

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 26, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of July was held on Monday, July 26, 2021 in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance based on social distancing guidelines was enforced. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
 Ms. Janie Gonzalez, Vice Chair¹
 Mr. Ed Kelley
 Mr. John Steen
 Mayor Ron Nirenberg²

Also present were:

Ms. Paula Gold-Williams, President & CEO
 Mr. Fred Bonewell, Chief Operations Officer
 Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
 Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
 Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
 Ms. Vivian Bouet, Chief Information Officer
 Mr. Rudy Garza, Chief Customer & Stakeholder Engagement Officer
 Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
 Ms. Lisa Lewis, Chief Administrative Officer
 CPS Energy Staff Members
 City of San Antonio officials
 Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Rick Luna, Director, Technology & Product Innovation.

II. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO, outlined the guidelines for doing so. The following persons made comments:

1. Mr. Todd Havekost, Member, NW Community Church Board of Elders, commented on Agenda Item 11, the Tezel Site recommendation, and expressed support for selection of Site 5.

¹ Vice Chair Gonzalez arrived at 1:05 p.m.

² Mayor Nirenberg arrived at 1:02 p.m.

2. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce expressed his support for the Board's governance, and favored the Board taking a long-term view as an economic development tool and generator for the community.

III. CEO'S REPORT

Ms. Gold-Williams provided an overview of her written report to the Board and a summary of items that will be presented during the meeting. This included an update on the search for candidates from the Northwest Quadrant (1) to fill the seat to be vacated by Trustee Kelley, whose term expires January 31, 2022. She noted that information is available at cpsenergy.com.

Ms. Gold-Williams reported issues on material procurement. CPS Energy has so far been able to obtain the supplies it needs, and Supply Chain is working with Operations in addressing challenges such as raw material shortages and a lack of transportation workers.

She reported increasing labor pressures in hiring and retaining all levels of workers throughout CPS Energy because of the current labor shortage and fierce competition for talent. Ms. Gold-Williams stated that the organization is persevering through its strategic hiring freeze, but that staffing is currently below the target; the company continues to look for talent to fill critical positions.

Ms. Gold-Williams reported that discussions continue with all the Credit Ratings Agencies, including Standard & Poor's, Fitch Ratings and Moody's, noting their interest in ESG, or Environmental, Social and Governance, sustainability, and in our **FlexPOWER Bundle**SM.

Ms. Gold-Williams mentioned that the Rate Advisory Committee (RAC) led by Chair Williams and Vice Chair Portillo-Morales has held five meetings. She noted that the RAC members completed orientation, were provided a CPS Energy overview, and have participated in sessions covering topics including rate design, trends, and cost of service review with the Brattle Group and the CPS Energy team. The RAC's next meeting is scheduled for August 5, 2021. She added that CPS Energy responds to questions from the RAC, and that the responses are posted on our website as a reference for the community.

Ms. Gold-Williams provided comments concerning the status of the **STEP** program, noting the Board and San Antonio City Council have approved funding through July 2022. She announced that the team has introduced a global Request for Proposal (RFP) seeking new programs to be considered for approval during the fall, including a segment covering existing efficiency and weatherization programs and a preview of new recommendations. The new RFPs will focus on energy efficiency and conservation for residential and commercial customers to take us through the July 2022 timeframe, and will include renewal options for vendors. The weatherization component will be recast to potentially have more direct, prime contractors and subcontractors going forward.

Ms. Gold-Williams mentioned that Mr. Cory Kuchinsky, Chief Financial Officer, will provide a preview of budget planning which includes a breakdown on investments across the community by quadrant. She added that Ms. DeAnna Hardwick, Vice President, Customer Success, will provide a discussion on customer engagement and outreach and the plan to get back to a new normal, including the reestablishment of disconnects. Ms. Gold-Williams also reported that the meeting will include a discussion and a vote on the

budget, as well as discussion and a vote on Tezel Road Substation Routing & Siting, and that the meeting would be followed by a meeting of the SA Energy Public Facilities Corporation (PFC).

Trustee Steen complimented Ms. Gold-Williams for clarifying in her comments that Board members have a fiduciary duty for all of the service areas and represent the entire service area and community, not only the quadrant in which they live.

