

**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.

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Wednesday, December 15, 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 2:12 PM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Council Members present:

PRESENT: 11 - Nirenberg, Bravo, McKee-Rodriguez, Viagran, Rocha Garcia, Castillo, Cabello Havrda, Sandoval, Pelaez, Courage, Perry

ITEMS

1. Briefing on 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]

Rudy Garza, Interim President and Chief Executive Officer of CPS Energy provided a briefing on CPS Energy's requested rate increase. Garza provided a sample packet of outreach materials and provided an overview of community engagement activities as well as a report on the feedback received. Garza provided information on the need for the increased rate to fund staff salaries for retention, provide ratepayer assistance programs, innovate, and provide resilient infrastructure.

Garza provided a timeline for the remaining community meetings and next steps that included reviews and approvals by the Rate Advisory Committee (RAC), Citizens Advisory Committee (CAC), CPS Energy Board of Trustees, and City Council.

Deanna Hartwick, Executive Vice President of Customer Strategy for CPS Energy further explained the customer assistance programs and provided weblinks to some video testimonials from ratepayers who were assisted through the various programs offered by CPS Energy.

Reed Williams, Chair of the Rate Advisory Committee (RAC), provided an overview of the purpose of the RAC which was to provide citizen input. Williams described the process that would be followed for the RAC to provide input and recommendations to the CPS Board of Trustees on the rate increase which included each member of the RAC voting on the issues. After the rate increase was voted on, Williams said he would pivot the process and set forth a plan for decarbonizing the community.

Mayor Nirenberg requested an outline of the plan for decarbonization. Williams stated that the three-year plan included two steps. Williams stated that the plan included converting Spruce 2 from coal to natural gas, closing the old Braunig Lake plant and contract for 900 megawatts of solar within the first 18 months. Williams reported that the Spruce 1 coal would be shut down and a combined cycle gas turbine with carbon captures would be built in the second 18 months. Williams did not recommend creating rate design during a rate increase as rate design required more study using technology and information. Mayor Nirenberg set the expectations for the conversation to focus on the rate request but added that the rate design and decarbonization plan would be forthcoming.

Councilmember McKee-Rodriguez was concerned about the short (3-day) time frame between the District 2 Town Hall and the City Council vote. Councilmember McKee-Rodriguez recommended separating the regulatory asset vote from the rate increase vote and postponing the rate increase vote. Garza said that pushing the vote back would be a real-time delay in implementation and requested the timeline be kept the same with no delay. Councilmember McKee-Rodriguez suggested that he might not be able to support the rate increase under the current timeline and asked Garza if he was willing to risk a denial by City Council. Garza replied that the denial of a rate increase would be harmful to CPS Energy's Bond Rating and the delay would also be harmful. Councilmember McKee-Rodriguez expressed disappointment that the community conversations did not happen sooner.

Councilmember Courage asked Cory Kuchinsky, Chief Financial Officer and Treasurer for CPS Energy, to clarify the impact of the rate increase on an average bill which was \$5.10 per month and

would generate \$72.3 million. Councilmember Courage asked what the additional funds would be used for. Kuchinsky responded that the funding would go toward infrastructure resiliency, upgraded technology, growth and expansion and investments in staff. Councilmember Courage supported the recommendations because the increase would be used to improve the system and make it more reliable.

Councilmember Viagran requested an update on the number of residents that were signed up for the affordability payment plan and the level of disconnections. Councilmember Viagran asked CPS Energy to identify other organizations that provided utility bill payment assistance. Garza stated that he would provide a report on the number of individuals who participated in the affordability payment plan to City Council by City Council District. Councilmember Viagran wanted the RAC to focus on a rate re-design immediately after this rate increase so that we would not need a rate increase in a couple more years. Garza explained that this would be done but a rate re-design would not guarantee that there would not be a rate increase. Councilmember Viagran recommended that CPS Energy provide more real-world descriptions of the use of the funding from the rate increase. Garza stated that he would provide that information.

