



**CPS ENERGY BOARD OF TRUSTEES MEETING  
TO BE HELD ON APRIL 4, 2022 AT 1:00 PM  
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

**COSA - CITY CLERK  
2022 MAR 30 PM01:53:25**

- At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session concerning:*
- attorney-client matters under Section 551.071;
  - deliberations and other authorized action on real property under Section 551.072;
  - prospective gifts or donations under Section 551.073;
  - personnel under Section 551.074;
  - security personnel or devices under Section 551.076;
  - economic development negotiations under Section 551.087;
  - deliberations, voting or taking final action on competitive matters under Section 551.086;
  - deliberations regarding security audits and devices under Section 551.089; or
  - deliberations under Texas Government Code Section 41B.183(f) about confidential information under the Texas Homeland Security Act.

**AGENDA**

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Mr. Rick Luna
3	PUBLIC COMMENT Pre-Registration on Friday, April 1, 2022 from 7:00 AM -- 1:00 PM @ (210) 353-4662 or <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a>	Discuss	Dr. Willis Mackey
<b>UPDATE ON CHAIR'S PRIORITIES</b>			
4	CHAIR'S REMARKS	Discuss	Dr. Willis Mackey
5	INTERIM CEO'S REPORT	Discuss	Mr. Rudy Garza
<b>CONVENE TO EXECUTIVE SESSION</b>			
6	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
<b>RECONVENE TO OPEN SESSION</b>			
<b>CONSENT AGENDA</b>			
7	APPROVAL OF CONSENT ITEMS: A. Minutes of the Special meeting held on 12/13/2021 B. Minutes of the Special meeting held on 01/10/2022 C. Minutes of the Regular meeting held on 01/31/2022 D. Payment to the City of San Antonio for February 2022 E. Appointment of a Successor Records Management Officer (Ms. Shanna Ramirez) F. Procurement Items 1. General Services: Installation of Underground Residential Electric Distribution (URD) and Electric Cable Terminations (Mr. Richard Medina)	Vote	Dr. Willis Mackey
<b>REGULAR AGENDA</b>			
8	CEO SEARCH UPDATE	Discuss	Dr. Willis Mackey
9	ENERGY EFFICIENCY & CONSERVATION PROGRAM	Discuss	Mr. Rick Luna
10	FLEXPOWER BUNDLE™ UPDATE	Discuss	Mr. Kevin Pollo
11	ADJOURNMENT	Execute	Dr. Willis Mackey
If the Board meeting has not adjourned by 3:30 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.			

## **CPS ENERGY BOARD OF TRUSTEES**

### **NOTICE OF REGULAR MEETING**

COSA - CITY CLERK  
2022 MAR 30 PM01:53:21

Notice is hereby given that the CPS Energy Board of Trustees will hold its **Regular Monthly Meeting on Monday, April 4, 2022 at 1:00 p.m.** in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The Regular Board meeting will also be live-streamed.

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

**The meeting will be streamed on [cpsenergy.com](https://cpsenergy.com).**

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, April 1, 2022, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com) or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.

Written comments may be sent to [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com). Note that written comments will not be read during the Board meeting.

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

*At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.*



Shanna M. Ramirez  
Secretary of the Board  
March 30, 2022

Draft for review and approval  
at the April 4, 2022 meeting

**CPS ENERGY  
MINUTES OF THE PUBLIC INPUT SESSION AND SPECIAL MEETING  
OF THE BOARD OF TRUSTEES HELD ON DECEMBER 13, 2021**

A Public Input Session regarding the proposed rate increase was held on Monday, December 13, 2021 in the Grid Rooms on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. A quorum of the Board of Trustees of CPS Energy attended and received input from the public on the project, so the Session was noted as a Special meeting of the Board. The meeting was also livestreamed on the CPS Energy website.

**I. CALL TO ORDER**

Chair Dr. Mackey called the meeting to order at 6:00 p.m.

Present were Board members:

Dr. Willis Mackey, Chair  
Ms. Janie Gonzalez, Vice Chair  
Mr. Ed Kelley

Absent:

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  
CPS Energy Senior Leadership Staff and other staff members  
City of San Antonio officials  
Members of the public

**II. SAFETY MESSAGE**

A safety message was delivered by Ms. Denae Myers, Board Relations Manager.

**III. PUBLIC COMMENT INSTRUCTIONS**

A CPS Energy representative provided instructions for the virtual attendees. Cristela Trevino provided the same instructions in Spanish.

**IV. WELCOME & INTRODUCTIONS**

Chair Dr. Mackey began by welcoming the attendees to the Public Input Session. He advised the audience that in the event of any questions regarding the rate case, the Sr. Chiefs were present to provide responses. Chair Dr. Mackey called on Interim President and CEO, Rudy Garza, to provide an overview of the important topics facing our community and utility industry.

**V. PROPOSED RATE CASE PRESENTATION**

Mr. Garza began by thanking everyone for their attendance. He proceeded to thank the Board for giving him the opportunity to lead CPS Energy and affirmed that his focus will continue to be providing

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service for our customers and being good community partners with all the various members of the community. Mr. Garza then turned it over to Cory Kuchinsky, Chief Financial Officer and Treasurer.

Mr. Kuchinsky began by explaining the items CPS Energy has been doing for its customers and community in preparation for the winter season. CPS Energy has been fighting for their customers by disputing five hundred and ninety million (\$590M) of the billion dollars (\$1B) of fuel costs. An additional item is the preparation on the generating units in terms of weatherization, insulation, and moving up planned outages out of the winter season. From a distribution network perspective, the big change from a customer impact perspective is the addition of a third more circuits that are available to be rotated during load shed. That will help for folds that were out for days, we are now targeting more reasonable increments of rotation in an event that is as large as Winter Storm Uri (Uri).

Mr. Kuchinsky provided context of what CPS Energy has done within the last 8 years. In that timeframe CPS Energy has added 125,000 electric customers, and 36,000 gas customers. The growth of San Antonio has necessitated a lot of investment that has been made over the last 8 years. It is important to note that although there are additional customers, the prices charged have not changed in 8 years, however, prices paid for that infrastructure have increased over time. Part of what has helped us stay away from a rate request was over \$900M in savings tallied up over the last decade. Although we continue to try to find more but we are at the point where we continue to have this conversation because we firmly believe there is a need for a rate increase. There have been additional changes within the last 8 years, particularly with respect to technology. We have systems that are over 20 years old which is incredibly outdated for a utility our size and the customer service that is expected from us. From an employee perspective, we have about 300 fewer employees than about 8 years ago. One of the focus areas is about identifying staffing areas for us. This helps contextualize how things have changed and where we are at today.

Mr. Kuchinsky explained the proposed and recommended 3.85% base rate increase which will approximate about \$73M in annual revenue. The approach taken is one that focuses on emphasizing near term investments and creating immediate financial stability. Additional areas in focus are complex policy issues that need to be addressed such as future generation, rate design, equity issues, and these types of issues need further conversation with the Board and the Rate Advisory Committee. The proposed approach allows the focus on what we need, stability, and buys us time for those conversations. Mr. Kuchinsky elaborated on the key four areas of incremental investment. Beginning with Infrastructure Resiliency, this goes towards investments in generation assets and distribution assets to help support operations during extreme weather. Secondly, from a technology perspective, an incremental investment to support a number of projects anticipated for the next 5-6 years. Third, we continue to anticipate strong residential and commercial growth in the City of San Antonio. Lastly, we want to stabilize our staffing levels.

Mr. Kuchinsky spoke in regard to Uri. Of the \$1B related fuel costs, \$418M has been paid but CPS Energy has not recovered the cost from customers. Because these are dollars identified as legitimate, a third party has been brought in to assess the situation and identify what reasonable amounts would be. What is proposed as part of this request, is to provide a recommendation to the Board and to City Council that instead of recovering those dollars through fuel in a very short window of time, 60-90 days, we want to protect our customers, minimize that bill impact. A proposed solution is through a tool called a regulatory asset. This tool that allow to hold dollars on a balance sheet and dispense slowly over time which means that it can slowly recover it from customers as well. This approach leads to an approximate \$1.26 impact on an average residential customer's bill that will go through fuel.

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Mr. Kuchinsky elaborated on the two components. The base rate increase of 3.5%, \$73M a year, about \$3.84 per month for an average electric and gas customer. The second component is the fuel adjustment component, \$1.26. Combined, a residential electric and gas customer will see about a total bill impact of \$5.10. This is for customers that are not on any of our affordability discount programs.

Mr. Kuchinsky then spoke about the Affordability Discount Program (ADP) for qualified customers. These customers will not have a base rate increase. Additionally, 14,000 customers will be qualified for this program, leading to about 65,000 customers enrolled in the ADP. He also noted new information related to receiving \$20M from the City of San Antonio through their ARPA funds that go through customers that are impacted by the pandemic. The \$20M provided by the city allows to assist in customer balances. The \$20M benefits customers, CPS Energy, and the injection of liquidity. From a commercial account perspective, generally the electric customers have a range from 3.6-3.8% total bill impact. Their bills are structured differently than residential customers. Gas customers have a higher total bill impact, but they do not have the benefit of blended fuel that electric customers do.

The Rate Advisory Committee has been very instrumental in dialogue and influencing especially with this request. The Citizens Advisory Committee will provide their perspective as well. Thirdly, we have the Board of Trustees. The dialogue with City Council has formally began as of a few weeks ago although no votes have been taken.

## **VI. PUBLIC COMMENT & DIALOGUE**

A full transcript is available that details every comment made by each participant during the Public Comment portion of the meeting. The transcript is attached as *Attachment A*.

Vice Chair Gonzalez thanked everyone who participated. Chair Dr. Mackey expressed the Board's appreciation to everyone who took their time to share comment and questions.

## **VII. 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 7:14 p.m. by Chair Dr. Mackey.

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Shanna M. Ramirez  
Secretary of the Board

Draft for review and approval  
at the April 4, 2022 meeting

**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.

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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.

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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.

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## 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.

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## 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

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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](https://cpsenergy.com/ratecase). This tool will help customers see what the bill impact will 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

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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 a 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

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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,

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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,

WHEREAS, 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.

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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,

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WHEREAS, the purpose of the regulatory asset is to mitigate the customer bill impact of the 2021 sever 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.

