

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF SPECIAL MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold a Special Meeting **on Monday, January 10, 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 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.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, January 7, 2022, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at **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**. 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
January 5, 2022



**CPS ENERGY BOARD OF TRUSTEES SPECIAL MEETING
TO BE HELD ON JANUARY 10, 2022 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

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 418.183(f) about confidential information under the Texas Homeland Security Act.

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Ms. Denae Myers
3	PUBLIC COMMENT Pre-Registration on Friday, January 7, 2022 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com A. Chair’s Announcements B. Comments	Discuss	Dr. Willis Mackey
REGULAR AGENDA			
4	OPENING REMARKS FROM THE INTERIM PRESIDENT & CEO	Discuss	Mr. Rudy Garza
5	CITIZEN’S ADVISORY COMMITTEE (CAC) (Mr. Bill Day, CAC Chair & Ms. Luisa Casso, CAC Immediate Past Chair)	Discuss	Mr. Rudy Garza
6	RATE ADVISORY COMMITTEE (RAC) (Mr. Reed Williams, RAC Chair)	Discuss	Mr. Rudy Garza
7	BASE RATE INCREASE & REGULATORY ASSET RECOMMENDATIONS A. Resolution of the Base Rate Increase Proposal B. Resolution of the Regulatory Asset Proposal	Discuss & Vote	Mr. Cory Kuchinsky Mr. Rudy Garza
CONVENE TO EXECUTIVE SESSION			
8	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
RECONVENE TO OPEN SESSION			
REGULAR AGENDA			
9	ADJOURNMENT	Execute	Dr. Willis Mackey

COSA - CITY CLERK
2022 JAN 05 PM03:30:36



RATE REQUEST: OPENING REMARKS

PRESENTED BY:

Rudy Garza
Interim President & CEO

January 10, 2022
Informational Update

OVERCOMING OBSTACLES & CREATING STABILITY



+125k Electric Customers & +36k Gas Customers



+222 MW Peak System Demand



+\$1 Billion in Assets



Aging Technology Platforms



~300 Fewer Employees

The proposed rate request creates stability to better serve our community.

MOVING FORWARD



Working collaboratively for positive changes for our community



Rate request focused on emphasizing near-term investments & creating immediate financial stability



Allow time for community dialogue on future critical issues such as generation resources & rate design

We recognize the importance of transparency & public engagement.

VOTING ITEMS FOR LATER TODAY



- A base rate increase of 3.85%. (*Item 7A on today's agenda*)
- Creation of a regulatory asset to capitalize Winter Storm Uri costs & recover them over 25 years. (*Item 7B on today's agenda*)

ADVISORY COMMITTEE INPUT



**Citizens Advisory Committee
(CAC)**



**Rate Advisory Committee
(RAC)**





CAC UPDATE

PRESENTED BY:

Mr. Bill Day
CAC Chair

Ms. Luisa Casso
CAC Immediate Past Chair

January 10, 2022
Informational Update



Citizens Advisory Committee Resolution Regarding CPS Energy's Proposed Rate Adjustment

WHEREAS, a Citizens Advisory Committee (CAC) was created by the CPS Energy Board of Trustees in 1998 and was intended to act as a sounding board for the community and provide input to CPS Energy business activities; and

WHEREAS, the primary goal of the CAC is to provide recommendations from the community to the CPS Energy Board of Trustees, leadership, and staff on the operations of CPS Energy; and

WHEREAS, CAC members have attended community meetings, CPS Energy Board meetings, and meetings of the Rate Advisory Committee, held numerous discussions with citizens and business customers, and solicited community input about the proposed rate adjustment; and

WHEREAS, the CAC has met on at least four occasions with CPS Energy leadership, including the CEO, interim CEO, CFO, and principal engineering staff to discuss the proposed adjustments, have questions and concerns raised by CAC members addressed and answered; and

WHEREAS, CPS Energy has not raised base electric and gas rates for eight years despite rapid population growth and increases in the cost of service; and

WHEREAS, the CAC recognizes that CPS Energy is committed to providing affordable, reliable and renewable energy to its service area; and

