

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON AUGUST 30, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of August was held on Monday, August 30, 2021 in the Board Room 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 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 Chair
 Mr. Ed Kelley
 Mr. John Steen
 Mayor Ron Nirenberg

Also present were:

Ms. Paula Gold-Williams, President & CEO
 Mr. Fred Bonewell, Chief Operating 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 Ms. Julie Johnson, Interim Vice President, Capital Markets & Assistant Treasurer.

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. George Alejos, member, League of United Latin American Citizens (LULAC) San Antonio, spoke on agenda item 10.B., "**STEP Bridge**," regarding the withdrawal of a Request for Proposal (RFP) from the project and an anonymous letter Franklin Energy regarding Cool Components and the Coalition of Minority Contractors. He requested that the Board of Trustees look into the matter.

2. Mr. Henry Rodriguez, LULAC Executive Director, spoke on agenda item 10.B. in support of Cool Components. Mr. Rodriguez informed the Board that the Alamo Area Council of Governments (AACOG) completed an investigation and LULAC will do the same. He asked the Board to do the same.

II.A. Chair's Announcements

Chair Dr. Mackey expressed his sincere condolences for the recent employee losses at CPS Energy and his concern for the employees who are sick, and in the hospital. Vice Chair Gonzalez asked for a moment of silence for the CPS Energy employees who recently passed away.

II.B. Comments

Mayor Nirenberg reported that the City of San Antonio (City) is experiencing another wave of COVID- 19 due to the Delta variant. The positivity rate has slowed down to 13.6%. Although infections are slowing down, hospitals are stressed. The City is monitoring the numbers as schools are back in session. Masks are still mandated in most schools in Bexar County. The Mayor expressed his appreciation of CPS Energy and other businesses that are taking this matter seriously and asked for people to get vaccinated and wear masks.

III. PERSONNEL COMMITTEE ASSIGNMENT

Chair Dr. Mackey thanked Trustee Kelly for his service. He then recommended the new Personnel Committee assignment include Board Vice Chair Gonzalez as Personnel Committee Chair and Board Chair Dr. Willis Mackey as Personnel Committee Vice Chair.

On motion duly made by Mayor Nirenberg, seconded by Trustee Kelley, and upon affirmative vote by all members present, the Personnel Committee assignment was unanimously approved.

IV. CEO'S REPORT

Ms. Gold-Williams thanked the Board for supporting CPS Energy during the pandemic to which we have lost three (3) employees. There are approximately 3,000 dedicated team members who serve the utility needs of the seventh largest city in the nation, and every employee brings something special to the organization. We will continue to keep the safety of our employees and the public top of mind and therefore request our employees to wear masks, physically distance, and recommend that they get the vaccine.

Ms. Gold-Williams provided an overview of her written report beginning with an update on Winter Storm Uri (Uri). There is a report on our website showing considerations and views of needed operational improvements aligned to our **Guiding Pillars**. She highlighted our support of Entergy, the utility serving Louisiana, in its efforts to restore power due to damage caused to transmission and distribution lines by Hurricane Ida. We released contractor crews to support restoration efforts there. Mayor Nirenberg expressed his gratitude of this support and requested to be kept informed of the progress.

Ms. Gold-Williams reported on efforts to improve communications with the City and the San Antonio Water System. We have had table top exercises with both entities and prepared and offered for review an Operational Readiness Matrix . The matrix identifies how we plan for storms ranging from Normal to Grid Failure. We are looking for feedback within the next 30 to 45 days.

Ms. Gold-Williams also noted that Mayor Nirenberg has transitioned the Committee on Emergency Preparedness to the Municipal Utilities Committee (MUC).

Ms. Gold-Williams also mentioned the Public Utility Commissions' (PUC) proposal and that CPS Energy is in good shape to respond to the proposal.

Next, Ms. Gold-Williams indicated that the search for a new member of the Board is going well and will be discussed later in the meeting.

She also reported on CPS Energy's Community Outreach activities which included holding our first **Flexible Path**SM Tele-Town Hall on August 12, 2021, and hosting an Assistance Fair at St. Mary's University on August 21, 2021.

Presentation previews scheduled to be made later by the various Senior Chiefs regarding our funding needs for the next couple of years were also provided. In addition, she also previewed changes to our procurement policy and procedures to be more inclusive of local, minority and diverse vendors.

Ms. Gold-Williams indicated that we will be seeking approval of our **STEP** programs for the next year.

Ms. Gold-Williams also informed the Board that we will provide an update on the progress of the **FlexPOWER Bundle**SM to date, along with a request for our financing plan.

V. ENTERPRISE PROVISIONAL RATE CASE PRIORITIES

Customer

Mr. Garza began his presentation by expressing his well wishes to Entergy as it begins restoration activities. He reported on the provisional rate case priorities for Customer & Stakeholder Engagement, focusing on a positive experience for customers by proactively engaging with them and maintaining high service levels. Mr. Garza provided examples that highlighted the various ways customers engage with us. Further, Mr. Garza highlighted the increasing growth levels in San Antonio as shown by the 136% increase in applications for residential subdivisions during the past 5-6 years. This year, we will process roughly 300 new residential subdivisions. This growth is driving the funding challenges of CPS Energy.

Technology

Ms. Bouet began her presentation by showing how technology impacts all our operations, enabling us to manage the information of over a million customers, \$11.5 billion of assets and support employees in the hard work that they do. The foundation of the technology is our critical technology infrastructure. Residing on this infrastructure is key software, such as our Enterprise Resource Planning (ERP) software that enables us to support our operations. This and other technology assets need to be replaced due to age to best serve our customers.

Security

Mr. Bonewell reported on the Integrated Security platform, citing a significant increase in cyber and physical security threats, increasing costs for defense and recovery measures. These attacks are complex, continuously evolving and come from sophisticated attackers. To enable reliable gas and electric service to our customers, we will need to continue to evolve our defense and resiliency capabilities. We supplement this with relationships with law enforcement agencies and industry partnerships.