Ms. Gold-Williams then asked Mr. Luna to provide a status update on the **STEP** program, as previously requested by the Board.

Mr. Luna explained that we are currently authorized to continue the **STEP** programs under **STEP Bridge** with authority to spend up to \$70 million through July 2022 to achieve a goal of 75 MWh of energy savings. We confirmed an incremental gain of 81 MWh in energy savings during FY2021, which exceeded our goal. To date, the program has resulted in savings of 926 MWh. Additionally, 1,726 homes were weatherized, 4,416 solar systems were installed on homes and businesses, and 55,781 energy efficiency rebates were paid to customers.

Mr. Luna noted that we issued a global RFP in February 2021 to refresh our roster of **STEP** programs. The “Tried and True” existing programs focused on demand response and solar projects with demonstrated success, and an added component of innovative and new proposals will be considered for recommendation during fall 2021. **STEP Bridge** will transition to **FlexSTEPSM** during FY2022.

Mr. Luna provided a detailed description of how these Board-level procurement programs work and identified the procurement items that will be on the August 30, 2021 Board Meeting agenda, noting an opportunity to enable local and diverse companies that are currently operating as subcontractors, to expand their opportunities to grow into the roles of prime contractors.

Mr. Luna concluded with a summary of continuing stakeholder and customer engagement to report on the value of these programs using our website, opinion surveys and community outreach events.

After Mr. Luna’s presentation, Chair Dr. Mackey reported that he was told a prime contractor was up to seven months late on payments to subcontractors and requested that we ensure prompt payment to all subcontractors.

Vice Chair Gonzalez raised a question as to when the small business policy was last updated. Ms. Gold-Williams responded that we currently have a strategy to target smaller vendors. Vice Chair Gonzalez asked to review the small business strategy or policies and ensure that they were updated before voting on any additional procurements.

She also requested to review the analytics for all the communication strategies and channels used by CPS Energy, including social media. She commented that engagement is lacking and requested an explanation as to how the company will be refining engagement as we move forward.

Trustee Kelley congratulated Mr. Luna on the great job on the presentation but questioned the benefits reaped from the funds spent on the **STEP** program. He expressed concerns that CPS Energy is suffering from a degradation in its debt to capital ratio, raised his concern that the **STEP** program does not

have a positive impact on our balance sheet and stated that we should be looking for productive assets, not giveaways.

Mayor Nirenberg responded by stating that from his perspective, **STEP** did not need to be defended, and focused on the 900 MWh savings since 2009. He did stress that during the next meeting, a summary of the distribution of the program impact across CPS Energy's customer base would be helpful. He suggested that there was an extraordinary opportunity to benefit the southern sector of our service area, which he characterized as having been underserved. He also supported Vice Chair Gonzalez' comment on the need for diversity in procurement. Finally, he asked for more information on what has been proposed in the innovation portion of the RFP responses.

Vice Chair Gonzalez emphasized that we must be careful on how we spend our money and noted she feels we do a poor job quantifying all that we provide for our community. She added that we do not promote our role in addressing community environmental and equity matters that we are being asked to support by the Mayor and many in the community.

Chair Dr. Mackey asked Mr. Luna to provide details behind the report's statement as to 900 MWh of savings through **STEP** programs.

Ms. Gold-Williams acknowledged that our team will take all the Board's feedback and do our best to respond by August 2021. She also responded to Trustee Kelley's assertion that the **STEP** program does not provide tangible benefits to CPS Energy's balance sheet, citing that it provides thermostats and more energy efficient housing to customers in the community who participate in the program, adding that we cannot capitalize customer assets on our balance sheet. She described the program as a benefit to the community because it allows customers to save energy over time. She also emphasized that the Board allows us to recover the costs and administrative expenses for managing the programs through an ordinance and emphasized that this enables us to avoid debt associated with the construction of additional power plants.

Trustee Kelley disagreed with Ms. Gold-Williams.