WHEREAS, CPS Energy faces distinct challenges resulting from the Winter Storm Uri in February 2021, and the CAC recognizes the importance of multichannel communications, frequent status updates, and corrective actions for any future service disruptions, including coordination with other utilities; and

WHEREAS, the CAC recommends the establishment of a regulatory asset for the Winter Storm Uri costs, not to exceed \$1.005 Billion, to be amortized over a maximum of 25 years to mitigate the customer bill impact, and recovered through a retail bill adjustment; and

WHEREAS, the proposed rate adjustment includes the investment in infrastructure resiliency, technology, growth and people, and furthermore, the adjustment does not include collection of unpaid customer debt during the pandemic, \$587 million in disputed costs from Winter Storm Uri, future power generation decisions, or rate design changes; and

WHEREAS, the CPS Energy board and staff continue to consider how the proposed rate adjustment will affect marginalized communities, and how CPS Energy can support discounts and energy efficiency subsidies; and

WHEREAS, the CAC recommends that CPS Energy consider future rate adjustments at regular annual or biennial intervals and maintain a fully public and transparent process that offers full disclosure of what would drive any adjustment; and

WHEREAS, CPS Energy has agreed to continue discussing a fair and reasonable rate structure and equity principles with the Rate Advisory Committee; and

NOW THEREFORE, be it resolved that the CPS Energy Citizens Advisory Committee endorses the proposed 3.85% rate adjustment and the establishment of a regulatory asset for the Winter Storm Uri costs [by the vote of:

- (1) Rate Adjustment: 13 in favor, 0 opposed, 2 absent, 0 vacancies].
- (2) Regulatory Asset: 13 in favor, 0 opposed, 2 absent, 0 vacancies].

Signed this day, January 5, 2022:

Luisa Casso
Chair, Citizens Advisory Committee 2021

Bill Day
Chair, Citizens Advisory Committee 2022



RAC UPDATE

PRESENTED BY:

Mr. Reed Williams
RAC Chair

January 10, 2022
Informational Update



BASE RATE INCREASE & REGULATORY ASSET RECOMMENDATION

PRESENTED BY:

Cory Kuchinsky, CPA
CFO & Treasurer

Rudy Garza
Interim President & CEO

January 10, 2022
Approval Requested

AGENDA



- **RATE REQUEST**
- **USE OF ADDITIONAL FUNDS**
- **FINANCIAL HEALTH**
- **WINTER STORM URI IMPACT & REGULATORY ASSET**
- **CUSTOMER IMPACT & ASSISTANCE**
- **LOOKING FORWARD**
- **RISKS**
- **CITY COUNCIL & COMMUNITY OUTREACH**
- **REQUEST FOR APPROVAL**

RATE REQUEST



**Base Rate
Increase⁽¹⁾**

3.85%

**Revenue
Increase⁽²⁾**

~\$73M

Rate increase planned for March 1, 2022 effective date.

This rate request is consistent with our FY2023 budget that will be presented at the January 31, 2022 Board of Trustees meeting.

(1) Applies only to base portion of bill & does not apply to fuel & regulatory charges.

(2) Represents annualized amount. FY2023 actual revenue increase of ~\$67M due to start in March (only 11 months).

WHAT IS INCLUDED IN THE \$73M?



Infrastructure Resiliency
\$31M

- Enhanced customer communications
- Improved experience during controlled outages
- Upgraded freeze protection at power plants
- Alternative fuel sources for generation



Technology
\$15M

- Assess current state of software system & define business requirements to meet customer needs
- Design plan to deliver required technology to support future operations



Growth
\$14M

- Substation additions & expansions
- Re-routing electric lines to accommodate new construction
- Additional poles, wires & meters



People
\$13M

- Fill ~400 vacant positions
- Raise minimum wage to \$18/hr
- Market adjustments to attract & retain talent
- Reinstate annual merit-based salary adjustments

Total
\$73M

WHAT IS NOT INCLUDED IN THE RATE INCREASE?