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Shanna M. Ramirez  
Secretary of the Board

January 10, 2022

**STATEMENT - JOHN STEEN**

I begin by harking back to Trustee Kelley's remarks at our last board meeting on December 13<sup>th</sup> about the unorthodox way this rate increase request has been handled. As Mr. Kelley noted, it differs from how rate increase requests have been handled throughout the nearly 80 years this company has been in existence. After an intense period of crunching the numbers internally our team led by our previous CEO and current CFO came up with a proposed rate increase of over 10%. Now, after a series of meetings with city staff, that percentage has been whittled down to 3.85%, with the idea of limiting our focus to "immediate financial pressures." So we're told that 3.85% will generate around \$73 million annually, which will be used for such things as weatherization and infrastructure resiliency, regulatory compliance, planning for replacing our computer system, and staffing. But apparently "immediate financial pressures" does not include addressing bad debt from unpaid customer bills. At our last meeting, Mr. Garza said that bad-debt figure is now at \$130 million, but he added that the good news is that the city has given us \$20 million to offset this. But what about the remaining \$110 million? Mr. Garza said that figure will be substantially reduced when we resume disconnections of our delinquent residential customers early this year. When I inquired when he'd have a good idea of the financial impact of these unpaid debts, he replied in March or April—just two or three months from now. Yet the rate increase will be locked in by then—not to be revisited until two years hence. I ask: Is this wise financial planning?

I could bring up other examples of needs that are not being met. For example a month ago, the Fourth Court of Appeals dismissed our lawsuit against ERCOT because of our failure to exhaust administrative remedies before the PUC. With the dismissal of our lawsuit, the temporary restraining order goes away, and ERCOT is free to go after us for uplift charges to the tune of \$45 to \$50 million. Isn't this an immediate financial pressure?

As I said to Messrs. Garza and Kuchinsky at our last meeting: When our rate increase request is dropped from over 10% to 3.85%, it's got to cause our staff serious concerns.

Nevertheless, despite these misgivings, I will vote in favor of the motion. I'm voting "yes" because it would be imprudent, given our current financial challenges, not to do so. As a trustee deeply concerned about the financial strength of our company, I'm hoping that the 3.85% increase will be adequate to take us through the next two years. But I'm very concerned it won't.

*Finally, I request that these remarks be inserted into the minutes in full to memorialize my concerns at the path we're going down by limiting our rate increase request to 3.85%.*

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**CPS ENERGY**  
**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES**  
**HELD ON JANUARY 31, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of January was held on Monday, January 31, 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 1:02 p.m.

Present were Board members:

Dr. Willis Mackey, Chair  
Ms. Janie Gonzalez, Vice Chair  
Mr. Ed Kelley  
Mr. John Steen  
Mayor Ron Nirenberg (arrived at 1:11 p.m.)

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  
Dr. Francine Romero  
CPS Energy staff members  
City of San Antonio officials  
Interested Citizens

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

A safety message, invocation, and the Pledge of Allegiance were delivered by Ms. Denae Myers, Board Relations Manager.

**III. PUBLIC COMMENT**

No persons were registered, so no public comment occurred.

**IV. CHAIR'S REMARKS**

Chair Dr. Mackey stated that he has distributed a draft resolution regarding a generation planning to the other members of the Board of Trustees, and noted that his intent is to discuss the draft resolution at the next regular meeting.

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Chair Dr. Mackey summarized the resolution: 1) direction for CPS Energy to provide the generation planning model requested by the Rate Advisory Committee (RAC) as soon as possible to allow the RAC to evaluate and have informed discussion on the costs, risks, timeline and generation alternatives available to transition from coal to low emission alternatives while maintaining reliability, 2) direction for the RAC to provide thoughtful input and perspective to the Board of Trustees on the generation planning model. Chair Dr. Mackey noted that he worked with Mr. Reed Williams, Chair of the RAC. He noted that he would like to have all Trustees give input at next month's meeting, so this Board could develop a plan with objectives and a timeframe.

Chair Dr. Mackey then noted that he will be assigning committees next month. He visited with Trustee Kelley, Chair of the Master Planning Oversight Committee (MPOC) and discussed the elimination of the Committee as CPS Energy has completed its new headquarters and is selling other properties. Therefore, the MPOC will be removed.

Chair Dr. Mackey then stated that Mr. Rudy Garza and other members of the leadership team, working with Mayor Nirenberg, City Council, and city staff, have done a tremendous job with the rate case. He noted that Mr. Garza has done a tremendous job in leading meetings and notifying members of the community, and that he received the confidence of City Council in an 8-3 vote. He further noted that in attending the meetings he heard several things he would like the Board to consider: 1) reviewing the appointment procedures in the Rate Advisory Committee Bylaws, and 2) reviewing management structure, operational efficiency and cost savings, corporate culture, and executive compensation at CPS Energy. Chair Dr. Mackey stated his intention is to appoint a Trustee to be the liaison on the this review.

## V. RECOGNITION OF TRUSTEE ED KELLEY

Upon a motion duly made by Trustee Steen, seconded by Vice Chair Gonzalez, the following resolution recognizing Trustee Kelley was brought forward for discussion and comments:

### RESOLUTION IN HONOR OF ED KELLEY

**WHEREAS**, Mr. Ed Kelley has served the maximum of two five-year terms on the CPS Energy Board of Trustees, representing the Northwest Quadrant of the City, and held key leadership positions such as Board Chair, as well as Chair of several Board committees; and

**WHEREAS**, Mr. Kelley served in the role of Chair and during critical times of transition for CPS Energy and its Board of Trustees, provided valuable business guidance and leadership; and

**WHEREAS**, during his tenure, Mr. Kelley played a vital role in the selection of a President & CEO and several Board members, and he supported the Board in the appointment of over thirty new members to the Citizens Advisory Committee; and

**WHEREAS**, during his tenure, Mr. Kelley made outstanding contributions that solidified CPS Energy's financial position as a World-Class utility, maintained CPS Energy's competitive advantage, fostered the Greater San Antonio area's economic development, and helped CPS Energy and Greater San Antonio prepare for the challenges of the future; and

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**WHEREAS**, during his tenure, CPS Energy's assets grew approximately 37.31 percent to a total of \$13,530,530,000 and CPS Energy conveyed \$3,572,063,000 to its owner – the City of San Antonio – as a return on investment; and

**WHEREAS**, during his tenure, the Board approved 15 new money bond transactions that totaled \$3,101,440,000 par amount of debt and 13 refunding bond transactions totaling \$3,021,800,000 that realized \$495,238,658 in gross lifetime debt service savings; and

**WHEREAS**, Mr. Kelley was a vital Board member of the SA Energy Acquisition Public Facility Corporation (PFC) prepaid gas transaction which enabled CPS Energy to purchase a 20-year supply of natural gas dedicated for use in CPS Energy's gas distribution system; and

**WHEREAS**, Mr. Kelley provided expert guidance, advice and strategic counsel on dozens of real estate transactions including the purchase and construction of the McCullough headquarters building and the sale of our downtown properties and others; and

**WHEREAS**, Mr. Kelley supported the development of EPIcenter and its mission; and

**WHEREAS**, Mr. Kelley worked with his fellow Trustees to support CPS Energy's 75<sup>th</sup> Anniversary of being owned by the City of San Antonio (COSA), as celebrated on October 24, 2017; and

**WHEREAS**, Mr. Kelley's strong real estate, financial expertise, business acumen, leadership and unselfish commitment of time and energy to the Board have greatly benefited not only CPS Energy but all its customers within the Greater San Antonio area.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees conveys to Mr. Kelley its deep and abiding gratitude for his unselfish service to CPS Energy and its customers; and

**BE IT FURTHER RESOLVED** that this Resolution be incorporated into the minutes of this meeting of the Board of Trustees.

Chair Dr. Mackey then invited comments from community members. The following persons made comments noting their appreciation for Trustee Kelley's leadership and service to the CPS Board and San Antonio community:

1. Mr. Al Rodriguez
2. Mr. Derrick Howard
3. Mr. Jim and Ms. Katie Reed
4. The Honorable Henry Cisneros
5. Mr. John Kelly
6. Dr. Bruce and Ms. Cheryl Leslie
7. Mr. Michael Burke

Chair Dr. Mackey asked Ms. Ramirez to read the proposed resolution aloud. Trustee Steen, Vice Chair Gonzalez, Mayor Nirenberg, and Chair Dr. Mackey expressed their appreciation for Trustee Kelley's

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leadership on the CPS Energy Board of Trustees and their appreciation for working together on important issues.

Mr. Garza and Ms. Ramirez presented Trustee Kelley with a commemorative plaque and copy of the resolution. Mr. Garza and Ms. Ramirez also expressed their appreciation for Trustee Kelley's leadership and service to CPS Energy and its employees.

Trustee Kelley took a moment to respond, thanking individuals for their kind comments and stating he cared deeply about CPS Energy, its employees, and the City of San Antonio. He stated he was honored to be a small part of the CPS Energy team, and that he appreciated the 3,000 employees of CPS Energy that work around the clock to make sure the community is provided electricity.

Chair Dr. Mackey requested that the Board take a moment to take some commemorative pictures.

Upon affirmative vote by members present, the resolution was unanimously approved.

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

Mr. Garza began by highlighting accomplishments and opportunities as we head into the next fiscal year, which begins tomorrow. Mr. Garza noted that CPS Energy will continue to focus on engaging the public in a thoughtful and proactive manner to build trust with our customers.

Mr. Garza honored Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer, on his retirement, and thanked him for his 35 years of service. Mr. Garza also thanked all 51 employees that are retiring today. Vice Chair Gonzalez, Trustee Kelley, Trustee Steen, Mayor Nirenberg, and Chair Dr. Mackey congratulated Mr. Barham and expressed their appreciation for his service. Mr. Barham expressed his appreciation for his time at CPS Energy.

Mr. Garza reported on the incoming weather and recent winter weather. Mr. Garza noted that CPS Energy was prepared for the freeze two weeks ago and communicated well with its partners and will continue to be prepared as San Antonio sees freezing temperatures this week. Mr. Garza noted we use a team approach to be prepared, and that the updated plans that have been implemented over the past year have put CPS Energy into a position to be better able to perform during freezing temperatures and meet our customer needs. Trustee Steen asked about the differences between Winter Storm Uri and expectations for this winter storm for those in the community. Mr. Garza responded that CPS Energy is developing more comprehensive messaging for our customers, and will be working with our partners on messaging, and have continued to encourage customers to plan for an emergency should there be an outage. Mr. Garza also noted that this storm is not expected to be as severe as Winter Storm Uri, and CPS Energy is much more prepared and has done the work to be ready.

Mr. Garza provided an update on customer service metrics, and CPS Energy's dedication in communicating and building trust with customers. Trustee Kelley commented that he believed the metrics were primarily attributable to Winter Storm Uri, which was an unforeseeable event. Vice Chair Gonzales commented that extreme circumstances do arise, and performance should be partially measured on the response to extreme events. Mr. Garza also provided information on operational and financial metrics to monitor in the next year.

