

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JUNE 29, 2020

The Regular Meeting of the Board of Trustees of CPS Energy for the month of June was held on Monday, June 29, 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 Solutions Officer
 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 COVID-19 health statistics and the recent surge of cases. He explained the various measures being implemented to curb the number of infections and decrease the increasing pressure on hospitals, including plans for limiting the reopening of businesses. The Mayor noted that he and Bexar County Judge Nelson Wolff have resumed nightly briefings on the pandemic. He reminded residents to stay home and, when out in public, wear masks and practice social distancing.

Chair Steen thanked the Mayor for his leadership.

On behalf of CPS Energy employees, Ms. Gold-Williams thanked the Mayor and Judge Wolff for their leadership.

Ms. Gold-Williams reported that more than three dozen employees have tested positive for COVID-19. The virus continues to spread rapidly, but we must do our part to slow the spread.

CPS Energy will continue to support our communities, customers and staff while providing reliable service and maintaining safety in these challenging times.

On behalf of the Board, Chair Steen thanked Ms. Gold-Williams for her leadership during this period of unprecedented challenges.

III. INVOCATION

An invocation was delivered by Mr. LeeRoy Perez, Interim Senior Director, Substation & Transmission.

IV. PUBLIC COMMENT

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

1. Mr. Rafael Garcia, Sierra Club, explained that because of his personal health condition, clean air and sustainable, reliable power are very important to him.
2. Ms. Alice Canestaro-Garcia, Energía Mia, expressed her concerns with climate change and energy costs. She encouraged CPS Energy to replace coal with renewable and clean energy.
3. Ms. DeeDee Belmares, Public Citizen, noted her recent correspondence to CPS Energy. She spoke in favor of the Rate Advisory Committee (RAC) and the closure of the Spruce coal plant.
4. Mr. Greg Harman, Sierra Club, informed the Board that a summary of recommendations prepared for the Sierra Club by Optimal Energy, an energy efficiency consultant, would be circulated to them. He also expressed his support of the STEP Bridge.
5. Mr. Jim Collins, Director of Energy Markets, Microsoft, expressed Microsoft's appreciation to CPS Energy for creating the Green Tariff. He noted that Microsoft utilizes 100% renewable energy in its operations and expressed Microsoft's support of continued future collaboration efforts in furtherance of the City's Climate Action and Adaptation Plan (CAAP).
6. Mr. John Beaubouef, Environment Texas, spoke generally about his concerns regarding the future of energy. He advocated for the closure of the Spruce coal plant and a move to 100% clean energy.
7. Ms. Kate Moffatt, Environment Texas, spoke generally about her concerns regarding global warming and climate change across Texas. She expressed her support of the RAC, the CAAP, and advocated for the closure of the Spruce coal plant.
8. Ms. Claudia Diaz commented positively about the effectiveness of the Citizens Advisory Committee (CAC) and her concerns with the formation of another committee, such as the RAC.
9. Mr. John Agather spoke against the formation of the RAC and advocated for the full entrustment of the CAC.
10. Ms. Angela Pardo, spoke about the needs of the underprivileged residents of San Antonio. She encouraged the continuation of CPS Energy's weatherization program and urged CPS Energy to consider collaborating with CoSA's home repair and remediation programs.
11. Ms. Samantha Flores, Texas Organizing Project, expressed her support of the RAC, noting that it would increase transparency and public engagement.

12. Ms. Celia Valles, Texas Organizing Project, urged the creation of the RAC, noting that it would address the needs of customers impacted by COVID-19.
13. Ms. Carol Mendoza, Climate Action Coalition, encouraged CPS Energy to continue adding renewable energy resources.
14. Ms. Maria Ann Vargas, Texas Organizing Project, urged transparency by CPS Energy and the creation of the RAC.

V. CEO REPORT

Ms. Gold-Williams began by providing context around and highlights of certain items on the meeting agenda.

She previewed item 6A, FY2021 COVID-19 Financial Impacts. These are actual financial results through April 30, 2020. She indicated that the financial schedules have been updated to include the year-to-date net income as requested by Dr. Mackey. CPS Energy continues to be financially responsible by controlling costs and maintaining community assets while providing essential services safely.

Ms. Gold-Williams summarized the STEP Bridge Procurement Preview (item 6B). The procurement will address the need for additional funding for weatherization and energy efficiency contracts with vendors to achieve STEP Bridge goals.

Regarding the Winter Assistance Relief Mobilization (WARM) Fund (item 6B), Ms. Gold-Williams highlighted that the Residential Energy Assistance Program (REAP) fund and WARM funds have been utilized to provide utility bill assistance to customers in need. Given the unprecedented effects of the COVID-19 pandemic, transfer of WARM funds to REAP is being proposed to ensure more funds are available to the public.

Ms. Gold-Williams also previewed the appointment of a new Citizens Advisory Committee (CAC) member, (item 8), the New Products: Green Tariff & Resiliency Service (item 10), and an update on the Scenic Loop Routing & Siting process (item 11).

She reported that construction of the new headquarters is on time and on budget.

Ms. Gold-Williams provided a brief update on the RAC, noting that Ms. Shellman and her team are making progress on the development of the RAC. However, our focus continues to be on COVID.

Ms. Gold-Williams noted that 245 employees are currently quarantined due to exposure, or possible exposure, to COVID. She described the preventative measures CPS Energy has implemented to minimize the risk of exposure and transmission of the virus.

She concluded her report by stating that CPS Energy remains committed to ensuring the safety and health of its employees and that of the community.