Trustee Steen asked Ms. Bouet for the cost to replace the ERP software. Ms. Bouet responded that the original cost was \$70 million. We estimate that the replacement cost will be over \$100 million, but will refine this amount later this year after an assessment is complete. Trustee Steen also asked about the risk of having old software. Ms. Bouet responded that we are able to update all security patches. Ms. Gold-Williams added that the real risk is that the software will no longer be supported by its vendor. Vice Chair Gonzalez expounded that there are also added costs in supporting aging systems. Chair Dr. Mackey noted other organizations that have had aging systems compromised and appreciates that CPS Energy is making this a priority.

Vice Chair Gonzalez asked Mr. Garza if the \$31.3 million in direct payment assistance is because of Uri or in general support. He responded that we started reaching out to customers in June 2020, and is now approximately \$34 million. Customers have many ways to request assistance, including Manage My Account, phone, print information in the media, billboards, and direct outreach letters. Vice Chair Gonzalez expressed her gratitude for the communications. Mayor Nirenberg thanked the CPS Energy team at the St. Mary's event and reminded everyone that there are other forms of assistance, including food and housing assistance, etc.

Trustee Kelley inquired about the risk to cyber security criminals attempting to breach our systems. Mr. Bonewell responded that we have security tools to defend against breaches. In addition, we highlight external email and provide employees with awareness training. Ms. Gold Williams added that bad actors are experienced with cloaking their identity. However, we partner with law enforcement on all cyber crimes, including attempts.

VI. OPERATIONS PROVISIONAL RATE CASE PRIORITIES

Generation

Mr. Almaraz recognized the Operations team's efforts on efficiency, cost management, and deploying technologies to do things efficiently and with an eye to costs. He pointed out that Credit Rating Agencies and financial markets are placing a value on environmental, social and governance practices, so they have a direct impact on credit ratings and costs to customers. In addition, Mr. Almaraz informed the Board that we will be retiring generation assets over the next several years and replacing them with technologically-advanced alternatives. To maximize these assets, we will need to spend money on enhanced control systems, analytics, and monitoring systems. Price volatility in the market drives frequent starts and stops for our generation assets, causing wear and tear on the assets as well as increased labor costs to run the units. There is an increasing risk of operational disruption and a need to invest approximately \$100 million to bring our generation fleet to an essential level of **Reliability** and **Resiliency**. We cannot achieve our **Reliability** and **Resiliency** goals by overusing aging systems.

Grid

Mr. Barham began his presentation by pointing out the increased growth of our service area and the rising costs of the materials required to meet this growth. For example, costs for lumber, copper, aluminum and steel have risen over 100% over the past 5 years. Further, the aging infrastructure is more vulnerable to impacts of severe weather. Storm restoration costs have doubled in the past 5 years, not including the impacts of Uri. We need to invest in technology to improve the efficiency of our system and to service the technology being used by our customers (i.e., electric vehicles, battery storage, expansion of solar). In addition, the control systems are at their end of life; replacement systems can help us better manage load shed when the need arises. Mr. Barham also indicated that the City is pursuing a \$1.2 billion bond program to support the growth, a 50% increase over the past bond program. We will need additional investment to support this growth.

Gas

Mr. Bonewell noted the 161 years of gas service to our community and that many still desire gas service because of its efficiency and affordability. He noted the great efforts to make our gas safe to produce, safe to transport and use, noting that we are heavily regulated from a safety perspective by the Texas Railroad Commission and the Pipeline Hazardous Materials Safety Administration. There has been huge growth in the demand for gas service. In addition, it performed very well during Uri with no major interruptions. We have installed nearly 900 miles of pipe within the last five (5) years and forecast to install over 1,000 miles of pipe in the next five (5) years. Customer growth is significant, and the safety of our community is paramount.

Vice Chair Gonzalez asked Mr. Barham to address the increase of vegetation growth on the distribution system due to the large amount of rain this year. He responded that we maintain vegetation around primary lines. Historically, 60% of our vegetation management is proactive (planned), but this year we received a high number of calls from customers and have experienced more reliability issues due to rapid vegetation growth. Customers can call the main number, (210) 353-2222, to request tree trimming services.

VII. WORKFORCE PROVISIONAL RATE CASE PRIORITIES

Ms. Lewis began her presentation by informing the Board that in the next five (5) years, we will have to upskill and develop our mid-career employees to use new technologies and on-board/transfer knowledge to new employees. The new technologies have increased the need for Science, Technology, Engineering, and Math (STEM) roles, such as engineers, grid operators and cybersecurity specialists. These roles are hard to fill due in part to rising wages across the nation. A new college graduate engineer that we could have hired in 2019 for \$67,000 a year is now turning down our offer because they can now get a job for \$85,000 a year with a signing bonus. In addition, our total workforce is the smallest it has been within the last 20 years. Since 2007, our workforce has decreased by 25%, while customers have increased by 33%. Within the next five (5) years, we anticipate that 30% of our workforce will retire. Due to the need for new positions and anticipated retirements, we will need to hire over 1,000 new employees within the next five (5) years. Employees account for half of our operations budget every year.

Trustee Kelley congratulated CPS Energy management for achieving high employee productivity, supporting overall growth with fewer employees.

VIII. PREVIEW OF THE PROVISIONAL RATE CASE

Mr. Kuchinsky began his presentation by thanking his fellow Chiefs for providing details of the challenges of their respective departments. In addition, he aligned the need of a proposed rate increase to CPS Energy's **Guiding Pillars**, which are underpinned by **Financial Responsibility**. Mr. Kuchinsky explained that we have avoided a rate increase for nearly 8 years due in part to over \$900 million of cost savings for the past decade, and wholesale sales in 2018 of \$147 million and in 2019 of \$121 million (versus a historical average of \$40 to \$50 million per year in sales). In addition, and during the same time, we started the New Energy Economy Initiative, purchased the Rio Nogales plant, closed the Deely units and achieved the **STEP** milestones of the **Flexible Path**SM strategy. Since the last rate request, our operating environment has significantly changed, including the addition of over 125,000 electric and 36,000 gas customers; increased peak demand by 222 MW; and an added 1,500 miles of electric lines and 1,200 miles of gas lines. This all culminates into \$1 billion of investment while maintaining the same price structure as 2014. Mr. Kuchinsky stated that combining the operating changes with increased security risks, replacing aging technology platforms and the need to hire 1,000 employees will make up a component of the rate request. He highlighted that we contribute annually between \$336 million to \$373 million to the City's General Fund. However, since 2015 our customer bills have on average decreased by \$10 per month. To maintain financial stability, we must address demands of growth, evolving operations and the costs of the pandemic and Uri. We can no longer support daily operations through cost control. Mr. Kuchinsky discussed the components that make up a proposed rate scenario of 9.6% to 10.6%, which include pandemic bad debt, Uri fuel payments, debt reduction and operations/growth. Additional items were shared that could be included in the proposed rate increase. Mr. Kuchinsky also described the impact of a proposed rate increase on our Financial metrics. Additional considerations to a proposed rate increase include **Customer Affordability**, generation strategy, customer outreach, and rate design. These items will be shared with the Rate Advisory Committee and Citizens Advisory Committee.

