



**SPECIAL MEETING OF THE CPS ENERGY BOARD OF TRUSTEES
CONVENING AS THE RISK MANAGEMENT COMMITTEE
TO BE HELD ON DECEMBER 11, 2023, AT 9:00 A.M.
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE.)**

At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION, & PLEDGE OF ALLEGIANCE	Execute	Ms. Annamarie Rangel
3	PUBLIC COMMENT Pre-Registration on Wednesday, December 6, 2023, 5:00 PM – Friday, December 8, 2023, 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
4	APPROVAL OF: <ul style="list-style-type: none"> • Minutes of the Risk Management Committee (RMC) meeting held on 08/28/2023 • Minutes of the Risk Management Committee (RMC) meeting held on 09/25/2023 	Vote	Dr. Willis Mackey
5	ENTERPRISE RISK MANAGEMENT UPDATE	Discuss	Ms. Annamarie Rangel
6	LARGE CUSTOMER UPDATE	Discuss	Mr. Benjamin Jordan
7	EXECUTIVE SESSION: <ul style="list-style-type: none"> A. Attorney-Client Matters (§551.071) B. Competitive Matters (§551.086) 	Discuss	Dr. Willis Mackey
8	FUTURE AGENDA ITEMS <ul style="list-style-type: none"> A. Robert’s Rules of Order B. ERP Risks C. Financial Risks D. AI Framework E. A&F Issues F. Generation Planning Risks 	Discuss	Dr. Willis Mackey
9	REVIEW OF ACTION ITEMS	Discuss	Dr. Willis Mackey

10	ADJOURNMENT	Execute	Dr. Willis Mackey
<p>If the Board meeting has not adjourned by 10:45 AM, the presiding officer shall entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.</p>			

Draft for review and approval
at the December 22, 2023 meeting

CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON AUGUST 28, 2023

The Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee was held on Monday, August 28, 2023, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

Present were Board members:

Ms. Janie Gonzalez
Dr. Francine Romero
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, Chief Energy Supply Officer
Ms. Elaina Ball, Chief Strategy Officer
CPS Energy staff members
Interested Citizens

I. CALL TO ORDER

Trustee Steen called the meeting to order at 3:53 p.m.

Trustee Steen called a point of order seeking clarity on which member should serve as Chair of the committee per the language of the committee charter. Ms. Shanna Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary, recommended that the meeting be adjourned until the matter could be resolved.

II. ADJOURNMENT

Upon a motion duly made by Trustee Gonzalez and seconded by Trustee Dr. Mackey and upon an affirmative vote, the meeting was adjourned.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval
at the December 11, 2023 meeting

CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON SEPTEMBER 25, 2023

The Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee was held on Monday, September 25, 2023, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Trustee Dr. Mackey called the meeting to order at 3:05 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez
Dr. Francine Romero
Mr. John Steen
Mayor Ron Nirenberg

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy staff members
Interested Citizens

II. PUBLIC COMMENT

There were no members of the public wishing to provide public comment.

III. APPROVAL OF CONSENT AGENDA

On a motion duly made by Mayor Nirenberg, seconded by Trustee Dr. Romero, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

A. Minutes of the Risk Management Committee Meeting held on December 19, 2022

IV. ENTERPRISE RISK & CONTROLS UPDATE

Ms. AnnaMarie Rangel, Director of Enterprise Risk Management & Solutions, presented the strategic plan relating to the Enterprise Risk Management (EMRS) Process. She then discussed the current ERMS

Draft for review and approval
at the December 11, 2023 meeting

initiatives including risk management, internal controls, and insurance. Finally, she discussed the Enterprise Resource Planning (ERP) Transformation and the accompanying risks, goals, and objectives.

V. CURRENT MACROECONOMICS ENVIRONMENT & RELATED RISKS

Mr. Eric Brown, Director of PFM Financial Advisors, presented on the current environment affecting public power related to inflation, labor markets, and the Federal Reserve and monetary policy. Mr. Brown noted that the cost of borrowing has increased, but that it remains low for CPS Energy compared to other borrowers in the market. Finally, he discussed how the various geopolitical factors could dramatically change the economic landscape.

