



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON WEDNESDAY, MAY 27, 2020 AT 1:00 PM
BY TELEPHONE CONFERENCE
1 (855) 962-1328**

RECEIVED
CITY OF SAN ANTONIO
CITY CLERK
20 MAY 21 PM 1:31

Pursuant to section 551.127 of the Texas Government Code, and in conjunction with the guidance and provisions provided by the Governor of Texas in the declaration of disaster and subsequent executive orders altering certain Open Meetings Act requirements, notice is hereby given of a Regular Meeting of the CPS Energy Board of Trustees to be held on Wednesday, May 27, 2020, at 1:00 p.m., by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19). There will be no in-person public access to the meeting.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Mr. John Steen
UPDATE ON CHAIR'S PRIORITIES			
2	CEO'S REPORT (Part 1) A. Brigadier General Laura Lenderman	Discuss	Ms. Paula Gold-Williams
3	SAFETY MESSAGE	Execute	Mayor Ron Nirenberg & Ms. Paula Gold-Williams
4	INVOCATION	Execute	Ms. Shanna Ramirez
5	PUBLIC COMMENT (Pre-Registration scheduled from 10:00 AM – 11:00 AM @ (210) 353-4662) A. Chair's Announcements B. Comments	Discuss	Mr. John Steen
6	CEO'S REPORT (Part 2)	Discuss	Ms. Paula Gold-Williams
7	ADDITIONAL UPDATES: A. FY2021 Preliminary COVID-19 Financial Impacts, Cont. (Mr. Gary Gold) B. Other	Discuss	Ms. Paula Gold-Williams
CONSENT AGENDA			
8	APPROVAL OF CONSENT ITEMS: A. Minutes of the Special Board Meeting held on 04/20/2020 B. Minutes of the Regular Board Meeting held on 04/27/2020 C. Payment to the City of San Antonio for April 2020 D. Procurement Item(s): I. Professional Services (Mr. Gary Gold)	Vote	Mr. John Steen
REGULAR AGENDA			
9	FY2021 FINANCING TRANSACTIONS	Vote	Mr. Gautham Shringarpure
10	GAS SOLUTIONS SUMMER 2020 READINESS	Discuss	Mr. Richard Lujan
11	OPERATIONS SUMMER 2020 READINESS	Discuss	Dr. Cris Eugster
12	GRID RESILIENCY UPDATE	Discuss	Ms. Shanna Ramirez
13	COMMITTEE REPORTS: A. Audit & Finance Committee (A&F) Meeting held on 04/21/2020 (Dr. Willis Mackey) B. Employee Benefits Oversight Committee (EBOC) Meeting held on 04/21/2020 (Dr. Willis Mackey) C. A&F & EBOC Aligned Risk Sub-Committee Meeting held on 04/21/2020 (Dr. Willis Mackey)	Discuss	Mr. John Steen

May 27, 2020 Board Meeting - AGENDA & MEETING NOTICE

CONVENE TO EXECUTIVE SESSION			
14	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Mr. John Steen
RECONVENE TO OPEN SESSION			
15	ADJOURNMENT	Execute	Mr. John Steen
If the Board meeting has not adjourned by 4:30 PM, the presiding officer may 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.			

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF REGULAR MEETING

BY TELEPHONE CONFERENCE

Pursuant to section 551.127 of the Texas Government Code, and in conjunction with the guidance and provisions provided by the Governor of Texas in the declaration of disaster and subsequent executive orders altering certain Open Meetings Act requirements, notice is hereby given of the CPS Energy Board of Trustees Regular Meeting **to be held on Wednesday, May 27, 2020, at 1:00 p.m., by telephone conference** in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19).

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein, by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

There will be no in-person public access to the meeting.

The meeting will be audio-streamed on cpsenergy.com.

The meeting is also available by calling toll-free 855-962-1328.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on the day of the Board meeting by phone at 210-353-4662. Registration is open for 1 hour, from 10:00 a.m. CT to 11:00 a.m. CT. Those registering to speak should be prepared to provide the following information:

- First & last name / group or organization
- City & state of residence
- Phone and/or email address
- Agenda item # about which they are speaking
- Group for which the individual is speaking
- Any required translation service


Speakers will be called to speak in the order that they register.

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the telephonic meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 551.183(i) about confidential information under the Texas Homeland Security Act.


Carolyn E. Shellman
Secretary of the Board
May 21, 2020

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FY2021 PRELIMINARY COVID-19 FINANCIAL IMPACTS AS OF APRIL 30, 2020

PRESENTED BY:

Gary Gold

VP Corporate Services

May 27, 2020

Informational Update



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DISCLAIMER



We continue to work through the unprecedented global, national, state, and local implications of COVID-19. Our current financial projections were prepared in-light of COVID-19 for preliminary informational discussion purposes only. We are all early in this period of COVID-19 implications, and as such, these financial projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoughtfully think through our financial analysis. This said, since there is tremendous uncertainty across the current economic and financial landscapes, the actual results for this fiscal year could be lower, comparable, or higher than what we are projecting at this time.



OBJECTIVES & TAKEAWAYS

- **REVIEW FINANCIAL RESULTS FORECAST**
- **HIGHLIGHT FINANCIAL PERFORMANCE & METRICS**



AGENDA



- **NET INCOME FORECAST**
- **FLOW OF FUNDS**
- **KEY FINANCIAL METRICS**
- **ACTIONS & NEXT STEPS**



NET INCOME

POTENTIAL EFFECTS OF COVID-19



(\$ in millions) Description	FY2021		
	Budget	COVID-19 Medium Impact	COVID-19 High Impact
Revenue available for nonfuel expenses			
Electric	\$ 2,522.1	\$ 2,312.0	\$ 2,254.4
Gas	183.0	153.7	153.7
Total operating revenue	2,705.1	2,465.7	2,408.1
Less:			
Electric fuel, distribution gas & regulatory	995.1	912.0	898.0
Payments to the City of San Antonio	365.3	333.1	324.2
Net operating revenue	1,344.7	1,220.6	1,185.9
Nonoperating revenue	71.2	70.3	70.0
Total revenue available for nonfuel expenses	1,415.9	1,290.9	1,255.9
Nonfuel expenses			
Operation & maintenance	712.8	664.2	664.2
Depreciation, amortization & decommissioning	457.1	455.2	455.2
Interest & debt-related	242.1	225.9	225.9
Total nonfuel expenses	1,412.0	1,345.3	1,345.3
Net income	\$ 3.9	\$ (54.4)	\$ (89.4)

Assumptions:

Operating Revenue

- Retail Electric Sales estimated to be 6% lower.
- Assumes \$28M of Bad Debt; \$20M higher than budget; 50% greater than the recession level of 2008.
- Wholesale Revenue Net Fuel reduced from budget to \$45M for the Medium Impact scenario. Lower market prices driven by assumed reduced ERCOT-wide demand.

➤ Reflects actuals through April

Interest & debt-related

reflects actuals from refinancing savings

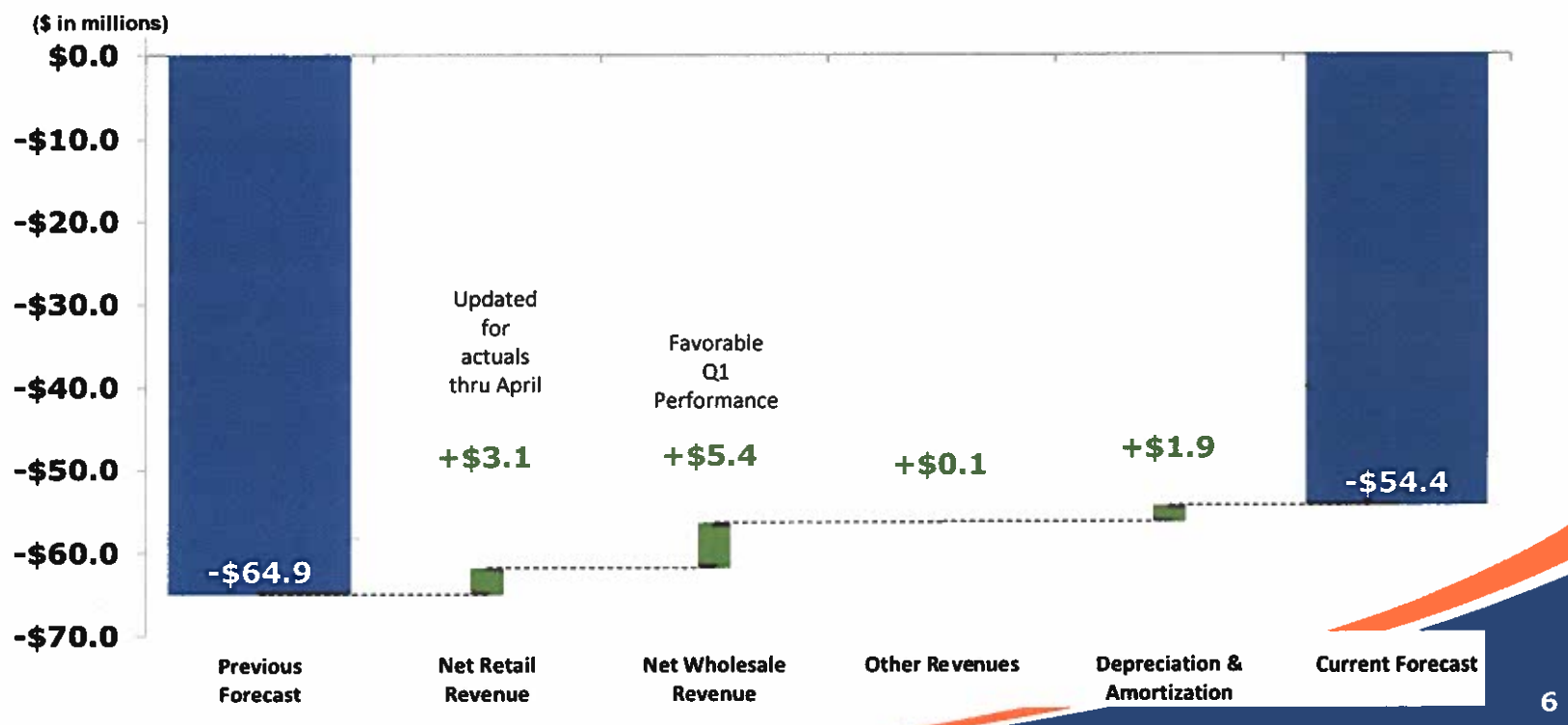
O&M

reflects identified cost savings; BU cost mitigations and reduction to labor associated with unfilled positions.

NET INCOME

POTENTIAL EFFECTS OF COVID-19

MEDIUM IMPACT: PREVIOUS TO CURRENT FORECAST



FLOW OF FUNDS

POTENTIAL EFFECTS OF COVID-19



Description	FY2021		
	Budget	COVID-19 Medium Impact	COVID-19 High Impact
(\$ in millions)			
Revenues, net of unbilled	\$ 2,758.2	\$ 2,519.4	\$ 2,461.2
Less: city payment (CP) per flow of funds	365.3	333.1	324.2
Revenues, net of unbilled & CP	2,392.9	2,186.3	2,137.0
Less: fuel & regulatory expense	995.1	912.0	898.0
Revenues, net fuel & regulatory	1,397.8	1,274.3	1,239.0
Operation & maintenance	714.4	668.5	668.5
Debt service	425.9	409.3	409.3
Total expenses	1,140.3	1,077.8	1,077.8
6% Gross Revenue to R&R	165.5	151.2	147.7
Remaining to R&R	92.0	45.3	13.5
Total R&R fund additions	\$ 257.5	\$ 196.5	\$ 161.2
Total capital expenditures	\$ 625.8	\$ 590.8	\$ 590.8

Assumptions:

Operating Revenue

- Retail Electric Sales estimated to be 6% lower.
- Assumes \$28M of Bad Debt; \$20M higher than budget; 50% greater than the recession level of 2008.
- Wholesale Revenue Net Fuel reduced from budget to \$45M for the Medium Impact scenario. Lower market prices driven by assumed reduced ERCOT-wide demand.
- Reflects actuals through April

Interest & debt-related

- reflects actuals from refinancing savings
- reflects identified cost savings; BU cost mitigations and reduction to labor associated with unfilled positions.

Capital

- reflects identified cost mitigations

KEY FINANCIAL METRICS, PART 1

POTENTIAL EFFECTS OF COVID-19



Metric	FY2020 Actuals	Budget	Accountability Plans Threshold	COVID-19 Medium Impact	COVID-19 High Impact
Adjusted Debt Service Coverage (ADSC)	1.94	1.60	1.50¹	1.48	1.39
Days Cash on Hand (DCOH)	225	161	150¹	161	156

- Preliminary & subject to change
- Management will work to implement additional mitigations to improve financial performance

- ADSC & DCOH degraded resulting from COVID-19
- Could signal a monitor from Credit Ratings Agency

Legend

- Outside of Credit Ratings Agency Guidance
- On Target with Credit Ratings Agency Guidance

¹ Aligned to Credit Ratings Agency Guidance



KEY FINANCIAL METRICS, PART 2

POTENTIAL EFFECTS OF COVID-19



Metric	FY2020 Actuals	Budget	Accountability Plans Threshold	COVID-19 Medium Impact	COVID-19 High Impact
Debt Capitalization (DC)	59.9%	61.7%	61.7%¹	60.7%	60.9%

- Preliminary & subject to change
- Management will work to implement additional mitigations to improve financial performance

Legend

 On Target with Credit Ratings Agency Guidance

¹ Aligned to the Financial Gate Protocol Set by the Board of Trustees

ACTIONS & NEXT STEPS



- Continue to monitor COVID-19 landscape
- Review load forecasts, accounts receivable & bad debt, adjusting projections accordingly
- Monitor cash flows to ensure liquidity
- Prioritize ongoing operating & capital spend to identify additional cost reductions
- Iterate scenarios to determine financial outcomes
- Continue to provide updates





Thank You



**Draft for review and approval
at the May 27, 2020 meeting**

**CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON APRIL 20, 2020**

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, April 20, 2020 by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19). There was no in-person public access to the meeting. Chair John Steen called the meeting to order at 2:00 p.m.

