



December 14, 2021

Honorable Mayor Nirenberg & Members of the San Antonio City Council

RE: Follow-up on Materials in Response to B-Session Presentations on December 1st and 8th

Dear Mayor Nirenberg & City Council Members,

On behalf of CPS Energy, I would like to express appreciation for the productive dialogue between our Interim President & Chief Executive Officer, Rudy Garza, the City of San Antonio's Chief Financial Officer, Ben Gorzell, and city council members during these past two B sessions on December 1st and December 8th.

Included herein are responses to questions in the following categories requested by council members during the presentations given by Mr. Garza and Mr. Gorzell:

- Engagement & Outreach Update
- Updated Communication Approach
- Assistance Programs
- Innovation & Infrastructure Resiliency
- Drivers of Revised Rate Request
- Bill Impacts
- Governance & Organizational Review
- Resources & Retaining Talent
- Reliability
- Rate Design & Generation Planning Conversations

Additional information requested by various council members continues to be aggregated and a subsequent submission will be forthcoming later this week. We look forward to continuing our conversation on this rate request and look forward to our next presentation scheduled for B session on December 15th. If you have any questions, please do not hesitate to contact me at 512-461-9433 or by email at ksgarcia@cpsenergy.com.

Sincerely,

Kathy Garcia

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B Session Follow up: 12/1/2021 & 12/8/2021

Table of Contents

- 1. Summary of Rate Request..... 4
- 2. Engagement & Outreach 4
 - List of stakeholders CPS Energy has met with on the pending rate request, including but not limited to large commercial customers..... 5
 - Town Halls in each Council District..... 5
 - Opportunities to meet with targeted Home Owners Associations..... 5
 - Communication tactics for those without access to digital platforms..... 5
- 3. Updated Communication Approach..... 8
- 4. Assistance Programs..... 9
 - The breadth and impact of our weatherization program for low income homes..... 9
 - Delivery of ARPA Funds..... 9
- 5. Innovation & Infrastructure Resiliency13
 - Efforts to improve resiliency & remain innovative (e.g., Microgrid)13
 - Planned spend on infrastructure resiliency13
- 6. Drivers of Revised Rate Request.....16
 - Talking points that will resonate with constituents16
 - Efforts to save money over the past decade.....16
 - Revised approach to this rate request16
 - Explain capital categories16
- 7. Bill Impacts19
 - Online Bill Estimator19
 - Rate structure & which component impacted by rate request.....19
 - Residential bill comparison & customer count by usage level19
 - Number of customers at various usage levels by City Council District.....19
 - Residential bills compared to other utilities after the rate request19
 - Commercial Bill Impacts19
- 8. Governance & Organizational Review28
 - Organizational review28
 - Roles and responsibilities of the RAC, CAC, the CPS Energy BoT, City Staff, and City Council28



B Session Follow up: 12/1/2021 & 12/8/2021

• Timeline for RAC and BoT voting on rate increase.....	28
9. Resources & Retaining Talent.....	31
• Plans to retain talent.....	31
10. Reliability.....	32
11. Rate Design & Generation Planning Conversations.....	35
• Rate design timeline	35
• Generation planning timeline	35



1. Summary of Rate Request

CPS Energy has not had a rate increase in 8 years, yet costs are continuing to increase across the board. While we have taken steps to reduce the impact of another storm like Uri, the requested rate increase is needed to help reliability, improve aging technology, and ensure that we can hire and retain necessary talent and expertise to support our operations and serve our community.

2. Engagement & Outreach

CONNECTING WITH CUSTOMERS



Messages to Customer on Rate Increase
2.2 Million including **785K** phone calls, e-mails and text



Knocked on nearly **200** doors so far in neighborhoods with most vulnerable populations & highest past due balances



ARPA Funds
Over **4,000** applications & nearly **1,800** phone calls received



CORE Outreach
Over **89K** called
\$43M in assistance received

We have continued our balanced approach to reach out to customers to help alleviate the customer burden & to inform the most vulnerable populations of the assistance available. We will call, e-mail, text or knock on their door to ensure we reach them!

***Information as of 12/11/2021**



B Session Follow up: 12/1/2021 & 12/8/2021

Request

Understandably, our City Council members expressed significant interest in the quantity and quality of CPS Energy’s community outreach efforts regarding this rate request. Several specific requests were made including:

- List of stakeholders CPS Energy has met with on the pending rate request, including but not limited to large commercial customers.
- Town Halls in each Council District.
- Opportunities to meet with targeted Home Owners Associations.
- Communication tactics for those without access to digital platforms.

Response

It is important to ensure that CPS Energy’s operations align with community objectives and needs. That said, we have a robust, ongoing process for listening to our customers and community. During a rate request, this process ramps up and becomes a vital input in shaping the rate request that CPS Energy submits to City Council for consideration.

We received a number of questions about our community engagement and outreach efforts following our initial rate request presentation on December 1st. In response, we have provided updates below on specifically requested activities, as well as some details on our broader community engagement and outreach efforts.





B Session Follow up: 12/1/2021 & 12/8/2021

- We are meeting with customers at every level of the community, from residential customers to large commercial and industrial customers. During an early phase of our rate request conversations and in the past few weeks, we met with or scheduled meetings with several organizations including:
 - San Antonio North Chamber of Commerce
 - San Antonio Chamber of Commerce
 - Greater San Antonio Builders Association
 - San Antonio Business & Economic Society
 - San Antonio Real Estate Council
 - Greater San Antonio Builders Association
 - Alex Briseño Leadership Program
 - San Antonio Manufacturers Association
 - City Council District 10 Town Hall
 - Managed & Military Customer Accounts
 - Right of Way Association - San Antonio Chapter
 - Solar Installers Meeting
 - Neighborhood Associations
 - Texas Energy Managers Association
 - Greater Bexar County Council of Cities Meeting
 - San Antonio Manufacturers Association State of the Utility Luncheon
 - Partners in Power Agency Consortium
 - LULAC - Small / Medium Business Outreach Event
 - San Antonio Restaurant Association (*2nd meeting*)
 - Bexar County Commissioners Court
 - Suburban Cities Summit
- We have met with many of our large commercial customers. We had meetings with our Managed and Military accounts in October and November. We have an additional meeting scheduled with these customers for December 16. We had a one on one discussion with Microsoft in October and we are scheduling additional time to meet with them on January 4th.
- We are working with City Council offices to coordinate times for us to participate in Town Halls in every district to provide information to customers and answer their questions. The schedule, to date, is as follows:
 - a. December 16, 2021 – District 9