Early Collection of Pandemic Bad Debt	CoSA contributed \$20M in American Rescue Plan Act (ARPA) funding to help our customers. Resuming disconnection process will likely drive additional revenue.
Disputed Fuel Costs from Winter Storm Uri	\$587M in Winter Storm Uri fuel costs remain in dispute. Once resolution occurs, we will communicate if there is any additional impact to customers.
Future Generation Decisions	Shoring up our financials now will allow the Board, RAC, CAC & broader community to engage in thoughtful discussion & analysis on future generation decisions.
Other Assumed Costs	Future large expenditures will not be included in our budget until their costs are known.
Rate Design Changes	No rate design changes are included, allowing additional time to work with the RAC to evaluate optimal rate designs.

FINANCIAL STABILITY



	<u>FY2023</u>	<u>FY2024</u>	<u>Subsequent Trend</u>
Debt Service Coverage Ratio	1.79	1.67	↑
Debt Capitalization Ratio	61.66%	62.28%	↓
Days Cash On Hand	170	170	<i>Flat</i>

The additional revenue generated from this level of rate increase ensures our financial health continues.

WINTER STORM URI COSTS



We have paid \$418M in reasonable, validated costs for Winter Storm Uri. We propose recovering these costs over 25 years beginning on March 1, 2022 through the fuel adjustment on bills.

**Annual
Cost**

~\$24M

**Residential
Bill Impact⁽¹⁾**

~\$1.26/mo.

Future costs will be reviewed & validated before being passed on to customers through the fuel adjustment.

(1) Paid Winter Storm Uri costs will be recovered as a kWh/CCF adder; bill impact depends on usage.

TOTAL AVERAGE RESIDENTIAL BILL IMPACT



	<u>Bill Impact</u> \$	<u>Bill Impact</u> % ⁽¹⁾
Base Rate Increase: <i>(3.85% base rate increase equivalent to ~\$73M annual revenue)</i>	~\$3.84/mo.	2.5%
Winter Storm Uri Costs:	~\$1.26/mo.	0.8%
Total Bill Impact⁽²⁾:	~\$5.10/mo.	3.3%

If approved, these changes will be reflected on bills on March 1, 2022.

(1) Includes base revenue + fuel & regulatory revenue
 (2) Represents system average bill impact to residential electric & gas customer



AFFORDABILITY DISCOUNT PROGRAM (ADP)



Recommendation: Offset proposed base rate increase

- Increase enrollment funding by ~**14,000 customers** to 65,000
- Increase customer discount to **\$16.14 per month**

Proposed Discount Statistics:

	Electric	Gas	Combined	
			Month	Year
Current Discount	\$8.55	\$3.75	\$12.30	\$147.60
Additional Proposed Discount	<u>\$3.12</u>	<u>\$0.72</u>	<u>\$3.84</u>	<u>\$46.08</u>
Total Proposed Discount	\$11.67	\$4.47	\$16.14	\$193.68

The ADP discount will be increased to mitigate the impact of the potential rate increase on ADP customers.

RESIDENTIAL BILL IMPACTS INCLUDING WINTER STORM URI RECOVERY



kWh	CCF	\$IMPACT	%IMPACT
500	10	\$2.32	~3.0%
1,000	20	\$4.57	~3.3%
1,500	35	\$6.97	~3.4%
2,000	50	\$9.35	~3.5%



COMMERCIAL TOTAL BILL IMPACTS INCLUDING WINTER STORM URI RECOVERY



Customer Group	Average Change/Month	
Electric	%	\$
Small Commercial	~3.6%	\$20
Large Commercial	~3.7%	\$412
Extra Large Commercial	~3.7%	\$2,730
Super Large Commercial	~3.8%	\$16,581
Gas	%	\$
Base Commercial	~5.4%	\$9
Class B	~5.7%	\$60
Large Volume	~4.8%	\$801

LOOKING FORWARD



FY2023	FY2024	FY2025	FY2026	FY2027
3.85%	-	5.5%	-	5.5%

- Our proposed financial plan includes a rate evaluation every two years
- The rate plan after FY2023 is subject to change



RISKS & FLEXIBILITY



- We will monitor issues that may impact future rate requests such as:
 - Inflation, interest rates, supply chain challenges
 - Disputed fuel costs from Winter Storm Uri
 - Past due customer balances resulting from the pandemic
 - Decisions about our future generation sources
 - Our long-term technology needs
 - Rate designs

We will adjust the timing & magnitude of proposed future base rate increases as needed.