Present via phone were Board members:

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

Also present via phone were:

Ms. Paula Gold-Williams, President & CEO
Dr. Cris Eugster, Chief Operating Officer
Ms. Carolyn Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Fred Bonewell, Chief Security, Safety & Gas Operations Officer
Ms. Felecia Etheridge, Chief, Business Excellence
Ms. Vivian Bouet, Chief Information Officer
Mr. Frank Almaraz, Chief Administrative & Business Development Officer
Mr. Rudy Garza, Interim Chief Customer Engagement Officer

CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll. A quorum was present.

II. SAFETY MESSAGE

In response to the Chair's request, Mayor Nirenberg provided an update on the COVID-19 pandemic, including current statistics and trends. He emphasized that the City of San Antonio's (City) "Stay Home, Work Safe" order is still in place. He noted plans to develop recommendations for resuming activities and reopening businesses suspended by the pandemic. On behalf of the City and its citizens, the Mayor thanked CPS Energy leadership and employees, and especially the field employees, for their work in providing essential services.

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Ms. Gold-Williams provided an overview of the continued precautions that CPS Energy has undertaken in response to COVID-19. She thanked the Board and expressed her gratitude for their leadership and support throughout the pandemic.

III. INVOCATION

An invocation was delivered by Ms. Zandra Pulis, Deputy General Counsel & Chief Records Management Officer.

IV. PUBLIC COMMENT

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

1. Ms. DeeDee Belmares, Public Citizen, asked about the status of the Mayor's proposal of the Rate Advisory Committee (RAC).
2. Ms. Celia Valles, Texas Organizing Project, also urged the advancement of the RAC and requested a status update. She encouraged CPS Energy to utilize a process for public participation to address the needs of customers impacted by COVID-19.
3. Ms. Alice Canestaro-Garcia, Energia Mía, expressed her support of the RAC and requested an update.
4. Mr. Justin Lecea expressed his interest on the status of the proposed RAC and suggested that its members be selected by the public and not by the Board or City Council.
5. Mr. Greg Harman, Sierra Club, encouraged CPS Energy to contemplate the long-term, post-pandemic financial effects on its customers and offer arrearage forgiveness. He suggested that the employee incentive pay deferred by CPS Energy be used for customer debt relief and that incentive pay be discontinued unless it is tied to achieving the goals of the Climate Action and Adaptation Plan (CAAP). He concluded by suggesting that CPS Energy focus on debt relief and ending disconnections.
6. Mr. Aaron Arguello, Move Texas, urged CPS Energy to move away from coal and towards sustainable energy, stating that certain vulnerable groups are disproportionately impacted by asthma. He commented that the goals set in the CAAP, such as achieving carbon neutrality by 2050, will not be possible without the closure of the Spruce Coal Plant. He urged increased data transparency from CPS Energy and suggested tying its incentive pay to reducing carbon emissions. In conclusion, he expressed support for the RAC.

V. COVID-19 / BUSINESS CONTINUITY UPDATE

Ms. Gold-Williams briefly explained that progress on the RAC has been impacted by the recent COVID-19 crisis. She stated that the request for proposals (RFP) process for RAC consulting services has been impacted and the deadline extended. Nevertheless, CPS Energy continues to work on the RAC.

Ms. Gold-Williams explained that CPS Energy is a vertically integrated utility, providing power generation and transmission and distribution services, as well as customer service. Our employees, like many others in the community, have been affected by issues related to COVID-19, such as school closures and remote work.

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She summarized public outreach efforts during the pandemic, including her participation in an April 16, 2020 Facebook Live event with Mr. Robert Puente, President & CEO, San Antonio Water System (SAWS) and Mr. Jeff Arndt, President & CEO, VIA Metropolitan Transit, sharing how essential services continue to be provided in spite of COVID-19.

Ms. Gold-Williams reported that CPS Energy employees are wearing face masks in accordance with the direction of Mayor Nirenberg and Judge Nelson Wolff. She commented on the different types of masks worn by the different groups of CPS Energy employees. General instruction on the proper use, reuse and disposal of masks was also provided. There have been some delays in the supply of face masks, but shipments are being received.

She discussed the various screening and testing measures adopted and considered for CPS Energy employees. In addition to providing employees with self-screening resources, we have conducted a screening process, including temperature checks of employees working on-site. She emphasized the mission-critical nature of employees that work to keep the power on.

Ms. Gold-Williams noted that CPS Energy offers assistance through various programs and payment plans to many customers. Additionally, CPS Energy has suspended service disconnects, like it typically does during summer peaks and holidays. She encouraged customers who need help to call (210) 353-2222 for assistance.

Field workers have been retrained on precautionary measures to safeguard themselves and customers when in-person interaction is necessary.

Focus on the CPS Energy Business Continuity Plan and Pandemic Preparedness Plan is ongoing.

She reported that an emergency-fill plan applicable to the senior chief positions, requested at the recent Board Personnel Committee meeting, would be provided to the Board this week and explained that it will be incorporated into our Business Continuity Plan.

Ms. Gold-Williams highlighted her ongoing communications with Mr. Erik Walsh, CoSA City Manager, and Mr. Puente of SAWS to share strategies. She explained that discussions, coordinated by the EPIcenter, are ongoing with regional utilities, including Austin Energy, New Braunfels Utilities, and the Lower Colorado River Authority, to discuss best practices ranging from customer service to employee sequestration.

Ms. Gold-Williams provided a brief overview of the considerations relative to our sequestration plan for mission-essential employees, such as control room operators and other key positions in providing generation, transmission and distribution and energy marketing activities. She stated that the incremental costs associated with sequestering employees might be reimbursed by the Federal Emergency Management Agency (FEMA), which typically provides cost recovery to utility companies for resiliency activities. However, at this time, FEMA has not received additional funding to support these costs.

She reported that construction projects are moving forward without interruption, as is construction at our new headquarters. Currently, we anticipate a two-week delay in the move schedule due to new requirements issued by the Fire Marshall and to additional work on the water infrastructure. Also, the COVID-19 pandemic

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has resulted in some furniture delivery delays. However, the \$215 million budget is not expected to be exceeded.

Ms. Gold-Williams provided an overview of the technology tools utilized for working remotely and explained the capacity issues on the CPS Energy network.

Regarding financial impacts of COVID-19, Ms. Gold-Williams stated that, notwithstanding CPS Energy's excellent credit ratings, Standard & Poor's placed the municipal industry, including utilities, on negative outlook. Because we provide a critical service 24 hours a day, 7 days a week, 365 days a year, the rating agencies are focused on our safe, continuous operations and sufficient liquidity during the pandemic.

Key measures utilized in maintaining high credit ratings include:

- Monitoring operational impacts
- Partnering with local, state and national entities to stay on top of critical developments
- Continuously monitoring our financial situation and related forecast
- Looking at alternatives to reduce costs (O&M and Capital) for this year
- Exploring potential sequestration
- Managing the emotional impact of COVID-19 on customers and employees
- Maintaining revenues from our very diverse customer base
- Having low debt write-offs

Ms. Gold-Williams stated that although we do not have the ability to do a debt forgiveness program, we are committed to working with our customers through this disruption.

Chair Steen called for comments. Dr. Mackey praised the company for all its work during this tough time and requested that Ms. Gold-Williams provide a high-level, mid-month update to the Board.

VI. EXECUTIVE SESSION

At approximately 3:04 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 item:

- Attorney-Client Matters (§551.071)

The Board reconvened in open session at 4:53 p.m. Ms. Shellman reported that Attorney-Client Matters, and no others, were discussed and no votes were taken in Executive Session.

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VII. ADJOURNMENT

Trustee Gonzalez and Mayor Nirenberg left the meeting before open session resumed.

There being no further business to come before the Board and upon a motion duly made by Dr. Mackey, and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:54 p.m. by Chair Steen.

Carolyn E. Shellman
Secretary of the Board

**Draft for review and approval
at the May 27, 2020**

**CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON APRIL 27, 2020**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of April was held on Monday, April 27, 2020 by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19). There was no in-person public access to the meeting. Chair John Steen called the meeting to order at 1:00 p.m.

Present via phone were Board members:

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

Also present via phone were:

Ms. Paula Gold-Williams, President & CEO
Dr. Cris Eugster, Chief Operating Officer
Ms. Carolyn Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Fred Bonewell, Chief Security, Safety & Gas Operations Officer
Ms. Felecia Etheridge, Chief, Business Excellence
Ms. Vivian Bouet, Chief Information Officer
Mr. Frank Almaraz, Chief Administrative & Business Development Officer
Mr. Rudy Garza, Interim Chief Customer Engagement Officer

CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll. A quorum was present.

II. SAFETY MESSAGE

In response to the Chair's request, Mayor Nirenberg provided an update on the COVID-19 health statistics and local response efforts, including the City's plans for resuming activities and reopening businesses in accordance with Governor Greg Abbott's ongoing plan to open Texas. He expressed his appreciation to CPS Energy for its support and partnership in providing essential services and community assistance programs.

Ms. Gold-Williams thanked the Board and the Mayor for their support of the collaborative outreach efforts between SAWS and VIA.

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III. INVOCATION

An invocation was delivered by Ms. Zandra Pulis, Deputy General Counsel & Chief Records Management.

IV. PUBLIC COMMENT

No members of the public registered to speak. Chair Steen reminded the public of various ways besides meeting attendance to provide public comments to the Board.

V. CEO'S REPORT

Ms. Gold-Williams began by thanking Mayor Nirenberg, Judge Nelson Wolff and elected officials for their leadership.

Ms. Gold-Williams provided information about CPS Energy's ongoing operational activities during the COVID-19 pandemic. She noted that we will continue deployment of our segmented teams (blue, white and orange) for an additional 30 days as we monitor the Governor's plan to reopen Texas.

She outlined the practices that will be required of employees, specifically with regard to workplace health and responsible re-entry to the workplace. We will also continue to utilize information technology as part of our communications with staff, customers and community.

Ms. Gold-Williams mentioned that disconnect suspensions will continue for a minimum of 30 days after the community has been reopened. She encouraged customers to call and arrange payment options to avoid disconnection once the moratorium ends.

She mentioned that CPS Energy is working on new options designed to meet evolving customer needs.

She discussed the Residential Energy Assistance Program (REAP) program, a partnership between CoSA, Bexar County (County) and CPS Energy. CoSA and the County administer REAP. REAP is funded by an annual contribution of \$1 million from CPS Energy, as well as contributions by customers and fundraising activities.

Construction at our new headquarters is progressing within budget. Currently, we anticipate a 2-week delay in the move schedule.

Ms. Gold-Williams informed the Board about upcoming meetings with the credit rating agencies.

She mentioned that progress on the Rate Advisory Committee (RAC) has been impacted by the COVID-19 pandemic. CPS Energy is evaluating responses received to its request for proposals (RFP).

Ms. Gold-Williams provided context and insights to certain items on the meeting agenda, particularly the items requiring Board approval.

She previewed the FY2021 Preliminary COVID-19 Financial Impacts (item 7A). The purpose of this information, is to provide revenue projections affected by COVID-19.

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She previewed the Vehicle Procurement Contract (item 7B), noting the that the purchase of new bucket trucks provides some benefit to our capital assets, including savings in maintenance costs for the aging fleet that will be replaced.

Regarding the Resolution to Waive Late Fees (item 9), Ms. Gold-Williams reminded the Board that in response to the economic pressures caused by the COVID-19 pandemic, CPS Energy quickly suspended disconnects for customers on payment plans. The Board is being asked to ratify the waiver of late fees which represent less than 1 percent of our total revenues. We will seek City Council approval of this matter at a later time.

Ms. Gold-Williams also previewed the appointments to the Citizens Advisory Committee (CAC) (item10) and the audit of financial statements (item 11).

VI. ADDITIONAL UPDATES

FY2021 Preliminary COVID-19 Financial Impacts

Mr. Gary Gold, Vice President, Corporate Services & Assistant Treasurer, presented the FY2021 Preliminary COVID-19 Financial Impacts to the Board. Because of the uncertainty related to the full impact of COVID-19, these projections were noted to be preliminary and subject to change.

Mr. Gold noted that the financial metrics are compared with the approved budget assuming Medium Impact and High Impact scenarios and explained the results underlying this preliminary forecast.

Mr. Gold explained that the \$3.9 million Board approved budget net income is currently projected to be (\$64.8) million in the Medium Impact scenario, lower than originally budgeted due to COVID-19. Total retail sales are projected to be 6 percent lower due to a decrease in Commercial and Industrial sales volumes, partially offset by an increase in Residential sales volumes as a result of the Stay Home Work Safe orders. Bad debt is assumed to increase to \$28 million, \$20 million higher than budgeted. Bad debt as a percent of revenues is projected to be 50 percent greater than the recession level of 2008. Wholesale revenue net fuel projections were reduced from the budget of \$90 million to \$40 million in the Medium Impact scenario due to an assumed reduced ERCOT-wide demand.

Mr. Gold noted that O&M reflects identified cost savings such as suspended employee incentive pay, the reduction to budgeted labor costs associated with the hiring freeze and unfilled positions, and the deferral of projects. Interest and debt-related costs reflects projected financing savings throughout the year. He stated that we currently project lower revenues than planned, partially offset by a combination of O&M expenses and savings from interest and debt-related.

From the Flow of Funds, the Remaining Repair and Replacement (R&R) fund addition in the Medium Impact scenario is projected at \$31.4 million, lower than the budgeted amount of \$92.0 million. He also highlighted the Remaining R&R addition in the High Impact scenario is estimated at zero due to slightly lower overall sales performance compared to the Medium Impact scenario.

Turning to the key financial metrics, the forecasted Adjusted Debt Service Coverage (ADSC) is 1.45x for the Medium Impact scenario, lower than the accountability plan threshold of 1.50x for the year and the budget of

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1.60x. Days Cash on Hand for the Medium Impact scenario is projected at 150, comparable to the threshold but below the FY2021 budget of 161. Debt Capitalization ratio is projected to be 61.0 percent in the Medium Impact scenario, up from the FY2020 year-end actual result of 59.9 percent. The projection of 61.0 percent is favorable to the budget and accountability plan threshold of 61.7 percent, due to reductions and delays in assumed debt issuances.

Mr. Gold noted that management will continue to look for additional opportunities to improve financial results, monitor the COVID-19 landscape and impact on load forecasts, and provide regular updates.

