

**CPS ENERGY  
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES  
HELD ON JULY 25, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of July was held on Monday, July 25, 2022 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, Interim President & CEO  
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary  
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer  
Ms. Vivian Bouet, 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 Mr. Geronimo Gonzalez, Director, Debt Management.

**III. PUBLIC COMMENT**

Isabella Briseno, CPS Energy customer and teacher, requested relief for customers due to the high summer bills, and robust community input on the Spruce coal plants. Finally, she stated the public comment period is inaccessible as meetings are held in-person on Mondays at 1 p.m.

Alexander Papanatassiou, Texas Physicians, stated he appreciates the steps CPS Energy has taken in increasing renewables, but expressed his concern about future air quality and resulting health risks for Bexar County residents. He urged the Board of Trustees to close Spruce coal plants before 2030.

Henrietta LaGrange, resident, stated that there are many things we can do for each other to protect from the sun and heat. She stated Mr. Garza is doing a great job and that she hears from employees that Mr. Garza is liked and respected.

#### **IV. CHAIR'S REMARKS.**

Chair Dr. Mackey noted that he appreciated the hard work of CPS Energy employees in achieving financial goals.

#### **V. INTERIM CEO'S REPORT**

Mr. Rudy Garza discussed the record heat and demand for electricity. CPS Energy has set two new all-time load demand records, and ERCOT has set a new all-time record 11 times this summer. He expressed his appreciation for the employees working to ensure reliability. He also noted efforts on community outreach to inform customers about reliability and demand response.

Mr. Garza then expressed his appreciation for our customers. Commercial and industrial customers answered the calls for demand response and exceeded expectations.

He provided an introduction to the Monthly Performance Update and Tier 1 Updates, and noted that most of them are on track and we're doing the work expected by the Board of Trustees.

Mr. Garza then provided Trustee Dr. Romero a moment to provide an update on the activities of the Rate Advisory Committee (RAC). Trustee Dr. Romero stated she looks forward to sharing information on the important discussions the RAC is undertaking at each of their meetings and receiving board input and feedback at future meetings. She noted that RAC members work hard, ask good questions, and have really good ideas. She wants to ensure that the Board of Trustees is clear about objectives and she wishes to have two-way communication throughout the process. Finally, she noted that the update for the month of June is posted to the CPS Energy website.

Mr. Garza recognized the Texas Lineman's Rodeo Team. CPS Energy apprentices and journeymen were successful. He congratulated them and expressed his pride in their accomplishments. The Board of Trustees congratulated them and took commemorative photographs.

Finally, he recognized DeAnna Hardwick, Interim Vice President, Customer Strategy and her team on their efforts to bring past due accounts current and connecting to customers to resources that are available. Trustee Steen expressed concern at the level of past due balances and stressed that the current approach to reduce these accounts has not been successful and maybe be sending the message that results in customers not prioritizing the payment of their CPS Energy Bills.

#### **VI. MONTHLY PERFORMANCE UPDATE**

Mr. Benjamin Ethridge provided an update on the Tier 1 Metric Program. As of June 30, 2022, 12 of the 15 metrics are on track. The 3 at-risk metrics are 1) customer satisfaction, 2) recordable incident rate (RIR), and 3) portfolio commercial availability (PCA).

## VII. EXECUTIVE SESSION

At approximately 2:02 p.m., Ms. Shanna Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 2:43 p.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

## VIII. APPROVAL OF CONSENT ITEMS

On a motion duly made by Trustee Steen, seconded by Trustee Dr. Romero, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

### A. Approval of Payment to the City of San Antonio for June 2022

#### Approval of Payment to the City of San Antonio for June 2022

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of June 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$320,497,269.57, less applicable exclusions. The revenue for the month of June 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$318,188,738.11
Gas revenue	19,287,194.87
Interest and other income	(92,136.45)
Gross revenue per CPS Energy financial statements	<u>337,383,796.53</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(10,580,096.80)
LVG revenue per City Ordinance 100709	(118,801.38)

Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(23,813,826.35)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>17,626,197.57</u>
Total excluded revenue	<u>(16,886,526.96)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$320,497,269.57</u>
City payment per Bond Ordinance for June 2022 based upon June 2022 revenue	\$44,869,617.74
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	935,832.18
Wholesale Special Contract Annual True Up	1,606,521.48
City Payment reduction per gas customer billing adjustment MOU	<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	47,399,471.40
Utility services provided to the City for June 2022	<u>(3,404,391.55)</u>
Net amount to be paid from June 2022 revenue to the City in July 2022	<u>\$43,995,079.85</u>

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

June 2022	Actual	Budget	Variance	
Current Month* <b>A</b>	\$47,400	\$36,917	\$10,483	28.4%
Year-to-Date*	\$170,783	\$146,990	\$23,793	16.2%

\* This amount does not include any additional funding authorized by the Board of Trustees.

