

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF REGULAR MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold its Regular Monthly Meeting **on Monday, October 25, 2021 at 1:00 p.m.**, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting will also be live-streamed.

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

The meeting will be streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, October 22, 2021, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at publiccommentregistration@cpsenergy.com or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.

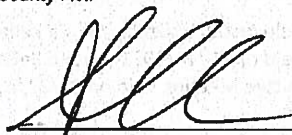
Written comments may be sent to publiccommentregistration@cpsenergy.com. Note that written comments will not be read during the Board meeting.

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.



Shanna M. Ramirez
Secretary of the Board
October 20, 2021



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON OCTOBER 25, 2021 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session concerning:

- attorney-client matters under Section 551.071;
- deliberations and other authorized action on real property under Section 551.072;
- prospective gifts or donations under Section 551.073;
- personnel under Section 551.074;
- security personnel or devices under Section 551.076;
- economic development negotiations under Section 551.087;
- deliberations, voting or taking final action on competitive matters under Section 551.086;
- deliberations regarding security audits and devices under Section 551.089; or
- deliberations under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act

CPSA - CITY CLERK
2021 OCT 20 PM 01:33:05

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Mr. Demetrius Payton
3	PUBLIC COMMENT Pre-Registration on Friday, October 22, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
UPDATE ON CHAIR'S PRIORITIES			
4	CEO'S REPORT	Discuss	Ms. Paula Gold-Williams
5	WINTER PREPAREDNESS PROGRESS REPORT	Discuss	Mr. Paul Barham
6	POTENTIAL RATE INCREASE: DRIVERS & TIMELINE UPDATE	Discuss	Mr. Cory Kuchinsky
CONVENE TO EXECUTIVE SESSION			
7	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
RECONVENE TO OPEN SESSION			
CONSENT AGENDA			
8	APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board meeting held on 08/30/2021 B. Minutes of the Special Board meeting held on 09/13/2021 C. Minutes of the Special Board meeting held on 09/29/2021 D. Payment to the City of San Antonio for September 2021 E. Financial Policies Annual Renewal (Mr. Domingo Villarreal) F. Nuclear Decommissioning Trust Investment Manager Agreements Biannual Renewal (Mr. Domingo Villarreal) G. Employee Benefit Trust Statement of Governance (Ms. Shannon Albert)	Vote	Dr. Willis Mackey
REGULAR AGENDA			
9	COMMITTEE REPORTS: A. Nominations Committee meeting held on 09/15/2021 (Mr. Ed Kelley) B. Nominations Committee meeting held on 09/16/2021 (Mr. Ed Kelley) C. Master Planning & Oversight Committee Meeting held on 09/27/2021 (Mr. Ed Kelley)	Discuss	Dr. Willis Mackey
10	APPOINTMENT TO THE CITIZENS ADVISORY COMMITTEE (CAC) FOR DISTRICT 2	Vote	Ms. Julia Haynes
11	REAL ESTATE: JONES AVENUE PROPERTY UPDATE	Discuss & Possible Vote	Mr. Curt Brockmann
12	FLEXPOWER BUNDLE SM UPDATE	Discuss	Mr. Kevin Pollo
13	ADJOURNMENT	Execute	Dr. Willis Mackey



WINTER PREPAREDNESS PROGRESS REPORT

PRESENTED BY:

Paul Barham

Chief Grid Optimization & Resiliency Officer (CGORO)

October 25, 2021

Informational Update

OBJECTIVES & TAKEAWAYS



- **DISCUSS UPDATES ON ACTIONS TAKEN TO PREPARE FOR THE WINTER SEASON & PLANNED WORK**
- **PROVIDE STATUS OF THE CITY OF SAN ANTONIO (CoSA) COMMITTEE ON EMERGENCY PREPAREDNESS (CEP) REPORT RECOMMENDATIONS**



AGENDA



- **CUSTOMER & COMMUNITY FEEDBACK**
- **ACTIONS TO DATE**
- **CEP RECOMMENDATION STATUS OVERVIEW**
- **READINESS IMPROVEMENTS UPDATE**
- **NEXT STEPS**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



FINANCIALLY RESPONSIBLE

Our actions in response to Winter Storm Uri impact all of our *Guiding Pillars* but are focused on improving *Resiliency*.

READINESS IMPROVEMENTS FEEDBACK & INFORMATION SOURCES



Our Customers



Our
Stakeholders,
City Agencies,
& Partners



Independent
Consultants



CEP

WE HEARD LOUD & CLEAR CUSTOMER & COMMUNITY PERCEPTIONS



Customers did not receive timely & relevant information



Load shedding did not feel fair or equitable across the city



SAWS & CPS Energy were not coordinating with each other



People will get charged huge bills for unfair price gouging

Our customers have shared with us how we failed them; we are focused on providing real improvements to how we serve.

WE ARE TAKING ACTION

WHAT WE ARE DOING TO IMPROVE SINCE WINTER STORM URI



Fighting Unconscionable Price Gouging to Protect Our Customers



Validating Critical Circuits & Identifying New Opportunities to Manage Load Shed



Identifying Infrastructure Points of Failure & Hardening Against Future Events



Partnering with SAWS to Improve Emergency Management & Identify Critical Infrastructure



Partnering with CEP to Develop Long Term Improvements



Improving Communication by Planning for Emergency Events & Sharing Relevant Information with Customers

We will continue to work to improve our ability to be *Resilient* in the most extreme conditions.

READINESS IMPROVEMENTS

ONGOING POLICY ACTIVITY



North American
Electric Reliability
Corporation



Public Utility
Commission
of Texas



Federal Energy
Regulatory
Commission



Electric
Reliability
Council of Texas



Railroad
Commission
of Texas

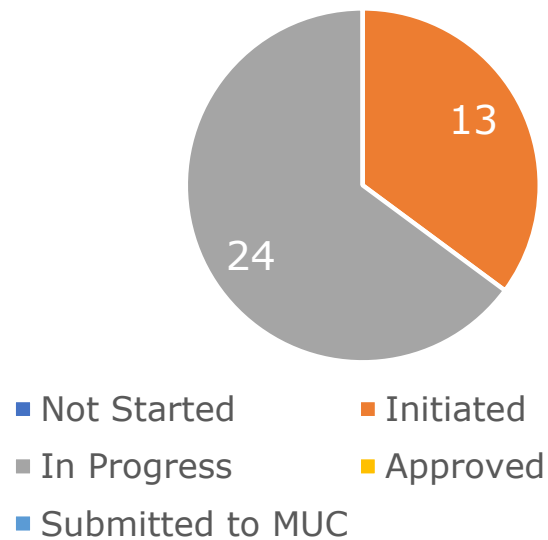


Texas
Legislature

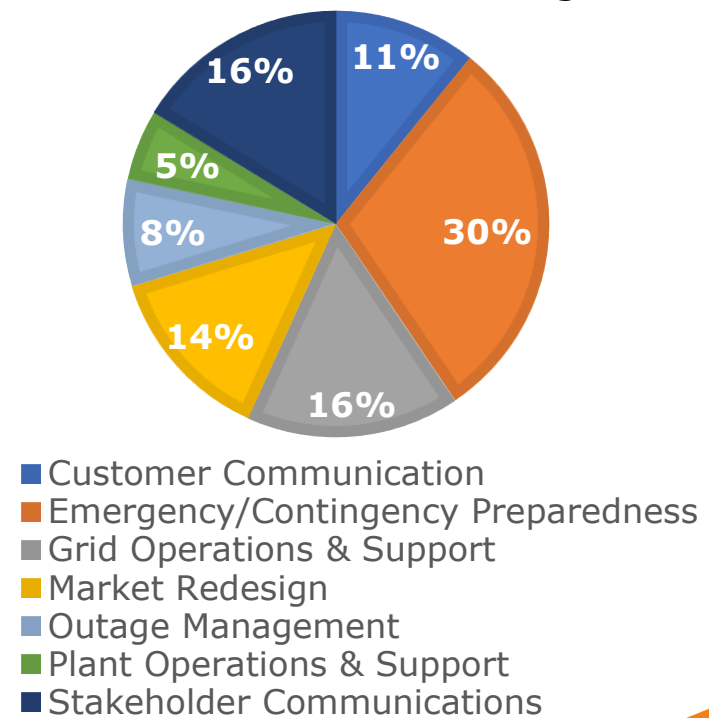
CoSA CEP RECOMMENDATION STATUS OVERVIEW



CEP Recommendation Action
Plan Status



CEP Recommendation Categories



Some mitigation strategies & actions related to CEP recommendations may require long-term solutions; however, steady progress is being made.

WINTER READINESS IMPROVEMENTS



- Plant Operations & Support
 - Launched 3 plant weatherization initiatives
 - Hired Third-Party consultant to assess improvements
 - Increased natural gas procurements, storage & withdrawal capacity
- Outage Management
 - Improved load shed capacity by 155 circuits
 - Completed load shed assessment by Third-Party consultant
 - Pursuing advanced technology for load shed management
 - Collaborated with SAWS on load shed operations



Maintenance checks are completed at the start of the season

WINTER READINESS IMPROVEMENTS



- Grid Operations & Support
 - Collaborating with SAWS & Emergency Operations Center to assess options for back-up generation
 - Review & improvement of Blackstart procedures
 - Update field procedures for winter emergency operations
- Emergency/Contingency Preparedness
 - Participated in joint contingency exercises with EOC & SAWS led by Texas A&M Engineering Extension
 - CPS Energy Executive assigned for EOC interface



Crews responding during Winter Storm Uri

WINTER READINESS IMPROVEMENTS



- Stakeholder Communications
 - Developed a draft Operational Readiness Matrix to facilitate unified communication with SAWS & EOC
 - Initiated a Crisis Communications Plan refresh
 - Convened a **Resiliency** focused Suburban City Summit
 - Organized various townhalls & briefings to inform, educate & receive input
- Customer Communications
 - Included CoSA, SAWS, & other key community stakeholders on engagement texts to ensure unified customer messaging prior to inclement weather
 - Encouraged customer emergency contact updates through Manage My Account, adding 100K contacts
 - Improved community emergency preparedness messaging with Emergency Response partners
 - Verified Joint Information Center effectiveness in table-top exercises with CoSA & SAWS

Make Sure SAWS and CPS Energy Can Reach You

When there's a water or power emergency, like low water pressure, loss of electric service or a gas leak, it's important for us to keep you in the loop.

To do that, SAWS and CPS Energy need to have your current phone number and email address. It's simple to do.

Log in at saws.org/myaccount and look for the "Manage Accounts" button in the upper right corner (or main menu on mobile). Select "Mobile Number" or "Email" to enter your updated information.

You can also give us a call at **210-704-SAWS (7297)** and we'll be happy to update your contact information.

Log in at cpsenergy.com using the "Manage My Account" box. If your emergency contact information is not current, you'll see an orange bar at the top of your home page after you log in. Click the text in the orange bar and follow the prompts.

Or call CPS Energy at **210-353-2222** and an Energy Advisor can update your information.

CPS Energy
Published by Hootsuite · September 2 · 3

Hey, SA! 🌟 If you're a CPS Energy customer, please ensure the emergency contact info in your account is up-to-date. 📱 This allows us to notify you during emergency events, such as weather advisories, ERCOT mandates, gas leaks and more.

To update your info, you can either:

- 1 Log into Manage My Account
- 2 Call one of our Energy Advisors at 210-353-2222 ... See More

Update emergency contact information



NEWSROOM.CPSENERGY.COM
Update your emergency contact info to help us help you
- CPS Energy Newsroom

WINTER READINESS IMPROVEMENTS



- Policy Activity (Market Redesign)
 - Engagement in Regular & Special Legislative Sessions
 - Participation in RRC & PUC rulemaking proceedings
 - Involvement in ERCOT protocol development & revision
 - Tracking 36 topics in 28 meetings (to date)
 - FERC/NERC Findings & Recommendations



Repairs being made during Winter Storm Uri

NEXT STEPS



- Continue status updates at monthly Municipal Utilities Committee (MUC) meeting & to the Board of Trustees
- Provide detailed updates at Operations Oversight Committee (OOC) meetings
- Finalize action plans for all recommendations
- Integrate tracking & reporting of lessons learned activities
- Identify funding requirements as required for action plans

Significant mitigation activities to address CEP recommendations continue & will be completed prior to the upcoming winter season.



Thank You





POTENTIAL RATE INCREASE: DRIVERS & TIMELINE UPDATE

PRESENTED BY:

Cory Kuchinsky

Chief Financial Officer (CFO) & Treasurer

October 25, 2021

Informational Update



OBJECTIVES & TAKEAWAYS



- **OUTLINE DRIVERS FOR DELIVERING VALUE**
- **PREVIEW KEY AREAS OF PROPOSED INVESTMENT**
- **PREVIEW WORKING ESTIMATE OF BILL IMPACT SCENARIOS & FINANCIAL HEALTH**
- **DISCUSS TIMELINE**



AGENDA



- **VALUE WE HAVE PROVIDED IN THE LAST DECADE**
- **DRIVERS, PROJECTS & BENEFITS**
- **WORKING ESTIMATE & BILL IMPACT**
- **FINANCIAL HEALTH**
- **ANTICIPATED TIMELINE**



CUSTOMER VALUE PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

We view all decisions through our **Guiding Pillars & Foundation** to drive the most value for our customers.

PROVIDING GREATER VALUE

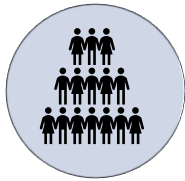
NEARLY 8 YEARS OF INCREASING NEEDS WITHOUT A RATE INCREASE



2014

2021

Over \$906M in Cost Savings since 2010!

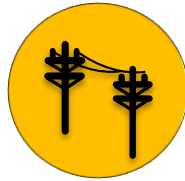


**+125,000
Electric
Customers
(+17%)**

**+36,000
Gas
Customers
(+12%)**



**+222 MW
Peak
System
Demand**



**+1,500
Miles of
Electric
Lines**



**+1,250
Miles of
Gas
Lines**



**+\$1 Billion
in
Assets**



**+280,000
Additional
Customers
Enrolled in
Manage My
Account**



**+8,000%
Increase in
Cyber Data
Breaches
Worldwide**



**Aging
Technology
Platforms**



**~300
Fewer
Employees**

**Our customers' needs & expectations have evolved over the
last 8 years, increasing our obligations to serve.**

WE ARE TAKING ACTION

WINTER & EXTREME WEATHER PREPAREDNESS



Fighting for our
Customers



Enhancing Grid
Management



Hardening Critical
Infrastructure



Collaborating with
SAWS



Partnering with
Committee on Emergency
Preparedness (CEP)



Improving
Communication



We will continue working to improve our ability to be **Resilient** in the most challenging conditions.