Vehicle Procurement Contract

Mr. Bonewell introduced Mr. Bert Hargesheimer, Senior Director, Fleet Operations Safety, to provide information related to the commodity and goods procurement item on the Consent Agenda.

Mr. Hargesheimer stated that CPS Energy's existing fleet consists of 2,476 vehicles and equipment, 230 of which are bucket trucks. This procurement is for 90 55-foot bucket trucks over 5 years. These trucks will enhance our fleet's reliability and safety and be more environmentally friendly. He introduced Mr. Brian T. Mills, Journeyman Lineman, who supported the proposed procurement, noting that the new bucket trucks will provide additional functionalities and enhanced safety features.

Mr. Hargesheimer highlighted specifications of the bucket trucks, including increased truck stability; improved bucket access, and an auxiliary power unit which powers the aerial bucket while the vehicle is turned off, thus reducing idle.

Mr. Hargesheimer discussed fleet electrification. He stated that the Electric Power Research Institute (EPRI) estimates the production of electric bucket trucks to develop and mature over the next decade. We work with the Strategic, Research and Innovation team so that solutions can be implemented to integrate our existing fleet as part of that evolution, as well as benefit from those solutions.

In response to an inquiry by Trustee Kelley, Mr. Hargesheimer clarified that the proposed procurement entails purchasing approximately 20 percent or 18 trucks each year for 5 years. That timing allows us to prepare crew members as decommissioned vehicles start to retire.

Responding to Chair Steen, Mr. Hargesheimer clarified that EPRI estimates that electric bucket trucks will not in full production until 2030.

Chair Steen inquired about how the environmental benefits of the new bucket trucks. Mr. Hargesheimer explained that the auxiliary power unit that powers the bucket enables reduced idling of the main engine.

Other

No other updates were provided.

**Draft for review and approval
at the May 27, 2020**

VII. APPROVAL OF CONSENT ITEMS:

On motion duly made by Dr. Mackey, seconded by Trustee Kelley. Ms. Shellman called the roll and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes of the Regular Board Meeting for the month of February held on March 2, 2020, and the Minutes of the Regular Board Meeting held on March 30, 2020 were approved as submitted.

Approval of Payment to the City of San Antonio for March 2020

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 March 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$156,108,988.93, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the total 6% requirement to the Repair and Replacement account and the City Payment by \$22,476,977.14. Under the previously approved agreement with the City, CPS Energy will advance to the City \$22,357,622.38 against future months' revenues for fiscal year 2021. The revenue for the month of March 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$166,542,721.00
Gas revenue	9,739,171.43
Interest and other income	3,337,914.72
Gross revenue per CPS Energy financial statements	<u>179,619,807.15</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(5,308,010.05)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfirm	
energy sales per City Ordinance 61794	
and revenue for wholesale special contracts	(9,308,773.88)
Noncash and other income, GASB 31	
investment market value change, miscellaneous	
Interest income, gas billing adjustment and unbilled	
revenue	<u>(8,894,034.29)</u>
Total excluded revenue	<u>(23,510,818.22)</u>
Gross revenue per New Series Bond Ordinance subject to	
14% payment to the City	<u>\$156,108,988.93</u>

**Draft for review and approval
at the May 27, 2020**

City payment per Bond Ordinance for March 2020 based upon March 2020 revenue	\$21,855,258.45	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	514,863.93	
Wholesale Special Contract Annual True Up	0.00	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	22,357,622.38	A
Utility services provided to the City for March 2020	(2,354,242.80)	
Net amount to be paid from March 2020 revenue to the City in April 2020	<u>\$20,003,379.58</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)

March 2020	Actual	Budget	Variance	
Current Month* A	\$22,358	\$24,074	(\$1,716)	-7.1%
Year-to-Date*	\$45,332	\$49,591	(\$4,259)	-8.6%

* 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 \$20,003,379.58 representing 14% of applicable system gross revenues for the month of March 2020, such payment being net of City utility services (\$2,354,242.80), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2021 is \$33,001,936.57, inclusive of \$119,354.76 necessary to satisfy the 6% Repair and Replacement requirement year-to-date and \$32,882,581.81 advanced to the City.

Approval of Procurement Items – April

Two (2) Non-Competitively Sensitive Items

Purchase Category:	General Services
Supplier:	Mastec North America, Inc.
Supplier:	Wampole-Miller, Inc. dba Miller Bros Division of Wampole-Miller
Supplier:	Mears Installation LLA

Purchase Category:	Commodity and Material Goods
Supplier:	Terex Utilities Inc

*Attached are the listed Procurement Items.

**Draft for review and approval
at the May 27, 2020**

VIII. RESOLUTION TO WAIVE LATE FEES (Ratify)

Ms. Gold-Williams reminded the Board that in response to the COVID-19 pandemic, disconnects and late fees have been suspended for customers that have established payment plans. Because the current period of COVID-19 impact is considerably longer than other periods during which CPS Energy normally suspends disconnects and late fees, the Board is being asked to ratify the waiver of late payments. We continue to work with customers on paying their bills and promote programs established to help them. Ms. Gold-Williams noted that waiving late fees does not result in a significant financial impact.

At Chair Steen's request, Ms. Shellman read the following proposed resolution:

RESOLUTION RATIFYING WAIVER OF LATE PAYMENT FEES

WHEREAS, in consideration of the challenges facing our community caused by COVID-19 and the economic pressures that are related to the on-going and evolving shelter at home and social distancing community directives, CPS Energy quickly announced publicly a helpful plan to temporarily suspend its process of disconnecting the electric and gas services of customers who cannot pay all or part of their utility bills; and

WHEREAS, CPS Energy has historically suspended disconnects for short and definitive periods of time during the peak of the summer and the December holidays to help its customers; and

WHEREAS, CPS Energy has an established payment plan program that is offered to customers who need additional time and installments to pay their bills; and

WHEREAS, as a whole, CPS Energy's customers typically have a proven history of paying their monthly bills, resulting each year in a very low level of write offs / uncollectible balances, which in turn lowers operating costs and keeps everyone's bills affordable; and

WHEREAS, pursuant to CPS Energy's tariffs and its terms and conditions of service, late payment fees are customarily applied to customer account balances that are not paid in full at the end of each billing cycle; and

WHEREAS, CPS Energy routinely collects approximately \$7.5 million annually through late payment fees, but is willing to forego new late fee charges, in part, to assist customers who cannot pay their current bills on a timely basis due to economic distress and business disruption caused by COVID-19; and

WHEREAS, CPS Energy is currently asking customers needing payment assistance to call for information about helpful payment plans at (210) 353-2222 to avoid interruption of their critical utility services when the disconnection suspension period ends; and

WHEREAS, to ensure its updated processes are formalized and well-documented, CPS Energy requests ratification from the Board of Trustees for the waiver of late fees, as contained in current CPS Energy tariffs, conditioned upon each customer establishing a payment plan and making timely payments on it during the disconnection suspension period that is currently in place as a result of the COVID-19 pandemic.

**Draft for review and approval
at the May 27, 2020**

NOW, THEREFORE, BE IT RESOLVED, that the CPS Energy Board of Trustees hereby confirms and ratifies the waiver of late fees as contained in current CPS Energy tariffs for customers who make timely payments as part of a payment plan established during the period of suspended disconnects that is currently in place due to the COVID-19 pandemic. The late fee requirements of the tariffs will be reinstated automatically when the disconnect suspension period ends, as declared by CPS Energy's President & CEO or her designee, or when the Board takes further action on this matter.

IX. APPOINTMENT(S) TO THE CITIZENS ADVISORY COMMITTEE

Mr. John Leal, Director, Local Government Relations, informed the Board that two candidates are being recommended for appointment to the CAC. Both candidates submitted prepared statements and attended the meeting via the one-way (listen-only) phone line.

Mr. Leal recapped the history and purpose of the CAC and described the duties and activities of its members. He noted that CAC members may serve a maximum of 3 consecutive two-year terms. CAC members are nominated by City Councilmembers or members of the public. They may also self-nominate. The CPS Energy Board approves nominees. Mr. Leal identified the 10 Council-appointed CAC members, noting that the CAC member representing District 7 still serves as needed though his term has expired. Mr. Leal also identified the 5 at-large appointees. He highlighted the 3 executive committee members: Mr. David Walter, Chair; Ms. Luisa Casso, Chair Elect; and Mr. Bill Day, Vice Chair.

The first candidate, Ms. Raquel Zapata, is nominated by District 6 Councilmember Melissa Cabello-Havrdá. Ms. Zapata is a Senior Program Manager, Business Development at DAWSON. She is the Past President of Great Hearts, Monte Vista, and is currently active with the San Antonio Police Department Civilian Advisory Review Board and Bridging Whole Health.

The second candidate, Mr. John Kelly, is nominated by District 8 Councilmember Manny Pelaez. Mr. Kelly is a former engineer with the Texas Department of Transportation. Currently retired, Mr. Kelly has previously consulted for AECOM and CH2M (n/k/a Jacobs). He serves as President of the Crownridge of Texas Owners Association.

Mr. Leal read the prepared statements by each of the nominees.

Trustee Kelley moved, and Trustee Gonzalez seconded a motion to approve Ms. Zapata and Mr. Kelly as members of the CAC.

Trustee Kelley positively commented on the strong experience of CAC members, as well as the two nominees, Ms. Zapata and Mr. Kelly. He reiterated his position that, based on the strength of the CAC, there is not a need for additional committees to study CPS Energy issues.

Upon affirmative vote by all members present, the Board unanimously approved the appointments of Ms. Zapata and Mr. Kelly to the CAC.

X. ACCEPTANCE OF ANNUAL AUDITED FINANCIAL STATEMENTS

Mr. Gold introduced and invited Ms. Jodi Dobson, CPA and Partner, Baker Tilly Virchow Krause, LLP (Baker Tilly), to present the Fiscal Year 2020 Financial Audit report.

**Draft for review and approval
at the May 27, 2020**

Ms. Dobson provided an overview of the audit performed. Despite CPS Energy being a large, complex organization, the audit went smoothly. Management and staff were cooperative and readily available, the audit schedule was maintained, and internal audit support was timely and helpful. The audit comprised 2800 hours, starting in the fall. Fieldwork was performed in March, both onsite and remotely due to the COVID-19 pandemic. The reporting phase started in April.

The audit was performed in accordance with Generally Accepted Auditing Standards and based on an assessment of control risk in key business process areas. Ms. Dobson highlighted pension and other post-employment benefits (OPEB) fund and liabilities, noting a new reporting standard that was implemented this year. The audit objective is to obtain reasonable assurance that financial statements are free from material misstatements. CPS Energy received an unmodified or clean opinion for the fiscal year ended January 31, 2020.

Turning to internal control communications, Ms. Dobson noted that no material weaknesses or significant deficiencies in internal controls were identified. She stated that a management discussion item related to ongoing improvement opportunities to continue the enhancement of controls over information technology was identified and that CPS Energy has already responded to the item.

Ms. Dobson communicated about the following topics:

- Auditors' responsibility under Generally Accepted Accounting Standards
- Planned scope and timing of the audit
- Accounting estimates
- Other information in documents containing audited financial statements
- Accounting policies
- Financial Statement disclosures
- Difficulties encountered in performing the audit
- Consultations with other independent accountants
- Auditor independence
- Corrected and uncorrected misstatements
- Disagreements with management
- Management representations
- Other audit findings or issues

Chair Steen asked Ms. Dobson to speak about any challenges the audit team encountered because of COVID-19. Ms. Dobson noted that the team typically works onsite for the entire month of March, but midway through, they returned home as a health precaution. The team leveraged electronic communications to conduct the remainder of the audit remotely, as well as adjusted its communication cadence to frequently ensure alignment.

Upon motion duly made by Dr. Mackey, seconded by Mayor Nirenberg, and upon affirmative vote by all members present, the annual audited financial statements were accepted.

**Draft for review and approval
at the May 27, 2020**

XI. COMMITTEE REPORTS

Chair Steen noted that in an effort to streamline the meeting being held by telephonic means, committee chairs are given the option to submit their committee report for the record instead of reading them at this time. Chair Steen also confirmed that the committee reports were posted with the public notice of this meeting.

Operations Oversight Committee (OOC) Meeting and OOC & T&I Aligned Risk Sub-Committee Meeting

Dr. Mackey, Chair of the OOC, stated that reports of the OOC and the OOC & T&I Aligned Risk Subcommittee meetings which took place on February 20, 2020 were posted with the public notice of this meeting and will be attached to the minutes for this Board meeting.

Technology & Innovation (T&I) Committee Meeting

Trustee Gonzalez, Chair of the T&I Committee, stated that a report of the T&I Committee meeting which took place on February 20, 2020 was posted with the public notice of this meeting and will be attached to the minutes for this Board meeting.

Personnel Committee Meeting

Trustee Kelley, Chair of the Personnel Committee, stated that a report of the Personnel Committee meeting which took place on April 17, 2020 was posted with the public notice of this meeting and will be attached to the minutes for this Board meeting.

XII. EXECUTIVE SESSION

At approximately 2:27 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:

- Attorney-Client Matters (§551.071)

Mayor Nirenberg left the meeting before the open session resumed.

The Board reconvened in open session at 3:53 p.m. Ms. Shellman reported that only Attorney-Client Matters, and no others, were discussed and no votes were taken in Executive Session.

**Draft for review and approval
at the May 27, 2020**

XIII. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Trustee Gonzalez, seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:56 p.m. by Chair Steen.

Carolyn E. Shellman
Secretary of the Board



CPS Energy Board of Trustees Meeting
April 27, 2020
APPROVAL of PROCUREMENT ITEMS
Table of Contents

Two (2) Non-Competitive Sensitive Items

1. **Purchase Category:** General Services
Supplier: Mastec North America, Inc.
Supplier: Wampole-Miller, Inc. dba Miller Bros Division of Wampole-Miller,
Supplier: Mears Installation LLC
2. **Purchase Category:** Commodity and Material Goods
Supplier: Terex Utilities Inc

Approval:

A handwritten signature in blue ink, appearing to read "Paula Gold-Williams", written over a horizontal line.