Trustee Steen asked that Ms. Gold-Williams discuss the issue of the increase in the debt to equity ratio. She responded that increased costs across the board and no rate increase in over seven years were the primary reasons for the increased debt to equity ratio. She also emphasized that the **STEP** program was not the primary driver of the gap between the increased debt to equity ratio and that we ultimately get back money spent on the **STEP** program.

Trustee Kelley proposed a provision that CPS Energy have no more "giveaway programs" until the debt to equity ratio is reduced to 60% .

IV. OPTIMIZED BUDGET PLANNING: NOW & IN THE FUTURE

Mr. Kuchinsky explained he would give a presentation on optimizing budget planning, present a supplemental item for consideration, and that we will be seeking approval for FY2022's Operations and Maintenance (O&M) and Capital Budget.

Mr. Kuchinsky noted that we have submitted written responses to requests for information from the Board. He added that he would be responding during this meeting to a request for a breakdown on project

spending across the city. He explained that we do not track such information by zip code, as requested by Vice Chair Gonzalez, but that spending could be shown across the Board quadrants.

Mr. Kuchinsky provided an explanation of the factors considered in making expenditures. He noted that growth in the community is a key driver for decisions on expenditures, although other factors such as age of infrastructure, enabling technology, grid performance, public **Safety**, regulatory requirements and specific community needs are also considered. He indicated an increased emphasis on analyzing expenditures under an equity lens and that going forward, that information will be tracked and presented to the Board. Mr. Kuchinsky heeded that data showed that despite some claims, Winter Storm Uri (Uri) outages were not disproportionately in the service region's southern quadrants.

The Board's attention was then directed to a supplemental item analyzing expenditures under a preliminary quadrant view. He emphasized that investments are based on growth, and areas needing **Reliability** improvements, which amounts to approximately \$450 million. He acknowledged that there was a slight increase in expenditures in the north quadrant driven by customer growth and **Reliability** concerns. The northside has seen a 70% increase in new meter sets and experienced approximately 70% of outage durations. He also pointed out that the remaining capital budget dollars covering generation amounted to approximately \$260 million in expenditures, and that the entire service area benefits from these expenditures.

Vice Chair Gonzalez commented that the focus on investment does not include conservation and asked whether conservation can be added as a main consideration to the budget discussion.

Trustee Steen commented that the presentation highlighted that we spend money where growth is happening, a factor that we do not control. He asked why outages in the northside were of a higher duration. Mr. Kuchinsky responded that it is largely caused by the design of the circuits in that area. Ms. Gold-Williams further explained the design of the systems is organic and that we are following the location of new developments. She added that the longer lines constructed in the northside create **Reliability** challenges.

Vice Chair Gonzalez asked whether we should design our distribution lines considering inequities in our community, as part of our budget planning process.

Ms. Gold-Williams responded that leadership would take that information back for further discussion.

V. CARING FOR OUR CUSTOMERS

Ms. Hardwick presented information on the care and support options we will provide to our customers as we transition back to normal business operations and resume normal collection activities and disconnections. The discussion covered how we have connected customers with support options, and how we continue to ensure that the right assistance options are available for customers. Her presentation also addressed the financial impacts caused by the suspension of disconnects.

Ms. Hardwick identified many support options available for customers, noting that almost \$30 million in assistance has been identified to support customers and keep their accounts current.

She reported that over 83,000 residential customers are more than 30 days past due and over 70,000 of those customers are eligible for disconnection. On average, past due accounts are over 200 days past

due with over \$600 due. Additionally, over 8,000 commercial customers are past due over 30 days and over 4,000 commercial customers are eligible for disconnection.

Ms. Hardwick identified our key messaging approach, focusing on customers with past due balances to help prevent their account from being eligible for disconnection and to identify the best support for their needs. She stressed that we want our customers to know that their account does not have to be disconnected; all they need to do is to contact us and we will find a solution to fit their needs.

As to sequencing and planning, Ms. Hardwick reported that we will continue heightened communication to customers through the summer before we resume disconnections. Disconnections for large commercial customers will resume on September 1, 2021, and for small and medium businesses on October 1, 2021.

