



PROPOSED RATE ADVISORY COMMITTEE

**Paula Gold-Williams,
President & CEO, Sponsor**

**Carolyn Shellman,
Chief Legal Officer & General Counsel, Quarterback & Business Lead**

**Rudy Garza,
Interim Chief Customer Engagement Officer, Customer Engagement Lead**

PEOPLE FIRST! EMPLOYEES CUSTOMERS COMMUNITY





Contents

CHANGE DOCUMENT	4
EXECUTIVE SUMMARY	5
BACKGROUND	10
THE TEAM	13
RESEARCH SOURCES	16
CONSULTANT	19
FACILIATOR	26
BOARD	27
SENIOR CHIEFS	29
CITIZENS ADVISORY COMMITTEE (CAC)	31
COMMUNITY PARTNERS	34
MEMBERSHIP	38
MISSION STATEMENT	42
APPROACH	43
CURRENT LANDSCAPE	44
RESPONSIBILITIES	48
POWER GENERATION	50
PROPOSED COMMITTEE TOPICS	52
MEETINGS	53



PARKING LOT ISSUES ----- 54

ESTIMATED BUDGET ----- 55

APPENDIX A – MEMO FROM MAYOR OF SAN ANTONIO ----- 56

APPENDIX B – APPA IMPLEMENTATION GUIDE ----- 57

APPENDIX C – CLIMATE ACTION SA RECOMMENDATIONS --- 123

APPENDIX D – CITIZENS ADVISORY COMMITTEE BYLAWS -- 124

APPENDIX E – REQUEST FOR PROPOSAL ----- 134

APPENDIX F – SERVICE TERRITORY MAP ----- 151

APPENDIX G – APPLICATION FOR RAC MEMBERSHIP ----- 152

APPENDIX H – PARKING LOT LOG----- 160

APPENDIX I – BYLAWS ----- 161



CHANGE DOCUMENT

The following changes have been made to the RAC documents since presented to the Board of Trustees in the September Board meeting:

1. A Change document page was added.
2. Update added to the Executive Summary to include a quote from the Mayor about the progress of the RAC formation and request to vote on the formation in the December Board meeting.
3. Updated team members – Kevin Matula left the company & Yvonne Pelayo moved to a different position within the company.
4. Consultant – Round 4 section was added.
5. Facilitator section was added

EXECUTIVE SUMMARY

In March 2020, the CPS Energy Board of Trustees adopted a resolution regarding a Rate Advisory Committee (RAC). The resolution made several important statements.

- First, it acknowledged the importance of balancing financial responsibility and stewardship of the utility's assets with the fundamental pillars of **Reliability, Customer Affordability, Security, Safety, Environmental Responsibility and Resiliency, and all with a Financial Foundation.**

OUR GUIDING PILLARS AND FOUNDATION





- Second, it emphasized the need to continue to execute on the ***Flexible Path*** strategy, integrating more renewable energy and new technologies into the utility's energy power generation.
- Third, it emphasized the importance of informing and receiving input from the community about the utility's rate design decisions.
- Finally, it directed CPS Energy management to develop for Board discussion and consideration a RAC framework and initiative to provide input to management and the Board of Trustees on rate design issues and power generation.

In response to this directive, an internal group (the RAC team) has worked diligently to investigate how RACs have functioned in other utility settings and to develop a framework for the Board to consider if a CPS Energy RAC is created. The American Public Power Association's implementation guide "Public Participation for Community-Owned Utilities" was used as a foundational resource and its recommendations have been incorporated into the framework documents the RAC team has prepared.

Key among the principles endorsed by the APPA and incorporated by the RAC team are these:

- The public brings valuable, unique knowledge and energy to utility efforts and projects and the utility can improve how it provides its critical services by receiving informed public input.
- Informing the public about the options, issues, alternatives, solutions and costs of utility decisions helps customers better understand the decisions that must be made and facilitates integration of customer input into the decision-making process.
- If the utility listens to and considers community values and interests when decisions are made, it is much more likely that customers will understand and support those decisions.

The RAC team conducted research and analysis in order to perform a thoughtful study, and the team is ready to discuss its process and its recommendations with the Board of Trustees.



The team prepared responsive documents and has taken the following actions, which we believe will be useful to the Board as it discusses how to proceed.

1. We have spoken with people who have participated in the SAWS RAC process, both public participants as well as SAWS management, about how the RAC functioned, what works, and what they have learned that would be helpful to us.
2. We have reviewed many publicly available documents about the SAWS RAC process.
3. We are nearing the conclusion of an extensive RFP process to interview and select a rate design consultant to support the RAC, provide necessary fundamental information to them about utility operations and rate design, and to help facilitate the discussions that will need to occur to understand customer concerns, interest, and preferences about different rate design options that may be considered.
4. We have developed documents that explain the mission and purpose of the RAC and have drafted a set of bylaws describing the RAC's governance and objectives.
5. We have developed a proposed framework for how many RAC members there should be, how they should be selected, how long they will serve, etc.
6. We have considered the need for a technical committee to help the RAC understand the complexities of the utility business and the new technologies that are being developed and believe it would be helpful.
7. We have thought about the most desirable meeting structure and how to educate RAC members, develop them as a cohesive and collaborative group, and receive their input without the ability to meet in person.
8. We have considered how to provide transparent and helpful information about the RAC and its meetings and discussions to the public without in-person public forums or meetings.
9. We have developed a preliminary budget and considered how many CPS Energy employees will be needed to organize RAC meetings, support RAC members, provide materials to participants, and support the cost of the consultants who will help provide technical and utility rate design fundamentals to RAC members, answer questions, explore alternatives that are suggested, and work with CPS Energy financial and rate professionals/experts as rate design and generation planning concepts and options are presented and discussed.



The documents contained in this packet are for Board consideration and discussion. This is not the only way a RAC can operate, but it is our recommendation for a way to start the discussion and, importantly, a framework we think will function effectively to achieve the goals the Board has in mind.

We look forward to discussing this important initiative with the CPS Energy Board of Trustees.

Paula Gold-Williams, Sponsor & QBM Coach

Carolyn Shellman, Quarterback and Business Lead

Rudy Garza, Customer Engagement Lead

QBM – Quarter Back Model: A strategic work approach that optimizes teamwork.



ADDITIONAL CONTENT FROM: Mayor Ron Nirenberg, City of San Antonio

The documents were presented to the Board during the September 21, 2020 regular Board meeting. The Board members discussed the documents during the meeting as well as during the October & November regular Board meetings. During the November meeting the Mayor offered the following comments:

Let me just summarize where I think we are, and where I'd like to go from here. CPS is a critical asset and it's an integral part of our community, as was very well demonstrated by Chairman Steen and Dr. Mackey in the discussion about the finances today. It's not a private utility, but it's instead owned by the City of San Antonio, and thus by our community. The ownership model and partnership between the City and CPS Energy has provided numerous benefits to our City, and to our entire community. And no one is challenging this assertion. This proposed Rates Advisory Committee is an avenue to study and provide input to this board of trustees on the important issues of rate design and generation planning – those are clearly outlined in the resolution that we passed in March. So, let me be clear, the proposed RAC does not change the CPS Energy governance structure. It is only advisory in nature to the CPS Board of Trustees. Provides an opportunity for stakeholders to listen, to study, to be informed and provide input on these key issues. The executive team here, which has done a heck of a job over the last many months during this pandemic, and over the last two decades as we have moved closer to tackling, directly, some of these issues, will continue to be responsible for managing this company and providing professional recommendations on rate design and generation planning. But these professional recommendations can be informed by the work of the RAC, which will be made up of a diverse group of stakeholders that will bring many different perspectives, all of which are important to hear as a public utility. Enhancing transparency and the dialogue with the community for a public utility, one owned by the community, should be welcomed. And to date, this board has already discussed the RAC several times over the last many months and CPS Energy staff have outlined a process for the RAC, so I propose that the December Board of Trustees meeting, an item to approve the establishment of the RAC be on the agenda for our vote. ...

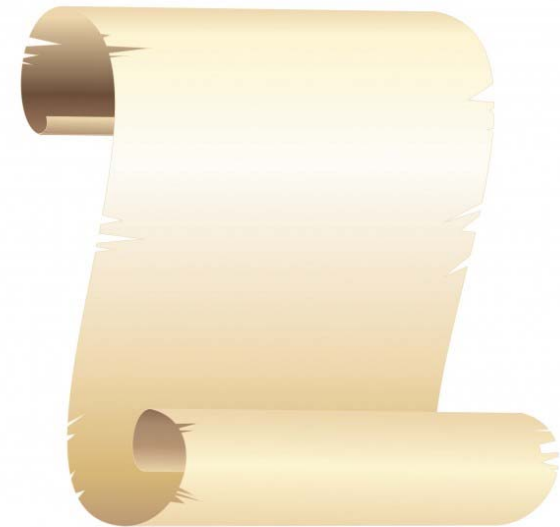
BACKGROUND

In January 2020, the Mayor of San Antonio wrote a memo to members of the City Council informing them of his request for CPS Energy to establish a Rate Advisory Committee (RAC). The purpose of the committee would be to review the design of the current and future rate structures and fees, focusing on overall impacts to CPS Energy customers. The memo further states the committee would be responsible for reviewing CPS Energy's resource planning processes as well as engaging, informing and answering questions put forth by the community at large. A copy of the entire memo is attached in Appendix A.