VI. ADDITIONAL UPDATES

FY2021 COVID-19 Financial Impact, Cont.

Mr. Gary Gold, Vice President, Corporate Services & Assistant Treasurer, presented the FY2021 Preliminary COVID-19 Financial Impact as of May 31, 2020. 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 explained that the budget net income year-to-date was initially budgeted to be negative \$20.6 million. However, the actual net income amount year-to-date is \$20.9 million, a favorable variance of \$41.5 million. The favorability is driven by lower operations and maintenance (O&M) expense, as well as lower interest and debt-related expenses, which reflect the delay of the implementation of a Governmental Accounting Standards Board (GASB) rule eliminating capitalized interest. The rule is expected to be implemented in 2022.

Turning to May electric sales by customer segment, factories, shops, churches, hotels, restaurants, bars and schools- some of them still closed, some only partially reopened- all used less power than projected. Residential customers, on the other hand, increased their usage by 16.8 percent. Overall, total system sales are approximately 1.7 percent below budget.

Regarding the potential effects of COVID-19 on net income for FY2021, a net loss of \$38.3 million is projected, assuming the Medium Impact scenario, improved from last month's projection of negative \$54 million. This improvement is due to slightly higher wholesale and retail revenues and lower debt-related expenses. A High Impact scenario is projected to result in a net loss of \$69.3 million.

Turning to the Flow of Funds, the Total Repair and Replacement (R&R) fund additions in the Medium Impact scenario are projected to be \$204.9 million, improved from last month's projections due to higher wholesale and retail revenues.

Turning to the key financial metrics, the forecasted Adjusted Debt Service Coverage (ADSC) is 1.50x for the Medium Impact scenario, higher than the May projection of 1.48x, and on track with the Accountability Plan Threshold of 1.50x. Days Cash on Hand for the Medium Impact scenario is projected at 165, higher than the May projection of 161, and better than the Accountability Plan's Threshold of 150. The Debt Capitalization ratio is projected to be 60.5 percent for the Medium Impact scenario and 60.7 percent for the High Impact scenario, both favorable to the Accountability Plan Threshold of 61.7 percent. Management will work to implement additional mitigations to improve financial performance.

We are still in the early part of the current fiscal year, having completed only the first quarter, and expect additional changes as we continue to monitor the pandemic and take the following proactive steps to minimize its impact:

- Analyze actual sales results to better understand demand patterns
- Monitor accounts receivable and bad debt, providing customers with information on assistance programs
- Focus on cash flows to ensure liquidity
- Prioritize ongoing spend to identify additional cost reductions & cash savings
- Scan for emerging risks
- Continue to provide monthly updates

Trustee Kelley complimented Financial Services for their progress during this crisis. He was particularly pleased with the substantial cash flow and the additions to the R&R funds.

Chair Steen echoed Trustee Kelley's comments.

At Chair Steen's request, Ms. Gold-Williams provided her perspective to the financial landscape, noting that our objective is to assist customers while maintaining financial stability. A cross-functional team continues to look for cost-savings through planning and deferring work, as appropriate, while keeping our Guiding Pillars in mind.

Dr. Mackey also complimented the team, commenting that CPS Energy has prevailed during this crisis.

STEP Bridge Procurement Preview

Mr. Rick Luna, Interim Director, Technology & Product Innovation, provided context related to the professional services procurement item on the Consent Agenda.

The Save for Tomorrow Energy Plan (STEP) was completed early and under budget, achieving a demand reduction of 845 MW versus the original goal of 771 MW. In January, the Board and City Council approved \$70 million for the one-year STEP Bridge to continue providing services under the STEP portfolio of programs aimed at helping customers save energy, including: Weatherization; Residential and Commercial Energy Efficiency; Demand Response; and Solar Rebates.

CPS Energy is now seeking Board approval to spend \$31 million, included in the approved \$70 million, to fully fund the purchase orders with vendors that implement CPS Energy's residential and commercial Weatherization and Energy Efficiency programs. Mr. Luna reviewed STEP Bridge funding and provided information about Franklin Energy and CLEAResult, the vendors selected to provide the program's services on CPS Energy's behalf. For customers with average monthly usage of 1,000 kWh, STEP Bridge funding results in a bill impact of \$3.43 per month, a decrease from the bill impact in FY2019.

Mr. Luna described STEP Bridge program changes made because of COVID-19, such as pausing on-site services and transitioning to digital processes, where possible. We continue taking customer calls, providing energy efficiency tips and accepting rebate applications. COVID-19 impacts to STEP Bridge goal attainment are being monitored and assessed.

Mr. Luna concluded by summarizing the request for approval of procurement items and associated funding to continue the STEP Bridge programs, such request being part of the Consent Agenda.

In response to an inquiry by Trustee Gonzalez, Mr. Luna responded that quality assurance (QA) inspections are performed to audit the weatherization work performed by contractors, and certain performance indicators must be achieved before they are fully paid. Additionally, customers are asked to complete satisfaction surveys, which currently indicate a 90 percent satisfaction level.

Trustee Gonzalez noted her support for the STEP Bridge program but encouraged robust monitoring and confirmation that the contracted vendors perform good quality work. She described a personal experience regarding the quality of weatherization work.

Mr. Luna clarified for Trustee Kelley that the bill impact related on a linear scale to energy usage, both for residential and commercial customers.

Trustee Kelley and Trustee Gonzalez commented on the nature of complimentary STEP programs and any resulting impacts on customer satisfaction levels. Mr. Luna noted that satisfaction with the entire experience is measured and even though the services are complimentary, recipients still raise concerns.