B Session Follow up: 12/1/2021 & 12/8/2021

- b. December 20, 2021 – District 10
 - c. January 6, 2022 – District 4
 - d. January 8, 2022 – District 5
 - e. January 10, 2022 – District 2
 - f. January 11, 2022 – District 8
 - g. January 12, 2022 – District 6
 - h. Districts 1, 3, & 7 are in process of being scheduled and dates will be announced as soon as possible
- Along with the direct outreach in each District, we will host two informational sessions in December including our Board Public Input Session on December 13th (in person and virtual options) and our telephone Town hall on December 14th (telephone or streaming option in English, Spanish, and American Sign Language). These events were shared with all customers we have updated contact information for via phone, cell, email, and/or text. The information was shared in English and Spanish, depending on the customer’s preferred language choice as noted in our system.
 - More than 400 Homeowner’s Associations also received an invitation to the events on Dec. 13th and 14th via email.
 - On Dec. 10th, we sent messages to all customers to inform them of our rate increase need, where to get information, and how to provide feedback. As part of this effort, we sent over 2.2 million messages out in both English and Spanish to over 736k households and business, including:
 - a. Over 785k outgoing phone calls
 - b. Over 700k emails
 - c. Over 732k text messages





B Session Follow up: 12/1/2021 & 12/8/2021

- We will have direct outreach with customers with a letter they will receive in early January explaining the need for the rate increase and what it means for reliability and affordability. We feel this will be an effective method to reach customers in a non-digital format.
- We are striving to ensure our customers are prepared for the possibility of a rate increase and are provided with the financial assistance they need. We are sharing information on billing and financial assistance programs at each community event and have energy advisors in attendance to answer questions about the proposed rate increase. An informational flyer has been developed and is being shared at the events. That flyer, in English and Spanish, can be found here [https://www.cpsenergy.com/content/dam/corporate/en/Documents/Rate%20Case%20Information%20flyer%20\(English%20%26%20Spanish\).pdf](https://www.cpsenergy.com/content/dam/corporate/en/Documents/Rate%20Case%20Information%20flyer%20(English%20%26%20Spanish).pdf). The flyer is also available at our walk-in centers.
- **Bill Estimator:** Our website <https://www.cpsenergy.com/en/about-us/rate-increase.html> also includes a Bill Estimator tool for residential and small commercial customers where customers can see what their bill could look like based on their average monthly usage. Information on how to find usage is included in the tool.
- We continue our outreach and are working to secure additional in-person opportunities for outreach through early January.

3. Updated Communication Approach

Request

Following winter storm Uri, we have received a number of questions about our communication approach during extreme weather events. Work is being completed to revise our Emergency Communications Plan to address recommendations by the Committee on Emergency Preparedness.

Response

The communication plan we are revising is scheduled to be completed by the end of the year. This includes collaborative efforts and work we are doing with the City of San Antonio, Bexar County, the Office of Emergency Management and SAWS. It also includes ongoing training.

The work currently being done to revise the Emergency Communications Plan includes the following:

- Redefined roles and responsibilities for team to ensure coverage of all functions during an emergency



B Session Follow up: 12/1/2021 & 12/8/2021

- Revised message templates to include clear calls to action for customers in the event of an emergency
- Identification of remote work locations if needed
- Update to include social media strategy for emergency situations
- Non-digital tactics to reach customers

The work we are doing collaboratively with our partner Public Information Officers at the City of San Antonio, Bexar County, and SAWS ensures we are ready to stand up at the Emergency Operation Center's Joint Information Center(JIC) and we are committed to serving in that role when needed. We will complete joint training at the JIC on Tuesday, December 14, 2021.

We are also working collaboratively on a joint readiness campaign that would kick off in January 2022.

Our Winter Reliability and Resiliency campaign will launch in December and will include relevant and helpful information for customers to be prepared for the winter weather to include safety and energy savings tips. The campaign is also being prepared to include safety tips to cover generator safety and cold load shed pickup.

4. Assistance Programs

Request

At our first presentation to City Council, we discussed the impact this rate request would have on our most vulnerable citizens. As part of that conversation, multiple City Council members asked specifically about:

- The breadth and impact of our weatherization program for low income homes
- Delivery of ARPA Funds

Response

Generally, customers will make investments in their homes to become more energy efficient and reduce their monthly utility bill. For customers with low income, this is extremely difficult, if not impossible. As a result, we have invested heavily in improving customers' homes through our weatherization program.

- Since FY2013, we've weatherized over 28,400 homes through our Save for Tomorrow Energy Plan (STEP) Weatherization program. Weatherization is targeted to families most in need with income at or below 200% of the federal poverty level. The energy efficiency upgrades average \$4,500 per home and help families reduce their electric bills by approximately \$400 annually.



B Session Follow up: 12/1/2021 & 12/8/2021

- We are exploring options and opportunities to re-imagine the Weatherization program for our customers:
 - a. Lowering the customer’s Energy Burden
 - b. Evaluating value added offerings
 - c. Addressing barriers to participation
 - d. Creating new opportunities for small, local & diverse vendor participation
 - e. Unbundling services to leverage vendor expertise

Program Year	Homes Weatherized	Program Spend
FY2013	815	\$5.2M
FY2014	3,202	\$16.0M
FY2015	2,956	\$15.1M
FY2016	4,051	\$21.3M
FY2017	3,905	\$19.7M
FY2018	3,624	\$18.2M
FY2019	3,608	\$18.0M
FY2020	3,727	\$20.1M
FY2021*	1,165	\$7.3M
FY2022 YTD**	1,371	\$6.9M
Total	28,424	\$147.8M

Program spend includes Weatherization admin. & marketing
 * Results impacted by 6-month pause due to COVID-19.
 ** YTD as of 11/16/21.

American Rescue Plan Act of 2021 (ARPA)

Recently, our City Council allocated \$20M in ARPA funds to provide bill payment assistance to customers in need. We have developed a targeted program for providing customers with access to these funds, and several City Council members asked for a summary of this program.

We have a strong desire to ensure that these ARPA funds get into the hands of the people that need it the most. That said, it can be very difficult to ensure broad awareness of programs like this. We’ve put a lot of thought into how we can effectively distribute these funds, and we have summarized our approach below.