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Finally, Mr. Garza finally introduced employees in management roles:

Benny Etheridge, EVP of Energy Supply  
Deanna Hardwick, Interim EVP of Customer Strategy  
Richard Lujan, Interim EVP of Gas Solutions  
Richard Medina, Interim EVP of Energy Delivery Services

Trustee Steen noted that at the December 13<sup>th</sup> meeting, he suggested that Mr. Garza add a fourth goal to his areas of focus: staunching the outflow of senior management. Trustee Steen noted that since that meeting, three of the most valued and experienced executives have taken other jobs or are retiring, including Mr. Barham. Trustee Steen further noted that the loss of senior management is an item that credit agencies take note of and was cited by Moody's in its January 21 downgrade. Finally, Trustee Steen urged Mr. Garza to make this issue a priority and share his plan with the Board. Mr. Garza responded that the best leaders in the world are challenged in keeping top talent, and that it will be difficult to retain these newly promoted leaders given the competition in the current industry market. Mr. Garza further noted that this is why he has a strong focus on the review of our compensation package to stay competitive. He noted that part of it is elevating leaders within the organization that are capable and part of it is the compensation system needs to be competitive. Chair Dr. Mackey noted that executive compensation is important to keep good employees.

## **VII. WINTER PREPAREDNESS PROGRESS REPORT**

Mr. Barham provided a presentation on winter preparedness, noting that CPS Energy has implemented all CEP and internal recommendation for this winter and believes CPS Energy is prepared. Mr. Barham noted that other regulatory entities, including the PUC, continue to work on issues, but that statewide progress has been made by utilities. Finally, Mr. Barham noted that this will be the last regular report to the Board of Trustees as items have been implemented for this winter's preparedness and that a summary report has been completed. Mr. Barham also noted that updates and information will continue to be provided on these issues as we move forward on long-term action items. Trustee Steen asked if reporting was complete to the Municipal Utilities Committee (MUC), and if the MUC acknowledged the completeness and conclusion of reporting. Mr. Walsh responded that the pace of reporting by CPS and SAWS to the MUC has been on a monthly basis and after last week's meeting the reporting will move to quarterly. Mr. Walsh further noted that he didn't believe reporting on CEP items would ever be fully complete, but the MUC did acknowledge the completeness of work and appreciated the efforts, but that coordination between the entities would need to continue. Vice Chair Gonzalez inquired about prioritizing and budgeting for items, and Mr. Garza responded that if there was a budgetary impact it was include as part of the action plan.

## **VIII. EXECUTIVE SESSION**

At approximately 2:37 p.m., Ms. 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)

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- 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 3:54 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.

**IX. APPROVAL OF CONSENT ITEMS**

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

- A. **Approval of Minutes of the Special Board Meeting held on October 4, 2021 were approved as presented.**
- B. **Approval of Minutes of the Special Board Meeting as the Risk Management Committee held on November 1, 2021 were approved as presented.**
- C. **Approval of Minutes of the Regular Board Meeting held on November 15, 2021 were approved as presented.**
- D. **Approval of Minutes of the Regular Board Meeting held on December 13, 2021 were approved as presented.**
- E. **Approval of Payment to the City of San Antonio for December 2021**

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 December 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$176,537,966.73, less applicable exclusions. The revenue for the month of December 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$172,501,504.17
Gas revenue	23,137,479.83
Interest and other income	5,312,419.03
Gross revenue per CPS Energy financial statements	<u>200,951,403.03</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,619,919.67)
LVG revenue per City Ordinance 100709	(135,737.61)
Fuel cost component of off-system nonfarm	

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energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(16,271,274.94)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(1,386,504.08)</u>
Total excluded revenue	<u>(24,413,436.30)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$176,537,966.73</u>
City payment per Bond Ordinance for December 2021 based upon December 2021 revenue	\$24,715,315.34
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	606,787.41
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	25,309,602.75 <b>A</b>
Utility services provided to the City for December 2021	<u>(2,548,466.69)</u>
Net amount to be paid from December 2021 revenue to the City in January 2022	<u>\$22,761,136.06</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)

December 2021	Actual	Budget	Variance	
Current Month* <b>A</b>	\$25,310	\$26,692	(\$1,382)	-5.2%
Year-to-Date*	\$323,555**	\$328,954	(\$5,399)**	-1.6%

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

\*\* Includes a rounding adjustment of \$1 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 \$22,761,136.06 representing 14% of applicable system gross revenues for the month of December 2021, such payment being net of City utility services (\$2,548,466.69), is hereby approved."

**X. MONTHLY FINANCIAL UPDATE & FY2023 BUDGET**

Mr. Cory Kuchinsky began by presenting on the monthly financial update.

Mr. Kuchinsky then presented the proposed FY 2023 budget and asked for approval by the Board of Trustees. He noted that the proposed budget includes the same amounts as those discussed in the rate

Draft for review and approval  
at the April 4, 2022 meeting

increase request. Trustee Kelley asked about the proposed increase in cash funding for non-fuel O&M and capital expenditures. Mr. Kuchinsky noted that it is part of the strategy with the rate request. Trustee Kelley also asked about projected interest rate increases. Mr. Kuchinsky responded that CPS Energy has planned higher interest rates in the forecast in coming years.

On a motion duly made by Trustee Kelley, seconded by Chair Dr. Mackey, and upon the affirmative vote by all members present, the annual budget was unanimously approved.

#### **XI. SCENIC LOOP CERTIFICATE OF CONENIENCE & NECESSITY (CCN)**

Mr. LeeRoy Perez, Interim Vice President of System Operations and Customer Reliability, presented on the Scenic Loop Certificate of Convenience & Necessity. He explained that this is a new process after state law changed to require the Public Utility Commission (PUC) to approve the construction of municipally owned transmission line facilities located outside of the City of San Antonio city limits. Mr. Perez provided a summary of the project and requested board approval for land acquisition and construction and to request City Council to approve an ordinance for eminent domain authority. Vice Chair Gonzalez asked about community input regarding the location of substation. Mr. Garza responded that PUC process determined the location of substation. Trustee Steen asked if CPS Energy provided multiple options for PUC review or a single recommendation, and also for general thoughts on the process. Mr. Perez responded that PUC expects the submittal of several geographically diverse routes for review and selection, and CPS Energy does not state a preference. Trustee Kelley asked of the route has been communicated to interested parties, recognizing that there were interests and opinions about the substation's location. Mr. Perez responded that CPS Energy has kept individuals up-to-date and will inform them of board approval. Mr. Perez also noted that part of the education process was to inform individuals that PUC determined the route, not CPS Energy.

Chair Dr. Mackey requested Ms. Ramirez read the resolution aloud. It is attached as *Attachment A*.

On a motion duly made by Vice Chair Gonzalez, seconded by Trustee Kelley, and upon the affirmative vote by all members present, the resolution was unanimously approved.

#### **XII. COMMITTEE REPORTS**

Chair Dr. Mackey accepted the submission of reports for the record in lieu of having them read during the meeting.

##### Master Planning and Oversight Committee (MPOC) Meeting held on December 13, 2021

A report of the MPOC meeting, which took place on December 13, 2021 was posted with the public notice of this meeting and will be attached (As Attachment "A") to the meeting minutes.

Draft for review and approval  
at the April 4, 2022 meeting

**XIII. 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 4:33 p.m. by Chair Dr. Mackey.

---

Shanna M. Ramirez  
Secretary of the Board

DRAFT

## CPS Energy Board of Trustees Meeting April 4, 2022

### Approval of Payment to the City of San Antonio for February 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 February 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$218,407,304.82, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$17,624,207.28. Under the previously approved agreement with the City, CPS Energy will advance to the City \$17,624,207.28 against future months' revenues for fiscal year 2023. The revenue for the month of February 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$216,623,800.96
Gas revenue	48,349,216.92
Interest and other income	(2,912,531.11)
Gross revenue per CPS Energy financial statements	262,060,486.77
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,220,344.09)
LVG revenue per City Ordinance 100709	(192,418.57)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(23,745,396.47)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	(12,495,022.82)
Total excluded revenue	(43,653,181.95)
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$218,407,304.82
City payment per Bond Ordinance for February 2022 based upon February 2022 revenue	\$30,577,022.67
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	786,842.66
City payment per Bond Ordinance plus adjustments for memorandums of understanding	31,363,865.33 <b>A</b>
Utility services provided to the City for February 2022	(2,789,940.98)
Net amount to be paid from February 2022 revenue to the City in March 2022	\$28,573,924.35

## CPS Energy Board of Trustees Meeting April 4, 2022

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)

February 2022	Actual	Budget	Variance	
Current Month* <b>A</b>	\$31,364	\$26,290	\$5,074	19.3%
Year-to-Date*	\$31,364	\$26,290	\$5,074	19.3%

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

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 \$28,573,924.35 representing 14% of applicable system gross revenues for the month of February 2022, such payment being net of City utility services (\$2,789,940.98), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2023 is \$17,624,207.28.



**RESOLUTION APPOINTING A SUCCESSOR RECORDS MANAGEMENT OFFICER**

**WHEREAS**, in 1989 the 71<sup>st</sup> Texas Legislature adopted H.B. 1285, and thereby enacted into law the Local Government Records Act (currently codified at Chapter 203 of the Local Government Code), which provides for the establishment, promotion, and support of a comprehensive, active and continuing records management program for all local government offices;

**WHEREAS**, the Board, as mandated by Section 203.026 of the Texas Local Government Code, passed a resolution establishing an active and continuing records management program to be administered by the Records Management Officer at its December 17, 1990 regular monthly meeting;

**WHEREAS**, the CPS Energy Board of Trustees (the "Board"), as mandated by Section 203.025 of the Texas Local Government Code, passed a resolution designating the current Records Management Officer at its April 25, 2016 regular monthly meeting;

**WHEREAS**, said Records Management Officer is responsible for administering the Records Management Program in an efficient manner as prescribed by state regulatory requirements and for carrying out the duties delineated in Section 203.023 of the Texas Local Government Code; and

**WHEREAS**, it has become necessary to designate a replacement Records Management Officer due to the resignation of the previously designated Officer in order to continue the administration of the CPS Energy Records Management Program.

**NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF CPS ENERGY** that, pursuant to Section 203.025 of the Texas Local Government Code, the position of Manager of Records Management, on a full-time or interim basis, is hereby designated as Records Management Officer for CPS Energy; and

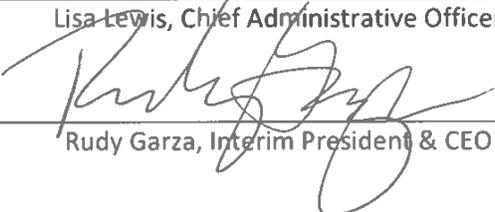
**BE IT FURTHER RESOLVED** that in accordance with Section 203.025 of the Texas Local Government Code, the designation in this resolution shall be filed with the director and librarian of the Texas State Library and Archive Commission within (30) days after adoption of this resolution.