In response to comments about whether customers are aware that they pay for STEP programs, Ms. Gold-Williams committed to provide the Board with the most recent customer survey results that include that information.

VII. WARM FUND CONVERSION TO REAP

Mr. Rudy Garza, Interim Chief Customer Engagement Officer, began the presentation by providing a brief background of Project Weatherization Assistance Relief Mobilization (WARM) and the Residential Energy Assistance Partnership (REAP).

WARM was established by CoSA in 1983 and funded by private donations to provide utility bill assistance to needy citizens. A 1985 memorandum of understanding between COSA and CPS Energy restricts the use of WARM funds to only the interest earnings from an endowment given in 1984. Notably, interest rates at that time were significantly higher than they are today. The WARM corpus is approximately \$7.5 million. CoSA and Bexar County conduct intake activities and CPS Energy administers WARM funds and reporting. Customers may receive up to \$150 in annual assistance and may also receive REAP assistance, provided that cumulative WARM and REAP assistance does not exceed \$400 per year.

REAP is a partnership formed in 2002 between CoSA, Bexar County and CPS Energy to create a pool of money to help local economically disadvantaged families needing utility assistance. REAP is funded by an annual CPS Energy contribution of \$1 million, private contributions, and proceeds from fundraisers that CPS Energy organizes. Customers may apply for REAP assistance twice per year. The income qualifications for WARM and REAP are identical.

Mr. Garza noted that there is an increasing need for a customer assistance in San Antonio due to COVID-19. We expect the need to further increase in late summer when unemployment and other federal programs expire. While CPS Energy continues to make its annual contribution and promote community contributions, REAP fund utilization outpaces those funds.

On June 25, 2020, City Council approved the termination of WARM and the transfer of WARM funds from CPS Energy to REAP to be used to assist economically disadvantaged customers. The program consolidation into a single program will result in the availability of WARM funds, including the corpus, to address the increasing need, a streamlined customer experience in seeking assistance and improved efficiencies in program administration and reporting.

Mr. Garza respectfully requested Board approval to execute the required steps and activities to convert WARM funds to REAP.

Trustee Kelley and Trustee Gonzalez asked about the amount of contributions CPS Energy makes to REAP. Ms. Gold-Williams noted that that the requested change does not contemplate additional CPS

Energy funding to REAP. Any substantial increase requires approval by the Board and City Council as part of a rate case, which is not planned at this time. Currently, there is \$7.5 million in the WARM fund and under \$5 million in REAP.

Ms. Gold-Williams stated that CoSA contributes funds to REAP from time to time. Proceeds from fundraising events and settlement funds from past litigation have been placed in REAP. Bexar County provides assistance through LIHEAP.

Trustee Kelley stressed financial controls on CPS Energy contributions to REAP. Ms. Gold-Williams committed to providing the Board with a financial analysis of the REAP proceeds for their input but emphasized the importance of moving the \$7.5 million WARM corpus to REAP, the essence of the request for Board approval. Trustee Kelley noted that he is in favor of moving the WARM funds but reiterated his interest in monitoring and keeping in check CPS Energy's financial contributions to REAP. Trustee Gonzalez agreed with Trustee Kelley.

Ms. Shellman read the following resolution for Board approval:

RESOLUTION AUTHORIZING THE CONVERSION OF PROJECT WARM FUNDS TO REAP

WHEREAS, on January 13, 1983, Project Winter Assistance Relief Mobilization (WARM) was established by the City of San Antonio (CoSA) to be funded by private donations, and provide utility bill assistance to needy citizens; and

WHEREAS, on December 28, 1984, Wagner & Brown partnerships assigned to CPS Energy an overriding royalty interest (Interest) in certain natural gas reserves in Sterling and Crockett Counties with the request that the net proceeds of the Interest be used to benefit WARM; and

WHEREAS, on January 31, 1985, CoSA and CPS Energy entered into a Memorandum of Understanding providing that, in order to perpetuate the availability of funds to WARM, the net proceeds of the Interest be maintained as corpus and invested for the benefit of WARM, and the income derived therefrom be used to provide assistance to needy citizens through WARM; and

WHEREAS, WARM is jointly administered by CPS Energy and CoSA; and

WHEREAS, approximately \$7.5 million currently comprises the WARM corpus and approximately \$120,000.00 of income is made available annually as assistance; and

WHEREAS, the funds available for assistance through WARM each year have been limited to the income earned from the Interests plus additional private donations received; and

WHEREAS, the Residential Energy Assistance Partnership, Inc. (REAP) was formed in 2002 by CoSA, Bexar County and CPS Energy to help local economically disadvantaged families needing utility assistance; and

WHEREAS, REAP is funded by an annual contribution from CPS Energy of \$1 million, private donations and investment income and provides direct utility bill credits to income qualifying CPS Energy customers living within the City limits and Bexar County; and

WHEREAS, given the substantially similar purpose and operations of WARM and REAP and the unprecedented effects of the COVID-19 pandemic, particularly on the economically disadvantaged population, CoSA and CPS Energy desire to streamline the provision of utility assistance credits to economically disadvantaged residents by utilizing the current WARM corpus, related interest, and any other funds received related to the WARM account (royalty receipts, miscellaneous contributions, etc.) (collectively, WARM Funds) for REAP purposes; and

WHEREAS, on June 25, 2020, CoSA approved Ordinance No. 2020-06-25-0452, authorizing actions including (1) the transfer of WARM Funds from CPS Energy to REAP, and (2) the termination of WARM upon completion of pending administrative transactions, and other related actions necessary for proper administration and management.