Vice Chair Gonzalez asked if underground utility investments will address the concerns around older neighborhoods from an equity perspective. Ms. Gold-Williams responded that we will consider the various needs of all areas when making such an investment.

Mayor Nirenberg requested that costs attributed to Uri be tracked separately from the proposed rate increase. Ms. Gold-Williams responded that we have saved over \$800 million in cash liquidity claims from the Electric Reliability Council of Texas (ERCOT), avoided a demand payment of over \$300 million, bypassed a surcharge of \$17 million that was incorrectly invoiced, won several protections for San Antonio, and overall have saved \$1 billion in cash. We are fighting against overcharges now and in the future to protect our customers.

IX. PROCUREMENT PREVIEWS

Procurement Policy & Procedure Update

Ms. Lewis acknowledged concerns about timely payments by prime contractors to subcontractors. We are modifying standard contract language to require payments to subcontractors from net 30 days to upon receipt.

Ms. Lewis also acknowledged requests to update our Board Procurement Policy and Procurement Guidelines. These Guidelines address how we will manage and develop a supplier diversity program and focus on local economic development. Management is proposing to strengthen the language in the Guidelines to (a)

require CPS Energy to solicit two (2) diverse vendors for services between \$25,000 and \$50,000 dollars, and (b) require CPS Energy employees to maximize opportunities within our supplier diversity program to directly drive efforts to engage diverse subcontractors. The proposed changes are included in the meeting packet and Management is seeking feedback from the Board.

Ms. Lewis also noted, we have coached executive leaders on expectations and best practices, registered more vendors to widen the pool of potential participants, and de-bundled some contracts to create opportunities to engage multiple smaller vendors. Ms. Lewis also announced that the Supply Chain Team is preparing an RFP to conduct a supplier diversity study.

General Services – Context for item 13G1 and 13G2

Mr. Garza presented information on two (2) procurement items related to the **STEP Bridge** program. The City Council and Board have authorized CPS Energy to continue the **STEP Bridge** program through July 2022. The contracts for energy efficiency and weatherization programs are expiring. The first procurement item on the Consent Agenda is the Residential & Commercial Energy Efficiency rebates program. Management is proposing to award this program to CLEAResult Consulting, Inc. The second procurement item on the Consent Agenda is the Weatherization Program. Management is proposing to extend the existing contract for this service with Franklin Energy Services and its subcontractors.

Mr. Garza explained three (3) options to the Board. The first option, and the one Management is recommending, is to award the Energy Efficiency program contract to CLEAResult Consulting, Inc. in an amount of up to \$20,225,000 and extend the Weatherization contract with Franklin Energy Services up to \$10,587,500. During this time, Management will prepare and present to the Board a new **FlexSTEP**SM proposal in late fall or early spring. The second option is to extend both programs for 60 days up to \$5,600,000 and allow the Board to continue discussing the future of the programs. The third option is to take no action, which would mean that the programs expire under their termination date (tomorrow).

Trustee Kelley asked if these programs are indefinite in term. Mr. Garza responded that the Board will decide the duration of the programs. Mr. Garza also stated that these programs serve our overall strategy to provide diversity in our resource plan, which allows our organization to extend current assets to support community growth. In addition, these programs are offered to every segment of our customers and are aligned to our **Guiding Pillars** for the reason that they are good for the environment and affordable to our low-income customers. Trustee Kelley suggested that the programs be paused and reviewed to determine if there is a continued need and business justification for the programs. Trustee Kelly indicated that he would support the extension of the programs until August 2022 but respectfully requested that CPS Energy do a deep dive and determine if these programs should still be continued.

Trustee Steen stated that transparency is one of CPS Energy's core values. He further stated that customers pay for the **STEP** program, but the costs are not set out separately on their bills. Mr. Garza responded that the costs are contained within the fuel adjustment amount. Trustee Steen requested that the costs be shown separately on bills. Ms. Gold-Williams noted that there are system configuration obstacles to changing out billing break outs; however, with the new Enterprise Resource Program system we may be able to configure new items to be shown on the bill. Ms. Gold-Williams also explained that there are other costs incurred by CPS Energy that are not shown on the bill, but in the future Management will work with the Board to determine what information should be shown. Trustee Steen also suggested that CPS Energy pause the **STEP Bridge** program and use the cost of \$80 Million per year to address CPS Energy's operating costs.

Mayor Nirenberg stated that it would be very instructive if the CPS Energy bill could delineate all the costs related to generating electricity but acknowledged that at this time such action cannot occur. In addition, he also acknowledged that CPS Energy has achieved its goals with the existing **STEP** programs and new goals should be established and measured with benchmarks. He further expressed that extending the existing programs affords the Board time to recalibrate the design and supports continuation of these programs because the cost is relatively small compared to the impact on the individual family that needs them most. Mayor Nirenberg expressed that he supports the staff's recommendation on the extension of the programs.

Vice Chair Gonzalez agreed with Mayor Nirenberg. She also shared her concern for senior citizens that are on fixed incomes who benefit from these programs. She supports option 1, subject to an overall evaluation of the program.

Chair Dr. Mackey stated he supports option 1 but wants to see a deep dive of the programs to determine if they meet the needs of today. He also requested a list of other affordability and assistance programs and indicated that the Board should look at all of them. Mr. Garza responded that his team is working on putting a list together and will share it with the Board.

Trustee Steen proposed that the approval of these programs be pulled from the consent agenda and be voted on separately.

Trustee Steen urged CPS Energy to consider **STEP Bridge** funds to address the shortfall caused by past due accounts. Ms. Gold-Williams requested that the Board support extending these programs for 11 months. During this time, staff will provide the analysis requested. Terminating the programs now will be detrimental to the community because it did not receive advance notice and many customers are in the process of receiving benefits from the program.

