

**CPS ENERGY
MINUTES OF SPECIAL MEETING OF
THE BOARD OF TRUSTEES HELD ON JANUARY 10, 2022**

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, January 10, 2022, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting was also livestreamed on the CPS Energy website.

I. CALL TO ORDER

Chair Dr. Mackey called the meeting to order at 1:01 p.m.

Present were Board members:

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

Also present were:

Mr. Rudy Garza, Interim President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy staff members
City of San Antonio officials
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and Pledge of Allegiance were delivered by Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO.

III. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner outlined the guidelines for doing so. The following person made comments:

1. Mr. Richard Perez, San Antonio Chamber Commerce, spoke in favor of the rate increase and regulatory asset recommendation. In addition, he also spoke on behalf of the San Antonio Hispanic Chamber of Commerce, the North San Antonio Chamber of Commerce, the Real Estate Council of San Antonio, San Antonio Manufacturers Association, and the San Antonio Greater Builders Association, which all favor the rate increase and regulatory asset recommendation.

2. Mr. Russell Seal spoke in favor of the rate increase. He also spoke in favor of CPS Energy hiring more local talent.
3. Mr. Alan Montemayor, Chairman Alamo Group of the Sierra Club, spoke on the hiring of a new CEO and various matters concerning the environment.
4. Mr. Al Arreloa, South and West San Antonio Chambers of Commerce, spoke in favor of the rate increase and regulatory asset recommendation.
5. Mr. Terry Burns, Former Chair, San Antonio Sierra Club, asked that the Board vote on the hiring of an outside consultant to audit CPS Energy's operations and management.
6. Mr. Brian Schill, spoke in favor of legal and legislative actions against ERCOT and others regarding the consequences of Winter Storm Uri.

IV. OPENING REMARKS FROM THE INTERIM PRESIDENT & CEO

Mr. Rudy Garza began his remarks by thanking the Board Chair, City Manager, City CFO and City staff for the collaborative process in arriving at the reasonable and necessary request of a rate increase. We were challenged to look at this request differently by addressing immediate needs now and future needs in the future. The timing is never right for a rate increase but if we don't do this now, there is a greater likelihood of a negative economic and operational impact on our customers. This increase is about our customers and ensuring that we have the resources necessary to provide them with the service they expect and deserve. Our team is committed to cost control excellence while keeping our rates affordable. Without this rate increase, we cannot meet the reliability needs of this community.

Since the last rate increase in 2014, we have been singularly focused on being efficient. Since then, we have brought cost control presentations to the board. Over the last nine (9) years, we have shown over nine-hundred million dollars (\$9M) of cost savings. For the past two (2) years, the pandemic and effects of Winter Storm Uri have made additional cuts difficult while cost have continued to increase.

We began a preview of our rate request in August 2021. We have worked hard to find the right balance between our needs and affordability concerns. We believe we have arrived at a reasonable request. Our goal was to seek alignment with our City owner and identify areas of focus going forward. Our immediate focus is discussions on pandemic bad debt, power generation resources, and the replacement of our enterprise resource planning system. In addition, there has been significant change over the last couple of years, including customer growth, peak system demand increase, and proliferation of assets. Yet, we have been working with the same revenue have had over the last eight (8) years. This is what leads us to our present rate request. Moving forward, our goal is to work collaboratively with our community, create immediate financial stability and continue community dialogue on future critical issues.

Today, we will be asking for a base rate increase of 3.85% that raises roughly seventy-three million dollars and the creation of a regulatory asset that will allow us to recover costs paid to date on Winter Storm Uri, over the next twenty-five (25) years. We have paid four hundred and eighteen million dollars (\$418M) but we are setting up the regulatory asset for one billion dollars (\$1B) which covers paid and all disputed charges that we continue to fight as unconscionable.

Before concluding his remarks, Mr. Garza thanked the Rate Advisory Committee and Citizens Advisory Committee for the work they have provided in this rate request. They have spent countless hours educating themselves on our business.