**CPS Energy Board of Trustees Meeting  
April 4, 2022  
APPROVAL of PROCUREMENT ITEMS  
Table of Contents**

<b>1. Item Description:</b>	<b>Installation of Underground Residential Electric Distribution (URD) and Electric Cable Terminations</b>
<b>Purchase Category:</b>	<b>General Services</b>
<b>Suppliers:</b>	<b>Cimbafor, LLC</b>
	<b>Greenstone Electric Services, LLC</b>
	<b>Trinity URD Electric, LLC</b>

**Approval:**   
\_\_\_\_\_  
Lisa Lewis, Chief Administrative Officer

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



**CPS Energy Board of Trustees Meeting  
April 4, 2022  
Procurement Form 1**

<b>Item Description</b>	<b>Installation of Underground Residential Electric Distribution (URD) and Electric Cable Terminations</b>
<b>Purchase Order Value</b>	<b>\$10,500,000</b>
<b>Purchase Category</b>	<b>General Services</b>
<b>Department</b>	<b>Construction and Maintenance Services</b>
<b>VP Construction &amp; Maintenance Services</b>	<b>Darrell Clifton</b>
<b>EVP Energy Delivery Services</b>	<b>Richard Medina</b>

**Detailed Description**

CPS Energy staff recommend that contracts be awarded to Trinity URD Electric, LLC, Cimbafor, LLC, and Greenstone Electric Services, LLC, all three of which are local, diverse firms, as the respondents who will provide the services at the best value for CPS Energy based on the evaluation criteria set forth below.

These contracts are for the installation of new underground residential electric distribution infrastructure and electric cable terminations. These contracts will allow CPS Energy to expand our infrastructure and provide capacity to serve new customers within our service territory. These contracts will expire on April 30, 2025.

**Subcontracting Opportunities**

All three companies recommended for award are classified as diverse businesses and intend to self-perform this work.

An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

<b>Evaluation Criteria</b>	<b>Points</b>
Experience and qualifications to perform the Services	30
The overall cost	20
Safety records and training program	20
The ability to meet CPS Energy's requirements	10
Economic Development (local & diverse consideration)	10
The financial soundness of the Respondent	5
Experience, warranty, quality control, and contingencies for material supply	5
<b>TOTAL</b>	<b>100</b>



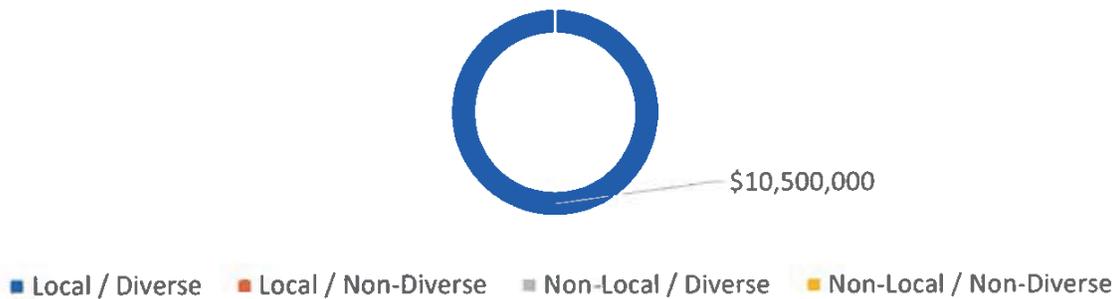
**CPS Energy Board of Trustees Meeting**  
**April 4, 2022**  
**Procurement Form 1**

Recommended Respondent(s) & Award					
Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Trinity URD Electric, LLC	Local / Diverse (Small, Woman-owned, Hispanic-owned)	95	\$3,500,000	2201397	Corporate headquarters based in San Antonio Metropolitan Area
Cimbafor, LLC	Local / Diverse (Small)	91	\$3,500,000	2201395	Corporate headquarters based in San Antonio Metropolitan Area
Greenstone Electrical Services, LLC	Local / Diverse (Small)	90	\$3,500,000	2201396	Corporate headquarters based in San Antonio Metropolitan Area
<b>TOTAL</b>			<b>\$10,500,000</b>		

Five (5) additional respondents were not recommended for award: HJD Capital Electric, LLC, Zachry Underground & Utility Services, Inc., Highpower Electrical, LLC, Renegade Group, LLC, and Novinium, 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	\$2,900,000	0.3%	\$3,500,000	\$3,500,000	\$600,000
\$729,676,030	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

**Procurement Item: General Services**





# ***ENERGY EFFICIENCY & CONSERVATION PROGRAM***

*PRESENTED BY:*

**Rick Luna**

Director, Technology & Product Innovation

April 4, 2022

*Informational Update*



# AGENDA

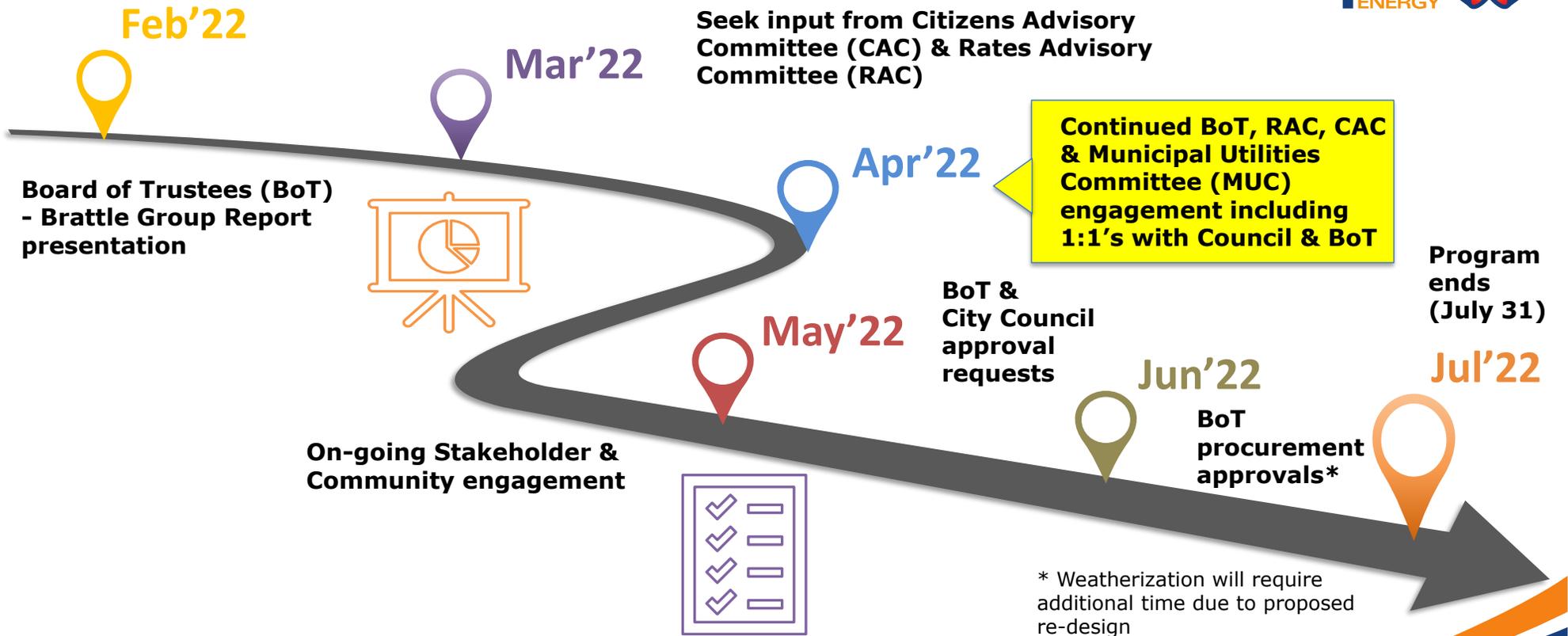


- **TIMELINE**
- **KEY DECISION POINTS**
- **OPTIONS FOR CONSIDERATION**
- **FEEDBACK & DISCUSSION**

**Our objective today is to seek your feedback on the future direction of Energy Efficiency & Conservation.**



# WORKSTREAMS IN-FLIGHT



**Workstreams are building toward a summer decision on the Energy Efficiency & Conservation program.**

## **DECISION POINTS** **FOR BOARD CONSIDERATION**



We are seeking your direction on key elements of the future Energy Efficiency & Conservation program.

- **Do we continue with a new program?**
- **If so, what are:**
  - **Overarching goals & priorities**
  - **Overall budget**
  - **Program length**

**Each of these decision points is a lever for achieving outcomes desired by the community & stakeholders.**

# PROGRAM GOALS

## SEEKING FEEDBACK ON OVERARCHING FOCUS



**Reduce emissions & align w/ CAAP**



**Assist limited income customers**



**Reduce need for new generation & enhance resiliency**



**Help customers save energy & money**



**Focus on new strategic directions**



**Smaller or no program**

**Each focus area is a lever for varying participation, outcomes & savings. Board members may have additional goals & variations for consideration.**

# PROGRAM GOALS

## SEEKING FEEDBACK ON OVERARCHING FOCUS



Program Options	 Emissions Reduction	 Address Equity	 Demand Management	 Bill Savings	 Innovation
Weatherization		✓		✓	
Energy Efficiency	✓			✓	
Demand Response			✓	✓	✓
Multifamily Weatherization		✓		✓	
Targeted Low-Income Programs		✓		✓	✓
Educational/ Behavioral Programs		✓	✓	✓	✓
EV Charging Programs	✓		✓		✓
Battery Storage	✓		✓		✓
Non-Traditional Solar Options	✓	✓		✓	✓
Electrification	✓		✓		✓

✓ denotes area of primary focus

\* See appendix for peer benchmarking

# TOTAL BUDGET

## BILL IMPACT RANGES



### Estimated Bill Impact

Avg. Residential Use (1,048 kWh/month)

Annual Spend*	Avg. Monthly Bill Impact**	Annual Customer Bill Impact
\$0	\$0	\$0
\$35M	\$1.75	\$21.00
\$50M	\$2.50	\$30.06
\$70M	\$3.51	\$42.13
\$90M	\$4.51	\$54.08
\$110M	\$5.51	\$66.15

← **Current Bill Impact**

\* The average annual historical STEP spend was \$64M from FY10-FY22.

\*\* Bill impact projections are based on the FY23 budget & subject to change.

