



BOARD OF TRUSTEES INFORMATION SESSION

August 18, 2021

Hybrid Location: CPS Energy Headquarters & by WebEx

Informational Update

AGENDA



- **WELCOME & INTRODUCTIONS**
- **SAFETY MESSAGE**
- **COMPANY OVERVIEW**
- **TRUSTEE ROLES & RESPONSIBILITIES**
- ***Flex*POWER BUNDLESM UPDATE**
- **QUESTION & ANSWER**

FOR EMERGENCY RESPONSE DIAL 9-1-1

McCULLOUGH BLDG HQ PODIUM LEVEL 1st FLOOR

500 McCULLOUGH AVE
SAN ANTONIO, TEXAS



NOTE:

● : YOU ARE HERE

FE: FIRE EXIT

FX: FIRE EXTINGUISHER

1A: 1st AID KIT

AED: AUTOMATED EXTERNAL
DEFIBRILLATOR UNIT

■ : PROCEED TO FE1
STAIRWELL RS #1

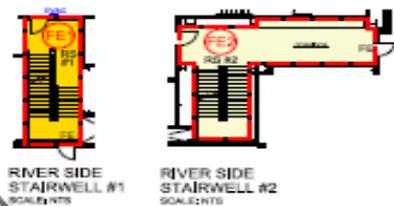
■ : PROCEED TO FE2
STAIRWELL RS #2

■ : PROCEED TO FE3
STAIRWELL CS #1

■ : PROCEED TO FE4
STAIRWELL CS #2

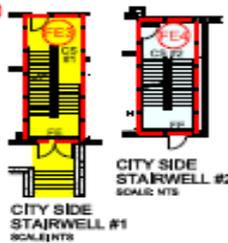
- : PROCEED TO FE5
- : PROCEED TO FE6
- : PROCEED TO FE7
- : PROCEED TO FE8
- : PROCEED TO FE9
- : PROCEED TO FE10
- : PROCEED TO FE11
- : PROCEED TO FE12
- : PROCEED TO FE13
- : PROCEED TO FE14
- : PROCEED TO FE15
- : PROCEED TO FE16
- : PROCEED TO FE17
- : PROCEED TO FE18

IN CASE OF EMERGENCY,
USE STAIRS UNLESS
OTHERWISE INSTRUCTED



RIVER SIDE
STAIRWELL #1
SCALE: 1/8" = 1'-0"

RIVER SIDE
STAIRWELL #2
SCALE: 1/8" = 1'-0"



CITY SIDE
STAIRWELL #1
SCALE: 1/8" = 1'-0"

CITY SIDE
STAIRWELL #2
SCALE: 1/8" = 1'-0"



COMPANY OVERVIEW

PRESENTED BY:

Ms. Kathy Garcia

Vice President, Government & Regulatory Affairs
& Public Policy

August 18, 2021

Informational Update

AGENDA



- ***PEOPLE FIRST!***
- ***GUIDING PILLARS & FOUNDATION***
- **EARLY HISTORY**
- **OPERATIONAL DYNAMICS**
- **WHO WE ARE BY THE NUMBERS**
- **CUSTOMER ASSISTANCE PROGRAMS**
- **BUDGET**
- **CITY PAYMENT**
- **GOVERNANCE STRUCTURE**

People First Champions - Employees



**Helping
Customers**

**Serving Our
Community**

OUR GUIDING PILLARS & FOUNDATION



Reliability

Customer Affordability

Security

Safety

Environmental Responsibility

Resiliency



Financially Responsible

All business decisions are based on our commitment to being one of the best-managed & most *Financially Responsible* utilities in the nation!

EARLY HISTORY



Texas' oldest utility company

- Gas system originated in 1860

CPS Energy began as San Antonio Public Service Co. (SAPSCo) in 1917

- Owned by American Light and Traction Co.
- Ran city's power plants, gas network & streetcar lines