Trustee Kelley urged CPS Energy to cut the costs of the **STEP Bridge** programs by suspending **STEP Bridge**. Since CPS Energy is in a financially challenging time, it should celebrate the success of the program, suspend the program and apply its costs to reduce the proposed rate increase.

Professional Services – Context for item 13G3

Mr. Benny Ethridge, Senior VP, Power Generation, requested approval of an engineering services agreement. The proposed agreement is a 5-year agreement capped at \$36 million and funded out of the approved budget. This agreement allows Power Generation to maintain our plants with current staff. The process included a Request for Quote (RFQ), receipt of 23 proposals, and an evaluation of the proposals with nine (9) firms selected. Seven of the nine (9) firms identified as local, small business, diversity status. We propose awarding each contractor a \$4 million-dollar contract for a total of \$36 million.

Chair Dr. Mackey asked if these services cover weatherization activities related to Uri. Mr. Etheridge responded that the existing engineering contracts are addressing the preparation for the upcoming winter season.

Trustee Kelley asked if the earlier discussion on the procurement policy and procedures impacted this request for approval. Ms. Gold-Williams responded that the procurement policy and procedures will be considered by the Board in the future and have no impact on this request.

X. APPROVAL OF CONSENT AGENDA ITEMS

On motion duly made by Trustee Steen, seconded by Trustee Kelley, and upon affirmative vote by all members present, all items on the Consent Agenda, except for item 13.G., were unanimously approved. Item 13.G. was deferred until later in the meeting.

Approval of Minutes

Minutes of the Special Board Meeting held on July 9, 2021, the Special Board Meeting held on July 15, 2021, the Special Board Meeting held on July 22, 2021, the Regular Board Meeting held on July 26, 2021, and the Special Board Meeting held on July 27, 2021, were approved as presented.

Approval of Payment to the City of San Antonio for July 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 July 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$252,526,737.71, less applicable exclusions. The revenue for the month of July 2021 is calculated as follows:

| | |
|--|-------------------------|
| Gross revenue per CPS Energy financial statements | |
| Electric revenue | \$257,930,634.92 |
| Gas revenue | 11,764,552.35 |
| Interest and other income | 3,230,808.78 |
| Gross revenue per CPS Energy financial statements | <u>272,925,996.05</u> |
| Excluded revenue | |
| School and hospital revenue per City Ordinance 55022 | (7,157,153.23) |
| 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 | (21,317,447.46) |
| Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue | <u>8,075,342.35</u> |
| Total excluded revenue | <u>(20,399,258.34)</u> |
| Gross revenue per New Series Bond Ordinance subject to 14% payment to the City | <u>\$252,526,737.71</u> |
| City payment per Bond Ordinance for July 2021 based upon July 2021 revenue | \$35,353,743.28 |
| City payment per memorandum of understanding (MOU) regarding wholesale special contracts | 139,006.74 |
| Wholesale Special Contract Annual True Up | 1,014,942.75 |
| City Payment reduction per gas customer billing adjustment MOU | (12,500.00) |

| | | |
|---|------------------------|----------|
| City payment per Bond Ordinance plus adjustments for memorandums of understanding | 36,495,192.77 | A |
| Utility services provided to the City for July 2021 | (2,749,363.92) | |
| Net amount to be paid from July 2021 revenue to the City in August 2021 | <u>\$33,745,828.85</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)

| July 2021 | Actual | Budget | Variance | |
|-------------------------|-----------|-----------|-----------|-------|
| Current Month* A | \$36,495 | \$38,358 | (\$1,863) | -4.9% |
| Year-to-Date* | \$170,510 | \$172,660 | (\$2,150) | -1.2% |

* 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 \$33,745,828.85 representing 14% of applicable system gross revenues for the month of July 2021, such payment being net of City utility services (\$2,749,363.92), is hereby approved." The Board ratifies that July 2021 revenue was sufficient to recover \$11,945,334.08 in funds that were advanced to the City in the prior fiscal months.

Resolution Appointing A Successor Records Management Officer

The following resolution was approved as written and read into the record by Ms. Ramirez.

RESOLUTION APPOINTING A SUCESSOR RECORDS MANAGEMENT OFFICER

WHEREAS, in 1989 the 71st Texas Legislature adopted H.B. 1285, sand thereby enacted into law the Local Government Records Act (currently codified at Chapter 203 of the Local Government Code), which provides for the establishment, promotion, and support of a comprehensive, active and continuing records management program for all local government offices;

WHEREAS, the Board, as mandated by Section 203.026 of the Texas Local Government Code, passed a resolution establishing an active and continuing records management program to be administered by the Records Management Officer at its December 17, 1990 regular monthly meeting;

WHEREAS, the CPS Energy Board of Trustees (the "Board"), as mandated by Section 203.025 of the Texas Local Government Code, passed a resolution designating the current Records Management Officer at its April 25, 2016 regular monthly meeting;

WHEREAS, said Record Management Officer is responsible for administering the Records Management Program in an efficient manner as prescribed by state regulatory requirements and for carrying out the duties delineated in Section 203.023 of the Texas Local Government Code; and

WHEREAS, it has become necessary to designate a replacement Records Management Officer due to the resignation of the previously designated Officer in order to continue the administration of the CPS Energy Records Management Program.

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF CPS ENERGY that, pursuant to Section 203.025 of the Texas Local Government Code, Tammy Flemons, is hereby designated as Records Management Officer for CPS Energy; and

BE IT FURTHER RESOLVED that in accordance with Section 203.025 of the Texas Local Government Code, the designation in this resolution shall be filed with the director and librarian of the Texas State Library and Archive Commission within (30) days after adoption of this resolution.

XI. APPROVAL OF CONSENT ITEMS 13. G. 1, 2 & 3

13. G.1 General Services: Energy Efficiency Programs

Mr. Garza requested approval of option 1 as presented.

On a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg, to approve the recommendation of option 1 described above, as amended¹, and upon a vote of four (4) members in favor and one (1) dissent by Trustee Steen, recommendation of option 1 was passed. Vice Chair Gonzalez and Mayor Nirenberg accepted the friendly amendment.