# PROGRAM STRUCTURE



**We are seeking your feedback on:**

**Program Offerings:** Do we continue?

**Length of Term:** If so, how long should the program run?

**Check-in:** How often would you like program updates?

**Metrics:** What key data points would you like us to report to you?



**We want to ensure you are the compass for the direction of the overall program.**

## **NEXT STEPS**

### **CONTINUING STAKEHOLDER ENGAGEMENT**



**In April, we will continue to engage with key stakeholders:**

- **Municipal Utilities Committee (MUC)**
- **Rates Advisory Committee (RAC)**
- **Citizens Advisory Committee (CAC)**
- **Board of Trustees**
- **Our Customers**

**We are ramping up our engagement to educate our community on a future program.**



# OPEN DISCUSSION & FEEDBACK





***Thank You***





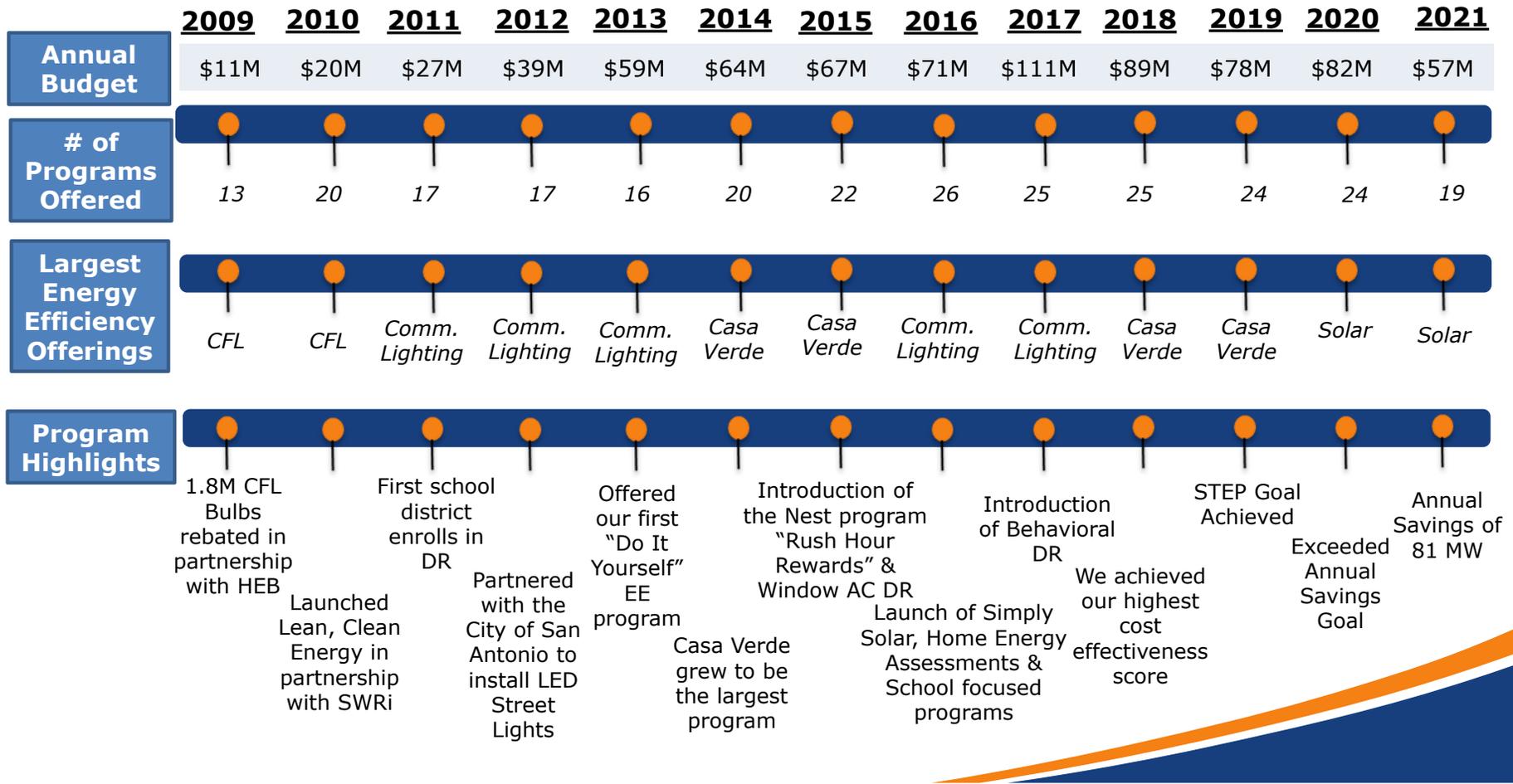
# APPENDIX



# PAST EVOLUTION OF STEP



By Fiscal Year



# FUTURE TRANSITION



This is an illustration of how the portfolio can continue to evolve.



<b>Status:</b>	<b>Previously Retired</b>	<b>Mature Programs</b>	<b>Proven Programs</b>	<b>New &amp; Innovative</b>
<b>Action:</b>	Retired	Phase Down	Maintain	Grow
<b>Description:</b>	Programs removed from the portfolio	Self sustaining programs	Proven impact/ engagement	New opportunities to launch & grow
<b>Programs:</b>	<ul style="list-style-type: none"> <li>• CFL discounts</li> <li>• Home Manager</li> <li>• Refrigerator rebates</li> <li>• Wash Right</li> <li>• Commercial Kitchen rebates</li> <li>• Window AC control</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional solar rebates</li> <li>• LED lighting discounts</li> </ul>	<ul style="list-style-type: none"> <li>• Weatherization</li> <li>• Energy Efficiency</li> <li>• Residential thermostats</li> <li>• Behavioral Demand Response</li> <li>• Commercial Demand Response</li> </ul>	<ul style="list-style-type: none"> <li>• Equity Focused programs</li> <li>• Energy Education &amp; Behavioral</li> <li>• Electric Vehicle Managed Charging</li> <li>• Resiliency &amp; Load Management</li> </ul>

**THE FOLLOWING SLIDES ARE TAKEN FROM THE FULL BRATTLE REPORT & CAN BE FOUND AT:**

**[HTTPS://WWW.CPSENERGY.COM/EN/ABOUT-US/PROGRAMS-SERVICES/SAVE-FOR-TOMORROW-ENERGY-PLAN.HTML](https://www.cpsenergy.com/en/about-us/programs-services/save-for-tomorrow-energy-plan.html)**

## **3- Peer Utility Benchmarking**

*This section reviews a group of peer utilities' customer-side programs and benchmarks STEP to these programs*

### 3- PEER UTILITY BENCHMARKING

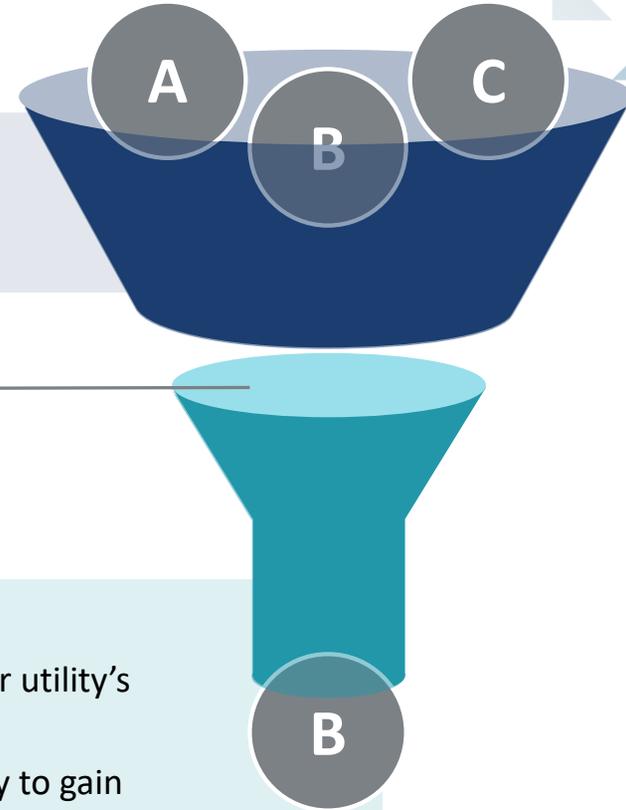
## Benchmark Assessment Process

**Peer Utility Research:** We created a targeted list of peer utilities in consultation with the CPS Energy to examine their portfolio of customer-facing energy programs

### SHORT LIST OF 15 PEER UTILITIES TO RESEARCH

#### Detailed Peer Utility Analysis:

- We conducted detailed analysis of publically available data on each peer utility's customer-facing energy programs
- We supplemented our research with a questionnaire to each peer utility to gain additional insights that were not available publically



### 3- PEER UTILITY BENCHMARKING

## Why Do Utilities Pursue Customer-facing Energy Savings Programs?



#### Lower customer bills over the long term

- Customers participating in utility or state-sponsored efficiency programs are saving **up to \$400 annually** on energy bills
- According to the ACEEE, the DOE Weatherization Assistance Program, which makes energy efficiency improvements to the homes of low-income families, helps families save an average of **\$4,200 in lifetime utility bills**

#### Lower emissions

- In 2019, the ENERGY STAR program saved customers **500 TWh of electricity**, resulting in emissions reductions of 390 million metric tons of greenhouse gas emissions (about **5%** of US total GHG emissions)

#### Lowering long term costs for the system as a whole

- Saving energy via customer energy efficiency programs can generally be achieved at **less than 1/3<sup>rd</sup> the cost** of supply side alternatives
- Effective customer facing energy savings programs can **avoid** the following costs
  - ▶ Capacity – Utilities with effective EE/DR programs are under fewer obligations to construct additional capacity to meet peak load
  - ▶ T&D – Utilities with effective EE/DR programs can construct fewer transmission & distribution assets while still maintaining reliability
  - ▶ Environmental Compliance – Utilities with effective energy savings programs can avoid the cost of compliance with regulations
- Effective demand response programs which smooth peaks in load can **improve the efficiency of load matching supply resources** and can prevent costly/GHG-intensive resources from needing to come online to meet customer demand

Sources: [ACEEE – Energy Efficiency as a Resource](#); [ACEEE – Everyone Benefits: Practices and Recommendations for Utility System Benefits of Energy Efficiency](#); [US DOE – Reduce Energy Bills, Protect the Environment](#); [ACEEE – The Impact of Federal Energy Efficiency Programs](#); [Energy STAR Impacts](#).