VI. ENTERPRISE RESOURCE PLANNING (ERP) PROGRAM FINANCIAL UPDATE

Mr. Evan O'Mahoney, Chief Information Officer, provided a financial update on the ERP Transformation Program, noting that significant progress across planning activities has informed the development of a financial forecast to support of our ERP Transformation Program. Finally, he noted that his team is expected to bring a recommendation back to the Board before the end of the year and that the total program is estimated to cost \$304 million.

The Board of Trustees discussed and asked questions.

VII. ADJOURNMENT

There being no further business to come before the Board Committee, upon a motion duly made by Trustee Dr. Romero and seconded by Chair Gonzalez and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:42 p.m. by Trustee Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board



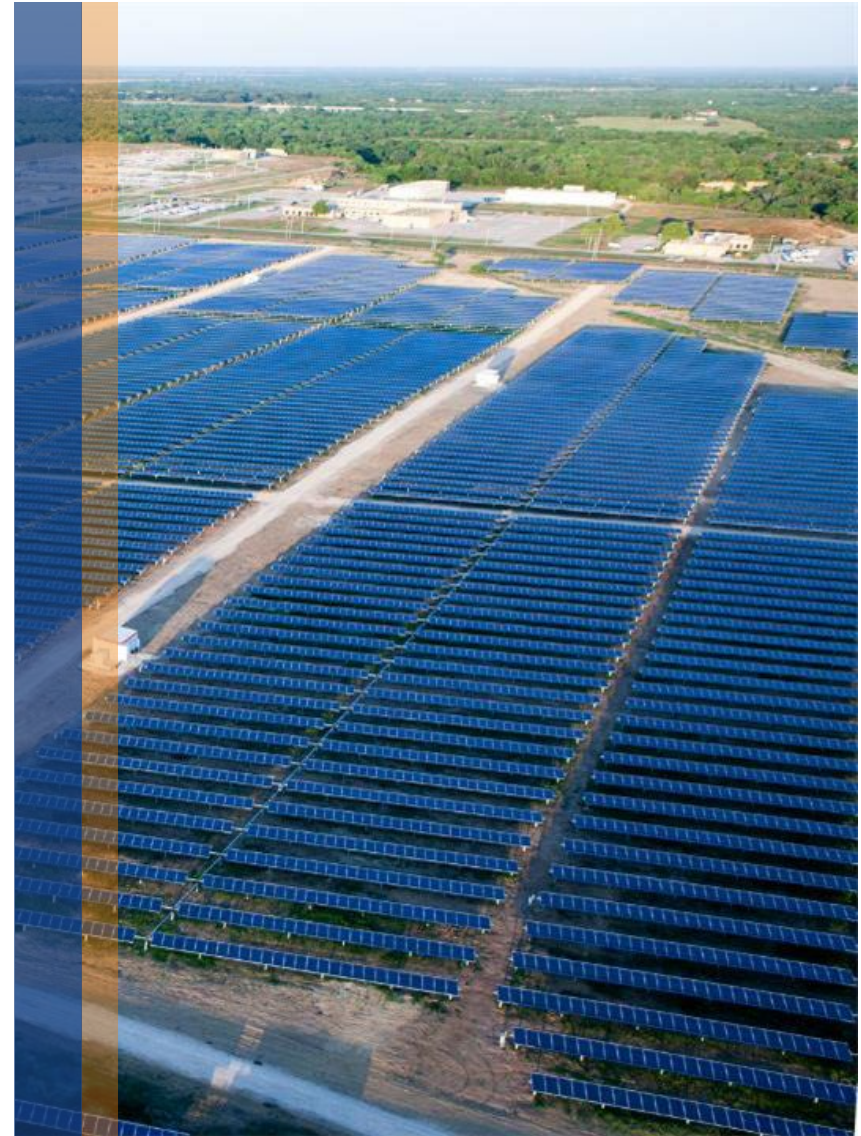
ENTERPRISE RISK MANAGEMENT UPDATE

PRESENTED BY:

Annamarie Rangel

Director, Enterprise Risk Management & Solutions (ERMS)

December 11, 2023
Informational Update





AGENDA

- Initiatives
- Enterprise Risk Register Update
- Driving Enterprise Risk Management (ERM) Maturity

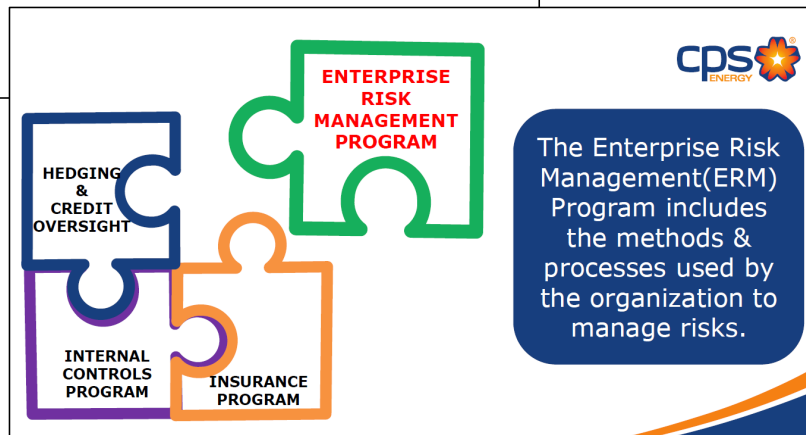
Our current initiatives, annual risk register refresh, and path forward provide us with assurance that as an organization, we are having thoughtful and meaningful risk discussions.



NEW TRAINING

IMPROVING RISK MANAGEMENT AWARENESS


ERMS LUNCH & LEARN
PRESENTED BY:
Enterprise Risk Management & Solutions (ERMS)



- Foundational risk and controls training provided during lunch.
- Attendees learned how we can identify, assess, and mitigate risks.
- Real examples of risk and control assessments were provided by various members of the organization.
- Attendees were assessed on their understanding of risk and controls.

ERMS will continue to refresh training to reach all levels of the organization. Currently, we are partnering with People & Culture to provide similar information to support the Management Development Academy (MDA) & Re-Energize Leadership training.



INTEGRATING ERMS

CROSS-FUNCTIONAL COMMITTEES/TEAMS

ERMS participates on various cross-functional committees and teams, which enables us the opportunity to provide a risk and controls perspective on focused topics and concerns.

Risk Management Services	Energy Market Hedging & Credit	Internal Controls
<ul style="list-style-type: none"> • Telematics Committee • New Facility Planning Team • Data Governance Committee • Policy & Guidelines Review Team • Enterprise Resource Planning (ERP) Risk Subcommittee • Administrative Committee 	<ul style="list-style-type: none"> • Electric Reliability Council of Texas (ERCOT) Credit & Finance Subgroup • Hedging Operations Committee (HOC) • Energy Portfolio Strategy Committee (EPSC) 	<ul style="list-style-type: none"> • Procure-to-Pay Process Working Group • Segregation of Duties (SoD) Process Improvement Team



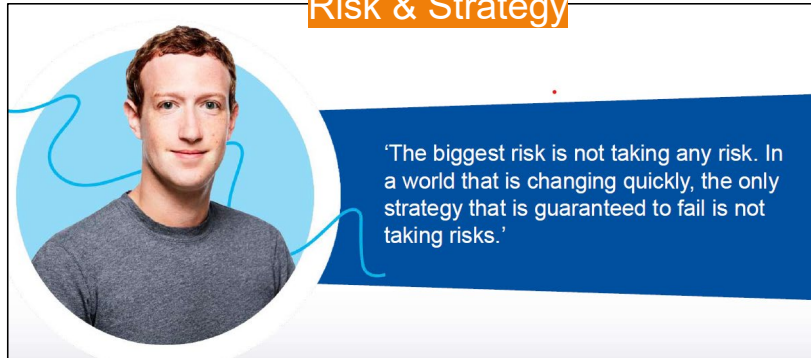
CONTINUING ERM EDUCATION

RISK & INSURANCE MANAGEMENT SOCIETY (RIMS) CONFERENCE

ERMS



Risk & Strategy



ERMS Leadership attended the RIMS conference and obtained insight into leading risk management practices and critical risk topics that other risk management professionals are focused on.

