

**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

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**Wednesday, December 8, 2021**

**2:00 PM**

**Municipal Plaza Building**

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The City Council convened a regular meeting in the Norma S. Rodriguez Council Chamber in the Municipal Plaza Building beginning at 2:09 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, Rocha Garcia, Castillo, Cabello Havrda,  
Sandoval, Pelaez, Courage, Perry

**ABSENT:** 1 - Viagran

**ITEMS**

**Briefing from City's Public Utilities Supervisor on recommendations related to CPS Energy's requested rate increase and establishment of a regulatory asset for fuel and other related costs associated with Winter Storm Uri. [Ben Gorzell, Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]**

City Manager Erik Walsh reviewed the timeline for the briefings by CPS Energy on the Proposed Rate Increase. Walsh introduced Ben Gorzell, Chief Financial Officer, who provided a summary of the CPS Energy Rate Request as well as the use of the funding. Gorzell began his presentation by summarizing the base rate increase request of 3.85% as well as the request to establish a Regulatory Asset to allow CPS Energy to recover costs from the Winter Storm Uri over a 25-year period at 0.8%.

Gorzell provided details regarding the expenditures planned for the additional revenues which included an increase to CPS Energy staff compensation for FY 2023 and a minimum entry wage of \$18 per hour. Gorzell noted that CPS Energy employees did not receive an increase in FY 2022 which would end on January 31, 2022. Gorzell added that there were capital expenditures to be made including a new Digital Enterprise Resource Planning System (DERP). Gorzell reviewed the financial ratings for CPS Energy and the debt service coverage ratio. Gorzell recommended that rate re-design be completed separately from a rate increase.

Gorzell provided a report on outstanding customer accounts which included a detailed breakdown on the accounts eligible for disconnection by size and type of account. Gorzell reviewed the \$20 million in utility assistance that had been previously provided by the City Council through the American Rescue Plan Act (ARPA) and the expected impact. Gorzell described the impact to the City's revenues from CPS Energy and closed with a recommendation to support the base rate request, the establishment of a Regulatory Asset to recover costs from the Winter Storm Uri, a study of the rates and compensation, participation in the City's Ready to Work Workforce Program, and development of a public budget document for CPS Energy.

#### DISCUSSION:

Mayor Nirenberg acknowledged CPS Energy Board Chair Dr. Mackey in attendance as well as Vice Chair Jenny Gonzalez. Mayor Nirenberg opened the discussion by clarifying that the rate increase was needed to cover the costs described by Gorzell and that the rate structure/rate design and generation planning were not included at this time but would be studied later. Mayor Nirenberg highlighted CPS Energy's Generating Unit Overview and noted that the Rate Advisory Committee (RAC) would be reviewing this information. Mayor Nirenberg asked about the five-year forecast. Gorzell stated that the five-year forecast was included for planning purposes but would probably change. Mayor Nirenberg confirmed that the Plan did not include approval of future rate increases and that those conversations would be held at a later time. Mayor Nirenberg stated that much work had been completed and many of his questions had been answered.

Councilmember Rocha Garcia expressed appreciation for the \$18 per hour entry level wage at CPS Energy and suggested that the City consider a similar approach. Councilmember Rocha Garcia suggested that CPS Energy consider budgeting more funds for freeze protection in FY 2023. Gorzell explained that the most immediate needs were already being addressed and larger projects would be completed in FY 2024 which was why the amount increased to \$23.8 million from \$8 million in FY 2023. Councilmember Rocha Garcia asked if the City would ever recover its portion of the regulatory asset. Gorzell explained that it would not be charged so it would not be recoverable.

Councilmember Cabello Havrda asked about outreach and community input by persons that did not have access to digital media. Rudy Garza, Interim President and Chief Executive Officer of CPS Energy, replied that they had a comprehensive plan to perform outreach and gather community input. Councilmember Cabello Havrda asked for a list of the largest users in Council District 6. Garza named some of the major users, however, Cabello Havrda stated that some of the businesses in her Council District were not included and requested that CPS Energy reach out to those businesses.

Councilmember Cabello Havrda requested information on rating agency impacts on CPS Energy's

financing. Gorzell noted that two rating agencies lowered their ratings as a result of Winter Storm Uri consistent with other utility companies. Gorzell reported that the market still seemed to be healthy with investors interested in CPS Energy's bonds. Cory Kuchinsky, Chief Financial Officer and Treasurer for CPS Energy, further explained CPS Energy held discussions with the rating agencies and that the proposed approach would be favorable.

Councilmember Sandoval requested data from CPS Energy on how the rate increase impacted users by their range of usage. Councilmember Sandoval asked for a timeline for the review of rate design and generation planning. Garza responded that CPS Energy would hold discussions with the RAC over the next 12 to 24 months. Councilmember Sandoval requested a specific timeline from the RAC. Councilmember Sandoval asked for clarification on the CPS Energy Pension Plan which was explained by Gorzell as a requirement of the regulations. Councilmember Sandoval requested a comparison of the Employee Incentive Program versus the Merit Pool which Gorzell explained.