\*\* Includes a rounding adjustment of \$2 to agree to correctly rounded YTD amount.

Approval of the following resolution is requested:

**"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$43,995,079.85 representing 14% of applicable system gross revenues for the month of June 2022, such payment being net of City utility services (\$3,404,391.55), is hereby approved." The Board ratifies that June 2022 revenue was sufficient to recover \$26,049,049.15 in funds that were advanced to the City in prior fiscal months.

**B. Approval of Procurement Items:**

**1. Item Description:** Residential and Commercial Energy Efficiency Services –  
Additional Funding Request

**Purchase Category:** General Services

**Supplies:** CLEAResult Consulting, Inc.

**2. Item Description:** Competitively Sensitive Item

\*The listed Procurement Item to be attached as Attachment “A”.

**IX. FY2023 FINANCING PLAN RELATED APPROVALS**

Mr. Geronimo Gonzalez, Director Debt Management, presented on two financing plan related approvals. The first is a surety policy, and the second is a private letter ruling. Mr. Geronimo requested approval by the Board of Trustees, and the Board discussed.

In regards to the surety policy term extension and coverage increase to continue utilizing the Senior Lien lower cost of debt, Vice Chair Gonzalez made a motion for approval, which was seconded by Trustee Dr. Romero. It was unanimously approved.

In regards to the authorization for the private letter ruling, Trustee Steen made a motion for approval, which was seconded Vice Chair Gonzalez. It was unanimously approved.

**X. PROCUREMENT ITEM: RESIDENTIAL & COMMERCIAL ENERGY EFFICIENCY SERVICES**

Mr. Jonathan Tijerina, Vice President, Enterprise Risk & Development and Mr. Rick Luna, Interim Director, Technology and Product Innovation presented on a request for approval for a contract modification related to the Energy Efficiency & Conservation Program. The procurement will serve to continue the core programs by extending the term of the contract and aligning it to the Energy Efficiency & Conservation Program approved by the Board in May.

Trustee Dr. Romero made a motion to approval the contract modification, Vice Chair Gonzalez seconded. The Board of Trustee discussed the motion and asked questions. The motion was approved with a vote of 4-1. Trustee Steen voted against the motion, and read a written statement explaining his vote.<sup>1</sup>

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<sup>1</sup> Trustee Steen’s requested his statement, explaining his reasons for voting against the motion, be included in the minutes. Trustee Steen’s comments are attached as Attachment “B”.

**XI. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:38 p.m. by Chair Dr. Mackey.



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Shanna M. Ramirez  
Secretary of the Board



**CPS Energy Board of Trustees Meeting  
July 25, 2022  
APPROVAL of PROCUREMENT ITEMS  
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<b>1. Item Description:</b>	<b>Residential and Commercial Energy Efficiency Services – Additional Funding Request</b>
<b>Purchase Category:</b>	<b>General Services</b>
<b>Supplier:</b>	<b>CLEAResult Consulting, Inc.</b>

**Approval:** *Lisa D. Lewis*  
Lisa Lewis, Chief Administrative Officer

**Approval:** *Rudy Garza*  
Rudy Garza, Interim President & CEO



## CPS Energy Board of Trustees Meeting

July 25, 2022

## Procurement Form 1

Item Description		Residential and Commercial Energy Efficiency Services - Additional Funding Request
Original Cumulative Purchase Order Value	(A)	\$20,225,000
Previously Added Funds	(B)	\$0
<b>Additional Funds Requested</b>	<b>(C)</b>	<b>\$92,908,295</b>
<b>Projected Cumulative Purchase Order Value</b>	<b>(D)</b>	<b>\$113,133,295</b>
Purchase Category		General Services
Department		Enterprise Risk & Development
Vice President Enterprise Risk & Development		Jonathan Tijerina
Chief Financial Officer		Cory Kuchinsky

## Detailed Description

CPS Energy staff recommend additional purchase order funding be approved for an existing contract with CLEARResult Consulting, Inc. for residential and commercial energy efficiency program services. CLEARResult Consulting, Inc., a local, non-diverse firm., was selected in August 2021 following an extensive RFP process as the respondent who provided the goods or services at the best value for CPS Energy based on program delivery, cost and value, experience, safety performance, community impact, and financial soundness. A contract was awarded to CLEARResult for a 11-month term to align with the existing STEP program expiring July 31, 2022.

CLEARResult provides implementation services for the residential and commercial energy efficiency programs. The programs under these Purchase Orders include:

**Residential Energy Efficiency**

Home Efficiency  
 New Home Construction  
 Home Energy Assessments  
 Schools 2 Home  
 Cool Roof  
 Retail Channel Partnerships

**Commercial Energy Efficiency**

Commercial & Industrial Solutions  
 Schools & Institutions  
 Small Business Solutions  
 High Efficiency Tune-Ups  
 Direct Lighting Program

With this approval, the contract will be extended for three (3) years to July 31, 2025. This contract is integral to meeting the energy and demand savings goals established under the new energy efficiency and demand savings program approved by City Council on June 16, 2022.