NOW, THEREFORE, BE IT RESOLVED, that the CPS Energy Board of Trustees authorizes all actions necessary to convert WARM funds to REAP, now and in the future, and terminate WARM for the purpose of achieving efficiencies through the administration of a single utility assistance program, optimizing the WARM funds to address the increasing need in our community, and streamlining our customers' experience by consolidating available funding under a single program.

Dr. Mackey moved and Trustee Gonzalez seconded a motion approving the Resolution Authorizing the Conversion of Project WARM Funds to REAP. Responding to Trustee Kelley, Ms. Gold-Williams committed to provide a financial analysis of CPS Energy's contributions to REAP to the Board for their information and input. Chair Steen called for a vote and upon affirmative vote by all members present, the resolution was unanimously approved.

VIII. APPOINTMENT TO THE CITIZENS ADVISORY COMMITTEE

Mr. John Leal, Director, Local Government Relations, provided a brief description of the Citizens Advisory Committee (CAC) members, including the most recent appointments. He noted that the CAC continues to meet, albeit virtually, during the COVID-19 pandemic.

Mr. Leal requested the appointment of Dr. Adelita G. Cantu, Associate Professor, School of Nursing, UT Health San Antonio. She is a Board member of the National Association of Hispanic Nurses and participates in many other community activities. Dr. Cantu has been nominated by Councilmember Ana Sandoval to represent District 7 on the CAC.

Trustee Gonzalez commented that she is pleased that all CAC vacancies are now filled. She noted that the CAC plays a crucial part in transparency and community participation.

Trustee Kelley commented positively about Dr. Cantu and others comprising the CAC.

On motion duly made by Trustee Kelley, seconded by Dr. Mackey, and upon affirmative vote by all members present, the Board unanimously approved the appointment of Dr. Adelita G. Cantu to the CAC.

In conclusion, Mr. Leal read Dr. Cantu's statement of appreciation and desire to serve to the Board.

IX. APPROVAL OF CONSENT ITEMS:

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

Approval of Minutes

Minutes of the Special Board Meeting held on May 20, 2020, and the Minutes of the Regular Board Meeting held on May 27, 2020, were approved as submitted.

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 May 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$166,536,342.50, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$16,416,210.88. Under the previously approved agreement with the City, CPS Energy will advance to the City \$16,416,210.88 against future months' revenues for fiscal year 2021. The revenue for the month of May 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$204,548,890.52
Gas revenue	10,414,193.08
Interest and other income	2,403,018.43
Gross revenue per CPS Energy financial statements	<u>217,366,102.03</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(4,300,823.18)
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	(8,649,072.78)
Noncash and other income, GASB 31 investment market value change, miscellaneous Interest income, gas billing adjustment and unbilled revenue	<u>(37,879,863.57)</u>
Total excluded revenue	<u>(50,829,759.53)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$166,536,342.50</u>
City payment per Bond Ordinance for May 2020 based upon May 2020 revenue	\$23,315,087.95
City payment per memorandum of understanding (MOU)	

regarding wholesale special contracts	638,720.51	
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	23,941,308.46	A
Utility services provided to the City for May 2020	(2,223,252.18)	
Net amount to be paid from May 2020 revenue to the City in June 2020	<u>\$21,718,056.28</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)

May 2020	Actual	Budget	Variance	
Current Month* A	\$23,941	\$24,906	(\$965)	-3.9%
Year-to-Date*	\$93,528	\$99,615	(\$6,087)	-6.1%

* 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 \$21,718,056.28, representing 14% of applicable system gross revenues for the month of May 2020, such payment being net of City utility services (\$2,223,252.18), and including the current month's deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2021 is \$58,588,296.38.

Approval of Procurement Items – June

One (1) Non-Competitively Sensitive Item

Purchase Category: Professional Services
Supplier: CLEAResult Consulting, Inc. (Commercial Energy Efficiency)
Franklin Energy Services, LLC (Residential Energy Efficiency)
Franklin Energy Services, LLC (Weatherization)

*The listed Procurement Item is attached hereto (Attachment "A").

X. NEW PRODUCTS: GREEN TARIFF & RESILIENCY SERVICE

Mr. Rudy Garza, Interim CCEO, explained that we are continuously listening to our customers and the two new products being presented to the Board today are innovative solutions to address customer objectives while still maintaining financial responsibility. The Board's approval is being requested for two new tariffs.

Mr. Chad Hoopingarner, Senior Director Strategic Pricing & Cost Recovery, reviewed the definition of a tariff and noted that several tariff recommendations will be presented to the Board this year to stay current with customer trends and interests. A roadmap outlining the proposed timing of recommended tariffs, including their alignment to our Guiding Pillars, was presented.

Mr. Hoopingarner noted that the tariffs being proposed today generally benefit large commercial customers, but that CPS Energy has a number of successful programs, such as our residential distributed solar program, that benefit smaller, residential customers.

The first tariff being proposed, the Green Tariff, was created to facilitate large customers' goals of accelerating their access to renewable energy. Under this tariff, customers are able to designate a specific renewable energy source for their energy needs. The second tariff, the Resiliency Service Tariff, seeks to enhance medium and large customers' service reliability by providing assurance of uninterrupted power. Mr. Hoopingarner noted that both tariffs provide significant community value by promoting grid resiliency, aligning with our community objectives. Notably, they protect our community's investment by ensuring the cost of our electric infrastructure is fully covered in the prices that are offered.