WHY WE NEED A RATE INCREASE

EVALUATION PROCESS



A full budgeting process is **1** conducted every single year

1. We develop a **revenue forecast** (i.e. How much money is coming in)
 - Estimated units to be sold at x price

2

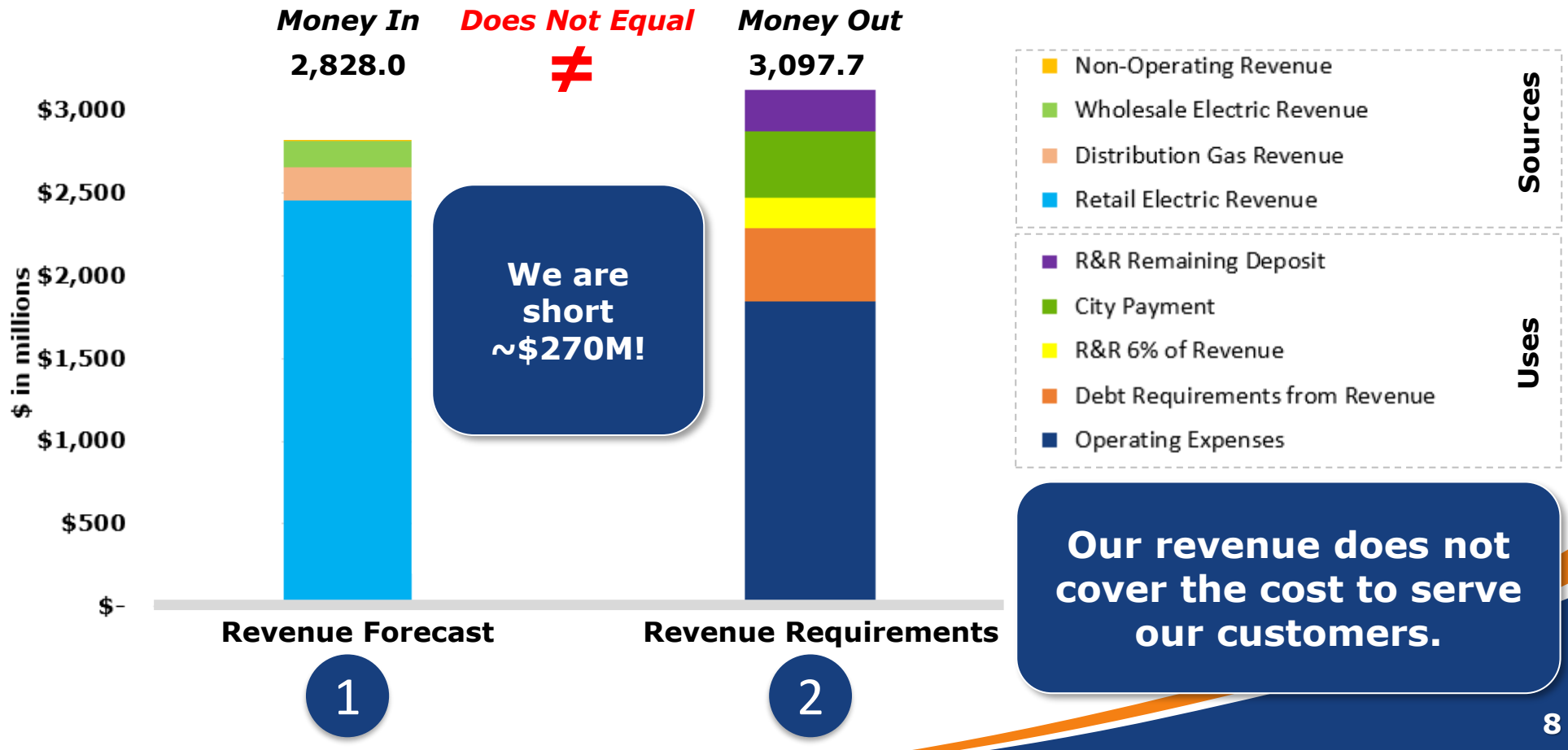
2. We develop our **revenue requirements** (i.e. How much money is going out)
 - The budget is the sum of all the costs we expect to incur in the future
 - The budget represents the level of funding we need to receive as revenue

If **1** **<** **2**

*Look for ways to cut cost
(i.e., decrease budget)* - **& Potentially** - *Increase revenue by
raising rates*

WHY WE NEED A RATE INCREASE

RESULTS OF EVALUATION PROCESS



DRIVERS OF A RATE INCREASE



Financial Impact

	Revenue Forecast (Sources of Revenue)	Revenue Requirements (Uses of Revenue)	
Revenue Pressure	Slower organic revenue growth	↓	Customer growth mostly offset by lower average consumption
	Reduced wholesale revenue opportunities	↓	Greater generation capacity in the market is driving lower market prices
	Receivables pressured by pandemic	↓	Customers' ability to pay is reduced by pandemic-related financial pressure
Cost Pressure	Higher operating expenses	↑	Higher materials & equipment cost; higher employee-related cost
	Increasing need for capital investment	↑	Resiliency & Reliability ; growth of the community
	Winter Storm Uri fuel costs	↑	Paid reasonable costs; still fighting unconscionable costs
	Lower liquidity/cash	↑	Impacts cost of borrowing

WHERE ARE WE SPENDING THE MONEY



Resiliency



Reliability



Technology &
Security



People

These themes drive the added need to invest more in serving our customers & community.

MAJOR AREAS OF INVESTMENT



<i>Resiliency</i>	<i>Reliability</i>	<i>Technology & Security</i>	<i>People</i>
✱ Weatherization ✱ Emergency Communication ✱ Alternative Fuels ✱ Loadshed & Grid Management ✱ Plant Performance • Flexible PathSM • Rotor Replacement (Rio Nogales & AvR)	✱ Cable Rehabilitation ✱ Strategic Undergrounding ✱ Pole Replacement ✱ Aging Infrastructure ✱ Civic Improvements • Environmental & Regulatory Actions • Vegetation Mgmt.	• Digital ERP • Data Center Transformation • Cyber Security • SCADA • Fiber Network Lifecycle • Market Operations System Upgrade	• Customer Assistance Programs • Staffing to Appropriate Levels • Training & Development • Fleet Vehicles • Service District Replacements

FINANCIAL RESPONSIBILITY

❄️ These items improve our ability to provide service during extreme weather events.

Increases in costs & requirements to serve our customers necessitate that we seek a rate increase.

WHAT PEOPLE WILL GET

INVESTING IN US THROUGH INCREASED RATES

WILL PROVIDE GREATER VALUE TO OUR CUSTOMERS



Fewer & shorter outages

- Weatherization of plants
- Improved grid management & load shedding
- Enhanced emergency communication



Sustainable & *Affordable* power for the future

- **FlexPOWER BundleSM**
- Replace aging poles, pipes & wires
- Support customer, civic & community growth



Personalized & protected customer experiences

- Increase cyber *Security*
- Update customer data management & security
- Enable operational efficiencies through replacement of end of life systems



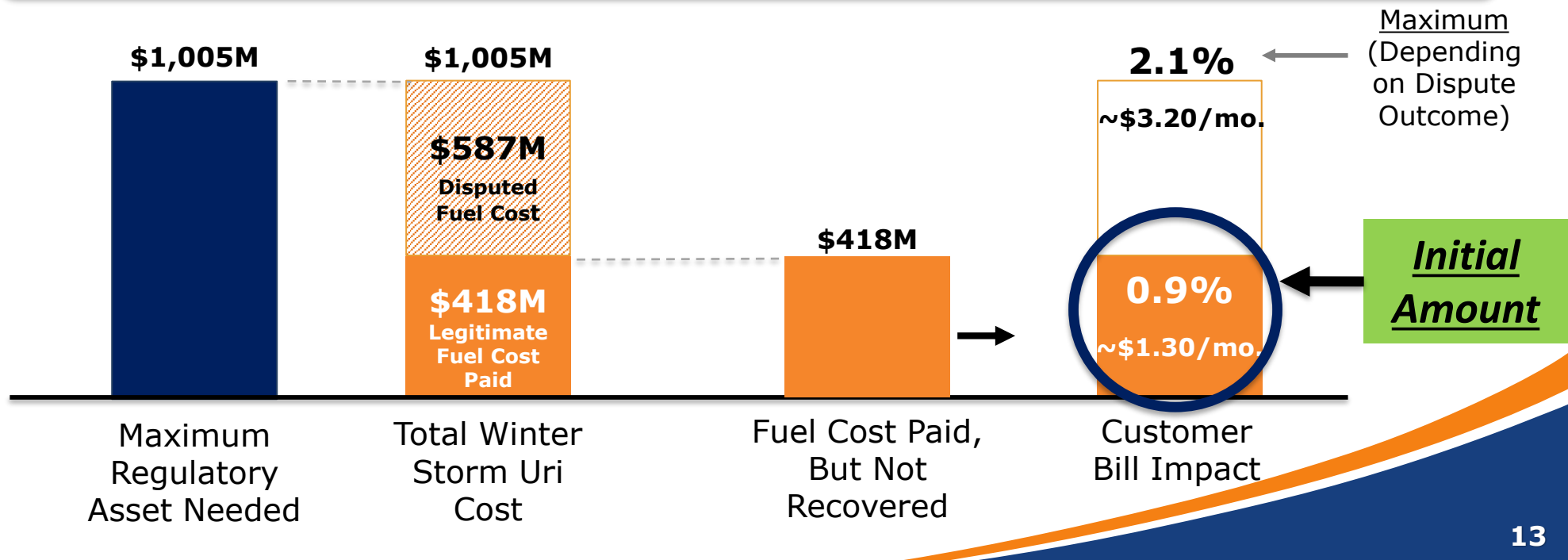
Increased ability to help & support our most vulnerable neighbors

- Recruit engaged & skilled workforces
- Expand assistance programs
- Increase community engagement

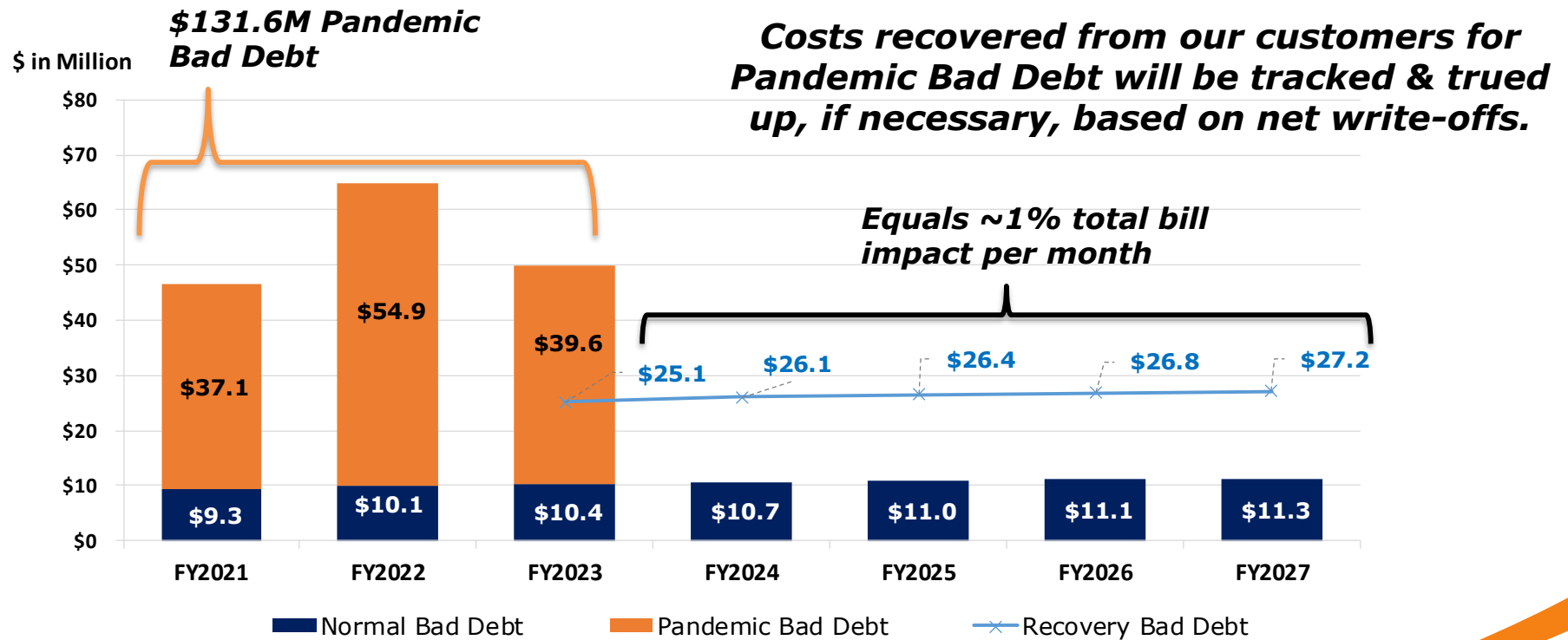


WINTER STORM URI IS NOT THE PRIMARY DRIVER COST BREAKDOWN & BILL IMPACT

We are focused on fighting for our customers & minimizing the impact Winter Storm Uri will have on future bills.

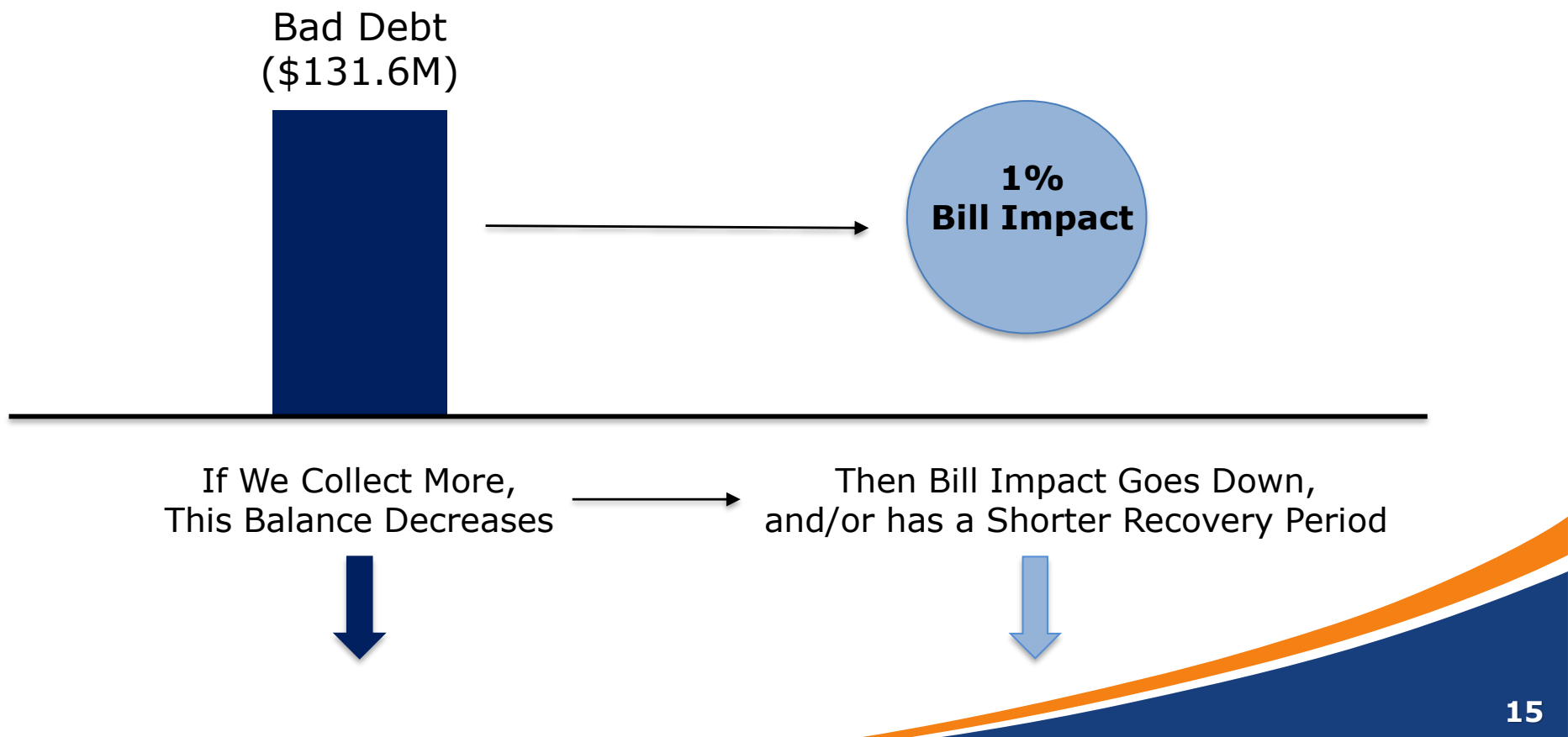


PANDEMIC ASSISTANCE REGULATORY RECOVERY RIDER



We recommend recovering up to \$131.6M of Pandemic Bad Debt over the next 5 years.

PANDEMIC BAD DEBT CUSTOMER IMPACT



HOW MUCH WILL IT COST?