As shown on the charts below, 79% of funds are pass-thru costs that will go directly to customers as rebates with the remaining 21% paid to CLEARResult for their program administration support.



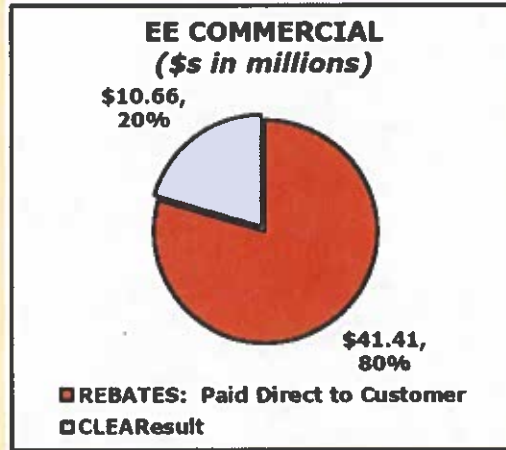
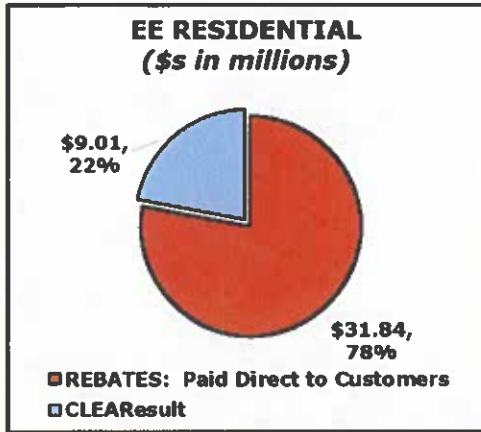


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Procurement Form 1

As shown on the charts below, 79% of funds are pass-thru costs that will go directly to customers as rebates with the remaining 21% paid to CLEAResult for their program administration support.



CLEAResult will mentor, train and track participants in the Trade Ally Network. A "Trade Ally" or "Trade Allies" means heating, ventilation, and air conditioning contractors, electricians, roofers and other service providers that have signed a participation agreement with the program and that customers choose to perform work on their residence or business and make them eligible for a rebate. CLEAResult commits to 60% of Trade Ally distributed rebate dollars to be allocated to Trade Allies who self-identify as small, minority, woman or veteran owned businesses.

CLEAResult will also maintain a local office to house the residential and commercial rebate teams as well as offer scholarships and co-op opportunities for students attending college or university in Bexar County in the amount of 1% of administrative costs.

The solicitation method for this procurement was a Request for Proposals. An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

Evaluation Criteria	Points
Program Delivery	25
Cost & Value	25
Community Impact & Commitment Plan	25
Bidder Overview	15
Safety	5
Finance	5
<b>TOTAL</b>	<b>100</b>



## CPS Energy Board of Trustees Meeting

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### Procurement Form 1

#### Recommended Respondent(s) & Award

Vendor Name	SBA Classification & Details	Original PO Value	Previously Added or Reallocated Funds	Additional Funds Requested	PO#
CLEAResult Consulting, Inc. (Residential)	Local / Non-Diverse	\$7,725,000	\$0	\$40,843,133	2197608
CLEAResult Consulting, Inc. (Commercial)	Local / Non-Diverse	\$12,500,000	\$0	\$52,065,162	2197609
		<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	
<b>Totals</b>		<b>\$20,225,000</b>	<b>\$0</b>	<b>\$92,908,295</b>	
<b>Projected Cumulative Purchase Order Value (D)</b>				<b>\$113,133,295</b>	

Four (4) additional respondents were not recommended for award: Cool Components HTG & A/C, Inc.; ICF; Franklin Energy Services, LLC; and TRC Companies, Inc.

#### Annual Funds Budgeted

Corporate Annual Budget	Funding Method	Projected FY2023 PO Spend	% of FY2023 Annual Corp Budget	Projected FY2024 PO Spend	Projected FY2025 PO Spend	Projected FY2026 PO Spend
\$832,904,076	Capital	\$0	0%	\$0	\$0	\$0
\$2,285,821,000	Operating Budget*	\$32,344,886	1.4%	\$32,544,003	\$30,244,140	\$13,910,144

\*This represents the full operating budget, which combines Fuel, Non-Fuel O&M and other operating expenses.