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Outreach for ARPA Assistance Beginning November 8th

Knocked on nearly **200** doors

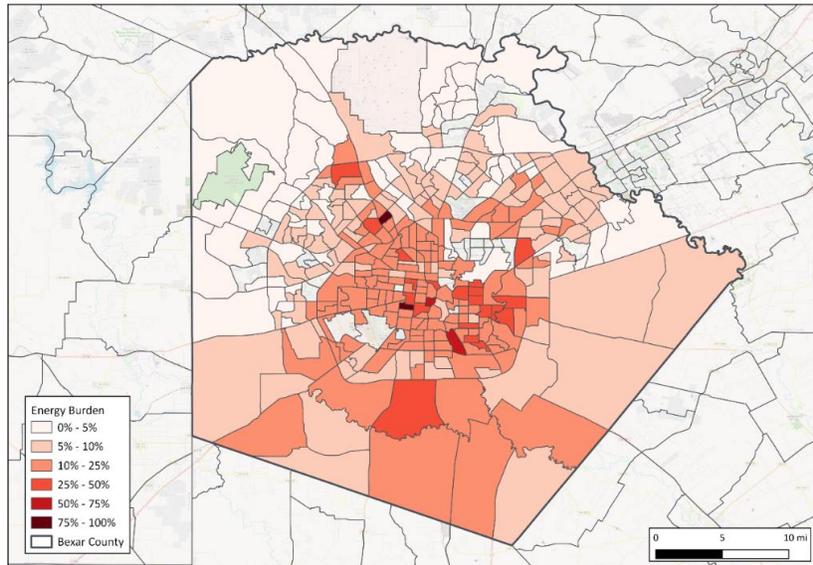
74 customers have participated in our events to date

Received nearly **1,800** calls to our dedicated ARPA phone number

Received over **4,000** ARPA applications

- To proactively prepare for delivering this funding to customers, our applications went live on November 8th
- To inform customers about access to ARPA funding, we are using energy burden data to schedule events and block walking in areas of greatest need. We are knocking on doors to reach customers who qualify and leaving behind information on how to sign up for ARPA assistance for those who are not home.
- We have Customer Response Unit (CRU) members who are assigned to partner with each Council district office to help customers on a one on one basis to identify their individual needs and provide holistic solutions including payment plans, billing programs, and assistance programs.
- Additionally, we have several events scheduled where customers can bring their documentation and get in-person help applying. We are ensuring that we have outreach and door to door events in the parts of town identified as experiencing the highest energy burden. All our upcoming events can be found at <https://www.cpsenergy.com/events>

Energy Burden by Census Tract



Source: Brattle Group Presentation – Assessing CPS Energy’s Affordability presented on 10/27/21

ARPA Community Event Schedule

Event Date	Location
Dec 8th	Westside Customer Service Center
Dec 8th	St. Francis Cabrini Church
Dec 9th	Highlands High School Parking Lot
Dec 10th	Coliseum Part Baptist Church
Dec 13th	Davis-Scott Family YMCA
Dec 15th	Eastside Customer Service Center
Dec 17th	Morrill Elementary Parking Lot
Dec 22nd	Southside Customer Service Center
Dec 29th	Northside Customer Service Center
Jan 5th	Northside Customer Service Center
Jan 12th	Westside Customer Service Center
Jan 19th	Eastside Customer Service Center
Jan 26th	Southside Customer Service Center
Feb 2nd	Northside Customer Service Center



B Session Follow up: 12/1/2021 & 12/8/2021

- Customer testimonial from one of our ARPA events: Jose Dimas Gonzalez (District 2) <https://youtu.be/SWQaMIecJNg>
 - How did you hear about the event?
 - They (Customer Response Unit "CRU") went by my house and invited us to come by the event.
 - How convenient was the event?
 - It was very easy and convenient, they provided the address and since we live so close it was very easy
 - What did you like best about the event?
 - The attention that was provided to us. The people who have helped us have been wonderful.
 - How will this assistance help you and your family?
 - Like a godsend from heaven, because the situation has not been easy. This assistance has been wonderful.
 - Anything else you want to say?
 - Would simply like to thank each of you for how wonderful each of you are
- YouTube videos of other customer testimonials:
 - https://youtu.be/wDnx_jAv9H0
 - <https://youtu.be/mxIsQIK8nfY>

5. Innovation & Infrastructure Resiliency

Request

CPS Energy's investments in building a more resilient grid are always a topic of interest to the community, but never more so than following winter storm Uri. Our City Council asked about our investments in resiliency and innovation, specifically:

- Efforts to improve resiliency & remain innovative (e.g., Microgrid)
- Planned spend on infrastructure resiliency

Response

During conversations with customers, the first topic customers almost always ask about is CPS Energy's readiness for another Uri-scale event. Below is a summary of the specific investments related to resiliency, as well as a summary of our innovation work.



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- Our priority is to move San Antonio towards enhanced resiliency by evaluating innovative technologies and promoting small scale deployments. Existing microgrid partnerships include:
 - a. JBSA
 - b. SAWS
 - c. City of San Antonio
- Plans in place to engage with CoSA on Resiliency Hubs early next year as identified in the CoSA budget.
- We are building increased controllability and visibility into our electric distribution system to improve ability to manage emergency operations, such as Load Shed, and improve reliability of the overall system.
- We are currently partnering with VIA on renewable natural gas to reduce local greenhouse gas emissions, remain economically responsible, and provide benefits to our customers. Biomethane gas created from local landfill waste will be used to power local bus fleets.
- We are currently working on a 4MW microgrid which is expected to be operational late 2022.
- We are working with SAWS on backup generation options that provide backup power during outage.
- We are in preliminary discussions with the San Antonio International Airport on microgrid opportunities as airport expansion plans are developed.



B Session Follow up: 12/1/2021 & 12/8/2021

Infrastructure Resiliency Total 2-Year Spend

Project	FY 2023	FY 2024	TOTAL	Description
CEP: Communications	\$ 2,684,000	\$ 4,584,000	\$ 7,268,000	Identify and implement a situational awareness "data driven" platform that can display evolving information remotely.
Energy Management System (EMS) Upgrade	5,000,000	7,000,000	12,000,000	Upgrade Application Performance Monitoring server in order to keep with standards and NERC compliance.
Reclosers for Circuit Reliability	10,000,000	10,000,000	20,000,000	Isolate faults and clear momentary outages which reduces the number of customers that are exposed to outages on distribution system and further enhance load shedding capabilities.
Distribution Automation Equipment	1,000,000	1,000,000	2,000,000	Install intelligent devices in substations and on distribution feeders. Lead to an enhanced system that allows for improved system efficiencies and reduce outage durations.
C.E.P.: Freeze Protection	8,400,000	23,800,000	32,200,000	Anticipated system upgrades to meet increased regulatory weatherization requirements for generation facilities.
C.E.P.: Plant Performance and Reliability Improvements	8,000,000	10,000,000	18,000,000	The burner & ignitor systems at Braunig sites and Spruce 1 variable frequency drives need upgrades to improve performance.
C.E.P.: Fuel Oil	1,000,000	6,200,000	7,200,000	Increase Fleet resiliency by having additional generation units backed up on site by secondary fuel sources.
Other ¹	2,875,000	3,025,000	5,900,000	
Total Capital Spend	\$ 38,959,000	\$ 65,609,000	\$ 104,568,000	
Related O&M Spend	\$ 5,704,773	\$ 11,426,241	\$ 17,131,014	
Total Capital / O&M Spend	\$ 44,663,773	\$ 77,035,241	\$ 121,699,014	