13. G.2 General Services: Weatherization Program

On a motion duly made by Mayor Nirenberg, seconded by Vice Chair Gonzalez, to approve staff's recommendation to extend the contract with Franklin Energy Services as the prime contractor, including staff's analysis of the program and auditing of Franklin Energy Services and its subcontractors to assess the services performed, and upon a vote of four (4) members in favor and one (1) dissent by Trustee Steen, staff's recommendation was passed.

13. G.3 Professional Services: Engineering Services for Power Generation

On a motion duly made by Trustee Kelley, seconded by Vice Chair Gonzalez, to approve staff's recommendation to award Engineering Services Agreements, and upon a vote of four (4) members in favor and one (1) dissent by Vice Chair Gonzalez, staff's recommendation was passed.

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

XII. FLEXPOWER BUNDLESM UPDATE

Mr. Kevin Pollo, Interim VP, Energy Supply & Market Operations, provided an update on the RFP process. Mr. Pollo identified the various touch points staff had with members of the Board last month at the Technology & Resilience and Operations Oversight Committee Meetings. This presentation is an update to the full Board on the project.

¹ Mayor Nirenberg made a friendly amendment, seconded by Trustee Kelley, that approval of option 1 include a full analysis of the return on investment and other factors related to any further approvals of the **STEP Bridge** program or **FlexSTEPSM** program.

Mr. Pollo reported that the intent to award 900 MW of solar focused on utility scale projects, which are large centralized projects ranging from 10 MW to several hundred MWs. From our prioritized solar selection, we are looking to award 200–250 MWs in advance of the full bundle. The bundle approach touches all our **Guiding Pillars**. Priority Solar will be awarded this fall. The capacity of these resources will be awarded through power purchase agreements in lieu of ownership. Contractually, we will have guarantees of minimum energy produced and scheduled damages for bringing elements online, focusing on price, quality of vendor, and projects.

XIII. EXECUTIVE SESSION

At 4:00 p.m., at the request of Chair Dr. Mackey, 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 5:01 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.

XIV. COMMITTEE REPORTS

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

Master Planning & Oversight Committee (MPOC) Meeting held on July 26, 2021

A report of the MPOC meeting, which took place on July 26, 2021, was posted with the public notice of this meeting and will be attached (as Attachment “B”) to the meeting minutes.

Audit & Finance Committee (A&F) Meeting held on July 28, 2021

A report of the A&F Committee meeting, which took place on July 28, 2021, was posted with the public notice of this meeting and will be attached (as Attachment “C”) to the meeting minutes.

Employee Benefits Oversight Committee (EBOC) Meeting held on July 28, 2021

A report of the EBOC meeting, which took place on July 26, 2021, was posted with the public notice of this meeting and will be attached (as Attachment “D”) to the meeting minutes.

A&F & EBOC Aligned Risk Sub-Committee Meeting held on July 28, 2021

A report of the A&F & EBOC Aligned Risk Sub-Committee meeting, which took place on July 28, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "E") to the meeting minutes.

Nominations Committee (NC) Meeting held on August 12, 2021

A report of the NC meeting, which took place on August 12, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "F") to the meeting minutes.

Trustee Kelley acknowledged the good work by staff of communicating the vacancy to the community. He also stated that he has reviewed 15 applications and there is a good pool of candidates. Applications will continue to be accepted until 5:00pm tomorrow, August 31, 2021. Trustee Kelley further acknowledged that on August 18, 2021, CPS Energy held a Public Information Session and two (2) applications were submitted by attendees of that event.

XV. FINANCIAL TRANSACTIONS FY2022

Ms. Johnson noted the presentation is based on the anticipated financing transactions needed to support our operations. The objective of the Debt Management Program is to take a proactive approach to obtain the lowest borrowing cost possible to support our capital program. We proactively monitor the financial markets to refinance existing debt and generate savings opportunities, remarket debt and take advantage of market conditions to lock in low, long-term interest rates. During the past 16 years, we have refinanced \$3.9 billion of debt and generated \$564 million of gross debt service savings. This has resulted in a cost savings to customers of \$1.87 per month. We maintain a balance of diversified debt instruments, including short-term and long-term debt within the total portfolio of \$6.1 billion. The proposed financing transactions do not include Uri costs. Ms. Johnson discussed the following proposed financing transactions: Jr. Lien Variable 2015B Remarketing, Jr. Lien 2014 Refunding, Sr. Lien 2012 Refunding, Commercial Paper Refunding, and Commercial Paper Liquidity Extension.

She respectfully requested the approval of these transactions. On motion duly made by Trustee Steen, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the financing transactions for FY2022, were unanimously approved.

XVI. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:13 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board



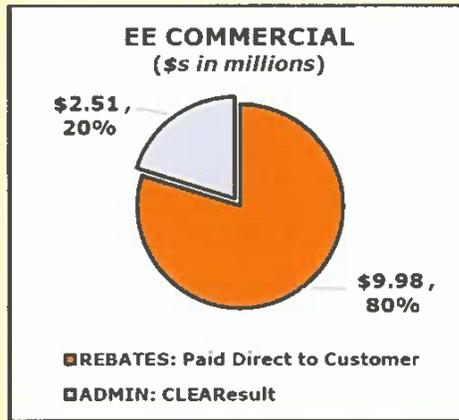
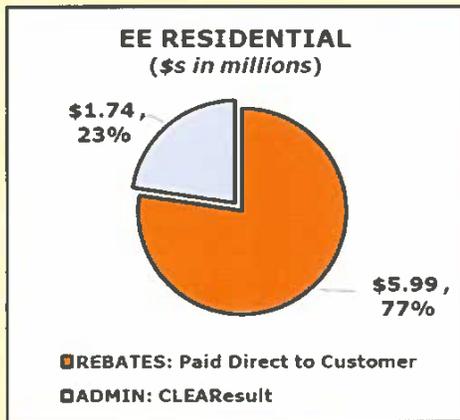
CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 1

| | |
|---|--|
| Item Description | Residential & Commercial Energy Efficiency Programs |
| Purchase Order Value | \$20,225,000 |
| Purchase Category | General Services |
| Department | Customer & Stakeholder Engagement |
| Senior Director | Andrew Higgins |
| Chief Customer and Stakeholder Engagement Officer | Rudy Garza |

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

This procurement item is for two separate contracts for the implementation of residential and commercial efficiency program services in support of **STEP Bridge**. The program dollars allocated through this contract are allocated for direct customer rebates (approximately 80%) and program administration and support (approximately 20%). CPS Energy issued a global RFP and CLEAResult Consulting, Inc. offers the best value to CPS Energy for both programs, based on their safety performance, experience, cost, community impact, and financial soundness. These services provide implementation support for our residential and commercial rebate programs, including: Home Efficiency, New Home Construction, In-School Education, Small Business Rebates, Schools & Institutions, and more.