WORKING ESTIMATE



Core Operations & Growth

	<u>Expected</u>		<u>Up To</u>
A <u>Non-Fuel Operations</u> Infrastructure Maintenance & Growth Weatherization (CEP Support) Enhanced Plant Performance Vegetation Management Data Center Transformation ERP System Update	6.3%		N/A
B <u>Regulatory Asset: Fuel Operations</u> Winter Storm Uri Cost (25 year)	0.9%	<i>Only charges that are reviewed by CoSA, vetted, legitimate & reasonable will be recovered.</i>	2.1%
C <u>Regulatory Recovery: Non-Fuel Operations</u> Pandemic Assistance (5 year)	1.0%		2.0%
Total Working Estimate Impact on Average Bill		8.2% ~\$12.50	

WORKING ESTIMATE BILL IMPACT BY MAJOR GROUP



Customer Group		Average Change/Month	
		%	\$
 Residential (Combined Electric & Gas)	Assistance Program (ADP)	~4.5	~\$7
	Non-ADP	~8.2	~\$12.50
 Small Commercial		~7.9	~\$43
 Large Commercial		~9.3	~\$1,000
 Extra Large Commercial		~10.7	~\$8,000
 Super Large Commercial		~11.7	~\$51,000

Each customer group is uniquely impacted by a potential rate increase based upon its cost to serve.

LOWER LIQUIDITY/DEBT LEVELS

FINANCIAL METRICS & THE RATINGS AGENCIES

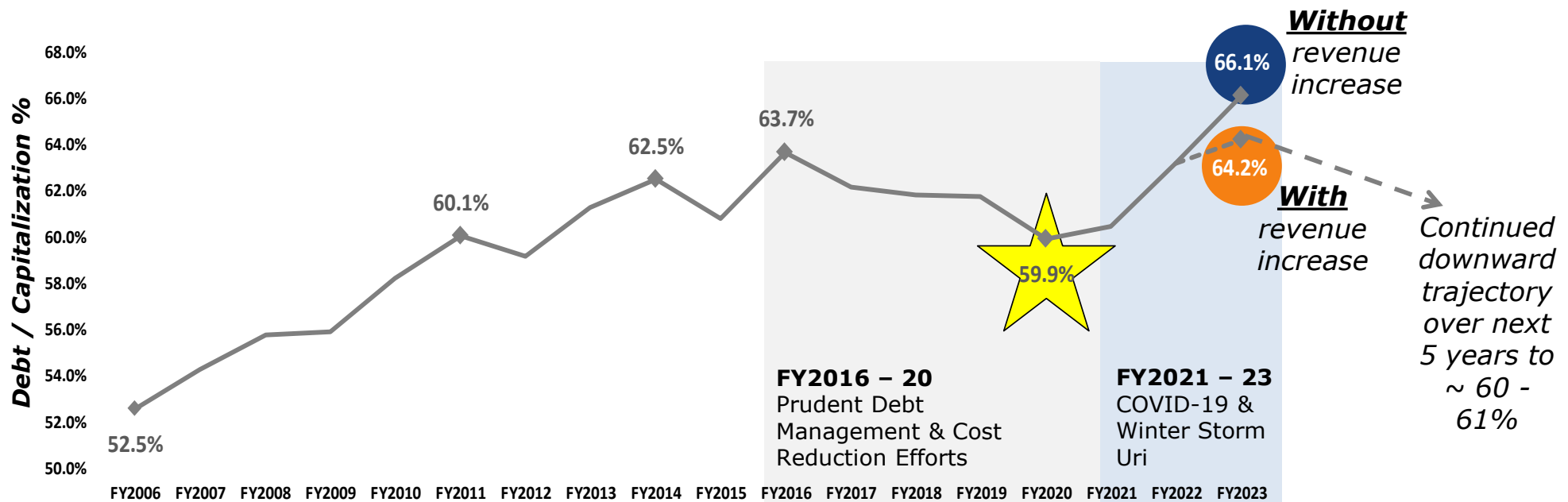


- Financial metrics are a major component of our total rating
- Overall debt levels represent a sub-component of financial metrics
- Important to demonstrate ability to recover from stress events
- Debt / Capitalization metric measures & standardizes the view across issuers



Similar to a personal credit score, the ability to pay for future debt obligations is inversely correlated to existing outstanding debt. Over time, we look to bring this metric down to 60%.

DEBT TO CAPITALIZATION RATIO



Until recently, we have been able to manage this metric prudently through paydown strategies. However, this has become much more challenging with no rate increase since 2014, compounded by the impacts from recent events.

FINANCIAL HEALTH RISKS

PATHWAY TO STABILIZE RATINGS



- Demonstrate sufficient cash & liquidity
- Risk mitigation: operational flexibility & winter preparedness
- Pre-rate increase efforts & community engagement
- Efforts to reduce exorbitant natural gas fuel costs



Maintaining our financial health is a significant mitigation in managing financing cost & the impact to customer bills.

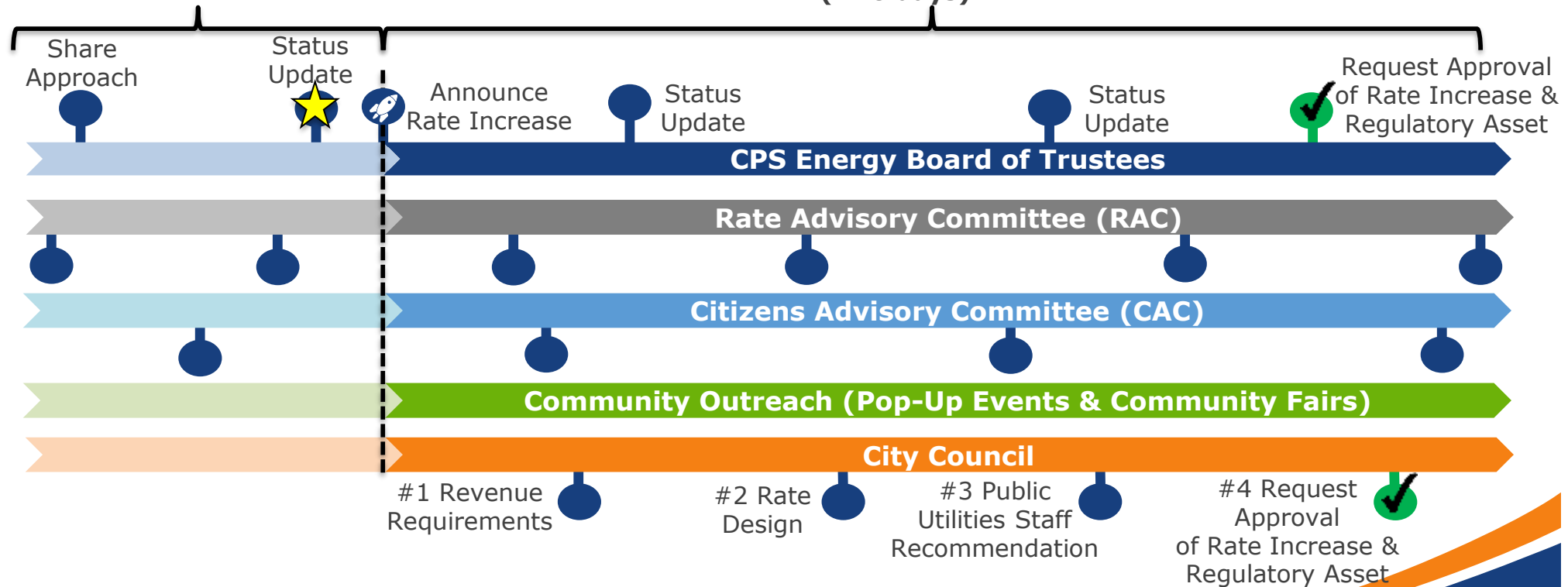
ANTICIPATED TIMELINE



Pre-Rate Increase Period

Rate Increase Process → fall 2021

(~70 days)



Today
 Launch
 Meeting
 Seek Approval

Legend



Thank You





Appendix



GLOSSARY / DEFINITIONS



Acronym or Word	Definition
Digital Enterprise Resource Planning (Digital ERP)	Integrated management of main business processes, often in real time & mediated by software & technology.

Draft for review and approval
at the October 25, 2021 meeting

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.

Draft for review and approval
at the October 25, 2021 meeting

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

Draft for review and approval
at the October 25, 2021 meeting

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.

Draft for review and approval
at the October 25, 2021 meeting

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.

Draft for review and approval
at the October 25, 2021 meeting

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.

Draft for review and approval
at the October 25, 2021 meeting

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 PathSM** 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

Draft for review and approval
at the October 25, 2021 meeting

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 CLEARResult 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 CLEARResult 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

Draft for review and approval
at the October 25, 2021 meeting

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 contactor 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.

Draft for review and approval
at the October 25, 2021 meeting

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

Draft for review and approval
at the October 25, 2021 meeting

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	<u>(12,500.00)</u>
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	<u>(2,749,363.92)</u>
Net amount to be paid from July 2021 revenue to the City in August 2021	<u><u>\$33,745,828.85</u></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 SUCCESSOR 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;

Draft for review and approval
at the October 25, 2021 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.

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 **FlexSTEP**SM program.

Draft for review and approval
at the October 25, 2021 meeting

*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.

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.

Draft for review and approval
at the October 25, 2021 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.

Draft for review and approval
at the October 25, 2021 meeting

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

Draft for review and approval
at the October 25, 2021 meeting

CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON SEPTEMBER 13, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, September 13, 2021, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. Chair Dr. Mackey called the meeting to order at 9:00 a.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:

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
CPS Energy Staff Members

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation and the Pledge of Allegiance were delivered by Ms. Denae Myers, Manager of Board Relations.

II. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

III. CHIEF OPERATING OFFICER'S REPORT

Mr. Bonewell provided a brief update on the COVID-19 impact. Since August 21, 2021, we have lost three (3) team members. Over the weekend, we learned that another employee from Fleet Operations passed away. During the last month and a half, we have seen nearly 100 new cases of COVID-19. Since the beginning of the pandemic, the company has experienced 654 cases. Two (2) employees are currently in the hospital. Mr. Bonewell assured the Board that our employees are aware of best practices such as physical distancing and wearing masks.

He also informed the Board that Tropical Storm Nicholas is anticipated to make landfall this afternoon and San Antonio will most likely see wind and rain. Our crews are on stand-by. Three (3) contract crews are currently supporting Entergy in Louisiana.

Draft for review and approval
at the October 25, 2021 meeting

Lastly, Mr. Bonewell informed the Board that we are preparing for a joint TEEX crisis preparedness tabletop exercise with the City and community partners to be held on September 28, 2021.

Chair Dr. Mackey asked for a moment of silence to show the Board's respect for the recent loss of our employee.

IV. EXECUTIVE SESSION

At approximately 9:08 a.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 possible 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 11:12 a.m. A quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

V. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 11:12 a.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval
at the October 25, 2021 meeting

CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON SEPTEMBER 29, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Wednesday, September 29, 2021, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. Chair Dr. Mackey called the meeting to order at 8:33 a.m.

Present were Board members:

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

Also present were:

Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
CPS Energy Staff Members

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and the Pledge of Allegiance were delivered by Ms. Denae Myers, Manager, Board Relations.

II. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

III. EXECUTIVE SESSION

At approximately 8:37 a.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 possible 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); and
- Competitive Matters (§551.086).

Draft for review and approval
at the October 25, 2021 meeting

The Board reconvened in open session at 11:45 a.m. and a quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

IV. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 11:45 a.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

CPS Energy Board of Trustees Meeting October 25, 2021

Approval of Payment to the City of San Antonio for September 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 September 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$259,260,769.49, less applicable exclusions. The revenue for the month of September 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$261,411,899.96
Gas revenue	13,033,045.71
Interest and other income	(2,029,489.53)
Gross revenue per CPS Energy financial statements	<u>272,415,456.14</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(9,449,663.77)
LVG revenue per City Ordinance 100709	(22,800.58)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(25,992,204.73)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>22,309,982.43</u>
Total excluded revenue	<u>(13,154,686.65)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u><u>\$259,260,769.49</u></u>
City payment per Bond Ordinance for September 2021 based upon September 2021 revenue	\$36,296,507.73
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	689,414.74
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	36,973,422.47 A
Utility services provided to the City for September 2021	<u>(2,761,035.66)</u>
Net amount to be paid from September 2021 revenue to the City in October 2021	<u><u>\$34,212,386.81</u></u>

CPS Energy Board of Trustees Meeting October 25, 2021

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)

September 2021	Actual	Budget	Variance	
Current Month* A	\$36,973	\$37,878	(\$905)	-2.4%
Year-to-Date*	\$242,094**	\$249,248	(\$7,154)**	-2.9%

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

**Year-to-date Actual includes a rounding adjustment of 1 to equal correctly rounded number.

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 \$34,212,386.81 representing 14% of applicable system gross revenues for the month of September 2021, such payment being net of City utility services (\$2,761,035.66), is hereby approved."



Executive Summary

CPS Energy Financial Policies Annual Approval October 25, 2021 Board Consent Agenda Item

ACTION REQUIRED:

- Board approval of CPS Energy Financial Policies Resolutions.
- Should you have any questions or need any additional information, please contact
 - o Julie Johnson at 210-353-2462 (office) / 210-289-3490 (cell)
 - o Domingo Villarreal at 210-353-2564 (office) / 210-748-5275 (cell)
 - o Cory Kuchinsky at 210-353-5176 (office) / 210-415-2941 (cell).

ATTACHMENTS (A-F) FOR THE FINANCIAL POLICIES: Summary of Changes

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

POLICY	OWNER	TYPE OF CHANGE			
		<u>Administrative</u>	<u>Organizational</u>	<u>Procedural</u>	<u>Substantive</u>
CPS Energy Investment Policy	Cash & Liquidity Mgmt.	✓	None	None	None
Nuclear Decommissioning Trust (NDT) Investment Policy	Cash & Liquidity Mgmt.	✓	None	None	None
Financial Authorizations & Approvals Policy ⁽¹⁾	Cash & Liquidity Mgmt.	None	None	None	None
Collateral Policy ⁽¹⁾	Cash & Liquidity Mgmt.	None	None	None	None
Master Interest Rate Mgmt. Policy ⁽¹⁾	Debt Mgmt.	None	None	None	None
Energy Price Risk Mgmt. (EPRM) Policy ⁽¹⁾	Enterprise Risk Mgmt.	None	None	None	None

⁽¹⁾ There were no changes (other than the effective date).



Executive Summary

CPS Energy Financial Policies Annual Approval October 25, 2021 Board Consent Agenda Item

- At least once a year, CPS Energy Management presents the following Financial Policies to the Board of Trustees for review and approval:

Attachment:	Policy:
A	CPS Energy Investment Policy
B	NDT Investment Policy
C	Financial Authorizations & Approvals Policy for Banking, Investing & Hedging*
D	Collateral Policy*
E	Master Interest Rate Management Policy
F	Energy Price Risk Management Policy

*** These policies are included as appendices to the CPS Energy Investment Policy**

- The Texas Public Funds Investment Act (PFIA) and other State Laws require a public entity's investment policy be reviewed at least annually.
- All Financial Policies were last brought to the Board for review / approval at the December 2020 Board Meeting.
- Most changes are administrative in nature, intending to simplify or clarify language, eliminate duplication or document existing processes. The proposed changes will not alter the overall investment strategy and operations of CPS Energy.
- See the attachments for further details of the changes.

Note: Due to the volume of pages related to the Financial Policies, we have opted to not include the full documents as part of the Board materials. Please note that the details of the proposed changes were sent previously in a Board email and further information is available for your review upon request.