1. Miscellaneous items related to upgrading systems & equipment.

6. Drivers of Revised Rate Request

Request

We strive to provide a clear, concise explanation any time we ask our community for a rate increase. Our City Council members recently asked for a summary of the drivers of this requested rate increase, specifically:

- Talking points that will resonate with constituents
- Efforts to save money over the past decade
- Revised approach to this rate request
- Explain capital categories

Response

Costs are rising, and we find that customers understand our need for a rate increase when we provide the following contextual information:

- Despite rising costs, we haven't had a rate increase in 8 years because we are constantly working to save money on behalf of the community totaling to roughly \$942 million.
- Winter Storm Uri created a lot of challenges and we know more investment is needed in infrastructure resiliency in order to be prepared for a similar event. Our biggest area of investment as part of this rate increase is in infrastructure resilience so that we can continue providing service during future extreme weather events
- Other reasons for a rate increase include:
 - To support the rapid growth of our community, which is one of the fastest growing communities in the country
 - To begin upgrading our technology platform, much of which is over 20 years old
 - To stabilize our workforce. We've lost about 300 employees since our last rate increase because we need to catch up with market pay rates.

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SAVINGS ITEM	TOTAL
Operational Improvements	\$179M
Refinancing of Debt	\$287M
Fuel Cost Savings	\$82M
Health Care Plan Changes & Savings	\$108M
Grid Modernization & Technology	\$44M
Process Improvements ¹	\$206M
Subtotal	\$906M
Suspended EIP ² & Merit	\$36M
Grand Total	\$942,000,000

1. Examples of process improvements include Advance Cable Testing, Pre-inspect pole installations, & Consolidate Bill Printing and Payment Processing
2. CPS Energy’s Employee Incentive Program (EIP)

- The rate request was revised to focus on immediate financial pressures and investment in infrastructure resiliency to give us time to have broader community discussions about our generation plan and rate design, and to gather more information on financial needs like bad debt associated with the ongoing pandemic and our future technology needs.

Revised Rate Request – Phased Approach

		13.4%	3.85%
	Infrastructure Resiliency	X	X
	Technology – ERP¹	X	X
	Growth	X	X
	People	X	X
	Pandemic Bad Debt	X	
	Disputed Winter Storm Fuel Costs	X	
	Future Generation Decisions	X	
	Rate Design Changes	X	



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Capital Categories

- All capital projects are assigned to just one strategic category. Although projects often have multiple components, the assignment of the category is based on the predominant component.
- There are six Strategic Categories under which CPS Energy capital spending is budgeted. The categories are defined below. Projects are assigned to a Strategic Category based on the primary driver for the project.
 - **Customer Growth Projects:** Projects associated with adding individual gas and/or electric customers to the infrastructure. Typically associated with new subdivision activities and new Commercial and Industrial customer installation activities.
 - **System Growth Projects:** Initiatives required to grow the infrastructure to accommodate the increasing load, but not directly associated with individual customers. Examples of System Growth Projects include: new substation, growth in substations, purchases of switchgear, capacitor bank, step voltage regulators, etc.
 - **Environmental/Legislative/Regulatory Mandated Projects:** Projects required by prescribed time frames to meet mandatory goals. These projects can be federal requirements, such as NERC Compliance and EPA directives; state requirements, implementation of ERCOT mandates and local ordinances.
 - **Infrastructure Modernization:** Projects associated with the capital repair, refurbishment or replacement of infrastructure during its useful life. The project life of equipment will vary significantly by type. In the short term, our goal is to identify major assets and, using benchmarking and historical data, determine the cycle time and relative costs for major refurbishments, periodic repair processes involving purchases of capital components and the replacement of various assets.
 - **Civic Improvements:** Projects associated with city, county or TxDOT road improvements or other utility activity affecting the CPS Energy infrastructure. Coordination with road construction planners will be necessary to identify the level of activity for each given year, and an estimate of the costs to relocate our facilities. Also included in this category are underground conversions on military bases, downtown, and inner city.
 - **Special Projects (Strategic Capital Projects):** Initiatives of a non-recurring multi-year nature, with a definite start and end date. These projects will be examined for flexibility of applications and linkage to strategic direction.



7. Bill Impacts

Request

Our community needs to understand the impact this rate increase will have on their monthly bills, and our City Council specifically requested details about customer bill impacts, including:

- Online Bill Estimator
- Rate structure & which component impacted by rate request
- Residential bill comparison & customer count by usage level
- Number of customers at various usage levels by City Council District
- Residential bills compared to other utilities after the rate request
- Commercial Bill Impacts

Response

Estimating bill impacts is complex and challenging because every customer uses electricity differently. That said, we provide a number of resources for ***all*** of our customers to assess the impact our proposed rate increase will have on their monthly expenses.

- Customers can estimate their monthly bill before and after the proposed rate increase for their home or small business by visiting the links below:
 - [Residential Bill Estimator](#)
 - [Small Commercial Bill Estimator](#)



B Session Follow up: 12/1/2021 & 12/8/2021

Online Bill Estimator

To estimate the monthly bill for your home, simply input your estimated electric and gas usage. To assist you with finding the information you'll need, we've provided a [How to Read Your Bill](#) guide and a [Step-by-Step Guide](#) on how to use the Bill Estimator.

What service do we provide to you?

- Electric only Electric & Gas

How to Read Your Bill

Is your property inside SA city limits?

- Yes No (City of San Antonio Services)

How to Find Your Usage

Learn More

Do you receive San Antonio city trash pickup?

- Yes No (City of San Antonio Services)

What is your trash cart size?