This contract is integral to meeting the **STEP Bridge** goals approved by the Board & City Council. This contract currently includes megawatt (MW) savings targets and funding based on achieving the current approved **STEP Bridge** goals, estimated for completion in July 31, 2022. It also contains provisions for extension to support the initial phase of the pending **FlexSTEP** program, should the program gain approval in 2022.



Subcontracting opportunities associated with the contracts

Energy Bees is an emerging small, woman-owned business that will be subcontracted to implement the In-School Education program. The In-School Education program is an in-class demonstration where students and their teachers will participate in hands-on activities and receive energy awareness and energy efficiency education. The program includes take-home energy efficiency kits with contents customized for sixth graders, as well as instruction on how to install the measures and learning activities encouraging home efficiency.

In addition, a portion of CLEAResult Consulting, Inc.'s program fees are contingent on achieving a Key Performance Indicators (KPIs) for 60% of rebate spend to be with small, minority, woman or veteran owned businesses.

Attachment "A" to the August 30, 2021
Regular Board Meeting Minutes

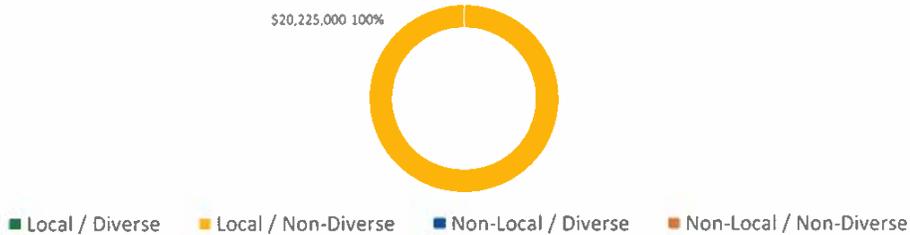


| CPS Energy Board of Trustees Meeting August 30, 2021 PROCUREMENT FORM 1 (continued) | | | | | | |
|---|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|
| Recommended Supplier(s) & Spend | | | | | | |
| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value | PO # | Comments |
| CLEAResult Consulting, Inc. (Residential Energy Efficiency) | Local / Non-Diverse | Male, Large, No HUB/Vet, Non-Minority | 11 months | \$ 7,725,000 | 2197608 | |
| CLEAResult Consulting, Inc. (Commercial Energy Efficiency) | Local / Non-Diverse | Male, Large, No HUB/Vet, Non-Minority | 11 months | \$ 12,500,000 | 2197609 | |
| Total | | | | \$ 20,225,000 | | |
| 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 |
| 22 | Capital | \$714,300,000 | \$0 | 0.00% | \$0 | \$0 |
| 22 | Operating Budget* | \$1,710,800,000 | \$9,193,182 | 0.54% | \$11,031,818 | \$0 |

* This represents the full operating budget, which combines Fuel, Non-Fuel O&M and Other Operating Expenses.

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

Procurement Item: General Services



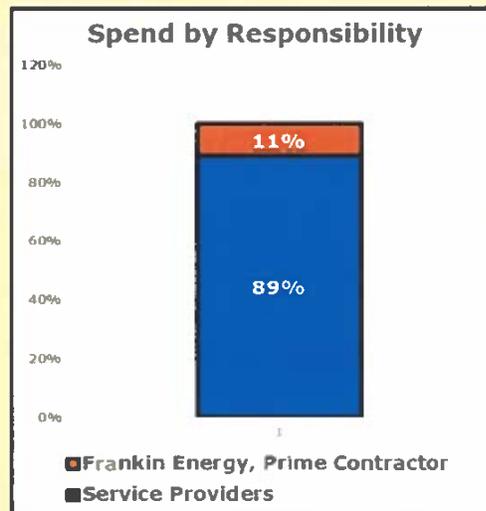


CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 2

| | | |
|---|-----|-----------------------------------|
| Item Description | | Weatherization Program |
| Original Cumulative Purchase Order | (A) | \$56,000,000 |
| Previously Added Funds | (B) | \$14,819,774 |
| Additional Funds Requested | (C) | \$10,587,500 |
| Projected Purchase Order Value | (D) | \$81,407,274 |
| Purchase Category | | General Services |
| Department | | Customer & Stakeholder Engagement |
| Senior Director | | Andrew Higgins |
| Chief Customer and Stakeholder Engagement Officer | | Rudy Garza |

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

In January 2021, the Board & City Council approved an extension of the **STEP Bridge** program. The extension provided \$70M in additional funding with an additional 75 MW of demand savings to be achieved by July 31, 2022. . The current Weatherization Program is designed to direct approximately 90% of the allocated funding to be direct services provided to clients through local, diverse providers. The remaining dollars are allocated to the prime contractor for program administration and support services. This request is to fully fund the Weatherization program through the end of **STEP Bridge**. The service provided is a turnkey service for the administration, supplies and labor for the Weatherization of income qualified customer homes. This funding request is only for the Weatherization contract and allows more time for CPS Energy to develop and solicit for a re-imagined Weatherization program to grow local and diverse participation in administering the program.



Subcontracting opportunities associated with the contracts

This contract utilizes five subcontractors to deliver the installation of Weatherization measures within customer homes:
 Cool Component Heating & A/C is a small, Hispanic American-owned business.
 M&M Weatherization Company is a local, emerging small business.
 RAM's Weatherization & Construction is a local, emerging small, woman-owned, Hispanic American-owned business.
 Right Choice Heating and A/C is a small, Hispanic American-owned business.
 Roadrunner Remodeling Incorporated is a small, Hispanic American-owned business.