ATTACHMENT A

Summary of Changes to the CPS Energy Investment Policy

October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
✓	None	None	None

This Investment Policy (Policy):

- Sets forth formal guidelines for the investment and management of CPS Energy Funds, based on rules mandated by the Texas Public Funds Investment Act (PFIA). The funds governed by this Policy are the operational funds for CPS Energy and are invested over a short time horizon (less than 10 years).
- Establishes primary investment objectives: preservation and safety of principal, liquidity, yield of investment, competitive pricing, diversification and control of assets.
- Outlines overall investment strategy: to earn market yields, to maintain appropriate diversification and liquidity of investments, and to select maturities that match projected cash requirements.
- Requires controls to help ensure investments made comply with established guidelines; addresses written administrative procedures; controls against collusion; and provides for separation of functions, security safekeeping, delegation of authority and written confirmations and approvals.

SUMMARY OF CHANGES: While this was a Texas legislative year, there were no changes to the PFIA this year. Most of the updates to the Policy are to a) document existing processes and b) clarify language. None of these changes are deemed substantive as they will not alter CPS Energy's investment strategy and objectives. CPS Energy Management will continue to manage investments with a primary focus on safety and preservation of principal. These changes have been recommended by the CPS Energy Investment Committee (IC).

Change	Reason for Proposed Change:	Impact:	Policy Reference (Red-lined):
Investment Policy Clarify actions to be taken to identify and address potential asset impairments.	Documents existing processes.	Improves clarity	Page 14 of the Policy
Investment Policy and Appendices A and G Update defined terms and other minor clarifications.	Improves clarity and readability	Improves clarity and readability	Various



ATTACHMENT A

Summary of Changes to the CPS Energy Investment Policy

October 25, 2021 Board Consent Agenda Item

CONTENTS:

- Board Resolution: CPS Energy's "Investment Policy."



INVESTMENT POLICY RESOLUTION

The following resolution relating to the investment activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy; and

WHEREAS, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

WHEREAS, CPS Energy Management desires to modify CPS Energy's Investment Policy (the "Policy"), as attached, with non-substantive changes which are administrative in nature and include:

- Documenting existing processes, and
- Updating defined terms and other minor clarifications;

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the CPS Energy operating procedures, the PFIA, the Bond Ordinances and the Commercial Paper Ordinances.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



ATTACHMENT B

Summary of Changes to the CPS Energy South Texas Project (STP) Nuclear Decommissioning Trust (NDT) Investment Policy October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
✓	None	None	None

This NDT Investment Policy (Policy):

- Sets forth formal guidelines for the investment and management of the NDT funds and related activity, based on rules mandated by the Texas Public Funds Investment Act (PFIA). The funds governed by this Policy are invested over a long period of time to provide for the eventual decommissioning of CPS Energy's 40% interest in the STP nuclear facility.
- Establishes primary investment objectives: preservation and safety of principal, liquidity, yield of investment, competitive pricing, diversification and control of assets consistent with the long-term goals of the Trusts.
- Outlines overall investment strategy: to earn market yields, to maintain appropriate diversification and liquidity of investments, and to select maturities that match projected cash requirements.
- Requires controls to help ensure investments comply with established guidelines; addresses written administrative procedures; and provides for separation of functions, security safekeeping, delegation of authority and written confirmations and approvals.

SUMMARY OF CHANGES: Most of the updates to the Policy are to a) clarify defined terms. None of these changes are deemed substantive as they will not alter the Trusts' investment strategy and objectives. CPS Energy Management will continue to manage investments with a primary focus on safety and preservation of principal consistent with the long-term goals of the Trusts. These changes have been recommended by the CPS Energy NDT Investment Committee.

Change	Reason for Proposed Change:	Impact:	Policy Reference (Red-lined):
Investment Policy, Appendix K Update defined terms and other minor clarifications	Improves clarity and readability	Streamlines document	Various

CONTENTS:

- **Board Resolution:** CPS Energy's "NDT Investment Policy."



NUCLEAR DECOMMISSIONING TRUST INVESTMENT POLICY RESOLUTION

The following resolution relating to the Nuclear Decommissioning Trust ("NDT") activities of the City of San Antonio, Texas acting by and through the City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees (the "Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy, the City Public Service Decommissioning Master Trust for the South Texas Project (the "28% Trust"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "12% Trust (TCC Funded)"); and

WHEREAS, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

WHEREAS, CPS Energy Management desires to modify the CPS Energy South Texas Project NDT Investment Policy ("Policy"), as attached, with non-substantive changes which are administrative in nature and serve primarily to update defined terms and the effective date.

WHEREAS, CPS Energy desires the approval of a resolution
a) acknowledging that a review of the Policy has been completed and
b) adopting the Policy with the proposed changes.

WHEREAS, CPS Energy management has verified and represents to the Board that the Policy as attached hereto complies with the requirements of the U.S. Nuclear Regulatory Commission, the Public Utility Commission of Texas, the PFIA, the Texas Property Code Subtitle B, Title 9, where applicable and the requirements of the 28% Trust and the 12% Trust (TCC Funded).

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy as attached hereto, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



ATTACHMENT C

Summary of Changes to the CPS Energy Financial Authorizations & Approvals Policy for Banking, Investing & Hedging (“FAAP”) October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
None	None	None	None

This Policy:

- Designates CPS Energy officers (“Officers”) and other staff who are authorized to approve various banking, investing and hedging transactions and relationships.
- Designates Investment Officers for CPS Energy, as defined by the Texas Public Funds Investment Act (“PFIA”).
- Authorizes Officers to act in the name of CPS Energy to perform duties such as establishing, maintaining and closing bank accounts; authorizing or approving investment and banking transactions; and establishing, maintaining and closing trading authorizations for the investment of a) CPS Energy and the b) South Texas Project Nuclear Decommissioning Trusts funds.

SUMMARY OF CHANGES: There are no recommended changes to the FAAP other than updating the effective date of the Policy as a result of the annual renewal.

CONTENTS:

- **Board Resolution:** CPS Energy’s “Financial Authorizations & Approvals Policy for Banking, Investing & Hedging.”



**FINANCIAL AUTHORIZATIONS AND APPROVALS POLICY FOR
BANKING, INVESTING AND HEDGING RESOLUTION**

The following resolution relating to the banking, investing and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees ("Board"):

WHEREAS, the Board of Trustees of the City Public Service Board of San Antonio, Texas, is required to designate and authorize specific CPS Energy Officers and staff to conduct financial transactions on behalf of CPS Energy, the City Public Service Restated Decommissioning Master Trust for the South Texas Project, the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company; and Hedge Instrument transactions on behalf of CPS Energy; and

WHEREAS, a CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging ("the Policy") must be provided to banks, investment firms, brokers and other counterparties in order to conduct transactions in the daily operations of CPS Energy; and

WHEREAS, CPS Energy Management has no proposed changes to the Policy other than the effective date.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the attached CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



ATTACHMENT D

Summary of Changes to the CPS Energy Collateral Policy October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
None	None	None	None

The Policy:

- Requires that deposits of CPS Energy funds in a bank or other financial institution be collateralized in accordance with the CPS Energy Collateral Policy (the "Policy") and the Texas Public Funds Collateral Act.
- Sets forth certain requirements regarding collateral pledged to CPS Energy to secure the deposits of public funds and collateral owned by CPS Energy and investments which are collateralized.

SUMMARY OF CHANGES: There are no recommended changes to the Policy, other than updating the effective date of the Policy as a result of the required annual renewal.

CONTENTS:

- Board Resolution: CPS Energy's "Collateral Policy."
-



COLLATERAL POLICY RESOLUTION

The following resolution relating to the collateral activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 2257.023 requires that CPS Energy adopt a policy concerning the collateral pledged to secure the deposit of CPS Energy funds in a depository bank or other financial institution; and

WHEREAS, CPS Energy Management has no proposed changes to the Collateral Policy other than the effective date.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the attached CPS Energy Collateral Policy, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



Attachment E

Summary of Changes to the CPS Energy Master Interest Rate Management Policy

October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
None	None	None	None

This Master Interest Rate Management Policy (the “Policy”):

- Sets forth guidelines by which CPS Energy may actively manage its interest rate exposure to help protect and provide balance within its debt portfolio. Interest rate management transactions could be used primarily to hedge against the risk of rising interest rates. **While this Policy authorizes CPS Energy to utilize various interest rate hedging products, each transaction / program must be approved by both the CPS Energy Board of Trustees (Board) and the San Antonio City Council. Today’s approval is renewal of the Policy only.**
- Was first approved by the Board in 2011, the Policy is presented annually to the Board for approval.

SUMMARY OF CHANGES: There are no recommended changes to the Policy, other than updating the effective date of the Policy as a result of the required annual renewal.

CONTENTS:

- Board Resolution:** CPS Energy’s “Master Interest Rate Management Policy.”



MASTER INTEREST RATE MANAGEMENT POLICY RESOLUTION

The following resolution relating to interest rate management agreements and transactions of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1371.056, requires that the City Council (the "*City Council*") of the City of San Antonio, Texas (the "*City*"), adopt a risk management policy governing entering into and managing interest rate management agreements and transactions in anticipation of, related to, or in connection with the authorization, issuance, security, purchase, payment, sale, resale, redemption, remarketing, or exchange of debt obligations of the City as a condition to the execution of any such agreement or transaction; and

WHEREAS, Texas Government Code Section 1502.070 and various ordinances of the City Council vests management and control of the CPS Energy electric and gas systems (the "*Systems*") in the Board; and

WHEREAS, it is in the best interests of the customers of the Systems that the Board and the City be authorized to enter into interest rate management agreements to manage the net interest expense borne by debt obligations of the City issued and to be issued to finance or refinance eligible costs of Systems' projects and/or other permitted costs and payable from revenue of the Systems; and

WHEREAS, on November 28, 2011, the Board approved the Master Interest Rate Management Policy, which has subsequently been updated; and

WHEREAS, CPS Energy Management has no proposed changes to the Master Interest Rate Management Policy, other than the effective date.

NOW THEREFORE BE IT RESOLVED that the Board hereby ratifies and approves the attached CPS Energy Master Interest Rate Management Policy, as revised, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



ATTACHMENT F

Summary of Changes to the CPS Energy Energy Price Risk Management (EPRM) Policy October 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
None	None	None	None

The CPS Energy's EPRM Policy sets forth formal guidelines for the execution of financial hedge transactions in connection with fuel price and power generation exposure. The guidelines are established in part based on rules mandated by the Texas Public Funds Investment Act (PFIA). Hedge Instrument transactions are allowed for the sole purpose of managing risks of financial uncertainty or loss associated with adverse volatility in the pricing of CPS Energy fuel purchases and wholesale electric sales in an effort to optimize the value of these assets for the benefit of CPS Energy customers.

SUMMARY OF CHANGES:

There are no recommended changes to the Policy. The only proposed changes relate to updating the effective date of the Policy due to the annual renewal request. The Energy Portfolio Strategy Committee has reviewed the Policy and recommends approval with no changes other than the effective date.

CONTENTS:

- **Board Resolution:** CPS Energy's "Energy Price Risk Management Policy Resolution."



ENERGY PRICE RISK MANAGEMENT POLICY RESOLUTION

The following resolution relating to the investment and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of energy hedge instruments; and

WHEREAS, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually; and

WHEREAS, by policy, the Board shall review CPS Energy's Energy Price Risk Management ("EPRM") Policy on an annual basis and approve any changes thereto; and

WHEREAS, CPS Energy Management has no proposed changes to the EPRM Policy, other than the effective date; and

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the PFIA.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2022.

Shanna M. Ramirez
Secretary of the Board



Executive Summary

Renewal / Approval of Investment Manager Agreements for the STP Nuclear Decommissioning Trusts (NDTs) October 25, 2021 Board Consent Agenda Item

CONTENTS:

- Board Resolution: Requesting approval of the renewal of existing Investment Manager (IM) Agreements for the NDTs (or Trusts).

Due to the volume of pages related to the IM Agreements, we have opted to not include the full documents as part of the materials. Please note they are readily available for your review upon request.

BACKGROUND:

- CPS Energy utilizes IMs to manage the investment of Trust assets. CPS Energy also engages a consultant who a) assists in the overall review of the performance of the Trusts and IMs, b) offers insight and expertise regarding asset allocation of the Trusts, and c) provides other general investment direction and services. CPS Energy staff provides oversight of the activities and performance of the Trusts and the IMs. CPS Energy also completes the accounting and reporting requirements for the Trusts.
- The Texas Public Funds Investment Act (PFIA) requires CPS Energy Board approval for the initial contract and any related extension of IM Agreements for the 28% CPS Energy NDT and the 12% Texas Central Company (TCC) Funded NDT. **Extensions of these IM Agreements are valid for a period of two years.**
 - o The IM Agreements were last renewed by the CPS Energy Board in December 2019, effective February 1, 2020.
 - o Two IMs were replaced in early 2020 and the IM Agreements for the new IMs (State Street and William Blair) are included with this request to align maturities with other IMs.
 - o Duff & Phelps has agreed to lower their fee for the International Equity fund they manage for each of the Trusts.
 - o There are **no other changes being proposed to the Agreements.**
- IM Agreements have been reviewed by Cash and Liquidity Management and Legal Services to ensure compliance with CPS Energy policies and guidelines.
- IM performance has been acceptable relative to the benchmarks and IM fees are competitive relative to their peers.
- CPS Energy staff will continue to monitor IM performance to ensure satisfactory investment returns relative to their benchmark. In the event CPS Energy would need to terminate an IM in the future, IM Agreements carry termination clauses that allow CPS Energy to terminate the IM Agreement with the required written notice.



Executive Summary

Renewal / Approval of Investment Manager Agreements for the STP Nuclear Decommissioning Trusts (NDTs) October 25, 2021 Board Consent Agenda Item

ACTION REQUIRED:

- We are requesting Board approval at the October 25, 2021 meeting to extend existing IM Agreements related to the two NDTs through January 31, 2024, as follows:

28 % CPS Energy NDT IM Agreement Renewals by Asset Class Managed

Domestic Equities	Rhumblin Advisors ^{1 2} State Street Global Advisors ²
International Equities	Duff & Phelps Investment Mgmt. Co. ² Earnest Partners, LLC ¹ William Blair Investment Mgmt., LLC
Real Estate Investment Trust (REIT)	Duff & Phelps Investment Mgmt. Co.
Fixed Income	Dodge & Cox Galliard Capital Mgmt., Inc. Garcia Hamilton Associates ¹ Pugh Capital Mgmt., Inc. ¹

12 % TCC Funded NDT IM Agreement Renewals by Asset Class Managed

Domestic Equities	Rhumblin Advisors ^{1 2}
International Equities	Duff & Phelps Investment Mgmt. Co. ² Earnest Partners, LLC ¹ William Blair Investment Mgmt., LLC
Real Estate Investment Trust (REIT)	Duff & Phelps Investment Mgmt. Co.
Fixed Income	Galliard Capital Mgmt., Inc. Garcia Hamilton Associates ¹ Pugh Capital Mgmt., Inc. ¹

- If you have any questions or need additional information, please feel free to contact Domingo Villarreal at 210-353-2564 or Julie Johnson at 210-353-2462.