V. CITIZEN'S ADVISORY COMMITTEE (CAC)

Mr. Garza introduced outgoing chairperson Luisa Caso and new chairperson Bill Day to speak on behalf of the CAC. Ms. Caso has been on the committee since 2016, and concluded her term as Chairperson last month. She has served as both a representative from District 1 and as an at large member. Mr. Day has been on the committee since 2017, serves as an at large member, and is the new chair. Due to the recent transition of the chair position, both Ms. Caso and Mr. Day provided CAC's recommendation to the Board.

Mr. Day explained that the CAC has been serving CPS Energy of nearly twenty-five (25) years. It consists of fifteen (15) members with ten (10) members being appointed by city council members and five members at large. The members of the CAC are diverse in age, gender, ethnicity and provide a large variety of viewpoints. They meet monthly and have good communications with the Board. The mission of the CAC is to serve as an independent sounding board for the community and serve as a liaison between the community and CPS Energy. They receive good briefings from the CPS Energy staff and disseminate the information to the community. In addition, they also receive information and viewpoints from the community and share it with CPS Energy leadership. At every meeting, each committee member can ask questions CPS Energy and CPS Energy staff has been very responsive to these questions.

Since Ms. Caso was the chair of the committee during 2021, she described the process that the committee followed in developing the recent resolution passed by the committee regarding the proposed rate increase. The CAC process was very similar to the one followed by the Rate Advisory Committee (RAC). As CPS Energy staff presented information to the RAC, they also presented similar information to the CAC. The CAC received the proposed rate increase information during regular monthly meetings, as well as at called additional meetings. CPS Energy staff was very responsive to CAC questions. In late November, the CAC created a subcommittee that drafted a resolution that included varying viewpoints. The draft resolution was thoughtfully and carefully developed to meet a consensus of the committee. It was very important to the CAC leadership that the draft resolution was prepared by the subcommittee and not the CPS Energy staff. Items included in the draft resolution were transparency, accountability, fairness and equity, and care and concern for marginalized populations. Therefore, the resolution presented was written and approved by the CAC. The resolution was approved by a vote of thirteen (13) in favor, two (2) absent. In addition, the proposed regulatory asset was also approved with a vote of thirteen (13) in favor, two (2) absent.

Mr. Day thanked the work done by the RAC. He also acknowledged that CPS Energy is facing a lot of challenges this coming year. The CAC has a good relationship with CPS Energy staff and the community. The CAC looks forward to addressing those challenges.

Chair Dr. Mackey thanked the CAC for their outstanding job.

VI. RATE ADVISORY COMMITTEE (RAC)

Mr. Garza thanked the RAC for their hard work and appreciates their input. He also thanked Mr. Reed William for his leadership.

Mr. Williams thanked CPS Energy staff, including Ms. Ann Kinard, as well Vice Chair Gonzalez for their support and leadership during the process. Last May, the RAC began to learn what utilities do and how rates are formed. Subsequently, the proposed rate increase was presented. The process to consider the rate increase was a lot messier and more contentious than expected but feels that it was a good process. The RAC is very diverse and feisty, but the members remained respectful towards one another. The vote was not unanimous and the process provided for broad input. The vote on a resolution provided for members to include comments, which he encouraged the Board to read.