On March 2, 2020, the CPS Energy Board of Trustees passed a resolution expressing their support for the Mayor's request and directed the executive management and staff to:

"...develop for discussion and subsequent additional consideration a rate committee framework and initiative that would achieve the goal of providing input to management and the Board on rate design issues and generation planning."

The entire final Board resolution begins on the following page.





3/2/2020

Resolution regarding A RATE ADVISORY COMMITTEE (RAC)

WHEREAS, CPS Energy continually strives to be financially responsible and a strong steward of the community's assets while effectively balancing its value pillars of Security, Safety, Reliability, Resilience, Customer Affordability and Environmental Impact; and

WHEREAS, to achieve the most effective balance among these important pillars, CPS Energy management and the CPS Energy Board of Trustees are constantly exploring new technologies, considering ways to innovate and improve current operations, and listening to our customers' ideas and concerns; and

WHEREAS, the utility's rate design is an important factor affecting all customers and the amount they pay for retail and gas services; and

WHEREAS, the Board of Trustees has charged CPS Energy's management to develop and execute diligently its **Flexible Path** strategy, over the short-, medium- and long-terms; and

WHEREAS, it is critical that CPS Energy's community be informed about and given an opportunity to provide input about the utility's approach and key decisions regarding rate design so that our customer concerns and interests are consistently understood and considered by the Board; and

WHEREAS, rate design will include helpful information about the assets owned by the utility and CPS Energy's approach to recover for their costs in the company's rates; and



WHEREAS, the Board is committed to providing forums for customers and stakeholders to share ideas and observations when important decisions are being made; and

WHEREAS, a way to further this goal of ensuring public participation is to provide balanced and objective information to assist the public in understanding alternatives and involve customers in an organized structure that can lead to public feedback including formal comments regarding rate design and recommendations for the management team and the Board of Trustees to consider; and

WHEREAS, the Mayor of San Antonio, an ex-officio member of the Board of Trustees, has recommended that the Board consider creating a customer committee to review CPS Energy's rates and provide input to the Board on different rate designs that might be considered.

NOW, THEREFORE, BE IT RESOLVED, that after careful reflection and in light of the foregoing, the CPS Energy Board of Trustees expresses its support for the Mayor's request and hereby directs CPS Energy executive management and staff to develop for discussion and subsequent additional consideration a rate committee framework and initiative that would achieve the goal of providing input to management and the Board on rate design issues and generation planning.



THE TEAM

A team was assembled to develop the guidelines the RAC would operate under. The team consisted of:

Sponsor & QBM Coach – Paula Gold-Williams

Quarterback – Business Lead - Carolyn E. Shellman

Customer Engagement Lead - Rudy Garza

TEAM MEMBERS

- Felecia Etheridge (Retired)
- Ann Kinnard
- Ricci Schooler
- Jesse Hernandez
- John Leal
- Kathy Garcia
- Kevin Matula (No longer with company)
- Cory Kuchinsky
- Luis Garcia
- Yvonne Pelayo (Moved to a different position within the company)
- Louis Labatt



The team would meet several times over the next few months. The team had several questions to answer including:



Research –

- How had other entities created a RAC?
- What was successful for them? What was not?
- How often did they meet?
- Who served as their members?

Consultant –

- Do we need an independent party to help us with a RAC?
- What kind of experience do they need to have?

Governance Documents –

- What are the committee members qualifications?
- How long will they serve?
- How often will the committee meet?
- What kind of issues and topics will the RAC consider?

RESEARCH SOURCES

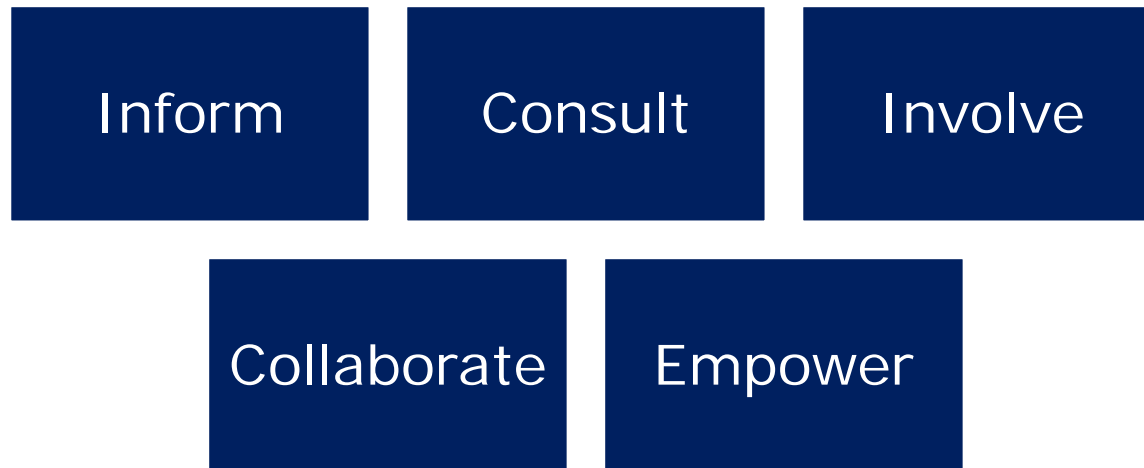
Upon receipt of the Mayor's memo, the team began conducting research.

One of the first reference documents the team reviewed was the Public Participation for Community Owned Utilities – An Implementation Guide published by the American Public Power Association (APPA). The guide was published in April 2007 to help utilities become comfortable with the public participation process. The guide defines a public participation process as

"...any process that involves the public in problem solving or decision making."

The guide describes the process as having five levels:

Key Components



A complete copy of the guide is in Appendix B.

The guidebook offered a comprehensive review of a utility's public participation process. It emphasized that the public has unique knowledge that a utility can use to improve its decision making and the way it provides service. We incorporated concepts from the guidebook about how to effectively inform the public about our rate process and get their feedback on various alternatives that might exist. Many of our recommendations were influenced by the examples and techniques described in the guide.

Overall, we found the public participation guide very helpful. This is because CPS Energy's foundational belief in continually putting **People First** is absolutely aligned with our commitment to our customers and our community. We want to hear from the RAC, the CAC, and many people all across our broad metropolitan city. In turn, we will use that input to influence the recommendations that management makes to the Board and Council. This is also aligned to the Board's and Council's on-going and deep interest in hearing from everyone so that their decisions take in more comprehensive considerations.





Additional documents reviewed were:

1. Climate Action San Antonio (CASA) Recommendations for the CPS Energy RAC. This document called for the committee to be a City of San Antonio Council appointed committee. The complete recommendation is in Appendix C.

Note: While the recommendations are thoughtful, the RAC that CPS Energy creates must comply with the framework of our governance structure. One fundamental concept that must be observed is that the CPS Energy Board has the responsibility to govern, supervise, direct and conduct the affairs related to furnishing electric and gas service to customers. The RAC can provide direct feedback to the Board but it would be impermissible pursuant to covenants in the existing rate ordinance for a RAC to provide recommendations to the City Council directly or receive oversight from City Council in a way that circumvents the Board's role to manage and control the utility. Goals that inform and direct CPS Energy's generation planning process must also be directed and established by the CPS Energy Board.

We also believe that the San Antonio City Council must be exceptionally careful not to impair its own accountabilities and authorities.

Even so, most of the Climate Action SA recommendations regarding committee transparency are conceptually aligned with the recommendations we are making to the Board about the RAC. We support the idea of having RAC meetings open to the public and accessible by internet streaming or telephone. Public input should be allowed, although only RAC members and any presenters scheduled as part of the meeting agenda should be allowed to speak during the business segment of the meeting. A record of the meetings should be created and provided to the public.

2. Various documents used for CPS Energy's Citizens Advisory Committee (CAC), primarily their bylaws. These documents will be referenced throughout the document and are included in Appendix D.

These documents are a few samples of the documents the team reviewed. The team also reviewed the Rates Advisory Committees formed by Austin Energy as well as the San Antonio Water System.

CONSULTANT

After their initial research phase, the team worked on the development of the RFP for a consultant. The RFP was issued on March 11, 2020. A complete copy of the RFP is included in Appendix E. The objectives, scope and expectations for the consultancy services are as follows.