She stressed that we want to provide additional time for residential customers who are part of the vulnerable population to get assistance. Starting on October 1, 2021, disconnections will resume for residential customers who fit **all** of the following criteria: are not enrolled in any CPS Energy assistance programs; have not made payments for twelve months or more; and have not responded to our outreach efforts concerning their accounts. Then, on November 1, 2021, we will resume disconnections for residential customers who are not enrolled in any type of assistance programs. After January 2022, we will resume with the remaining disconnections. Ms. Hardwick stressed that it was our goal to give customers as much time as we can to find all solutions that are available to them and to help them connect to available funds. Our goal is to be as thoughtful and caring as we can to help our customers recover.

Mayor Nirenberg commented that he appreciated CPS Energy's communication strategy and its alignment with SAWS' plans. He asked whether there was any attempt to work with SAWS in correlating customer base data. He suggested that there could be some combined messaging with the City as well.

Ms. Hardwick responded that we have met with the City on available resources. She noted that although some information cannot be shared based on privacy rules, we are working to share aggregated data.

Mayor Nirenberg asked what the response has been from customers as to our communication strategy. Ms. Hardwick responded that the number of customers eligible for disconnection has decreased since March 2021 from approximately 83,000 customers to 74,000 customers. She noted that we have opened up and increased walk-in center hours and have seen more customers contact us for assistance with their bills.

Vice Chair Gonzalez asked whether there are any programs available for small business organizations that are below \$1 million in income. Ms. Hardwick responded that payment plans are available for those types of customers, as well. Ms. Gold-Williams responded that she understands Vice Chair Gonzalez' concern and noted that the plan is to start disconnections with big companies first and to be as flexible as we can with small businesses.

Trustee Steen commented that offering payment plans to small businesses is significant assistance.

Mayor Nirenberg responded that it is important that there be a message to contact the City, CPS Energy and SAWS. He suggested that businesses who are in arrears should contact CPS Energy to set up

a payment schedule so they are not placed on the disconnect list. He stressed that the City will work with these struggling businesses as it identifies new areas of assistance.

Chair Dr. Mackey commented that he feels that we are doing a great job in trying to work with our customers. He stressed that customers must contact us because if they do not take the initiative, then we cannot help them. He stressed that we have an obligation to continue operating and we cannot delay a decision to resume disconnections.

VI. EXECUTIVE SESSION

At approximately 2:38 p.m., Ms. Ramirez 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 a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 4:06 p.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

VII. APPROVAL OF CONSENT ITEMS

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

Approval of Minutes

Minutes of the Risk Management Committee Meeting held on June 22, 2021, and the Regular Board Meeting held on June 28, 2021 were approved as presented.

Approval of Payment to the City of San Antonio for June 2021

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 June 2021 is based on actual gross revenue per the New Series Bond Ordinance of

\$226,344,458.24, less applicable exclusions. The revenue for the month of June 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$249,460,988.76
Gas revenue	12,102,631.02
Interest and other income	(3,891.64)
Gross revenue per CPS Energy financial statements	<u>261,559,728.14</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,736,554.76)
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	(18,659,010.13)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(8,819,705.01)</u>
Total excluded revenue	<u>(35,215,269.90)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$226,344,458.24</u>
City payment per Bond Ordinance for June 2021 based upon June 2021 revenue	\$31,688,224.15
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	1,562,751.19
City Payment reduction per gas customer billing adjustment MOU	<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	33,238,475.34 A
Utility services provided to the City for June 2021	<u>(2,598,325.94)</u>
Net amount to be paid from June 2021 revenue to the City in July 2021	<u>\$30,640,149.40</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)

June 2021	Actual	Budget	Variance	
Current Month* A	\$33,238	\$35,226	(\$1,988)	-5.6%
Year-to-Date*	\$134,015**	\$134,302	(\$287)**	-0.2%

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

** Includes a rounding adjustment of \$1 to agree to correctly rounded YTD amount.

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 \$30,640,149.40 representing 14% of applicable system gross revenues for the month of June 2021, such payment being net of City utility services (\$2,598,325.94), is hereby approved." The Board ratifies that June 2021 revenue was sufficient to recover \$21,490,096.57 in funds that were advanced to the City in the prior fiscal months. The total amount to be recovered from future months' revenues for fiscal year 2022 is \$11,945,334.08.

