

**State of Texas
County of Bexar
City of San Antonio**



**Meeting Minutes
City Council Special Meeting**

Council Briefing Room
100 Military Plaza
San Antonio, Texas 78205

2023 – 2025 Council Members

Mayor Ron Nirenberg
Dr. Sukh Kaur, Dist. 1 | Jalen McKee-Rodriguez, Dist. 2
Phyllis Viagran, Dist. 3 | Dr. Adriana Rocha Garcia, Dist. 4
Teri Castillo, Dist. 5 | Melissa Cabello Havrda, Dist. 6
Marina Alderete Gavito, Dist. 7 | Manny Pelaez, Dist. 8
John Courage, Dist. 9 | Marc Whyte, Dist. 10

Tuesday, November 19, 2024

1:00 PM

City Council Chambers

The City Council convened a special meeting in the Norma S. Rodriguez Council Chamber in the Municipal Plaza Building beginning at 1:14 PM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Council Members present:

PRESENT: 11 – Nirenberg, Kaur, McKee-Rodriguez, Viagran, Rocha Garcia, Castillo, Cabello Havrda, Alderete Gavito, Pelaez, Courage, Whyte

ABSENT: None

ITEMS

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting into Executive Session at 1:15 p.m. to discuss any of the following:

- A. Economic development negotiations pursuant to Texas Government Code Section 551.087 (economic development)

- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Section 551.072 (real property).
- C. Legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Legal issues related to litigation involving the City pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- E. Legal issues relating to emergency preparedness pursuant to Texas Government Code Section 551.071 (consultation with attorney).

Mayor Nirenberg reconvened the meeting in Open Session at 2:35 p.m. and announced that no official action had been taken in Executive Session.

1. Briefing on the Fiscal Year 2024 actual results related to the City Council adopted financial policies pertaining to City Payment from CPS Energy and an update on the CPS Energy Horizon 2050 Plan [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

City Manager Erik Walsh introduced both Items and the presenters. Chief Financial Officer (CFO) Ben Gorzell reviewed the City's Financial Policies related to CPS Energy. He explained that the policy required the CPS revenues in excess of 10% of City payment base Budget to be allocated as determined by the City for the following uses: CPS Energy for resiliency and reliability projects with input from the Office of Sustainability and the City's Resiliency, Energy Efficiency, and Sustainability (REES) Fund City payment.

Gorzell stated that the policy included the City Payment from Off System Sales which was capped at \$10 million annually and any amount over \$10 million would be placed in a Capital Reserve Fund, then it would be determined at year-end if the City met the base Budget amount after funding any shortfall in the City payment base Budget with remaining funds eligible to be transferred to CPS Energy to fund resiliency and reliability projects. Gorzell stated that Off-System Sales were defined as the sale of electric capacity and/or energy to wholesale or retail customers located outside the CPS customer service area to the Energy Reliability Council of Texas (ERCOT) grid.

Gorzell reviewed a chart of Off-System Sales City Payment by Fiscal Year from 2008 to the present. He stated that the City had estimated the FY 2024 Base Payment from CPS Energy at \$430.4 million, however, actual revenues were \$420.2 million which left the City in a \$10.2 million deficit. Gorzell noted that \$10 million in Off-System Sales were budgeted within the \$430.4 million estimated revenue, however, \$46.1 million was received from Off-System Sales. He added that after taking \$10.2 million to balance the City's projected revenues for CPS Energy, \$25.9 million was available to be transferred to CPS Energy.

CPS Energy's CFO Cory Kuchinsky, stated that under a Memorandum of Understanding (MOU), the City payment from the excess Off-System Sales could be deployed in a one-time nature to address resiliency, reliability, and sustainability. Kuchinsky indicated that the plan was to reinvest in the system and fund proposed Reliability Projects such as Reclosers, which were high-voltage

switches that automatically detected and corrected power line faults. Kuchinsky listed power plant reliability investments such as Spruce 2 Boiler replacement as another proposed Reliability Project.

Elaina Ball, CPS Energy's Chief Strategy Officer, presented "Horizon 2050 Update" which began with the proposed vision of having "A Community Empowered for Generations." CPS Energy's mission was to safely power the community with reliable, sustainable energy at a competitive price, according to Ball. Ball outlined engagement with 2,307 stakeholders including employee and community surveys and focus groups which resulted in the most important goal being reliability including major event restoration expectations.

Consistently the second most important priority among stakeholders was cost affordability; some large customers were willing to pay higher rates for higher reliability, according to Ball. CPS Energy's third expectation was to increase partnership and transparency, stated Ball, and large customers stressed the capability and skill of CPS Energy team members. Ball noted that seeking more partnership, innovation and even more transparency for growing power needs was part of the request. She indicated that there was also a desire for more flexibility and options from CPS Energy.

