

**CPS ENERGY
MINUTES OF SPECIAL BOARD MEETING OF
THE BOARD OF TRUSTEES OF CPS ENERGY
CONVENING AS THE RISK MANAGEMENT COMMITTEE**

Meeting held on May 20, 2020

A Special Meeting of the Board of Trustees of CPS Energy convening as the Risk Management Committee was held on Wednesday, May 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. The start of the meeting was delayed due to technical difficulties experienced by our telecommunication vendor. Chair John Steen called the meeting to order at 1:03 p.m.

Present via phone were Board members:

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

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. 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

Ms. Gold-Williams welcomed the Board and attendees. She explained that the special meeting was convened to address the importance of safety and customer service.

She expressed appreciation to Mayor Nirenberg, Bexar County Judge Nelson Wolff, and Texas Governor Greg Abbott for their leadership through the COVID-19 pandemic.

Ms. Gold-Williams provided an overview on the many ways that CPS Energy is responding to the COVID-19 pandemic. During the pandemic, it is our responsibility, individually and collectively, to implement strong measures that minimize the risk of exposure and transmission of the virus to our employees and their

families and enable CPS Energy to continue to operate at a high level. CPS Energy remains committed to ensuring the safety and health of our employees and the communities we serve.

III. INVOCATION

An invocation was delivered by Mr. Richard Lujan, Senior Director, Gas Solutions.

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 REMARKS

Ms. Gold-Williams provided a brief overview of the meeting agenda. She explained that this meeting has been scheduled to update the Board on CPS Energy's risk management efforts. This is an opportunity to invite an open dialogue about issues affecting our utility and community.

She explained that CPS Energy has had a risk program for many years. It was originally formed primarily to address those areas involving insurance products but has since been modified to evaluate and mitigate risk exposure. Accordingly, focus is on the "highest" risk level.

She noted that because a vaccine for the coronavirus does not yet exist, it will be very challenging to manage the risk through 2020.

Various speakers will brief the Board on the remaining agenda items, including the changes made to our operational process, factors being considered for our return-to-office plan, the current credit rating landscape, and the plan to potentially sequester mission critical employees.

She reminded the Board of CPS Energy's value pillars of security, safety, resilience, reliability and environmental responsibility, all underpinned by financial responsibility.

VI. RISK MANAGEMENT COMMITTEE CHAIR'S REMARKS

At this time, Chair Steen turned the meeting over to Dr. Mackey, Chair of the Risk Management Committee, who stated that there would be an update by CPS Energy.

VII. RISK MANAGEMENT COMMITTEE UPDATE

Mr. Cory Kuchinsky, Interim Vice President of Strategic Pricing and Enterprise Risk Management (ERM), introduced the Risk Management presentation by highlighting that CPS Energy is: maintaining strong operations in light of a pandemic; proactively planning through the use of a risk prism; preparing for worsening pandemic conditions, should they occur; planning for a new normal; and monitoring financial impacts regularly as the situation continues to evolve.

He stated that the enterprise leadership and strategy on risk have positioned us well in the face of COVID-19, enabling the organization to be resilient. We are also managing risk velocity by utilizing the tools in place to facilitate a successful response and prioritization of risk responses.

He summarized by saying that no matter how well an organization prepares for a crisis, a level of adaptation and flexibility is necessary. The enterprise is continuing to adapt through the current pressures, mainly by validating the organization's resiliency, which is not always about preventing the next risk but also about preparedness.

He noted that the remaining presentations are organized into five topics: 1) pandemic risk preparedness; 2) operational perspectives; 3) COVID-19 escalation and potential sequestration; 4) "back to normal" planning; and 5) financial stability.

Mr. Kuchinsky introduced Mr. Bert Hargesheimer, Senior Director, Fleet Operations Safety, for a discussion on the Pandemic Risk.

Mr. Hargesheimer described the evolution of the pandemic risk since the 2014 Ebola outbreak. Currently, the pandemic risk is high due to the regional impacts and velocity of COVID-19.

In response to questions by Board members, Mr. Hargesheimer explained CPS Energy's participation in the November 2019 GridEx tabletop exercise, a large-scale, electric grid security and crisis response exercise. The drill simulated a pandemic response and tested our ability to execute collaboratively across the enterprise. The information gained informed the recent Business Continuity Plan update. Ms. Gold-Williams added that the exercise also taught us to more broadly monitor and anticipate the COVID-19 outbreak. The Board and Mr. Hargesheimer discussed the early projections and guidance about the scope of an outbreak in the United States.