Trustee Steen thanked Mr. Williams for his leadership and read comments provided by committee member, Dr. Olufemi Osidele, in support of the rate increase as follows: "... My affirmative vote is driven by the proverbial big picture. The premise of my recommendation is inflation. Since the last rate increase in 2014, inflation in the U.S. economy has grown more than fourteen percent (14%) based on historical consumer price index data from the U.S. Bureau of Labor Statistics. In other words, a service that cost one hundred dollars (\$100) in 2014 would now cost more than one hundred and fourteen dollars (\$114). CPS Energy is requesting a rate increase of three-point eight five percent (3.85%). This request does not even cover inflation. Moreover, the operational efficiencies CPS Energy has achieved in the past seven (7) years can no longer cover the gap between the requested rate increase and the historical inflation in our economy. For this reason, I recommend the proposed base rate increase." Trustee Steen asked Mr. Williams to comments on the foregoing statements. Mr. Williams responded that the statements speak for themselves, along with other statements given by other committee members that are of a different perspective. Mr. Williams also stated that he viewed the proposed rate increase going forward from the perspective that it would stabilize the organization. Mr. Corey Kuchinsky also responded that he has identified inflation as an ongoing risk to the organization. Mr. Kuchinsky also added that one of the drivers that allowed us to withstand inflation for so long is the nine hundred million dollars (\$900M) of cost structure that offset the increase in prices. Mr. Rudy Garza also commented that every committee member provided good input in their statements in support of their respective votes.

Trustee Kelley also thanked Mr. Williams for the RAC work. He stated that the CAC and RAC reviewed the proposed rate increase at the same time. He then asked Mr. Williams if the RAC has served its purpose and should be dissolved, or if there is additional work to be done. Mr. Williams responded that according to the RAC bylaws, it is to look at the rate structure and generation planning. The RAC did not do these things during the review of the rate increase. The RAC still needs to address these items. He believes a new rate allocation study will occur soon and that the RAC should review it. In addition, the RAC will review generation planning. In addition, he supports the work of the CAC but the RAC consists of a diverse group of members that provide strong input on rates.

Mayor Nirenberg also thanked Mr. Williams and the RAC for their work.

VII. BASE RATE INCREASE & REGULATORY ASSET RECOMENDATIONS

Mr. Kuchinsky thanked the Chair and the Board for their engagement and challenging questions during this process. He also thanked the CAC and RAC for their engagement and input. He also thanked Mr. Eric Walsh and the City staff for their partnership for the past several months.

Mr. Kuchinsky began by stating that the requests being presented today will accomplish several positive things for the company. It accomplishes near term financial stability that will support our credit ratings, critical investments necessary for reliability and enhanced resiliency, staffing, and most importantly it provides time for

strategic discussions with the Board and the community on key policy issues such as generation planning, equity and rate design. On a go forward basis, we anticipate taking an incremental approach towards rate requests.

Mr. Kuchinsky stated that the first component of our request is for a base rate increase of three-point eight five percent (3.85%). This will achieve annual incremental revenue of seventy-three million dollars (\$73M). We recommend implementing the increase on March 1 of this year. This request is in addition to an annual budget we are forecasting to be about two-point nine billion dollars (\$2.9B) next year. The incremental revenue allows us to invest in several near-term critical areas like infrastructure resiliency (such as enhanced customer communications, upgrading our freeze protection at the power plants), technologies, substantial growth, and people. We plan to fill the four hundred (400) vacancies as fast as we can to keep up with our community growth. What is not included in the rate request is early collection of pandemic bad debt. We initially considered collecting this debt over a five (5) year time period, but with the federal funds approved by city council to apply to this debt it buys us time consistent with our strategy of thinking through some of policy decisions. Disputed fuel costs from Winter Storm Uri are not included in the request. Five hundred and eighty-seven million dollars (\$587M) of one billion dollars (\$1B) remains in dispute. Once we have resolution of this disputed amount, we will communicate it back to the board and the community. In addition, future generation decisions and rate design changes are not included in the request.

For the next two (2) years, we forecast stable metrics. We spoke with the rating agencies last summer and over the past several weeks explaining our revised incremental approach. We believe having these stable metrics will contribute to our strong credit ratings which will result in affordable borrowing costs. To keep a positive trend of these metrics we will have to continue to come back to this Board and city council for incremental requests.

The second component of our request we were charged approximately one billion dollars (\$1B) in fuel costs related to Winter Storm Uri. We hired a third party to do an analysis of what would be expected or acceptable scarcity pricing in an event like Winter Storm Uri. We have four hundred and eighteen million dollars (\$418M) that we have not yet recovered. We are recommending a strategy to recover these costs over a twenty-five (25) year period, which will minimize the impact on customers' bills. The bill impact is approximately one dollar and twenty-six cents (\$1.26) per month for average residential electric and gas customers. The combined bill impact on average residential customers from the base rate increase and the winter storm recovery is just over five dollars (\$5.00) a month.

