

CPSA - CITY CLERK  
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**REVISED**  
**CPS ENERGY BOARD OF TRUSTEES**  
**NOTICE OF SPECIAL MEETING**

Notice is hereby given of a Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee, **to be held on Monday, November 1, 2021 at 12:00 p.m.**, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting will also be live-streamed.

This is an informational meeting at which the Board will receive an update on business continuity matters, as well as 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 29, 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.

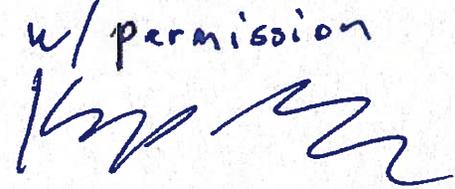
The agenda packet is attached. It and other informational material may be found at:

<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*  
Shanna M. Ramirez  
Secretary of the Board  
October 29, 2021  
*w/ permission*





**REVISED**  
**SPECIAL MEETING OF THE CPS ENERGY BOARD OF TRUSTEES**  
**CONVENING AS THE RISK MANAGEMENT COMMITTEE**  
**TO BE HELD ON NOVEMBER 1, 2021 AT 12:00 PM**  
**LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE.)**

CPSA - CIV CLERK  
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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.

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Ms. Denae Myers
3	<b>PUBLIC COMMENT</b> Pre-Registration on Friday, October 29, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
4	CEO'S REMARKS	Discuss	Ms. Paula Gold-Williams
<b>RISK MANAGEMENT COMMITTEE</b>			
5	ENTERPRISE RISK PROGRAM OVERVIEW	Discuss	Mr. Chad Hoopingarner
6	RATE REQUEST CONSIDERATIONS & RISKS	Discuss	Mr. Cory Kuchinsky
7	WINTER READINESS UPDATE	Discuss	Mr. Frank Almaraz
<b>CONVENE TO EXECUTIVE SESSION</b>			
8	<b>EXECUTIVE SESSION:</b> Please see the narrative list at the top of this agenda for potential discussion topics.	Discuss	Dr. Willis Mackey
<b>RECONVENE TO OPEN SESSION</b>			
9	ACTING PRESIDENT & CEO	Discuss & Possible Vote	Dr. Willis Mackey
10	ADJOURNMENT	Execute	Dr. Willis Mackey

If the Board meeting has not adjourned by 2:30 PM, the presiding officer shall entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.



# ***ENTERPRISE RISK PROGRAM OVERVIEW***

*PRESENTED BY:*

**Chad Hoopingarner**

VP, Strategic Pricing & Enterprise Risk Mgmt & Solutions (ERMS)

November 1, 2021

*Informational Update*



# OBJECTIVES & TAKEAWAYS



- **PROVIDE AN OVERVIEW OF OUR RISK PROGRAM**
- **HIGHLIGHT RISK PROGRAM SUPPORT & INTEGRATION ACROSS THE ORGANIZATION**
- **REVIEW THE ENTERPRISE RISK LANDSCAPE**



# AGENDA



- **RISK PROGRAM OVERVIEW**
- **SUPPORT & INTEGRATION OF OUR RISK PROGRAM**
- **ENTERPRISE RISK LANDSCAPE**



# ENTERPRISE RISK PROGRAM

## PROGRAM OBJECTIVES



- Enterprise risks are understood & owned by Executive Leadership
- Manage a transparent approach to risk through formal & informal communication & monitoring of all key risks
- Ensure a balanced approach, managing the cost of the risk with the anticipated benefit
- Improved alignment of resources (people & dollars) achieved through integration with the budget build process

**Delivering business value by thought-partnering with Risk Owners, informing decision making & resource allocation.**

# ENTERPRISE VIEW OF RISK

## TONE AT THE TOP



- Strong leadership & support
- Collaboration across business units
- Multi-dimensional risk consideration
- Cross-program alignment to ensure risk-based prioritization of spend

**Continued support of the Enterprise Risk Program has facilitated a more risk-focused culture throughout the organization.**