Mr. Hargesheimer highlighted challenges caused by the pandemic, including limiting the economy to only essential operations and the unavailability of personal protective equipment (PPE). Ms. Gold-Williams emphasized that there is great uncertainty around COVID-19, including the timing of an effective vaccine and how the virus will morph. So, we must continue to think about how we respond to the risk and its other developing and unknown dimensions.

Mr. Hargesheimer summarized the proactive and responsive organizational actions taken to mitigate the pandemic risk. Early awareness and action have helped us be responsive to the current crisis. CPS Energy is developing contingency plans to keep electric power flowing if the pandemic resurfaces full force, including sequestering critical employees to protect them from contracting the virus.

Mr. Kuchinsky then highlighted the operational speakers and introduced Mr. Richard Lujan, Senior Director, Gas Solutions, to discuss the operational perspective as it applies to Gas Solutions.

Mr. Lujan discussed the potential risks that COVID-19 presents to the Gas Solutions team, including the inability to meet customer needs or respond to gas system failure or leaks due to lack of available personnel because of increased COVID-19 exposure. He explained the following mitigations adopted in response to the risk:

- Enhanced social distancing, such as working from home, deploying from home, and maintaining separate crew base locations;
- Modifications for in-home gas visit procedures;
- Operational specific temperature/wellness check process;
- Coordinated handling of increased absenteeism with People & Culture, Labor Relations and Union leadership; and
- Continued assessments of mitigations.

In response to an inquiry from Trustee Kelley, Dr. Eugster noted that there are no impacts to our natural gas supply as a result of the pandemic.

Mr. Kevin Pollo, Interim Vice President, Energy Supply & Market Operations (ESMO), provided an overview of the services performed by the ESMO team. Specifically, control room operations (CRO) oversees our interactions with ERCOT, including how we dispatch our power into the ERCOT market, and minimizes exposure to volatile pricing. Additionally, CRO monitors and controls our natural gas transmission and distribution system.

Mr. Pollo discussed the potential risk that COVID-19 presents to ESMO, namely that the pandemic could result in a lack of CRO staff. He explained the following mitigations adopted in response to the risk:

- Conducted real-time operations utilizing back-up control room with remote shift turnovers;
- Split day-ahead operations between both primary and back-up control rooms;
- Restricted control room access to essential staff only;
- Increased cleanings of work areas and common touchpoints with weekly electrostatic cleaning;
- Encouraged self-health assessments;
- Implemented work from home strategy; and
- Developed sequester plan to protect energy controller teams.

In response to Dr. Mackey's question, Mr. Pollo stated that operators working from different locations remain in constant communication with each other.

Next, Mr. Zack Lyle, Interim Director, Operations & Reliability, Energy Delivery Services, discussed System Operations, the business area responsible for the operation and management of our transmission and distribution systems. Additionally, System Operations is the operational point of contact for the City of San Antonio and surrounding areas. Mr. Lyle stated that the main risk the virus presents to System Operations is the potential lack of critical electric system operations personnel due to COVID-19 exposure. Recognizing the importance of educating System Operations employees about the virus and how to protect themselves, the following mitigations were implemented:

- Created awareness around distancing guidelines;
- Activated an enhanced workforce protection plan that addresses additional sanitation measures;
- Introduced a modified shift rotation to limit human interaction, utilizing separate control rooms;
- Developed a strategic work plan to limit human interaction; and
- Established a sequestration plan to be used if COVID-19 community spread intensifies.

As a contingency measure, Systems Operations is also developing an isolated work location strategy to enhance social distancing.

Next, Mr. Benny Ethridge, Senior Vice President, Power Generation (PG), discussed the potential risk that COVID-19 presents to the PG teams, chiefly that a lack of critical control room operations staff will lead to an inability to safely operate our power plants. In response to that risk, PG has implemented the following mitigations:

- Performed operational contact-based risk assessment;
- Implemented enhanced workforce protection plans based on risk assessment and CDC guidance;
- Restructured operations groups to create isolated relief teams ready to fill vacancies; and

- Developed sequestration plans to protect plant operations teams if spread of COVID-19 intensifies in the community.

Mr. Kuchinsky then described the Enterprise Resiliency Program (ERP) team and provided an overview of the remaining presentation items.

He introduced Mr. Don Stanton, Senior Director, Gas Compliance, to discuss the ongoing planning of potential sequestration of critical operational employees in the event that the current COVID-19 situation escalates. The plan for sequestration is being developed by a cross-functional team and is designed to ensure the availability of mission-critical personnel during the COVID-19 pandemic. It is primarily focused on operations personnel in ESMO, PG and System Operations. The plan remains flexible to allow for a dynamic, changing environment. He noted that the plan will be tested during an upcoming tabletop exercise.