Approval of Procurement Items - July 2021

One (1) Non-Competitively Sensitive Item

Item Description: Financial Audit Services
Purchase Category: Professional Services
Supplier: KPMG LLP

*The listed Procurement Item to be attached as Attachment "A".

At the request of Trustee Steen, Mr. Kuchinsky clarified for the record that this procurement item was for a new contract for external auditors with KPMG, LLP. The contract has a four-year term, with an option to continue for a fifth year. Mr. Kuchinsky added that the item includes a quote for a potential integrated audit.

VIII. COMMITTEE REPORTS

Nominations Committee Meeting held on July 9, 2021

Trustee Kelley reported on the July 9, 2021 Nominations Committee meeting. He explained that the committee discussed the need to search for a new Board member to fill the seat to be vacated by himself upon the end of his term (January 31, 2022). He noted that qualifications were reviewed, including that eligible applicants must be United States citizens, residents of Bexar County residing in Northwest Quadrant (1), and must be current on their CPS Energy bill. He announced that the application is now available online on CPS Energy's website and that paper applications are also available at service centers and at CPS Energy's Headquarters. He reported that approval was granted for the application to go live and that the application deadline is 5 p.m. on Tuesday, August 31, 2021.

Trustee Kelley announced that the "Find My Quadrant" tool was demonstrated for attendees of the meeting and can be found on CPS Energy's website. He also reported that the committee reviewed and approved the marketing and communications plan that will promote the vacancy with a multi-layer grassroots approach, utilizing engagement opportunities with partners, our own communication channels, media outreach, print advertising and targeted digital advertising. He announced that the press release went out, which highlighted the requirements to be a Trustee, along with other helpful information. The committee meeting was unanimously adjourned at 11:00 a.m. Trustee Kelley stated he wanted to make sure that the application deadline of August 31, 2021, was widely disseminated and that we are reaching out to the community in every way possible.

In the interest of time, Chair Dr. Mackey accepted the submission of the following reports for the record in lieu of having them read during the meeting.

Master Planning Oversight Committee (MPOC) Meeting held on June 28, 2021

A report of the MPOC meeting, which took place on June 28, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "B") to the meeting minutes.

Personnel Committee Meeting held on July 8, 2021

A report of the Personnel Committee meeting, which took place on July 8, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.

IX. FY2022 FINANCIAL PLAN PART 5 – UPDATED BUDGET PROPOSAL

Ms. Shannon Albert, Vice President Accounting & Assistant Treasurer, provided an updated budget proposal for a vote by the Board. In her presentation to the Board, Ms. Albert touched on our Financial Sustainability Approach and emphasis on controlling costs. She noted that we have been able to defer rate increases since 2014, in part due to a strong cost management program - having achieved \$604 million of savings during the last three years. She noted that the budget being presented includes a provisional rate increase that would be estimated to take effect during the fall of 2021; however, she emphasized that the provisional rate increase was only a placeholder and any increase would be subject to approval by the Board and City Council.

Ms. Albert provided a breakdown of our FY2022 annual funding requirements, sources of revenue, operating expenses, city payment amounts, debt requirements, and repair and replacement (R&R) contributions, as well as a breakdown of our capital plan by strategic category. She noted that the Board is being asked to approve \$687.5 million in non-fuel Operations and Maintenance costs ("O&M") and \$714.3 million in capital expenditure budget items during this meeting. In her presentation, Ms. Albert provided a summary of our budget metrics for FY2022. She noted that the proposed budget anticipates a deficit for FY2022 and that the adjusted debt service coverage, days cash on hand, and debt to equity ratio would be above our minimum thresholds for FY2022, but that the proposed provisional rate increase would aid in posting a net profit and would lead to improved budget metrics, including an increased remaining R&R contribution for FY2023. Ms. Albert stressed that there were still uncertainties in expenses, but that we would refresh and finetune our request for rate support to bring back to the Board when needed, presumably in fall 2021.