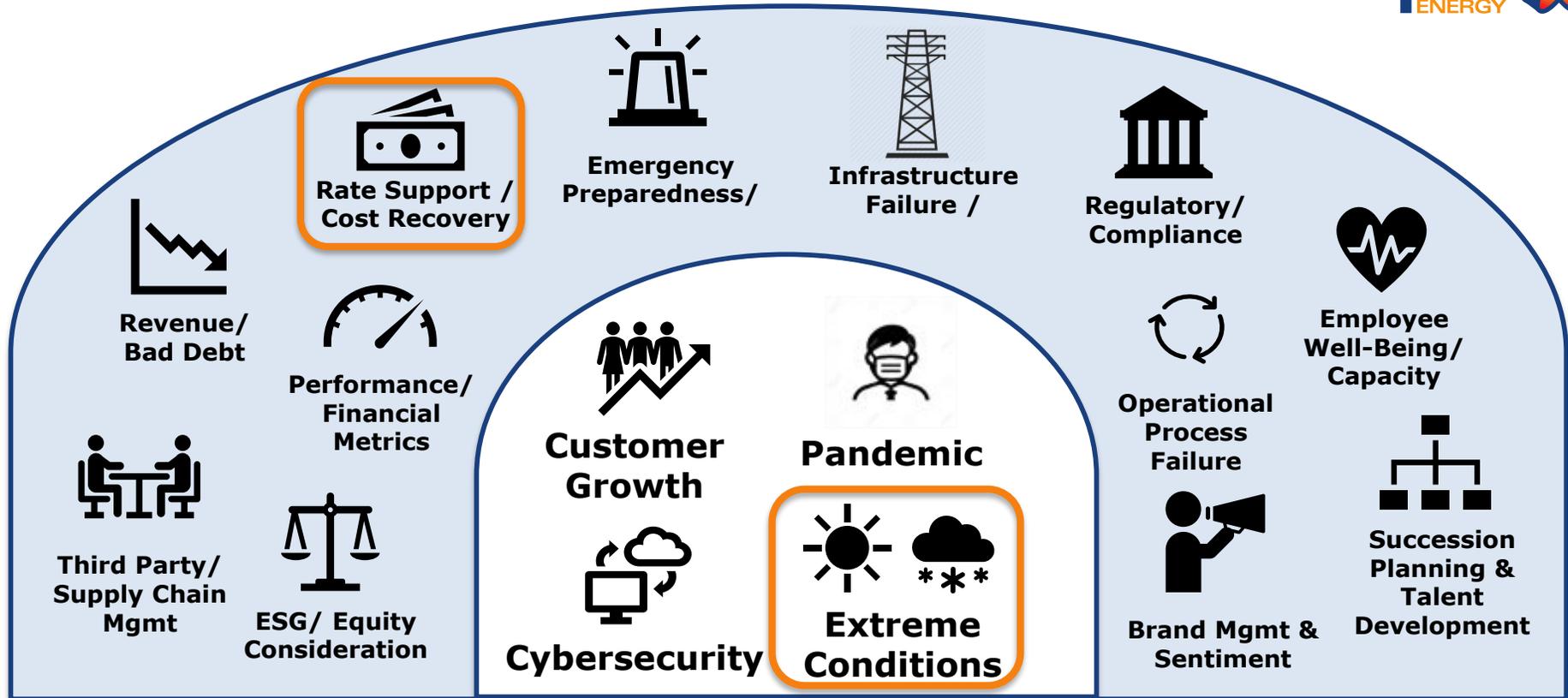
# INTEGRATED PLANNING & EXECUTION



- Strategic & Risk Landscape**  
Align on key Risks & AES's through **Guiding Pillars**
- Financial & Budget Planning**  
Forecast cost & revenues to inform budget allocation
- Enterprise Portfolio & Projects**  
Prioritize & plan work to insure wisest investments
- Risk & Compliance Planning**  
Assess & develop mitigations to tactical risks
- Business & Metrics Planning**  
Incorporated plans with measurements of performance
- Benchmarking**  
Assessment of performance compared to peers



