

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON DECEMBER 16, 2019

The Regular Meeting of the Board of Trustees of CPS Energy for the month of December was held in the Board Room at CPS Energy's Main Office, 145 Navarro Street, San Antonio, Texas on Monday, December 16, 2019. Chair John Steen called the meeting to order at 1:00 p.m.

Present were Board members:

Mr. John Steen, Chair
Dr. Willis Mackey, Vice Chair
Mr. Ed Kelley
Ms. Janie Gonzalez

Also present were:

Ms. Paula Gold-Williams, President & CEO
Dr. Cris Eugster, Chief Operating Officer (COO)
Ms. Carolyn Shellman, Chief Legal Officer & General Counsel and Board Secretary (CLO)
Mr. Fred Bonewell, Chief Security, Safety & Gas Operations Officer (CSSGO)
Ms. Felecia Etheridge, Chief Customer Engagement Officer (CCEO)
Ms. Vivian Bouet, Chief Information Officer (CIO)
Ms. Delores Lenzy-Jones, Chief Financial Officer (CFO) & Treasurer
Mr. Frank Almaraz, Chief Administrative & Business Development Officer (CABDO)

CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE

The Board meeting began with a safety message delivered by Ms. Maria Watson, Analyst Program/System 2, Substation Process & Standards.

II. PUBLIC COMMENT

Chair Steen announced that public comments would be taken and outlined the guidelines for making public comment. The following people made comments:

1. Terry Burns, Sierra Club, addressed the CEO's report (item 10). He expressed a desire for CPS Energy to close its coal plants, cost effectively and expeditiously.
2. Peter Bella, Sierra Club, addressed the CEO's report (item 10). He vocalized support for CPS Energy to release a request for proposals (RFP) for a solar program. He urged CPS Energy to cut carbon emissions and work with the City to achieve the goals set in the Climate Action and Adaptation Plan (CAAP).
3. DeeDee Belmares, Public Citizen, addressed the CEO's report (item 10) and expressed support for reducing coal consumption by 2025. She inquired whether CPS Energy had modeled

- removal of coal plants by 2025. She argued that emissions from coal plants have serious health consequences.
4. Justin Lecea, a member of the public, addressed the CEO's report (item 10) and the process of developing energy rates. He suggested changing the management of CPS Energy to be more reflective of a public utility. He advocated making CPS Energy more accessible to the public and creating public rate setting committees.
 5. Alex Birnel, Move Texas, addressed the CEO's report (item 10) and discussed the coal plants. He recognized that there is a general difference of opinion about how long the coal plants should remain online and expressed support for closing the plants as soon as possible.
 6. Chrissy Mann, Sierra Club, addressed the CEO's report (item 10). She advocated for CPS Energy to engage with the community as partners and to give back to the community in a meaningful and systemic way by leading the community to a sustainable future.
 7. Kaiba White, Public Citizen, addressed the CEO's report (item 10). She spoke regarding the *FlexPower* Bundle expressing support for a competitive bidding process and concern that the RFP for renewable power agreements has been halted or delayed. She advocated for CPS Energy to issue an all resources RFP.
 8. Alice Canestaro-Garcia, a member of the public, addressed the CEO's report (item 10), and expressed support for Mayor Nirenberg's response to the Paris Accord. She requested that CPS Energy listen more to the community. She discussed the history of the Spruce coal plant and the economic losses due to the South Texas Nuclear Project.
 9. Aaron Arguello, Move Texas, addressed the CEO's report (item 10). He commented that CPS Energy senior leadership dismisses young people's voices regarding climate change. He expressed support to shut down the coal plants. He requested greater transparency from CPS Energy management and more interaction with its leadership.

III. INVOCATION AND PLEDGE OF ALLEGIANCE

The Pledge of Allegiance and an invocation were delivered by Ms. Watson.

IV. CHAIRMAN'S REMARKS

Chair Steen noted that Councilmember Courage was in attendance.