Ball reported that within the survey, sustainability had varying levels of importance. Qualitative and quantitative surveys indicated that it was not as important as reliability, cost, and service and was more based on demographic and geographic trends with customers seeking more tools/tips to conserve energy, according to Ball. She noted that other Key Themes within the survey were safety, including a strong recommendation to include Business/Team Excellence, Innovation/leadership, and a request to simplify language where possible. Ball closed her presentation by requesting feedback from the City Council so CPS Energy could develop goals and strategies.

DISCUSSION:

Councilmember Rocha Garcia asked about previous discussions held to keep from raising rates. Gorzell stated that using General Fund money to assist CPS Energy's Capital Plan was a one-time cost rather than reducing rates which was a reoccurring cost. Councilmember Rocha Garcia asked how much CPS Energy made in Off-System Sales. Kuchinsky stated that this year, CPS Energy was expecting \$200 million net of fuel which was \$170 million over their forecast, and they had not determined the use of the funds. Councilmember Rocha Garcia requested a copy of the MOU. She recommended strategic planning to help the most vulnerable in the community as well as small businesses and partnerships with UT Health for resiliency.

Councilmember Alderete Gavito noted that the \$25 million did not come from CPS ratepayers and she expected that giving this money to CPS Energy would help offset future rate hikes. Councilmember Alderete Gavito requested a full financial audit as well as 10-year revenue projections. Kuchinsky stated that their financial audit was posted online and he would share the forecast. President and Chief Executive Officer Rudy Garza stated that the utility had been through an efficiency review and they were on track to make substantial improvements. Councilmember Alderete Gavito wanted measurable goals to keep rates affordable.

Councilmember Cabello Havrda mentioned that she had requested an audit in 2022. Garza clarified that this was the audit posted online and reminded the City Council that there was a Committee on Emergency Preparedness with recommended actions as well as the rate increase discussion.

Councilmember Cabello Havrda supported a more targeted audit and agreed that an efficiency review was needed and if the City gave \$25 million to CPS Energy, the funding would need to mitigate a future rate increase. Kuchinsky stated that the ability to move more quickly on capital projects would benefit ratepayers ultimately. Gorzell noted that the Capital Plan was constantly being updated and the Spruce 2 boilers would be expected to be included in the next rate case although it could change with the Off-System Sales. Garza explained that every additional dollar above expected revenue made the utility stronger and should positively impact the rate increase.

Councilmember Cabello Havrda recommended more public input on new energy investment and rate increases. Ball stated that CPS Energy had a newly formed Community Input Committee (CIC) to collect feedback. Garza stated that the function of the Rate Advisory Committee (RAC) was being transferred to the CIC. Councilmember Cabello Havrda asked how CPS Energy would prioritize the energy needs of residents versus data centers. Ball indicated that CPS Energy had an obligation to serve all customers so they would need to provide adequate electricity for all customers, however, data centers posed a challenge because they had large energy needs in a fast timeline. Ball noted that replacing old power plants or adding new power plants could be needed.

Councilmember Whyte noted that for the second time in three years, CPS Energy asked the City Council to raise rates on its citizens. He commented that our residents paid a larger portion of their income toward energy than other cities due to our high poverty rate and fully one-fifth of CPS Energy's customers were past due on their bills. Councilmember Whyte suggested that the new policy to give the City's portion back to CPS was expressly to mitigate future rate hikes and he recommended keeping with the policy.

Councilmember Whyte recommended that CPS Energy spend its money more wisely and supported an audit or operational review of CPS Energy and how it spent its money noting that CPS Energy had \$8 billion in outstanding debt. Kuchinsky clarified that it was in line with the industry and had \$16 billion in assets that leveraged the debt. Garza warned that capping debt would result in more rate increases. Councilmember Whyte expressed concern with closing the Spruce Plant as there was \$100 million in debt on that plant. Kuchinsky noted that it did not make sense to spend \$300 million on Spruce 1 but Spruce 2 was being converted to natural gas. Councilmember Whyte asked whether ERCOT could impact these plant closures. Garza mentioned that ERCOT was trying to keep the Braunig Lake Plant open. Councilmember Whyte urged CPS Energy to use the money to offset future rate hikes.

Councilmember Kaur wanted to understand the assumptions made by CPS Energy for their Budget and requested an updated five-year Projected Budget. Kuchinsky stated that there were several assumptions that had changed and they would provide an update to the City Council. Councilmember Kaur commented that debt was not scary so long as there was a sound plan to pay back the debt and she hoped that the plan did not include a rate increase. Councilmember Kaur recommended subsurface utilities be a priority.