Expected Consultancy Objectives:

- Ensure RAC members understand CPS Energy's cost-of-service and the role of that information in designing rates and structures
- Assist the RAC in understanding current rates and impacts on various customer segments
- Support management in explaining CPS Energy's business model and financial implications, including how its generation assets are accounted for in the rates
- Provide support in evaluating rate design changes or rate structure changes recommended by the RAC and the impacts on customer segments to ensure design or structure changes are fair, objective, reflect cost-of-service, promote conservation, and consider impacts on the environment
- Identify emerging trends in utility rate design
- Promote transparency and stakeholder input into the rate design process

Scope - The consultant will work with management to:

- Create alignment on goals, objectives, and potential outcomes of the RAC
- Develop and present materials and concepts explaining basic utility ratemaking, cost-of-service, rate definitions, and how cost-of-service modeling is used to create rates and structures that are fair and objective by customer segment
- Help management explain CPS Energy's current rates by customer group / segment
- Explain CPS Energy's business model and financials to the RAC in easy-to-understand language



- Assist the RAC in understanding the:
 1. Energy Load / Demand data;
 2. Customer characteristics by group and the impacts of diverse load profiles within customer categories on the distribution system and wholesale (energy supply) portfolio
- Support the RAC in:
 1. Assessing any changes or adjustments to existing rate designs or structure;
 2. Suggesting new rate designs and structures;
 3. Understanding the revenue requirements for proposed changes;
 4. Ensuring proposed changes are equitable, objective, fair, reflect cost-of-service and have assessed the impact on the environment
- Develop bill comparisons of rate design changes, new rate structures or rate designs against existing rates and structures
- Identify emerging rate designs in the utility industry, and well as other viable pricing mechanisms from the non-utility industry

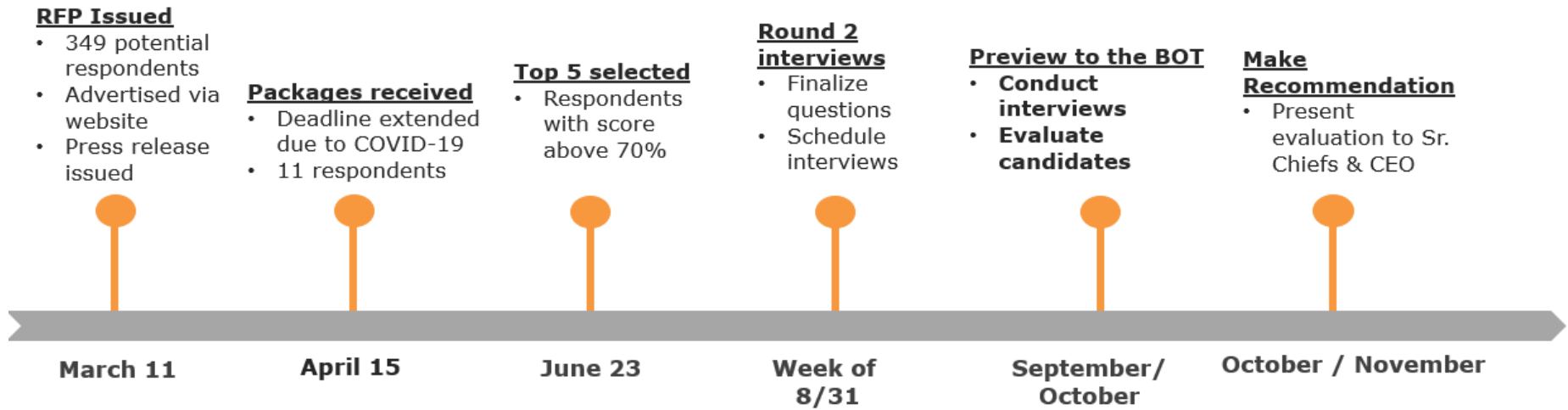
The consultant will also be expected to:

- Attend RAC, Board of Trustees, or other meetings, as well as applicable Board public input sessions
- Create presentations
- Work as requested by management
- Answer questions for the Board of Trustees
- Answer questions for the various City Councils that represent CPS Energy's service territory



An overall timeline of the evaluation process follows:

TIMELINE – EVALUATION



Round 1

The RFP was sent to 349 potential respondents. Eleven proposals were received back for consideration. The respondents were:

- Bridgewater Consulting
- Concentric Electric Consultants
- E3
- FTI Consultant
- GDS
- Guidehouse
- New Gen
- Schneider Engineering
- Scott Madden
- The Brattle Group
- Utility Financial Solutions

Management considered the submissions from all of the interested & responsive firms.



Round 2

CPS Energy's Supply Chain team (i.e. Procurement) provided guidelines on the evaluation process that should be followed.

The team evaluated the proposals based on:

- Experience & Qualifications – Description of the operational history which reflects that the Respondent has been actively performing similar services for a minimum of five (5) years.
- Project Team – Information regarding all key personnel to perform the services (“Key Team Members”).
- Specific CPS Energy's requirements – See expected consultant objectives above.
- Stakeholder Engagement Capabilities – See expected consultant objectives above.
- Cost
- Economic Development – if applicable.

**The field has been
successfully narrowed to the
Top 5 firms.**



Round 3

The Supply Chain team contacted the respondents with the following message:

CPS Energy continues to evaluate all submittals, and a contract has not been awarded. We respectfully request an extension of your firm proposal for an additional four months (December 7, 2020).

Please provide your confirmation replying to this e-mail by Tuesday, August 11th by end of day.

This additional time was created to give the Board the opportunity to fine tune the concepts of the RAC with management. In turn, five vendors responded that they remain interested in participating in the process. The third round of interview questions were developed, and the interviews are scheduled for the September/early October timeframe.



Round 4

The team sent the final list of interview questions to the top 5 candidates and conducted meetings via Web-Ex. Each candidate was scheduled for a 1 ½ hour interview including questions from the team. At the end of each interview the team evaluated the candidates based on the same criteria as before.

During the November Board meeting, several of the trustees voiced concerns over hiring a consultant due to the financial strains being caused by Covid-19. The Award Recommendation was put on hold until after the December board meeting.

The consultant was put on hold until after the December Board meeting.

FACILIATOR

During the September Board meeting the concept of a facilitator was introduced. This was also one of the recommendations made by City Staff. The team talked to other sources and agreed that a facilitator, an independent party to help the RAC committee work together would be a great addition to the team.

An RFP was developed to locate a local, experienced facilitator to conduct the committee meetings. This concept was vetted through the interview process with the consultants and all candidates agreed it would be helpful.

A total of two candidates applied. The team is in the process of evaluating the proposals but will not move forward until direction is received from the Board.

The facilitator was put on hold until after the December Board meeting.

BOARD

CPS Energy's structure consists of a five-person Board of Trustees that governs our natural gas and electric utility. The Board members, who are all CPS Energy customers, represent the four geographical quadrants of San Antonio. Trustees must reside within the quadrant they represent. The Mayor of San Antonio serves as an ex-officio member.

The current Board of Trustees are:

John Steen



Board Chair
Northeast Quadrant 2

John Steen represents the northeast quadrant of CPS Energy's service area. He is an attorney who previously served as the 108th Texas Secretary of State and as a commissioner of the Texas Department of Public Safety.

Dr. Willis Mackey



Vice Chair
Southeast Quadrant 3

Dr. Willis Mackey, a retired public school administrator and current consultant to school districts across the state, represents the southeast quadrant of CPS Energy's service area.

Janie Gonzalez



Trustee
Southwest Quadrant 4

Janie Martinez Gonzalez, President and CEO of Webhead, a company that specializes in providing cybersecurity solutions to clients across the nation, represents the southwest quadrant of CPS Energy's service territory.

Edward Kelley



Trustee
Northwest Quadrant 1

Edward Kelley represents the northwest quadrant of CPS Energy's service area. Kelley served as President and CEO of USAA Real Estate before retiring in 2005 after 17 years of service.

