

**STATE OF TEXAS
COUNTY OF BEXAR
CITY OF SAN ANTONIO**

A SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF SAN ANTONIO WAS HELD IN THE COUNCIL CHAMBERS, MUNICIPAL PLAZA BUILDING, WEDNESDAY, FEBRUARY 3, 2010.

The San Antonio City Council convened in a Special Meeting at 4:00 pm Wednesday, February 3, 2010, in the Municipal Plaza Building with the following Councilmembers present: Cisneros, Taylor, Ramos, Cortez, Medina, Lopez, Rodriguez, Williams, Chan, Clamp, and Mayor Castro.

Mayor Castro called the meeting to order and recessed it at 4:11 pm to convene in Executive Session for the purposes of:

- 1A. DISCUSS LEGAL ISSUES RELATED TO *CPS ENERGY V. NRG ENERGY, ET AL* PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 (CONSULTATION WITH ATTORNEY)**
- 1B. DISCUSS LEGAL ISSUES RELATED TO FEDERAL GRANT FUNDS, PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 (CONSULTATION WITH ATTORNEY)**

Mayor Castro reconvened the meeting at 5:50 pm at which time it was noted that the City Council had been briefed on the above-styled matters but took no action.

Mayor Castro stated that this was the second of three meetings on the CPS Energy Proposed Rate requirement. He stated that CPS Energy would provide a presentation followed by Council comment and Citizens to be Heard.

2. BRIEFING BY CPS ENERGY REGARDING PROPOSED RATE REQUIREMENTS TO SUPPORT THE FY 2011 PROPOSED OPERATING AND CAPITAL BUDGETS

Jelynn Burley, Acting General Manager for CPS Energy, recapped the presentation at Monday's public hearing. She noted that projected revenues for FY 2012 were \$2.1 million while the projected electric and gas revenues totaled \$110 million. Also highlighted were the various financial metrics that are utilized and how CPS Energy fares in comparison to other Texas Cities. It was noted by Ms. Burley that CPS Energy had approximately \$20 million in the Repair and Replacement account and was proposing to increase the amount in FY 2011.

Ms. Burley highlighted various ways that the Capital Plan spending was deferred and/or decreased in FY 2011. Examples included deferring the purchase of a scrubber by one year as well as purchasing rail cars for the transportation of coal. She noted that the rate proposal presented to Council was sound and prudent as it reflected Capital needs and deferrals while also lowering debt services and overall spending.

Chris Eugster, Executive Vice President and Chief Sustainability Officer, presented information regarding Renewables and Energy Efficiency Initiatives and highlighted the Blue Wing Solar Project, the Desert Sky Wind Farm, and the Pearl Brewery Solar Array. The STEP Program was discussed to include proposed performance goals, programs supported by STEP, projected budget, and estimated bill impact. It was noted that if the STEP Program did not achieve the 771 megawatts as expected, CPS Energy would require a new power plant by 2018. However, if STEP did perform as expected, a new power plant would not be required until 2023. Lastly, Mr. Eugster noted that CPS Energy intended on attracting more customers to renewable and energy efficiency products and services.

Norma Soliz, Senior Director, Regulatory Relations, noted that the Capital Program was the reason for the proposed rate increase as current construction addressed environmental concerns and infrastructure modernization. She highlighted construction projects initiated by CPS Energy from 1975 to present, the associated construction costs for each project, and the resulting base rate increases. Ms. Soliz noted that only the rate classes identified on slide 4 of section 7 would see a rate increase as the proposed 7.5% rate increase was for electric system usage. Ms. Soliz noted that the overall increase per residential electric customer would be approximately 3.4% as fuel savings from Spruce 2 would offset the balance of the proposed 7.5% rate increase. She referenced slide 11 providing the Council with three alternatives to the proposed rate increase. It was noted that alternatives shifted the cost of energy to high end users via a three tiered system. Also highlighted were the rate structures for residential customers during the summer months and industrial users. The rate increases by class for electric and gas systems and the impact of rate increases to customers were also reviewed. It was noted that energy bills were based on consumption. Lastly, Ms Soliz highlighted the enhancements proposed for the Affordability Discount Program which include increasing gas and electric discounts, increasing outreach efforts to an additional 1,000 customers, and drawing from the Trust Fund (Corpus) from FY 2011 to FY 2012 to assist additional customers. She noted that the new discounts would offset increases on the average bill.