Purchased by the City of San Antonio (CoSA) in 1942

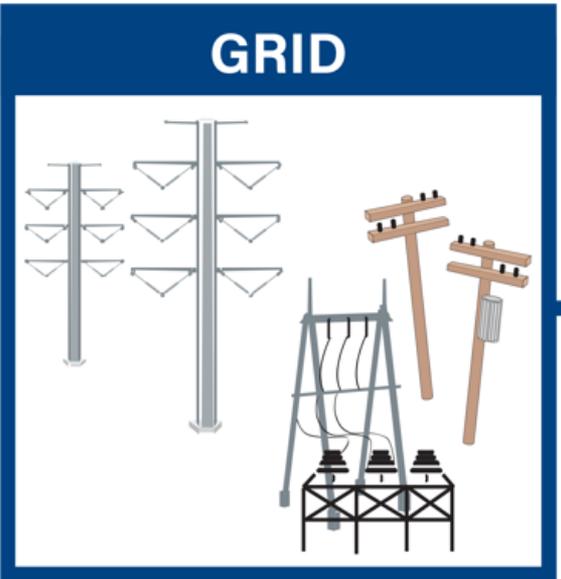
- \$34 million sale price
- Financed by revenue bonds
- Sold transportation division
- Became City Public Service Board of San Antonio
- Became CPS Energy in 2003



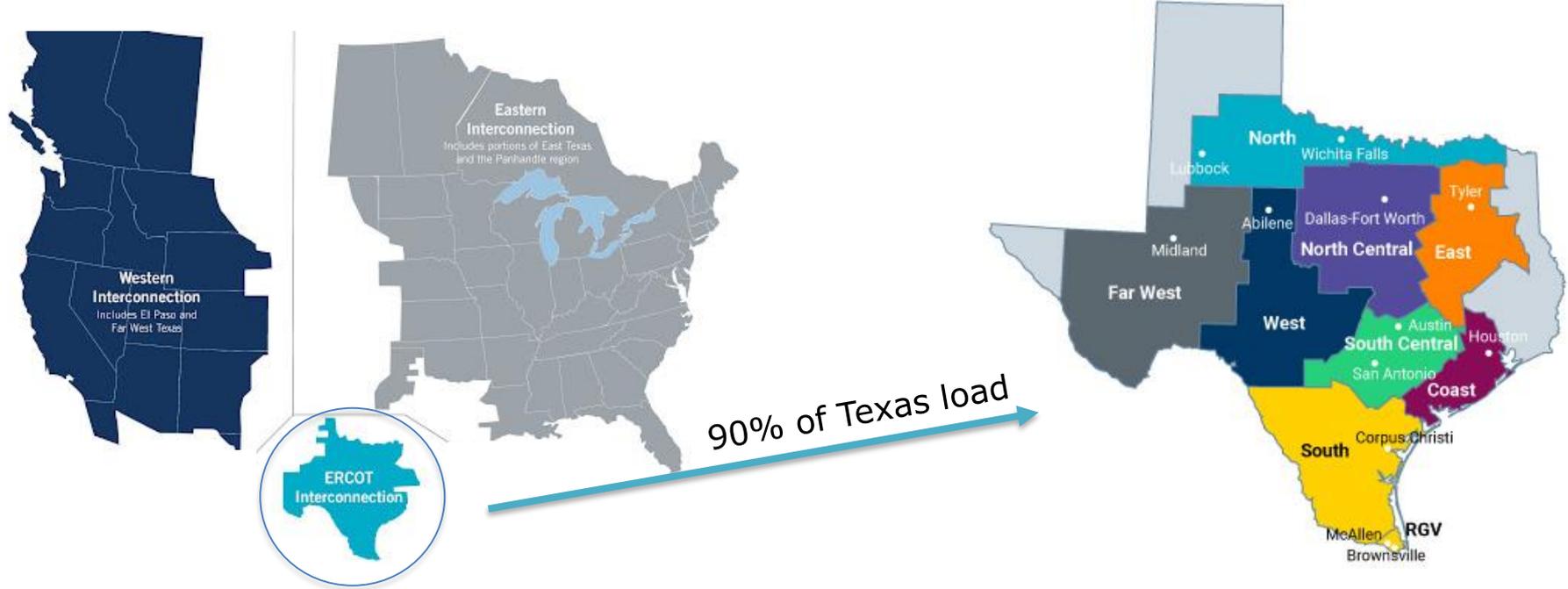
We are a business owned by our community for over 78 years.

OPERATIONAL DYNAMICS

WE ARE A FULLY INTEGRATED UTILITY



We manage & operate in all aspects of the energy business & the Energy Reliability Council Of Texas (ERCOT) market.