¹ Denotes an MBE / WBE firm

² Index fund



**NUCLEAR DECOMMISSIONING
TRUST
INVESTMENT MANAGER AGREEMENTS
RESOLUTION**

The following resolution relating to the Nuclear Decommissioning Trust activities of the City of San Antonio, acting by and through the City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees:

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board of Trustees of CPS Energy (the "Board"), including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of the City Public Service Decommissioning Master Trust for the South Texas Project (the "28% NDT"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "12% NDT"), pursuant to the South Texas Project Nuclear Decommissioning Trust Investment Policy (the "Policy"); and

WHEREAS, Texas Government Code Section 2256.003(b), a section of the Public Funds Investment Act ("PFIA"), requires that the Board of Trustees approve contracts with investment management firms to help implement the Policy and provide CPS Energy with investment advice; and

WHEREAS, CPS Energy Management recommends and desires approval of a resolution to renew Investment Manager Agreements with the following managers for the 28% NDT through January 31, 2024:

Dodge & Cox
Earnest Partners, LLC
Garcia Hamilton Associates
Rhumbline Advisors
William Blair Investment Mgmt. LLC

Duff & Phelps Investment Mgmt.
Galliard Capital Mgmt., Inc.
Pugh Capital Mgmt., Inc.
State Street Global Advisors

WHEREAS, CPS Energy Management recommends and desires the approval of a resolution to renew Investment Manager Agreements with the following managers for the 12% NDT through January 31, 2024:

Duff & Phelps Investment Mgmt.
Galliard Capital Mgmt., Inc.
Pugh Capital Mgmt., Inc.
William Blair Investment Mgmt. LLC

Earnest Partners, LLC
Garcia Hamilton Associates
Rhumbline Advisors

WHEREAS, CPS Energy Management finds that all the agreements are compliant with the Policy and requirements of the PFIA; and

WHEREAS, the identified Investment Manager Agreements will each be valid for a two-year period, after which extensions will require additional Board approval, as required by the PFIA.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Nuclear Decommissioning Trust Investment Manager Agreements as discussed herein.

Shanna M. Ramirez
Secretary of the Board



Summary of Changes to the CPS Energy Employee Benefit Plans Statement of Governance October 25, 2021 Board Consent Agenda Item

PURPOSE:

- Request Board approval of the proposed changes to the CPS Energy Employee Benefit Plans Statement of Governance (SoG).
- Should you have any questions or need any additional information, please contact
 - Shannon Albert, Administrative Committee Chair, at 210-353-3818 (office) / 210-319-0250 (cell) or
 - Debra Wainscott, Administrative Committee Vice Chair, at 210-353-4740 (office) / 210-259-6980 (cell).

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
✓	✓	None	None

The SoG document primarily:

- Ensures that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, and
- Delegates certain activities and responsibilities regarding the Plans.

The SoG is reviewed annually by the AC, who recommends any changes to the EBOC. The EBOC reviews and concurs proposed changes, which are taken to the full Board of Trustee for final approval.

SUMMARY OF CHANGES: Most of the updates to this document are to clarify a) roles / requirements and b) language. The Administrative Committee (AC) will continue to manage investments with a primary focus on safety and preservation of principal. These changes have been recommended by the AC (on September 14th, 2021) and EBOC (October 14th, 2021). Approval of these changes is requested at the October 25, 2021 Board meeting.

	<u>Type of Change</u>	<u>Proposed Change</u>	<u>Reason for Proposed Change</u>	<u>Redlined Reference</u>
1	O / A	To clarify ex-officio, non-voting membership	Document changes to related CPS Energy roles	Page 8



Summary of Changes to the CPS Energy Employee Benefit Plans Statement of Governance October 25, 2021 Board Consent Agenda Item

	<u>Type of Change</u>	<u>Proposed Change</u>	<u>Reason for Proposed Change</u>	<u>Diligent Redlined Reference</u>
2	O / A	To clarify the required training requirements	To remove redundancy, while continuing to encourage AC member training participation beyond requirements	Page 9
3	A	To incorporate the annual declaration requirement & associated due dates	Document the existing, annual member declaration process & formalize due dates	Page 13

CONTENTS:

- Updated SoG (w/o Appendices) (Red-lined): CPS Energy's Employee Benefit Plans Statement of Governance
- Updated SoG (w/o Appendices) (Clean): CPS Energy's Employee Benefit Plans Statement of Governance

Created: 09/27/04
Last Revised: 03/29/21

CPS Energy Employee Benefit Plans Statement of Governance

Contents

I. Overall Philosophy of Governance.....	1
II. Authority	2
A. Source of Authority.....	2
B. Duties of the Board Regarding the Plans and Trusts	2
C. Delegation of Authority	2
D. Committee Relationship.....	3
III. Governance, Roles and Responsibilities.....	3
A. The Board.....	3
B. The Employee Benefits Oversight Committee.....	3
C. The President / CEO.....	6
D. The Administrative Committee.....	7

To ensure that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, the CPS Energy Board of Trustees (“Board”) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Employee Benefits Oversight Committee (“EBOC”) (formerly known as the Oversight Committee), the CPS Energy President and Chief Executive Officer (President / CEO), the Administrative Committee, employees of the Plans and / or Trusts, and CPS Energy staff. The CPS Energy Employee Benefit Plans are the CPS Energy Pension, Group Health, Group Life Insurance, and Disability Income plans (collectively, “Plans”) and the associated Trusts (“Trusts”). In the event that any Plan or Trust provisions conflict or are inconsistent with the specified provisions of this Statement of Governance, the Plan or Trust document shall control.

I. Overall Philosophy of Governance

The Board, the EBOC, the President / CEO, and the Administrative Committee are responsible for creating and maintaining an atmosphere that encourages prudent governance at all levels. The Board strives to achieve a governing style that emphasizes:

1. strategic leadership, outward vision, focus on the future, and proactivity;
2. encouragement of collegiality, including the creation of an environment that supports CPS Energy’s values;
3. civility and courtesy, to all parties involved in the Plans’ and / or the Trusts’ governance;
4. respect for diversity in viewpoints, recognizing value in all input;
5. governance by consensus;
6. a “partnership” with CPS Energy management; and
7. ethical conduct of the Plans’ and / or the Trusts’ business.

The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole, by the EBOC, by the President / CEO, and by the Administrative Committee to live by the policies articulated herein and to govern with excellence.

Created: 09/27/04
Last Revised: 03/29/21

II. Authority

A. Source of Authority

The authority of the Board, the EBOC, the President / CEO, and the Administrative Committee in relation to the Plans and / or the Trusts is found in the Plan documents for each of the Plans and / or the Trusts and is reflected in this document.

B. Duties of the Board Regarding the Plans and Trusts

The Board has the legal and fiduciary responsibility for the Plans and / or Trusts, except as provided by law.

C. Delegation of Authority

The Board is authorized to delegate certain activities and responsibilities regarding the Plans and / or the Trusts to the EBOC, the President / CEO, the Administrative Committee, employees of the Plans and / or Trusts, CPS Energy staff, and / or contractors. This legal and fiduciary responsibility, thus, requires that the Board: (a) select delegates with care, (b) define delegated responsibilities clearly, (c) monitor delegate performance, and (d) take corrective action when appropriate.

The Board may delegate certain activities and responsibilities regarding the Plans and / or the Trusts pursuant to the following principles:

1. Standard of Care: The Board shall make all delegation decisions related to Plan and Trust administration or other fiduciary functions with respect to the Plans and /or Trusts solely in the interest of, and for the exclusive purposes of providing benefits to, Plan participants and their beneficiaries, monitoring employer contributions to the Plans and / or the Trusts, and defraying reasonable expenses of administering the Plans and / or the Trusts, with the duty to participants and their beneficiaries taking precedence over all other duties. The Board shall delegate decisions regarding the Plans and / or Trusts as described above exercising the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Clarity and Specificity: The Board will clearly and specifically identify each action that includes, in whole or in part, a delegation of responsibility from the Board to another person or entity. The Board will also clearly and specifically describe in writing the scope of the responsibility that is being delegated, to whom responsibility is being delegated, and the extent to which the Board responsibility continues (including monitoring).
3. Formality: The Board specifically finds that, although clarity and specificity are essential to all parties understanding the scope of delegated authority, the Board need not in all cases execute a formal delegation resolution. The form in which the Board takes a delegation action may vary depending upon the circumstances. However, all Board action that includes delegation of authority to another must be memorialized in writing (*e.g.*, through minutes, resolution, etc.).

D. Committee Relationship

The Board has delegated to the EBOC and President / CEO the responsibility for oversight of the actions of the Administrative Committee of the Plans and / or the Trusts.

Created: 09/27/04
Last Revised: 03/29/21

Policy and direction set by the Board is implemented through the EBOC to ensure a strong relationship between the Board and EBOC is established and because a clear delineation of authority is critical to the accomplishment of the Board's objectives.

III. Governance, Roles and Responsibilities

A. The Board

The Board shall be responsible for the following regarding the Plans and / or Trusts:

- adopting and terminating Plans and / or Trusts;
- approving annual expense and cash flow funding (employer / employee contributions) related to the Plans through the budget process;
- providing input, as determined necessary, to the EBOC on changes and / or amendments to the Plans and / or the Trusts;
- approving this Statement of Governance and revisions made thereto;
- overseeing the actions of the President / CEO and EBOC with respect to the Plans and / or the Trusts; and
- any other responsibility that may arise as a result of state or federal law.

Board members may request any information they need to make informed decisions related to the Benefit Plans.

B. The Employee Benefits Oversight Committee (formerly known as the Oversight Committee)

1. Membership

- a. Number. The EBOC shall consist of no fewer than three (3) members and no more than four (4) members to include the President / CEO, the Chief Financial Officer ("CFO") and the two Board Audit & Finance Committee members.¹ EBOC members shall include persons duly authorized to hold the named role (i.e., "Interim President / CEO" or "Acting CFO"). CPS Energy employees serving as members of the EBOC shall do so exercising fiduciary standards with respect to the Plans' participants and their beneficiaries, to the extent such employees are acting in a fiduciary capacity.
- b. Chair. The Chair of the Board Audit & Finance Committee shall be the Chair of the EBOC. The remaining Board member of the Board Audit & Finance Committee shall be the Vice Chair of the EBOC. Each person shall serve in the role as Chair or Vice Chair for a one (1) year term.

¹ The CPS Energy Board Audit & Finance Committee's membership is determined by the CPS Energy Board of Trustees Audit & Finance Committee Charter.

Created: 09/27/04

Last Revised: 03/29/21

- c. Secretary. The President / CEO shall appoint a Secretary on an annual basis. The Secretary shall keep accurate minutes of all meetings of the EBOC. The Secretary shall perform such other duties and have such other powers as the Committee Chair may designate from time to time. The CPS Energy Chief Audit Officer shall have unrestricted access to EBOC meetings and documents.
- d. Training. All members of the EBOC shall be provided general training and continuing education related to the Committee members' general fiduciary role and standard of care for the Plans and Trusts.

2. Standard of Care

Members of the EBOC shall exercise a fiduciary standard of care as they exercise control or authority over administration and oversight of the Plans and Trusts.

3. Reporting

- a. The Audit & Finance Committee of the Board, as members of the EBOC, will be responsible for keeping the rest of the Board informed as to actions and proposed actions regarding material matters of the EBOC, so that the Board may, if it deems it to be appropriate, meet and give formal recommendations on the proposed actions.
- b. In particular, the Audit & Finance Committee will provide the Board members notice, either by mail, telephone call, e-mail, or in-person, in advance of any final decisions on the following matters:
 - i. Review / Approval of Plan Changes / Amendments, and / or
 - ii. Review of Annual Funding recommendations, which are ultimately approved by the Board through the budget process.
- c. Any input from the Board will need to be provided in a sufficiently timely manner as to meet time schedules of the members of the Administrative Committee. In the event the Board has not responded within the deadlines provided, the Audit & Finance Committee will represent the interests of the Board and provide response to the Administrative Committee. To assist with this responsibility, the Secretary of the EBOC will ensure that approved minutes from all EBOC meetings are made available to all Board members.
- d. In addition, the Audit & Finance Committee will inform the Board of any decisions regarding the following: (i) Engagement of External Trust Plan Auditors, (ii) Review / Approval of Investment Policies and any legally required funding policies, and (iii) any other material matters which may be brought to the attention of the EBOC outside of formal meetings.

Created: 09/27/04
Last Revised: 03/29/21

4. Meetings

- a. Number, Date and Place. The EBOC shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair.
- b. Notice. Notice of all meetings of the EBOC, stating the time and place of such meeting, shall be given by the Committee Chair or his / her designee to the EBOC members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as provided herein, all action of the EBOC shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the EBOC shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the EBOC may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the EBOC. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the EBOC may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other; (2) another suitable electronic communication system, including videoconferencing technology or the Internet, but only if each member entitled to participate in the meeting consents to the meeting being held by the electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the EBOC may send a proxy to satisfy a quorum and with the power to vote on his / her behalf at the meetings of the Committee or may give his / her proxy to another member to vote on his / her behalf.

Created: 09/27/04
Last Revised: 03/29/21

5. Responsibilities and Duties

The EBOC shall be responsible and accountable to Plan members, beneficiaries, their representative organizations, and others with oversight interests in the Plans and / or the Trusts. This includes the following:

- provide input to and solicit information from the Board and the Administrative Committee on material matters;
- approve or reject the appointment and / or removal of members to the Administrative Committee (other than the Labor Representative²) with President / CEO input and Administrative Committee input;
- monitor, review, reject and / or approve changes and / or amendments to the Plans and / or the Trusts with Administrative Committee input;
- recommend revisions to this Statement of Governance with Administrative Committee input;
- review expense and cash flow funding (employer / employee contributions) related to the Plans after review of the Administrative Committee's recommendations and input from the President / CEO;
- approve Plan premiums, with Administrative Committee input;
- inform the Board of the recommended cash flow funding and projected expense related to the Plans;
- monitor and review Administrative Committee functions, as needed;
- engage external auditors to the Plans and / or the Trusts;
- approve / reject investment policies and funding policies with Administrative Committee input;
- provide an annual communication to the Board regarding the state of affairs of all Plans under the direction of the EBOC;
- ensure policies and guidelines are in place regarding proposed legislation (state and federal), corporate governance, and the adoption and / or amendment of administrative code rules and regulations regarding the Plans and / or the Trusts;
- set the Board agendas, by identifying, articulating, prioritizing and scheduling material matters the Board may need to address regarding the Plans and / or the Trusts and identifying information needs regarding the Plans and / or the Trusts and determining how, when and in what format information is to be delivered to the Board members so as to enable the Board to meet its responsibilities;
- ensure that operations of the Plans and / or the Trusts are consistent with CPS Energy policies and applicable laws;
- ensure Plan activities fall within the Board's policies regarding governance, prudence and ethics;
- with input from the Administrative Committee, determine the frequency, subjects and format of information to be provided to Board members and Board Committees;
- assess the Plans' and / or the Trusts' performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions;
- on at least an annual basis, monitor, review and compare the Plans' and / or the Trusts' performance and results to benchmark performance measures that include external and internal measures;
- on at least an annual basis, monitor and review financial statements and asset allocation to ensure timeliness of reporting;

² Defined as the President or his/her designee of the labor organization recognized by CPS Energy that comprises the largest membership (Labor Organization).

Created: 09/27/04
Last Revised: 03/29/21

- on at least an annual basis, provide oversight of investment decisions and ensure conformance to Investment Policies; and
- any other responsibility that may arise as a result of applicable state or federal law.

C. The President / CEO

The President / CEO shall be responsible for the following regarding the Plans and / or Trusts:

- appoint and / or remove observers for Administrative Committee member succession planning;
- represent the Plans and / or the Trusts, or designate other CPS Energy staff representatives, to outside parties and organizations;
- contribute to the Board's agenda in conjunction with the EBOC, articulating, prioritizing and scheduling agenda items regarding the Plans and / or the Trusts as appropriate;
- act as liaison between any person and / or entity seeking to provide information regarding the Plans and / or the Trusts to the Board;
- act as the liaison for communication and information flow between the Board and a representative of the Plans and / or the Trusts;
- ensure the information flow to the Board regarding the Plans and / or the Trusts is sufficient, comprehensive and timely;
- provide input to the Administrative Committee and EBOC on CPS Energy's budgetary constraints related to cash flow funding (employer / employee contributions) and expense related to the Plans; and
- any other responsibility that may arise as a result of applicable state or federal law.