Artificial Intelligence



Geopolitical Risks

ENTERPRISE RISK COMPARISON

GARTNER BENCHMARK



Evolving sociopolitical expectations and personal data regulatory fragmentation are new to the emerging risk list. We have a pulse on these risks.

Top Emerging Risks Timeline

By Risk Score*

Rank	4Q22	1Q23	2Q23	3Q23
1	Escalation of Conflict in Europe	Evolving Sociopolitical Expectations	Third-Party Viability	Third-Party Viability
2	Key Material Shortages	Third-Party Viability	Mass Generative AI Availability	Mass Generative AI Availability
3	Stagflation Expectations	Critical Infrastructure Failure	Financial Planning Uncertainty	Evolving Sociopolitical Expectations
4	Critical Infrastructure Failure	Financial Planning Uncertainty	Cloud Concentration Risk	Cloud Concentration Risk
5	Financial Planning Uncertainty	China Trade Tensions	China Trade Tensions	Personal Data Regulatory Fragmentation

Source: 3Q23, 2Q23, 1Q23 4Q22, Gartner Emerging Risk Surveys
 Risk Score Q1 2023 and Earlier: SQRT (Impact x Inverse Time Frame) x Frequency Selected as a Top 10 Emerging Risk
 Q2 2023 and Ongoing: Cube Root (Impact x Inverse Time Frame x Frequency Selected as a Top 10 Emerging Risk Rescaled)

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ENTERPRISE RISK REGISTER

ANNUAL REFRESH

- Facilitating on-going risk discussions:
 - Business area touchpoints/conversations
 - Business plan development
 - Budget and strategy discussions
 - Mitigation plan development
- Recommending risk register and mitigation updates.
- Obtaining feedback to update the risk register throughout the year.
- Identifying and assessing risks during the annual risk refresh provides additional assurance that the organization participates in focused risk discussions.

Enterprise Risk Register Refresh		
	FY23	FY24
High & Swan Risks	↓ 34%	↓ 7%
Total # of Risks	↓ 51%	↓ 14%

To be successful, ERMS must continue to drive alignment of enterprise risks with strategy, goals, objectives, and budget planning.



ERMS ADVISORY REVIEW

DYNAMIC RISK MANAGEMENT MODEL

Audit Services is partnering with Deloitte to perform an advisory review that will provide ERMS with insight into our current state, gaps, and obstacles as we transition from a traditional to a dynamic risk management model.

AGILE

- Timely and proactive risk identification, assessment, mitigation, and monitoring.
- Supports organization in navigating change.
- Risk management tools tailored for specific business needs.

COLLABORATIVE

- Partnerships with business areas.
- Promotes awareness, transparency, and synergy.
- Comprehensive risks.
- Holistic risk perspective.

INNOVATIVE

- Increase employee knowledge of risk management practices.
- Adapt to changing organizational needs.
- Align with leading risk management practices.

INTEGRATED

- Integration of risk, controls, compliance, and audit.
- Integration of risk in the business and budget planning process.
- Integrating risk management in policy and procedure discussions.