3. CITY COUNCIL DISCUSSION AND QUESTION-AND-ANSWER FORUM WITH CPS ENERGY

Councilmember Williams referred to slide 6 of section 7 which reflects peak capacity for the summer months and noted that the increase was due to the use of additional equipment during those months. He also referenced slide 11 and asked if the three proposed alternatives raised the same amount of revenue. Ms. Soliz noted that the anticipated revenue was similar for all three alternatives as the cost to provide energy was the same. Councilman Williams noted the importance of being competitive in gaining and retaining companies, as such he asked Ms. Soliz to explain the reasoning for charging industrial customers based on demand as referenced in slides 13-15. It was noted that the demand charge was a method for recovering fixed costs for the transmission and distribution of energy as well as the use of equipment while the energy charge was a method to recover costs associated with the delivery of fuel.

Councilmember Williams noted that it was possible for industrial customers to assist the City in meeting its goal of energy efficiency if CPS Energy were to charge industrial customers based on demand. He requested that CPS Energy enhance its educational program regarding progressive rates. With this method; customers are better able to manage energy usage and therefore, reduce overall energy costs.

Councilmember Ramos spoke on the proposed plan to limit the financial impact on customers which would result in CPS Energy deferring projects as noted in slides 10 and 11 of section 5. She noted her concern with the proposal to delay bringing the scrubbers on-line by waiting a year, as the cost of installation would more than double. Ms. Burley explained that the increase incorporates the cost of installation over the course of several years. Councilmember Ramos also asked about deferred projects and their costs. It was clarified that deferred projects would be presented to Council in a future Capital Plan with the implementation date.

Councilmember Ramos asked how monies approved by the Council in May 2009 to weatherize homes had been utilized as CPS Energy was proposing to weatherize additional homes with the proposed rate increase. It was noted that monies have not been utilized as the priority changed to spending Stimulus Funds first. Ms. Burley added that CPS Energy planned on using the funds approved in May 2009 to finance the weatherization of approximately 1500 homes in FY 2011 and would recover those funds once all work had been completed and evaluated.

Councilmember Ramos stated that she had deep concerns with the proposed rate increase and therefore asked if CPS Energy could use reserve funds. Ms. Paula Gold-Williams noted that CPS Energy did not have reserve funds that could be used to offset the rate increase as funds were designated for specific projects. It was also stated that CPS Energy was required to maintain a certain balance in the General Fund and therefore could not utilize General Fund monies either. Further discussion ensued regarding potential profits received from the sale of power to outlying communities. Ms. Burley stated that CPS Energy did not rely on the sale of power as the profit was not consistent from year to year. Lastly, Mr. Eugster explained that citizens could sign-up for specific types of electricity that would allow them to be more environmentally friendly.

At the request of Councilmember Cortez, Ms. Burley explained the REAP Program and noted that each utility bill detailed how customers could apply with the Department of Community Initiatives. Councilmember Cortez tasked CPS Energy and the Department of Community Initiatives (DCI) with enhancing current outreach efforts if the rate increase were to be approved.

Ms. Burley clarified for Councilmember Lopez that funds were not allocated for the STEP Program in 2008 as the proposed rate increase of 5% was not approved. The funds approved in May 2009 are proposed to be utilized in 2011 as the STEP Program has been revamped. Mr. Eugster explained the benefits of solar and wind energy and noted that solar prices were decreasing while the State was increasing incentives. Mr. John Moore noted that CPS Energy budgets approximately \$6 million annually for the installation and maintenance of Smart Grid Initiatives.

Councilmember Rodriguez asked for Ms. Soliz to explain the different customer classifications and the methodology used to determine the class and rates as denoted in slide 16 of section 7. It was noted that class and rates are based on the type of customer as well as the amount of energy usage on demand in addition to cost allocation for the installation of equipment and infrastructure.

As it relates to slide 27 of section 7, Councilmember Rodriguez requested additional information on projected Capital Programs. It was noted by Ms. Burley that projections were directly related to the success of the STEP Program. At the request of Councilmember Rodriguez, Mr. Eugster highlighted the Renewable Energy Efficiency Programs currently being undertaken by CPS Energy and how technology shifts directly impact base rates.