Paula Gold-Williams, President & CEO

Attachment to the April 27, 2020
Regular Board Meeting Minutes

Draft for review and approval
at the May 27, 2020 meeting



CPS Energy Board of Trustees Meeting
April 27, 2020
PROCUREMENT FORM I

Department	Energy Delivery Services
Division	Customer Construction
Purchase Order Value	\$50,000,000
Purchase Category	General Services
Senior VP Energy Delivery Services	Paul Barham
Chief Operating Officer	Cristopher Eugster

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (If applicable)
Mastec North America, Inc.	36 Months	\$ 18,000,000	36%	2189740	Local / Diverse	Male Owned, Large Hispanic, Local
Wampole-Miller, Inc. dba Miller Bros Division of Wampole-Miller, Inc.	36 Months	\$ 16,000,000	32%	2189742	Local / Non-Diverse	Male Owned, Large Non-Minority, Local
Mears Installation LLC	36 Months	\$ 16,000,000	32%	2189741	Local / Non-Diverse	Male Owned, Large Non-Minority, Local

Project Description

The electric & gas infrastructure installation services contract is for the installation of new electric and gas facilities being installed for new residential subdivision communities and new multi-family communities within the CPS Energy service boundaries. This scope of work has been labeled as a "Turnkey Process" where the projects are 100% completed by CPS Energy contract vendors within the standards set by CPS Energy. This process has been in place for three (3) years with great success and has increased efficiencies with our community development partners. This contract was competitively bid through the procurement process and the three (3) companies above were awarded accordingly.

Value Proposition & Summary

CPS Energy will have the resources needed to perform services to address the growth of new electric and gas utilities in new subdivisions and multi-family projects. These services will sustain CPS Energy's financial viability by meeting customer demand which increases our customer base.

Annual Funds Budgeted

FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
21	\$684,100,000	Capital	\$18,600,000	2.43%
21	\$712,800,000	O&M	\$0	0.00%

Competitive Information:

☐ YES ☒ NO

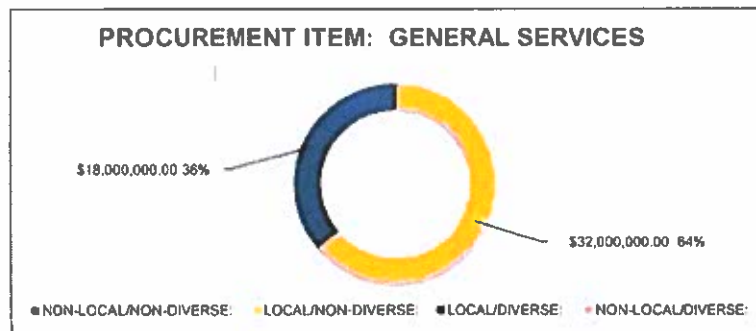
Collective #: 7000157604

If yes, reason

This procurement item is not competitively sensitive; therefore, there are no restrictions on disclosure to the public.

PROCUREMENT ITEM: GENERAL SERVICES

NON-LOCAL/NON-DIVERSE:	\$ -
LOCAL/NON-DIVERSE:	\$ 32,000,000.00
LOCAL/DIVERSE:	\$ 18,000,000.00
NON-LOCAL/DIVERSE:	\$ -
	\$ 50,000,000.00





CPS Energy Board of Trustees Meeting
April 27, 2020
PROCUREMENT FORM 2

Department	Fleet Operations & Safety
Division	Fleet Asset Management
Purchase Order Value	\$30,000,000
Purchase Category	Commodity & Material Goods
Sr Dir Fleet Operations Safety	Bert Hargesheimer
Chief Security Safety & Gas Solns Officer	Fred Bonewell

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (if applicable)
Terex Utilities Inc	60 Months	\$ 30,000,000	100%	2189050	Local / Non-Diverse	Male Owned, Large Non-Minority, Local

Project Description
This contract is for the purchase of approximately 90, 55-foot bucket trucks to support CPS Energy Electric Operations.

Value Proposition & Summary
This contract will provide our employees with the vehicles necessary to repair and maintain powerlines that provide electricity to our community. The specifications for these trucks have been completed with safety in the forefront. With this contract in place, CPS Energy will be more strategic on replacement of this vehicle class. The specifications include an auxiliary power unit which powers the aerial bucket while the vehicle is turned off, thus reducing the environmental impact.

Annual Funds Budgeted				
FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
21	\$684,100,000	Capital	\$6,000,000	0.88%
21	\$712,800,000	O&M	\$0	0.00%

Competitive Information:

☐ YES ☒ NO

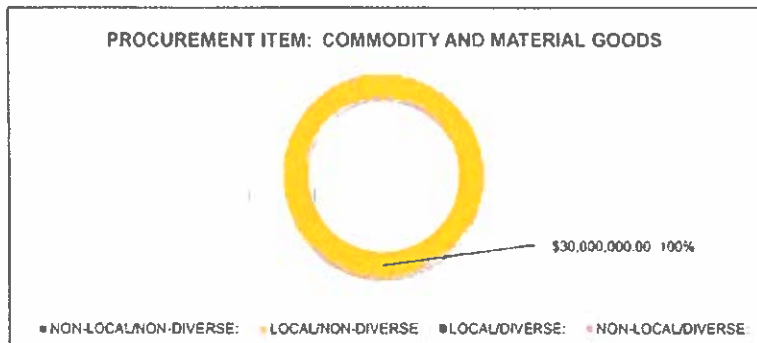
Collective #: 7000151983

If yes, reason

This procurement item is not competitively sensitive; therefore, there are no restrictions on disclosure to the public.

PROCUREMENT ITEM: COMMODITY AND MATERIAL GOODS

NON-LOCAL/NON-DIVERSE:	\$ -
LOCAL/NON-DIVERSE:	\$ 30,000,000.00
LOCAL/DIVERSE:	\$ -
NON-LOCAL/DIVERSE:	\$ -
	\$ 30,000,000.00



CPS Energy Board of Trustees Meeting May 27, 2020

Approval of Payment to the City of San Antonio for April 2020

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 April 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$168,919,935.72, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$9,170,148.93. Under the previously approved agreement with the City, CPS Energy will advance to the City \$9,170,148.93 against future month's revenues for fiscal year 2021. The revenue for the month of April 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements

Electric revenue	\$164,136,573.56
Gas revenue	10,443,140.56
Interest and other income	1,411,338.76
Gross revenue per CPS Energy financial statements	<u>175,991,052.88</u>

Excluded revenue

School and hospital revenue per City Ordinance 55022	(4,787,229.08)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(6,764,107.34)
Noncash and other income, GASB 31 investment market value change, miscellaneous Interest income, gas billing adjustment and unbilled revenue	4,480,219.26
Total excluded revenue	<u>(7,071,117.16)</u>

Gross revenue per New Series Bond Ordinance subject to 14% payment to the City

\$168,919,935.72

City payment per Bond Ordinance for April 2020

based upon April 2020 revenue \$23,648,791.00

City payment per memorandum of understanding (MOU) regarding wholesale special contracts

619,249.13

Wholesale Special Contract Annual True Up

0.00

City Payment reduction per gas customer billing adjustment MOU

(12,500.00)

City payment per Bond Ordinance plus adjustments for memorandums of understanding

24,255,540.13 A

Utility services provided to the City for April 2020

(2,509,022.57)

Net amount to be paid from April 2020 revenue to the City in May 2020

\$21,746,517.56

20 MAY 21 PM 1:32

RECEIVED
CITY CLERK
SAN ANTONIO

CPS Energy Board of Trustees Meeting May 27, 2020

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)

April 2020	Actual	Budget	Variance	
Current Month* A	\$24,255	\$25,118	(\$863)	-3.4%
Year-to-Date*	\$69,587	\$74,709	(\$5,122)	-6.9%

* 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 \$21,746,517.56 representing 14% of applicable system gross revenues for the month of April 2020, such payment being net of City utility services (\$2,509,022.57), and including the current month deficiency, is hereby approved." The prior month deficiency in the 6% R&R funding has been satisfied. The total remaining amount to be recovered from future month's revenues for fiscal year 2021 is \$42,172,085.50.

20 MAY 21 PM 1:32

**REQUEST:**

While our management team has worked to prepare for a rigorous request for proposal (RFP) process to find a new primary auditor, management believes that the implications of COVID-19, the end of which is currently unknown, warrant a temporary 1-year extension under the current audit services engagement.

BACKGROUND:

Previously in 2018, the CPS Energy Board of Trustees (the Board) approved an External Auditor Rotation Policy, which states:

- "The Chief Financial Officer and the Vice President, Audit Services, in consultation with the Audit & Finance Committee of the Board of Trustees, must replace the audit firm after its tenth (10th) consecutive year of service, unless there is a compelling reason not to do so."

Around this same time, the Board of Trustees approved a 2-year contract extension based primarily on the lack of utility industry experience from the other respondents to the RFP. Baker Tilly is currently completing its 12th audit year.

NEW COMPELLING REASONS TO EXTEND THE CONTRACT ONE (1) ADDITIONAL YEAR:

On April 21, 2020, management discussed with the Audit & Finance (A&F) Committee the potential extensive impacts of COVID-19 for our company. We discussed the potential risks of onboarding a new external auditor during this turbulent time whereby:

- The extension of remote working and social distancing into the future may not allow new auditors adequate time on site to obtain an understanding of our processes and systems.
 - Conversely, Baker Tilly's familiarity with our processes and systems allows them to effectively work remotely as our teams also work off-site.
- Spending time educating new auditors on our business may take resources away from important pandemic recovery efforts.
 - Alternatively, Baker Tilly's 2020 audit fieldwork partially aligned to the onset of COVID-19. They were able to manage through this challenge effectively. Therefore, working with them 1 more year seems prudent.

Relative to the new compelling reasons noted above that support the extension of the contract with Baker Tilly 1 more year, management importantly committed to issue a new RFP in May 2021. Based upon

a thorough discussion of the request and the related 2021 RFP commitment, as well as management's effective responses to questions posed by the A&F Committee, both Board Committee members ultimately commented that management's rationale was reasonable and acceptably justified.

THE EXTERNAL AUDIT TEAM & FEES:

The total estimated value of primary audit work for CPS Energy, its two Nuclear Decommissioning trusts and Prepaid Gas deal has been estimated at approximately \$544,000. Of that amount, we anticipate that C.C. Garcia will contribute 30% of the primary audit work, which correlates with the fees they will earn if the extension is approved. For the last 2 years, that firm has successfully worked on our engagement and is set to continue in that capacity during the proposed one-year extension.

C.C. Garcia's 30% fee allocation excludes a general estimate for potential bond-related work. Those activities are specialized and dedicated solely to the primary auditing firm because very quick turnarounds are required. **The combination of the primary audit work and the bond procedures totals about \$644,000 for the extra year. From that perspective, the estimated work and fee allocation to C.C. Garcia adjusts to approximately 25%. See the attached summary for more information.**

CONTINUED HIGH AUDIT QUALITY:

Additionally, we want to let all of you know that Baker Tilly remains compliant with our requirement to rotate partners every 5 years, as Jodi Dobson has been the lead partner for just 2 years. With both the Baker Tilley partner and C.C. Garcia partners being relatively new to the engagement, management believes this team can continue providing a fresh, yet highly experienced perspective to the audit.

CONCLUSION:

We want to thank you very much for your consideration and potential support on May 27, 2020. In the meantime, our CEO and I are available for any questions that you may have.



CPS Energy Board of Trustees Meeting
May 27, 2020
APPROVAL of PROCUREMENT ITEMS
Table of Contents


One (1) Non-Competitive Sensitive Item

1. **Purchase Category:** Professional Services
Supplier: Baker Tilly Virchow Krause LLP

Financial Approval:


Frank Almaraz, Chief Administration & Business Development Officer

Approval:


Paula Gold Williams, President & CEO



CPS Energy Board of Trustees Meeting
May 27, 2020
PROCUREMENT FORM 1

Department	Financial Services
Division	Corporate Services
Purchase Order Value	Additional funds requested: \$644,000 + Original PO Value: \$1,237,450 = Projected PO Value: \$1,881,450
Purchase Category	Professional Services
VP, Corporate Services	Gary Gold
Chief Financial Officer & Treasurer	Delores Lenzy-Jones

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (If applicable)
Baker Tilly Virchow Krause, LLP	36 months	\$ 1,881,450	100%	2179454	Non-Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority

Project Description

This contract is required to provide financial audits and related services for CPS Energy, the SA Energy Acquisition Public Facility Corporation ("PFC"), and the two CPS Energy Decommissioning Master Trusts for the South Texas Project ("Trusts"). The current two-year contract expires on August 25, 2020. CPS Energy is delaying the solicitation process by one year and extending the current contract by one year due to the current and future uncertainties related to COVID-19, including requirements for remote working and social distancing. The extension is for one year and will expire on August 25, 2021.

Value Proposition & Summary

These services will allow CPS Energy to meet audit requirements per our bond ordinance. This vendor's familiarity with CPS Energy's systems and processes will facilitate an offsite/remote audit of our financial statements if needed due to COVID-19 uncertainties. Additionally, extension of this contract will allow us to focus on recovery efforts instead of spending time educating new auditors on our business processes. This contract includes a requirement that 30% of the audit work be performed by a minority firm, which is currently being met with a local, woman-owned subcontractor. Bond-related work performed by Baker Tilly, which is not subject to the 30% local/diverse requirement due to the specific technical expertise required to perform the work, is also included in this purchase order amount.

Annual Funds Budgeted

FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
21	\$684,100,000	Capital	\$0	0.00%
21	\$712,800,000	O&M	\$644,000	0.09%

Competitive Information

☐ YES ☒ NO

Collective #: 7000149018

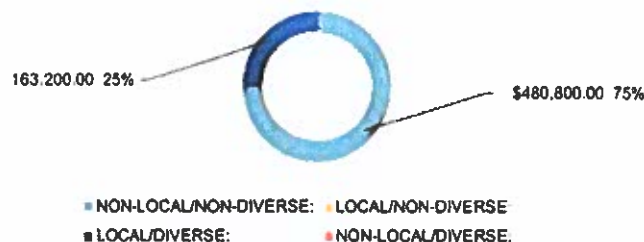
If yes, reason

This procurement item is not competitively sensitive; therefore, there are no restrictions on disclosure to the public.