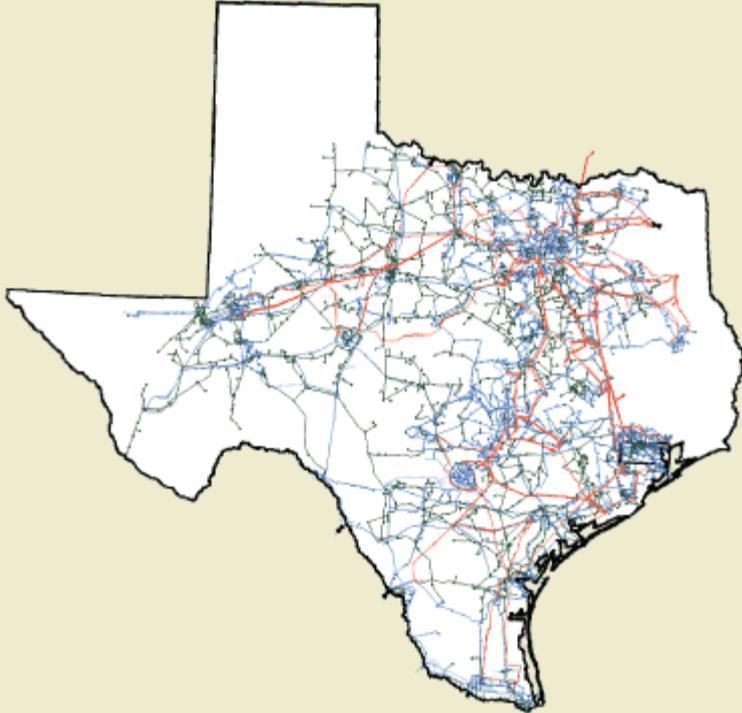


ERCOT is composed of the interconnected network of high-voltage transmission lines & power plants in the region.

OUR ELECTRIC SYSTEM INTERCONNECTED



The ERCOT Electric Transmission Grid

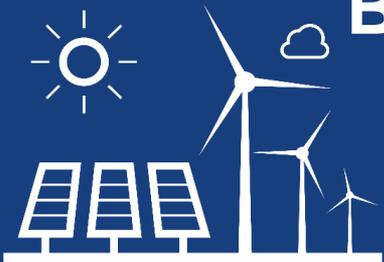


ERCOT COORDINATES:

- Balance of load & generation
- Transmission system power flow to serve customers
- ~20 interconnected Transmission Operators
- ~40 scheduling entities (load & generation)
- Wholesale power market
- Planning analysis of the grid

We are part of a highly interconnected system of utilities designed to maximize *Reliability* & efficiency. 11

WHO WE ARE BY THE NUMBERS¹



Largest Municipally Owned Electric and Gas Utility in the U.S.
Largest Solar Power Production in Texas; 5th in the Nation²
2nd Largest Wind Power Production in Texas

Senior Junior

S&P: AA- A+

Fitch: AA- AA-

Moody's: Aa1 Aa2

Credit Ratings³



885K Electric

367K Gas

Our Customers

161

Years of Serving
San Antonio



Most Trusted Brand
in the South Region
by Escalent



\$11.5B - Total Assets
\$ 2.5B - Annual Revenue



3,000
Employees

¹ As of 1/31/2021

² Environment Texas Research & Policy Center. "Shining Cities 2020: The Top US Cities for Solar Energy"

