

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



**Meeting Minutes
City Council B Session**

City Hall Complex
San Antonio, Texas 78205

2021 – 2023 Council Members

Mayor Ron Nirenberg

Mario Bravo, 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
Ana Sandoval, Dist. 7 | Manny Pelaez, Dist. 8
John Courage, Dist. 9 | Clayton Perry, Dist. 10

Wednesday, December 1, 2021

2:00 PM

Municipal Plaza Building

The City Council convened a regular meeting in the Norma S. Rodriguez Council Chamber in the Municipal Plaza Building beginning at 2:08 PM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Council Members present:

PRESENT: 10 - Nirenberg, Bravo, McKee-Rodriguez, Viagran, Rocha Garcia, Castillo, Cabello Havrda, Pelaez, Courage, Perry

ABSENT: 1 - Sandoval

ITEMS

1. Briefing by CPS Energy on the Revenue Requirements Associated with a Proposed Rate Increase

and the Establishment of a Regulatory Asset Related to CPS Energy's fuel costs for the 2021 Weather Event. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

City Manager Erik Walsh introduced the briefing by CPS Energy on the revenue requirements associated with a Proposed Rate Increase and the establishment of a Regulatory Asset related to CPS Energy's fuel costs for the 2021 Weather Event. Walsh provided background on the City's authority over CPS Energy which included: approval of rates, debt issuance and appointment of board members. Walsh explained that the City had a position of supervision of public utilities held by Ben Gorzell, Chief Financial Officer. Gorzell was expected to provide additional briefings to City Council over the next few weeks.

Gorzell presented a summary of the base rate increase request of 3.85% as well as the request to establish a regulatory asset to allow CPS Energy to recovery costs from the Winter Storm Uri over a 25-year period at 0.8%. Gorzell described a revised rate strategy for CPS Energy with a focus on immediate financial pressures.

Rudy Garza, Interim President and Chief Executive Officer of CPS Energy, thanked his staff and CPS Energy Board Chair Dr. Mackey as well as the City of San Antonio team. Garza and Cory Kuchinsky, Chief Financial Officer and Treasurer for CPS Energy, presented information on the CPS Energy Rate Request including steps to move forward, an update on community engagement, summary of the rate request proposal, the impact to customer bills and the financial health of the organization. Kuchinsky also described the Affordability Discount Program designed to assist vulnerable customers with their electric bills.

DISCUSSION:

Mayor Nirenberg opened the discussion by stating that there would be important discussions by the Rate Advisory Committee (RAC) which needed to be considered. Mayor Nirenberg was pleased that the plan focused on immediate financial needs and acknowledged the difficult and dangerous work of the 3,000+ CPS Energy Employees who helped our community through the pandemic and the winter storm. Mayor Nirenberg expressed that because CPS Energy was a municipally owned utility company, the profits were returned to the community to assist with streets, parks and other basic needs and noted that the financial constraints of consumers should be taken into consideration along with the financial health of CPS Energy as a municipal-owned utility company.

Councilmember McKee-Rodriguez supported the Affordability Discount Program but expressed concern that Council District 2 residents had struggled financially and could not afford any rate increase and might even need a reduction in their current bill. Garza explained the various programs offered by CPS Energy in addition to the Affordability Discount Program and explained that the goal was to maximize assistance to low-income customers. Councilmember McKee-Rodriguez expressed concern about the lack of representation by Council District 2 on the Rate Advisory Commission (RAC) and requested a timeline on the closure of the Spruce Coal Powered Plant. Garza responded that it was planned for next year. Councilmember McKee-Rodriguez

requested a list of all cuts that were being made before he could support the rate increase. Councilmember Rocha-Garcia requested additional community engagement. Councilmember Rocha-Garcia suggested that CPS Energy consider developing an energy affordability policy that would set the energy burden at a percentage of household income and asked CPS Energy to share the consultant study done in that area. Councilmember Rocha-Garcia asked for an additional conversation about the correlation between energy use and affordability. Garza stated that he would meet with the Councilmember to provide more information on CPS Energy's Budget. Councilmember Rocha-Garcia acknowledged reduced Operation and Maintenance expenses and deferred capital expenses and asked how innovation was assisting as she was concerned about the need to keep infrastructure current. Councilmember Rocha-Garcia suggested that the use of microgrids could be piloted in Council District 4.

Councilmember Pelaez recognized the dangerous work of CPS Energy staff but noted that CPS Energy as an organization was in a position where citizens had difficulty trusting the utilities. Councilmember Pelaez explained that San Antonio had some of the poorest census tracts in the nation and even a small rate increase was a significant amount of money for many of San Antonio's residents. Councilmember Pelaez asked about the substance of community engagement and stressed that being honest with customers about rate increases was important to rebuild trust. Garza stated that he would attend District 8 Homeowner's Association meetings with him. Councilmember Pelaez requested that CPS Energy speak with Bexar County as well as San Antonio businesses such as hotels, universities, data center operators, etc. about the rate increase since many had experienced recent blackouts and were angry about the incidents.

Councilmember Viagran commended the work of City staff and City Council (past and present) for their work on infrastructure. Councilmember Viagran noted that in Council District 3, there were 10,000 customers pending disconnections that needed to maintain the level of service. Councilmember Viagran acknowledged the need to keep the utility financially solvent but expressed concern regarding the rate increase particularly for low-income residents.