Chair Steen then called on Trustee Kelley, who wanted to recognize Ms. Gold-Williams. Trustee Kelley announced that Ms. Gold-Williams had recently received an extremely prestigious award, the S&P Trailblazer Award, for her work in this industry. Trustee Kelley noted that CPS Energy is recognized across the industry due to Ms. Gold-Williams. He commented that this is a significant international award that could have been awarded to any utility in the country, and yet it went to Ms. Gold-Williams. He expressed pride in serving with her. He noted that we are the largest municipally-owned utility in the country; that we have the highest credit rating (except for Tennessee Valley Authority (TVA), which is a government agency); that among the twenty largest utilities in the country, we have the lowest utility rates and the highest service levels. He noted that these metrics come from external, third-party agencies. We give the City of San Antonio roughly \$1M every day, which is the largest single income source for the City of San Antonio. He expressed that revenues given to the City of San Antonio are larger than the real property taxes collected by the City. He stated that if the City wanted to keep its services at the same level and did not have CPS Energy, the City would have to double property taxes. Trustee Kelley expressed that Ms. Gold-Williams deserves a tremendous amount of recognition.

Trustee Mackey described his attendance at the credit rating agency visits in New York City. He stated that he was very impressed with Ms. Gold-Williams' presentations. He explained that Ms. Gold-Williams presented to each of the rating agencies and none of the agencies had questions or concerns. Ms. Gold-Williams and her team did a great job presenting the facts. He was pleased to hear what great things they had to say about CPS Energy. He said that the rating agencies talked about the importance of Ms. Gold-Williams' leadership, prior leadership, and the leaders to come.

Chair Steen recognized Ms. Gold-Williams' award. Ms. Gold-Williams expressed pride to be recognized as a trailblazer. She expressed that the industry is recognizing CPS Energy, for being a part of our community for more than 160 years and still doing great things. Our employees are working hard to make sure service is safe, reliable and affordable. It is a huge honor and a shared honor. She thanked the Board for their service.

V. EXECUTIVE SESSION

At approximately 1:36 p.m., Chair Steen announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

- Real Property (§551.072)

The Board reconvened in open session at 2:37 p.m. Ms. Shellman reported that only Real Property matters, and no others, were discussed and no votes were taken in Executive Session. She also reported that agenda item 7, a voting item regarding real estate, would not be taken up at this meeting.

VI. APPROVAL OF CONSENT ITEMS:

On motion duly made by Trustee Kelley, seconded by Trustee Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes for the Regular Board Meeting held on October 28, 2019, and the Regular Board Meeting held on November 18, 2019 were approved as submitted.

Approval of Payment to the City of San Antonio for November 2019

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of November 2019 is based on actual gross revenue per the New Series Bond Ordinance of \$160,921,189.03 less applicable exclusions. The revenue for the month of November 2019 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$159,070,488.01
Gas revenue	14,743,828.79
Interest and other income	2,306,942.62
Gross revenue per CPS Energy financial statements	<u>176,121,259.42</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(5,998,992.07)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfarm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(11,114,795.30)
Noncash and other income, GASB 31 investment market value change, miscellaneous Interest income, gas billing adjustment and unbilled Revenue	1,913,716.98
Total excluded revenue	<u>(15,200,070.39)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$160,921,189.03</u>
City payment per Bond Ordinance for November 2019 based upon November 2019 revenue	\$22,528,966.46
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	509,086.04
Wholesale Special Contract Annual True Up	14,035.71
City Payment reduction per UTSA gas billing adjustment MOU	(12,500.00)
Annual True Up per UTSA MOU	0.00
City payment per Bond Ordinance plus adjustments for memorandums of understanding	23,039,588.21
Utility services provided to the City for November 2019	<u>(2,418,248.42)</u>
Net amount to be paid from November 2019 revenue to the City in December 2019	<u>\$20,621,339.79</u>

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

November 2019	Actual	Budget	Variance	
Current Month* A	\$23,040	\$24,136	(\$1,096)	-4.5%
Year-to-Date*	\$295,760	\$289,126	\$6,634	2.3%

* This amount does not include any additional funding authorized by the Board of Trustees.

Approval of the following resolution is requested:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$20,621,339.79 representing 14% of applicable system gross revenues for the month of November 2019, such payment being net of City utility services (\$2,418,248.42), is hereby approved."

The following resolution was approved:

DEPOSITORY AGREEMENT RESOLUTION

The following resolution relating to the designation of and contract with a bank to serve as Depository for the funds of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board of Trustees of CPS Energy (the "Board"), including management and control over the purchasing activities of the systems;

WHEREAS, Texas Local Government Code Section 105.016 requires that the governing body of a municipality designate, by an order recorded in its minutes, the bank, credit union or savings association to serve as Depository for the municipality's funds;

WHEREAS, Texas Local Government Code Section 105.017 requires that the governing body approve the terms and conditions of the Depository Agreement whose term does not exceed five years; and

WHEREAS, CPS Energy Management represents to the Board that a Depository was selected in accordance with Texas Local Government Code Chapter 105.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves (i)the selection of JPMorgan Chase, N.A., as the Depository for CPS Energy's funds and (ii) a Depository Agreement between City Public Service Board of San Antonio, Texas and JPMorgan Chase Bank, N.A. substantially in the form attached, for the period February 1, 2020 through January 31, 2022.