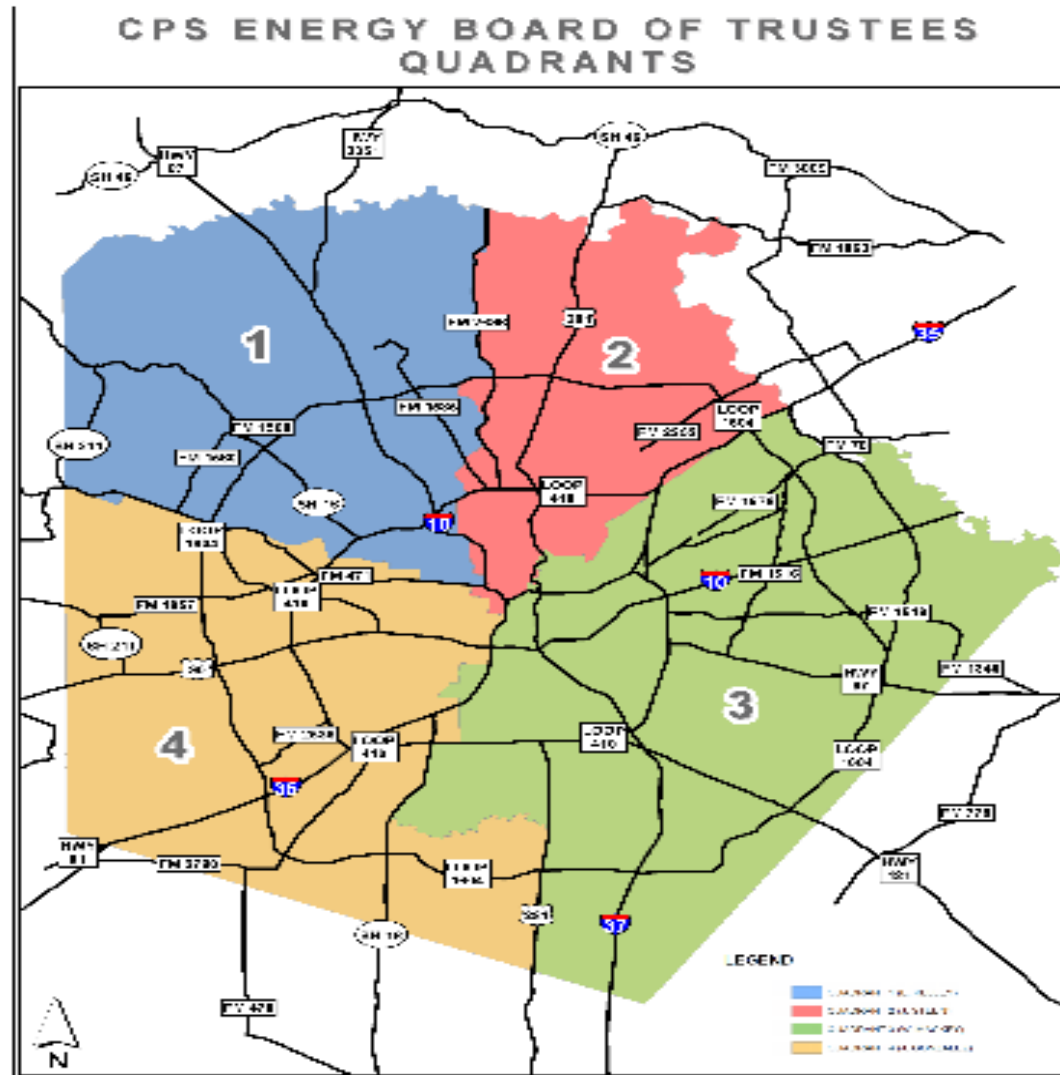
Mayor Ron Nirenberg



Ex-Officio Member

Ron Nirenberg, as current mayor of San Antonio, serves as an ex-officio member of the Board of Trustees. He will remain on the Board through his current mayoral term.

A map of the quadrants illustrates the areas of San Antonio as well as the 31 suburban cities and 7 other counties that the Board represents.



SENIOR CHIEFS

Reporting directly to the Board is the President & CEO, Ms. Paula Gold-Williams. Paula has more than 35 years of leadership experience in San Antonio, including Regional Controller for Time Warner and VP of Finance for Luby's, Inc.

Reporting to the President and CEO are seven talented Senior Chiefs. This team works together as an effective team that stays focused on CPS Energy's **People First** philosophy while assuring we deliver affordable, safe and reliable power and services to the community we serve.



Paula Gold Williams,
President & Chief Executive
Officer (CEO)



Cris Eugster
Chief Operations Officer
(COO)



Fred Bonewell
Chief Security Safety & Gas
Solutions Officer (CSSGSO)



Vivian Bouet
Chief Information Officer
(CIO)



Carolyn Shellman
Chief Legal Officer & General Counsel
(CLO&GC)



Rudy Garza
Interim Chief Customer
Engagement Officer (CCEO)



Frank Almaraz
Chief Administrative & Business
Development Officer (CABDO)



Gary Gold
Interim Chief Financial
Officer (CFO)

CITIZENS ADVISORY COMMITTEE (CAC)

Working together with the Board of Trustees and the Senior Chiefs is the Citizens Advisory Committee (CAC). This 15-member committee provides a channel for two-way communication between the community and the utility. The San Antonio City Council Members nominate 10 of the 15 members, one representing each district. The other five members are at-large candidates interviewed and nominated by the CAC from those submitting applications and resumes. The CPS Energy Board of Trustees appoints all members to the committee. Members can serve up to three two-year terms. The CAC meets monthly with the primary goal of providing judicious advice from a customer perspective on utility-related projects and programs.

NOTE: Districts 1 & 2 seats are currently vacant and will be filled upon appointment from each respective San Antonio City Councilmember and approval by the CPS Energy Board of Trustees.

The current members of the CAC are:

DISTRICT 3		DISTRICT 4		DISTRICT 5	
					
Rebecca Viagran Councilmember	Diana Aguirre Martinez CAC	Dr. Adriana Rocha Garcia Councilmember	Frank Gonzalez CAC	Shirley Gonzales Councilmember	Andy Castillo CAC

DISTRICT 6



Melissa Cabello Havrda
Councilmember



Raquel Zapata
CAC

DISTRICT 7



Ana Sandoval
Councilmember



Dr. Adelita G. Cantu
CAC

DISTRICT 8



Manny Pelaez
Councilmember



John Kelly
CAC

DISTRICT 9



John Courage
Councilmember



Joe Yakubik
CAC

DISTRICT 10



Clayton Perry
Councilmember



Allie Watters
CAC

AT-LARGE APPOINTEES



David Walter
Chair



Luisa Casso
Chair Elect



Bill Day
Vice Chair



Mayor Mary Dennis
CAC



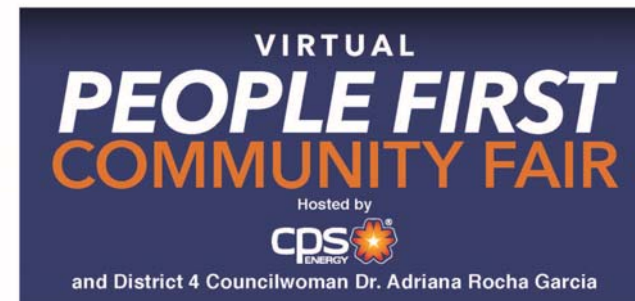
MaryEllen Veliz
CAC


 Current executive committee

COMMUNITY PARTNERS

There are other important and helpful groups that work closely with the Board, the CEO, and the Senior Chiefs. We listen to these partners to help us understand their concerns and enable us to take better actions. Some of the partners we meet with are:

- Chambers of Commerce
- Environmental Stakeholder Group
- Business Stakeholder Committees
- Solar Stakeholder Group
- School Districts, Educational Alliances
- Community *People First* Fairs
- Students/Interns
- Others



VIRTUAL
PEOPLE FIRST
COMMUNITY FAIR
 Hosted by

 and District 4 Councilwoman Dr. Adriana Rocha Garcia

We've found a great way to get together safely!

We love speaking directly with our customers at our *People First* Community Fairs. Since we can't meet in person right now, our team, along with District 4 Councilwoman Dr. Adriana Rocha Garcia, will be hosting a virtual event to share information about customer programs that can help you in a variety of ways, including tools to help you manage your energy usage this summer.

You can join us online from your computer, tablet or smart phone, or by calling from your home phone. We look forward to talking with you!

AUGUST 13
2020
4:30-5:00 p.m.
English



BY COMPUTER
 Join online at cps.e.news/fairdistrict4
 Password: 2222



BY TABLET OR SMARTPHONE
 Download the Webex app in advance, then join cps.e.news/fairdistrict4
 Password: 2222



BY PHONE
 No online access? No problem.
 Just call 415-655-0002
 Access code: 141 256 5309



- Hear tips to save you money
- Discover how to view & manage your usage
- Learn how to conserve energy
- Find out about assistance programs & payment plans
- Speak directly with members of our team



In addition to listening to individual customers who either contact us directly or who may reach out to us through our frontline Energy Advisors who work in our Call center and Payment centers, meetings with these groups are a great source of ideas and feedback.

