

**CPS ENERGY
MINUTES OF SPECIAL MEETING OF
THE BOARD OF TRUSTEES
CONVENING AS THE RISK MANAGEMENT COMMITTEE**

A Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee was held on Monday, November 1, 2021, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting was also livestreamed on the CPS Energy website.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez, Vice Chair
Mr. John Steen
Mayor Ron Nirenberg (arrived at 12:06pm)

Also present were:

Ms. Paula Gold-Williams, President & CEO
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
Ms. Devi Kumar-Nambiar, Deputy General Counsel
CPS Energy Staff Members
City of San Antonio officials

I. CALL TO ORDER

Chair Dr. Mackey called the meeting to order at 12:00 p.m.

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

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

III. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

IV. CEO'S REMARKS

No CEO Report was provided.

V. ENTERPRISE RISK PROGRAM OVERVIEW

Mr. Chad Hoopingarner, Interim Vice President, Strategic Pricing & Enterprise Risk Management Solutions, began by reviewing the Enterprise Risk Program objectives. The principal objective is to identify and understand our risks, document them, and communicate them to the organization. The Risk Program is intended to ensure a balanced approach in managing the costs and benefits of our risk mitigation plans. Having a successful Enterprise Risk Program requires strong leadership and support at executive levels in the organization. It creates collaboration across business units and enables a broad perspective in defining risks. We obtain a multidimensional view of risks that comes from cross-program alignment and ensures the investments we are making consider risk as a priority.

Mr. Hoopingarner also briefly described our integrated planning process. It starts at the beginning of our fiscal year with the identification of strategic initiatives designed to mitigate identified risks. Thereafter, we go through financial and budget planning, and prioritization through the enterprise portfolio process. Throughout the year, risk mitigation plans are executed.

Mr. Hoopingarner discussed our enterprise risk landscape. Today's meeting will focus on extreme winter storm conditions and Mr. Almaraz will discuss our power and natural gas supply risk mitigation efforts.

Mr. Hoopingarner concluded his presentation by committing that we will continue to refresh our risk register, define risk mitigation tactics, and report on actions taken throughout the year at both the Aligned Risk Subcommittee and Risk Management Committee meetings.

VI. RATE REQUEST CONSIDERATIONS & RISKS

Chair Dr. Mackey announced that this item will not be presented.

VII. WINTER READINESS UPDATE

Mr. Almaraz began by showing what we are doing to enhance the weatherization of our power plants. Our priority is to address areas that experienced freezing or near freezing issues. In addition, we are having a third-party assess our facilities. Because the standards are not yet known, we are having the third-party assess our facilities against various standards. In addition, after each peak season (winter or summer), we gather lessons learned to further enhance our Reliability and Resiliency. The Board provided guidance that our plants should not schedule planned maintenance outages during the months of January and February.

Mr. Almaraz also discussed our risk mitigation efforts involving natural gas and power supply. During Winter Storm Uri (Uri), our natural gas use was thirty percent (30%) higher than our previous record and five and one-half (5 ½) times greater than our average February consumption. We are mitigating the risk of low gas supply by increasing our baseload gas purchases that we make at the beginning of each month. This avoids the price volatility that can occur throughout the month. We have also added a billion cubic feet of natural gas storage, which is a twenty percent (20%) increase of storage. We changed the composition of our stored natural gas so that we can withdraw twenty five percent (25%) more gas per day. Finally, we contracted with suppliers who have accepted the risk of floating gas prices that happen during the month. Therefore, we have sufficient amounts of natural gas to supply our customers and have substantially increased the price protection of acquiring it.

Mr. Almaraz also described our plan for winter power purchases. We currently have eleven hundred megawatts (1,100 MW) of reserve power for our expected winter peak. In the next forty-five (45) days, we plan to purchase an additional three hundred megawatts (300 MW) of reserve power. This will result in fourteen hundred megawatts (1,400 MW) of reserve margin. Our planned reserve power will cover our anticipated risks and can be sold as excess capacity if it is not needed. This will better protect our customers against the risk of low gas supply.

We will continue to deliver on the commitments we have made to the Committee on Emergency Preparedness (CEP) complete our nine (9) point weatherization plan, make the previously mentioned power and natural gas purchases, and keep the Operations Oversight Committee (OOC), the City's Municipal Utility Committee (MUC), and the Board informed on our progress.

Mayor Nirenberg stated that slide eight (8) was very encouraging and appropriate because it shows the proactive steps we have taken for the upcoming winter. Mr. Almaraz pointed out that the reserve margin amount will be different for the summer. The Mayor asked if we have a reserve margin goal for the summer peak. Mr. Almaraz responded that our target for the summer peak is thirteen-point seven five percent (13.75%). Vice Chair Gonzalez acknowledged that although the plant maintenance costs are increasing, we are taking proactive actions to prepare for the winter. She further thanked the employees for all the work that has been done under very difficult circumstances.

Chair Dr. Mackey asked if the pipes in the temporary freeze protection enclosure were well insulated. Mr. Almaraz responded yes. Chair Dr. Mackey asked if the pipes that froze at the nuclear plant were also addressed. Mr. Almaraz responded yes. We have an internal person serving on the Board of the company that operates the nuclear plant. Mr. Almaraz and his team stay in contact with that person.

VIII. EXECUTIVE SESSION

At approximately 12:30 p.m., Ms. Kumar-Nambiar 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).

The Board reconvened in open session at 1:11 p.m. and a quorum was re-established. Ms. Kumar-Nambiar reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

IX. ACTING PRESIDENT & CEO

Chair Dr. Mackey thanked Ms. Gold-Williams for her service to CPS Energy. He also thanked Mr. Frank Almaraz for his leadership and support.

On a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg, and upon a vote of 3 members in favor and 1 dissent by Trustee Steen, the appointment of Mr. Garza as Interim President and CEO was approved. Trustee Steen stated that he voted no because he has a fundamental disagreement on how the Board looked to fill the interim president role. He further stated that Mr. Garza is a capable and valued executive and that he has full confidence and support in Mr. Garza.

X. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Chair Dr. Mackey, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 1:14 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board