PROCUREMENT ITEM: PROFESSIONAL SERVICES

NON-LOCAL/NON-DIVERSE:	\$ 480,800.00
LOCAL/NON-DIVERSE:	0.00
LOCAL/DIVERSE:	163,200.00
NON-LOCAL/DIVERSE:	0.00
	\$ 644,000.00

PROCUREMENT ITEM: PROFESSIONAL SERVICES





**SUMMARY - EXTERNAL AUDIT SERVICES FEES:
1-YEAR COMPELLING REASONS EXTENSION
FY2021 ONLY**

ENTITY	WORK DESCRIPTION	INDEX	BAKER TILLY	CC GRARCIA & CO.	EXTENSION COST ESTIMATE
CPS Energy	Financial Audit		\$319,900	\$137,100	\$457,000
	Single Audit		12,600	5,400	18,000
	GASB Implementations*		3,500	1,500	5,000
	ITGC Work*		1,750	750	2,500
			337,750	144,750	482,500
Decomm. Trust	Financial Audit		16,030	6,870	22,900
PFC	Financial Audit, Including Internal Controls ⁽¹⁾		27,020	11,580	38,600
CPS Energy	Primary Audit Work	A	\$380,800	\$163,200	\$544,000
	Percentage of Audit Work Performed		70%	30%	100%
	Bond Related Work**	B	100,000	-	100,000
	Total Fees (Primary Audit Work + Special Potential Bond Work)	A+B	\$480,800	\$163,200	\$644,000
	Percentage of Total Work Performed		75%	25%	100%

⁽¹⁾ Includes a \$10,000 estimate for another annual review of Internal Controls.

* Internal estimates of additional work that may be required.

** Performed exclusively by Baker Tilly due to specific technical experience required for this work.



Executive Summary
FY2021 Financing Transactions
May 27, 2020 Board of Trustees Meeting

ACTION REQUIRED:

- Board approval of Resolutions (3)
- Should you have any questions or need any additional information, please contact:
Shannon Albert at 210-353-3818 or Gautam Shringarpure at 210-353-2710

BACKGROUND:

We are seeking authorization on the following types of transactions that provide the most flexibility & stability to our Company during volatile times amid the COVID-19 pandemic. These debt transactions include:

- Required remarketing of debt
- Added diversified liquidity source
- Savings opportunities
- Opportunities to lock in low, long-term interest rates

REQUEST OF THE BOARD:

- Approve a resolution to: 1) remarket the Junior Lien Series 2015D; 2) approve a resolution to refund Senior Lien Series 2012, Junior Lien Series 2013, Junior Lien Series 2014 Bonds, & refund outstanding Commercial Paper (CP); & 3) approve a resolution authorizing liquidity for the Flex Rate Revolving Note (FRRN) Program.

20 MAY 21 PM 1:32

RECEIVED
SAN ANTONIO
CITY CLERK



FY2021 FINANCING TRANSACTIONS

PRESENTED BY:

Gautam Shringarpure

Interim Director, Corporate Finance Analytics & Debt Management

May 27, 2020

Approval Requested

20 MAY 21 PM 1:32
CITY CLERK
CITY OF SAN ANTONIO
RECEIVED

OBJECTIVE & TAKEAWAY



- **SHARE FY2021 FINANCING TRANSACTION OPTIONS**
- **OBTAIN APPROVAL**



AGENDA



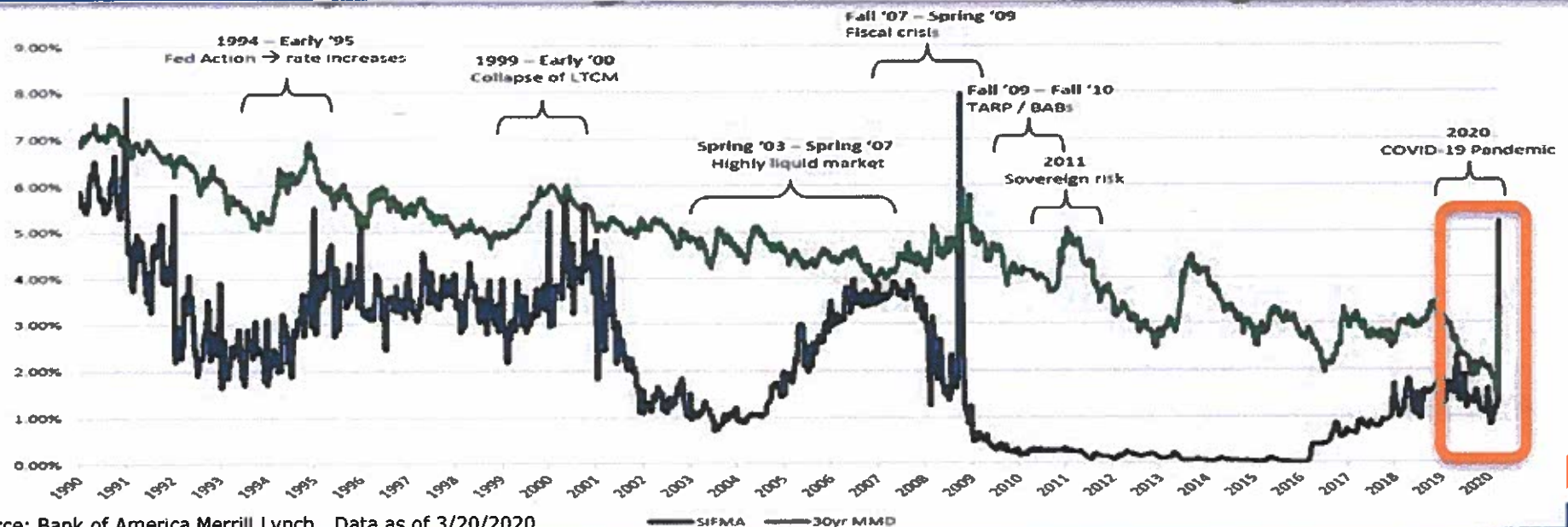
- **MARKET UPDATE (INTEREST RATES)**
 - **COMMERCIAL PAPER (CP)**
 - **LONG-TERM DEBT**
- **DEBT PORTFOLIO OVERVIEW**
- **FINANCING TRANSACTIONS & FUNDING OPTIONS**
- **FINANCIAL CONSIDERATIONS**
- **REQUEST FOR APPROVAL**



MARCH MARKET VOLATILITY



March municipal market volatility had not been seen since the Financial Crisis of 2008-2009, temporarily driving CP interest rates higher, making it harder to obtain funding.



Therefore, we are including multiple options with our financing transactions to increase flexibility as market conditions change.

MARKETS HAVE RE-STABILIZED BUT UNCERTAINTY REMAINS...



2 Fed programs directly benefit municipals:

- 1 Money Market Mutual Fund Liquidity Facility
- 2 Commercial Paper Funding Facility

THE FED

The Fed is providing way more help for the markets now than it did during ...

With its groundbreaking announcement this week of further forays into the financial markets, the Federal Reserve has indicated it will surpass its response to the ...

Jeff Cox 3/24/2020 6:50:49 AM



Federal Reserve Chairman Jerome Powell

Markets

Muni Market Support for Federal Reserve Intervention Grows

By Amanda Albrecht

March 23, 2020, 12:49 PM CDT

- Groups call on central bank to buy more muni bond ETFs
- Congressional approval needed to purchase long-term muni bonds

Municipal bond yields fall again on Fed hopes, potential coronavirus plateau

By Lauren Rabin

April 06, 2020, 4:50 a.m. EDT



The municipal market again saw yields fall across the curve, dropping as much as eight basis points on the short end Monday and up to 15 on the long end.



The market is anticipating the Federal Reserve to step in as a buyer of last resort for munis, though how much, which credits, and what durations are still cloudy.

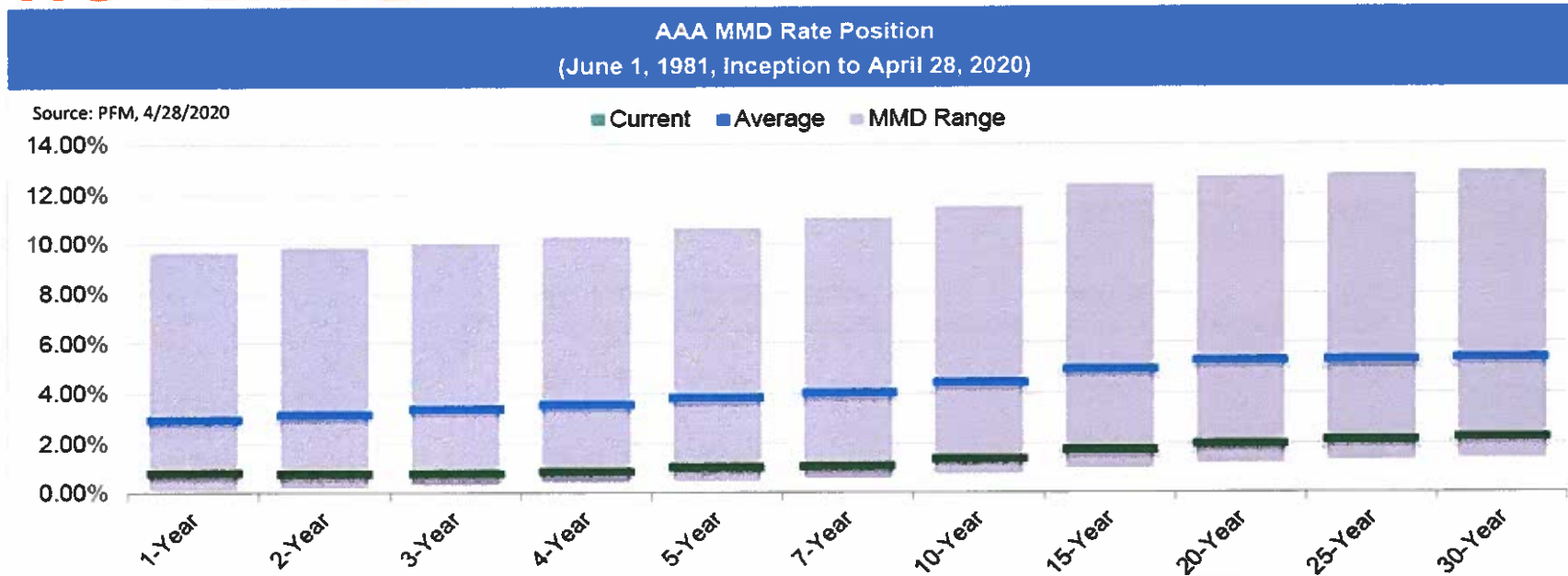
The Federal Reserve recently announced that it would provide liquidity & support to the Financial Markets. Since then, we have seen some stability, as well as a decline in short-term interest rates. While this is a positive sign, we remain cautiously optimistic.

Source: The Bond Buyer, CNBC, & Bloomberg from 3/23/2020 - 3/24/2020 & 4/06/2020

INTEREST RATES



LONG-TERM DEBT HISTORICAL AVERAGES

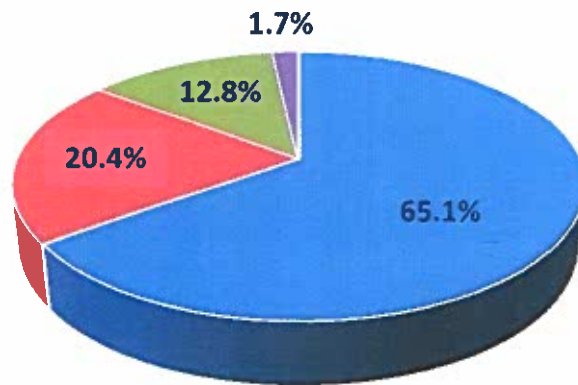


Notwithstanding the recent interest rate volatility, levels are still below long-term averages, potentially providing a good opportunity to issue debt.

DEBT OVERVIEW



Portfolio by Debt Type



Debt Type	Par Outstanding ⁽¹⁾	% of Total	
Sr. Lien Fixed	\$3,609,475	65.1%	\$4.7B, 85.5% Fixed
Jr. Lien Fixed	1,127,640	20.4%	
Jr. Lien Variable Rate	709,860	12.8%	\$804.9M, 14.5% Variable
Commercial Paper	95,000	1.7%	
Flex Rate Revolving Note	-	0%	
Total Portfolio	\$5,541,975	100%	

Note: Data as of 2/1/2020.

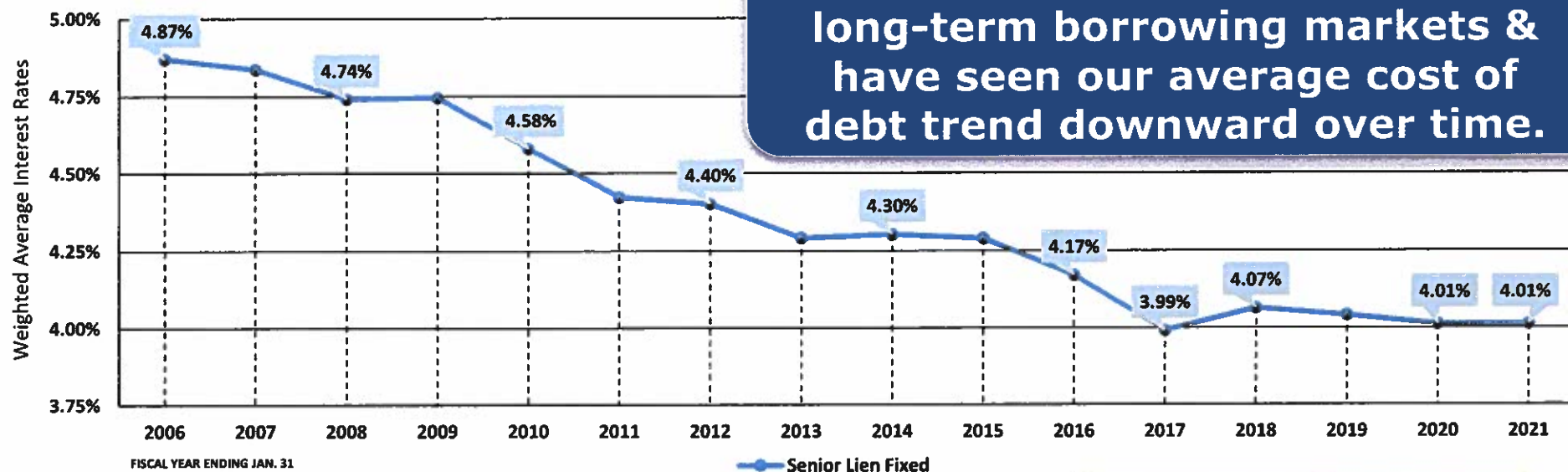
¹ \$s in thousands.