In consideration around equity and utility burden, we included in this request an offset against our base rate for those customers that qualify for the affordability discount. The current twelve dollar and thirty cents (\$12.30) per month discount will increase to sixteen dollars and fourteen cents (\$16.40). In addition, we increased enrollment by fourteen thousand customers for a total of sixty-five thousand customers. Our residential customers that are not on the affordability discount program and our commercial customers contribute in funding this program.

We have an online bill estimator for both residential and commercial customers located at cpsenergy.com/ratecase. This tool will help customers see what the bill impact we be for them.

For the sake of forecasting, we estimate that we will come back to this Board every couple of years. We may have to come back sooner if the financial health of the organization dictates. There are some risks that are built into the forecast, including inflation, interest rates, supply chain challenges, the disputed fuel costs from Winter Storm Uri, and past due customer balances from the pandemic.

Mr. Kuchinsky turned over the remainder of the presentation to Mr. Garza. Mr. Garza first thanked Mr. Eric Walsh and his staff for their collaboration in the rate review process. He then reported on the many discussions CPS Energy leaders have had with City Council. During those meetings, City Council members asked about many issues such as our engagement and outreach, our communications approach, and our assistance programs. In terms of outreach, we have conducted forty (40) events to date, with three (3) more townhalls for this week. There are many organizations and stakeholders that we have met with at these events. In addition, we have sent two point two million (2.2M) direct messaging to customers, either through text message, voice mail or emails. Mr. Garza stated this goal was not to convince someone who opposes a rate increase to want it but instead to educate all customers on the need for it and how we intend to utilize it to serve our customers.

In closing, we have avoided a rate increase for eight (8) years. We are paying today's costs while recovering yesterday's revenues. We plan to spend these dollars on critical and strategic investments. We have increased community awareness and will continue to do so. We have increased the affordability discount because we believe it is the right thing to do for those most vulnerable in our community. In addition, we have asked for a regulatory asset that responsibly recovers what our substantial costs over an extended period of time we believe creates affordability for our customers.

Mr. Garza respectfully requested that board approve agenda item 7a, a base rate increase of three-point eight five percent (3.85%), and agenda item 7b, approval to create a regulatory asset of up to 1 point zero zero five billion dollars (\$1.005B) to recover the immediate four hundred and eighteen dollars of Winter Storm Uri fuel costs that has been paid to date, both effective as of March 1, 2022.

Trustee Kelley asked if the board approves these items, what is the next step and overall timing of those steps. Mr. Garza responded that the next step is to attend the City Council meeting this coming Thursday with a request for approval of both of these items. For the city's approval, the timing began with the December 1, 2021 City Council meeting presentation and if passed by the board today, CPS Energy will request approval of these requests this Thursday.

Trustee Steen asked why the financial metrics are important to the credit rating agencies. Mr. Garza responded that the financial metrics tell us if the company is in financial stress or not. Mr. Kuchinsky responded that our three (3) financial metrics are reviewed by our credit agencies. Trustee Steen asked what it means that our debt capitalization is the color of yellow. Mr. Kuchinsky answered that we are slightly over the threshold level that we would prefer to be at based on our rating. We normally target sixty percent (60%) and we are slightly above that amount. We have discussed with the credit agencies that we have a plan to reduce that number down to the sixty percent (60%) range within a five (5) to six (6) year time frame. Trustee Steen also asked what the brown horizontal line on an adjusted debt service coverage ratio graph represented. Mr. Kuchinsky responded that it represents the one point five (1.5) threshold we want to be at, and we target to be above that number. We are forecasting to finish this year at a one point six (1.6) range. Mr. Garza also stated that we are always monitoring our forecast of the adjusted debt service coverage ratio and the forecast into the future takes into account that we plan to come back for rate increases twice in the next five (5) years. Trustee Steen also asked what the brown horizontal line in the debt capitalization ratio graph represented. Mr. Garza responded that it represents what where we want the ratio to be but acknowledged that it is off of the sixty percent (60%) threshold. Mr. Kuchinsky stated that this forecasted graph takes into account future rate increases in fiscal years 2025 and 2027. Trustee Steen if we exceed our financial metric thresholds will the credit agencies not downgrade our rating. Mr. Kuchinsky responded that these financial metrics along with other