The Green Tariff has three components: a grid share charge of \$2,550/month; a demand charge of \$19.08/kW during summer months and \$16.22/kW during non-summer months; and energy charges based on a renewable energy supply agreement (RESA). The first two components are intended to recover the costs of providing this service to customers. Energy charges in our standard tariffs recover the average cost of generating a kilowatt from our diverse generation fleet. However, the Green Tariff's energy charges are based on a RESA between CPS Energy and the customer and developed after the customer, working with us, selects a renewable energy source that meets their needs. Mr. Hoopingarner explained that the Green Tariff improves fixed cost recovery by better aligning its fees to the cost to serve, approximately 44% of which reflects fixed costs and 56% of which reflects variable costs. He noted that City payment remains the same under the Green Tariff and that access to economic incentives (as approved by CoSA) is preserved for large customers who choose the Green Tariff.

The Resiliency Service (RS) Tariff provides access to onsite generation for a monthly fee. It was developed in response to commercial customers desiring a solution for more dependable power during critical weather events. A successful pilot offering this service was launched in mid-2019 and enabled participating customers to avoid the possibility of long outages and continue offering their services during severe weather events. Focusing on the mechanics of the RS Tariff, Mr. Hoopingarner explained that CPS Energy has partnered with a third-party who builds and maintains natural gas generators at customers' sites. CPS Energy builds and maintains facilities to interconnect the generators to our gas and electric infrastructure. We recover our cost through a monthly Resiliency Service fee of \$1.04/kW paid by the customer.

Ms. Melissa Sorola, Interim Senior Director, Corporate Communications & Marketing, described the marketing and customer outreach plans for the proposed tariffs, including engaging with economic development partners to highlight the new offerings.

At the conclusion of his presentation, Mr. Hoopingarner requested Board approval of the two new products, the Green Tariff and the Resiliency Service Tariff.

Mayor Nirenberg complimented CPS Energy staff on its persistence in pursuing these tariffs and stated he was pleased with the progress.

Trustee Kelley noted that he has not been approached by any large customers about the need for the new tariffs and asked which customers are asking for them. Mr. Hoopingarner replied that Microsoft had expressed interest, as heard during the Public Comment portion of the meeting, but that other large commercial customers had also inquired and will be able to benefit from the Green Tariff. Trustee Kelley stated that he is learning of this program for the first time and, given its magnitude, will not vote on them during this meeting. He requested more information, including an analysis of the effects the new tariffs will have, including any unintended consequences relative to cost shifting, cascading effects on energy costs on other customer classes, and impacts on our total demand going forward. He also asked what the San Antonio Economic Development Foundation, Toyota, Valero and other large and mid-size commercial customers think about the tariffs.

Ms. Gold-Williams responded that we have been working on this for about two years and that updates have been provided to the Board. She offered to provide additional context to the Board to refresh their recollection. She emphasized that the tariffs have been specifically structured to recover our fixed costs of service and are likely the most progressive rate designs we have since all of our other rates are volumetric, relying on an increase in usage in order to recover our fixed costs. The feedback from multiple customers is that they want more products and services. We have had a residential solar rate for many years, but now we are able to work with large commercial customers with the resources to put these systems on their premises. She again highlighted that the design of the Green Tariff allows us to recover our fixed costs instead of leaving them exposed. Ms. Gold-Williams noted that there have not been any recent communications about this matter with the Board due to the COVID pandemic.

Trustee Gonzalez noted that this matter has been discussed with the Board multiple times and, although it has been some time since the last discussion, the program supports many of our initiatives and she would not be in favor of delaying a vote on this item.

Trustee Kelley requested an independent third-party review and analysis of the tariffs, expressing his concern about unintended consequences on the company. He and Trustee Gonzalez discussed his request and concerns.

In response to Chair Steen, Trustee Kelley confirmed that, if a vote were taken today, he would not vote to approve the tariffs. The Board discussed the occurrence of previous discussions about this matter and whether a vote today should occur. Ms. Gold-Williams stated that previous discussions and written communications have been in connection with addressing our recovery of fixed costs in existing and future tariffs. She acknowledged that it may have been unclear that those discussions were leading to the specific tariffs being proposed.

In response to Chair Steen's request that Ms. Gold-Williams comment about delaying the item and respond to Mr. Kelley's requests, she stated that it would be difficult to engage and complete a third-party analysis within thirty days. She reminded the Board that the industry and customers' expectations continue to change. We try to establish an objective way forward based on rational approaches that correlate with industry trends, but there is always risk in the business model because of the changing landscape. Our current tariff structure has risk because whether rates recover all our fixed costs is dependent on our customers' demand for energy. Regarding the delay, Ms. Gold-Williams noted that we have customers who are interested at present in the new tariffs, but we can do our best to provide the Board with the information Trustee Kelley requested so that this item can be considered in July.

Trustee Gonzalez stated that she supports the Board receiving more information about the matter, but she does not support a third-party analysis because of the delay it would cause. Chair Steen indicated his inclination to delay this item until July, which would allow time for the Board to receive additional information about it. He noted that a third-party analysis in that time frame was unlikely.

Dr. Mackey stated that he recalls prior discussions about this issue and that he is in support of the proposed tariffs.

Trustee Kelley reiterated his desire to hear from commercial customers about this matter and to analyze the tariffs' effects on our demand and revenues.

Ms. Gold-Williams committed to providing the additional information to the entire Board to enhance their understanding of this matter. Given that commitment, Chair Steen instructed that Board deliberation on this matter would continue in July.