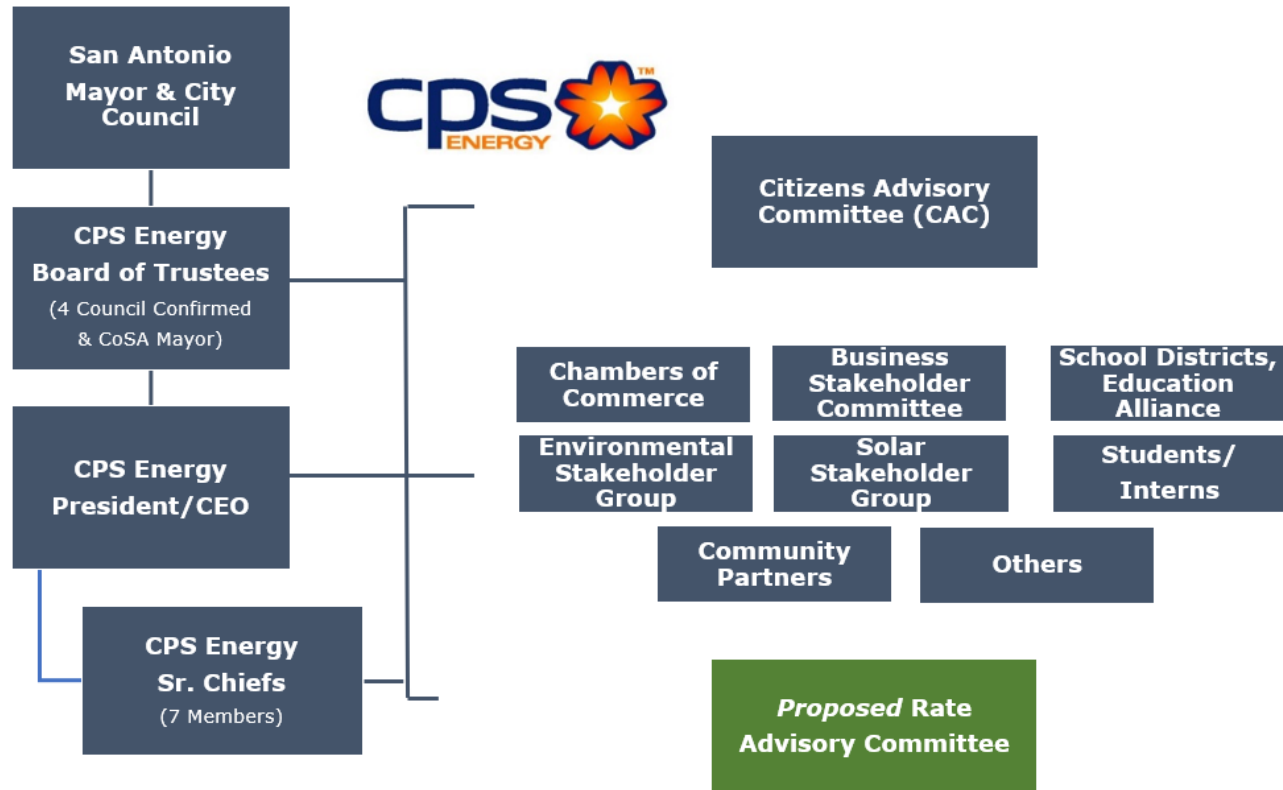


Figure 1 - Graphic depiction of the proposed CPS Energy advisory committee structure.

The RAC could serve as another major input forum for CPS Energy (as noted in green above)

This structure is comparable to the San Antonio Water System (SAWS) structure:

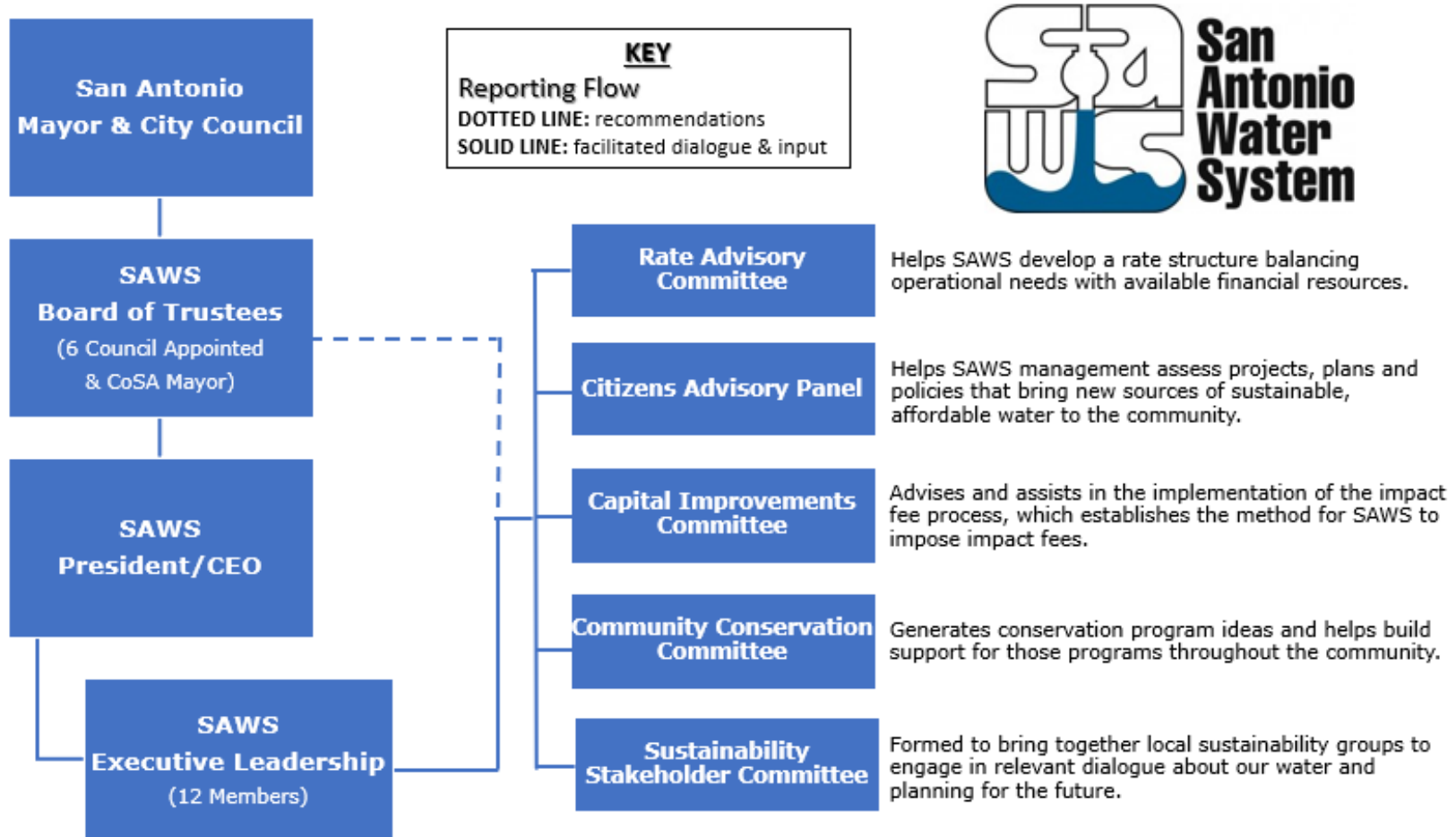


Figure 2 - Graphic depiction of the San Antonio Water System's (SAWS) governance structure.

In contrast, see the following structure for Austin Energy.