### 3- PEER UTILITY BENCHMARKING

## What programs are being offered by CPS Energy’s peer utilities?



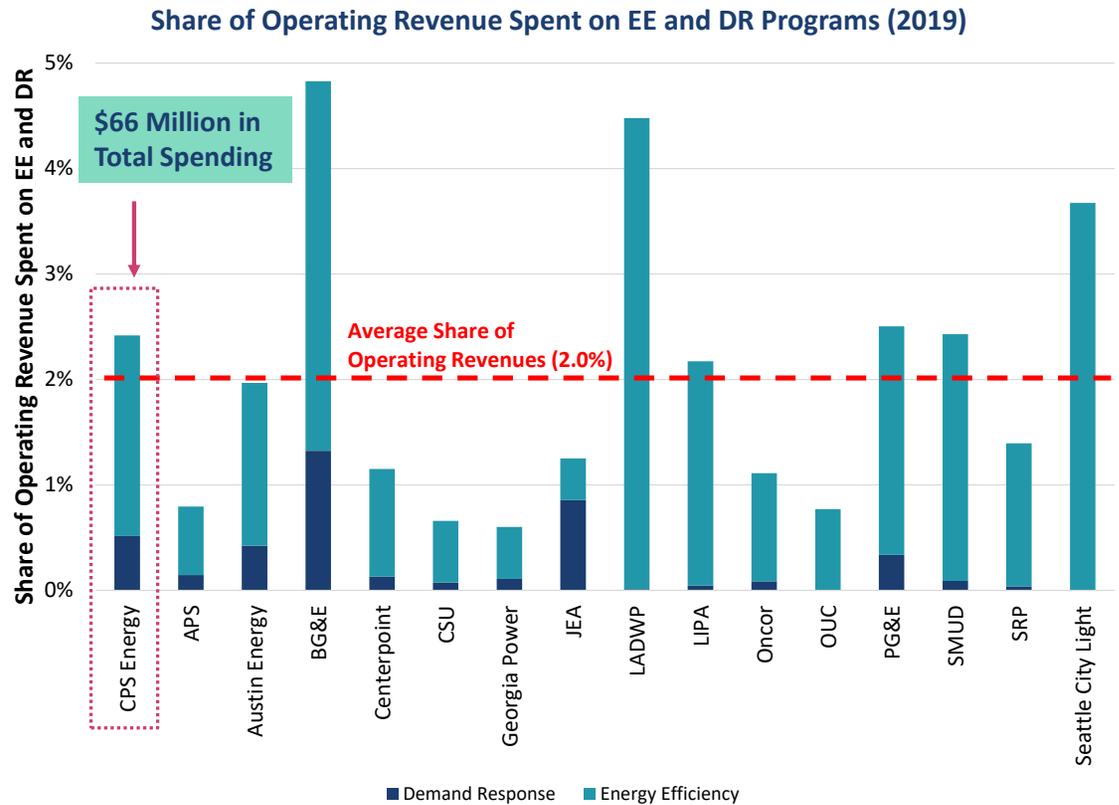
Utility	Type	Energy Efficiency	Demand Response	Rooftop and Community Solar Incentives	Energy Efficiency Programs for LMI Customers
<b>CPS Energy</b>	<b>Municipal</b>	✓	✓	✓	✓
Arizona Public Service (APS)	IOU	✓	✓	-	-
Austin Energy	Municipal	✓	✓	✓	✓
Baltimore Gas & Electric (BG&E)	IOU	✓	✓	✓	-
Centerpoint Energy	IOU	✓	✓	-	✓
Colorado Springs Utilities (CSU)	Municipal	✓	-	✓	-
Georgia Power	IOU	✓	✓	✓	✓
Jacksonville Electric Authority (JEA)	Municipal	✓	Residential Pilot	✓	✓
Los Angeles Department of Water and Power (LADWP)	Municipal	✓	✓	✓	✓
Long Island Power Authority (LIPA)	Municipal	✓	✓	✓	✓
Oncor Electric Delivery	IOU	✓	✓	✓	✓
Orlando Utilities Commission (OUC)	Municipal	✓	-	✓	✓
Pacific Gas & Electric (PG&E)	IOU	✓	✓	✓	✓
Sacramento Municipal Utility District (SMUD)	Municipal	✓	✓	✓	-
Salt River Project (SRP)	Municipal	✓	✓	✓	✓
Seattle City Light	Municipal	✓	-	-	✓

### 3- PEER UTILITY BENCHMARKING

## The share of revenue spent on EE and DR programs varies widely

**In 2019, CPS Energy spent the equivalent of 2.4% of its operating revenue on EE and DR programs compared to 2% by average of its peers**

- BG&E, LADWP, Seattle City Light spent more than **4%** of their operating revenue on customer facing programs in 2019
- APS, CSU, Georgia Power, and OUC spent less than **1%** of their operating revenue on customer facing programs in 2019



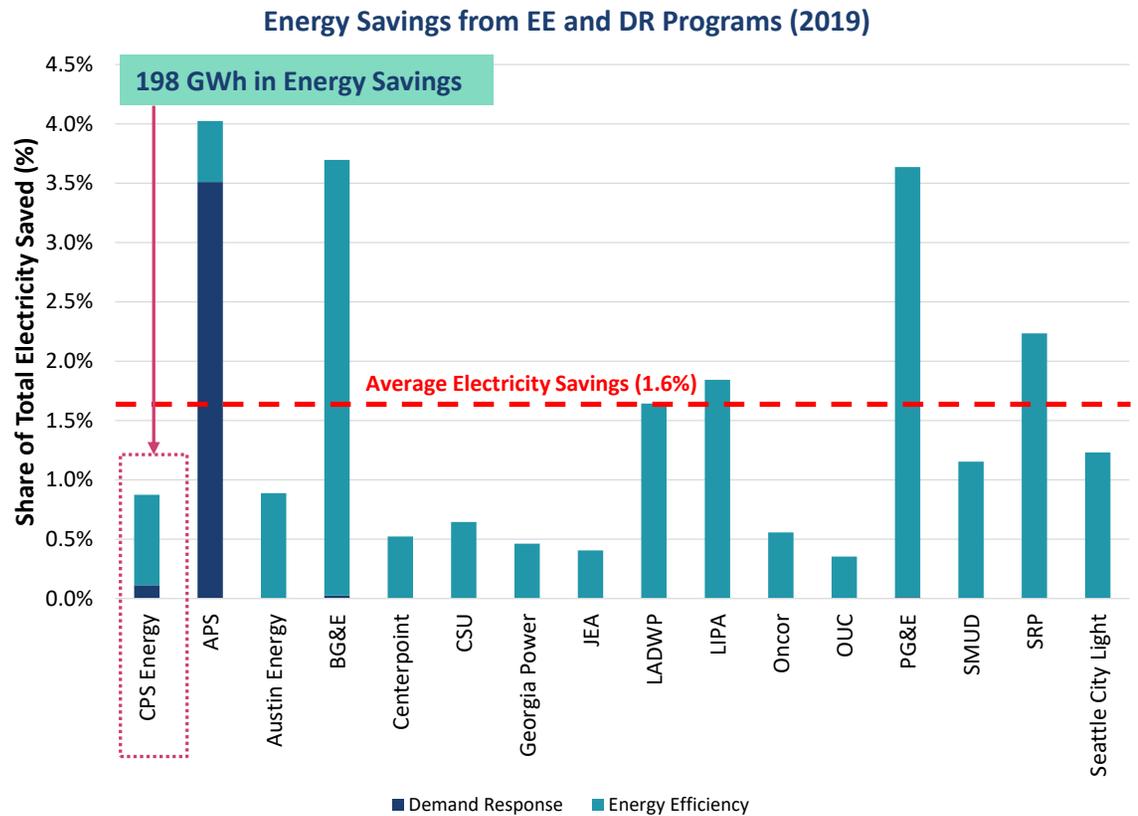
Sources and Notes: Annual Operating Revenues data was pulled from the 10-Ks for each utility. Demand Response and Energy Efficiency Program costs was pulled from the [Annual Electric Power Industry Report](#). To calculate the share of operating revenue spent on EE and DR programs for each utility, we added the combined costs of the Demand Response and Energy Efficiency Programs and divided the resulting figure by the utility's Operating Revenue in 2019.

### 3- PEER UTILITY BENCHMARKING

## Energy Savings from EE and DR Programs

**CPS Energy’s EE and DR programs achieved a below average share of total energy savings (0.9%) relative to 1.6% average of its peer utilities**

- This is not surprising as STEP was intended to be a capacity (MW) reduction program, not energy reduction (MWh)



Sources and Notes: [Energy Efficiency 2019.xlsx](#), [Annual Electric Power Industry Report, Form EIA-861](#) data files. The share of total electricity saved is equal to the sum of electricity savings from DR programs and electricity savings from EE programs divided by the company’s total electricity sales in 2019.



### 3- PEER UTILITY BENCHMARKING

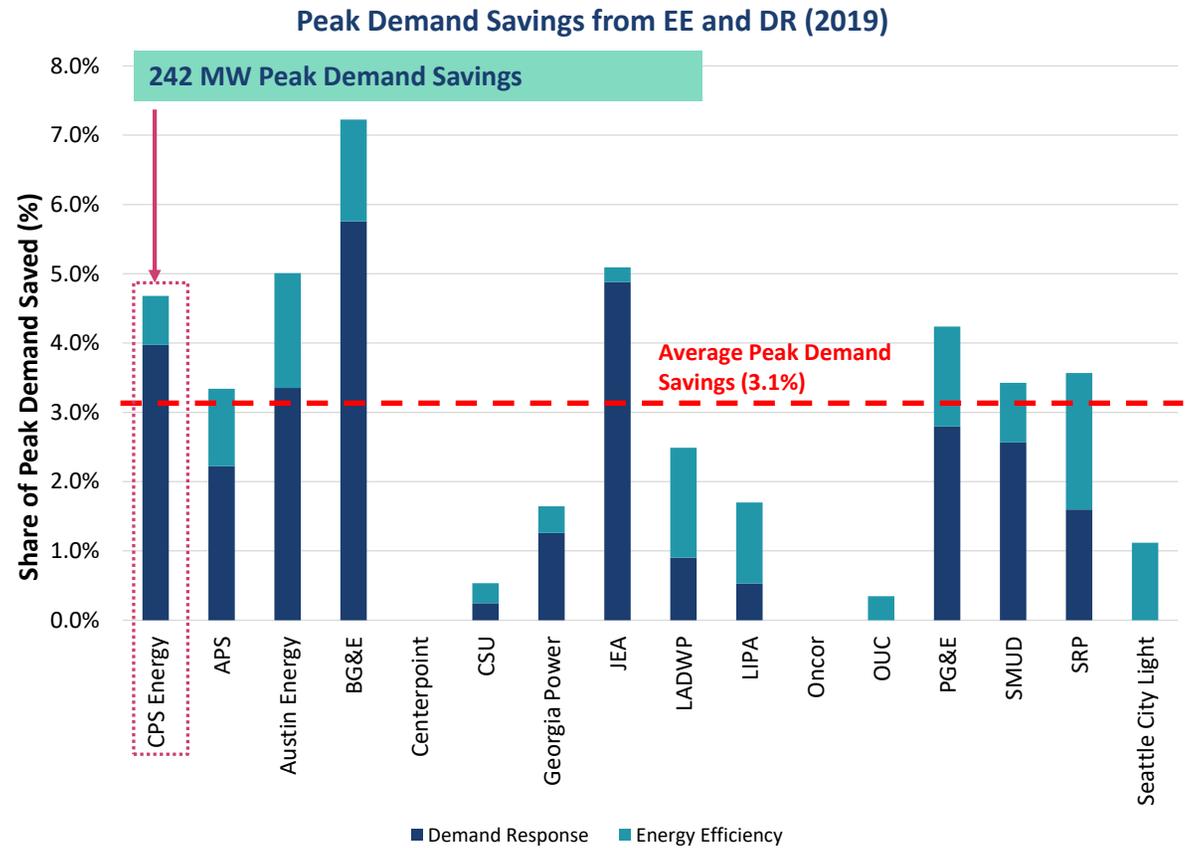
## Peak Demand Savings from EE and DR Programs

**CPS Energy’s EE and DR programs achieves the third highest potential peak demand savings by share (4.7%) relative 3.1% average of its peers**

- Despite above average potential peak demand savings from EE and DR, Austin Energy, BG&E, and JEA have a higher share of peak demand savings
- CPS Energy’s peak demand savings are equal to actual peak demand

Sources and Notes: [Annual Electric Power Industry Report, Form EIA-861](#). EIA does not publish data on potential peak demand savings from EE, so actual EE peak demand savings are reported in the figure.