Approval of Procurement Items

*Two (2) Non-Competitively Sensitive Items**

- | | |
|-----------------------|---|
| 1. Purchase Category: | General Services |
| Supplier: | The Arbor Experts, LLC |
| Supplier: | Asplundh Tree Expert LLC |
| Supplier: | Davey Tree Surgery Company |
| Supplier: | Paloma Blanca Enterprises, Inc. |
| Supplier: | CWC Right of Way, Inc. dba Right of Way Services, Inc. |
| Supplier: | Pozzi Enterprises Inc. dba Border Construction Services |
| | |
| 2. Purchase Category: | Professional Services |
| Supplier: | Terracon Consultants Inc. |

*Attached as Attachment "A" is the listed Procurement Items.

VII. ADDITIONAL UPDATES

Cost Savings: Pay down of Debt

Mr. Gautam Shringarpure, Interim Director, Corporate Finance Analytics, provided an update on savings generated by paying down certain debt. He explained that we continuously look for cost savings opportunities and we are able to optimize our debt savings plan by paying down debt. Such effort will lead to cost savings of \$6.8 million to benefit our community. We accomplished a similar cost savings effort last fiscal year saving \$3.5 million. This opportunity provides \$6.8 million in interest savings for fiscal years 2021 through 2025. This shaves down our debt service schedule and benefits the financial metrics in targeted years.

Trustee Kelley asked whether cash is being used for the payment of the debt, which Mr. Shringarpure answered affirmatively. Trustee Kelley asked whether there would be any pre-payment penalties for payment of the debt early. Mr. Shringarpure answered there would be no penalties.

Mr. Shringarpure identified the targeted maturities to pay down debt maturing in fiscal years 2022 through 2025 for approximately \$108 million in principal. These maturities are targeted to smooth out and level the debt service payments.

Mr. Shringarpure illustrated the debt service schedule with a bar graph and depicted the debt service peaks in fiscal years 2023 through 2025. He stated that the debt pay down would allow us to flatten debt service and level the debt service profile. This is useful for budgetary purposes and enables us to be more strategic with market opportunities. Mr. Shringarpure outlined the impacts to the financial metrics. Such defeasance would modestly improve the adjusted debt service coverage (ADSC) ratio from 1.50x to 1.89, increase the days cash on hand from 150 days to 205 days, and directionally lower the debt-to-capitalization ratio.

Mr. Shringarpure requested that the board approve a resolution authorizing the CEO and CFO to execute the pay down/defeasance of bonds for up to \$125 million at the senior lien or junior lien levels through January 31, 2020. City Council approval is not required for such defeasance.

Trustee Kelley expressed support for the effort to deleverage the balance sheet and arbitrage cash.

On motion duly made by Trustee Mackey, seconded by Trustee Gonzalez and upon affirmative vote by all members present, the resolution attached as Attachment "B" was unanimously approved.

At approximately 2:46 p.m., Trustee Kelley departed the meeting.

Other

Chair Steen recognized Councilman Courage in the audience. He requested that Ms. Gold-Williams speak to Councilman Courage and the audience regarding the cost savings efforts presented to the Board. Ms. Gold-Williams explained that we look for opportunities to cut costs to keep our rates affordable. While we've been in the habit of saving money for years, across the organization, for two years we have illustrated how we continuously save money. Our senior leaders are all committed to leverage our vendors and decrease costs.

VIII. CEO'S REPORT

Ms. Gold-Williams began her report by discussing real estate items (item 7). We have been on a mission all year to take excess properties and sell them. Property is valuable in San Antonio and we do not need them for our system, therefore we are in the process of selling surplus properties. We expect individual properties to be brought to the Board in January after we have evaluated viable offers and negotiated terms. We will seek approval from the Board to execute the sale agreements.