- Small Medium Large (City of San Antonio Services)

On average, what is your expected monthly electricity usage? (in kWh):



On average, what is your expected monthly natural gas usage? (in CCF):



Your Current
Average
Monthly Bill:

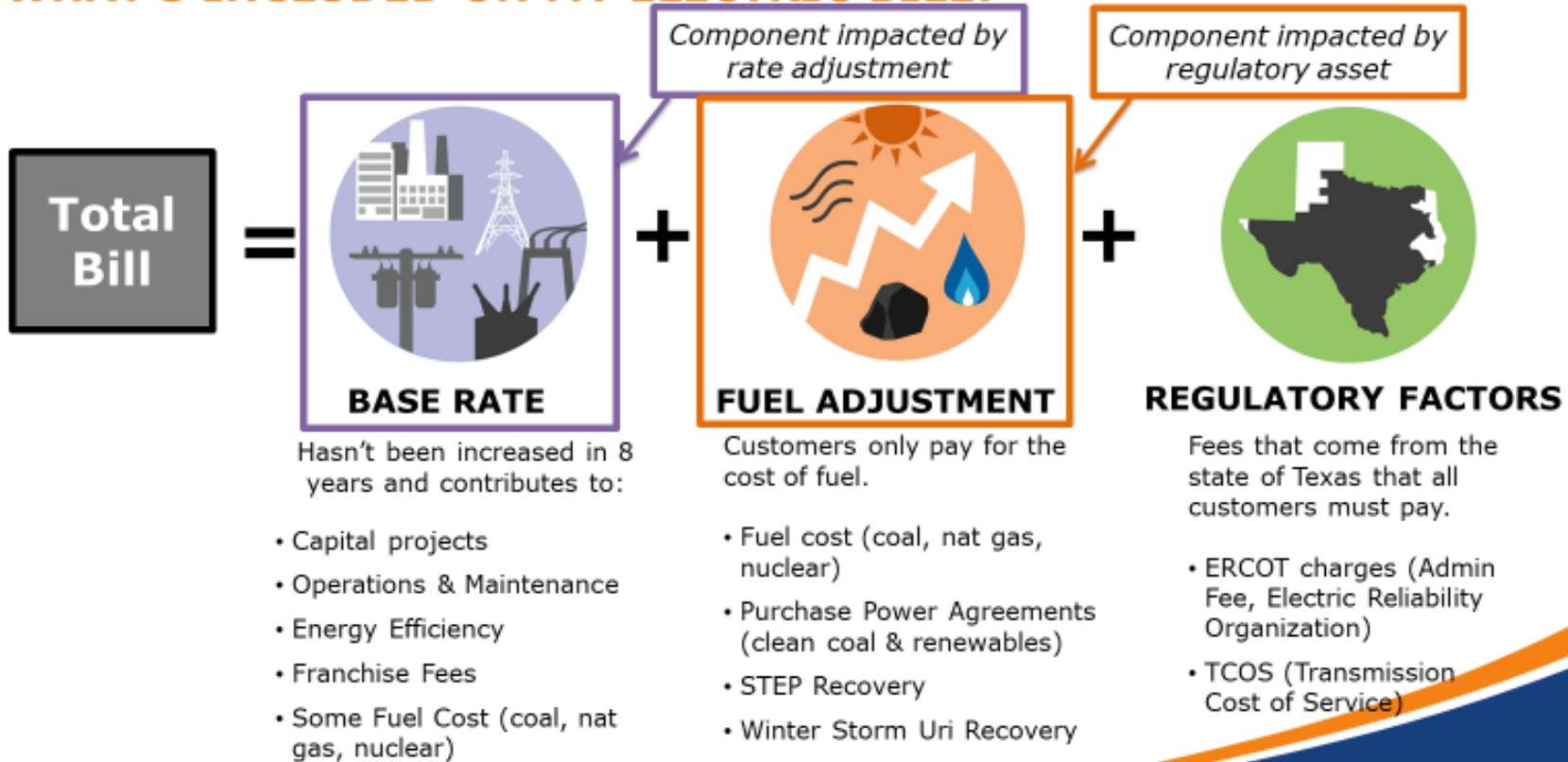
\$179*

Your
Estimated New
Average
Monthly Bill:

\$184*

RATE STRUCTURE

WHAT'S INCLUDED ON MY ELECTRIC BILL?





B Session Follow up: 12/1/2021 & 12/8/2021

Residential Bill Impacts Including Winter Storm Recovery

		<u>BILL IMPACTS</u>		<u>ADP BILL IMPACTS</u>	
kWh	CCF	\$IMPACT	%IMPACT	\$IMPACT	%IMPACT
500	10	\$2.32	~3.0%	-\$0.90	~-1.4%
1,000	20	\$4.57	~3.3%	\$1.47	~1.1%
1,500	35	\$6.97	~3.4%	\$3.97	~2.0%
2,000	50	\$9.35	~3.5%	\$6.47	~2.5%

Note: Affordability Discount Program (ADP); Usage profile held flat between FY 22 and FY 23; Fuel and regulatory rates held flat between FY 22 and FY 23; including winter storm Uri recovery

- Most households use ~1,000 kWhs month
- The impact to our most vulnerable customers will be mitigated by the Affordability Discount Program



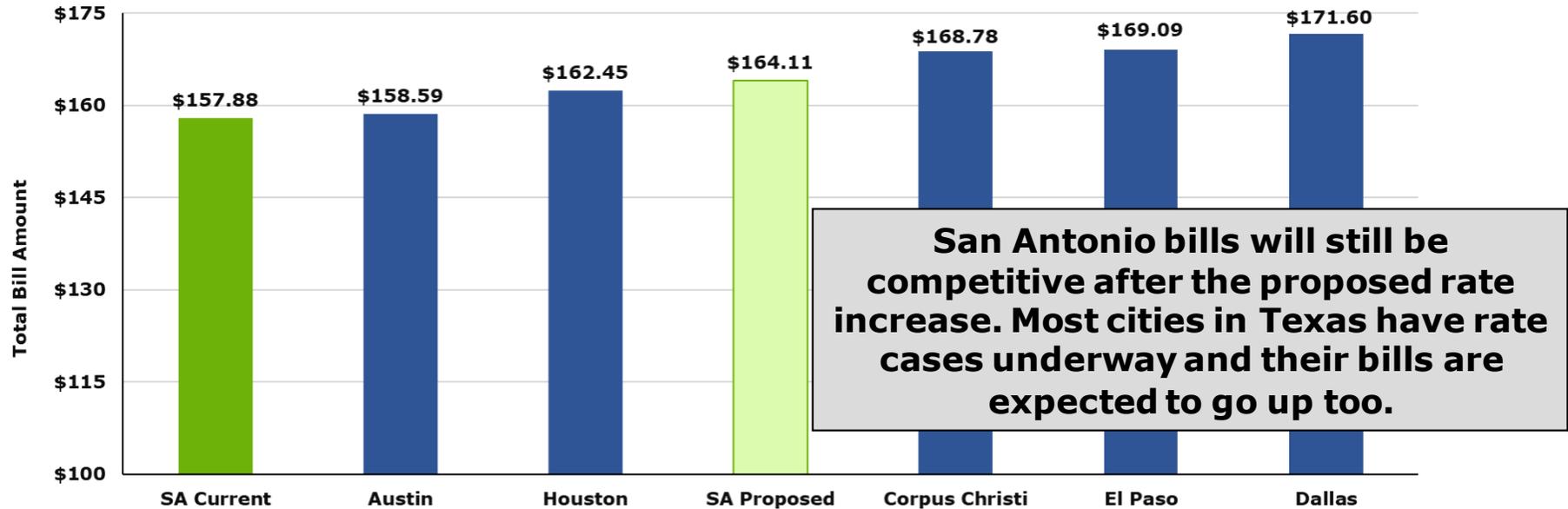
B Session Follow up: 12/1/2021 & 12/8/2021