The share of peak demand saved was calculated by dividing the sum of potential peak demand savings from DR and actual peak demand savings from EE by the peak demand in 2019.



### 3- PEER UTILITY BENCHMARKING

## Peer utilities offer a rich portfolio of customer-facing programs



Peer Utility EE and DR Program Offerings	
<b>New Construction</b>	<ul style="list-style-type: none"> <li>• APS provides <b>training and rebates</b> for developers to procure energy efficient appliances, HVAC systems, and smart thermostat</li> </ul>
<b>Heat Pumps, Water Heaters, and HVAC systems</b>	<ul style="list-style-type: none"> <li>• Utilities are providing between <b>\$150 and \$4,800</b> rebates on <b>heat pumps</b></li> <li>• Utilities provide rebates for <b>window A/C</b> which can be attractive to <b>renters</b> and <b>low-income customers</b></li> <li>• Many utilities provide rebates on <b>HVAC systems</b></li> <li>• LADWP provides \$200 for a <b>whole house fan</b></li> <li>• Utilities provide rebates for efficient <b>water heaters</b></li> <li>• <b>LIPA offers rebates of up to \$2,000/ton on geothermal heating</b></li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>• Austin Energy works with Velocity Credit Union provides <b>0% interest</b> financing for energy efficiency improvement</li> <li>• LADWP and PG&amp;E provided <b>100% financing</b> with <b>no closing costs</b> or <b>fees</b> for home efficiency improvements</li> </ul>
<b>Appliance Upgrades</b>	<ul style="list-style-type: none"> <li>• Utilities offer rebates for <b>washers, dryers, electric lawn equipment, and pool pumps</b></li> </ul>
<b>Demand Response</b>	<ul style="list-style-type: none"> <li>• BG&amp;E provides <b>\$50 to \$100</b> in bill credits to customers that allow cycling their air conditioning on and off</li> <li>• PG&amp;E receive a credit of approximately <b>\$0.024 per kwh</b> for all usage, from June 1 to September 30, except for usage between 2PM and 7PM on SmartDays</li> <li>• Centerpoint Energy customers receive a <b>one-time \$75 bill credit</b> and a <b>\$5 credit</b> on monthly electric bills between June and September</li> </ul>
<b>Cool Roofs and Windows</b>	<ul style="list-style-type: none"> <li>• LADWP offers <b>\$0.20 to \$0.30</b> per sq. ft. for a cool roof</li> <li>• Utilities offer rebates for energy star windows</li> </ul>
<b>Customer-facing Tools</b>	<ul style="list-style-type: none"> <li>• LIPA provides an interactive tool that allows customers to see how they can save on energy without sacrificing comfort</li> </ul>



### 3- PEER UTILITY BENCHMARKING

## Peer utilities offer a rich portfolio of customer-facing programs (cont'd)

Peer Utility Solar / Battery / Electrification Programs	
<b>Electric Transportation</b>	<ul style="list-style-type: none"> <li>LADWP provides up to <b>\$1,500</b> through the Used EV Rebate Program</li> <li>PG&amp;E provides up to <b>\$750</b> towards the purchase or lease of an EV</li> <li>Many utilities provide rebates to install EV chargers in their homes</li> <li>Austin Energy provides <b>\$300 rebates</b> for customers to purchase eBikes, scooters, moped, and motorcycles</li> </ul>
<b>Battery Storage</b>	<ul style="list-style-type: none"> <li><b>APS provides a \$2,500 incentive</b> for sharing battery performance data and <b>\$1,250 per home</b> to send power to the grid</li> <li>JEA, PG&amp;E provides rebates and incentive for customers that purchase of a qualified battery storage system</li> <li>LIPA has a Energy Storage Rewards program for customers that have at least 80% of their batteries available between May 1 and September 30</li> </ul>
<b>Solar Incentives and Leases</b>	<ul style="list-style-type: none"> <li>CSU, OUC, provide rebates and incentives that reduce the total cost of a solar system (OUC is for Solar PV-Battery systems)</li> <li>Many utilities with solar programs offer credits for sending energy back on the grid</li> <li>SMUD and LADWP provides solar leasing programs</li> </ul>
<b>Community Solar</b>	<ul style="list-style-type: none"> <li>BG&amp;E, CSU, PG&amp;E, LADWP, Georgia Power, and LIPA have community solar programs that are open to renters and customers in multi-unit structures</li> <li>LADWP's community solar program has a <b>special rate</b> for low-income customers</li> </ul>
<b>Solar Water Heaters</b>	<ul style="list-style-type: none"> <li>JEA and OUC provides rebates on Solar Thermal Water Heaters</li> </ul>

### 3- PEER UTILITY BENCHMARKING

## Peer utilities also offer a wide range of programs targeting low income customers



Innovative LMI Programs	
<b>Weatherization Assistance and Free Home Energy Improvements</b>	<ul style="list-style-type: none"> <li>Austin Energy, APS, Colorado Springs Utilities, LADWP, Georgia Power, JEA, LIPA, Oncor, OUC, PG&amp;E, SMUD, SRP, and Seattle City Light offers free home energy improvements (e.g. insulation, sealing, solar screens, LED lighting, energy efficient appliances, energy star window air conditioners) to LMI customers that own their homes (some programs allow for renters to participate with the landlord’s permission)</li> <li>BG&amp;E and SRP provides up to \$7,500 and \$6,000 for energy efficiency improvements following a home energy audit, respectively</li> <li>Centerpoint Energy pays half the cost for qualifying weatherization upgrades and high efficiency equipment replacements</li> </ul>
<b>Community Engagement</b>	<ul style="list-style-type: none"> <li>SMUD Provide job training, clean energy and beautification to underserved neighborhoods</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>Seattle City Light provides low interest loans for new HVAC systems for low-income customers</li> </ul>
<b>Community Solar</b>	<ul style="list-style-type: none"> <li>LADWP provides a low-income rate for low-income customers participating in their community solar program</li> <li>Utilities with solar programs allows renters and low-income customers to participate</li> </ul>
<b>Transportation Electrification</b>	<ul style="list-style-type: none"> <li>PG&amp;E provides up to \$2,500 per income-eligible single family household for EV charging equipment</li> </ul>



# ***FLEXPOWER BUNDLE***<sup>SM</sup> **UPDATE**

Presented by:  
*Kevin Pollo*  
*VP, Energy Supply & Market Operations*

April 4, 2022

*Informational Update*

# AGENDA



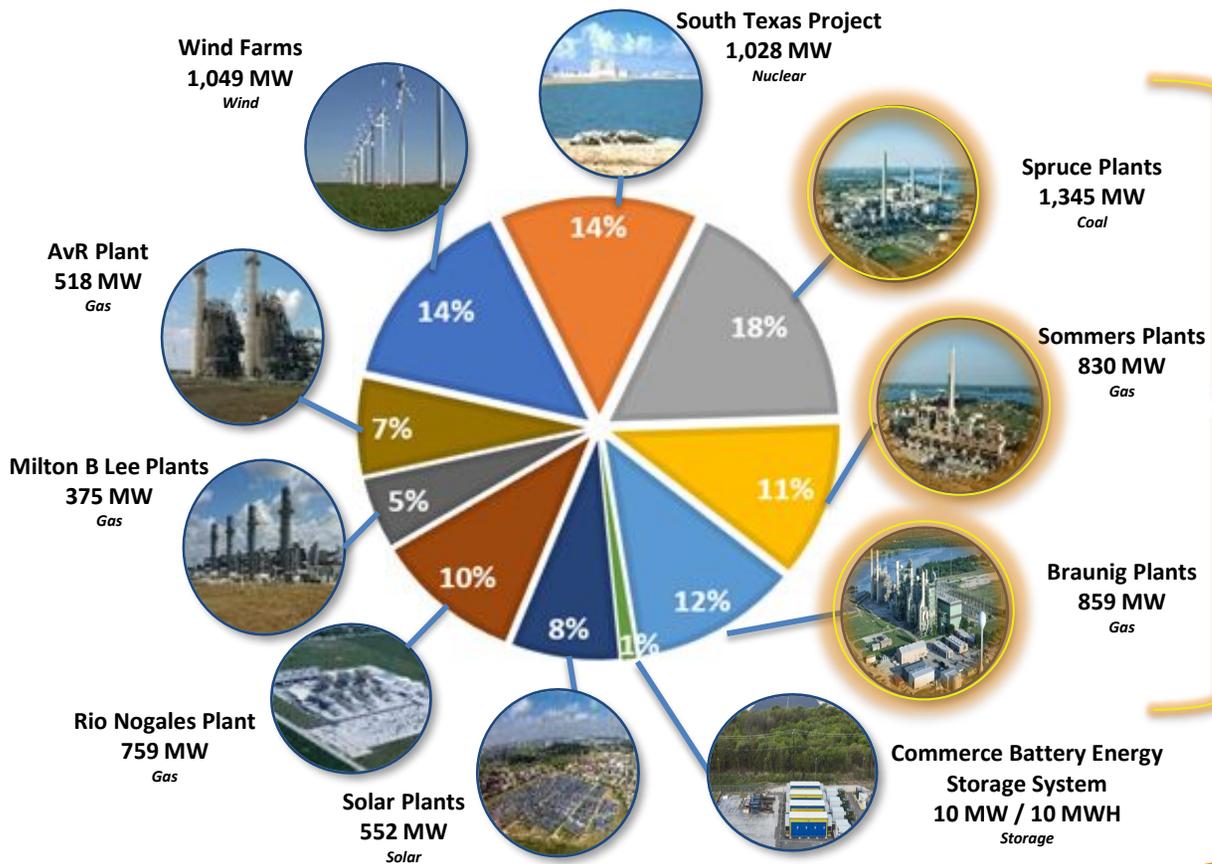
- **OUR CURRENT FLEET**
- ***FLEXPOWER BUNDLE*<sup>SM</sup> RECAP**
- **KEY TAKEAWAYS**

The *FlexPOWER* Bundle is our process to thoughtfully replace aging generation units while maintaining a reliable, affordable energy supply for our community.