D. The Administrative Committee

1. Membership

- Number. The Administrative Committee shall consist of up to nine (9) members to include a minimum of one (1) retired employee and a minimum of one (1) Labor Representative. The remaining membership shall consist of current employees (excluding the President / CEO and the Ex Officio members noted below) to maintain the right balance of skills and experience, including financial expertise.
- Eligibility. Members of the Administrative Committee must (a) be participants in the Plans, and (b) have a minimum of ten (10) years either: (i) in participation of the Pension Plan or (ii) recent experience in finance or investments. A minimum of two (2) Administrative Committee members must have a minimum of ten (10) years of recent experience in finance or investments.
- Ex Officio, Non-Voting Members. The CPS Energy ~~Senior Vice President of People & Culture~~ (or equivalent role or title or such individual's designee), the CFO, and the ~~Senior Director Vice President of Treasury & Finance~~ Capital Markets shall be *ex officio*, non-voting members of the Administrative Committee.

Created: 09/27/04
Last Revised: 03/29/21

- d. Diversification of Members. It is important that the Administrative Committee members be adequately diversified so that the concerns of a diversified workforce are considered and represented, and also recognize the importance of financial / investment knowledge. The Administrative Committee structure and the establishment of eligibility requirements will provide diversification, appropriate skills, and will maintain the “vested interest” of Administrative Committee members that is currently valued by the workforce, to the greatest extent possible.
- e. Chair and Vice Chair. The Chair and Vice Chair of the Administrative Committee shall hold office for one (1) year and until their successors have qualified. Nothing in this Statement of Governance prohibits serving consecutive terms.
- f. Secretary. The Administrative Committee Chair shall appoint a Secretary on an annual basis. The Secretary is not required to be a member of the Administrative Committee. The Secretary shall keep accurate minutes of all meetings of the Administrative Committee. The Secretary shall perform such other duties and have such other powers as the Administrative Committee Chair may designate from time to time. Nothing in this Statement of Governance prohibits the same individual from serving consecutive terms as Secretary.
- g. Length of Service. Nothing in this Statement of Governance prohibits the same individual(s) from serving unlimited consecutive terms.
 - i. Recognizing and balancing the value of membership continuity and the long-term nature of benefit-related matters with new perspectives and active awareness of committee membership, with the exception of the Labor Representative, each Administrative Committee member shall be appointed a period of six (6) years, with the intent that the terms of the members shall generally be staggered.
 - ii. The Labor Representative serves at the pleasure of the Labor Organization President and shall be appointed for a period of six (6) years, or until the election of a new Labor Organization President or the Labor Organization President appoints a new designee, whichever is shorter. Labor organization membership will be assessed at that time and the Labor Organization President shall serve or appoint a new or the same designee.
- h. Attendance and Participation. Attendance of the Administrative Committee members shall be recorded by the Secretary. Failure to attend and participate in meetings may result in a recommendation to the EBOC for removal of non-attending / non-participating Administrative Committee member(s). Attendance and / or participation concerns regarding the Labor Representative shall be addressed by Labor Organization leadership and the President / CEO, with input from other Administrative Committee members.
- i. Compensation. The Administrative Committee members shall perform their duties without compensation from the Trusts.
- j. Training. Members of the Administrative Committee shall receive all applicable and timely ~~minimum~~ training and continuing education consistent with the Administrative Committee members’ role and standard of care, including, but not limited to, Tex. Local Gov’t Code section 172.007 risk pool training and Texas

Created: 09/27/04

Last Revised: 03/29/21

Pension Review Board fiduciary duty training, or as otherwise required by law or CPS Energy policy.

- k. Members Serve without Bonds. Members of the Administrative Committee shall serve without bond or security for the performance of their duties hereunder, unless applicable law requires the furnishing of such bond or security.
- l. Expenses. All usual and reasonable expenses of the Administrative Committee may be paid in whole or in part by CPS Energy, and any such expenses not paid by CPS Energy shall be paid by the Trusts out of principal or income of any of the Trusts.
- m. Subcommittees. The Administrative Committee may have Subcommittees as may be required for the effective conduct of the business of the Administrative Committee, *provided however*, that Subcommittees shall be created only in response to need and to serve a specific purpose. Members of each Subcommittee, which may include observers and CPS Energy staff, shall be appointed by the Administrative Committee Chair and each Subcommittee shall serve for no more than one (1) year from the date of its appointment and shall be considered discharged upon the expiration of said year, unless specifically authorized by the Administrative Committee at the time of its appointment.

2. Standard of Care

The Administrative Committee members shall exercise a fiduciary standard of care as they (a) exercise control over the investment of Plan assets, (b) perform discretionary functions with respect to the administration of Plan benefits, and (c) are responsible for analyzing and making recommendations related to the funding of the Trusts.³

With respect to all other obligations (including non-discretionary, routine administrative functions) under this Statement of Governance, the Administrative Committee members shall exercise no less than a reasonable standard of care.

³ The members of the Administrative Committee are Trustees of the Plans that are designated Risk Pools under Texas statute (Group Health, Group Life and Disability Plans).

Created: 09/27/04
Last Revised: 03/29/21

3. Meetings

- a. Number, Date and Place. The Administrative Committee will meet at least quarterly. All meetings of the Administrative Committee shall be held in San Antonio, Texas, at a place and time designated by the Administrative Committee Chair.
- b. Notice. Notice of all meetings of the Administrative Committee, stating the time and place of such meeting, shall be given by the Administrative Committee Chair or his / her designee to the Administrative Committee members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as otherwise provided herein, all action of the Administrative Committee shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Administrative Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the Administrative Committee shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the Administrative Committee may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the Administrative Committee. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the Administrative Committee may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment; or (2) another suitable electronic communication system, including videoconferencing technology or the Internet, provided that each member entitled to participate in the meeting consents to the meeting being held by the telephonic or electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the Administrative Committee may send a proxy with the power to vote on his / her behalf at the meetings of the Administrative Committee or may give his / her proxy to another member to vote on his / her behalf.

Created: 09/27/04
Last Revised: 03/29/21

4. Responsibilities & Duties

The Administrative Committee shall be responsible for the following:

Plan Design and Funding Related Roles:

- review and provide input to the President / CEO on expenses related to the Plans;
- obtain input from the President / CEO, or his / her designee, on CPS Energy's budgetary constraints relative to the impact on Plan design considerations;
- analyze and recommend amendments to the Plans and / or the Trusts;
- analyze and recommend to the EBOC, Plan design changes necessary to control costs and keep benefits competitive;
- analyze and recommend to the Board, through the budget process, the amount of the cash flow funding (employer / employee contributions) and expenses related to the Plans;
- ensure the engagement of a Pension actuary who meets the professional requirements set forth in Section 802.101(d) of the Texas Government Code and who shall be responsible for the preparation of the valuation described in Section 802.101(a), together with his or her recommendations to ensure the actuarial soundness of the Plans and Trusts;
- order, receive, and review an actuarial valuation at least every year for each Plan;
- analyze and approve / reject actuarial assumptions and report actuarial assumptions to the EBOC;
- ensure the Pension actuarial valuations, studies and reports are audited at least every 5 years by an independent actuarial firm in accordance with Section 802.1012 of the Texas Government Code;
- select, monitor, and terminate the Plans' and / or Trusts' investment consultants, investment managers, custodial trustee(s), and other service providers;
- appoint or employ and manage, for the Plans, any agents it deems advisable, including, but not limited to, legal counsel, property management firms and Trust staff;

Financial Responsibilities and Reporting Roles:

- oversee all audits of the Plans and / or the Trusts;
- review and approve annual audited financial statements for the Plans and Trusts;
- ensure daily operation of funds (monitoring cash flow needs, cash transfers, etc.);
- prepare monthly, quarterly and annual reports;
- order, receive and review reports of the financial condition and of the receipts and disbursements of the Trusts from the Trustee;
- prepare communications to the EBOC, at least twice per year or as needed, in conjunction with meetings of the EBOC.
- select an administrator of the Plans and / or the Trusts;
- analyze and recommend to the EBOC any funding policy required by law;
- prepare annual reports to the EBOC and all Plan participants on changes in financial condition and investment performance;

Created: 09/27/04
Last Revised: 03/29/21

Investment-Related Roles:

- recommend an investment policy;
- review the investment policy at least annually and recommend revisions as needed;
- invest assets in compliance with the investment policy;
- in accordance with Texas Government Code § 802.109, engage a qualified independent firm to evaluate Plan investment practices and performance and make recommendations for improvement;

Administrative Roles:

- elect Administrative Committee Chair and Vice Chair;
- appoint Administrative Committee Secretary;
- delegate to one or more of the members of the Administrative Committee the right to act in its behalf in all matters connected with the administration of the Plans and Trusts;
- complete an annual declaration process (mid-year for existing members and within three months of effective date for new members);
- monitor the Plans and / or the Trusts for legal compliance;
- monitor changes in state and federal law and make recommendations to the appropriate parties concerning compliance with changes;
- recommend revisions to this Statement of Governance to the EBOC;
- administer and interpret the Plans' and the Trusts' provisions
- establish administrative procedures;
- monitor employees of the Plans and / or Trusts, and CPS Energy staff to ensure the Administrative Committee policies and procedures are implemented appropriately;
- adopt procedures participant(s) must follow to obtain benefits;
- decide all questions of eligibility, and determine the amount, manner, and time of payment of any benefits hereunder;
- make a determination as to the right of any person to a benefit and to afford any person dissatisfied with such determination the right to a hearing thereon;
- ensure that summary descriptions for the Plans and / or the Trusts are prepared;
- timely file with the State Pension Review Board any information and documents required by law, including, but not limited to annual reports, the actuary's valuation and recommendations, and plan registrations;
- maintain for public review on a publicly available Internet website, at the Employer's main office and at such other locations as the Administrative Committee considers appropriate, copies of the most recent edition of each report required by law to be submitted to the State Pension Review Board;
- for the Pension Plan, make available to member or annuitant (i) a general summary of Plan benefits; (ii) a summary of procedures for claiming or electing benefits under the Plan; (iii) a summary of principal Plan provisions, including provisions relating to Employer and Employee contributions, withdrawal of the Contribution Accumulation, and eligibility for benefits (including any right to terminate employment and retain eligibility); (iv) summaries of significant changes to the Plan affecting contributions, benefits, or eligibility; (v) an annual statement of the Employee's Contribution Accumulation, Benefit Service, and in the case of retired Employees, the amount of Pension payments received during the preceding year; (vi) and such other information as may be required from time to time by Section 802.106 of the Texas Government Code; and
- any other responsibility that may arise as a result of applicable state or federal law.

Formatted: List Paragraph, Indent: Left: 0.81", Bulleted
+ Level: 1 + Aligned at: 1.07" + Indent at: 1.32"

Formatted: Font: (Default) Times New Roman, 12 pt

Created: 09/27/04
Last Revised: 03/29/21

Demonstrative Chart of Responsibilities

Responsibilities	Board	EBOC	CEO	Administrative Committee
Adopt or reject Plans / Trust	X			
Approve changes to Plans / Trusts		X		
Approve benefit expenses related to the Plans via Budget Process	X			
Approve cash flow funding (Employer / Employee contributions) via Budget Process	X			
Approve Plan premiums		X		
Approve or reject Investment Policies		X		
Approve or reject Funding Policies		X		
Liaison to provide information re Plans / Trusts		X (Board)	X (external)	X (all others)
Appoint and remove Administrative Committee Members (other than the Labor Representative)		X		
Appoint Administrative Committee Observers			X	
Select Plan Administrator				X
Administer Plan				X
Engage auditor(s)		X		
Engage actuary(s)				X
Engage a qualified firm to evaluate Plan investment practices & performance				X
Engage consultant(s) (investment managers, trustees, Agents, attorneys)				X

CPS Energy Employee Benefit Plans Statement of Governance

Contents

I. Overall Philosophy of Governance.....	1
II. Authority	2
A. Source of Authority	2
B. Duties of the Board Regarding the Plans and Trusts	2
C. Delegation of Authority	2
D. Committee Relationship	3
III. Governance, Roles and Responsibilities.....	3
A. The Board.....	3
B. The Employee Benefits Oversight Committee.....	3
C. The President / CEO.....	6
D. The Administrative Committee.....	7

To ensure that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, the CPS Energy Board of Trustees (“Board”) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Employee Benefits Oversight Committee (“EBOC”) (formerly known as the Oversight Committee), the CPS Energy President and Chief Executive Officer (President / CEO), the Administrative Committee, employees of the Plans and / or Trusts, and CPS Energy staff. The CPS Energy Employee Benefit Plans are the CPS Energy Pension, Group Health, Group Life Insurance, and Disability Income plans (collectively, “Plans”) and the associated Trusts (“Trusts”). In the event that any Plan or Trust provisions conflict or are inconsistent with the specified provisions of this Statement of Governance, the Plan or Trust document shall control.

I. Overall Philosophy of Governance

The Board, the EBOC, the President / CEO, and the Administrative Committee are responsible for creating and maintaining an atmosphere that encourages prudent governance at all levels. The Board strives to achieve a governing style that emphasizes:

1. strategic leadership, outward vision, focus on the future, and proactivity;
2. encouragement of collegiality, including the creation of an environment that supports CPS Energy’s values;
3. civility and courtesy, to all parties involved in the Plans’ and / or the Trusts’ governance;
4. respect for diversity in viewpoints, recognizing value in all input;
5. governance by consensus;
6. a “partnership” with CPS Energy management; and
7. ethical conduct of the Plans’ and / or the Trusts’ business.

The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole, by the EBOC, by the President / CEO, and by the Administrative Committee to live by the policies articulated herein and to govern with excellence.

II. Authority

A. Source of Authority

The authority of the Board, the EBOC, the President / CEO, and the Administrative Committee in relation to the Plans and / or the Trusts is found in the Plan documents for each of the Plans and / or the Trusts and is reflected in this document.

B. Duties of the Board Regarding the Plans and Trusts

The Board has the legal and fiduciary responsibility for the Plans and / or Trusts, except as provided by law.

C. Delegation of Authority

The Board is authorized to delegate certain activities and responsibilities regarding the Plans and / or the Trusts to the EBOC, the President / CEO, the Administrative Committee, employees of the Plans and / or Trusts, CPS Energy staff, and / or contractors. This legal and fiduciary responsibility, thus, requires that the Board: (a) select delegates with care, (b) define delegated responsibilities clearly, (c) monitor delegate performance, and (d) take corrective action when appropriate.

The Board may delegate certain activities and responsibilities regarding the Plans and / or the Trusts pursuant to the following principles:

1. Standard of Care: The Board shall make all delegation decisions related to Plan and Trust administration or other fiduciary functions with respect to the Plans and /or Trusts solely in the interest of, and for the exclusive purposes of providing benefits to, Plan participants and their beneficiaries, monitoring employer contributions to the Plans and / or the Trusts, and defraying reasonable expenses of administering the Plans and / or the Trusts, with the duty to participants and their beneficiaries taking precedence over all other duties. The Board shall delegate decisions regarding the Plans and / or Trusts as described above exercising the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Clarity and Specificity: The Board will clearly and specifically identify each action that includes, in whole or in part, a delegation of responsibility from the Board to another person or entity. The Board will also clearly and specifically describe in writing the scope of the responsibility that is being delegated, to whom responsibility is being delegated, and the extent to which the Board responsibility continues (including monitoring).
3. Formality: The Board specifically finds that, although clarity and specificity are essential to all parties understanding the scope of delegated authority, the Board need not in all cases execute a formal delegation resolution. The form in which the Board takes a delegation action may vary depending upon the circumstances. However, all Board action that includes delegation of authority to another must be memorialized in writing (*e.g.*, through minutes, resolution, etc.).

D. Committee Relationship

The Board has delegated to the EBOC and President / CEO the responsibility for oversight of the actions of the Administrative Committee of the Plans and / or the Trusts.

Policy and direction set by the Board is implemented through the EBOC to ensure a strong relationship between the Board and EBOC is established and because a clear delineation of authority is critical to the accomplishment of the Board's objectives.