***CREATING ALIGNMENT ON THE
PROPOSED RATE INCREASE &
REQUESTING APPROVAL***



DISCUSSIONS WITH CITY COUNCIL HAVE BEEN PRODUCTIVE



In partnership with City Staff, we began discussions with City Council in December.

- **December 1:** Reviewed our recommendation with City Council
- **December 8:** CoSA CFO & Supervisor of Public Utilities presented recommendation to City Council
- **December 15:** Shared additional detail on community engagement and answered questions from City Council

We are listening & providing additional information as requested.

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

CUSTOMER OUTREACH

40 EVENTS REACHING 19,000+ CUSTOMERS



<p>Commercial & Local Partners Managed & Military Accounts meeting & webinar, Solar Stakeholder Meeting (solar installers), School Districts, TX Energy Managers Assn.</p>		<p>Bexar County Commissioners Court</p>
<p>Community Non-Profit SA Business & Economic Society, ROW Assn. SA Chapter, Partners in Power Agency Consortium, LULAC – Small/Medium Outreach, Town Hall for Non-Profits</p>		<p>Business Associations Real Estate Council SA, Greater SA Builders Assn., SA Manufacturers Assn., SA Restaurant Assn.</p>
<p>Suburban Cities Summit Including participants from Selma, Alamo Heights, Leon Valley, Castroville, Converse, Helotes, Castle Hills, Kirby, LaCoste, Schertz, China Grove, Balcones Heights & others</p>		<p>Customer Communication Town Halls in every City Council District, Tele-Town Halls, Public Input session; 2.2 million customer contacts via e-mail, phone calls & text. Customer letter & social media</p>
<p>Media Coverage Local Broadcast and print coverage including SA Express-News Editorial Board, TX Public Radio-The Source, SA Report, KTSA, KENS, KSAT, WOAI/KABB, Univision</p>		<p>Chambers of Commerce North Chamber Lunch & Infrastructure Council; SA Chamber Exec Committee, Board of Directors, Public Policy Council; Hispanic Chamber Alex Briseno Leadership Program</p>

Primary Feedback: The funding provided from this rate increase is targeted at the right areas.

IN CLOSING



- We have avoided rate increases for 8 years by saving & operating more efficiently, despite rising costs
- The requested rate increase ensures financial stability & addresses immediate needs including:
 - Infrastructure Resiliency
 - Technology
 - Growth
 - People
- We have increased awareness efforts about the need for a rate increase, and we believe the community understands the uses of the incremental funding
- Customer assistance has been increased to mitigate the impact on our community's most vulnerable citizens
- Approval of a regulatory asset is needed to spread Winter Storm Uri cost recovery over time; our Board & the City Council will have oversight of financing & cost recovery

REQUEST FOR APPROVAL

BASE RATE INCREASE & REGULATORY ASSET



Item 7A: *We respectfully request your approval of the 3.85% base rate increase resolution.*

Item 7B: *We respectfully request your approval of the resolution to:*

- *Create a regulatory asset of up to \$1.005B*
- *Pass through \$418M in costs starting March 1, 2022*

With your consent, we will seek City Council approval on January 13, 2022.