# ENTERPRISE RISK LANDSCAPE



**Our risk landscape is dynamic & we continue to manage emerging & evolving risks for the betterment of our customers & community.**

## NEXT STEPS



- Remain focused on our risk refresh process
- Continue to highlight our top risks throughout the year & share updates with you





***Thank You***





# *Appendix*



# GLOSSARY / DEFINITIONS



Acronym or Word	Definition
AES	Action Enabled Strategy
ESG	Environmental, Social & Governance



# ***RATE REQUEST CONSIDERATIONS & RISKS***

*PRESENTED BY:*

**Cory Kuchinsky, CPA**  
Chief Financial Officer (CFO) & Treasurer

November 1, 2021

*Informational Update*



# OBJECTIVES & TAKEAWAYS



- **OUTLINE DRIVERS FOR DELIVERING VALUE**
- **REVIEW KEY AREAS OF PROPOSED INVESTMENT**
- **PREVIEW THE RISKS OF NOT GETTING A RATE INCREASE**



# AGENDA



- **DRIVERS, PROJECTS & BENEFITS**
- **IMPACT OF NOT GETTING A RATE INCREASE**



# 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.

# DRIVERS OF RATE INCREASE



## Financial Impact

		Revenue Forecast (Sources of Revenue)	Revenue Requirements (Uses of Revenue)	
Revenue Pressure	Slower organic revenue growth	↓		• Customer growth is mostly offset by lower average consumption
	Reduced wholesale revenue opportunities	↓		• Greater generation capacity in the market is driving lower market prices
	Receivables pressured by the 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		↑	• <b>Resiliency</b> & <b>reliability</b> ; growth of the community
	Winter Storm Uri fuel costs		↑	• Paid reasonable costs; still fighting unconscionable costs
	Lower liquidity/cash		↑	• Impacts cost of borrowing

# MAJOR AREAS OF INVESTMENT



<i>Resiliency</i>	<i>Reliability</i>	<i>Technology &amp; Security</i>	<i>People</i>
<ul style="list-style-type: none"> <li>* Weatherization</li> <li>* Emergency Communication</li> <li>* Alternative Fuels</li> <li>* Loadshed &amp; Grid Management</li> <li>* Plant Performance                             <ul style="list-style-type: none"> <li>• <b>Flexible Path</b><sup>SM</sup></li> <li>• Rotor Replacement (Rio Nogales &amp; AvR)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>* Cable Rehabilitation</li> <li>* Strategic Undergrounding</li> <li>* Pole Replacement</li> <li>* Aging Infrastructure</li> <li>* Civic Improvements</li> <li>• Environmental &amp; Regulatory Actions</li> <li>• Vegetation Mgmt.</li> </ul>	<ul style="list-style-type: none"> <li>• Digital ERP</li> <li>• Data Center Transformation</li> <li>• Cyber Security</li> <li>• SCADA</li> <li>• Fiber Network Lifecycle</li> <li>• Market Operations System Upgrade</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Assistance Programs</li> <li>• Staffing to Appropriate Levels</li> <li>• Training &amp; Development</li> <li>• Fleet Vehicles</li> <li>• Service District Replacements</li> </ul>