factors are considered in our credit rating. Trustee Kelley also commented that he has met with our credit rating agencies before and we have always done well with our debt coverage ratio being above the one point five (1.5) threshold. In addition, credit rating agencies have wanted us to maintain one hundred and fifty (150) days of cash on hand and we have typically exceeded it. The one metric we need to watch carefully is the debt capitalization ratio. Our credit rating agencies have wanted us to maintain a sixty percent (60%) threshold. As you issue debt, we don't have a way to balance it against more equity. We cannot issue equity because we are owned by the City and depend on debt to pay for growth. Chair Dr. Mackey pointed out that the board frequently discusses the debt capitalization ratio during meetings, and we need to continue to focus on it. Chair Dr. Mackey also thanked Eric Walsh and staff, including city CFO Ben Gorzell, for working hard with our staff in reviewing our rate request information.

Mayor Nirenberg thanked Mr. Garza and Mr. Kuchinsky for their hard work in preparing the requests. The Mayor also thanked the CPS Energy employees for their hard work.

Trustee Kelley stated that he disputes when individuals try to blame CPS Energy for the problems involving Winter Storm Uri. There were sixty-five (65) recovery plans submitted by utilities in the Texas and other states to address the issues of Winter Storm Uri. He does not believe that CPS Energy, this Board or senior management is to blame for Winter Storm Uri. This company did as strong a job as any company could have been expected to do.

Vice Chair Gonzalez stated that we were faced with the pandemic, Winter Storm Uri and personnel issues and had to navigate through. In addition, we implemented the RAC, worked with EBOC, worked with the Committee for Emergency Preparedness, provided feedback to the Municipal Utility Commission, and appointed an interim CEO. This board has been responsive to our community, during such turmoil, and has moved forward to accomplish a lot. This Board needs a strategic plan to adapt to the multiple expectations and changing priorities. We have an opportunity to perform a SWOT analysis to be responsive to our owners, bondholders, citizens, and our governance. She was not a proponent for a big rate increase. We have an opportunity to consider the feedback from RAC, CAC, MUC and our citizens to address long-term considerations. She had to contemplate about the last twelve (12) months when deciding her vote today. She thanked her colleagues, the staffs of City and County, and the employees of CPS Energy for all the work that was done on the requests and for the future work that needs to be done.

Chair Dr. Mackey asked the board to consider two (2) things. First is that we took time to consider the need for a rate increase for financial stability. Second is a future resolution he intends to raise at addressing the Spruce coal units. He also wants this Board to look at a strategic plan on management structure, executive compensation, operation, efficiency for cost saving measures, and the culture of CPS Energy.

Trustee Kelley stated the he would like to see us institutionalize the forecasted rate increases for fiscal years 2025 and 2027 because it is contemplated in today's three point eight five percent (3.85%) rate request. Mr. Eric Walsh agreed that CPS Energy informed the City Council that future rate requests will be made to address future needs of the company.

Vice Chair Gonzalez stated that a vote today on the rate request does not mean everything is great. We have a fiduciary duty to meet the expectations of our financial and operational plans, and we cannot fix all problems with additional funding. We will fix them with leadership and sound business plans.

Trustee Steen read prepared comments that he is concerned that we are limiting the rate request to three-point eight five percent (3.85%). As requested by Trustee Steen, these prepared comments are attached to these minutes.