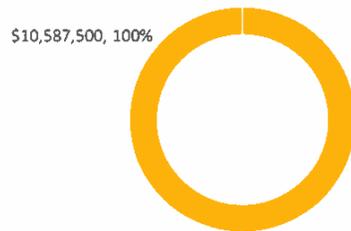
| CPS Energy Board of Trustees Meeting August 30, 2021 PROCUREMENT FORM 2 (continued) | | | | | | | |
|---|---------------------|---------------|---------------------------------------|-------------------|------------------------|----------------------------|---------|
| Recommended Supplier(s) & Spend | | | | | | | |
| Supplier Name | SBA Classification | PO Term | SBA Classification Details | Original PO Value | Previously Added Funds | Additional Funds Requested | PO # |
| Franklin Energy Services, LLC | Local / Non-Diverse | Six (6) years | Male, Large, No Hub/Vet, Non-Minority | \$56,000,000 | \$14,819,774 | \$10,587,500 | 2159747 |
| | | | | (A) | (B) | (C) | |
| Projected Cumulative Purchase Order Value (D) | | | | | | \$81,407,274 | |

| Annual Fund Budgeted | | | | | | |
|----------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|
| FY | Funding Method | Corporate Annual Budget | Projected FY22 PO Spend | % Of Annual Corp Budget | Projected FY23 PO Spend | Projected FY24 & FY25 PO Spend |
| 22 | Capital | \$714,300,000 | \$0 | 0.00% | \$0 | \$0 |
| 22 | Operating Budget* | \$1,710,800,000 | \$4,812,500 | 0.28% | \$5,775,000 | \$0 |

* This represents the full operating budget, which combines Fuel, Non-Fuel O&M and Other Operating Expenses.

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

Procurement Item: General Services



-
 Local / Diverse
 -
 Local / Non-Diverse
 -
 Non-Local / Diverse
 -
 Non-Local / Non-Diverse



CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 3

| | |
|---|---|
| Item Description | Engineering Services for Power Generation |
| Purchase Order Value | \$36,000,000 |
| Purchase Category | Professional Services |
| Department | Power Generation |
| Senior Vice President | Benjamin Ethridge |
| Chief Power, Sustainability, & Business Development Officer | Frank Almaraz |

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

These contracts are for engineering technical support from multi-discipline engineering firms and subject matter experts required to support highly specialized areas within power generation. The contracts will allow CPS Energy to support capital projects as well as emergent operational issues and projects on an as-needed basis. These five-year contracts support power generation reliability, environmental stewardship, and strategic planning and will expire on 6/27/2026.

Subcontracting opportunities associated with the contracts

AECOM Technical Services, Inc., Black & Veatch Corporation, Burns & McDonnell Engineering Co Inc., Merrick & Company, Pape-Dawson Consulting Engineers Inc., Sargent & Lundy and TRC Engineers Inc. have all committed to subcontracting with one or more diverse businesses for specific scopes of work, such as geotechnical testing services, land surveying, environmental engineering, structural engineering, and electrical field services.

| Recommended Supplier(s) & Spend | | | | | | |
|--|---------------------|---|----------------|--------------|---------|---|
| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value | PO # | Comments |
| Structural Engineering Associates, Inc | Local / Diverse | Male, Small, HUBZone, Hispanic American | Five (5) years | \$ 4,000,000 | 2196912 | Corporate headquarters based in San Antonio Metropolitan Area |
| CDG Engineers, Inc. | Non-Local / Diverse | Male, Small, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196908 | |
| AECOM Technical Services, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196906 | |
| Black & Veatch Corporation | Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196905 | |
| NEW Merrick & Company | Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196909 | |



CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 3 (continued)

| | | | | | | |
|---------------------------------------|-------------------------|---------------------------------------|----------------|----------------------|---------|---|
| Pape-Dawson Consulting Engineers | Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196910 | Corporate headquarters based in San Antonio Metropolitan Area |
| NEW TRC Engineers Inc | Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196913 | |
| Burns & McDonnell Engineering Co Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196907 | |
| Sargent & Lundy | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non Minority | Five (5) years | \$ 4,000,000 | 2196911 | |
| Total | | | | \$ 36,000,000 | | |

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 |
|----|----------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|
| 22 | Capital | \$714,300,000 | \$3,905,000 | 0.55% | \$7,980,000 | \$13,590,000 |
| 22 | Non-Fuel O&M | \$687,500,000 | \$0 | 0.00% | \$0 | \$0 |

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 JULY 26, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on July 26, 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/or contract deadlines for the following properties:
 - 1. Main Office Building;
 - 2. Tower Garage;
 - 3. Villita Assembly Building;
 - 4. Surface Parking Lot #2;
 - 5. Northside Customer Service Center; &
 - 6. Mission Road Power Plant and Gugert Street.
- C. Discussed disposition of Jones North and Jones South 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 August 30, 2021.



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 28, 2021 MEETING PREPARED FOR CHAIR JOHN STEEN FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on July 28, 2021. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on April 15, 2021.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through June 28, 2021, and a trend analysis for FY2021 first Quarter versus FY2022 first Quarter.
- C. Received an update on FY2022 Financing Transactions:
 - a. Provided the financing transaction objectives, an overview of the debt portfolio by type, and a review of the proposed potential financing transactions for FY2022.
 - b. Provided next steps for the proposed financing transactions for FY2022. The next steps were to provide this information to the full board, seek approval of the financing transactions at the August 30, 2021 Board of Trustees regular meeting, and then seek City Council approval in October 2021, but that date was subject to change. The financing transactions are planned to begin in fall 2021.
- D. Received Audit Services Update:
 - a. Provided status of projects for FY2022.
 - b. Reviewed the results of four projects completed since the last Committee meeting, including the STP 2020 Incentive Plan Validation, EDS Invoice Review, External Audit RFP (request for proposal), and financial control documentation projects.
 - c. Discussed the FY2022 Audit Services budget.

The next meeting of the Audit & Finance Committee will be held in October 2021.



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 28, 2021 MEETING PREPARED FOR COMMITTEE CHAIR JOHN STEEN FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The EBOC met on July 28, 2021. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on April 15, 2021.
- B. Reviewed the Action Item list from the April 15, 2021 Meeting.