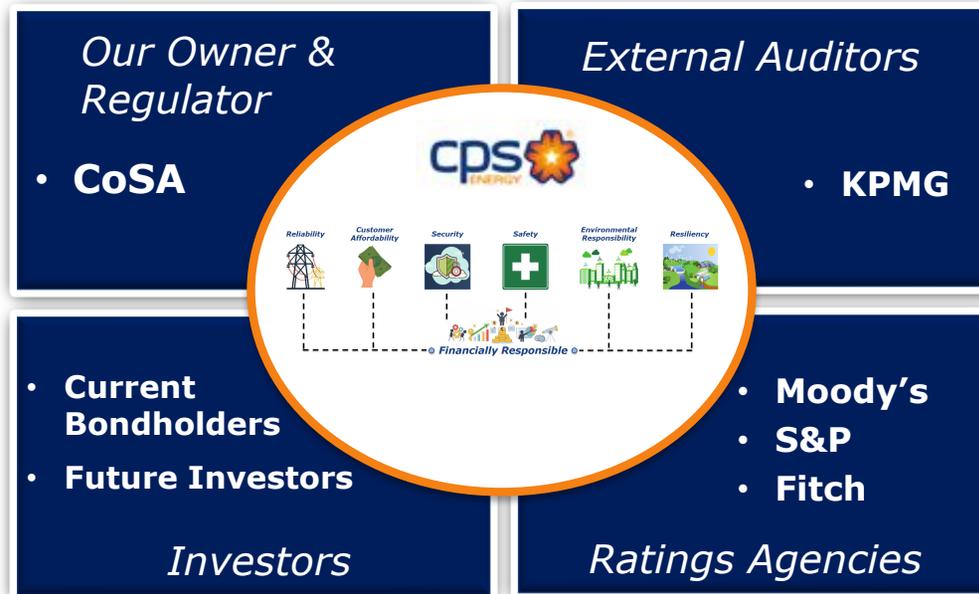
## FINANCIAL RESPONSIBILITY

 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.**

# STAKEHOLDER GROUPS

## ALL FINANCIALLY IMPORTANT



# IMPACT OF REDUCED OR ELIMINATED RATE SUPPORT



- A downgrade to bond rating can shift our ability to invest in the future to instead cover higher interest costs associated with new investments

- Limits our ability to invest in new & sustainable energy technology



- Enhanced potential for increased frequency & duration of outages, especially during extreme weather events

- Poses a risk to the timeliness, quality, or level of service our teams are able to sustain



- Alters our ability to support the most vulnerable population in our community



- Increases the risk of a successful cyber attack leading to a customer data breach or loss of operational controls





***Thank You***





# ***Appendix***



# GLOSSARY / DEFINITIONS



Acronym or Word	Definition
AvR	Arthur von Rosenberg
CEP	Community Emergency Preparedness
CoSA	City of San Antonio
ERP	Enterprise Resource Planning
KPMG	Klynveld Peat Marwick & Goerdeler
SCADA	Supervisory Control & Data Acquisition
S&P	Standard & Poor's





# ***WINTER READINESS UPDATE***

*PRESENTED BY:*

**Frank Almaraz**

Chief Power Sustainability & Business  
Development Officer (CPS&BDO)

November 1, 2021

*Informational Update*



# OBJECTIVES & TAKEAWAYS



- **PROVIDE UPDATES ON ACTIONS TAKEN TO PREPARE FOR THE WINTER SEASON & PLANNED WORK**



# AGENDA



- **READINESS IMPROVEMENTS UPDATE**
  - **WEATHERIZATION EFFORTS**
  - **OUTAGE SCHEDULE CHANGES**
  - **POWER & NATURAL GAS SUPPLY**
  
- **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 our *Guiding Pillars* but are focused on improving all aspects of *Resiliency*.

# ENHANCED WEATHERIZATION

## POWER GENERATION



- Address areas that experienced freezing issues
- Independent assessment by third-party
- Additional heaters, different fuel types to reduce refueling
- Evaluating supplies, chemicals & spare parts
- Evaluating dual fuel options at our sites
- Re-sealing of existing lines