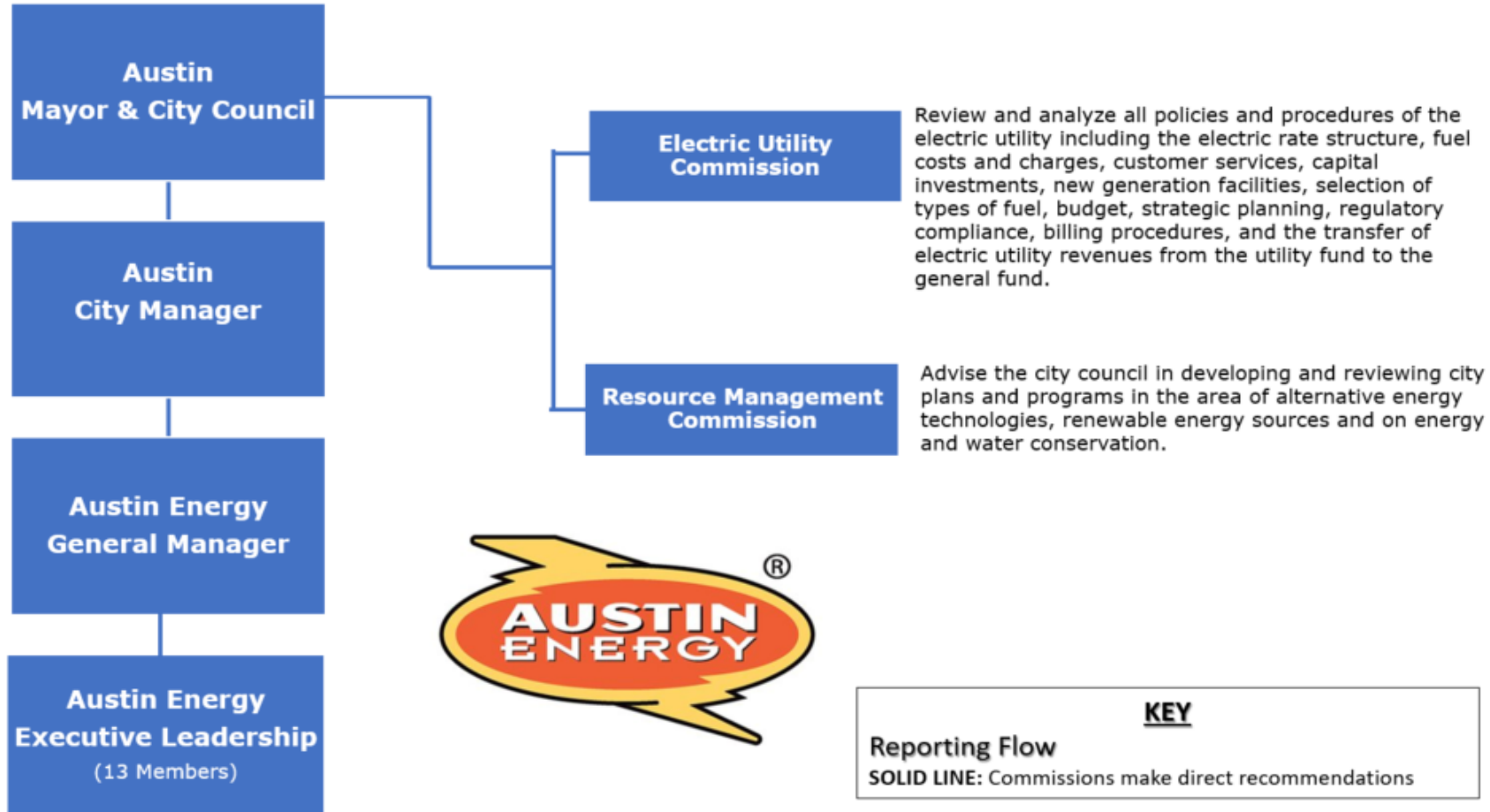
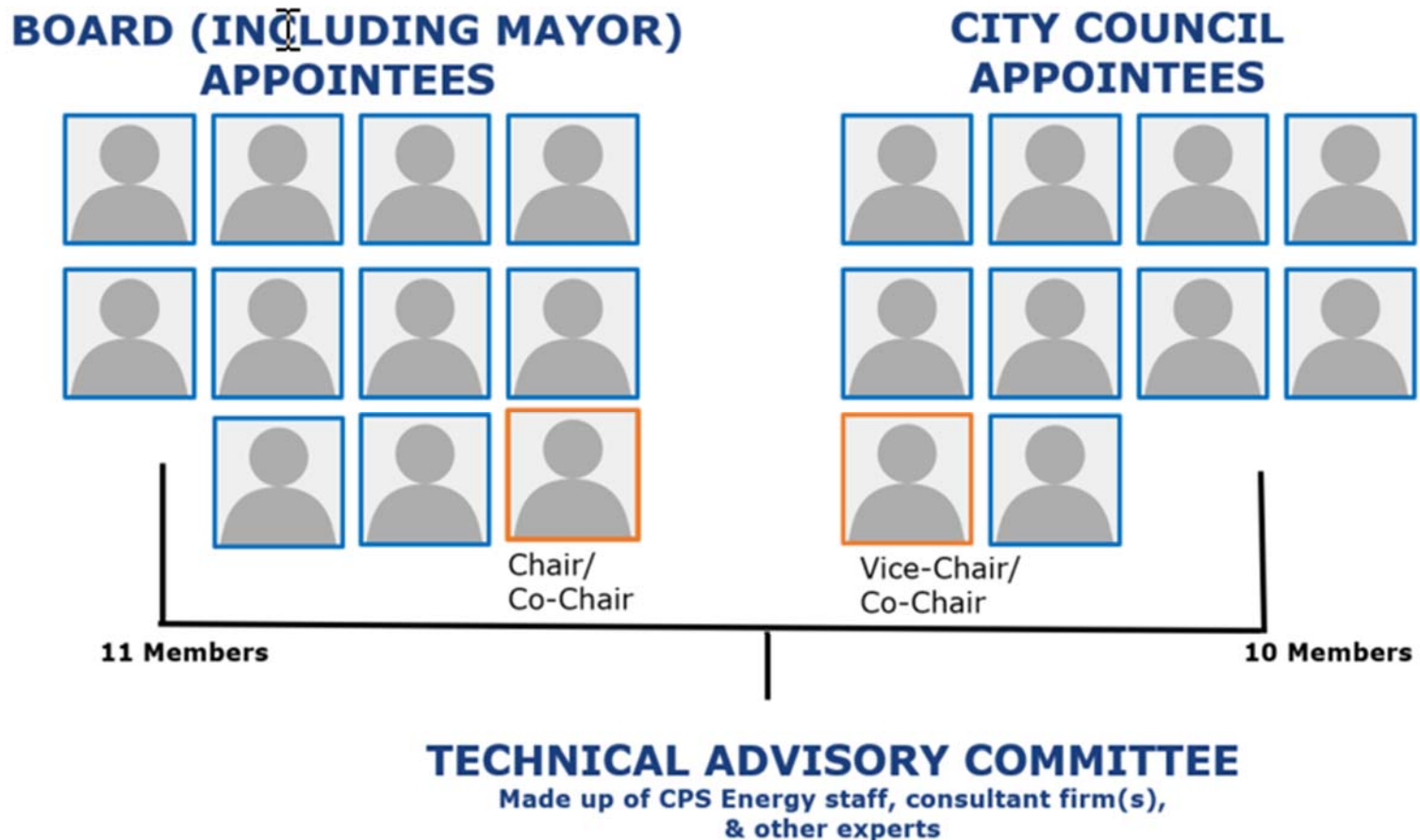


Figure 3 - Graphic depiction of the Austin Energy's advisory committee structure.

MEMBERSHIP

The original request from the Mayor proposed that the RAC have of a technical working group and a stakeholder engagement group. This section outlines the selection process, qualifications, and terms of each group.

The overall structure is illustrated as follows:





Stakeholder Engagement – The stakeholder engagement group will consist of one representative from each of the ten San Antonio City Council districts as well as one from the Mayor’s office. Qualifications for each member include:

- Residential customer of CPS Energy in good standing¹
- Reside in the CPS Energy service area. This includes our thirty-one Suburban cities and seven counties served by CPS Energy. A complete map of our service territory is included in Appendix F.
- College Degree and/or Equivalent Experience (valuable).
- Demonstrated (effective) communication skills in a public setting.
- Understanding the transformation from regulated to unregulated business environments.²
- Ability to commit five to ten hours per month including preparation and attendance at monthly RAC meetings, attendance at work sessions as needed

Additional preferred attributes include:

- Members should represent a diverse cross-section of perspectives and interests; such as: medical, manufacturing, neighborhood association leadership, large industry, small businesses, commercial building owners, services and professionals, environmental and conservation organizations, grassroots community organizations, military installations, consumer groups, economic development interests, governmental entities, and others.³
- Members should be open and willing to consider new concepts and ideas; receptive to differing opinions and perspectives.
- Members should exhibit an interest in and capacity to understand the complexities of the natural gas and electric utility business. All members should have a primary interest in the future of CPS Energy, its service area, the City of San Antonio and all CPS Energy customers.
- Members should represent a demographic diversity to include not only San Antonio and Bexar County but the entire CPS service area of 31 suburban cities and seven additional counties.

• ¹ This is also an attribute considered for members of the CPS Energy Board of Trustees and the Citizens Advisory Committee; good standing includes consistent bill payment history.

• ²As considered as a preferred qualification for members of the CPS Energy Board of Trustees.

• ³ These fields are all applicable to that of the work of this proposed committee; the SAWS Rates Advisory Committee (RAC) and the CPS Energy Citizens Advisory Committee use similar fields for recommended candidates.



Members of both groups should possess:

- **Financial Acumen**: Knowledgeable regarding financial transactions; experience with organizational budgets; understanding of business ratios as they pertain to financial statements; developing and managing a budget or program.
- **Strategic Planning**: Understanding of the economic drivers of a business; ability to scan the environment and evaluate innovative strategies and new business models; ability to manage diverse community and economic interests.
- **Corporate Governance**: Understanding of the Board of Trustees' role and City Government oversight authority.
- **Leadership Skills**: Possession of business acumen, integrity & trust, diplomacy, consensus builder, peer relationships, ability to learn.
- **Time Availability**: - Five to ten hours per month including preparation and attendance at monthly RAC meetings, attendance at work sessions as needed.

The recruitment & solicitation of Committee members will include coordination between City Council and CPS Energy teams to recruit candidates. CPS Energy will be responsible for creating the following documents/outreach to encourage candidates to apply:

- Application for Membership – See Appendix G
- Informational webpage with links to collateral and application
- Collateral developed by Corporate Communications for City Council newsletters / social media (i.e. Biography of the candidate formatted for publishing)
- Media buys; newspaper advertisements
- Social Media postings

CPS Energy is committed to providing a professional environment free of harassment or discrimination based on race, color, religion, sex, age, national origin, gender, sexual orientation, gender identity, disability, genetic information, veteran's status or other basis prohibited by federal, state or local laws or regulations.