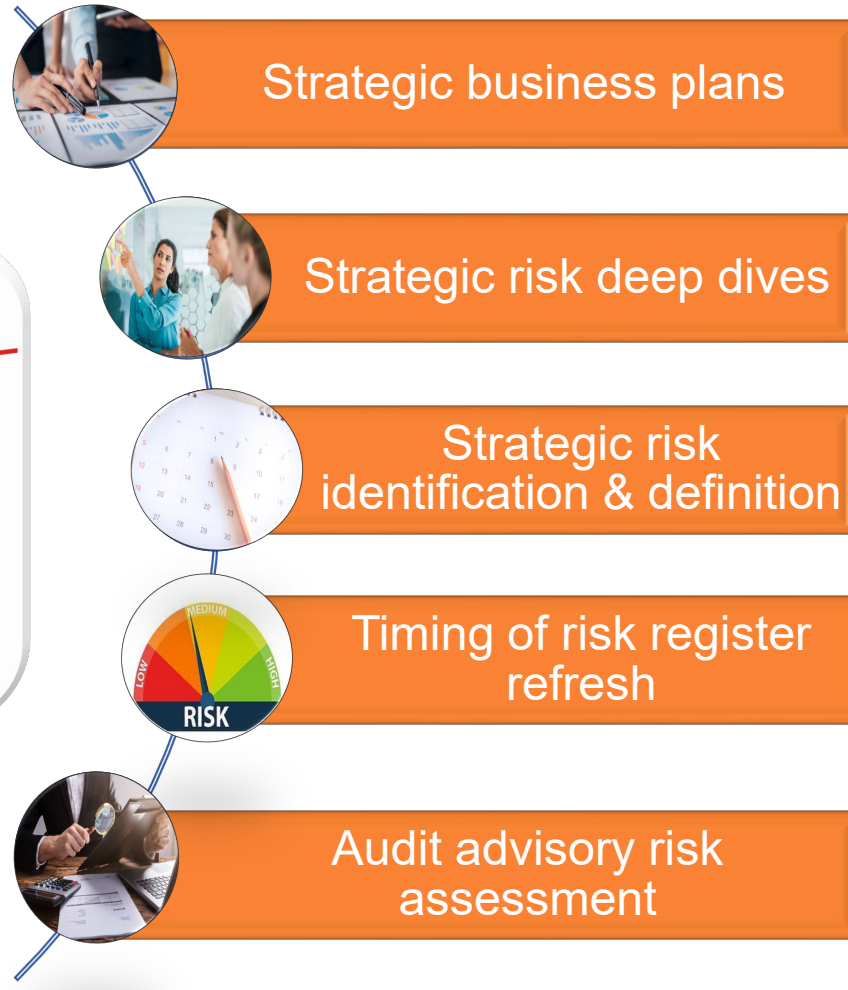
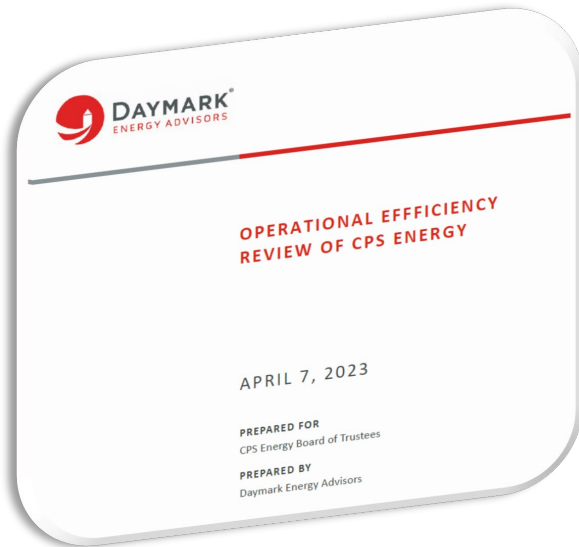
Benefits of Dynamic Risk Management:

- Improved risk visibility and awareness.
- Reduced risk exposure.
- Increased agility and resiliency.
- Improved risk-based decision making.