The COVID-19 potential risks affecting the sequestration plan include a deterioration in employee mental and physical well-being; a negative impact on the employee's family well-being due to COVID-19; an unwillingness by employees to participate in sequestration; the challenges associated with executing a sequestering plan; and the failure to maintain consistent and safe employee behavior during sequestration.

In response to the risks, the following mitigations are being developed:

- Medical screening procedures to ensure employee health and safety;
- Identification and procurement of resources to support well-being of employees and their families; and
- Creation of sequester guidelines and code of conduct.

Mr. Stanton stated that the care and support of our employees while sequestering is our main focus. He discussed the key areas of the sequester plan, including sequestration triggers, cleaning and sanitation, employee wellness, and medical, safety and security protocols.

In conclusion, Mr. Stanton noted that while we are hopeful that sequestration will not be needed, we are prepared with a thoughtful plan if it is.

Dr. Mackey thanked Mr. Stanton and the leadership team for their thoughts and efforts in developing the sequestration plan.

Next, Mr. Kuchinsky introduced Ms. Vidya Rangachar, Interim Senior Director in Residence, Energy Delivery Services (EDS), to discuss planning efforts around returning employees to the workplace.

Ms. Rangachar is leading the cross-functional "New Normal Team" that is developing a Return to Office Plan, focused on returning our employees safely to our facilities. The plan considers available guidance and continues current mitigations, including remote work, where possible; employee health screenings; and minimized non-essential travel. She concluded by explaining the multi-layered approach of the plan. developed to keep our people safe with the ability to react to dynamic situations.

Chair Steen asked about COVID-19 testing of employees. Ms. Rangachar responded that testing is being assessed and, if implemented, it would be part of Level 1 of the Return to Work Plan. Mr. Hargesheimer noted that false positives and negatives are a concern of rapid-result tests. He added that pre-emptive testing of control room operators is being considered as a mitigation under the sequestration plan. Mr. Almaraz noted that multiple testing options were discussed with Dr. Robert Hassett, Vice President of Medical

Operations for the South-Central Region at Concentra, to determine what is needed to keep our employees safe.

Responding to Dr. Mackey, Mr. Hargesheimer stated that we are recommending that employees with symptoms complete the self-screening test provided on the City of San Antonio's website to determine if a test is appropriate. Ms. Gold-Williams added that employees who report potential exposure to COVID-19 cannot return to the workplace until they have gone through the process and we are certain they are not infected. We continue to explore the types of testing available. Dr. Mackey encouraged us to continue thinking about testing options.

Next, Ms. Albert, Senior Director Treasury, discussed the financial stability risk related to credit ratings. She began by reintroducing our guiding pillars, noting that all our business decisions are based on a commitment to being one of the best-managed and most financially responsible utilities in the nation.

Ms. Albert stated that credit rating agencies are closely monitoring all industries and that this is a time when changes in sector outlooks and downgraded credit ratings are possible. Recently, Standard & Poor's changed the outlook for all public finance sectors, including utilities, from stable to negative. Also, Fitch changed the outlook for the SA Public Facility Corporation (PFC) from stable to negative as a result of a downgraded outlook for our PFC counterparty, Goldman Sachs.

Ms. Albert stated that the rating agencies are focused on the impacts of COVID-19 on our operations, sales, accounts receivable and payable, impacts to our customers and our liquidity and access to cash. CPS Energy is fortunate because we started the pandemic crisis from a strong financial position. Continuing our approach with the rating agencies of proactive, frequent communication, we recently met with all three to inform them about our response to COVID-19 and potential financial impacts. The meetings were positive, ensured transparency and demonstrated our resilience.

Responding to a question by Trustee Gonzalez, Ms. Albert confirmed that our cybersecurity program remains an interest of the rating agencies. Ms. Gold-Williams emphasized that our cybersecurity approach is a key factor in rating risk. Currently, however, their primary focus is currently on the economic impacts of COVID-19.

In conclusion, Mr. Kuchinsky recapped the presentations by summarizing our ongoing efforts as we continue to deliver reliable services while maintaining operations, focusing on enterprise risk and proactive planning. He noted that we are prepared to adapt to worsening conditions and an eventual return to a new normal.

VIII. EXECUTIVE SESSION

At approximately 2:52 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)
- Security Devices or Security Audits (§551.089)

Following the conclusion of the Executive Session, at 4:09 p.m. the Board reconvened in open session. A quorum was confirmed by a roll call by Ms. Shellman. She reported that only Attorney-Client Matters and Security Devices or Security Audits, and no other matters, were discussed and no votes were taken in Executive Session.

IX. ADJOURNMENT

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 4:10 p.m. by Chair Steen.



Carolyn E. Shellman
Secretary of the Board