Councilmember Pelaez expressed concern that CPS Energy's Bond Rating was at risk if there was no rate increase and added that he supported the increase in order to keep more money in San Antonio by CPS Energy by not having to pay higher interest rates on their Bonds. Councilmember Pelaez commended the work of RAC Chair Williams because he presented a straightforward plan even though it was a tough pill to swallow. Councilmember Pelaez stated that the City of San Antonio needed more members on the CPS Energy Board of Trustees. Andy Segovia, City Attorney explained that the membership was driven by Ordinance and Bond covenants and noted that the Bond covenants would be more challenging than passing an Ordinance.

Councilmember Sandoval asked if there was a legislative hurdle to increasing City of San Antonio membership on the CPS Energy Board of Trustees and asked for an analysis of what the process might be to make that happen. City Attorney Segovia noted that the legislative limit was to the SAWS Board, not CPS Energy's Board and stated that the City Attorney's Office and the Department of Finance would provide the analysis requested. Councilmember Sandoval asked for clarification on the impact to ratepayer's bills by category of ratepayer which was provided by Kuchinsky. Councilmember Sandoval requested a timeline for when CPS Energy would address rate re-design and power generation. Garza replied that he wanted to ensure adequate engagement, but it could be less than 12 months which had been the previous projection. Councilmember Sandoval asked for an updated timeline. Councilmember Sandoval supported RAC Chair William's proposal to set forth a plan that would be used as a "straw man" for the RAC to begin their discussions.

Councilmember Sandoval requested a schedule for replacement of power poles in Council District 7. Garza asked all City Councilmembers to let him know if there were specific locations or poles that needed to be inspected. Councilmember Sandoval requested that CPS Energy realign the RAC appointment terms to coincide with City Council terms so that City Councilmembers could select members of the RAC to represent their Council District.

Councilmember Rocha Garcia requested that the bill inserts utilize larger type font to be easier to

read and include a phone number for customers to call if they needed help with their bill. Garza explained that there was a phone number included on the bill inserts specifically for American Rescue Plan Act (ARPA) energy bill assistance.

Councilmember Castillo was concerned that the report provided by CPS Energy indicated that they had been considering rate re-design and generational planning for the past three years and had not been accomplished. Councilmember Castillo noted that there was \$14 million planned for “growth” within the rate increase and suggested growth should pay for itself and asked about CPS Energy abatements to large corporations. Garza explained that CPS Energy was statutorily required to provide service within its area when there was growth which included building new substations. Garza stated that CPS Energy did not give abatements. Councilmember Castillo requested a list of CPS Energy fee waivers for the last 10 years as well as the rate those customers paid.

Mayor Nirenberg asked CPS Energy General Counsel Shannon Ramirez, to explain that State Law did not allow CPS Energy to discriminate against different customers and that the rates were based on customer class.

Councilmember Perry stated that now was the wrong time to increase rates. Councilmember Perry asked about the life of the coal plants (Spruce 1 and Spruce 2). Frank Almaraz replied that Spruce 1 came online in 1992 and had a 45-year lifespan while Spruce 2 came online in 2010 and had an official design life expectancy of 55 years. Councilmember Perry recognized RAC Chair Reed Williams and asked him about the charge of RAC. Williams replied that the charge of the RAC was to educate on the rates, create rate cases which included rate design and recommend generation improvements.

Councilmember Perry stated that it was a good idea to close the Spruce plants when they had more life in them. Williams replied that those plants were a sunk cost and that today’s reality, natural gas plants provided better reliability, competed better and had better cash flow moving forward. Councilmember Perry asked Garza about CPS Energy’s outreach and about growth including when the revenues were realized from those new customers as well as a list of major categories of infrastructure costs and their amounts. Garza stated that the information would be provided.