Technical Advisory Group – These members will serve as technical, financial, government & regulatory, and legal advisors. Their duties will include reviewing technical and financial documents, suggesting topics to ensure current and future understanding of rate design and structures, providing support to the Stakeholder Engagement committee, and monitor proceedings to ensure legal requirements are met. While the group will work to share key helpful information publicly, the committee will also ensure all confidential and proprietary information is properly handled. The consultant will also serve as a member of the technical working group.

Support Staff - In addition to the advisors, support personnel will be needed to facilitate meetings, monitor recordings and posting of meeting agendas. Personnel will also be needed for technical support with public meetings & other administrative support.

MISSION STATEMENT

The mission of the RAC is to provide helpful & unique knowledge & customer insights to CPS Energy's efforts & projects related to rate structure & design with the ultimate goals of weighing into helping management balance its value pillars & increase the mutual understanding of public issues & concerns.

OUR GUIDING PILLARS AND FOUNDATION



APPROACH

WILL BUILD FOUNDATIONAL KNOWLEDGE: Members of the Rate Advisory Committee (RAC) will devote the necessary time & energy to learn about the utility business & the rate design function in order to be able to understand & provide thoughtful input & perspectives, regarding CPS Energy's rate structure & rate design options.

WILL RETURN VALUABLE INPUT: In turn, CPS Energy will provide the RAC with balanced & objective information to assist them in understanding the alternative strategies & options that arise in the rate process. CPS Energy also commits to ensuring that the RAC's input is considered & that the decision-making process takes public issues & concerns into account.





CURRENT LANDSCAPE

Proud History:

We have diligently and passionately served our San Antonio community for 160 years and have been owned by our customers through the City of San Antonio for 78 years. We are the largest municipally owned combined electric and gas company in the United States. While we have been a gas company from the very beginning and it remains a key offering to our customers, the majority of the services that we have are from the electric aspect of our business. Accordingly, the best place that the RAC can focus, especially at the onset, is on the electric rates.

Our Electric Business:

Our electric business has two (2) major components, as follows;

- **Retail:** All customers in our large metropolitan 1,566-square mile service territory. This includes:
 - All of Bexar County, which covers all the area incorporated into the City of San Antonio, plus
 - A total of 31 additional incorporated Suburban Cities, that also touch seven (7) other counties.
- **Wholesale:** Customers outside of our service territory. These revenues help offset the potential need to increase the rates for our retail customers. It is important to note that through our wholesale business we compete with other power providers across the entire Texas energy market.

Retail Customers:

We currently have about 867,000 electric customers. Our ***People First*** philosophy is about being there for them every day, especially during these challenging times. We, as well as our partner agencies, offer a variety of assistance programs to help customers who may be struggling.

A complete list of our assistance programs can be found on our website at:

- www.cpsenergy.com/assistance (English) and
- www.cpsenergy.com/asistencia (Spanish).

We actively share this information with our community virtually, over the phone and through media outreach. We are also engaging with community through virtual ***People First*** fairs. We are excited because, recently, we conducted a fair entirely in Spanish.

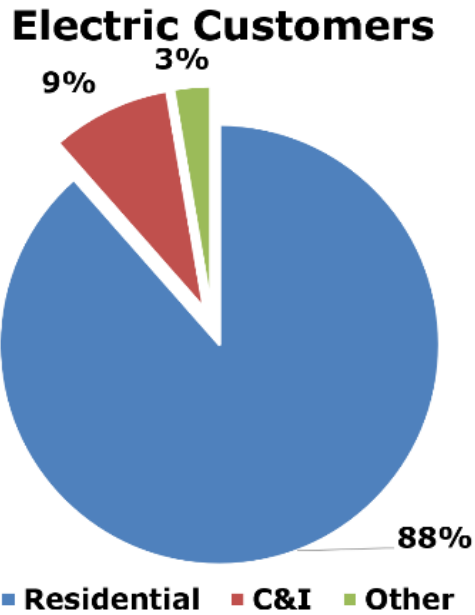
The following is a summary of products and services that we currently offer our community.

<h1>PRODUCT PORTFOLIO</h1>					
<p>Our robust product portfolio aligns to customer interest.</p>					
Basic Energy Pricing	Conservation (STEP)	Renewable Energy	Resiliency	Electrification	Other
<ul style="list-style-type: none"> • Electric <ul style="list-style-type: none"> • Residential • Small Com. • Large Com. • Natural Gas <ul style="list-style-type: none"> • Residential • Commercial • Customer Assistance Programs 	<ul style="list-style-type: none"> • Residential Energy Efficiency • Commercial Energy Efficiency • Demand Response 	<ul style="list-style-type: none"> • Windtricity • Rebates • Net Metering • SolarHostSA • Roofless Solar • Big Sun Solar • Large Commercial Green Tariff 	<ul style="list-style-type: none"> • Duplicate Feed • Resiliency Service 	<ul style="list-style-type: none"> • Rapid Public Charging 	<ul style="list-style-type: none"> • Streetlights • Wholesale • Line Extension • Small Cell • Economic Development • Advanced Energy Solutions (QSE)
<p><i>Emerging Needs</i></p> <ul style="list-style-type: none"> • Fixed Cost Recovery 	<ul style="list-style-type: none"> • Low Income Programs • New Technologies 	<ul style="list-style-type: none"> • Other Solar • Multi-site • Low Income 	<ul style="list-style-type: none"> • Tiered Duplicate Feed • Energy Storage 	<ul style="list-style-type: none"> • Home Charging • Public Options • Workplace • Fleet 	<ul style="list-style-type: none"> • Distribution Service • Smart Streetlights

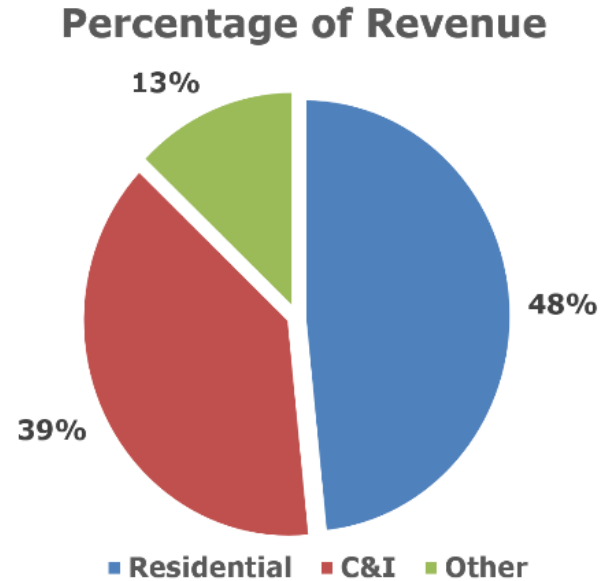
On the last row above, we highlight the emerging concepts upon which we are increasingly focused.



Please see the helpful graphs below that show while 88% of our customers are residential, they comprise only 48% of the Company's revenues:



Residential: Includes all places of residence.
C&I: Includes Commercial and Industrial businesses.
Other: Includes public authorities and streetlights.



We look forward to explaining how customer rates are currently structured to the RAC and others.

Customer Confidentiality:

We want to also indicate that we will only share aggregate information about our customers. Due to limitations stemming from State of Texas restrictions required by the Public Utility Regulatory Act (PURA), Title II, Texas Utilities Code, all retail electric services (i.e. customers) are entitled to privacy of their consumption and credit information. Accordingly, our Customer Information Privacy Policy has been aligned to the state regulations to ensure we do not share customer specific information. This also supports our **Security** value pillar.





RESPONSIBILITIES

The Board of Trustees requested that the proposed framework for the RAC would be designed in a way that would:

"... achieve the goal of providing input to management and the Board on rate design issues and generation planning."

An expanded definition of the RAC's responsibilities include the RAC functioning as an advisory role reviewing CPS Energy's current and future electric rate structure and fees in order to provide suggestions and feedback on alternatives that may, at some future time, be recommended to the Board of Trustees. The RAC will focus on the overall impacts to CPS Energy customers. In doing so, the RAC will evaluate rates & rate structures based upon:

1. Financial implications to the utility
2. Impact to the utility's resource planning, and
3. Impact to customers.

When evaluating rate structure and fees, the RAC will consider fundamental pricing principles such as price signal efficacy, alignment with utility costs, fairness & equity, comprehension, stability, transparency, environmental impact, and regulatory alignment.

The RAC will also consider CPS Energy's foundation of financial responsibility and its guiding pillars of reliability and customer affordability, especially when rates are compared to those in the competitive retail electric market in Texas. Our guiding pillars of security, safety, environmental responsibility, and resiliency will also be considered. Finally, the RAC will consider the effects on CPS Energy's revenues and rate structure from industry changes, technology advances, and changes in power supply sources.

Management will develop recommendations, in consideration of RAC input, for feedback. Management will author position papers for items taken to the Board highlighting the RAC's review & input.