Residential Customer Count by Usage Level By City Council District

kWh Range	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	District 10
Up to 500	13,290	9,908	8,752	4,537	8,139	7,582	9,136	15,184	7,994	7,335
500-1,000	19,755	21,855	18,118	15,444	15,256	23,769	23,070	34,782	26,308	24,149
1,000-1,500	11,595	16,727	14,228	15,962	10,418	17,888	16,891	18,662	19,899	18,996
1,500-2,000	4,314	6,751	6,132	7,320	4,147	7,125	6,450	6,872	10,241	8,126
2,000+	2,247	2,720	2,706	2,769	1,710	2,673	2,683	4,461	8,373	4,024



Texas Cities Combined Residential Bill Comparison



Note: This will not match the average residential bill because it is based on the PUCT's standard shopping levels of an average of 1,000 kWh/month and 5 MCF/month whereas the average CPS Energy residential usage is 1,085 kWh/month and 2.6 MCF/month; Bills reflect 12-month average pricing from November 2020 through October 2021 in all markets; Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs); Public Utility Commission of Texas (PUCT)



B Session Follow up: 12/1/2021 & 12/8/2021

Small Commercial Electric Bill Impact by Usage Level

Usage Level	\$ Impact	% Impact
1 kW/250 kWh	\$1.30	3.7%
6 kW/1,000 kWh	\$4.40	3.7%
13 kW/2,500 kWh	\$10.87	3.7%
20 kW/5,000 kWh	\$20.93	3.7%

Note: Small commercial bill calculated on the PL rate; Usage profile held flat between FY 22 and FY 23; Fuel and regulatory rates held flat between FY 22 and FY 23; including winter storm Uri recovery



B Session Follow up: 12/1/2021 & 12/8/2021

Large Commercial & Industrial Electric Bill Impact by Usage Level

	Usage Level	\$ Impact	% Impact
Industrial (LLP):	260 kW/ 100,000 kWh	\$354	3.7%
	469 kW/ 180,000 kWh	\$632	3.7%
Industrial (ELP):	1,186 kW/ 600,000 kWh	\$1,935	3.7%
	1,976 kW/ 1,000,000 kWh	\$3,197	3.7%
Industrial (SLP):	6,692 kW/ 4,000,000 kWh	\$11,212	3.7%
	11,712 kW/ 7,000,000 kWh	\$19,590	3.7%

Note: Usage profile held flat between FY 22 and FY 23; Fuel and regulatory rates held flat between FY 22 and FY 23; includes winter storm Uri recovery



B Session Follow up: 12/1/2021 & 12/8/2021

Large Commercial & Industrial Gas Bill Impact by Usage Level

	Usage Level	\$ Impact	% Impact
Commercial G:	60 CCF	\$2.44	5.0%
	100 CCF	\$3.79	5.1%
Industrial B:	1,400 CCF	\$50	5.4%
	2,200 CCF	\$78	5.4%
Industrial LVG:	26,000 CCF	\$790	5.9%
	35,000 CCF	\$1,057	5.8%

Note: Usage profile held flat between FY 22 and FY 23; Fuel and regulatory rates held flat between FY 22 and FY 23; includes winter storm Uri recovery



8. Governance & Organizational Review

Request

Councilmembers asked for a better understanding of the roles and responsibilities of the various bodies that influence and determine CPS Energy's rates (specifically the Rate Advisory Committee (RAC), the Citizens Advisory Committee (CAC), the CPS Energy Board of Trustees (BoT), City Staff, and City Council). This section includes information on:

- Organizational review
- Roles and responsibilities of the RAC, CAC, the CPS Energy BoT, City Staff, and City Council
- Timeline for RAC and BoT voting on rate increase

Response

- **Organizational Review:** Our CPS Energy Board of Trustees will consider a process for organizational review in response to the Council's and the MUC's request.

Collectively, these groups (RAC, CAC, etc.) ensure that CPS Energy's rate requests are informed by community opinion, meet the needs of the utility and the community, and are financially sound.



B Session Follow up: 12/1/2021 & 12/8/2021

Summary of Rate Setting Roles & Responsibilities

	RAC	CAC	BOT	City Staff	City Council
Description:	Community members appointed by the Board of Trustees and City Council with the specific purpose of evaluating rates and generation matters.	Community members appointed by the Board of Trustees and City Council. They are charged with providing community & customers perspectives into all aspects of utility operations.	Four community members representing the four quadrants of the utility's service area and the Mayor of San Antonio. Members are appointed by the other Trustees, and must be confirmed by City Council vote.	The Supervisor of Public Utilities, members of the finance organization, and the office of public utilities.	The Mayor and 10 council members representing each of the council districts in San Antonio.
Action:	The RAC will submit their collective opinion, which is determined by voting, on rate requests to CPS Energy's Board of Trustees. Additionally, City Council members may choose to solicit individual opinions from the RAC members.	The CAC will submit their collective opinion on rate requests to CPS Energy's BOT. For the CAC, this will be in the form of a resolution that has been voted on by committee members.	The BOT will provide guidance and review all relevant details of rate requests, and they will consider the opinions of the RAC and the CAC, as well as additional community input (such as town halls and input sessions) prior to voting for or against the rate request.	City Staff thoroughly evaluates the financial needs of the utility and the rate request being made. The Supervisor of Public Utilities then provides a formal recommendation to City Council.	Evaluates all aspects of the rate request including the opinions and guidance of the RAC, CAC, BOT and City Staff, among others. City Council has ultimate rate setting authority and votes for or against the proposed rate request.