Chair Dr. Mackey stated that previous CEO, Paula Gold Williams, initially requested a higher rate increase. When Mr. Garza was appointed, he began to have meetings with the City and requested three point eight five percent (3.85%). Chair Dr. Mackey also stated that we may need to go to the City sooner than two (2) years from now if the financial condition of the company warrants it.

A. Resolution of the Base Rate Increase Proposal

On a motion made by Trustee Kelley, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the Board approved the City Public Service Board of San Antonio resolution approving an increase of three-point eight five percent (3.85%) to the electric and gas base rates effective March 1, 2022 and approving the amendments to the affordability discount program. The following resolution was read by Ms. Shanna Ramirez:

WHEREAS, CPS Energy is the municipally owned utility that operates the City of San Antonio's electric and gas system providing retail services to customers within city of San Antonio and surrounding areas; and,

WHEREAS, CPS Energy is required by law and its bond ordinance to impose and collect charges for the electric and gas service it provides in amounts at least sufficient to pay all operating and maintenance, depreciation, replacement, improvement and interest charges in connection with the system; and,

WHEREAS, the CPS Energy rate adjustment was four point two five percent (4.25%) increase in the electric and gas base rates in November 2013; and,

WHEREAS, CPS Energy proposes a three point eight five percent (3.85%) increase in its electric and gas base rates in order to meet the continuing obligations to supply reliable services to its customers, meet the immediate capital and maintenance requirements of the system, meet the flow of funds requirements as set out in the CPS Energy bond ordinances and maintain a strong credit rating; and,

WHEREAS, the combined gas and electric rates for CPS Energy customers will remain among the lowest in the state even after the 2022 rate adjustment, and,

WHEREAS, CPS Energy maintains an affordability discount program available to customers who have an income at or below one hundred and twenty-five percent (125%) of federal poverty guidelines and meet one of the following criteria: are elderly or disabled; use life sustaining medical equipment; or have children under the age of 18 years; and,

WHEREAS, the recommended 2022 rate adjustment would equate to an estimated three dollars and eight-four cents (\$3.84) per month increase on the average residential customer bill and CPS Energy proposes increasing the discount of the affordability discount program by three dollars and eighty-four cents (\$3.84) per month to mitigate the impact of the 2022 rate adjustments on low income customers who qualify for the affordability discount program; and,

WHEREASE, CPS Energy proposes the following adjustments to the affordability discount program: to increase electric customer monthly affordability discount from eight dollars and fifty-five cents (\$8.55) to eleven dollars sixty-seven cents (\$11.67) and to increase gas customer monthly affordability discount from three dollars and seventy-five cents (\$3.75) to four dollars and forty-seven cents (\$4.47) for a cumulative increase of three dollars and eighty-four cents (\$3.84) per month; and,

WHEREAS, the tariffs once prepared will be attached to this resolution as Exhibit A; and,

WHEREAS, the resolution and the revised tariffs to be attached as Exhibit A will be presented to the San Antonio City Council for review and approval on January 13, 2022; and,

WHEREAS, subject to and upon the City Council's approval of the 2022 rate adjustments and 2022 affordability discount program adjustments, such adjustments will be documented within appropriate CPS Energy records and the 2022 rate adjustments will be communicated to and charged to all customers effective March 1, 2022.

NOW THEREFORE BE IT RESOLVED, the recitals and Exhibit to this resolution are hereby incorporated by reference the CPS Energy Board of Trustees hereby approves and adopts the 2022 rate adjustments and the 2022 affordability discount program adjustments described in this resolution for submittal for the San Antonio City Council for approval and delegates to the interim president and CEO the authority to implement such adjustments consistent with this resolution and the San Antonio City Council approval.