Financing decisions are made to support the capital program with emphasis on maintaining financial metrics & keeping our debt portfolio appropriately diversified.

PRUDENT DEBT MANAGEMENT



We continue to see stability in the long-term borrowing markets & have seen our average cost of debt trend downward over time.



Our cost of Senior Lien debt, which represents about 2/3 of our debt portfolio, has trended down from 4.87% in FY2006. During this period, we refinanced \$3.4B of debt to achieve over \$454M of gross debt service savings.

Note: All numbers unaudited; FY2021 data as of 2/1/2020.

FINANCING TRANSACTIONS **cps**

OBJECTIVES

We are seeking authorization on the following types of transactions:

- ✓ Required remarketing of debt
- ✓ Added diversified liquidity source
- ✓ Savings opportunities
- ✓ Opportunities to lock in low, long-term interest rates



FUNDING OPTIONS CONSIDERED



Option	Transaction ⁽¹⁾	Interest Rate Range ⁽²⁾	Comment	Required Approval ⁽¹⁾	
				Board	Council
1	Issue Commercial Paper (CP)	0.35% - 0.40%	Normal course of financing, assuming a functional CP market	N	N
2	Federal Reserve Commercial Paper Funding Facility (CPFF)	1.15%	Liquidity program which provides support of muni CP in stressed markets	N	N
3	Commercial Paper (CP) Refunding	3.50% - 4.00%	Provides an opportunity to potentially lock in low, long-term interest rates	Y	Y
4	Reinstate liquidity for the Flex Rate Revolving Note (FRRN)	1.00% - 4.00%	Diversified liquidity support via direct credit line from one or more banks	Y	N

¹ Preliminary, & subject to change based upon internal management discussion and market conditions. Not yet approved by the Board or City Council.

² Estimated ranges, unless otherwise indicated. CP issued in the public, short-term market is estimated from 5.14.2020 and quoted from our 3 CP dealers for a 3 month maturity. CP Refunding rates are based upon estimated true interest cost (TIC). Fed CP Funding Facility is based upon 3 month Overnight Index Swap + 110bps for A1 / P1 / F1 rated credit on 5.14.2020. Does not include a 10bp registration fee to participate in the program. For the FRRN, we received indications from several banking institutions on and around 4.30.2020. Average is quoted here for illustrative purposes and may be subject to change based upon credit conditions at the time we are seeking final bids.

FINANCIAL CONSIDERATIONS



With the exception of the required remarketing, we do not have to execute any of the transactions.

- We will consider the internal & external landscape to assess which transactions make sense for us
 - Current Market Conditions
 - Our Financial Health / Metrics
 - Rating Agencies Recent Actions / View

Especially relative to the developing potential impacts of COVID-19, the other transactions will only be pursued if & when they can improve our financial performance.

REQUEST BOARD APPROVAL



Authorize, without the obligation, to execute the following transactions by delegating authority to the CEO or designated Treasurer:

Proposed Potential Transactions: Executable before 4/30/2021	Authorization Amount	Required Approval	
		Board	Council
Jr. Lien Variable 2015D Remarketing	\$100M	Y	N
Reinstate liquidity for the Flex Rate Revolving Note (FRRN)	\$100M	Y	N
Jr. Lien 2013 Refunding	\$430M	Y	Y
Jr. Lien 2014 Refunding	\$240M	Y	Y
Sr. Lien 2012 Refunding	\$145M	Y	Y
Commercial Paper (CP) Refunding	\$370M	Y	Y

We will provide updates to you of our progress over the next 12 months.



Thank You





Appendix



GLOSSARY



Business Term	Acronym (if applicable)	Definition
Basis Point	bps	Basis point (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points, and 0.01% = 1 basis point.
Commercial Paper	CP	An unsecured, short-term debt instrument issued by a corporation, with high quality credit ratings, to meet its funding needs. Maturities typically do not exceed 270 days.
Commercial Paper Funding Facility	CPFF	A funding mechanism created by the NY Federal Reserve Bank that allows 3 month US dollar denominated commercial paper issued by US issuers, including municipal issuers the ability to sell their CP directly with the Bank. This helps to provide liquidity to the short-term funding market.
Money Market Mutual Fund Liquidity Facility	MMLF	A non-recourse loan provided by the NY Federal Reserve Bank to financial institutions, allowing the ability to use debt instruments such as US Treasuries, Agencies, Municipal debt, etc. as collateral for the loan. This provides liquidity to the Money Markets.
Municipal Market Data	MMD	A proprietary industry benchmark published by Refinitiv (formerly Thomson Reuters) daily which shows the interest rate yield curve on AAA – rated general obligation bonds. Considered a benchmark for long-term debt issuances from maturities from 1 to 30 years.
Securities Industry & Financial Markets Association	SIFMA	Specific to the index published by the Association, it is a 7-day tax-exempt interest rate benchmark (high grade credits) that is used as a benchmark rate in the short-term funding markets within the municipal market.



GAS SOLUTIONS SUMMER 2020 READINESS

PRESENTED BY:

Richard Lujan, P.E.
Sr. Director, Gas Solutions

May 27, 2020

Informational Update

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CITY OF SAN ANTONIO
CITY CLERK
20 MAY 21 PM 1:32

OBJECTIVES & TAKEAWAYS



- **UPDATE ON STANDARD SUMMER PREPAREDNESS ACTIVITIES**
- **UPDATE ON ADDED MEASURES FOR COVID-19**



AGENDA



- **SUMMER PREPAREDNESS**
- **FOCUS ON COMMUNICATION**
- **COVID-19 RESPONSE**
- **ENHANCED SAFETY PROCEDURES**



GAS SOLUTIONS



Gas Solutions:
230 Employees in
13 Departments

Providing Natural Gas to
over 358,000 Customers
& our power plants

Dist. Mains – 5,600 miles
Supply Mains – 89 miles

SUMMER PREPAREDNESS

STANDARD ACTIVITIES



Safety Training



- COVID-19 safety
- Hydration awareness
- Snake/Insect awareness
- Dog bites/Poisonous veg.

Operational



- Pressure reductions
- Odorant rate adjustment
- Gas supply verification
- Damage prevention outreach

Vehicle/Equipment



- Vehicle/Equipment checks
- Canopies/Umbrellas
- Protective equipment

Our people, systems & equipment are ready for the summer season amidst COVID-19.

SUMMER PREPAREDNESS

LIGHTWEIGHT FR UNIFORM SHIRTS



To help prevent heat-related illnesses, our field personnel will transition to a new lightweight, more breathable, fire retardant uniform shirt.

FOCUS ON COMMUNICATION



- Daily Leadership meetings
- Increased communication & field visits with front-line employees
- Operations Communication Checklist Report
- Utilization of technology to promote social distancing
- Continuous safety messaging



Virtual team meeting



Leadership communications
on social media



Crew tailboard at jobsite



COVID-19 RESPONSE

GAS SOLUTIONS

ORANGE TEAM – DISTANCE SUPPORT PERSONNEL

Team members who work predominantly from home supporting operations.

10
People

WHITE TEAM – OFFICE ESSENTIAL

Individuals who need to be onsite from time to time to support our business. Team members have scheduled access to Gas Solutions facilities.

22
People

BLUE TEAM – FIELD DISTANCE ESSENTIAL

Team members who work in the field & operational leaders. This includes crews that dispatch from home or temporarily report to other facilities.

192
People



COVID-19 RESPONSE

CONTRACTOR RESOURCES

- Contractors perform all new infrastructure installations, maintenance work & most underground utility locates
- We evaluated all contractor COVID-19 business continuity plans
- Weekly virtual status update meetings for all contractors



Contractor installing new supply pipe

Contractor work has increased through the COVID-19 pandemic. No resource or absenteeism issues have been reported by Gas Solutions contractors.



COVID-19 RESPONSE

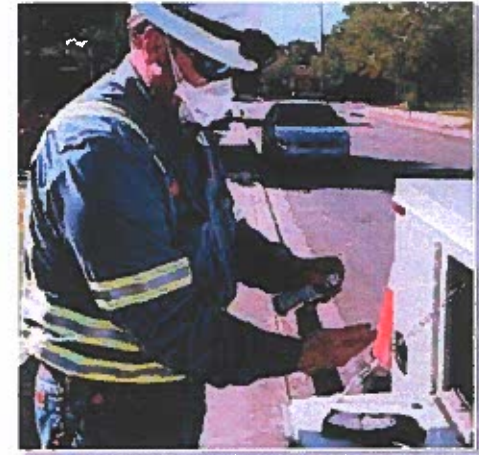
PERSONAL PROTECTIVE EQUIPMENT



Operator wearing cloth facemask



Additional PPE issued to each operator



Crew member disinfecting equipment

Crews are issued specialized personal protective equipment to limit the risks from COVID-19. Enhanced personal hygiene & disinfection procedures have also been implemented.

ENHANCED SAFETY PROCEDURES

- New procedures for interacting with customers including special considerations for entering their homes & businesses
 - Specialized training for Gas Troublemakers, Leak Foremen & Metering Personnel
 - Customer conversation script & pamphlet to communicate social distancing guidelines & measures we are taking to keep customers and employees safe

(Note: Sample script & pamphlet provided in the Appendix)



Gas Troublemaker preparing to enter a customer home.

SUMMARY



- We continue to safely serve our customers through COVID-19
- We use a proactive approach to mitigate exposure risks to our employees, customers & contractors
- Our people, equipment & gas system are ready for summer





Thank You



Appendix



GAS SOLUTIONS

Employee Script Customer Conversation

#	EMPLOYEE COMMENT
1 Knock on the Door & Step Back	<p>Hello! My name is (first name).</p> <p>I'm a service technician with CPS Energy (show badge).</p> <p>I'm here to complete your service order for (insert reason).</p>
2 Begin broadly & calmly	<p>First, though, I want to let you know that at CPS Energy we take the safety & well-being of our customers & community very seriously.</p> <p>It's important to me that you feel safe & comfortable with the measures we have taken as a result of Covid-19 to ensure your safety.</p>
3 Talk about your own efforts & safe actions	<p>FIRST: As you see now, I will maintain a work distance from you and others in your home of @ least 6 ft @ all times.</p> <p>SECOND: I also want to let you know that I follow screening procedures EVERYDAY to ensure I have personally restricted my travel and my interactions with others while away from work. I also would not report to work if I was feeling ill.</p> <p>THIRD: Today, I will also use hand sanitizer, wear protective gloves and a mask as I work.</p>
4 Link entering the home with safety	<p>The type of work I will be doing to address your issue will require me to enter your home.</p> <p>So, I am practicing social distancing, again, for your safety & mine.</p> <p>And I will explain my extra steps along the way.</p>
5 Ask carefully	<p>I also want to ensure we are operating in a safe environment, so I'm going to need to ask you a couple of questions before entering your home.</p> <p>Are there health issues or other concerns that I need to be aware of such as: Does anyone have a Fever, Dry Cough, Muscle Ache, or Fatigue? Has anyone been diagnosed with the flu, COVID-19, and/or other potentially contagious conditions.</p> <p>Is there anything I need to know regarding the home such as: Is it structurally sound? Are there any other hazards? Where is the smell coming from?</p>
6 Take Action	<p>CONDITIONS APPEAR GOOD TO PROCEED: HAND PAMPHLET TO CUSTOMERS; START WORK; COMPLETE WORK; REPORT FINDINGS/ADVISE CUSTOMERS; CLOSING COMMENTS</p>
7 Pause	<p>THERE IS A CONCERN: (Escalate up the chain of command if clarification of next actions to take is needed)</p>



CUSTOMER SAFETY GUIDELINES



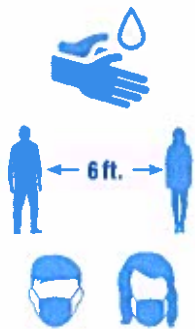
Why do CPS Energy gas teams need to enter my home or business?

1. For your safety, we need to enter your home to initiate service connections.

- For your safety, we need to verify that lines are in acceptable condition for operation according to code compliance requirements.
- We will check appliance connection points to ensure they are in good working conditions according to code requirements.
- The above inspections are a necessary step before natural gas services can be turned on.

2. We need to enter your home or business to evaluate gas odor complaints.

- Safety protocol requires us to identify the possible escape of natural gas within your home or business.
- For your safety, we must search the area for a potential natural gas leak.



Safety is our highest priority

CPS Energy has thorough and specific procedures in place to protect our community, our customers & our employees.

- Keeping hands clean is one of the most important steps we can take to avoid becoming ill or spreading germs to others.
- Social distancing of six feet or more is an additional safety barrier because it reduces the risk of spreading germs.
- Wearing gloves limits the contact between hands and surfaces, which can reduce the risk of spreading germs.
- Face masks provide an additional barrier to help reduce the spread of viruses & other diseases.

Our employees may utilize additional Personal Protective Equipment (PPE) such as hard hats, boots, safety vests and other items that are designed to protect them from hazards on the job.

Contact CPS Energy in case of Gas or Electric Emergency - Call 210-353-HELP (4357)

Gas smells like rotten eggs. If you smell gas or suspect a gas leak, you should take immediate action.

- Get out of the house immediately, even if the smell of gas is faint. Do not take any chances.
- Do not turn electrical switches off or on.
- Do not use a flashlight.
- Do not use a telephone.
- Remember that an electric spark from any electric or battery-powered device, or even from static electricity could ignite a gas leak and cause an explosion.
- Call CPS Energy at 210-353-HELP (4357) from a neighbor's house as soon as possible.
- Never try to locate the source of a gas leak yourself.



Call Before You Dig

Texas Law requires you to call 811 at least 48 hours before beginning a project that involves digging. CPS Energy or other service providers will come onsite to mark the location of underground gas & electric lines at no cost to you.