Chair Steen commented that we are selling these properties to offset the costs of the new headquarters. Ms. Gold-Williams agreed and said that the new headquarters budget is \$215 million, but due to the age of our current properties, we will be saving on overall operation and maintenance (O&M) costs with a new facility. For the square footage, we got a good price for the new buildings. We are very good at managing construction costs, but the sale of properties will help offset the overall price of the new headquarters.

Ms. Gold-Williams addressed the banking and depository services agreement (item 8), which was approved through the consent agenda. She expressed the importance of having a good banking relationship.

She also discussed the vegetation management contract (item 8), which was also approved through the consent agenda. We embrace trees and we have tree trimming to support the transmission and distribution lines and to follow city ordinances. We selected multiple vendors for a total contract award of \$30 million.

She discussed the cost savings (item 9A) by paying down debt on outstanding bonds. Ms. Gold-Williams reiterated that the approval occurs at the Board level and does not require City Council approval. She highlighted that we look to other ways to pay down debt, including paying down a flexible revolving rate note and paying down debt on our commercial paper program.

She previewed the discussion regarding a new policy on the pension plan (item 12). She stated that we are over 80% funded on our pension plan, which is good, but the Texas Legislature wants us to be 100% funded. A new state statute requires a formal policy and guidelines to achieve 100% funding. She explained that our team reviewed the new state requirements, proposed a new pension plan funding policy, and obtained the Employee Benefits Oversight Committee's (EBOC) approval. The EBOC is the governing body for approval, and it does not require full board approval.

Ms. Gold-Williams commented that we do not have a separate financial update this month, but that the information will come via separate cover. Everything still looks good. We have been prudent on costs and the metrics are still very strong.

She discussed the energy landscape in general. She highlighted that while it feels like San Antonio is lagging, this is truly a global phenomenon on what to do with energy and environmental issues. She plans to use the Board meetings to highlight the global discussion. The financial community is poised to look for efforts to find better renewable energy resources, including renewable energy bonds. In the past, we have not financed renewable projects because of taxation issues. Instead, we typically enter into power purchase agreements (PPAs) because they are more economical for the utility. Through a PPA, the developer benefits with tax credits while we get the benefits of the power. The tax credits are starting to fade away and the price

of renewables is starting to come down, so we may seek Board approval in the future to issue bonds to purchase renewables rather than securing renewables through a PPA.

Trustee Gonzalez asked for an example of direct ownership of renewables through bond financing. Ms. Gold-Williams explained that we would take ownership of an entire solar or wind farm or energy storage. It may be new things on the horizon. These financial products are available on the market now.

Ms. Gold-Williams explained that we continue to look at different technologies and highlighted an article about a recent concentrated solar power project supported by Bill Gates. We are going to study this and see if this is a feasible option for us.

She discussed a recent development in the Texas energy market whereby Baker Hughes announced its intention to become carbon net zero by 2050. Through their plan, 100 percent of energy in Texas will be sourced through renewables, which will power 170 facilities in Texas. This effort will only lower the overall company carbon footprint by 12 percent. She discussed the nuances of analyzing these efforts and the gains achieved. She noted that Baker Hughes will adhere to the 2050 goal but is focused on net zero emissions.

She discussed a recent headline regarding cities' climate goals. She recognized that there is a momentum to move faster, but you must balance all industries that impact a city's efforts.

She covered a recent article regarding a peer public utility, Los Angeles Department of Water & Power (LADWP) in California. She noted that LADWP has natural gas in their portfolio, but they are getting out of coal generation plants. They are looking at new technologies including hydrogen storage. Mr. Fred Bonewell is also looking into hydrogen storage. We are evaluating the pros and cons with every new technology and determining if there is something we can do long term.

She also addressed recent articles regarding the City of Georgetown's decision in 2015 to become 100 percent renewable (solar). They have had significant challenges in doing that. If you are in an expensive energy market like Japan, the ability to implement new products is easier because the price of power is higher. In Texas, we have such low rates, but overall power here is less expensive due to the abundance of natural gas and lower pricing of renewable resources, which makes energy prices lower. If you hedge against the market, which is what happened in Georgetown's case, it may not work out as well. She noted that Georgetown recently hired Shell Oil Company as a consultant to help them move forward with an energy resources plan.