Councilmember Castillo expressed concern that it was unattainable to keep up with continued growth and wanted to see what sustainability and reliability meant for the average resident. She felt that there was an opportunity to invest in City of San Antonio resiliency hubs and risk mitigation with the additional funds to directly help residents deal with disasters.

Councilmember Castillo asked Kuchinsky how CPS Energy planned to spend their \$200 million. Kuchinsky stated that there were some new assets purchased that would help provide reliability and enabled cash funding of those projects to assist with the utility's debt ratio. Councilmember Castillo supported an audit of the additional funding to ensure that these investments were wise. Garza reported that CPS Energy reconciled its Budget monthly with the City of San Antonio's Public Utilities Division within the Finance Department so there were no hidden uses of funds and nothing new other than the new assets purchased. Councilmember Castillo requested a list of uses for the additional funding.

Councilmember Viagran stated that the City needed to have its own energy company so that big businesses did not divide the City by race and provide subpar service to communities of color. She commented that ERCOT had not known how to effectively manage Winter Storm Uri. Councilmember Viagran wanted CPS Energy to provide data on where these funds were being allocated and how the additional funds could help stave off future rate increases. Gorzell stated that CPS Energy used additional funding for one-time purchases, but operations needed to be funded with reoccurring revenues which were generally funded by rate increases. He noted that funding more capital or defeating debt with those one-time funds would help lower the need for rate increases. She suggested that \$25 million could be better spent helping families winterize their homes or keep the money for when CPS Energy returned with a rate increase request. Councilmember Viagran noted that while she supported an audit, she recommended more transparency. Kuchinsky stated that additional revenues added value to the rate case but did not negate the need due to dynamic growth in the CPS Energy service area. Councilmember Viagran wanted to ensure that the uses for the \$25 million would align with the goals of the City so she did not support giving the money back to CPS Energy.

Mayor Nirenberg commented that the current adopted policy related to excess CPS Energy revenues had not changed.

City Manager Walsh stated that he wanted to know what the City Council was directing him to do with the excess Off-System Sales.

Mayor Nirenberg asked of the total estimated value of equipment assets. Garza stated that their assets were valued at \$10 billion and needed maintenance annually, for example, updates were needed to keep power plants running such as the Spruce Plant which was aging rapidly. Kuchinsky indicated that \$785 million was spent on the Corpus-Laredo Power Plants. Mayor Nirenberg stated that some expenses could be predicted and some could not and if we did not pay for these with the excess revenue then the additional funding would have to come from rates. Mayor Nirenberg noted that the City Council wanted assurance that there would be no new rate increase if CPS Energy could keep the money but that was not realistic, nor were those large expenditures predictable. Mayor Nirenberg suggested that CPS Energy had a responsibility to ensure reliability and wanted to see how these investments would enhance resiliency.

Councilmember McKee-Rodriguez noted that there was a future-year rate increase calculation the last time a rate case was made. Kuchinsky noted that CPS Energy had a rate case model and had been using the model for many years and it was consistent with industry standards, but was not offset significantly or wholly using one-time funds. Councilmember McKee-Rodriguez suggested that if we knew how much money we would need for the next year, why did CPS Energy not know how these sales impacted rates. Kuchinsky explained that there would be a positive impact from one-time revenues but because there were so many unknowns, the exact amount was not something that could be calculated.

Councilmember McKee-Rodriguez commented on aging infrastructure and the power lines in the underinvested neighborhoods. He noted that there was a CCR about burying power lines, but he felt the issue was still unresolved. Garza stated that CPS Energy had a plan to place underground powerlines in areas that would improve electric reliability and the cost was \$2.5 million per mile. Councilmember McKee-Rodriguez requested that the City Manager study the reconstruction of F Streets to include burying power lines.

City Manager Walsh concluded that the discussion provided direction to proceed with allocating the \$25.9 million to CPS Energy to the projects as completed but that there would be a plan and timeline for the projects that would be taken to the Municipal Utility Commission (MUC). City Manager Walsh indicated that staff would discuss with CPS Energy the best way to provide an updated proforma and regular financial reports to City Council with new information as it would become available.

Councilmember Castillo wanted to ensure that all funding being returned to CPS Energy was consistent with the City's sustainability plans and wanted more details as she did not want the funding to go toward coal or gas.

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 4:14 p.m.

Approved

**Ron Nirenberg
Mayor**

**Debbie Racca-Sittre
City Clerk**