Thank You



**CITY PUBLIC SERVICE BOARD OF SAN ANTONIO
RESOLUTION APPROVING AN INCREASE OF 3.85 PERCENT TO
THE ELECTRIC AND GAS BASE RATES EFFECTIVE MARCH 1, 2022 AND APPROVING
AMENDMENTS TO THE AFFORDABILITY DISCOUNT PROGRAM**

WHEREAS, CPS Energy is the municipally owned utility that operates the City of San Antonio's electric and gas systems (the "Systems") providing retail services to customers within the City of San Antonio and the surrounding area; and

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

WHEREAS, the last CPS Energy rate adjustment was a 4.25 percent increase in the electric and gas base rates in November 2013; and

WHEREAS, CPS Energy proposes a 3.85 percent increase in its electric and gas base rates (the "2022 Rate Adjustments") in order to: (1) meet its continuing obligations to supply reliable services to its customers; (2) meet the immediate capital and maintenance requirements of the Systems; (3) meet the flow-of-funds requirements as set out in the CPS Energy bond ordinances; and (4) 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 Adjustments; and

WHEREAS, CPS Energy maintains an Affordability Discount Program available to customers who have income at or below 125 percent of Federal poverty guidelines and meet one of the following criteria: are elderly; are disabled; use life-sustaining medical equipment; or have children under the age of 18 years; and

WHEREAS, the recommended 2022 Rate Adjustments would equate to an estimated \$3.84 per month increase on the average residential customer bill, and CPS Energy proposes increasing the discount of the Affordability Discount Program by \$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 (the "2022 ADP Adjustments"): (1) increase electric customer monthly Affordability Discount from \$8.55 to \$11.67; and (2) increase gas customer monthly Affordability Discount from \$3.75 to \$4.47, for a cumulative increase of \$3.84 per month; and

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

WHEREAS, this 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 the 2022 ADP Adjustments, such adjustments will be documented within the 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:

1. The recitals and Exhibit to this resolution are hereby incorporated by reference.
2. The CPS Energy Board of Trustees hereby approves and adopts the 2022 Rate Adjustments and the 2022 ADP Adjustments 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 adjustments consistent with this resolution and the San Antonio City Council's approval.



EXHIBIT A
[Tariffs to be attached]



I, Shanna M. Ramirez, Secretary of the Board of Trustees of CPS Energy, do hereby certify that the foregoing is a true and exact copy of a resolution which was passed and approved at the meeting of the Board of Trustees of CPS Energy, held on January ____, 2022, at which a quorum was present.

**WITNESS MY HAND AND SEAL OF THE CPS ENERGY BOARD OF TRUSTEES on the __ day
of _____ 2022.**

Shanna M. Ramirez
Secretary of the Board



**CITY PUBLIC SERVICE BOARD OF SAN ANTONIO
RESOLUTION REGARDING ESTABLISHMENT OF REGULATORY ASSET
FOR THE 2021 WINTER WEATHER FUEL COSTS
TO BE AMORTIZED OVER A MAXIMUM OF 25 YEARS AND RECOVERED THROUGH THE FUEL
ADJUSTMENT**

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 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 and illegitimate (collectively, the “2021 Severe Winter Weather Costs”); and

WHEREAS, CPS Energy continues to fight for its customers and community in disputing those power and natural gas costs it believes are 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 \$587 million of the 2021 Severe Winter Weather Costs as egregious, and illegitimate; and

WHEREAS, CPS Energy has incurred approximately \$418 million in 2021 Severe Winter Weather Costs it has validated as legitimate and reasonable (in light of the circumstances when incurred) 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 (“GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”); and

WHEREAS, CPS Energy is subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which 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 \$1.005 Billion, and once paid, to be amortized over a maximum of 25 years; and

WHEREAS, only paid 2021 Severe Winter Weather Costs will begin to be amortized over a maximum of 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 payment will be recommended for recovery through the fuel adjustment over a maximum of 25 years; and

WHEREAS, the purpose of the Regulatory Asset is to mitigate the customer bill impact of the 2021 Severe Winter Weather Costs related to Winter Storm Uri, by amortizing the 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:

1. The recitals to this resolution are hereby incorporated by reference.
2. 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.



I, Shanna M. Ramirez, Secretary of the Board of Trustees of CPS Energy, do hereby certify that the foregoing is a true and exact copy of a resolution which was passed and approved at the meeting of the Board of Trustees of CPS Energy, held on January _____, 2022, at which a quorum was present.

**WITNESS MY HAND AND SEAL OF THE CPS ENERGY BOARD OF TRUSTEES on the __ day
of _____ 2022.**

Shanna M. Ramirez
Secretary of the Board