Ms. Gold-Williams provided a brief recap of the annual rating agency visits in New York City. We have attended for decades and are rated by all three credit rating agencies (Fitch Ratings, Moody's, and Standard & Poor's). She visits with the rating agencies, as did her predecessors. The focus is on the company's strategy and to answer questions. She was joined by Dr. Mackey, Ms. Lenzy-Jones, Mr. Bonewell, Ms. Bouet, and Ms. Shannon Albert, Senior Director Treasury. The focus of this trip was the gas business, safety and security teams, and the EIT group and digital strategy. These topics all tied into the *Flexible Path* with a focus on the future. The rating agencies do not have an opinion on technologies, but they do want companies to develop a strategy and describe their risk mitigation efforts. They appreciated that we are taking into consideration various viewpoints. They understand the time it takes to decommission older technologies. We keep in mind how to transition hundreds of employees to new roles when we decommission plants. We must keep services reliable and fees affordable. We talked to the rating agencies

about the *Flexible Path* as a way to move forward. They were very interested on the nexus of energy and the environment.

IX. COMMITTEE REPORTS

Technology & Innovation (T&I) Committee Meeting held on December 3, 2019

Trustee Gonzalez reported on the Technology & Innovation Committee meeting which took place on December 3, 2019. An Executive Summary and Chair Report, as well as minutes of the meeting, were included in the December Board Book for the Board's reference.

T&I Aligned Risk Sub-Committee Meeting held on December 3, 2019

Trustee Gonzalez reported on the T&I Aligned Risk Sub-Committee meeting which took place on December 3, 2019. An Executive Summary and Chair Report, as well as minutes of the meeting, were included in the December Board Book for the Board's reference.

X. PENSION PLAN FUNDING POLICY

Ms. Shellman introduced Debra Wainscott, Senior Director People Services, and noted that the presented plan was created in collaboration with Zandra Pulis, Deputy General Counsel.

Ms. Wainscott presented an update on the funding policy for the pension plan. The EBOC approved the plan on December 6, 2019. She explained the new Texas law requiring a funding policy to achieve 100 percent funding for pension plans.

The policy objective is to achieve 100 percent funding ratio in compliance with the new law. The annual contribution has been at least the Actuarially Determined Contribution (ADC), which follows the Texas Pension Review Board guidelines. The new funding policy was drafted and reviewed by the advisors, legal team, and Administrative Committee. It was adopted on December 6, 2019 by the EBOC and is compliant with the new Texas law. The policy will be submitted to the Texas Pension Review Board and the EBOC will be consulted if there are any future changes.

XI. EXECUTIVE SESSION

At approximately 3:14 p.m., Chair Steen announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would again convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

- Competitive Matters (§551.086)
- Attorney-Client Matters (§551.071)

The Board reconvened in open session at 3:31 p.m. Ms. Shellman reported that Competitive Matters and Attorney-Client Matters, and no others, were discussed and no votes were taken in Executive Session.

XII. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Trustee Mackey, and seconded by Trustee Gonzalez, and upon an affirmative vote of all members present, the meeting was unanimously adjourned at 3:32 p.m. by Chair Steen.



Carolyn E. Shellman
Carolyn E. Shellman
Secretary of the Board




CPS Energy Board of Trustees Meeting
December 16, 2019
APPROVAL of PROCUREMENT ITEMS
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Two (2) Non-Competitive Sensitive Items

1. **Purchase Category:** General Services
Supplier: The Arbor Experts, LLC
Supplier: Asplundh Tree Expert LLC
Supplier: Davey Tree Surgery Company
Supplier: McCoy Tree Surgery Company
Supplier: Paloma Blanca Enterprises, Inc.
Supplier: CWC Right of Way, Inc. dba Right of Way Services, Inc.
Supplier: Pozzi Enterprises Inc. dba Border Construction Services

2. **Purchase Category:** Professional Services
Supplier: Terracon Consultants Inc.

Financial Approval: 
Delores Lenzy-Jones, CFO & Treasurer

Approval: 
Paula Gold-Williams, President & CEO



CPS Energy Board of Trustees Meeting
December 16, 2019
PROCUREMENT FORM 1

Originator	Isidro Bonilla
Department	Technical Services Distribution
Division	Distribution Services & Operations
Purchase Order Value	\$30,000,000
Purchase Category	General Services
Senior Vice President Distribution Services & Ops	Rudy Garza
Chief Operating Officer	Cris Eugster