³ Ratings as of 3/23/2021

CONNECTING CUSTOMERS TO SUPPORT OPTIONS



Senior Citizen Billing
Over 53k enrolled



Critical Care Billing
Nearly 3k enrolled



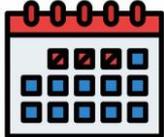
REAP
*Over \$1 Million
Donated*



CPS Energy Angels
Launched in 2021



Flexible Installment Plans
Over 21k enrolled



Due Date Extension
Nearly 10k Active



Budget Payment Plan
Over 34k enrolled



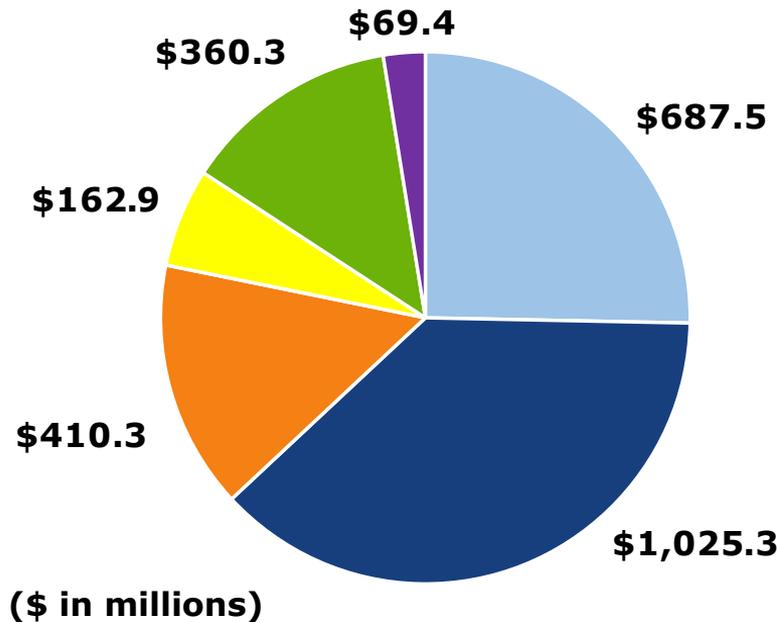
CORE Outreach
Over 81k called

We put *People First!*
We have a wide variety of money-saving & general assistance programs designed to help qualifying customers.

FY2022 APPROVED BUDGET

TOTAL ANNUAL FUNDING REQUIREMENTS =

\$2,715.7M



The order of uses of revenue is determined by Bond Ordinance

- Non-Fuel Operating Expenses - Provides *Reliability* to our customers.
- Fuel & Other Operating Expenses - Pass thrus for fuel & regulatory.
- Debt Requirements - Repayment of debt used to finance initiatives & infrastructure improvements.
- Repair & Replacement 6% - Cash for future system, customer growth & new strategic initiatives.
- City Payment - Transfer funds to the City of San Antonio's General Fund that benefits our community.
- Repair & Replacement - Remaining cash for future system, customer growth & new strategic initiatives.

	Estimate	Prior Year	Budget
(\$ in millions)	FY2021 AB	FY2021	FY2022
Capital*	\$684.1	\$630.8	\$714.3
Non-Fuel O&M	\$712.8	\$654.9	\$687.5

* Gross of customer contributions.
 Note: Winter Storm Uri regulatory asset amortization expense & recovery of costs through the existing fuel adjustment will begin in FY2023.

CITY PAYMENT & INVESTMENT



Highest general fund transfer in the nation:

- Up to 14% of gross revenues returned to CoSA monthly
 - \$8 billion since 1942

Provides approximately 30% of the City's general operating budget to support:

- Police & Fire
- Infrastructure
- Libraries
- Streets
- Parks

We provide almost \$1 million every day to the City – weekends & holidays too!



In FY2021, we made an annual payment to the city of \$330.6M.

GOVERNANCE STRUCTURE



 **Board of Trustees**
Oversees our management & operations through strategy development & policy guidance



City Council

Per our Bond Ordinance, the City Council must approve the following:

- Issuance of Debt
- Exercise of Eminent Domain
- Retail Rates
- Confirmation of Board Nominees

Citizens Advisory Committee (CAC)

- Established in 1997
- 15 members, 1 from each San Antonio City Council district & 5 at-large
- Liaison between CPS Energy & its customers, providing input to the Board of Trustees & staff

Rate Advisory Committee (RAC)

- Established in 2021
- 21 members, 11 appointed by our board & 10 City Council appointees
- Learn the utility business & rate design & provide thoughtful input & perspectives regarding CPS Energy's rate structure & rate design options

GOVERNANCE PROCESS



BUDGET COMPONENT	GOVERNANCE
RATE SUPPORT	Requests approved by Board of Trustees (BoT) & City Council
FUEL PURCHASES	Governed by Procurement policy with material fuel purchases approved by BoT
DEBT ISSUANCE	Bond Issuances approved by BoT & City Council
R&R ADDITIONS	Governed by Bond Ordinance
CITY PAYMENT	Approved Monthly by BoT
NON-FUEL O&M	Approved Annually by BoT
CAPITAL	Approved Annually by BoT

The Board of Trustees has oversight of the components of the planned Uses of Revenue through policy & various other approvals.