Vice Chair Gonzalez asked whether the fuel adjustment charge for Uri was included in our FY2022 budget and what the plan was on how to pass that cost on to customers. Ms. Albert acknowledged that our FY2022 budget does account for initial costs incurred by Uri. Ms. Gold-Williams said that the summer period will help us understand what the financing component will look like to get passed the immediate impacts of the winter storm. Vice Chair Gonzalez expressed confusion as to what is being submitted for the budget and indicated she was unsure as to whether investments have been prioritized according to our business plan and City Council directives.

In response to a question from Trustee Steen, Ms. Gold-Williams explained that for historical reasons we started the FY2022 beginning on January 31, 2021. She also explained that the budget has been delayed

due to factors created during the COVID-19 pandemic, as well as the effects of Uri. Ms. Gold-Williams attributed a reported loss in the budget due to costs rising faster than our rates and revenue. She explained that reduced revenue from customers and increasing costs of doing business have created a funding gap that cannot be fixed without considering a rate increase. Ms. Gold-Williams emphasized that we continue to fight to save money and will continue to provide updates to the Board, but that we do need to have our budget approved.

Mayor Nirenberg commented that he was interested in how the conversation on generation planning related to the **FlexPOWER Bundle** will impact the budget numbers regarding costs tied to maintaining operations and supporting growth.

Ms. Albert agreed with Mayor Nirenberg that we have the most control over costs related to power generation. She stated that she hopes we will have more certainty once disconnects are reinstated and she emphasized that the Board will continue to be updated on metrics as we progress through the year. Mayor Nirenberg asked for information on capital expenditures, including those related to recommendations from the winter storm report. Ms. Gold-Williams also added, in response to a question from Vice Chair Gonzalez, that the Board will be provided various metrics and information on residential and commercial customers billing and revenue.

Trustee Kelley asked how we are tracking to the proposed budget. Ms. Albert affirmed that we are tracking to the proposed numbers. For operating revenue, she indicated that we were almost \$23 million favorable at \$178 million. Overall income was a \$16.7 million net loss compared to a \$41.9 million projected net loss at that point. Trustee Kelley expressed his concern as to trends for wholesale revenue and the level of debt to equity and cash funding in the proposed budget. However, he complimented Ms. Gold-Williams and her team for controlling expenses and expressed his support for the proposed budget.

Chair Dr. Mackey asked for assurances that next year's budget be submitted timely. Ms. Albert assured him that the team was already working on next year's budget and should be ready for introduction to the Board in January 2022.

Trustee Steen asked what the consequences of not approving the budget would be. Ms. Gold-Williams responded that it would send a negative message to financial stakeholders and would offer no way for us to move forward.

Mayor Nirenberg commented that he appreciates the pause, concern and contemplation as to the budget, but that we support our utility and will do what is necessary to keep it strong. He emphasized that the message should be confidence in CPS Energy to get the job done and to do it in a way that is sensitive to pressures our rate payers are experiencing.

On a motion to approve the budget duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon vote by all members present, the proposed FY2022 Budget was approved 4-1 , with affirmative votes from Chair Dr. Mackey, Trustee Steen, Trustee Kelley and Mayor Nirenberg, with Vice Chair Gonzalez voting in opposition to the motion.

X. TEZEL SUBSTATION ROUTING & SITING

Mr. LeeRoy Perez, Senior Director, Substation & Transmission, provided a recommendation for routing and siting of the Tezel Substation for a vote by the Board. In his presentation, Mr. Perez provided a project overview, an evaluation of public feedback and a siting recommendation with renderings of the proposed site. He also provided a recap of feedback received during the Public Input Session led by Vice Chair Gonzalez and Chair Dr. Mackey on June 24, 2021, and specifically responded to questions and concerns received from the public.

Mr. Perez explained how the various locations considered for siting were evaluated and why Site 5 was recommended for approval based on multiple factors, including environmental impact, cost, proximity to habitable homes, impact to landowner development, distribution needs and ordinance requirements. Mr. Perez noted that the substation project, which is planned to be completed by June 2024, will increase capacity for residential and commercial customers and will improve **Reliability** by shortening existing distribution lines in the area. He also explained that the project follows the Board's internal approval process because it is located within San Antonio city limits.