B. Resolution of the Regulatory Asset Proposal

Vice Chair Gonzalez stated that she is concerned about the twenty-five (25) year recovery period and asked Mr. Garza and Mr. Kuchinsky to provide additional comments. Mr. Garza stated that the fuel expense is a pass through does not impact our debt to capitalization ratio. The shorter the recovery period, the higher the monthly impact. The average increase in Texas is around eleven dollars (\$11.00) per month. We looked at the overall bill impact to customers which we have calculated to be about five dollars and ten cents (\$5.10) per month. We also left some capacity to include additional payments if we resolve the outstanding six hundred million dollars (\$6M). We felt that twenty-five (25) years was a good balance. This puts us on the low end within the state. Mr. Kuchinsky added that the structure of this regulatory asset provides for revenue certainty to pay off the debt. We decided on twenty-five (25) years from an affordability perspective to our customers.

On a motion made by Chair Dr. Mackey, seconded by Trustee Kelley, and upon affirmative vote by all members present, the Board approved the City Public Service Board of San Antonio Resolution regarding the establishment of a regulatory asset for the 2021 winter weather fuel costs to be amortized over a maximum of twenty-five (25) years and recovered through the fuel adjustment. The following resolution was read by Ms. Shanna Ramirez:

WHEREAS, CPS Energy operates a combined electric and gas utility system on behalf of the City of San Antonio with management by the CPS Energy Board of Trustees and as an independent body with control over CPS Energy's revenues and day to day operations; and,

WHEREAS, Winter Storm Uri was a severe Winter Storm that impacted the continental United States during the period from approximately February 12, 2021 through February 19, 2021 causing severe strain on

the Texas power grid and resulting in CPS Energy being charged extraordinary power and natural gas costs some of which CPS Energy has alleged are egregious illegitimate; and,

WHEREAS, CPS Energy continues to fight for its customers and community in disputing those power and natural gas costs it believes were egregious and illegitimate that were charged to CPS Energy during the severe weather related to Winter Storm Uri; and,

WHEREAS, CPS Energy is disputing approximately five hundred and eighty-seven million dollars (\$587M) of the 2021 severe winter weather costs as egregious and illegitimate; and,

WHEREAS, CPS Energy has incurred approximately four hundred and eighteen million dollars (\$418M) in 2021 severe winter weather costs it has validated as legitimate and reasonable in light of the circumstances when occurred and seeks authorization to begin recovery of these costs through the fuel adjustment; and,

WHEREAS, CPS Energy's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the governmental accounting standards board; and,

WHEREAS, CPS Energy is subject to existing generally accepted accounting principles statement number 62 codification of accounting and financial reporting guidance contained pre-November 30, 1989 FASB and AICPA pronouncements and describes regulatory accounting methods available to rate regulated entities or operations and would allow CPS Energy to record its 2021 severe winter weather costs as a regulatory asset; and,

WHEREAS, the CPS Energy Board of Trustees recommends approval for the establishment of a regulatory asset for the 2021 severe winter weather costs not to exceed one point zero zero five billion dollars (\$1.005B) and once paid to be amortized over a maximum of twenty-five (25) years; and,

WHEREAS, only paid 2021 severe winter weather costs will begin to be amortized over a maximum of twenty-five (25) years and recovered through the fuel adjustment; and,

WHEREAS, CPS Energy will brief City Council annually on the ultimate resolution of the disputed 2021 severe winter weather costs and those resulting in payments will be recommended for recovery through the fuel adjustment over a maximum of twenty-five (25) years; and,

WHEREAS, the purpose of the regulatory asset is to mitigate the customer bill impact of the 2021 severe winter weather costs related to Winter Storm Uri by amortizing those costs over time; and,

WHEREAS, City Council approval is required for the establishment of a regulatory asset and the associated recovery over the amortized period through the fuel adjustment.

NOW THEREFORE BE IT RESOLVED, the recitals to this resolution are hereby incorporated by reference the CPS Energy Board of Trustees hereby approves the establishment of a regulatory asset and the associated recovery described in this resolution for submittal to the San Antonio City Council for approval and delegates to the interim president and CEO the authority to implement such regulatory asset and associated recovery consistent with this resolution and the San Antonio City Council's approval.

VIII. EXECUTIVE SESSION

There was no executive session.

IX. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:08 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board