Temporary Freeze Protection Enclosure



Space Heater



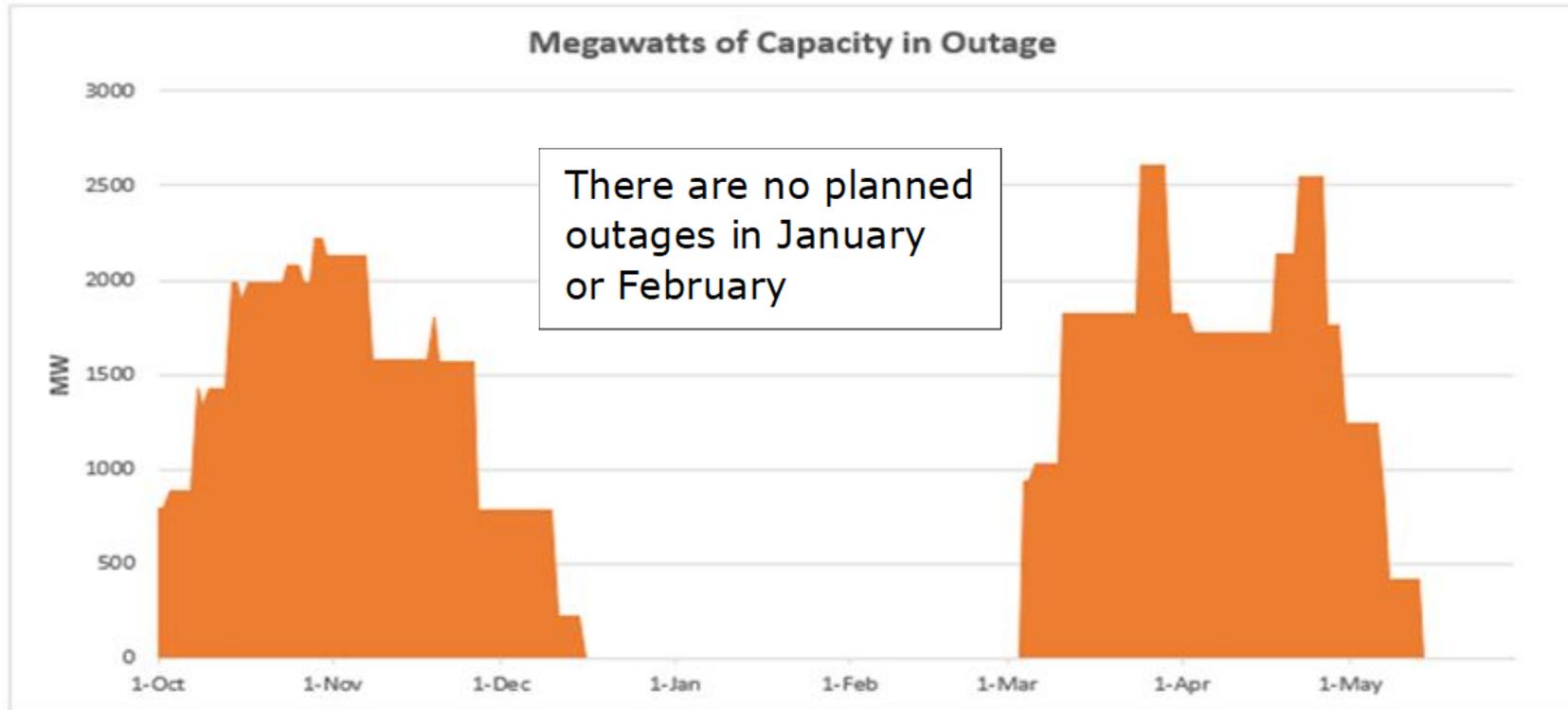
Freeze Protection Supplies



New Permanent Enclosure

After each peak season, we gather lessons learned & work to further enhance plant **Reliability & Resiliency**.

# SHIFTING PLANT OUTAGE SCHEDULE



**With your guidance, we changed our outage schedule to improve maximum availability during winter, as well as summer peaks.**