Mayor Nirenberg noted that CPS Energy has worked for about two years on ways to recoup its fixed costs through rate structures. Meanwhile, customers and the public have become increasingly interested in the use of renewable energy sources and there has been an increasing number of large commercial customers who desire more control of their assets. Throughout this process, CPS Energy has kept the Board and City Council informed about the difficulty of doing this in a way that does not benefit only one customer. Mayor Nirenberg noted that he is supportive of the proposed tariffs but understands Trustee Kelley's concerns and he is willing to give Trustee Kelley the courtesy to receive more information. However, Mayor Nirenberg noted that he does not support a third-party analysis because it will take us back several steps. In summary, Mayor Nirenberg recommended that staff provide more information to Trustees who desire it and that the matter be presented for a vote in July.

Trustee Gonzalez moved that a vote on this item be delayed for 30 days to allow Trustees to refresh their recollection and receive additional information about the proposed tariffs. Mayor Nirenberg seconded the motion. Dr. Mackey proposed to modify the motion to state that the vote would be postponed, rather than delayed. Trustee Gonzalez accepted Dr. Mackey's amendment to the motion. Mayor Nirenberg seconded the motion as modified. Chair Steen clarified that the reference to "30 days" in the motion item meant that the matter would be considered at the July 27, 2020 Board meeting. Upon affirmative vote by all members present, the motion was unanimously approved.

XI. SCENIC LOOP ROUTING & SITING

Mr. LeeRoy Perez, Interim Senior Director, Substation & Transmission Engineering, presented an informational update on the Scenic Loop Routing & Siting project (Project). He noted that the Project is aligned to our Guiding Pillar, Reliability, and is necessary to meet the considerable load growth in the northwest corner of our service area (the Study Area). Mr. Perez reviewed Senate Bill 776 (2015) which established a new approval process, effective September 1, 2021, for the construction of municipally-owned transmission lines that are located outside the city boundaries of the municipality that owns the utility. The new process requires that the Public Utility Commission of Texas (PUCT) approve the need and route of covered transmission lines. Following a workshop held on May 2, 2019, with PUCT staff, it was determined that the Project would proceed under the new approval process. Customers and interested landowners may provide input on the Project directly to the PUCT as part of the process.

Mr. Perez described the need for the Project. Specifically, the Project is needed to improve reliability to the Study Area, which experiences outages at a greater frequency and longer duration than our system average. The Study Area comprises approximately 29 square miles and is located west of I-10, north of Loop 1604, in the vicinity of Boerne Stage Road, Scenic Loop Road, and Toutant Beauregard Road. Improving reliability in this rapidly growing area supports residential and commercial development along the I-10 corridor and the University of Texas at San Antonio (UTSA) regional center identified in CoSA's "SA Tomorrow Comprehensive Plan". The Project's target in-service date is June 2024.

The transmission line to be constructed is projected to be approximately 5.5 miles long. The Project team has initially identified five potential substation sites. In an effort to minimize impacts of the Project, the team and our environmental consultants have also begun to identify major land constraints, such as habitable structures, federal conservation easements, schools, churches and cemeteries.

Mr. Perez reviewed the public engagement in the Project to date, noting that the open house held on October 3, 2019, was the best-attended open house in his 18-year tenure. Attendees were informed of the Project and educated on the PUCT approval process. We have received 186 completed questionnaires to date providing feedback on the Project. He noted that new alternative substation locations have been identified based on landowner input. The team continues to engage with the public on the Project.

Mr. Perez explained the various components of the PUCT approval process, which is expected to take about 12 months from the date the application is filed. He noted the factors that the PUCT will consider in approving the Project, including cost, number of habitable structures in proximity to the route, and landowner input.

He also explained the role of the CPS Energy Board, the Board's Operations Oversight Committee, and the Citizens Advisory Committee. Following PUCT approval, the Board will be asked to approve a resolution authorizing land acquisition and construction for the Project.

Immediate next steps include submitting the application to the PUCT on or about July 15, 2020, issuing required notices to certain landowners, agencies and elected officials, and updating our website with relevant information.

Trustee Gonzalez asked about Board participation in public input sessions. Mr. Perez clarified that Board participation would occur at public input sessions only for projects to be constructed within CoSA city limits.

Responding to Trustee Kelley, Mr. Perez confirmed that projects located entirely within CoSA city limits are approved by the Board and projects located entirely outside CoSA city limits, including projects in CoSA's extraterritorial jurisdiction (ETJ) are approved by the PUCT. According to information received from PUCT during the May workshop, it is not yet known who will approve projects located both within and outside city limits. More discussions about that issue will have to occur prior to such a project commencing. He also confirmed that the PUCT is the final decision maker on the Project.

XII. ENTERPRISE INFORMATION TECHNOLOGY (EIT) SUMMER 2020 READINESS

Chair Steen noted that the Board meeting was running behind schedule. In order to get back on schedule, he asked Ms. Gold-Williams to comment on the necessity of agenda items 12 and 13. She

explained that those items are informational presentations highlighting summer readiness activities undertaken by Enterprise Information Technology and Customer Engagement. Both complement the summer readiness presentations provided by various operational areas during the Regular Monthly Meeting held on May 27, 2020. In lieu of presenting items 12 and 13, Ms. Gold-Williams offered to send the information as written reports to the Board. Hearing no objection from the Trustees, Chair Steen accepted Ms. Gold-Williams' suggestion and thanked the staff for their work in preparing the presentations.