DIRECTRICES DE SEGURIDAD PARA CLIENTES



¿Por qué el personal de gas de CPS Energy necesita entrar a mi hogar o negocio?

1. Por su seguridad, necesitamos entrar a su hogar para iniciar las conexiones del servicio.

- Por su seguridad, necesitamos verificar que las líneas se encuentren en condiciones aceptables para el funcionamiento, conforme a los requisitos de cumplimiento de los códigos.
- Verificaremos los puntos de conexión de aparatos para asegurar que estén en condiciones operativas, conforme a los requisitos de los códigos.
- Las inspecciones mencionadas anteriormente constituyen un paso necesario antes de poder activar los servicios de gas natural.

2. Necesitamos entrar a su hogar o negocio para evaluar las quejas por olor a gas.

- El protocolo de seguridad requiere la identificación de posibles fugas de gas natural en su hogar o negocio.
- Por su seguridad, es necesario hacer una inspección de la zona para detectar posibles fugas de gas.

La seguridad es nuestra mayor prioridad

CPS Energy ha implementado procedimientos exhaustivos y específicos para proteger a nuestra comunidad, a nuestros clientes y a nuestros empleados.

- Mantener las manos limpias es uno de los pasos más importantes que podemos seguir para evitar enfermedades o la propagación de gérmenes a otras personas.
- El distanciamiento social de seis pies o más es una barrera de seguridad adicional ya que reduce el riesgo de propagación de gérmenes.
- El uso de guantes limita el contacto entre las manos y las superficies, reduciendo así el riesgo de propagación de gérmenes.
- Las mascarillas aportan una barrera adicional que contribuye a reducir la propagación de virus y otras enfermedades.



Nuestros empleados pueden utilizar Equipo de Protección Personal (EPP) adicional, como cascos, botas, chalecos de seguridad y otros elementos diseñados para protegerlos contra los posibles peligros.

Comuníquese con CPS Energy en caso de emergencia eléctrica o de gas - Llame al 210-353-HELP (4357)

El gas huele a huevos podridos. Si huele a gas o sospecha la existencia de una fuga de gas, debe actuar de inmediato.

- Salga de su hogar de inmediato, aunque el olor a gas sea leve. No corra riesgos.
- No encienda ni apague los interruptores eléctricos.
- No use linternas.
- No use el teléfono.
- Recuerde que una chispa eléctrica de cualquier dispositivo eléctrico o activado por batería, o incluso de electricidad estática podría detonar una fuga de gas y provocar una explosión.
- Llame a CPS Energy al 210-353-HELP (4357) desde la casa de algún vecino a la mayor brevedad posible.
- Nunca intente localizar la fuente de una fuga de gas usted mismo.



Determina lo que está bajo tierra.
Llama antes de excavar.

Llame antes de realizar excavaciones

La Leyes de Texas requiere que usted llame al 811 por lo menos 48 horas antes de comenzar cualquier proyecto que involucre la realización de excavaciones.

CPS Energy u otros proveedores de servicios se irán al lugar para marcar la ubicación de las líneas subterráneas de gas y electricidad sin costo alguno.





OPERATIONS

SUMMER 2020 READINESS

INTRODUCTION BY:

Dr. Cris Eugster

Chief Operating Officer (COO)

PRESENTED BY:

Kevin Pollo

Interim VP,
Energy Supply &
Market Operations

Benny Ethridge

SVP,
Power Generation

Paul Barham

SVP,
Energy Delivery Services

May 27, 2020

Informational Update

20 MAY 21 PM 1:32

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CITY OF SAN ANTONIO
CITY CLERK

OBJECTIVES & TAKEAWAYS

- **REVIEW COVID-19 IMPACT ON MARKET OUTLOOK**
- **DISCUSS PLANT READINESS TO SERVE OUR CUSTOMERS, COMMUNITY & STATE**
- **DISCUSS ADDITIONAL PREPARATIONS TO MANAGE SUMMER OPERATIONS & COVID-19 CHALLENGES**



AGENDA



- **ERCOT PERSPECTIVE**
- **SEASONAL WEATHER FORECAST**
- **COVID-19 USAGE IMPACT**
- **OUR DIVERSE PORTFOLIO**
- **SEASONAL READINESS PROGRAMS**
- **COVID-19 PREPARATIONS**



OPERATIONS TEAM

COO DIRECT REPORTS

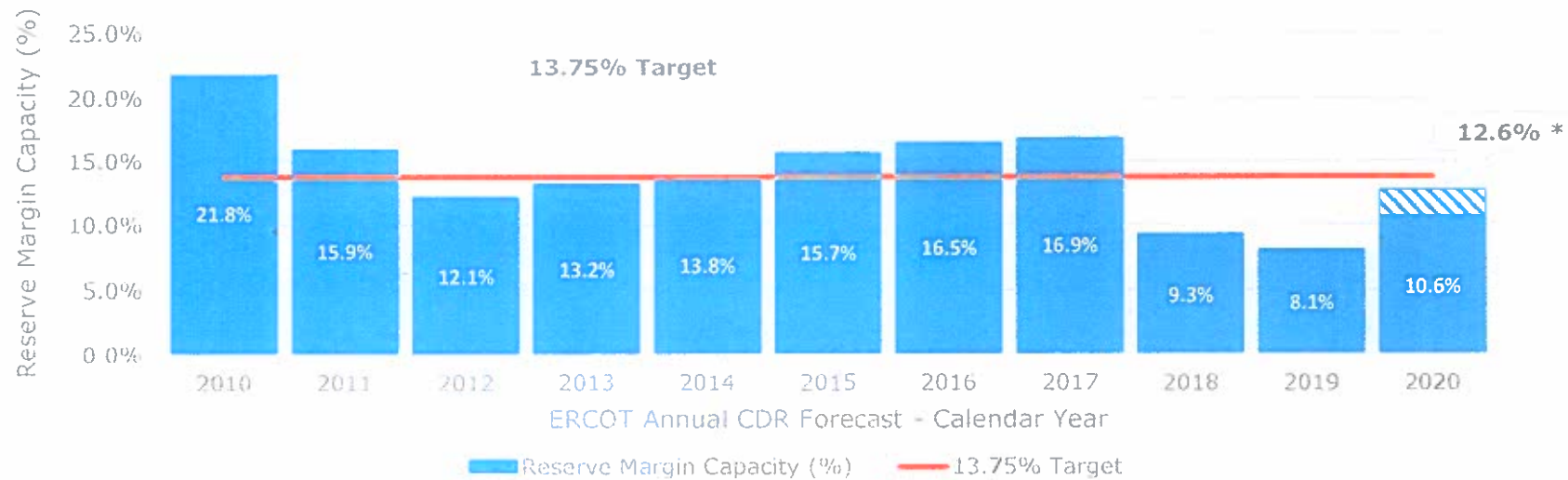


ERCOT RESERVE MARGIN

PRE-COVID-19



ERCOT Annual Capacity, Demand & Reserve Forecast



* 2020 reserve margin updated to 12.6% per ERCOT 5/13/2020 Seasonal Assessment of Resource Adequacy Report

The lower reserve margin in ERCOT normally signals higher probability of elevated prices during peak of summer. However, COVID-19 may dampen demand & soften prices.

OUR 2020 SUMMER RESERVE MARGIN



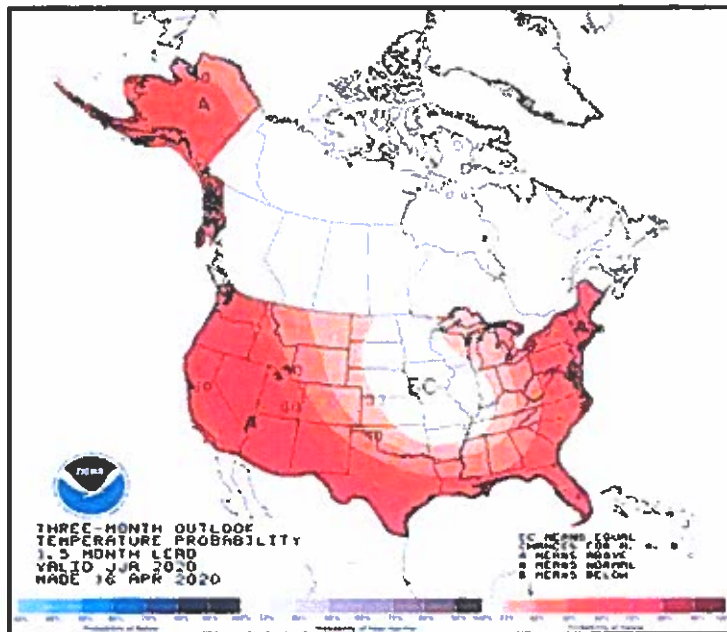
¹ 5,090MW peak load + 340 MW of long-term sales obligations

SEASONAL WEATHER FORECAST

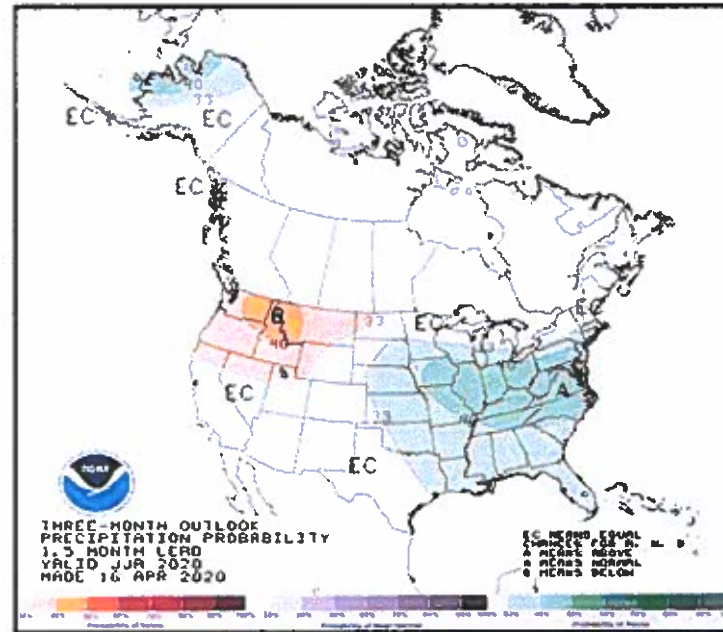


The June – August climate outlook calls for slightly above average temperatures with normal rain amounts for Texas

Temperature

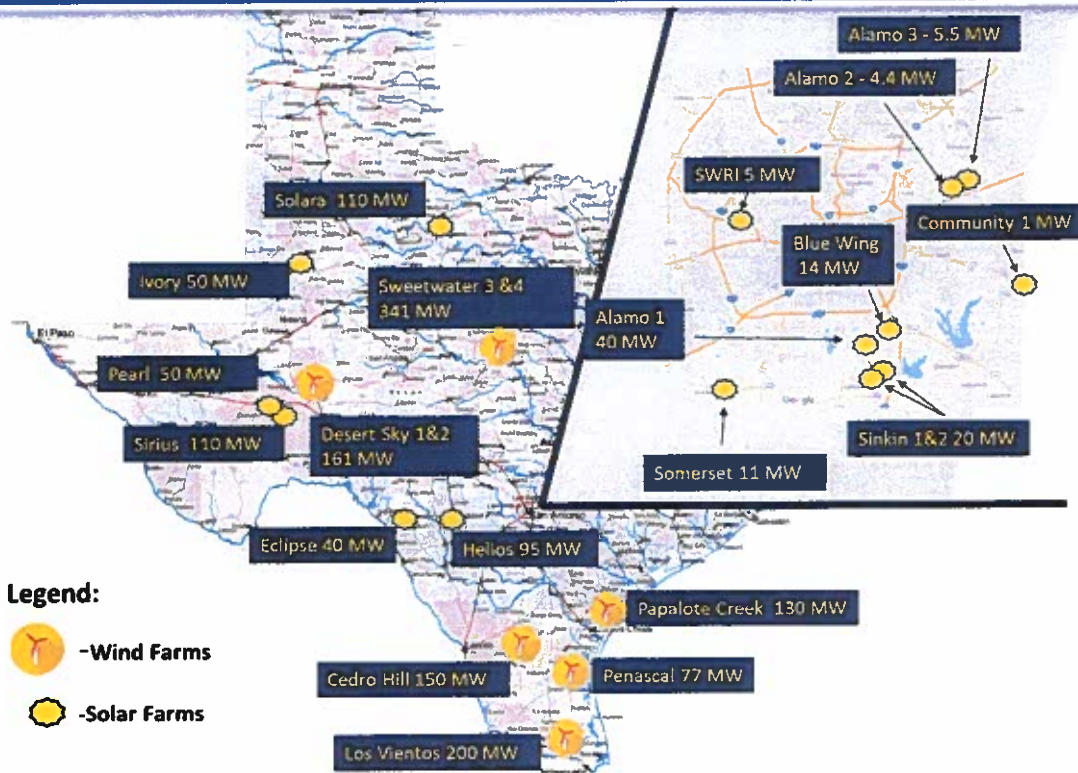


Precipitation



OUR RENEWABLE PORTFOLIO

Over 20% of our capacity is from renewable resources



Diversifying with renewables is beneficial.

Challenges include:

- Intermittency
- Congestion
- Forecasting

COVID-19 IMPACT - ERCOT

MOST RECENT WEEKLY LOAD IMPACT ANALYSIS



Since April 5, ERCOT has seen a small reduction in energy use & peak demand due to COVID-19



COVID-19 Load Impact Analysis

Calvin Opheim
Manager, Load Forecasting & Analysis

May 12, 2020

Observations for Week Beginning 5/3

- Overall, COVID-19 impacts have been similar since May 1
- Weekday and weekend peaks were 2 to 3% lower
- Weekly energy use decreased by 3 to 4%
- Load remains consistently lower during the early morning hours between 6 and 10 a.m.
 - These loads are currently 6 to 10% lower than what the model would normally predict after accounting for typical model errors.