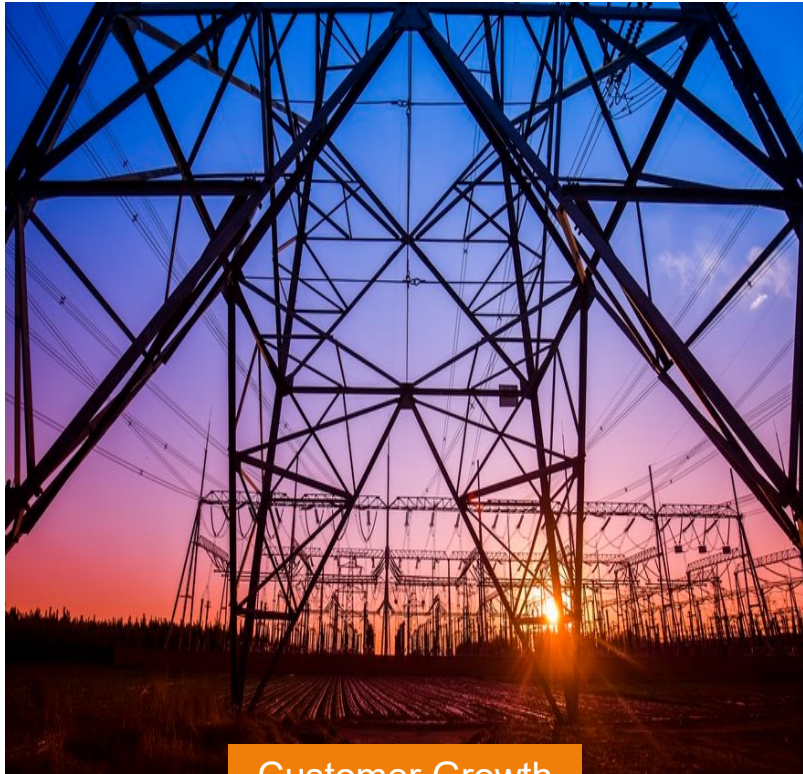
ALIGNING WITH STRATEGY

STRATEGIC RISKS



ERMS will partner with the organization through risk discussions and business and budget planning to drive the identification of strategic risks.

FOCUSED RISK DISCUSSION



Customer Growth

Customer growth is a risk that the organization is managing to ensure we maintain reliability.



THANK YOU



LARGE CUSTOMER UPDATE

PRESENTED BY:
Benjamin H. Jordan
Director Business & Economic Development

December 11, 2023
Informational Update



AGENDA

- Industry Information
- Strategic Focus
- Large Customer Status and Statistics
- Location Map and System Impact Discussion
- Serving Our Customers

Our goal is to explain the five – and 10 year view of large customer request and their impact on the system.

INDUSTRY INFORMATION

LARGE CUSTOMERS ENERGY REQUEST INCREASED

- Businesses Migration to the Cloud Continues
- Artificial Intelligence
- Speed to Market
- Lowest cost power
- Zero-Carbon Goals
 - Sustainable Options



We aligned the appropriate resources to plan and manage risk associated with significantly large energy users.

STRATEGIC FOCUS

ANNUAL PLANNING



- Incorporated into annual planning cycle specifically at the Strategic Planning & Resource Knowledge Summit (SPARKS)
- Power Generation Plan; Consistent Intake Process; Customer Experience & Growth
- Creative solutions to enable customers zero-carbon goals

We are paying attention to these types of large customers and are taking action to integrate them into the planning process.



LARGE CUSTOMER STATUS AND STATISTICS

	<u>Load Request</u>	
	Year 2028 MW	Year 2033 MW
Existing Customers ~ 324 MW		
Executed Agreements (7) →	457	574
In Process/Land Acquired (5) →	616	863
Speculative (5) →	1,714	1,927
Total Summary (17) →	2,787	3,364

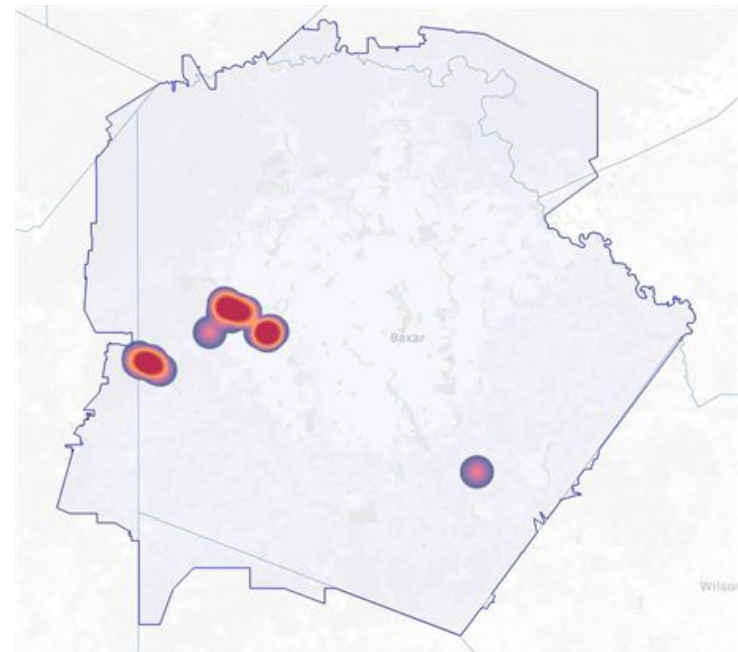
Customers have requested large blocks of energy up to 3.4 Gigawatts over the next 10 years.