III. Governance, Roles and Responsibilities

A. The Board

The Board shall be responsible for the following regarding the Plans and / or Trusts:

- adopting and terminating Plans and / or Trusts;
- approving annual expense and cash flow funding (employer / employee contributions) related to the Plans through the budget process;
- providing input, as determined necessary, to the EBOC on changes and / or amendments to the Plans and / or the Trusts;
- approving this Statement of Governance and revisions made thereto;
- overseeing the actions of the President / CEO and EBOC with respect to the Plans and / or the Trusts; and
- any other responsibility that may arise as a result of state or federal law.

Board members may request any information they need to make informed decisions related to the Benefit Plans.

B. The Employee Benefits Oversight Committee (formerly known as the Oversight Committee)

1. Membership

- a. Number. The EBOC shall consist of no fewer than three (3) members and no more than four (4) members to include the President / CEO, the Chief Financial Officer ("CFO") and the two Board Audit & Finance Committee members.¹ EBOC members shall include persons duly authorized to hold the named role (*i.e.*, "Interim President / CEO" or "Acting CFO"). CPS Energy employees serving as members of the EBOC shall do so exercising fiduciary standards with respect to the Plans' participants and their beneficiaries, to the extent such employees are acting in a fiduciary capacity.
- b. Chair. The Chair of the Board Audit & Finance Committee shall be the Chair of the EBOC. The remaining Board member of the Board Audit & Finance Committee shall be the Vice Chair of the EBOC. Each person shall serve in the role as Chair or Vice Chair for a one (1) year term.

¹ The CPS Energy Board Audit & Finance Committee's membership is determined by the CPS Energy Board of Trustees Audit & Finance Committee Charter.

Created: 09/27/04
Last Revised: 03/29/21

- c. Secretary. The President / CEO shall appoint a Secretary on an annual basis. The Secretary shall keep accurate minutes of all meetings of the EBOC. The Secretary shall perform such other duties and have such other powers as the Committee Chair may designate from time to time. The CPS Energy Chief Audit Officer shall have unrestricted access to EBOC meetings and documents.
- d. Training. All members of the EBOC shall be provided general training and continuing education related to the Committee members' general fiduciary role and standard of care for the Plans and Trusts.

2. Standard of Care

Members of the EBOC shall exercise a fiduciary standard of care as they exercise control or authority over administration and oversight of the Plans and Trusts.

3. Reporting

- a. The Audit & Finance Committee of the Board, as members of the EBOC, will be responsible for keeping the rest of the Board informed as to actions and proposed actions regarding material matters of the EBOC, so that the Board may, if it deems it to be appropriate, meet and give formal recommendations on the proposed actions.
- b. In particular, the Audit & Finance Committee will provide the Board members notice, either by mail, telephone call, e-mail, or in-person, in advance of any final decisions on the following matters:
 - i. Review / Approval of Plan Changes / Amendments, and / or
 - ii. Review of Annual Funding recommendations, which are ultimately approved by the Board through the budget process.
- c. Any input from the Board will need to be provided in a sufficiently timely manner as to meet time schedules of the members of the Administrative Committee. In the event the Board has not responded within the deadlines provided, the Audit & Finance Committee will represent the interests of the Board and provide response to the Administrative Committee. To assist with this responsibility, the Secretary of the EBOC will ensure that approved minutes from all EBOC meetings are made available to all Board members.
- d. In addition, the Audit & Finance Committee will inform the Board of any decisions regarding the following: (i) Engagement of External Trust Plan Auditors, (ii) Review / Approval of Investment Policies and any legally required funding policies, and (iii) any other material matters which may be brought to the attention of the EBOC outside of formal meetings.

4. Meetings

- a. Number, Date and Place. The EBOC shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair.
- b. Notice. Notice of all meetings of the EBOC, stating the time and place of such meeting, shall be given by the Committee Chair or his / her designee to the EBOC members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as provided herein, all action of the EBOC shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the EBOC shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the EBOC may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the EBOC. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the EBOC may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other; (2) another suitable electronic communication system, including videoconferencing technology or the Internet, but only if each member entitled to participate in the meeting consents to the meeting being held by the electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the EBOC may send a proxy to satisfy a quorum and with the power to vote on his / her behalf at the meetings of the Committee or may give his / her proxy to another member to vote on his / her behalf.

5. Responsibilities and Duties

The EBOC shall be responsible and accountable to Plan members, beneficiaries, their representative organizations, and others with oversight interests in the Plans and / or the Trusts. This includes the following:

- provide input to and solicit information from the Board and the Administrative Committee on material matters;
- approve or reject the appointment and / or removal of members to the Administrative Committee (other than the Labor Representative²) with President / CEO input and Administrative Committee input;
- monitor, review, reject and / or approve changes and / or amendments to the Plans and / or the Trusts with Administrative Committee input;
- recommend revisions to this Statement of Governance with Administrative Committee input;
- review expense and cash flow funding (employer / employee contributions) related to the Plans after review of the Administrative Committee's recommendations and input from the President / CEO;
- approve Plan premiums, with Administrative Committee input;
- inform the Board of the recommended cash flow funding and projected expense related to the Plans;
- monitor and review Administrative Committee functions, as needed;
- engage external auditors to the Plans and / or the Trusts;
- approve / reject investment policies and funding policies with Administrative Committee input;
- provide an annual communication to the Board regarding the state of affairs of all Plans under the direction of the EBOC;
- ensure policies and guidelines are in place regarding proposed legislation (state and federal), corporate governance, and the adoption and / or amendment of administrative code rules and regulations regarding the Plans and / or the Trusts;
- set the Board agendas, by identifying, articulating, prioritizing and scheduling material matters the Board may need to address regarding the Plans and / or the Trusts and identifying information needs regarding the Plans and / or the Trusts and determining how, when and in what format information is to be delivered to the Board members so as to enable the Board to meet its responsibilities;
- ensure that operations of the Plans and / or the Trusts are consistent with CPS Energy policies and applicable laws;
- ensure Plan activities fall within the Board's policies regarding governance, prudence and ethics;
- with input from the Administrative Committee, determine the frequency, subjects and format of information to be provided to Board members and Board Committees;
- assess the Plans' and / or the Trusts' performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions;
- on at least an annual basis, monitor, review and compare the Plans' and / or the Trusts' performance and results to benchmark performance measures that include external and internal measures;
- on at least an annual basis, monitor and review financial statements and asset allocation to ensure timeliness of reporting;

² Defined as the President or his/her designee of the labor organization recognized by CPS Energy that comprises the largest membership (Labor Organization).

- on at least an annual basis, provide oversight of investment decisions and ensure conformance to Investment Policies; and
- any other responsibility that may arise as a result of applicable state or federal law.

C. The President / CEO

The President / CEO shall be responsible for the following regarding the Plans and / or Trusts:

- appoint and / or remove observers for Administrative Committee member succession planning;
- represent the Plans and / or the Trusts, or designate other CPS Energy staff representatives, to outside parties and organizations;
- contribute to the Board's agenda in conjunction with the EBOC, articulating, prioritizing and scheduling agenda items regarding the Plans and / or the Trusts as appropriate;
- act as liaison between any person and / or entity seeking to provide information regarding the Plans and / or the Trusts to the Board;
- act as the liaison for communication and information flow between the Board and a representative of the Plans and / or the Trusts;
- ensure the information flow to the Board regarding the Plans and / or the Trusts is sufficient, comprehensive and timely;
- provide input to the Administrative Committee and EBOC on CPS Energy's budgetary constraints related to cash flow funding (employer / employee contributions) and expense related to the Plans; and
- any other responsibility that may arise as a result of applicable state or federal law.

D. The Administrative Committee

1. Membership

- Number. The Administrative Committee shall consist of up to nine (9) members to include a minimum of one (1) retired employee and a minimum of one (1) Labor Representative. The remaining membership shall consist of current employees (excluding the President / CEO and the Ex Officio members noted below) to maintain the right balance of skills and experience, including financial expertise.
- Eligibility. Members of the Administrative Committee must (a) be participants in the Plans, and (b) have a minimum of ten (10) years either: (i) in participation of the Pension Plan or (ii) recent experience in finance or investments. A minimum of two (2) Administrative Committee members must have a minimum of ten (10) years of recent experience in finance or investments.
- Ex Officio, Non-Voting Members. The CPS Energy Vice President of People & Culture (or equivalent role or title or such individual's designee), the CFO, and the Vice President of Capital Markets shall be *ex officio*, non-voting members of the Administrative Committee.

- d. Diversification of Members. It is important that the Administrative Committee members be adequately diversified so that the concerns of a diversified workforce are considered and represented, and also recognize the importance of financial / investment knowledge. The Administrative Committee structure and the establishment of eligibility requirements will provide diversification, appropriate skills, and will maintain the “vested interest” of Administrative Committee members that is currently valued by the workforce, to the greatest extent possible.
- e. Chair and Vice Chair. The Chair and Vice Chair of the Administrative Committee shall hold office for one (1) year and until their successors have qualified. Nothing in this Statement of Governance prohibits serving consecutive terms.
- f. Secretary. The Administrative Committee Chair shall appoint a Secretary on an annual basis. The Secretary is not required to be a member of the Administrative Committee. The Secretary shall keep accurate minutes of all meetings of the Administrative Committee. The Secretary shall perform such other duties and have such other powers as the Administrative Committee Chair may designate from time to time. Nothing in this Statement of Governance prohibits the same individual from serving consecutive terms as Secretary.
- g. Length of Service. Nothing in this Statement of Governance prohibits the same individual(s) from serving unlimited consecutive terms.
 - i. Recognizing and balancing the value of membership continuity and the long-term nature of benefit-related matters with new perspectives and active awareness of committee membership, with the exception of the Labor Representative, each Administrative Committee member shall be appointed a period of six (6) years, with the intent that the terms of the members shall generally be staggered.
 - ii. The Labor Representative serves at the pleasure of the Labor Organization President and shall be appointed for a period of six (6) years, or until the election of a new Labor Organization President or the Labor Organization President appoints a new designee, whichever is shorter. Labor organization membership will be assessed at that time and the Labor Organization President shall serve or appoint a new or the same designee.
- h. Attendance and Participation. Attendance of the Administrative Committee members shall be recorded by the Secretary. Failure to attend and participate in meetings may result in a recommendation to the EBOC for removal of non-attending / non-participating Administrative Committee member(s). Attendance and / or participation concerns regarding the Labor Representative shall be addressed by Labor Organization leadership and the President / CEO, with input from other Administrative Committee members.
- i. Compensation. The Administrative Committee members shall perform their duties without compensation from the Trusts.
- j. Training. Members of the Administrative Committee shall receive all applicable and timely training and continuing education consistent with the Administrative Committee members’ role and standard of care, including, but not limited to, Tex. Local Gov’t Code section 172.007 risk pool training and Texas Pension Review

Created: 09/27/04

Last Revised: 03/29/21

Board fiduciary duty training, or as otherwise required by law or CPS Energy policy.

- k. Members Serve without Bonds. Members of the Administrative Committee shall serve without bond or security for the performance of their duties hereunder, unless applicable law requires the furnishing of such bond or security.
- l. Expenses. All usual and reasonable expenses of the Administrative Committee may be paid in whole or in part by CPS Energy, and any such expenses not paid by CPS Energy shall be paid by the Trusts out of principal or income of any of the Trusts.
- m. Subcommittees. The Administrative Committee may have Subcommittees as may be required for the effective conduct of the business of the Administrative Committee, *provided however*, that Subcommittees shall be created only in response to need and to serve a specific purpose. Members of each Subcommittee, which may include observers and CPS Energy staff, shall be appointed by the Administrative Committee Chair and each Subcommittee shall serve for no more than one (1) year from the date of its appointment and shall be considered discharged upon the expiration of said year, unless specifically authorized by the Administrative Committee at the time of its appointment.

2. Standard of Care

The Administrative Committee members shall exercise a fiduciary standard of care as they (a) exercise control over the investment of Plan assets, (b) perform discretionary functions with respect to the administration of Plan benefits, and (c) are responsible for analyzing and making recommendations related to the funding of the Trusts.³

With respect to all other obligations (including non-discretionary, routine administrative functions) under this Statement of Governance, the Administrative Committee members shall exercise no less than a reasonable standard of care.

³ The members of the Administrative Committee are Trustees of the Plans that are designated Risk Pools under Texas statute (Group Health, Group Life and Disability Plans).

3. Meetings

- a. Number, Date and Place. The Administrative Committee will meet at least quarterly. All meetings of the Administrative Committee shall be held in San Antonio, Texas, at a place and time designated by the Administrative Committee Chair.
- b. Notice. Notice of all meetings of the Administrative Committee, stating the time and place of such meeting, shall be given by the Administrative Committee Chair or his / her designee to the Administrative Committee members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as otherwise provided herein, all action of the Administrative Committee shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Administrative Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the Administrative Committee shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the Administrative Committee may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the Administrative Committee. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the Administrative Committee may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment; or (2) another suitable electronic communication system, including videoconferencing technology or the Internet, provided that each member entitled to participate in the meeting consents to the meeting being held by the telephonic or electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the Administrative Committee may send a proxy with the power to vote on his / her behalf at the meetings of the Administrative Committee or may give his / her proxy to another member to vote on his / her behalf.

4. Responsibilities & Duties

The Administrative Committee shall be responsible for the following:

Plan Design and Funding Related Roles:

- review and provide input to the President / CEO on expenses related to the Plans;
- obtain input from the President / CEO, or his / her designee, on CPS Energy's budgetary constraints relative to the impact on Plan design considerations;
- analyze and recommend amendments to the Plans and / or the Trusts;
- analyze and recommend to the EBOC, Plan design changes necessary to control costs and keep benefits competitive;
- analyze and recommend to the Board, through the budget process, the amount of the cash flow funding (employer / employee contributions) and expenses related to the Plans;
- ensure the engagement of a Pension actuary who meets the professional requirements set forth in Section 802.101(d) of the Texas Government Code and who shall be responsible for the preparation of the valuation described in Section 802.101(a), together with his or her recommendations to ensure the actuarial soundness of the Plans and Trusts;
- order, receive, and review an actuarial valuation at least every year for each Plan;
- analyze and approve / reject actuarial assumptions and report actuarial assumptions to the EBOC;
- ensure the Pension actuarial valuations, studies and reports are audited at least every 5 years by an independent actuarial firm in accordance with Section 802.1012 of the Texas Government Code;
- select, monitor, and terminate the Plans' and / or Trusts' investment consultants, investment managers, custodial trustee(s), and other service providers;
- appoint or employ and manage, for the Plans, any agents it deems advisable, including, but not limited to, legal counsel, property management firms and Trust staff;

Financial Responsibilities and Reporting Roles:

- oversee all audits of the Plans and / or the Trusts;
- review and approve annual audited financial statements for the Plans and Trusts;
- ensure daily operation of funds (monitoring cash flow needs, cash transfers, etc.);
- prepare monthly, quarterly and annual reports;
- order, receive and review reports of the financial condition and of the receipts and disbursements of the Trusts from the Trustee;
- prepare communications to the EBOC, at least twice per year or as needed, in conjunction with meetings of the EBOC.
- select an administrator of the Plans and / or the Trusts;
- analyze and recommend to the EBOC any funding policy required by law;
- prepare annual reports to the EBOC and all Plan participants on changes in financial condition and investment performance;

Investment-Related Roles:

- recommend an investment policy;
- review the investment policy at least annually and recommend revisions as needed;
- invest assets in compliance with the investment policy;
- in accordance with Texas Government Code § 802.109, engage a qualified independent firm to evaluate Plan investment practices and performance and make recommendations for improvement;

Administrative Roles:

- elect Administrative Committee Chair and Vice Chair;
- appoint Administrative Committee Secretary;
- delegate to one or more of the members of the Administrative Committee the right to act in its behalf in all matters connected with the administration of the Plans and Trusts;
- complete annual declaration process (mid-year for existing members & within three months of effective date for new members);
- monitor the Plans and / or the Trusts for legal compliance;
- monitor changes in state and federal law and make recommendations to the appropriate parties concerning compliance with changes;
- recommend revisions to this Statement of Governance to the EBOC;
- administer and interpret the Plans' and the Trusts' provisions
- establish administrative procedures;
- monitor employees of the Plans and / or Trusts, and CPS Energy staff to ensure the Administrative Committee policies and procedures are implemented appropriately;
- adopt procedures participant(s) must follow to obtain benefits;
- decide all questions of eligibility, and determine the amount, manner, and time of payment of any benefits hereunder;
- make a determination as to the right of any person to a benefit and to afford any person dissatisfied with such determination the right to a hearing thereon;
- ensure that summary descriptions for the Plans and / or the Trusts are prepared;
- timely file with the State Pension Review Board any information and documents required by law, including, but not limited to annual reports, the actuary's valuation and recommendations, and plan registrations;
- maintain for public review on a publicly available Internet website, at the Employer's main office and at such other locations as the Administrative Committee considers appropriate, copies of the most recent edition of each report required by law to be submitted to the State Pension Review Board;
- for the Pension Plan, make available to member or annuitant (i) a general summary of Plan benefits; (ii) a summary of procedures for claiming or electing benefits under the Plan; (iii) a summary of principal Plan provisions, including provisions relating to Employer and Employee contributions, withdrawal of the Contribution Accumulation, and eligibility for benefits (including any right to terminate employment and retain eligibility); (iv) summaries of significant changes to the Plan affecting contributions, benefits, or eligibility; (v) an annual statement of the Employee's Contribution Accumulation, Benefit Service, and in the case of retired Employees, the amount of Pension payments received during the preceding year; (vi) and such other information as may be required from time to time by Section 802.106 of the Texas Government Code; and
- any other responsibility that may arise as a result of applicable state or federal law.