Councilmember Medina addressed slide 24 of section 7 which highlighted the Affordability Program. He stated that he was concerned with how the proposed rate increase would impact Senior Citizens on fixed incomes and noted that current outreach efforts were not enough. As such, he requested that CPS Energy and DCI provide information to the Senior Nutrition Centers and other community organizations. Ms. Cindy Schoenmakers, Interim Director DCI, also discussed outreach efforts that the City of San Antonio undertakes to inform the community of the REAP and WARM Programs. Ms. Burley reiterated that CPS Energy Customer Service Representatives were educated on the various discount and payment plans that are available to customers and available to assist with the application process.

At the request of Councilmember Medina, Ms. Schoenmakers stated that the amount of \$150 (eligible up to two times per year) was based on the poverty rate for Bexar County residents and that DCI was in the process of discussing with CPS Energy the possibility of increasing the amount. Ms. Burley noted that Bexar County, who also partners with CPS Energy, had expressed their desire to maintain the rate at \$150; but would convey to them the City Council's desire to increase the amount to \$200.

Councilmember Cisneros requested council support in getting CPS Energy and DCI to increase the utility assistance amount to \$200 twice annually. Mr. Eugster highlighted the number of homes that were proposed to be weatherized using STEP and stimulus funds with the priority on utilizing stimulus funds first. Ms. Maria Cadore, Program Manager for Casa Verde SA, provided the Council with information regarding CPS Energy community outreach efforts on the weatherization program.

As it relates to solar energy, Mr. Eugster noted that CPS Energy was going to remove the minimum kilowatt requirement for qualifying for solar rebates. Councilmember Cisneros noted the importance of the implementation of the Mission Verde proposal and therefore sought assurance from CPS Energy that it would partner with the City of San Antonio in implementing the plan and provide quarterly reports. Councilmember Cisneros asked that she be provided information as it becomes available regarding the cost of the Blue Wing Project and how many homes would be serviced by the solar plant.

Ms. Burley clarified that Spruce 2 was not over budget as previously stated; but in fact, was within budget and would be on-line earlier than scheduled.

Councilmember Chan requested clarification on the rates detailed in slide 11 of section 7. It was noted by Ms. Soliz that CPS Energy charged customers based on usage during the summer months and a flat rate during the winter months. She stated that the fee structure was based on energy consumption for a 1,800 sq. foot home. Councilmember Chan expressed her concern with residents in her district not qualifying for discount programs despite the fact that they fund the programs via property taxes and do not receive selected city services as they reside in gated communities. She requested CPS Energy also take into consideration the contributions of residents in addition to energy consumption. Councilmember Chan also expressed her concern with the proposed rate increase for industrial and commercial users as it could deter companies from moving to San Antonio. Ms. Burley stated that despite the increase the City would continue to have a competitive edge. Mr. Eugster highlighted the goal to achieve a renewable energy capacity of 1,200 megawatts by 2010 with 100 megawatts being derived from solar. He noted that CPS Energy had already achieved 1,100 megawatts of renewable energy in FY 2010. Councilmember Chan requested that the Council further discuss the possibility of increasing the renewable energy capacity goal.

Councilmember Clamp agreed with Councilmember Chan regarding the punitive nature of charging per kilowatt. He continued by voicing his concern with rates being more progressive despite increased efforts to conserve energy. Ms. Burley stated that since CPS Energy was currently investing in equipment and infrastructure as well as renewables, customers would not see rates stabilize for some time. She continued by highlighting the operating efficiencies being made. A question was asked regarding the 2008 rate increase of 3.5% to ensure that CPS Energy was proposing an accurate rate increase this time. Ms. Burley noted that the money generated would be adequate. Ms. Eugster and Ms. Soliz noted that CPS Energy has exceeded its expectations in regards to energy efficiency and how this information was not included in future revenue projections as this information was too hard to determine. Councilmember Clamp noted his concern with the lack of growth. Ms. Gold-Williams noted that growth was moderate and that CPS Energy made investments before demand peaked.

Councilmember Ramos addressed the alternative rates proposed on slide 11 of section 7 and noted that the rates were based on consumption and therefore encouraged conservation efforts. She requested that CPS Energy seek data that denotes a more correct home size than the 1,800 sq. ft. number being used.

Councilmember Chan noted that as a small business owner she was sensitive to the tough economic times individuals were facing and the importance of assistance programs. She continued by stating that the financial burden for funding programs should be more equitably distributed throughout the community rather than relying on certain segments of the population.