Thank You



TRUSTEE ROLES & RESPONSIBILITIES

PRESENTED BY:

**Shanna Ramirez,
Chief Legal & Ethics Officer (CLEO),
General Counsel, & Board Secretary**

August 18, 2021

Informational Update

AGENDA



- **BOARD OVERVIEW**
- **RESPONSIBILITIES**
- **TERMS**
- **ROLE QUALIFICATIONS & REQUIREMENTS**
- **TIME REQUIREMENTS**
- **NORTHWEST QUADRANT**
- **APPLICATION DEADLINE**

BOARD OVERVIEW



The Board is composed of a Trustee from each of the four quadrants of our service area & the Mayor of San Antonio, as an ex-officio member:

- New members are elected by existing Board members & confirmed by City Council
- All five members are voting positions

The Board is the governing body of San Antonio's electric & gas utility:

- Ensures future viability & prosperity
- Ensures proper performance oversight
- Authorized to make rules & regulations governing electric & gas service, including customer payment requirements



CPS Energy Trustees during the CAAP Public Input Session on February 18, 2019

The activities the Board undertakes to fulfill its duties are:

- Lead in partnership with the President & CEO in developing & articulating the company's vision
- Review & approve management's strategic & business plans to achieve the vision
- Establish & affirm policies that promote effective stewardship & allocation of company resources
- Ensure management succession planning
- Select, support & develop performance standards for the President & CEO
- Understand, provide oversight & monitor the performance of the President & CEO

RESPONSIBILITIES, CONT.



- Review & approve large financial transactions
- Exercise appropriate oversight regarding risk mitigation
- Set the tone for ethical behavior to preserve public confidence
- Serve the customer first among various stakeholders
- Follow all applicable laws
- Promote trust within & among stakeholders.

Serving on the Board is a significant civic responsibility.

Trustees are:

- Appointed to serve a five-year term & are eligible for one additional five-year term, with the ability to serve up to 10 consecutive years; and
- Assume the rotating Chair and Vice Chair position every 2-4 years.



Induction of Vice Chair Janie Gonzalez
February 2019

ROLE QUALIFICATIONS & REQUIREMENTS



In order to serve, Trustees must:

- Be a U.S. citizen.
- Be a permanent resident of Bexar County & reside in the Northwest Quadrant (1) of CPS Energy's service area.
- Agree to comply with the City's Ethics Code, which:
 - Limits business dealings a board member & his/her immediate family members can have with the City & CPS Energy
 - Requires an annual Financial Disclosure Report to be filed with the City
- Maintain a CPS Energy account that is current.

ROLE QUALIFICATIONS & REQUIREMENTS, CONT.



Trustees must possess strong business acumen & experience to participate in oversight responsibilities & provide input regarding complex management & strategic directions.

Preferred Educational Background

- Bachelor's Degree in Business, Finance, Accounting or Political Science; or Masters of Business Administration or Master's Degree in Finance or Public Administration/Public Policy

Experience Profile

- Minimum of 10-15 years in one or more of the following:
 - Accounting*
 - Corporate*
 - Economics
 - Energy
 - Government*
 - Information Technology/Cybersecurity
 - Legal
 - Marketing
 - Real Estate*

**highly beneficial*

TIME REQUIREMENTS

AT LEAST 20 HOURS PER MONTH



Prepare & attend various meetings, including:

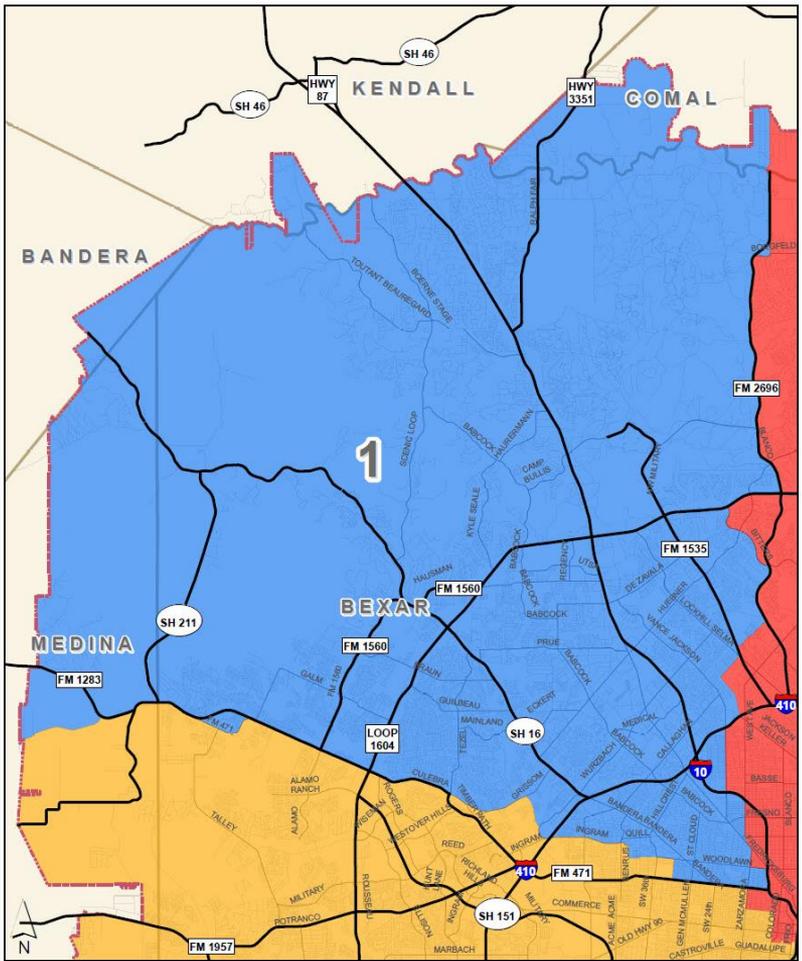
- Regular Monthly Board Meetings;
 - Generally held on the last Monday of each month at 1:00 p.m., except during the months of May, November & December
- Special Board Meetings;
- Quarterly Committee Meetings;
- Group & individual work sessions, as needed; &
- Other special events.

Travel to conferences, as needed

Trustees receive materials & general support from Board Relations

The Municipal City Code states that missing 3 consecutive meetings or attendance below 50% on an annual basis are causes for removal from a Board that is governed by the Boards & Commissions Guidelines.

NORTHWEST QUADRANT (1)



Candidates must reside in the Northwest Quadrant (1) & can verify their eligibility via the Board of Trustees page at <https://secure.cpsenergy.com/mma/boardQData.jsp>

APPLICATION DEADLINE



**The deadline to submit an application is
Tuesday, August 31, 2021 at 5:00 PM CST**



**Application information is available online at
www.cpsenergy.com/Trustees**



Thank You



FLEXPOWER BUNDLESM **UPDATE**

PRESENTED BY:

Mr. Frank Almaraz

Chief Power, Sustainability, & Business
Development Officer

August 18, 2021

Informational Update

AGENDA



- **DECARBONIZING OUR GENERATION MIX**
- **OUR *Flexible Path*SM JOURNEY**
- ***FLEXPOWER BUNDLE*SM: SUPPLEMENTING AGING GAS PLANTS**
- ***FLEXPOWER BUNDLE*SM RFP UPDATE**
- **SHINING CITIES**
- **PROJECT TIMELINE**
- **APPLY TODAY!**

CAREFULLY DECARBONIZING OUR GENERATION MIX



Flexible Path:
Traditional + Renewables
+ Energy Storage + Smart Grid
+ Energy Efficiency

Renewables + Low/Zero Carbon Firing Capacity:

- **FlexPOWER Bundle** is our next step in the **Flexible Path**



Transitioning to Innovation

Technology Drives Timing

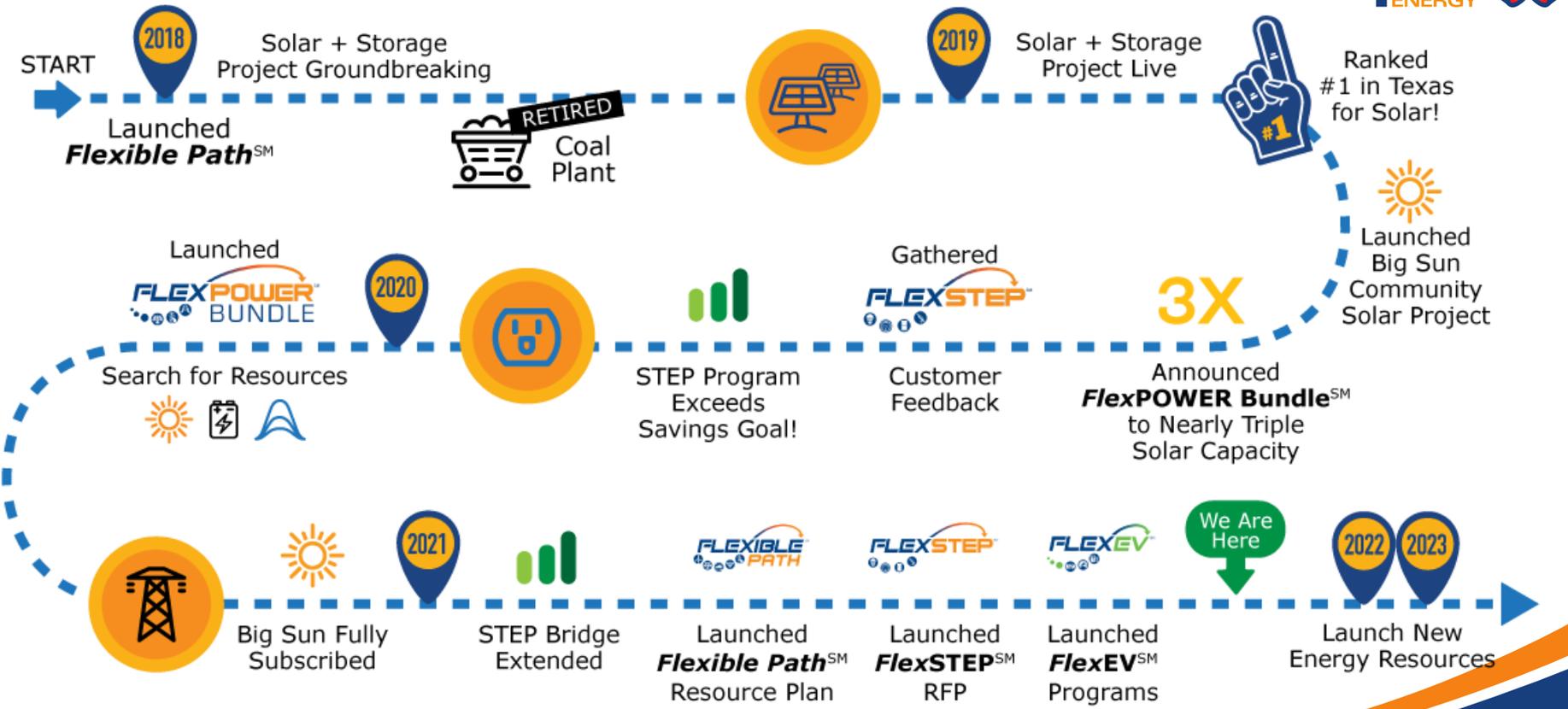
Past

Present

Future

Our *Flexible Path* Strategy is a journey to **Safely, Affordably, & Reliably** transition our generation to lower & non-emitting resources for our community in the years to come.