Demonstrative Chart of Responsibilities

Responsibilities	Board	EBOC	CEO	Administrative Committee
Adopt or reject Plans / Trust	X			
Approve changes to Plans / Trusts		X		
Approve benefit expenses related to the Plans via Budget Process	X			
Approve cash flow funding (Employer / Employee contributions) via Budget Process	X			
Approve Plan premiums		X		
Approve or reject Investment Policies		X		
Approve or reject Funding Policies		X		
Liaison to provide information re Plans / Trusts		X (Board)	X (external)	X (all others)
Appoint and remove Administrative Committee Members (other than the Labor Representative)		X		
Appoint Administrative Committee Observers			X	
Select Plan Administrator				X
Administer Plan				X
Engage auditor(s)		X		
Engage actuary(s)				X
Engage a qualified firm to evaluate Plan investment practices & performance				X
Engage consultant(s) (investment managers, trustees, Agents, attorneys)				X



NOMINATIONS COMMITTEE (NC)

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE SEPTEMBER 15, 2021 MEETING
PREPARED FOR COMMITTEE CHAIR ED KELLEY
FOR REPORT AT THE NEXT NOMINATIONS COMMITTEE MEETING IN SEPTEMBER 2021.**

The Nominations Committee met on September 15, 2021. As part of the Nominations Committee agenda, the members:

- A. Interviewed applicants;
- B. Discussed next steps in the interview process.

The next meeting of the Nominations Committee is scheduled for September 16, 2021.



NOMINATIONS COMMITTEE (NC)

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE SEPTEMBER 16, 2021 MEETING
PREPARED FOR COMMITTEE CHAIR ED KELLEY
FOR REPORT AT THE NEXT NOMINATIONS COMMITTEE MEETING IN SEPTEMBER 2021.**

The Nominations Committee met on September 16, 2021. As part of the Nominations Committee agenda, the members:

- A. Interviewed applicants;
- B. Discussed next steps in the interview process.

The next meeting of the Nominations Committee is scheduled for September 20, 2021.



MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE SEPTEMBER 27, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE OCTOBER 25, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on September 27, 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 October 25, 2021.



APPOINTMENT TO THE CITIZENS ADVISORY COMMITTEE (CAC) FOR DISTRICT 2

PRESENTED BY:

Julia Carrillo Haynes

Manager, Local Government Relations

October 25, 2021

Approval Requested

OBJECTIVES & TAKEAWAYS



- **PROVIDE BRIEF OVERVIEW OF THE CAC**
- **PRESENT NEW APPOINTMENT FOR DISTRICT 2 & REQUEST APPROVAL OF MS. LAWSON PICASSO**



AGENDA



- **APPOINTMENT PROCESS**
- **CURRENT CAC MEMBERS**
- **RECENT APPOINTMENTS**
- **EXPIRING TERMS**
- **REQUEST APPROVAL OF DISTRICT 2 CAC APPOINTMENT**

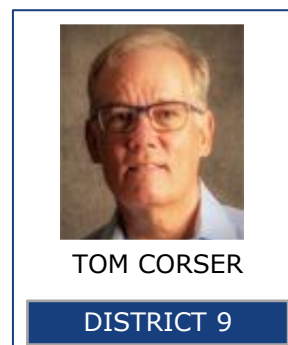
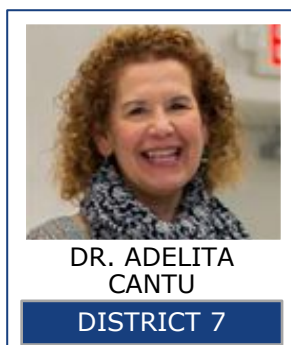
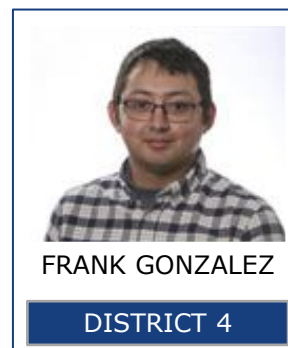
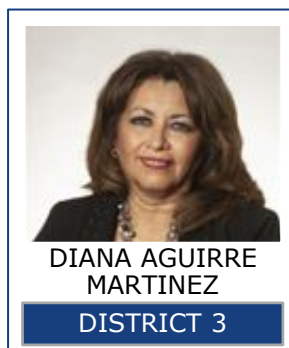
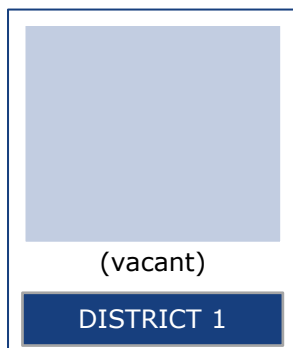
APPOINTMENT PROCESS



- Two (2) year terms; maximum (3) consecutive terms
- Each City Council member appoints (1) member
- All five (5) At-Large members are nominated by the community & interviewed by the CAC
- All CAC Members are approved by the Board of Trustees



COUNCIL APPOINTEES



 Appointee being considered today

AT-LARGE MEMBERS



Luisa Casso
Chair



Bill Day
Chair Elect



**Mayor Mary
Dennis**



**MaryEllen
Veliz**



David Walter

RECENT CAC APPOINTMENTS



- 2020

- February

- MaryEllen Veliz, At-Large
 - Frank Gonzalez, District 4

- April

- Raquel Zapata, District 6
 - John Kelly, District 8

- June

- Dr. Adelita Cantu, District 7

- 2021

- September

- Tom Corser, District 9

- October

- Lawson Picasso, District 2

EXPIRED & SOON TO BE EXPIRING TERMS



Council Appointments

- Andy Castillo – Dist. 5
 - 02/21
 - Currently serving on Rate Advisory Committee (RAC)

At-Large

- David Walter
 - 01/22
- Chair Luisa Casso
 - 02/22
- Mayor Mary Dennis
 - 11/22

The Government Relations team continues to engage with City Council offices on vacant & expiring terms & will return to the Board of Trustees regularly with updates on new appointments.

CAC APPOINTMENT

DISTRICT 2

COUNCILMAN MCKEE-RODRIGUEZ



Ms. Lawson Picasso

- Communications & Public Involvement Professional
- San Antonio resident for 10 years
- Engaged in multiple local non-profit organizations

REQUEST FOR APPROVAL



- **Ms. Lawson Picasso**
District 2 appointment to CAC made by
Councilman Jalen McKee-Rodriguez





Thank You





FLEXPOWER BUNDLESM **UPDATE**

PRESENTED BY:

Kevin Pollo

VP, Energy Supply & Market Operations (ESMO)

October 25, 2021

Informational Update

OBJECTIVES & TAKEAWAYS



- **PROVIDE AN UPDATE ON *FLEXPOWER* BUNDLESM**
- **DISCUSS POTENTIAL CARVEOUT FOR PROJECTS WITH EXCEPTIONAL LOCAL IMPACT**

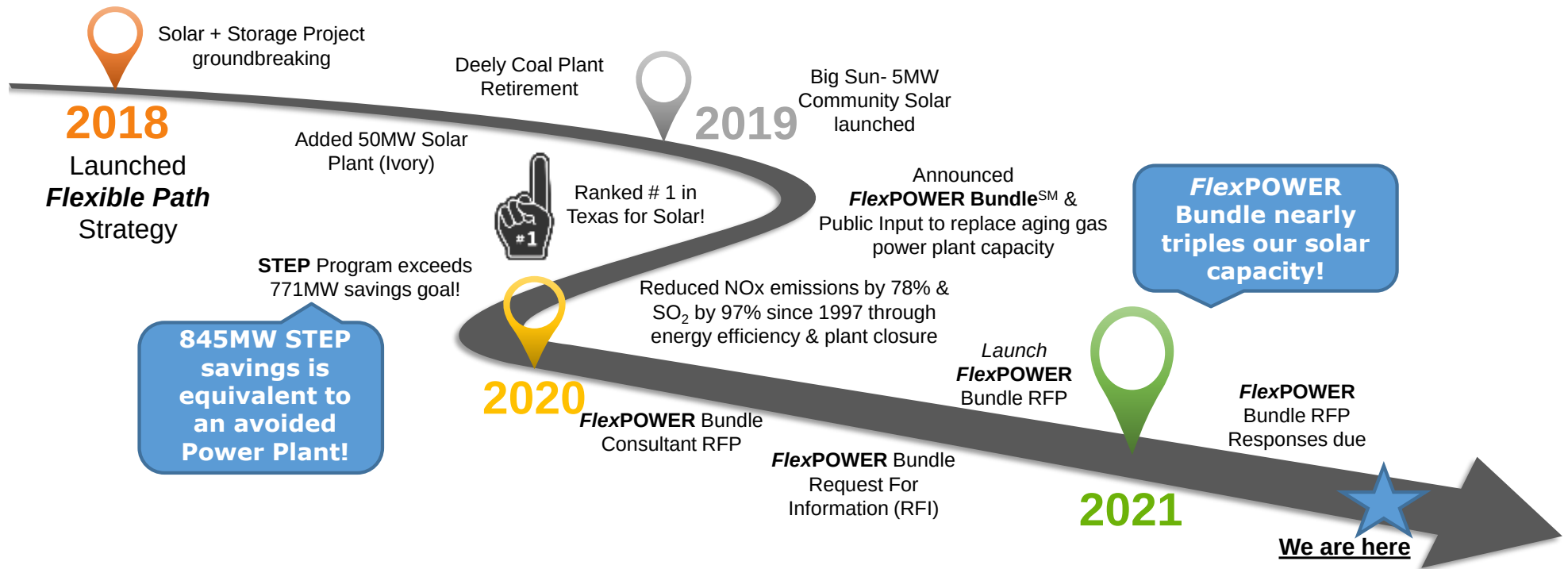
AGENDA



- ***FLEXPOWER BUNDLESM* UPDATE**
- **POTENTIAL FOR LOCAL IMPACT SOLAR REQUEST FOR PROPOSAL (RFP)**

OUR *FLEXIBLE PATH*SM JOURNEY

DELIBERATE CHANGES = BIG IMPACT

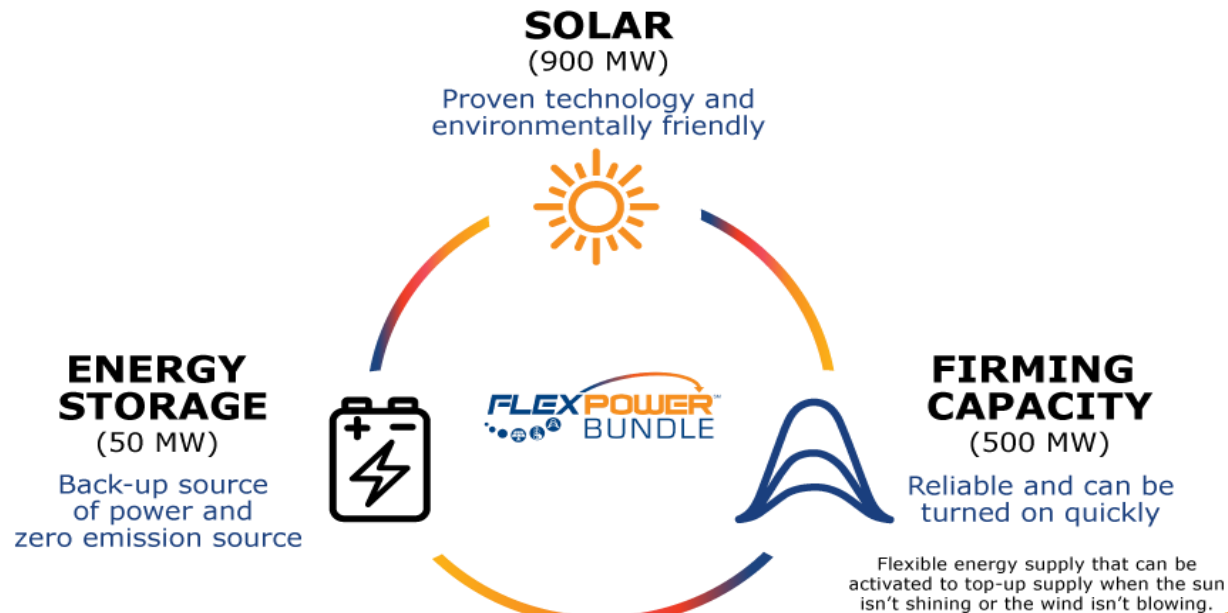


With the RFP evaluation phase well underway, we are nearing a milestone on our *Flexible Path* journey for our community.

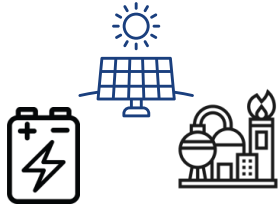
OPTIMIZATION PROCESS IS UNDERWAY



Our global RFP successfully illuminated what the market had to offer. We want to intentionally refine & give more specific guidance for companies who have compelling offerings that can achieve significant local impact for our community.



FLEXPOWER BUNDLESM RFP UPDATE



Priority Solar is our current focus, & we are continuing to evaluate our final bundle candidates



Using our **Guiding Pillars**, we are evaluating not just on price, but also on quality & impact for our community



We are evaluating individual projects as well as the whole “bundle”

We are proud to be pioneering a new way to think about procuring energy resources for all components of the *FlexPower Bundle*SM & welcome your feedback!

FLEXPOWER BUNDLESM **APPLYING LOCAL**



Up to 900 MW
SOLAR



Up to 50 MW
STORAGE



Up to 500 MW
ALL-SOURCE
FIRMING

Priority Solar Selection

**Large-scale Solar:
Up to 200 MWs**

Other Solar Projects

**Various scale Solar:
Up to 650 MWs**

Local Impact Solar Selection

**Small-scale Solar:
Up to 50 MWs**

We are exploring refining market guidance focused on a 50MW subset of the Solar component of *FlexPOWER* BundleSM. This RFP will be a great opportunity for local installers & projects!

FLEXPOWER BUNDLESM **NEXT PHASE – LOCAL IMPACT RFP**



Specific & intentional guidance on distribution-level proposals can deliver projects with direct, positive impacts to our community.

- Smaller & local firms compete with similarly sized projects, not larger remotely located projects.
- Smaller projects don't benefit from economies of scale, but they can offer relief of overloaded circuits.
- Potential for solar in areas of town where it's currently sparse.





Thank You