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (if applicable)
The Arbor Experts, LLC	3 Years	\$ 6,000,000	20%	2186395	Local/Diverse	
Asplundh Tree Expert LLC	3 Years	\$ 7,000,000	23%	2186190	Local/Non-Diverse	
Davey Tree Surgery Company	3 Years	\$ 6,000,000	20%	2186191	Local/Non-Diverse	
McCoy Tree Surgery Company	3 Years	\$ 8,000,000	27%	2186189	Local/Non-Diverse	
Paloma Blanca Enterprises, Inc.	3 Years	\$ 1,800,000	6%	2186193	Local/Diverse	
CWC Right of Way, Inc. dba Right of Way Services, Inc.	3 Years	\$ 600,000	2%	2186194	Non-Local/Diverse	
Pozzi Enterprises Inc. dba Border Construction Services	3 Years	\$ 600,000	2%	2186192	Local/Diverse	

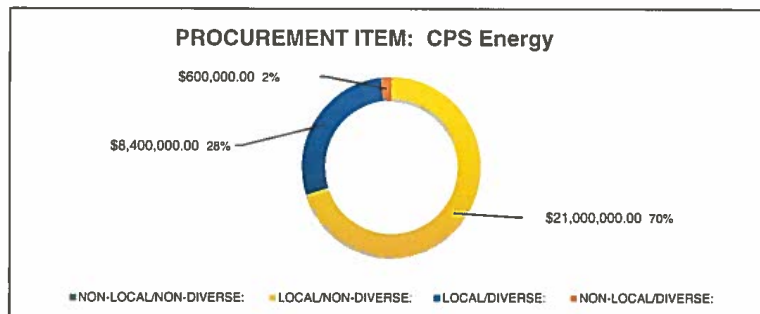
Project Description
Contract to provide vegetation management and Right of Way (ROW) maintenance services as needed and as requested by CPS Energy. The majority of work will be performed on various CPS Energy gas and electric easements located in the San Antonio Metropolitan Area and other remote easements.

Value Proposition & Summary
Maintaining vegetation clearances significantly reduces outages related to trees and storms and improves public safety. Customers will also reap the benefits from faster restoration times with clear right-of-ways for crews to work in and around.

Annual Funds Budgeted				
FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
20	\$765,400,000	Capital	\$500,000	0.07%
20	\$673,700,000	O&M	\$9,500,000	1.41%

Basis for Award: Best Value Procurement Analyst: Trisha Wiatrek
 Competitive Information: YES NO Collective #: 7000155609
 If yes, reason _____

PROCUREMENT ITEM: CPS Energy	
NON-LOCAL/NON-DIVERSE:	\$21,000,000.00
LOCAL/NON-DIVERSE:	\$ 8,400,000.00
LOCAL/DIVERSE:	\$ 600,000.00
NON-LOCAL/DIVERSE:	\$ 30,000,000.00





CPS Energy Board of Trustees Meeting
December 16, 2019
PROCUREMENT FORM 2

Originator	Mona C. Sandoval
Department	Facility & Capital Construction
Division	Real Estate & Master Planning
Purchase Order Value	\$550,000 (Original \$400,000 + \$90,000 + \$60,000)
Purchase Category	Professional Services
Vice President Real Estate Development	John L. Benedict
Chief Administrative & Business Development Officer	Frank Almaraz

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (If applicable)
Terracon Consultants Inc.	5 Years	\$ 550,000	100%	2156629	Local/Non-Diverse	Added funds \$60,000

Project Description
This contract is required to provide Geotechnical Engineering Construction Testing Services for the new headquarters and will provide CPS Energy continued support during the renovation and redevelopment of the property located at 500-530 McCullough Avenue. The additional funds are needed to complete the project and fund the contract through the expiration date of August 31, 2021, which includes construction materials testing and structural observations for any future design changes through the end of the project.

Value Proposition & Summary
The procurement of these services will ensure that CPS Energy continues to receive the appropriate construction material quality testing services and design change analysis for the new headquarters building. Their past involvement and continued involvement in the project will ensure consistency and makes them uniquely qualified to provide this service to CPS Energy. This procurement is within the Project budget.