Councilmember Courage stated that he thought the 3.85% rate increase was realistic and expressed appreciation for all the work behind the calculations. Councilmember Courage asked about other possible issues not being reviewed within this increase. Gorzell stated that there was uncertainty regarding issues related to Winter Storm Uri. Councilmember Courage asked if the Regulatory Asset would automatically increase if \$587 million still in dispute under Winter Storm Uri were not recovered. Gorzell replied that it would not and CPS Energy would need to return to City Council to request more funding for the Regulatory Asset.

Councilmember Courage stated that City Council had authority over rates and financing and should utilize these items to address policy issues at CPS Energy without getting into the operational management of the utility. Councilmember Courage clarified that the Board would wait for the RAC input before finalizing the plan. Garza outlined the timeline which included RAC taking a recommendation to the Board and then the Board's approval prior to City Council action which was planned for January 13, 2022.

Councilmember Bravo recommended that CPS Energy hire an outside independent consultant to develop recommendations on how CPS Energy could attract and keep quality staff, be more innovative and less carbon intensive, and improve their overall agency culture and public perception of the organization. Councilmember Bravo requested a firm commitment on the timeline for RAC discussions, rate design and other improvements that CPS Energy planned to make. Garza stated that CPS Energy was working on improvements but needed time to address issues and added that all of those items would require funding. Garza reported that CPS Energy was an early adopter of wind energy production and was rated #1 in Texas and #5 across the United States in solar production.

Councilmember Pelaez asked if Garza would accept an independent organizational assessment. Garza replied that CPS Energy would if performed properly. Councilmember Pelaez noted that he would further explain to constituents why a rate increase was necessary and suggested that the rate increase was needed to keep interest rates low which was a long-term strategy for sustainability of the utility and for the City to receive its portion of revenue. Garza reported that CPS Energy revenues were used to: 1) Pay expenses for CPS Energy; 2) Pay debt for CPS Energy; and 3) Provide revenues to the City of San Antonio.

Councilmember Pelaez requested a separate meeting with CPS Energy to discuss reported items.

Councilmember Castillo explained that she took a poll of Council District 5 residents and over 70% did not support a rate increase. Councilmember Castillo requested a map or spreadsheet of areas with historic reliability issues and a breakdown of lowest, highest and median resident accounts per zip code as well as the impact on past due accounts and commercial accounts. Councilmember Castillo requested that two

community outreach meetings be held in each Council District, and a commitment to work with relevant committees and the community to create an equitable rate structure by 2022. Councilmember Castillo recommended a review of the power poles in older areas of the City that inhibited safe pedestrian access to sidewalks. Councilmember Castillo suggested more investment in underground lines and coordination with the Public Works Department.

Councilmember McKee-Rodriguez asked CPS Energy to commit to rate restructuring within the next six months. Garza said that the RAC was set up as an independent group but would recommend that Reed Williams, RAC Chairman, provide his timeline to City Council at the next briefing. Councilmember McKee-Rodriguez appreciated the conducted and proposed town hall meetings but expressed concern regarding the overall timeframe. Councilmember McKee-Rodriguez recommended that more outreach be performed and stressed that communication with the public should not be overly academic or technical so as to be easier for people to understand. Garza stated that the presentation would be shared with City Council for input before the public meetings and take feedback regarding the content.

Councilmember Perry asked for a comparison of the original rate case versus the revised rate case. Gorzell explained that there were many factors including rate design, power generation issues, pandemic and Winter Storm Uri debt rolled into the original rate case and that some of those items were policy issues that needed more discussion so the City recommended a revised approach that would focus on immediate financial needs while leaving time to address larger policy issues. Councilmember Perry was concerned that the rate plan was moving too fast and that more time, analysis and discussion was needed. Councilmember Perry noted that it had been over eight years since the last rate increase and the increase was 4.5% and was concerned that there was a 14% total increase projected over the next five years.

Councilmember Perry requested historical information on CPS Energy rates which Gorzell stated had been provided to City Council last Friday. Councilmember Perry requested a comparison of other Texas Cities with the proposed rate increase. Councilmember Perry asked about employee vacancy rates and noted that it would be costly to fill positions.

Councilmember Bravo requested an equitable rate structure. Councilmember Bravo recommended that an independent expert such as the American Public Power Association should evaluate CPS Energy to help provide the community with more confidence in the utility.

Councilmember Perry asked to meet with Gorzell for responses to his more detailed questions. Councilmember Perry asked what the scenario might produce if the City did not receive its share of CPS Energy revenues from the increase. Gorzell estimated that this would be a \$10 million impact to the City if it did not collect its revenues on the rate increase. Councilmember Perry asked Gorzell to calculate what would happen if CPS Energy did not win its Winter Storm Uri court case. City Attorney Andy Segovia stated that information related to outcomes of litigation should be relayed in Executive Session. Councilmember Perry asked Gorzell to explain why the City decided to retain ownership of CPS Energy and suggested that this should be re-evaluated since the decision was made 30 years ago. Councilmember Perry suggested that the City should let CPS Energy operate as a business with little government interference.

## **EXECUTIVE SESSION**

Mayor Nirenberg recessed the meeting at 4:35 PM and announced that the Executive Session Items would be carried over to the December 9, 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).

#### **ADJOURNMENT**

There being no further discussion, Mayor Nirenberg recessed the meeting at 4:35 pm.

**Approved**

**Ron Nirenberg  
Mayor**

Attest:

**Debbie Racca-Sittre  
Interim City Clerk**