On motion to approve the recommendation duly made by Trustee Steen, and seconded by Trustee Kelley, and upon vote by all members present, the proposed Tezel Substation site and route was approved 4-1, with affirmative votes from Chair Dr. Mackey, Trustee Steen, Trustee Kelley and Mayor Nirenberg, with Vice Chair Gonzalez voting in opposition to the motion.

XI. FlexPOWER Bundle UPDATE

Mr. Kevin Pollo, Interim VP, Energy Supply & Market Operations, provided an update on the **FlexPOWER Bundle** RFP and Prioritized Solar Selection. His update covered the RFP's key components and evaluation process as well as **Security** considerations, stakeholder engagement, project progress and current project timelines. Mr. Pollo also provided a summary of the roles of the team comprised of over forty individuals from across CPS Energy, including Supply Chain, Operations, Communications & Marketing, Enterprise Information Technology (EIT), Legal, Risk Management, Integrated Security, and Compliance and Ethics.

Mr. Pollo explained that we are seeking to add up to 900 MW of solar (with up to 250 MW of early prioritized solar), 50 MW of storage, and 500 MW of firming capacity. He added that we consider the **FlexPOWER Bundle** as the next step in our **Flexible Path** strategy to replace our aging Braunig gas units that typically run during the summer. Mr. Pollo commented that future components of the **FlexPOWER Bundle** may have different makeups of capacity based on need. He provided an overview and diagram of the evaluation process and explained that we are currently working through a quantitative evaluation of short-listed projects. As that list is narrowed down further, the team will move into interviews with best and final offer candidates. He noted that projects that do not make the short list are moved into a secondary list and still have an opportunity to be in the **FlexPOWER Bundle** at a later date.

Mr. Pollo reported that the team is currently working on finalizing candidates for the prioritized solar portion of the **FlexPOWER Bundle**. Six high-quality projects from the large-scale solar category have been shortlisted and are undergoing a qualitative evaluation, including a comprehensive **Security** review. These project candidates range in capacity from 125 MWs to 300 MWs and have advertised commercial operation dates for 2023. He noted that those projects could be awarded during FY2022.

He also reported that we received over 650 proposals totaling 43,000 MWs of total capacity, including 32,000 MW of solar, 2,000 MW of storage capacity and 9,000 MW of all-source firming capacity. We are moving forward on the evaluation process and could be in the position to award the balance of projects in the fourth quarter of FY2022.

Mr. Pollo also covered the physical and cyber **Security** assessment review component of the RFP process, which covers both cybersecurity and supply chain **Security** controls. The process included interviews to gauge the effectiveness of **Security** controls of the companies being considered in the RFP process, and covered ownership and sourcing matters to ensure procurement is consistent with federal requirements. Mr. Pollo also provided a review of recent stakeholder engagement tied to the RFP process, including a July 30, 2021 briefing to the U.S. Energy Association and an upcoming Town Hall scheduled for August 12, 2021.

Vice Chair Gonzalez suggested that the bids recommended by Operations go through the Technology and Resilience (T&R) Committee before taking the recommendations to the full Board for a vote. Ms. Gold-Williams agreed to bring the selections to the Operations Oversight (OOC) and T&R Committees for review. Ms. Gold-Williams explained that the procurement process includes an analysis, and that the selections can be reviewed and voted on by the Board.

Mayor Nirenberg asked for clarification on the timeline and requested continued updates on the progress of the selection process. Ms. Gold-Williams provided more context on procurement policy requirements. Mr. Pollo mentioned that selection for prioritized solar could be made as soon as the following month and the rest of the Bundle could be selected by the end of the fourth quarter of this calendar year.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Trustee Steen, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:26 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board



CPS Energy Board of Trustees Meeting
July 26, 2021
APPROVAL of PROCUREMENT ITEMS
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|----|---------------------------|--|
| 1. | Item Description: | <u>Financial Audit Services</u> |
| | Purchase Category: | Professional Services |
| | Supplier: | KPMG LLP |