Councilmember Taylor reiterated the comments made by Councilmember Medina regarding the importance of ensuring the Senior Citizens were educated on the various discount programs. She requested that similar information be disseminated to homebound citizens.

Mayor Castro stated that the rate structure should embrace energy efficiency and conservation while also taking into consideration the need to weatherize more homes. He continued by noting that CPS Energy did have a need for a rate increase and that said increase should be well planned.

4. CITIZENS TO BE HEARD

Evangeline O. Sullivan addressed the Council and spoke in support of the rate increase as proposed. She noted that passage of the full increase was the most responsible thing to do for the entire community. Lastly, it was requested that CPS Energy research the possibility of providing adjustments to rate payers based on usage and conservation efforts.

Jack M. Finger addressed the Council and noted that the back-up material for today's meeting was not made available by CPS Energy or provided to the Office of the City Clerk for public viewing. He stated that he was against the CPS Energy rate increase as the increase was not really needed. Lastly, Mr. Finger questioned why more gas and coal was not being purchased.

Dee Villarrubia thanked Councilmember Cisneros, the Mayor, and members of Council for being transparent with CPS Energy discussions. She requested that CPS Energy invest more money into the use of solar and wind energy despite the economic implications as nuclear energy was toxic.

Robert Wright also thanked the Mayor and Council for their time. He requested that the City stop investing in the South Texas Nuclear Project due to the economic drain on the local economy as well as the health and environmental implications. Lastly, Mr. Wright noted that no new jobs would be generated with the added economic investment into the nuclear project.

Cindy Weehler thanked the Mayor and Council for their time and attention to this important issue. She asked how the money being invested into the South Texas Nuclear Project has been spent. Ms. Wheeler highlighted several environmental issues currently occurring at the South Texas Nuclear Project.

Tom "Smitty" Smith stated that with the adoption of Mission Verde and other "green" programs, the City Council was illustrating their willingness to change the manner in which energy was being received and generated. He recommended the initiation of several programs which could be used to monitor individual usage in order to determine the most efficient use of energy per square foot.

Karen Hadden with the SEED Coalition thanked the Council for staying late and listening to the citizens. She noted that key financial data from the 2008 rate hike had not been provided and therefore requested the CPS Energy account for the money expended. Lastly, Ms. Hadden stated that careful consideration needed to be made before additional funds were expended.

Karen Seal, attorney, stated that CPS Energy was asking the Council to trust the figures and plans being presented. She stated that the figures should not be trusted and requested that the Council read the legal documents regarding the pending lawsuit before making a decision.

Orlando Gutierrez, Ratepayer's Protection Coalition, addressed the Council and spoke on how the contract did not include an exit strategy. He stated that he did not trust CPS Energy based on the various documents he has read regarding the South Texas Nuclear Project.

Russell Seal addressed the council and noted that he appreciated the direction the Council was taking regarding energy consumption and conservation efforts. He commented on how his conservation efforts reduced his overall energy bill. Mr. Seal stated that he could not support the rate hike at this time due to his lack of trust for CPS Energy. Lastly, he noted that his trust was dependant on the decisions made by CPS Energy and the City Council.

Lanny Sinkin stated that there was strong support for solar in San Antonio. He added that a total of 36 solar installations have been connected to the electrical grid while another 40 applications are pending approval from CPS Energy. Lastly, Mr. Sinkin noted that several major suppliers have left in San Antonio due to the lack of commitment of solar.

Nick Spink addressed the Council and noted that CPS Energy has not stated what alternatives would be pursued if the increase was not approved by the City Council. He asked what short-term and long-term green programs CPS Energy plans on initiating. Lastly, he noted that local residents should be able to pick their own energy provider.

David Zamora Casas stated that he was in favor of other alternative energy sources and was against nuclear energy. He requested that the Council vote "No" to the proposed rate increase as well as to the use of nuclear energy.

Alice Canestaro-Garcia addressed the Council and asked if funds from the proposed rate increase would be utilized to pay for legal fees. She requested that CPS Energy provide a better forum to communicate and listen to customer concerns as three minutes was not enough. Lastly, Ms. Garcia requested that the City Council vote "No" on the rate increase and on the use of nuclear energy.

ADJOURNMENT

There being no further discussion, Mayor Castro adjourned the meeting at 10:05 pm.

APPROVED



JULIÁN CASTRO
MAYOR

Attest:



LETICIA M. VACEK, TRMC/CMC
City Clerk