#### Procurement Item: General Services



- 
 Local / Diverse
 - 
 Local / Non-Diverse
 - 
 Non-Local / Diverse
 - 
 Non-Local / Non-Diverse

7/25/22

**STATEMENT OF JOHN STEEN**

Re: Interim CEO's Report (Agenda Item #5)

Mr. Garza, at a meeting of our Audit & Finance Committee last Wednesday, we received an Accounts Receivable Update from our Interim EVP of Customer Strategy DeAnna Hardwick. Ms. Hardwick reported on how things stood as of June 30, 2022. Following up on my remarks at our board meeting last month, I note that things haven't changed much in regard to customer bad debt. We still have roughly 180,000 customers who are at least 30 days past-due on their CPS Energy payments. This represents about 20% of our customers, and the \$160 million that's owed has remained the same even with tens of thousands of customers rolling off while tens of thousands roll on. As I understand it, we've now identified all customers eligible for American Rescue Plan Act (ARPA) assistance and about 40% of the funds have actually been expended. Yet we're still at \$160 million. I appreciate that you're focused on this issue, but, respectfully, what you're doing doesn't seem to be going all that well. Since things aren't working out like you anticipated they would, perhaps it's time to recalibrate. As I stressed at our last meeting, we do have customers who are struggling, and we need to be mindful of that, and, of course, there's a place for compassion. However, what I'm hearing more and more in our community is that CPS Energy's messaging is sending mixed signals to our broader customer base. How do you respond to those who say that what we're doing is resulting in our customers not prioritizing the payment of their CPS Energy bills?

*I request that this statement be included in the minutes of today's meeting.*

7/25/22

### **STATEMENT OF JOHN STEEN**

Re: Procurement Item: Residential & Commercial Energy Efficiency Services. (Agenda Item #9)

Let me begin by assuring Vice President Jonathan Tijerina and Director Rick Luna that I appreciate their presentation. They're both valued executives doing their best to carry out the charge they've been given, and so my criticism is not directed at them.

Today, I won't revisit my opposition to the five-year continuation of the STEP program. As you know, because of my concerns about the financial challenges facing CPS Energy as well as the plight of our overburdened customers, I advocated for pausing the STEP program, an action supported by a plurality of our Rate Advisory Committee (RAC) members as well as by three City Council members.

What's before us today is a prime example of why we should all be questioning the continuation of the STEP program. We're being asked to approve the payment of \$93 million of our customers' money – *and I emphasize it's our customers' money* – to an Austin-based consulting firm to oversee and manage an energy efficiency and conservation program for three years. The majority of the funds will go directly to individuals and businesses in the form of rebates – \$32 million to individuals and \$41 million to businesses. In addition, CLEAResult Consulting, a firm headquartered in Austin, will be paid \$20 million over a three-year period to provide administrative support for this rebate program. Three years of program administrative support will cost \$20 million? Really? Does this seem like a justifiable, prudent use of our customers' money?

At a previous board meeting, I pointed out that STEP charges are disguised on our customers' monthly statements. STEP is often referred to by its advocates as a "virtual fifth fuel" and is hidden on a customer's bill by labelling it as a "fuel adjustment." But in reality it's nothing more than a tax and, more specifically, a consumption tax, and it represents an average of 3 to 4.5% of a customer's electric bill.

We have roughly 900,000 electric customers – 90% residential, 10% commercial. So all these customers are being taxed monthly to pay for a three-year, \$93 million rebate program that will benefit the relatively small number of businesses who perform the services as well as a subset of customers – both residential and commercial – who take advantage of the rebate program. This subset appears to me to be quite small. On page 9 of today's presentation CLEAResult is lauded for its successful track record and demonstrated expertise because in the last eleven months, CLEAResult has processed over 16,000 customer rebates for CPS Energy's customers. I take this to mean that, on an annual basis, 900,000 customers are being taxed to support rebates for 18,000 customers. That's way less than 1%.

A key question that I've had all along is whether these rebates are the impelling reason that many individuals and businesses undertake these energy efficiency and conservation programs. After all, they're already incentivized to do so by potential savings on their CPS Energy bills. Let me wrap up by reading a comment from Rate Advisory Committee member Jack Hebdon. You'll recall that all RAC members were asked to provide written comments in connection with their vote on the continuation or pause of the STEP program. Here's what Mr. Hebdon wrote:

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From my perspective I always have had concerns about who qualifies for these benefits. Several years ago, I set out to make my home as energy efficient as I could by upgrading insulation, windows, and HVAC. I did everything except convert to solar. I was extremely surprised by all the bids I got, with rebates offered, including some from CPS. I wondered at the time why I was being offered rebates when I was prepared to pay for the upgrades myself.

To summarize, how often are we handing out rebates to individuals and businesses who haven't asked for them and are planning to have the energy efficiency and conservation work done anyway because it will help them financially by reducing their monthly CPS Energy bills?

To repeat, this is not a justifiable, prudent use of our customers' money, and, accordingly, I'm going to vote against this procurement item.

*I request that this statement be included in the minutes of today's meeting.*