Approval: *Lisa D. Lewis*
Lisa Lewis, Chief Administrative Officer

Approval: *Paula Gold-Williams*
Paula Gold-Williams, President & CEO



CPS Energy Board of Trustees Meeting
July 26, 2021
PROCUREMENT FORM 1

Item Description	Financial Audit Services
Purchase Order Value	\$2,775,000
Purchase Category	Professional Services
Department	Financial Services
Vice President	Shannon Albert
Chief Financial Officer & Treasurer	Cory Kuchinsky

What we plan to do & why it is of value to our customers & company

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"). This contract will result in the issuance of a report to the Board of Trustees of CPS Energy expressing an opinion on the financial statements, including whether the financial statements are free of material misstatement and whether they present fairly, in all material respects, the financial position of CPS Energy, and the results of its operations and cash flows for each year of the engagement. This contract also includes the option to conduct an Integrated Audit during the the contract term. This new contract is for four (4) years and will expire on 7/25/2025; however, the contract includes an option to renew for one (1) additional year, which if exercised by mutual agreement of both parties, would extend it to 7/25/2026. The current contract for these services will expire 8/25/2021.

Subcontracting opportunities associated with the contracts

This contract includes subcontracting 18% of the audit work to a Minority firm. KPMG LLP will subcontract to Schriver, Carmona & Company, PLLC, which is a local, Hispanic American-owned, emerging small business. Bond-related work performed by KPMG LLC, will not be included in the 18% of audit work subcontracted to the local, Diverse subcontractor due to the specific technical expertise required to perform the work. See attached supplement for additional details.

Recommended Supplier(s) & Spend

Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
KPMG LLP	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Four (4) years	\$ 2,775,000	2197416	
Total				\$ 2,775,000		

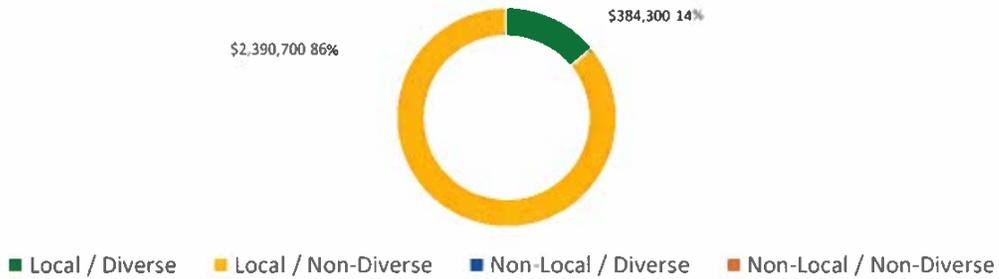


**CPS Energy Board of Trustees Meeting
 July 26, 2021
 PROCUREMENT FORM 1 (continued)**

Annual Funds Budgeted						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$0	0.00%	\$0	\$0
21	Non-Fuel O&M	\$712,800,000	\$687,500	0.10%	\$617,500	\$1,470,000

*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.
 This procurement item does not contain competitively sensitive information; therefore, there are no restrictions on disclosure to the public.

Procurement Item: Professional Services





MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JUNE 28, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE JULY 26, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on June 28, 2021. As part of the MPOC agenda, the Committee:

- A. Discussed the operation and activities in and around the McCullough Building.
- B. Reviewed the status, current and potential buyers, marketing strategies and contract deadlines for the following properties:
 - 1. Main Office Building;
 - 2. Tower Garage;
 - 3. Villita Assembly Building;
 - 4. Surface Parking Lot #2; and
 - 5. Northside Customer Service Center.
- C. Discussed disposition of Jones Avenue properties and reviewed property features and information.
- D. Discussed strategic property purchase opportunities that support electric and gas system **Reliability**, **Resiliency** and customer growth, as well as potential property sale opportunities.

The next meeting of the MPOC is July 26, 2021.



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 8, 2021 MEETING
PREPARED FOR COMMITTEE CHAIR ED KELLEY
FOR REPORT AT THE JULY 26, 2021 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on July 8, 2021. The meeting was in executive session for personnel matters. The next meeting of the Personnel Committee is to be determined.