Councilmember Viagran was concerned that the public outreach focus would only be on Home Owner Associations. Garza said CPS Energy had planned a board session with the public in mid-December 2021 which would be in-person and virtual and a couple of tele-town hall sessions would be held. Councilmember Viagran asked CPS Energy to review available additional Federal funding to help mitigate the rate increase. Councilmember Viagran requested that the 5-year Financial Forecast include assistance for middle-class families as well as seniors on retirement, not just those at 125% of the Federal Poverty Level. Councilmember Viagran was supportive of building the Customer Response Team.

Councilmember Cabello Havrda noted that there were 16,000 Council District 6 residents behind on payments to CPS Energy and requested some information on the plan to help those behind on payments to become current. Garza committed to additional outreach for those customers including knocking on doors. Councilmember Cabello Havrda requested CPS Energy set up a table at the Alicia Trevino Senior Center which Garza agreed. Councilmember Cabello Havrda expressed concern regarding a guarantee of reliability.

Councilmember Cabello Havrda asked for clarification on City revenues and funding for Winter

Storm Uri expenses currently under litigation. Gorzell explained that City Staff recommended waiving the portion related to Winter Storm Uri from City revenues and the rate case only that accounted for bills that had already been paid, not those under litigation.

Councilmember Perry expressed that now was the worst time to request a rate increase and recommended that more time to be built into the process. Councilmember Perry requested clarification of the roles of RAC, Citizen Advisory Committee (CAC), CPS Energy Board, City Council and City Staff. Councilmember Perry requested that CPS Energy explain the reason for the rate increase to the community in a more detailed and clear manner. Councilmember Perry recommended looking at other resources such as American Rescue Plan Act (ARPA) funding which had been provided to the utility and suggested CPS Energy consider a gas pipeline from Eagle Ford Shale. Councilmember Perry requested more information on the employee pay structure which Garza said additional funding was needed to stay competitive with wages for workers. Councilmember Perry suggested a connection to the Ready to Work Program. City Manager Walsh responded that Gorzell's report that would be presented next week was expected to address many of his questions.

Councilmember Castillo expressed that Council District 5 had been disproportionately cost burdened including those such as "mom and pop landlords", businesses as well as struggling residents and requested CPS Energy's commitment to the generation planning next year sharing the work of the RAC with City Council. Councilmember Castillo asked for a list of residential stakeholders which Garza said he would provide. Councilmember Castillo recommended that an internet dashboard be created where residents could enter information and see the impact as well as bill insert showing impact of the rate increase on their bill. Garza indicated that the total cost of Winter Storm Uri would be \$3 per month per resident for 25 years.

Councilmember Courage stated that CPS Energy was a municipally owned utility and was a major factor in keeping rates low as well as providing \$30 million per month to COSA the General Fund. Police, Fire, Metro Health, Parks, etc. Councilmember Courage stated that Winter Storm Uri and State regulators crippled CPS Energy, yet the utility was still providing energy and was working hard to meet the goals of the Climate Action Plan and was protecting citizen's interests by challenging energy providers over price gouging during Winter Storm Uri. Councilmember Courage stated that everyone was facing huge challenges of inflation and increased costs of materials, supplies, labor, etc.

Councilmember Bravo supported funding for employee retention and the ability to attract quality employees but requested a commitment to a change in behavior by the organization to increase community trust and a study by a third-party expert to improve the corporate culture and management structure. Councilmember Bravo suggested a review of energy consumption per square foot of a customer's house to show the energy cost burden and recommended improvements through energy retrofits and weatherizing programs. Councilmember Bravo noted that there had been no rate increase in eight years and asked how the increase tracked with inflation. Garza said he would provide the inflation analysis to all Councilmembers. Councilmember Bravo requested that CPS Energy discontinue providing subsidies or incentives for customers and developers to use natural gas versus electricity.

Councilmember Pelaez confirmed that CPS Energy attend meetings in Council District 8 to discuss the rates with citizens and specific meetings with the Restaurant Association, Non-Profit Council, and Data Centers.

Councilmember Castillo echoed Councilmember Pelaez' concern for small businesses needing utilities. Councilmember Castillo requested a breakdown of lowest, highest and median resident accounts per zip code as well as the impact on past due accounts and commercial accounts. CPS Energy spokesperson Deanna Hartlig stated that the website had not gone live and committed to providing information requested by zip code and the information on past due and commercial accounts.

Councilmember Perry requested comparison of other Texas Cities with the proposed rate increase and more information on CPS Energy's Budget, the revenue use, capital plan and need for capacity. Kuchinsky said he would provide the requested information.

Councilmember Bravo asked about the original rate proposal and timeline as well as when their current budget was passed. Gorzell replied that in September 2021 the proposal was 13.4% which included bad debt as well as the Winter Storm Uri costs. Gorzell suggested a different approach which allowed for a lower base rate increase request. Garza said that CPS Energy's Budget was passed in July 2021 and included a net loss at year end. Councilmember Bravo noted that the CPS Energy Board voted in support of the Climate Action and Adaptation Plan and suggested that a premium should be paid to producers of natural gas that met more responsible production standards and requested an outside independent study to look at budget efficiencies.

Mayor Nirenberg closed the discussion with a request that CPS Energy focus on revenue needs to cover the actual costs of providing services to residents.

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting at 4:47 PM and announced that the Executive Session Items would be carried over to the December 2, 2021 A Session Meeting.

- 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 COVID-19 preparedness pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- F. Legal issues related to current City contracts pursuant to Texas Government Code Section 551.071 (consultation with attorney).

ADJOURNMENT

There being no further discussion, Mayor Nirenberg recessed the meeting at 4:47 pm.

Approved

Ron Nirenberg
Mayor

Attest:

Debbie Racca-Sittre
Interim City Clerk