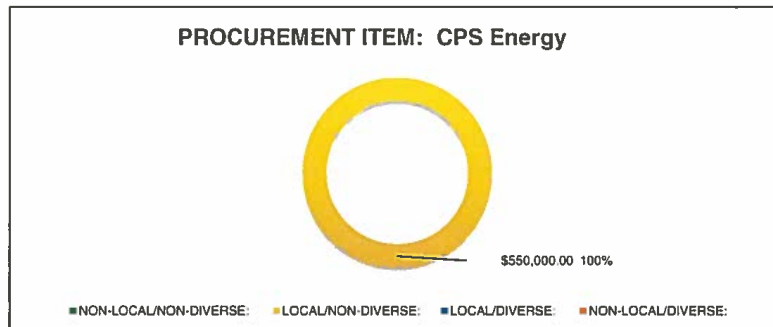
Annual Funds Budgeted				
FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
20	\$765,400,000	Capital	\$60,000	0.01%
20	\$673,700,000	O&M	\$0	0.00%

Basis for Award: Best Value Procurement Analyst: Dolores Torres-Elizondo

Competitive Information: YES NO Collective #: 7000133174

If yes, reason _____

PROCUREMENT ITEM: CPS Energy	
NON-LOCAL/NON-DIVERSE:	
LOCAL/NON-DIVERSE:	\$ 550,000.00
LOCAL/DIVERSE:	
NON-LOCAL/DIVERSE:	
	<u>\$ 550,000.00</u>



A RESOLUTION BY THE BOARD OF TRUSTEES OF THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS PROVIDING FOR THE DEFEASANCE OR PREPAYMENT OF CERTAIN CURRENTLY OUTSTANDING REVENUE OBLIGATIONS OF THE CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS; AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT AND ANY DOCUMENTATION RELATED THERETO; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, pursuant to the authority contained in Chapter 1502, Texas Government Code, as amended, Chapter 552, Texas Local Government Code, as amended, and certain ordinances (the *New Series Bonds Ordinances*) previously passed by the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) authorizing the issuance of the currently outstanding New Series Bonds (defined herein), the complete management and control of the electric and gas systems (the *Systems*) of the City is vested in a Board of Trustees (the *Board* or *CPS Energy*) known as the City Public Service Board of San Antonio, Texas, during the period of time any of the New Series Bonds are outstanding and unpaid; and

WHEREAS, the City Council has previously authorized the issuance of, and there now remains outstanding, City revenue obligations that are secured by and payable from, respectively, a first lien on and pledge of (the *New Series Bonds*), a second lien on and pledge of (the *Junior Lien Obligations*), a third lien on and pledge of (the *Commercial Paper Notes*), and a fourth lien on and pledge of (the *Inferior Lien Obligations* and, collectively with the New Series Bonds, the Junior Lien Obligations, and the Commercial Paper Notes, the *Systems Obligations*) the net revenues of the Systems (the *Net Revenues*); and

WHEREAS, the Board determined that lawfully available Systems' funds, in an amount not to exceed \$125,000,000, shall be used on or before January 31, 2020 to defease certain outstanding Systems Obligations, which prepaid or defeased Systems Obligations are set forth in Schedule I hereto (the *Defeased Obligations*); and

WHEREAS, it is in the best interest of the Systems and its ratepayers to defease the Defeased Obligations as herein provided in order, as applicable, to terminate the lien on and pledge of Net Revenues or other security securing their payment and discharge the same as City indebtedness payable from and secured by such Net Revenues or, as applicable, other security; now, therefore,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS THAT:

1. The Board hereby approves the expenditure of lawfully available funds of the Systems (the *Proceeds*) for the purpose of cash defeasing and/or acquiring certain defeasance securities as permitted by applicable law and depositing the same with the Escrow Agent (defined herein), to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient funds, together with any funds deposited therewith, if any, to pay when due the principal of, premium, if any, or interest on the Defeased Obligations. The Board reserves the right and will determine the defeasance securities

and any appropriate escrow reinvestment agreements or other similar contractual agreements to effectuate the defeasance of the Defeased Obligations, subject in all respects, however, to the laws of the State of Texas and the applicable provisions of the City ordinance authorizing their issuance.