LOCATION MAP

HIGH LOAD REQUEST IMPACTING TRANSMISSION SYSTEM

- Concentrated Large Load Request
 - Longer to Serve
 - Requires Long-Term Upgrades
 - Adding to the complexity
- Informing interested parties to search other parts of the service territory
 - Southeast; East

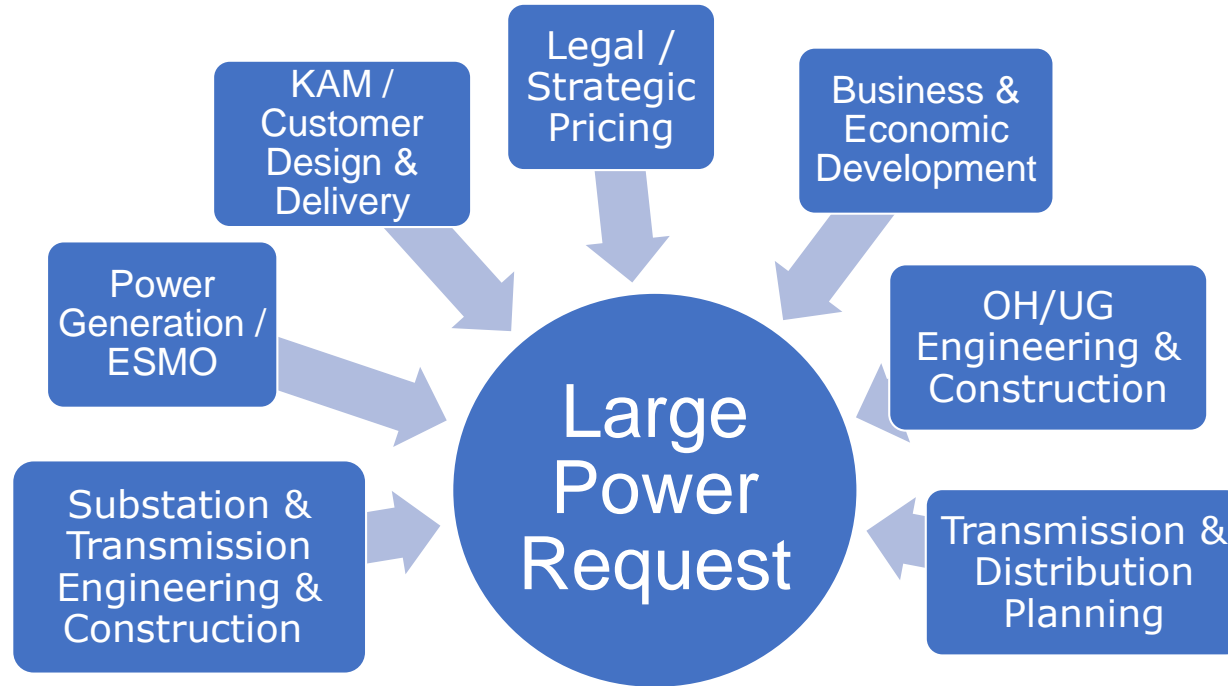


We are directing customers to look at other locations within the CPS Energy territory.



SERVING OUR CUSTOMERS

LARGE CUSTOMERS PUT PRESSURE ON THE PLAN



Large complex customers are challenging the way we plan and require more support. These customers put pressure on the system's growth plan.



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
KAM	Key Account Management	ESMO	Energy Supply & Market Operations
OH	Overhead	UG	Underground