B Session Follow up: 12/1/2021 & 12/8/2021

Rate Request Approval Timeline

Activity	RAC	CAC	CPS Energy Board	City Council
Rate Increase Overview	12/2/2021 12/9/2021 12/16/2021	12/8/2021	12/13/2021	12/1/2021 12/15/2021
City Staff Presentation				12/8/2021
Committee Votes	12/16/2021	1/5/2022		
Present Recommendation to CPS Energy Board	1/10/22	1/10/2022		
Vote on Increase			1/10/2022	1/13/2022



9. Resources & Retaining Talent

Request

Our proposed rate request includes funding for stabilizing our workforce. Our City Council recently asked us to elaborate on our plans to retain talent.

- Plans to retain talent

Response

Our workforce has changed significantly since our last rate increase, and we have far fewer employees now. The quantity of employees eligible for retirement is increasing, and we are losing employees and missing out on hiring opportunities to other employers that are willing to pay more.

- There were no compensation increases in fiscal year 2022. With this rate request we will reinstate merit increases beginning in fiscal year 2023.
- A rate increase will allow us to implement compensation strategies over the next year that are critically needed to realign team member pay to the market and support talent retention in this fiercely competitive labor market:
 - Increase the entry-level wage to \$18/hour
 - Conduct market analyses, beginning with critical, hardest-to-fill roles, and adjusting base salaries by job families to align to market
 - Use retention and hiring incentives for at-risk and hard-to-fill roles
- Implementation of these strategies is necessary to attract the talent needed to innovate in our changing industry and meet the needs of our customers. Currently, of CPS Energy's 3,370 authorized positions, more than 400 are vacant. With approval of this rate request, CPS Energy will accelerate recruiting efforts to reach target staffing levels within 18 months. The above compensation strategies are critical to enable us to compete for utility-specific positions, as well as the talent needed for support functions such as finance and accounting, supply chain or information technology.
- Leverage Train for Jobs SA, and continue partnerships with local colleges and universities, TXFAME advanced manufacturing program, SA Works and other community-focused initiatives to fill critical vacancies.
- In 2023, senior leadership will leverage workforce sentiment and feedback information to conduct cascaded workshops, resetting leader and manager expectations for engaging with team members and stakeholders:
 - Increase engagement and improve morale, with a growing focus on flexibility and wellness for team members
 - Resume pre-pandemic growth and development opportunities



B Session Follow up: 12/1/2021 & 12/8/2021

- Update benefits offerings that have a net-zero impact on CPS Energy operations costs, such as modern leave benefits and offering voluntary benefits that are a pass-through cost for CPS Energy

10. Reliability

Request

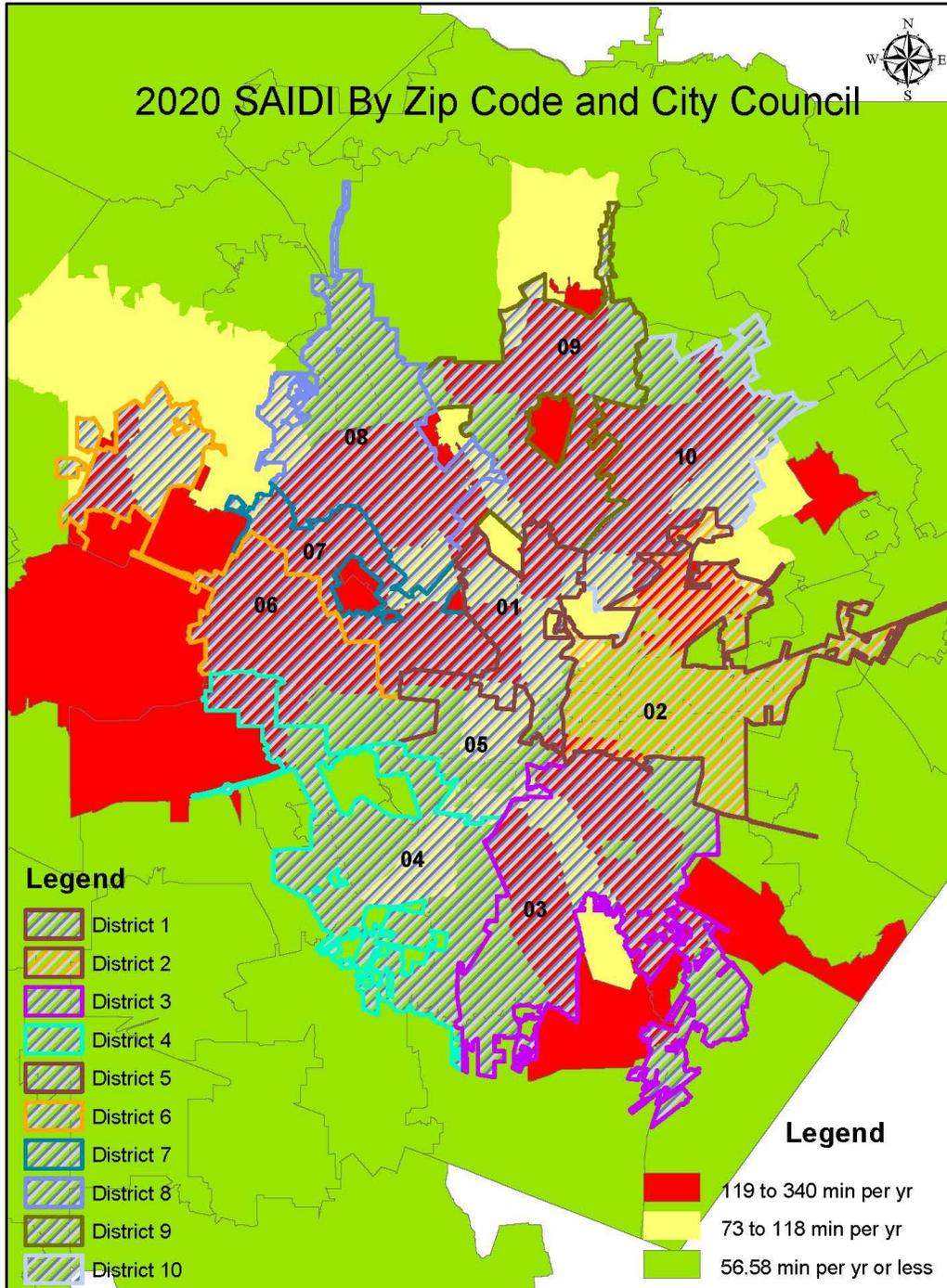
As we make investments in reliability for the community, our City Council asked for locational system performance detail.