FLEXIBLE PATHSM JOURNEY



FLEXPOWER BUNDLE

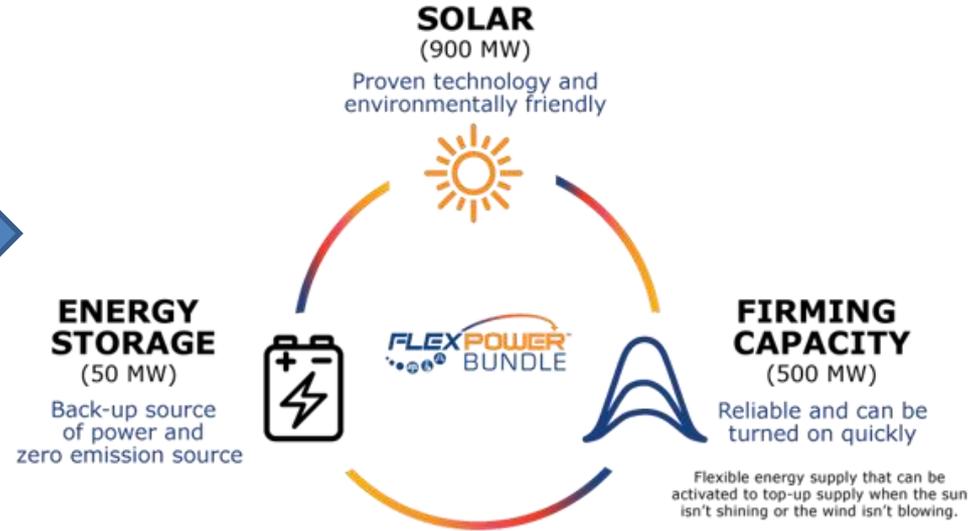
SUPPLEMENTING AGING GAS PLANTS



Braunig 1, 2 & 3 Gas Power Plants
Built in 1966, 1968, & 1970
859MW



An integrated *FlexPOWER* Bundle aimed at transitioning to a cleaner generation mix



The *FlexPOWER* Bundle is the next step in our *Flexible Path* strategy to replace our aging Braunig gas plants.

FlexPOWER Bundle REQUEST FOR PROPOSAL (RFP) UPDATE



Hundreds of projects from across the globe!

Targeting fall 2021 for final awards



Evaluating not just on price, but also on quality



Evaluating individual projects as well as the whole "bundle"

We are proud to be pioneering a new way to think about procuring energy resources.

SHINING CITIES

THE FUTURE IS BRIGHT!



TOP 5 "SHINING CITIES" - 2019

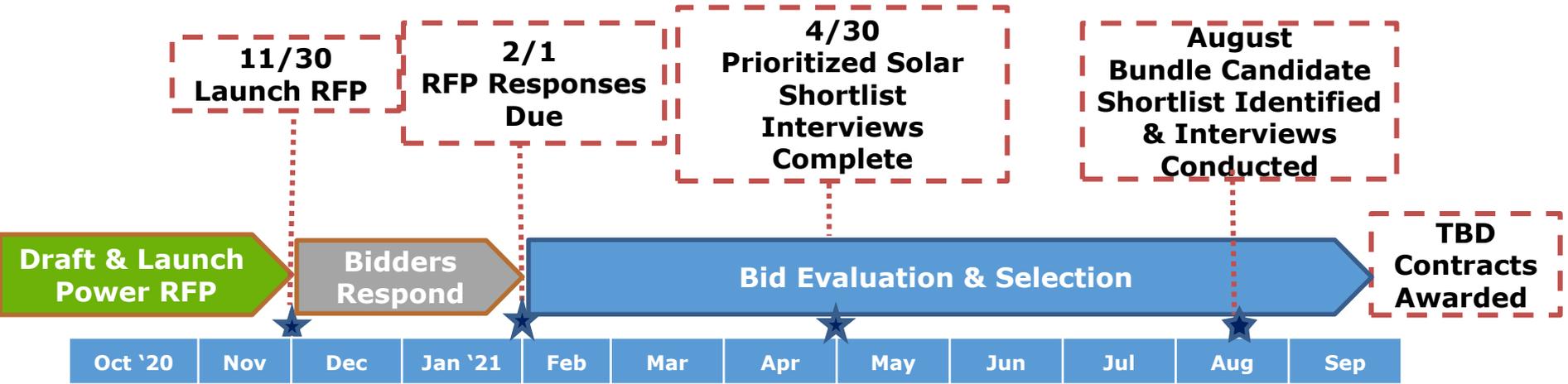
Solar PV rank	City	State	Total installed Solar PV (MW DC)
1	Los Angeles	CA	484
2	San Diego	CA	420
3	Honolulu	HI	292
4	Phoenix	AZ	272
5	San Antonio	TX	254

If nothing else changes, an increase of 19MW would move us into fourth place.

Total installed Solar PV	(MW DC)
Current	254
Additional Capacity from "Prioritized" Projects	10 - 30
Resulting Amount	264 - 284

Future projects could move us closer to the top of the nationwide list.

PROJECT TIMELINE



Stakeholder Engagement

Robust physical & cyber security considerations are being incorporated in the evaluation process to support our *Guiding Pillars of Security, & Safety.*

APPLY TODAY!



**The deadline to submit an application is
Tuesday, August 31, 2021 at 5:00 PM CST**



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Thank You