development of new nuclear generating capacity as its next form of baseload electricity generation; and

WHEREAS, CPS Energy staff projects that the electric rate increase required in any two year period up to the date of commercial operation of STP Units 3 & 4 should not exceed 5%, barring the occurrence of unexpected financial events; and

WHEREAS, implementation of a low income rate discount of up to 5% for eligible low income electric customers would result in no rate increase for these customers in 2008; and

WHEREAS, an increase in funding for the Residential Energy Assistance Program (REAP) would help minimize the effect of future electric rate increases on eligible customers; and

WHEREAS, CPS Energy has frequently briefed the Citizens Advisory Committee ("CAC") on the NEAT project and CPS Energy staff's work related to selection of new baseload generating capacity, and the CAC has overwhelmingly passed a resolution supporting the further development of new nuclear generating capacity as CPS Energy's next form of baseload electricity generation; and

WHEREAS, CPS Energy staff has negotiated a Supplemental Participation Agreement with NRG that provides for certain protections for CPS Energy should it commit to participate in the initial development of the Project;

NOW THEREFORE, be it resolved by the Board of Trustees that:

- (1) We find that the NEAT and CPS Energy staff have performed a thorough initial investigation of the opportunity to participate in new nuclear development;
- (2) We find that nuclear generation currently appears to be the most reasonable choice among the alternatives for meeting San Antonio's needs for its next baseload generation plant in 2016;
- (3) We authorize CPS Energy management to pursue and, when appropriate, to enter into formal commitments for initial development of new nuclear generating projects;
- (4) We specifically authorize the General Manager & CEO or his designated representative to enter into any and all agreements necessary to carry out the directives of this Resolution;
- (5) We specifically authorize CPS Energy Management to enter into a Supplemental Agreement with NRG to develop new nuclear units at the STP site;
- (6) We authorize CPS Energy management to spend up to \$206 million to fund the early development of new nuclear STP Units 3 and 4;
- (7) We authorize CPS Energy management to spend up to an additional \$10 million for other new nuclear project opportunities;
- (8) We direct CPS Energy management to cooperate with the City of San Antonio staff to continue its public process for development of new generation; and
- (9) We recommend that the REAP Board take the necessary actions to modify the REAP program by providing for a 100% increase in annual REAP funding from \$500,000 to \$1,000,000;
- (10) We direct CPS Energy management to report back to the Board frequently during the nuclear development process on the results of its continuing public input process, the status of its negotiations of significant contracts, its development of project cost estimates, its development of project financing alternatives, its projection of rate impacts associated with construction of new baseload generation, its identification of risks and challenges for the project, and its continuing validation of assumptions that led to the conclusion that nuclear generation represents the best choice among the alternatives for new baseload generation.