XIII. CUSTOMER ENGAGEMENT SUMMER 2020 READINESS

In the interest of time, this item was not taken up. The material contained in the presentation will be sent as a report to the Board.

XIV. COMMITTEE REPORTS

Operations Oversight Committee (OOC) Meeting

Dr. Mackey stated that a report of the OOC meeting which took place on May 14, 2020, was posted with the public notice of this meeting and attached hereto (Attachment "B").

Technology & Innovation (T&I) Committee Meeting

Trustee Gonzalez stated that a report of the T&I Committee meeting which took place on May 14, 2020, was posted with the public notice of this meeting and attached hereto (Attachment "C").

OOC & T&I Aligned Risk Sub-Committee Meeting

Trustee Gonzalez stated that a report of the OOC & T&I Aligned Risk Sub-Committee meeting which took place on May 14, 2020, was posted with the public notice of this meeting and attached hereto (Attachment "D").

Mayor Nirenberg left the meeting at this time.

XV. EXECUTIVE SESSION

At approximately 4:02 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)
- Real Property (§551.072)
- Competitive Matters (§551.086)
- Personnel Matters (§551.074)

The Board reconvened in open session at 5:20 p.m. Ms. Shellman reported that only Attorney-Client Matters, Real Property and Competitive Matters, and no others, were discussed and no votes were taken in Executive Session.

XVI. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Trustee Kelley, seconded by Trustee Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:21 p.m. by Chair Steen.


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

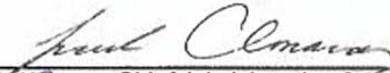


CPS Energy Board of Trustees Meeting
June 29, 2020
APPROVAL of PROCUREMENT ITEM
Table of Contents

One (1) Non-Competitive Sensitive Item

- 1. Purchase Category:** Professional Services
Supplier: CLEAResult Consulting, Inc (Commercial Energy Efficiency)
Supplier: Franklin Energy Services, LLC (Residential Energy Efficiency)
Supplier: Franklin Energy Services, LLC (Weatherization)

Administrative Approval:



Frank Almaraz, Chief Administrative & Business Development Officer

Approval:



Paula Gold-Williams, President & CEO



**CPS Energy Board of Trustees Meeting
June 29, 2020
PROCUREMENT FORM 1**

Summary

Department	Customer Engagement
Division	Technology & Product Innovation
Existing Purchase Order Value	(A) \$160,000,000
Additional Funds Requested	(B) up to \$31,000,000 (Board Approval Required) See the "SUMMARY - STEP BRIDGE BUDGET RECAP"
Projected Purchase Order Value	(C) up to \$191,000,000
Purchase Category	Professional Services
Sr. Dir Product Development	Andrew Higgins
Interim Chief Customer Engagement Officer	Rudy Garza

Recommended Supplier(s)

Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (if applicable)
CLEARresult, Inc (Commercial Energy Efficiency)	48 Months	\$ 61,895,608	32%	2159745	Local / Non Diverse	Male, Lrg. No Hub/Vet, Non-Minority, Local
Franklin Energy Services, LLC (Residential Energy Efficiency)		\$ 52,384,618	28%	2159746		
Franklin Energy Services, LLC (Weatherization)		\$ 76,719,774	40%	2159747		
Total Projected - Assuming Approval of the Incremental	(C)	\$ 191,000,000				

Project Description

In January 2020, the Board & City Council approved the STEP Bridge program as a transition between the original STEP program, which was achieved early, & the future potential *Flex* STEP program. The STEP Bridge program was established with an energy savings goal of 75MW within a budget of \$70M. These contracts will fully fund the purchase orders with vendors that implement CPS Energy's residential, commercial & weatherization energy efficiency programs. The service provided is turnkey service for:

- (1) rebates paid directly to customers,
- (2) work done on CPS Energy's behalf in homes or businesses for energy efficiency, &
- (3) the cost of implementing the energy efficiency services. This is a customary procurement item.

A recap of the contracts is as follows:

	Original PO Value	Additional/ Reallocation	Subtotal	Proposed Additional Funds	Proposed PO Values
CLEARresult Consulting, Inc (Commercial Energy Efficiency)	\$ 31,000,000	\$ 21,263,327	\$ 52,263,327	\$ 9,632,281	\$ 61,895,608
Franklin Energy Services, LLC (Residential Energy Efficiency)	\$ 33,000,000	\$ 12,531,501	\$ 45,531,501	\$ 6,853,117	\$ 52,384,618
Franklin Energy Services, LLC (Weatherization)	\$ 56,000,000	\$ 6,205,172	\$ 62,205,172	\$ 14,514,602	\$ 76,719,774
	\$ 120,000,000	\$ 40,000,000	\$ 160,000,000	\$ 31,000,000	\$ 191,000,000
		(A)		(B)	(C)

Value Proposition & Summary

These contracts will enhance CPS Energy's capability to cost-effectively achieve the demand savings goals under the STEP Bridge program. These contracts help CPS Energy administer programs that are open to the market & supported by our trade allies & small business community. Vendors will provide rebates directly to our customers, as well as deliver market innovation & flexible outreach that are in alignment with industry best practices.



CPS Energy Board of Trustees Meeting
 June 29, 2020
PROCUREMENT FORM 1
 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	\$1,709,500,000	Operating Budget	\$31,000,000	1.81%

* Annual PO Spend represents the Proposed Additional Funds (B).