COVID-19 LOCAL IMPACT

SELECT CUSTOMER SECTORS



**Cumulative impact from March 25 to April 30:
Total system usage is down approximately 5%**

Customer Sector	Usage*	% of Total Load	% Impact on Total Usage
Residential	+11%	35%	+4%
Churches & Services	-13%	9%	-1%
Manufacturing	-27%	7%	-2%
Retail Trade	-19%	6%	-1%
Education	-40%	6%	-2%
Hotel & Food Services	-30%	5%	-2%
Other**	-2%	32%	-1%
Total System		100%	-5%

**Stay Home,
Work Safe
Order was
issued on
March 25**

* Customer sector table compares the average usage of four select weekdays from 2019 & 2020 when weather was similar

** "Other" sector includes other commercial sectors, food, & wood product manufacturing, municipals, lighting, etc.

COVID-19 PREPARATIONS

ENERGY SUPPLY & MARKET OPERATIONS



Proactive COVID-19 employee exposure risk mitigation plans in place

- Real-Time operations utilizing back-up control room with remote shift turnovers
- Split Day-Ahead staff between primary & back-up control rooms
- Restricted control room access to essential staff only
- Increased cleanings of work areas & common touchpoints with weekly electrostatic cleaning
- Established temperature screens at back-up control room for all staff
- Developed sequester plan to protect Energy Controller teams

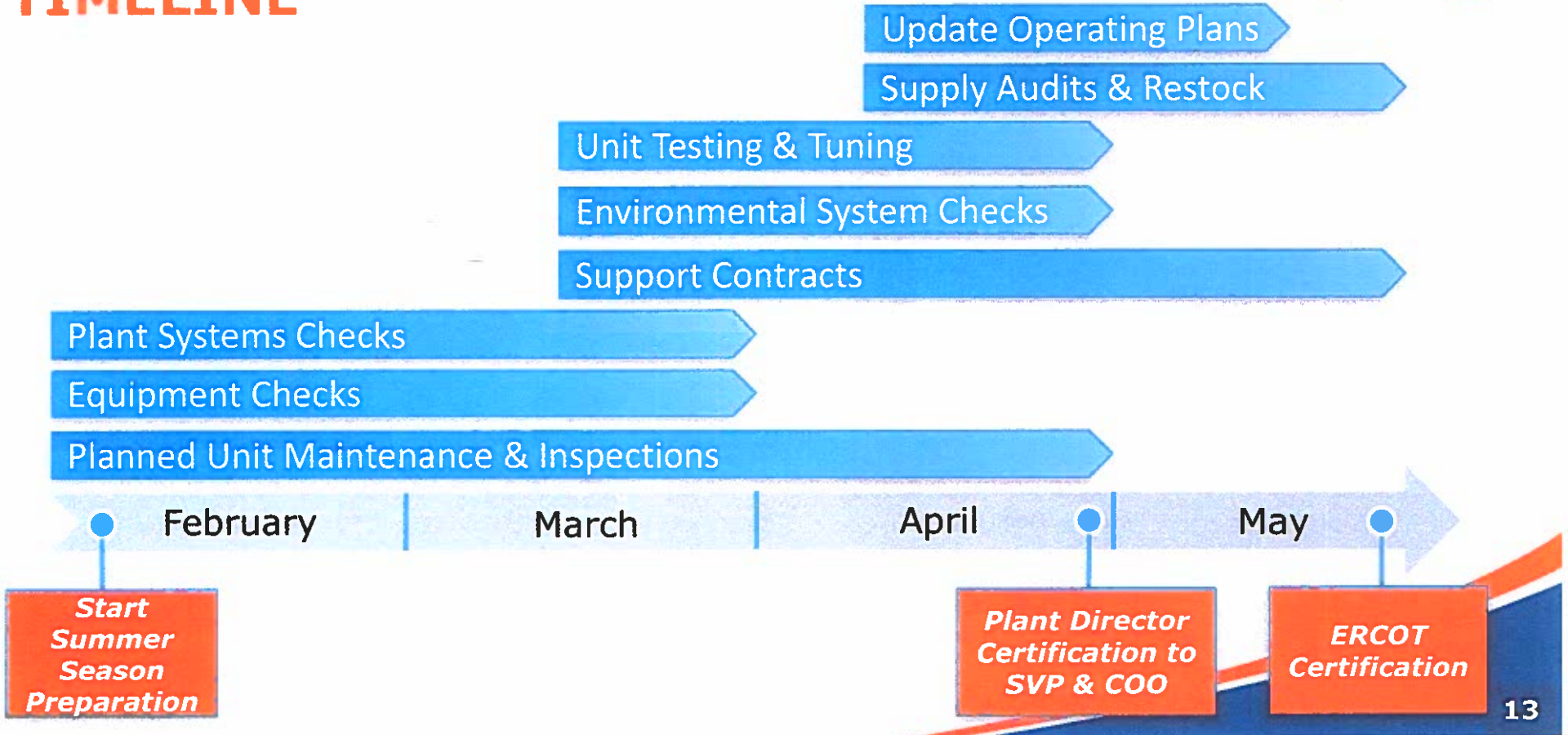
STRONG DIVERSITY

DELIVERING OPERATIONS EXCELLENCE



2020 SUMMER READINESS

TIMELINE



SPRING MAINTENANCE



Unit maintenance completed as planned



Spruce 2

- Generator inspection & testing
- Air Quality Control Systems
 - Catalyst swap
 - Baghouse inspection
- Balance of plant
 - Pumps
 - Motors
 - Piping



Rio Nogales

- HRSG inspection & maintenance
- Turbine protection systems
- Generator maintenance
- Balance of plant
 - Pumps
 - Motors
 - Piping



Braunig 2

- Turbine inspection & repair
 - Rotor
 - Valves
 - Systems
- Balance of plant
 - Pumps
 - Motors
 - Piping

SPRING MAINTENANCE



Unit maintenance completed as planned



Sommers 2

- Turbine valve repairs
- Generator controls upgrade
- Condenser clean & inspect
- Balance of plant
 - Pumps
 - Motors
 - Piping



Lee West

- Turbine 1 swap out
- Turbine 2-4 inspections
- Thrust balance valves
- Balance of plant
 - Pumps
 - Motors
 - Piping



Arthur Von Rosenberg

- HRSG chemical cleaning
- Generator major inspection
- Condenser clean & inspect
- Balance of Plant
 - Pumps
 - Motors
 - Piping

OPERATIONS CONTACT MAP



COVID-19 PREPARATIONS

POWER GENERATION



Proactive COVID-19 risk mitigation strategy in place

- Performed operational contact-based risk assessment
- Implemented enhanced workforce protection plans based on risk assessment & CDC guidance
- Created isolated relief teams ready to fill vacancies
- Developed sequestration plans if community spread intensifies



SUMMER READINESS

TRANSMISSION & DISTRIBUTION EDS



SUMMER READINESS ACTIVITIES DUE MAY 29

Safety Training



- Snake bite awareness
- Heat Stress
- Hydration

Operational



- Inspections & testing
- Load shed plan updates
- Load flow analysis

Equipment/Vehicle



- Inventory checks
- Voltage detector checks
- Vehicle checks

Preparation for high heat levels reinforces system performance in the summer months

COVID-19 PREPARATIONS

SYSTEM OPERATIONS



Proactive COVID-19 risk mitigation & contingency plans completed

- Limited access to control rooms to non-system operator staff
- Enacted cleanings of work areas & common touch points with weekly electrostatic cleaning
- Established temperature screens at primary control room for all staff
- Required physical separation of system operator shifts to eliminate cross-contamination
- Use of primary & back-up control rooms to separate staff
- Created system operator sequester plan ready for execution in event of virus spread

COVID-19 PREPARATIONS

DISTRIBUTION CONST & MAINTENANCE



Proactive COVID-19 risk mitigation & contingency plans completed

- Utilizing social distancing signs, cone stickers & fire resistant masks
- Enabled larger crews that work together at all times
- Use of multiple staging locations to minimize impact of an outbreak
- Developed multi-stage contingency plan in event of virus spread & increased absenteeism





Thank You



GLOSSARY



Term	Acronym (if applicable)	Definition
Demand Response	DR	A load curtailment program initiated to reduce high energy demand during extreme temperatures.
Electric Reliability Council of Texas	ERCOT	Entity that manages the flow of electric power on the Texas Interconnection that supplies power to Texas customers - representing 85% of the state's electric load.
Peak Load		The maximum periodic load demand imposed on a power supply system.
Reserve Margin		A measure of available capacity over and above the capacity needed to meet normal peak demand levels.
Resources		Electrical Generation facilities available to meet Customer demand on an as-needed basis.
Heat Recovery Steam Generator	HRSG	An energy recovery heat exchanger that recovers heat from a hot gas stream. It produces steam that can be used to drive a steam turbine (combined cycle plant).
Small Box		With regard to generation assets & resources, investment in smaller MW options (as opposed to large resources e.g. power plants).



GRID RESILIENCY UPDATE

PRESENTED BY:

Fred Bonewell

Chief Security, Safety & Gas Solutions Officer (CSSGSO)

Shanna Ramirez

VP, Chief Integrated Security Officer

May 27, 2020

Informational Update

20 MAY 21 PM 1:32

RECEIVED
CITY OF SAN ANTONIO
CITY CLERK

OBJECTIVES & TAKEAWAYS



- **PROVIDE A HIGH LEVEL REVIEW OF GRID RESILIENCY PROJECTS**
- **ANNOUNCE AWARD OF \$5M IN STATE GRANT FUNDING**
- **HIGHLIGHT VALUE OF THIS COMMUNITY PARTNERSHIP**



AGENDA



- **PROGRAM OVERVIEW**
- **FUNDING ANNOUNCEMENT**
- **BENEFITS OF PROJECT**



OUR GUIDING PILLARS & FOUNDATION



Our Grid Resiliency Project directly supports a majority of our pillars & strengthens our foundation.

GRID RESILIENCY PROJECT **cps**



- Public community partnership
- Increase physical security & resiliency
- Preservation of military readiness

This is a collaborative effort between CPS Energy, our local community & our military to improve the resiliency of the infrastructure that is critical to our success.

GRID RESILIENCY PROJECT

- Substation Physical Security Upgrades
 - 11 substations providing power to JBSA facilities
 - Increase security & mitigate risks of vehicle attacks & projectiles
- Air Space Safety Upgrades
 - Remove distribution lines & poles from safety clear zones
 - Increase safety & mitigate risk of aircraft accidents



Photo from www.cpsenergy.com



Photo from www.jbsa.mil/news

\$5M GRANT AWARD



- Defense Economic Adjustment Assistance Grant (DEAAG)
 - Granted by Texas Military Preparedness Commission
 - Purpose to enhance grid resiliency
 - Managed by AACOG
 - 2 year project
- Matching Funds
 - Our capital improvement investment is \$3.4M in cash & \$600K in in-kind contributions



Photo from www.aetc.af.mil/news

BENEFITS



- Increased physical security of our facilities
 - Strengthens grid resiliency
- Supports JBSA mission success
 - Increases national security
 - Reinforces ability to continue contributing to the community
- Economic boost & increased resiliency for CoSA
 - \$8.4M injection into local economy through competitive bidding
 - Impacted substations serve our commercial & residential customers

Increasing our mutual operational resiliency enhances our community, the grid & our national security.



Thank You





AUDIT & FINANCE COMMITTEE

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 21, 2020 MEETING PREPARED FOR COMMITTEE MEMBER, DR. WILLIS MACKEY FOR REPORT AT THE MAY 27, 2020 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on April 21, 2020. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on January 21, 2020.
- B. Received overview of the financial reporting and audit process, and the external auditors presented the results of the annual audit of our financial statements.
- C. Received an update on the impact of COVID-19 on compliance related to electric reliability & protocol, environmental, and gas. No non-compliance events due to COVID-19 have been identified.
- D. Received update on the Ethics Program, which included a summary of cases opened and closed through March 31, 2020, and a presentation on trend analysis based on case category for FY2019 versus FY2020.
- E. Received Audit Services Quarterly Report:
 - a. An overview of Audit Services COVID-19 response and an update on the FY2020 Audit Plan status.
 - b. Discussed that internal controls and fraud training for senior management had been halted and agreed to resume providing the training virtually in the next few weeks. Also, discussed providing training to other employees and contractors.
- F. Received update on COVID-19 preliminary financial impacts:
 - a. Provided review of financial results forecast for net income, flow funds, and R&R fund based on the impact of COVID-19, including estimate of bad debt of \$28 million for FY21.
 - b. Communicated that City Payment was based on gross revenue and a reduction in our gross revenue would result in a reduction to the City Payment. The City of San Antonio (COSA) requested estimates for City Payment several weeks ago and we have been conducting on-going meetings with the COSA team.
 - c. Provided an overview of the potential COVID-19 impact on key financial metrics: adjusted debt service coverage (ADSC), days cash on hand (DCOH), and debt capitalization (DC).

The next meeting of the Audit & Finance Committee is to be determined.

This concludes my report.



EMPLOYEE BENEFITS COMMITTEE OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 21, 2020 MEETING PREPARED FOR COMMITTEE MEMBER, TRUSTEE DR. WILLIS MACKEY FOR REPORT AT THE MAY 27, 2020 BOARD OF TRUSTEES MEETING

The EBOC met on April 21, 2020. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on January 21, 2020
- B. Reviewed an Action Item list from the January 21, 2020 Meeting
- C. Received a presentation regarding a Benefits Plans Administrative & Financial Update, which included items related to succession planning efforts, governance items, and an investment performance update related to the Plans
- D. Received a presentation regarding a Benefits Plans Audit Update, discussing the recently completed audit for the Pension Plan, as well as a one-year extension of the current Auditor

The next meeting of the EBOC is still to be determined.



AUDIT & FINANCE & EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC) ALIGNED RISK SUB-COMMITTEE

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 21, 2020 MEETING

PREPARED FOR COMMITTEE MEMBER, DR. WILLIS MACKEY

FOR REPORT AT THE MAY 27, 2020 BOARD OF TRUSTEES MEETING

The Audit & Finance & EBOC Aligned Risk Sub-Committee (Sub-Committee) met on April 21, 2020. As part of the Sub-Committee agenda, the Sub-Committee:

- A. Approved meeting minutes from the previous meeting held on January 21, 2020.
- B. Reviewed the COVID-19 risk universe with a focus on CPS Energy's People and Financial risks and heard from the risk owners on the risk mitigation steps being executed.

The next meeting of the Audit & Finance & EBOC Aligned Risk Sub-Committee is to be determined.