# NATURAL GAS SUPPLY

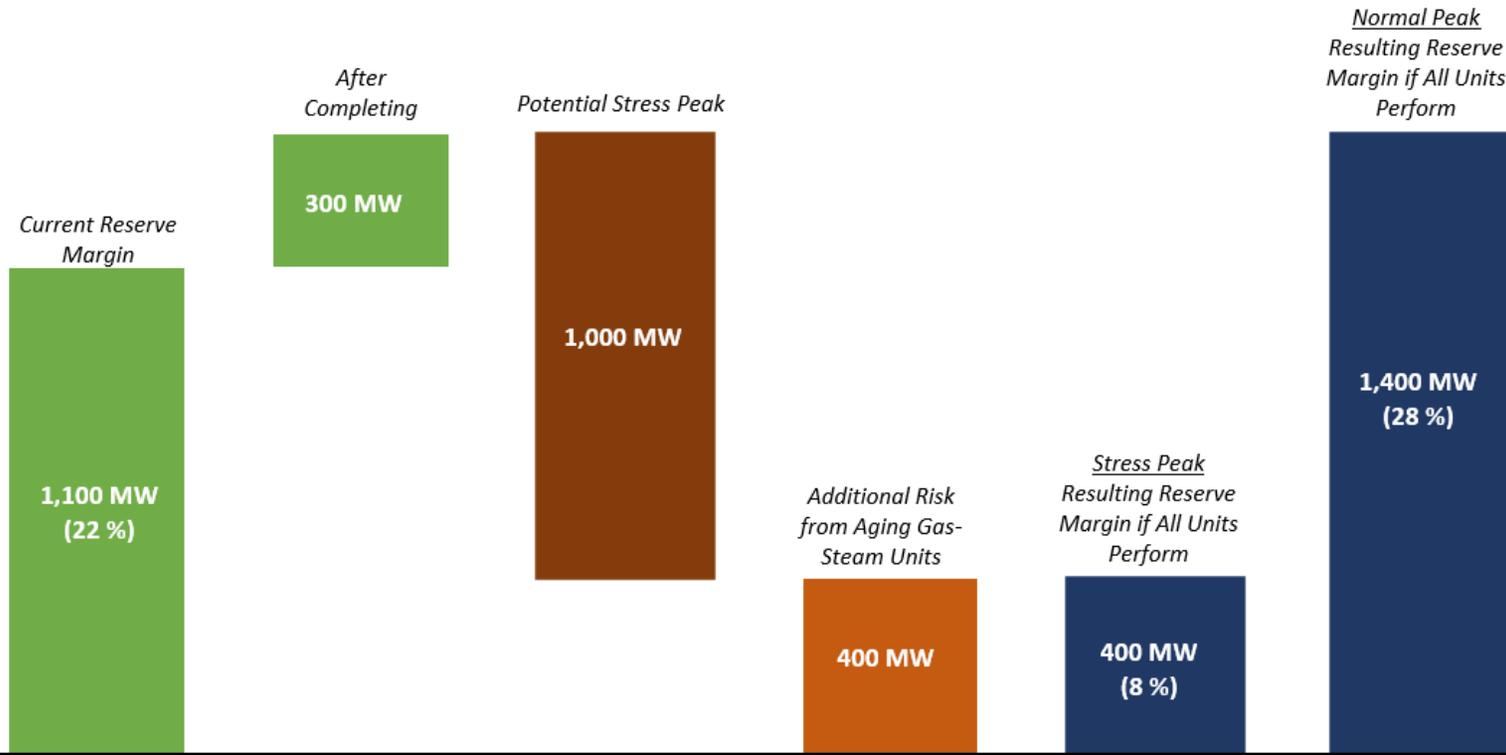
## RISK ASSESSMENT & MITIGATION (1 OF 2)



- **Extreme winter peak during Winter Storm Uri resulted in record demand**
  - 30% higher than previous record & greater than 5.5 times average February consumption
  
- **Commodity risk mitigation**
  - Physical
    - Increased purchase of baseload gas
    - Additional storage capacity
    - Increased daily storage withdrawal capability
  - Financial
    - Increased usage of intra-month gas daily positions

**We have sufficient natural gas to supply our community for winter & have substantially increased price protection as well.**

# WINTER POWER PURCHASES RISK ASSESSMENT & MITIGATION (2 OF 2)



**The combination of our existing excess capacity plus additional purchased power will protect against extreme winter usage & unexpected generation losses.**

## NEXT STEPS



- Continue to deliver on Committee on Emergency Preparedness (CEP) recommendations
- Complete our 9-point weatherization plan & successfully perform planned outages according to the revised schedule
- Make power & natural gas purchases as needed
- Detailed updates at Operations Oversight Committee meetings (OOC)
- Continue updates at monthly Municipal Utility Committee (MUC) meetings & to our Board of Trustees

**Winter readiness mitigation activities will be completed by early December.**



***Thank You***