# WHERE WE ARE GENERATION DIVERSITY



## OUR CURRENT PORTFOLIO



## TECHNOLOGY OPPORTUNITIES

- Pumped Storage
- Geothermal
- Coal-to-Natural Gas Conversion
- Natural Gas / Hydrogen Generation
- Battery Storage
- Compressed Air Energy Storage
- Wind & Solar Generation



# FOCUS ON AGING GAS & COAL PLANTS

## OVER 3,000 MW OF GENERATION IN FLUX



**Braunig 1, 2 & 3 Gas Plant**  
Built in 1966, 1968, 1970  
859 MW



**Sommers 1 & 2 Gas Plant**  
Built in 1972 & 1974  
830 MW



**Spruce 1 & 2 Coal Plant**  
Built in 1992 & 2010  
1345 MW



**The Braunig & Sommers units are reaching their end of life.  
Coal unit retirements are on the horizon.  
Thoughtfully structured transition is required to preserve  
reliability & maintain customer affordability.**

# OPPORTUNITIES & CHALLENGES



**Working in parallel to expedite our portfolio transition.**

**1 Braunig 1, 2 & 3 Gas Plant**



**FLEXPOWER  
BUNDLE IN  
PROCESS**

**2 Sommers 1 & 2 Gas Plant**



**PLANNING  
UNDERWAY**

**3 Spruce 1 & 2 Coal Plant**



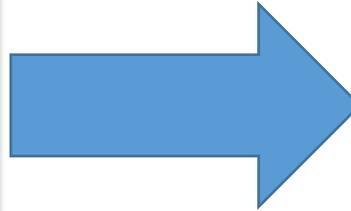
# **FLEXPOWER BUNDLE**

## **REPLACING AGING GAS PLANTS**



**Braunig 1, 2 & 3 Gas Power Plants**  
**Built in 1966, 1968, 1970**  
**859MW**

**An integrated *FlexPOWER* Bundle aimed at  
transitioning to a cleaner generation mix**



**Up to 900 MW  
SOLAR**



**Up to 50 MW  
STORAGE**



**Up to 500 MW  
ALL-SOURCE  
FIRMING**

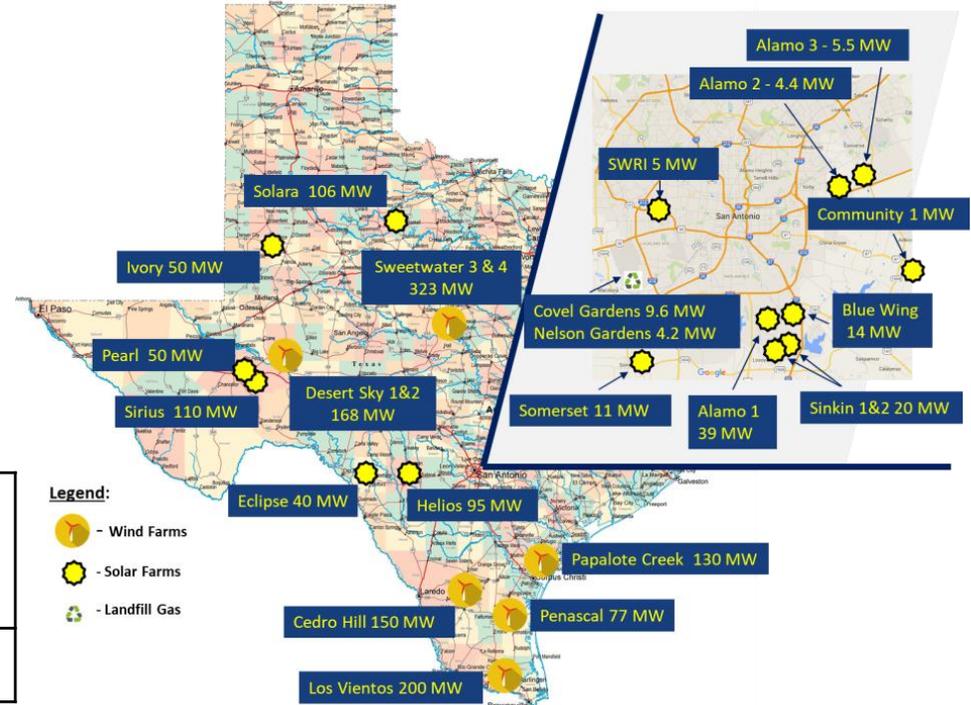
**Bundling complementary technologies  
provides the best value for our customers.**

# OUR SOLAR PORTFOLIO

## #1 IN THE STATE, #5 IN THE NATION



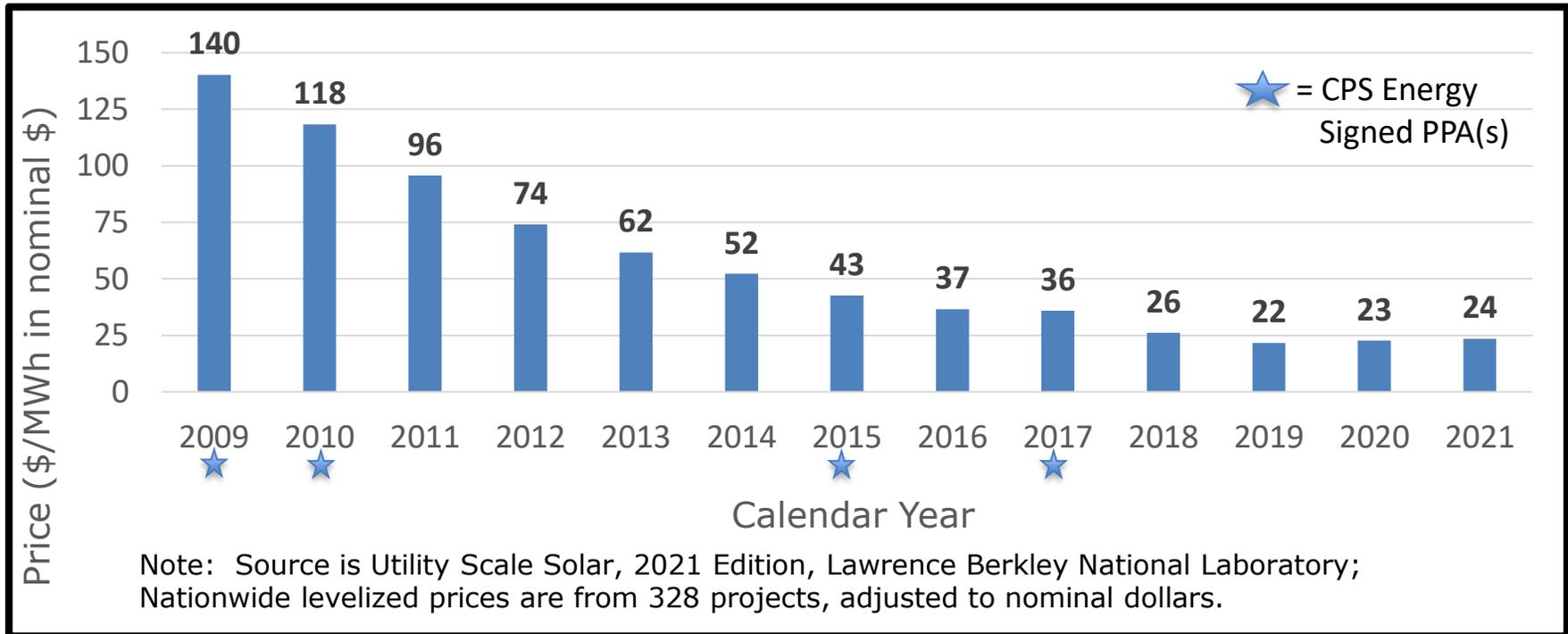
- Projects under consideration for **FlexPOWER Bundle** :
  - Geographic diversity
  - Term = 12 – 25 years
  - Capacity = 100 – 300 MW
  - Competitive pricing



<b>BENEFITS</b>	<ul style="list-style-type: none"> <li>- Zero emission resource</li> <li>- Similar profile to our load shape</li> </ul>
<b>CHALLENGE</b>	<ul style="list-style-type: none"> <li>- No Sun... No Power</li> </ul>

Targeting 900MW of additional capacity through FlexPOWER Bundle.

# U.S. UTILITY SCALE SOLAR POWER PURCHASE AGREEMENT PRICING



**Recent supply chain disruptions may slow commercialization.**

# OUR STORAGE PORTFOLIO



- Projects under consideration for **FlexPOWER Bundle**:
  - Located in or near San Antonio
  - Term = up to 20 years
  - Capacity = up to 50 MW
  - Duration = up to 2 hours



**Commerce Battery Energy Storage System**

- This asset is a partnership with Southwest Research Institute (SwRI)

<b>BENEFIT</b>	- Shifts excess power to high demand periods
<b>CHALLENGE</b>	- Limited effectiveness during extreme events

**Targeting 50MW of additional capacity through the FlexPOWER Bundle.**

# STRIKING THE RIGHT BALANCE

## FIRMING RESOURCES MATTER



**Reliable, on-demand power is essential to integrating renewable energy.**

*Firming capacity must be a reliable energy source that can be quickly dispatched when the sun isn't shining, the wind isn't blowing, or there is a sudden increase in demand.*

### **Firming capacity MUST be:**

- Reliable
- Flexible
- Controllable
- Easily shift between short-term & long-term energy delivery

<b>FIRMING (NATURAL GAS)</b>	
<b>BENEFITS</b>	<ul style="list-style-type: none"><li>- Low risk, mature technology</li><li>- Lower emission profile</li><li>- Potential to incorporate hydrogen</li></ul>
<b>CHALLENGE</b>	<ul style="list-style-type: none"><li>- Still has an emissions profile &amp; carbon footprint</li></ul>

# **FLEXPOWER BUNDLE<sup>SM</sup>**

## **WHY NATURAL GAS**



- Natural gas generation is a proven technology with readily available supply in our market
- Experience during Winter Storm Uri underscored the importance of extended duration generation capacity
- Other alternative technologies received in the RFP were:
  - At a higher price point;
  - Offered limited duration capacity; &
  - Introduced technology & new construction risk.

**Natural gas can be used as a bridge to a lower emissions future.**

## KEY TAKEAWAYS



- Our Innovation Council is identifying new opportunities:
  - Quidnet's Geomechanical Pumped Storage pilot
  - Yotta Energy's Distributed Solar + Storage pilot
  - Emerging Geothermal technology
- Next steps:
  - Execute **FlexPOWER Bundle** contracts
  - Continue community dialogue on replacement technology for Sommers and Spruce units

**These actions help us accelerate achievement of our CAAP goals.**



***Thank You***