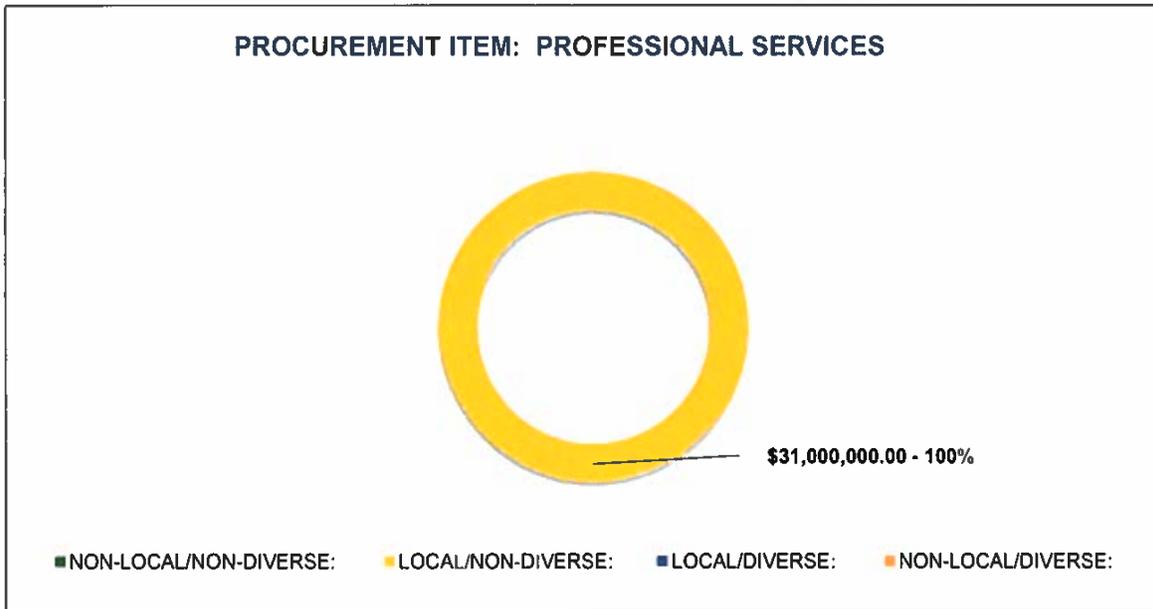
Competitive Information: YES NO Collective # 7000135269

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:	\$ -
LOCAL/NON-DIVERSE:	\$ 31,000,000.00
LOCAL/DIVERSE:	\$ -
NON-LOCAL/DIVERSE:	\$ -
TOTAL	\$ 31,000,000.00

PROCUREMENT ITEM: PROFESSIONAL SERVICES





OPERATIONS OVERSIGHT COMMITTEE MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 14, 2020 MEETING PREPARED FOR COMMITTEE CHAIR, DR. WILLIS MACKEY FOR REPORT AT THE JUNE 29, 2020 BOARD OF TRUSTEES MEETING

The Operations Oversight Committee met on May 14, 2020. As part of the agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on February 20, 2020.
- B. Received an Operations Summer Readiness Update, that included:
 - a. an overview of how Covid-19 has changed the market conditions outlook;
 - b. an updated status on plant performance;
 - c. an explanation of preparedness efforts to manage seasonal, operational, and Covid-19 challenges.
- C. Received an update on the Fuel Procurement Strategy, that included:
 - a. A presentation of the fuel procurement strategy;
 - b. an overview of the procurement process for the natural gas transportation contract; and
 - c. a review of the procurement timeline and next steps.
- D. Received an update on the Tezel Substation Routing & Siting project that included:
 - a. the need for a new substation in Northwest San Antonio;
 - b. the internal process that will be followed; and
 - c. a review of the project timeline and next steps.
- E. Received an update on Gas Solutions Summer Readiness, that included:
 - a. the team's proactive approach to Covid-19 pandemic; and
 - b. summer readiness preparedness efforts.

The next meeting of the Operations Oversight Committee meeting is TBD.



TECHNOLOGY & INNOVATION COMMITTEE MEETING

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 14, 2020 MEETING
PREPARED FOR COMMITTEE MEMBER, TRUSTEE JANIE GONZALEZ
FOR REPORT AT THE JUNE 29, 2020 BOARD OF TRUSTEES MEETING**

The Technology & Innovation Committee met on May 14, 2020. As part of the Technology & Innovation Committee Meeting agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on February 20, 2020.
- B. Received status updates on the COVID-19 Transition Response, SCADA Roadmap update & Interlocal Data Sharing Agreement.
- C. Reviewed the new action items generated from this session.

The next meeting of the Technology & Innovation Committee Meeting is to be determined.



**OPERATIONS OVERSIGHT & TECHNOLOGY & INNOVATION (OOTI)
ALIGNED RISK SUB-COMMITTEE MEETING**

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 14, 2020 MEETING
PREPARED FOR COMMITTEE MEMBER, DR. WILLIS MACKEY
FOR REPORT AT THE JUNE 29, 2020 BOARD OF TRUSTEES MEETING**

The OOTI Aligned Risk Sub-Committee (Sub-Committee) met on May 14, 2020. As part of the agenda, the Sub-Committee:

- A. Approved meeting minutes from the previous meeting held on February 20, 2020.
- B. Reviewed & discussed the action item from the previous meeting.
- C. Received presentations on risks & mitigations focused on the following topics:
 - 1. COVID-19 Risk Environment Perspectives
 - 2. Potential Pandemic Impacts
 - a. Occupational Health
 - b. Customer Engagement
 - c. Power Generation
 - d. Enterprise Information Technology

The next meeting of the Sub-Committee is to be determined.