The Board hereby authorizes, appoints, and designates the President and Chief Executive Officer of the Board, the Chair or Vice Chair of the Board, the Secretary or Assistant Secretary of the Board, the Chief Financial Officer of the Board, and each Treasurer and Assistant Treasurer of the Board (each, an *Authorized Official*) as a representative of the Board, to effectuate and implement the purpose and intent of this Resolution, subject to the following limitations. At the time of consummation of a prepayment or defeasance transaction pursuant to the authorization of this Resolution, being the time of acquisition or subscription for investments that will fund the Escrow Fund (defined herein) or such other action that obligates the Board to fund an escrow or effectuate a prepayment (each, a *Transaction Date*), an Authorized Official shall execute an "Approval Certificate", a form of which is included as Exhibit B hereto, evidencing the final terms of such defeasance transaction and compliance with the provisions and limitations of this Resolution. Any defeasance transaction shall be subject to the following limitations:

- a. Total amount of Proceeds shall not exceed \$125,000,000;
- b. Defeased Obligations shall be selected from Systems Obligations outstanding as of a Transaction Date and that would otherwise remain outstanding as of the date of settlement of the subject transaction;
- c. Neither a Transaction Date, nor the settlement of any transaction hereunder described, shall occur later than January 31, 2020; and
- d. Defeased Obligations shall be defeased to their date of stated maturity.

Upon execution of an Approval Certificate, City's co-bond counsel (*Co-Bond Counsel*) is authorized to complete a copy of this Resolution as evidence of the defeasance of the Defeased Obligations pursuant to the delegated authority, which includes completion of Schedule I with those Systems Obligations selected as Defeased Obligations and such other necessary technical modifications to this Resolution to accommodate all other terms and provisions of this Section 1.

2. The Board hereby approves the entrance into an escrow agreement (each, an *Escrow Agreement*) with an Escrow Agent qualified to serve in such capacity under applicable Texas law and as selected by an Authorized Official (the *Escrow Agent*) in connection with the defeasance of the Defeased Obligations. A form of the Escrow Agreement, attached hereto as Exhibit A and incorporated herein by reference as a part of this Resolution for all purposes, is hereby approved as to form and content, and each such Escrow Agreement, together with such changes or revisions as may be necessary to accomplish the defeasance of the Defeased Obligations, is hereby authorized to be executed by an Authorized Official for and on behalf of the Systems and as the act and deed of the Board, and each such Escrow Agreement as executed by said officials shall be deemed approved by the Board.

Furthermore, each Authorized Official, and Co-Bond Counsel, in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the deposit of cash and/or the purchase of any securities referenced in the Escrow Agreement and the delivery thereof to the Escrow Agent upon delivery to the Escrow Agent of the funds described in Section 1 above for deposit to the credit of the "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS 2020 DEFEASANCE ESCROW FUND" (the *Escrow Fund*), including the execution of the subscription forms, if any, for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund, all as contemplated and provided by the provisions of Chapter 1207, Texas Government Code, as amended, this Resolution, and each Escrow Agreement.

3. The Board hereby appoints Robert Thomas CPA, LLC, Overland Park, Kansas, as the verification agent (the *Verification Agent*), to verify the sufficiency of the deposit to the Escrow Fund to accomplish the defeasance of the Defeased Obligations, to the extent such appointment is necessary or desired and in the event of the establishment of a net defeasance Escrow Fund; provided, however, that in the event of a gross defeasance of the Defeased Obligations, the sufficiency of the deposit to the Escrow Fund to accomplish such defeasance shall be certified by the Systems' co-financial advisor or another qualified financial institution.

4. This Resolution shall document the authorization to transfer funds to effectuate, from the Proceeds, the defeasance of the Defeased Obligations provide evidence of this transaction to CPS Energy's independent auditors.

5. Each Authorized Official is authorized to evidence adoption of this Resolution and to do any and all things necessary or convenient to effect the defeasance of the Defeased Obligations and otherwise give effect to the intent hereof.

6. Though such parties may be identified, and the entry into a particular form of contract may be authorized herein, the Board hereby delegates to each Authorized Official the authority to independently select the counterparty to any agreement with the Escrow Agent, Verification Agent, or any other contract that is determined to be necessary or incidental to carry out the provisions of this Resolution, as long as each of such contracts has a value of less than the amount referenced in Section 2252.908, Texas Government Code, as amended (collectively, the *Ancillary Contracts*), and, as necessary, to execute the Ancillary Contracts on behalf and as the act and deed of the Systems. The Board has not participated in the selection of any of the business entities which are counterparties to the Ancillary Contracts.

7. The Board hereby approves payment from lawfully available Systems funds of professional fees and expenses of Co-Bond Counsel, CPS Energy's co-financial advisors, the Escrow Agent, the Verification Agent, the paying agent/registrar for the Defeased Obligations, and any other party whose services have been determined by CPS Energy to be necessary to accomplish the purpose and intent of this Resolution.

8. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

9. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

10. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

11. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

12. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.

13. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

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