The Committee also received presentations regarding:

- C. Benefit Plans Administrative & Financial Updates, which included items related to governance and performance management, an update on Ex-Officio membership based on the recent CFO transition, and an annual review of the Actuarial Rate of Return (ARoR) and YTD 2021 Investment Performance.
- D. A Benefit Plans Improvement Plan Update, which included items related to continued improvement initiatives being led by the Administrative Committee (AC) to address gaps and shortfalls, and the use of subcommittees in response to a need and to serve for a specific purpose.
- E. A Benefit Plans External Auditor Recommendation for the next 5-year term. The EBOC approved this recommendation.
- F. A recommendation for Benefit Plans payment services to transition Pension & Disability benefit payment services to JPMorgan effective January 1, 2022. The EBOC approved this recommendation.
- G. An update on a Request for Proposal (RFP) for the Benefits Plans Trustee Services, which included a preliminary timeline and a plan by the AC to bring a recommendation for Trustee Services to the EBOC for approval tentatively at the next regularly scheduled meeting in October 2021.
- H. An update on a Benefit Plans internal control audit being conducted by Audit Services and a plan to share the results with the EBOC and Audit & Finance (A&F) Committees tentatively at the next regularly scheduled meeting in October 2021.
- I. A recommendation for the 2022 Health Plan premiums and pharmacy plan design, which was approved, that included no increase in Health Plan premiums and a plan design change for specialty pharmacy coverage.
- J. An update on the regularly scheduled restatement of Benefit Plan documents with an effective date of January 1, 2022, which will be presented to the EBOC for approval tentatively at the October 2021 meeting.
- K. An update on the CPS Energy Wellness Program.

The next meeting of the EBOC will be held in October 2021.



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

**MEETING MINUTES FROM THE JULY 28, 2021 MEETING
FOR REVIEW AND APPROVAL AT THE OCTOBER 14, 2021 AUDIT & FINANCE & EBOC
ALIGNED RISK SUB-COMMITTEE MEETING**

**2:25 P.M. – 2:50 P.M.
BY TELEPHONE CONFERENCE: (415) 655-0002; ACCESS CODE 1773 36 6444**

ATTENDEES

FACILITATOR

Mr. Anthony Werland

MEMBERS OF THE SUB-COMMITTEE

Mr. John Steen, Chair

Dr. Willis Mackey

CALL TO ORDER

Committee Chair John Steen welcomed everyone to the Audit & Finance & EBOC Aligned Risk Sub-Committee (Sub-Committee) meeting and began at 2:13 pm.

APPROVAL OF MINUTES FROM APRIL 15, 2021, AUDIT & FINANCE & EBOC ALIGNED RISK SUB-COMMITTEE MEETING

The two Sub-Committee members stated that they read the minutes and had no comments or corrections. All members of the Sub-Committee approved the minutes, as provided.

REVIEW ACTION ITEMS FROM PREVIOUS MEETING

Mr. Anthony Werland, Interim Director of Enterprise Risk Management & Solutions (ERMS), confirmed that there were no action items to review.

SUB-COMMITTEE UPDATE

Mr. Werland welcomed the committee and thanked them for the opportunity to present, adding that the purpose of today's presentation was to dig deeper into our ability to recover the additional costs caused by the pandemic and Winter Storm Uri. Mr. Werland quickly reviewed the agenda and moved on to the enterprise risk landscape, commenting that it was a familiar visual that identifies our overall risks, and Mr. Chad Hoopingarner, Interim VP of Strategic Pricing & Enterprise Risk Management & Solutions, would be focusing on the risk around rate support, cost recovery and equity considerations.

Mr. Hoopingarner thanked Mr. Werland and reiterated that he would be focusing on the risk of reduced or eliminated rate support and how we attempt to mitigate that risk by building good relationships, educating our key stakeholders and being as open and transparent as possible. He added that the three key things we focus on when establishing rates are first, *Affordability* relative to income and other utility's rates; second, fairness across all customer segments, which means making sure that everyone is paying for their own related cost; and

third, ensuring the sustainability of the associated rate strategy. Mr. Hoopingarner explained that they are discussing these issues with the Rate Advisory Committee (RAC) to get their valuable perspective, and that there have been five RAC meetings so far. He further explained that in those five meetings, RAC members have been provided general education about CPS Energy and its industry, as well as the fundamentals of rate design, current trends, case studies and modeling practices. Mr. Hoopingarner added that they will now begin reviewing our current rate design, followed by social issues and our generation strategy. He commented that it has been very fruitful so far.

Mr. Hoopingarner then reviewed the risk mitigation framework for the risk that rate support is decreased or fully declined, reviewing current mitigations which included continuing to work with Local Government Relations to focus on managing the relationship with the city, as well as working with the RAC to both educate and listen to their feedback. He then thanked the Sub-Committee and paused for questions. Chair Steen asked how well the RAC meetings were being attended. Mr. Hoopingarner replied that there are 21 members in total and about 18 to 20 members were present at any given meeting, with only one member who had missed multiple meetings. He added that the meetings were held every other Thursday, for two hours.

Mr. Werland thanked Mr. Hoopingarner, adding that it was really good information. He commented that we would remain focused on the risk landscape and continue to share information and gather perspectives from the community.

CLOSE-OUT

Committee Chair Steen thanked everyone and asked Mr. Werland to close things out. Mr. Werland commented that he did not capture any action items during the meeting.

ADJOURNMENT

Dr. Mackey made a motion to adjourn the Sub-Committee meeting. The motion was seconded by Committee Chair Steen. All committee members approved, and the Sub-Committee meeting adjourned at approximately 2:24 P.M.



NOMINATIONS COMMITTEE (NC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE AUGUST 12, 2021 MEETING PREPARED FOR COMMITTEE CHAIR, ED KELLEY FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The Nominations Committee met on August 12, 2021. As part of the Nominations Committee agenda, the members:

- A. Reviewed the latest Applications Tracking & Summary Matrix, which provides a high-level overview of all the applicants;
- B. Received an update on the number of applications received to date;
- C. Looked over a dashboard that had been created to show high-level information regarding the search;
- D. Were briefed on the August 18, 2021 hybrid Information Session;
- E. Walked through pieces of the Communication & Marketing Plan, which included an advertorial by Ms. Shanna Ramirez that was scheduled to run online beginning August 13, 2021.

The next meeting of the Nominations Committee is August 26, 2021.