Councilmember Bravo requested more work by CPS Energy to help residents improve the energy efficiency of their properties and suggested that the RAC should play a larger role before City Council considered a rate increase. Councilmember Bravo questioned how natural gas could be categorized as environmentally friendly noting that gas burned cleaner than coal but that natural gas leaks and fracking contributed to climate change. Councilmember Bravo stated that CPS Energy obtained most of its gas from the Permian Basin which was known as one of the leakiest gas producing areas in the nation. Garza confirmed that CPS Energy was an electric and natural gas utility and so they were required to provide natural gas, but the company would look for leaks and find more environmentally responsible providers of natural gas.

RAC Chair Williams agreed with Councilmember Bravo and added that CPS Energy was a large purchaser of gas and could investigate the opportunities with suppliers that utilized methane emission reduction methods and carbon capture. Councilmember Bravo noted that Spruce 2 had been described to him as a “lemon” of a coal plant and questioned if converting it to natural gas

was realistic. Councilmember Bravo recommended more investment in renewable energy.

Councilmember Cabello Havrda requested specific examples of use of the rate increase that could be communicated in “daily life” terms for residents to better understand the need for the rate increase. Garza stated that CPS Energy would use the funding to protect equipment that was exposed and could freeze in the winter and that the customer experience would improve because the technology systems would be running and available when customers called. Councilmember Cabello Havrda asked CPS Energy General Counsel Shannon Ramirez to explain the rate categories which had to be applied consistently across customers in accordance with State Law. Kuchinsky stated that the industry standard was to place customers in different rate categories based on usage.

Councilmember Castillo asked for a graphic depiction of large and industrial customers to compare energy costs for businesses in other cities.

Councilmember Perry was concerned that a 14.85% increase over the next five years was a placeholder on their proposal even though CPS Energy stated that it would change. Councilmember Perry asked for clarification on how much Winter Storm Uri would cost if CPS Energy lost the lawsuit. Garza replied would be an average of \$3 per customer per month over 25 years.

Councilmember Rocha Garcia recommended including San Antonio’s growth projections. Councilmember Rocha Garcia stated that the technology platform was over 20 years old and CPS Energy had lost 300+ employees, were issues that needed to be conveyed to the public to help them better understand the need for the rate increase. Councilmember Rocha Garcia requested feedback reports from CPS Energy’s events and meetings with different organizations.

Councilmember McKee-Rodriguez was excited about beginning the conversation regarding closure of the Spruce plants which was a requirement for him to vote for the rate increase. Councilmember McKee-Rodriguez commented that relying on extreme temperatures for revenues to be good adversely impacted residents in older less efficient homes and added that Council District 2 residents were not happy about rate increases. Janie Gonzales, Vice Chair of the CPS Energy Board of Trustees said that now was the time to re-design the organization and expressed support for new leadership at CPS Energy adding that she was confident that the organization was in a position to regain the public trust.

Councilmember Viagran supported increasing the City of San Antonio membership on the CPS Energy Board. Councilmember Viagran hoped that CPS Energy would create a plan to change the corporate culture, which Garza committed would be done. Councilmember Viagran was concerned about the infrastructure needs of rural areas of Council District 3 and wanted to ensure that the area was prepared for growth.

Councilmember Courage asked about the revenue loss during 2020 and the cost of Winter Storm Uri over the next year. Garza stated that revenue loss was \$126 million and the cost of Winter Storm Uri over the next year was \$100 million. Councilmember Courage stated that he thought everyone should understand the clear need for a rate increase.

Mayor Nirenberg closed the discussion by sharing some information on the Board meeting in which Garza included an employee spotlight of a young worker which helped put a face on CPS Energy. Mayor Nirenberg encouraged Garza to continue to tell those employee stories. Mayor Nirenberg recessed the meeting at 4:15 PM into Executive Session.

EXECUTIVE SESSION

- 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 4:46 pm.

Approved

**Ron Nirenberg
Mayor**

Attest:

**Debbie Racca-Sittre
Interim City Clerk**