PER OUR BOND ORDINANCE:

The ultimate accountability for rates resides with the Board and City Council

While committee input is important and will be seriously considered, during the course of their advisory role the RAC **can**:

- Receive information on emerging trends in electric utility rate design.
- Learn about cost structures, class of customers, customer profiles, impact on systems, drivers of cost & recovery of costs.
- Review CPS Energy's generation resource plan scenarios (*Flexible Path*) as they pertain to rate impacts.
- Offer input to management for consideration by the Board regarding the advisability of different rate structures, the impact of generation planning decisions on all customer rates, and customer-desired rate options.
- Consider opportunities for changes in electric rate structures, changes in existing electric rates, or creation of new electric rates to provide more innovative customer options and revenue stability.
- Maintain an advisory role
- Be subject to the provisions of CPS Energy's Code of Ethics and should employ independent, objective judgment in providing input.
- Raise concerns or topics to discuss, obtain documentation, or receive training.

POWER GENERATION

Opportunities to improve our rate structure and support improvements, could be notably enhanced by getting the RAC better acquainted with our current portfolio of power generating assets and learning more about new solutions. One specific important & new avenue for this can be our **FlexPOWER** Bundle. It is super exciting and we will gladly share the key information about it with the public.



FLEXPOWER™ BUNDLE

ENERGY STORAGE

CPS ENERGY
SAN ANTONIO, TEXAS

We are thinking globally & acting locally.
We're looking around the globe for energy solutions for San Antonio!

CPS Energy's **Flexible Path**SM is a strategic approach to thoughtfully discover, explore and implement new power generation and solutions over the next 20 years and beyond. It is our overarching strategy to transform our utility with lower- and non-emitting energy resources to serve the growing San Antonio metropolitan service area.

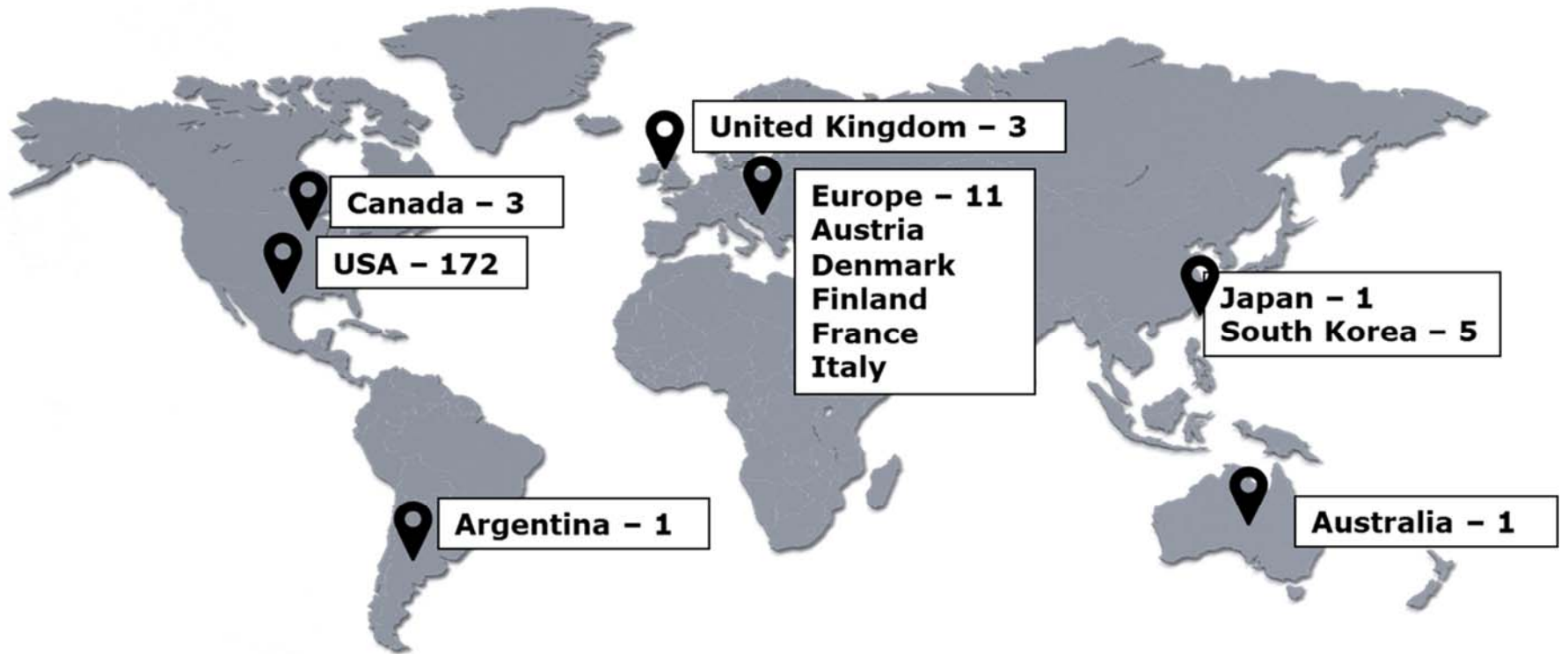
For more information, please visit cpsenergy.com/flexrfi

REQUEST FOR INFORMATION (RFI) ISSUED IN 10 LANGUAGES

- | | |
|--------------------|--|
| ENGLISH | PORTUGUESE (Português (brasil)) |
| FRENCH (Française) | KOREAN (한국어) |
| GERMAN (Deutsch) | SPANISH - (Español) |
| HINDI (हिन्दी) | SPANISH - LATIN AMERICA
(Español latinoamérica) |
| ITALIAN (Italiana) | |
| JAPANESE (日本語) | |

RELIABILITY | CUSTOMER AFFORDABILITY | SAFETY | SECURITY | ENVIRONMENTAL RESPONSIBILITY | RESILIENCY
FINANCIAL STABILITY

The global view of responses we received from the RFI are below:





PROPOSED COMMITTEE TOPICS

In accordance with the established committee scope, an educational curriculum will be developed to help the committee to carry out its mission and deliverables.

The curriculum will be designed to provide the following:

- Current rate design approach;
- Committee governance structure, scope and bylaws;
- History and context related to CPS Energy current and past practices;
- Utility industry acumen, trends and best practices;
- Local operating environment considerations;
- Legal and regulatory parameters;
- Financial acumen (utility specific); &
- New options

Sources for the curriculum material may come from multiple sources including, but not limited to:

- Internal data;
- Third party data from industry sources and subject matter experts;
- Regulatory agencies; &
- Other utilities with similar structure and experience.

Committee Curriculum - Examples include, but are not limited to the following topics and/or categories:

1. Committee Governance & Operations, Deliverables, Timeline and Organizational Overview
2. Rate Setting and Affordability Programs, **FlexSTEP**, Prior Rate Study (outcomes)
3. Cost of Service, Cost Recovery and Introduction to Rate Design (rate classes)
4. Current Rate Study Outcomes and Revenue Requirements, Utility Benchmarking
5. Generation Portfolio, **Flexible Path**, **FlexPOWER** Bundle

MEETINGS

RAC meetings will be

- Hosted by CPS Energy
- Live Streamed
- Allow public input
- Utilize WebEx format allowing others to listen
- Posted on website for future reference
- Vary in times to allow all to attend
- Will share information with the Public
- Will survey RAC & Public for feedback



Committee meetings will initially occur twice per month for approximately two hours in duration and the meeting frequency and duration will be adjusted as needed.

PARKING LOT ISSUES

From time-to-time during committee meetings, questions may arise that need to be answered but may be distracting from the agenda. These items are commonly referred to as “parking lot issues.”

When a question is raised during a committee or working session meeting, any member of the team can ask that the question be moved to “the parking lot.” If the facilitator and other members agree, the question will be entered into the Parking Lot Log. The log will record:

- Member Name
- Question Asked
- Date Asked

Before the next committee meeting the log will be updated and sent to the committee members for review. The log will be reviewed at each meeting and confirmation obtained that either the question was answered or not. Closed questions will be moved to the bottom of the log.

A sample of the Parking Lot Log is in Appendix H.





ESTIMATED BUDGET

The budget for the RAC for fiscal years 2021 and 2022 includes dollars for the consultant as well as expense for technology and media buys for member solicitations and meeting notices. A detail of the budget is:



Rate Advisory Committee Proposed Budget

<u>Budget Item</u>	<u>Ref.</u>	<u>Adjusted Budget based on consultant selection FY 2022</u>	<u>Adjusted for Internal labor only</u>
<u>External Costs</u>			
Consultant	A	\$ 199,860	
Facilitator	B	\$ 102,500	
Meeting Facilitator	C	150,000	\$ 150,000
Media Buys	D	25,000	25,000
Supplies & Materials	E	25,000	25,000
	F =		
Total External Costs	A+B+C+D+E	\$ 502,360	\$ 200,000
<u>Internal Costs</u>			
Labor:			
CPS Energy Personnel	G	\$ 460,800	\$ 723,840
CPS Energy Administrative Suppo	H	34,560	86,400
Total Internal Costs	I = G+H	495,360	810,240
Total Costs	J = F+I	\$ 997,720	\$ 1,010,240