Response

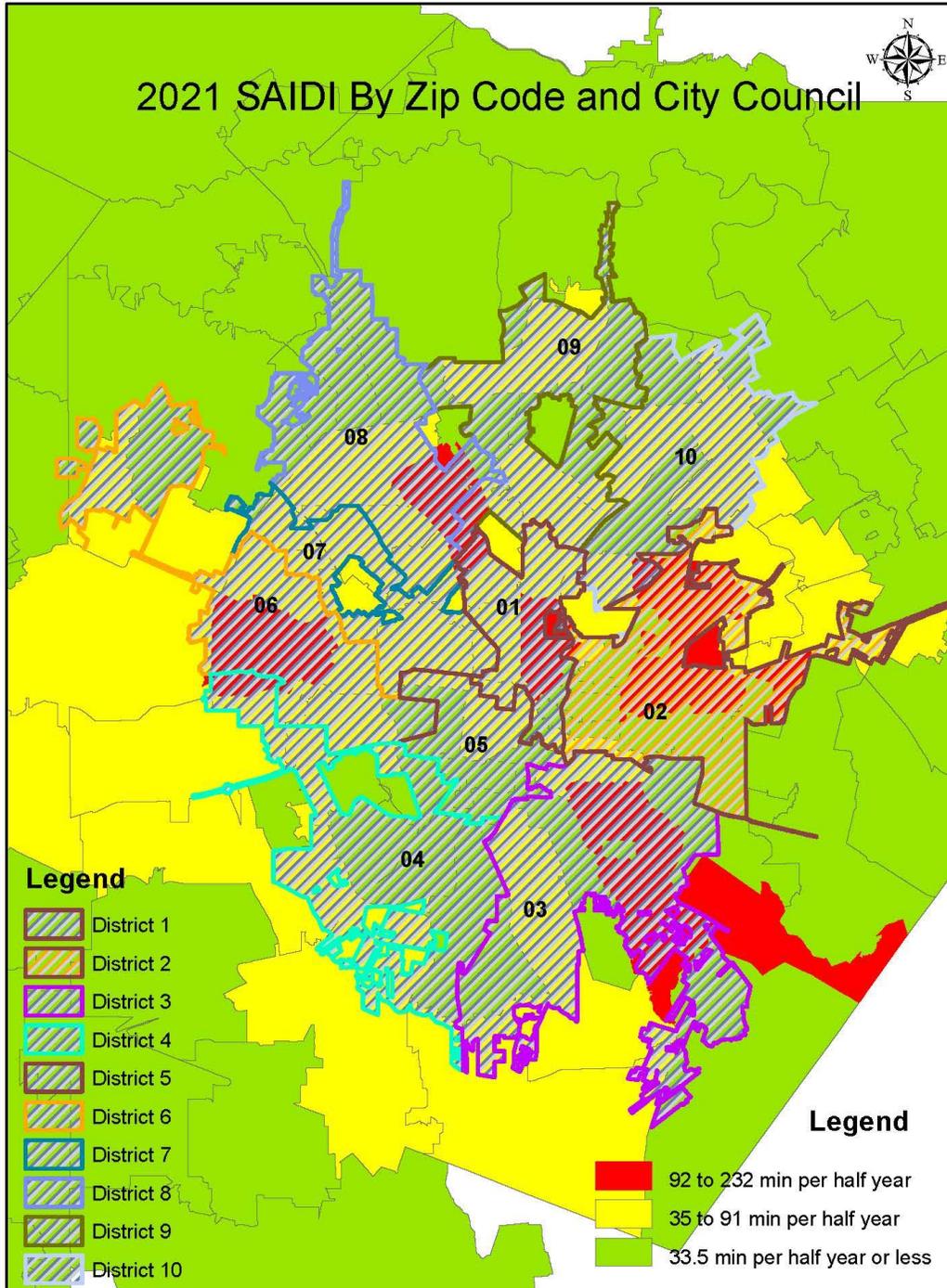
Reliability is impacted by weather, vegetation, accidents involving CPS Energy equipment (for example, when a car hits one of our poles), and unexpected equipment failures. Below are images of comparative reliability across our service territory (2020 compared to Jan-Jun 2021 without Winter Storm Uri) using the system average interruption duration index (SAIDI). SAIDI is used as a reliability indicator which averages the outage duration for each customer served. This data helps us target areas for improvements such as circuit inspection/maintenance, tree trimming, distribution automation, and strategic undergrounding.

We remain in the 1st quartile for reliability benchmarking compared to Austin Energy, Oncor, CenterPoint TX, LCRA, Entergy, and other large utilities including, but not limited to, PG&E, Exelon, AZ public service, TECO, TN Valley Authority.

2020 SAIDI by Zip Code & City Council District



2021 SAIDI by Zip Code & City Council District





11. Rate Design & Generation Planning Conversations

Request

Our revised rate request approach, which focuses on known near term required investments, push several key topics of community interest until after this rate request has been evaluated. Understandably, our City Council wants a clear understanding of when these issues will be discussed with the community. This includes:

- Rate design timeline
- Generation planning timeline

Response

Like others in the utility industry, CPS Energy is experiencing a significant amount of change and complexity, and there are many issues that our community wants to influence. Our industry peers have seen success by methodically approaching each of these tough topics one at a time, and this is the approach we plan to take.

Rate design (i.e., the type & magnitude of the fees on customer bills) can be used to accomplish many different objectives such as incentivizing energy efficiency or the use of renewable energy. We believe the design of our rates needs to be re-evaluated, and we know that a successful redesign of rate structures depends on:

- 1) Significant community discussion and input
- 2) Extensive analysis to identify the impact to all customer groups (especially low income)

Immediately following this rate request, we will continue discussions on rate design with the Rate Advisory Committee and other stakeholders. We expect to have a timeline for rate restructuring that can be shared in the next twelve months.

Generation planning (i.e., planning the sources of energy supplied to the community) is another complex issue with many passionate advocates in our community. We are committed to transparency and open dialog on this issue, and we will lay out a process for generation planning discussions with our community in the next twelve months.