



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON APRIL 26, 2021 AT 1:00 PM**

RECEIVED
CITY OF SAN ANTONIO
CITY CLERK

21 APR 20 PM 4: 59

LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE.)

To protect the health of the public and limit the potential spread of COVID-19, facial coverings, social distancing, and limited in-person attendance will be enforced at the meeting. Public comment on agenda items may be provided in-person, virtually or in writing. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis, and shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

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.

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE	Execute	Mayor Ron Nirenberg & Ms. Paula Gold-Williams
3	INVOCATION	Execute	Ms. Debra Wainscott
4	PUBLIC COMMENT Pre-Registration on Thursday, April 22, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com A. Chair's Announcements B. Comments	Discuss	Dr. Willis Mackey
UPDATE ON CHAIR'S PRIORITIES			
5	CEO'S REPORT	Discuss	Ms. Paula Gold-Williams
6	PROCUREMENT PREVIEWS: A. New Initiative: Enhancing Procurement Controls (Mr. Cory Kuchinsky) B. General Services - Context for Item 8E1: Managed Service Provider - Staff Augmentation, Direct Hire, Contingent Placement Services (Ms. Debra Wainscott) C. General Services - Context for Item 8E2: Overhead Electric Distribution Services (Mr. Darrell Clifton)	Discuss	Ms. Paula Gold-Williams
CONSENT AGENDA			
7	APPROVAL OF CONSENT ITEMS: A. Minutes of the Special Board Meeting held on 03/01/2021 B. Minutes of the Regular Board Meeting held on 03/29/2021 C. Payment to the City of San Antonio for March 2021 D. Technology & Innovation (T&I) Committee Charter Update E. Procurement Items: 1. General Services: Managed Service Provider - Staff Augmentation, Direct Hire, Contingent Placement Services (Ms. Lisa Lewis) 2. General Services: Overhead Electric Distribution Services (Mr. Paul Barham) 3. Professional Services: System Protection Engineering Services (Mr. Paul Barham) 4. General Services: Fence & Gate Installation Services (Mr. Fred Bonewell)	Vote	Dr. Willis Mackey
REGULAR AGENDA			
8	ACCEPTANCE OF ANNUAL AUDITED FINANCIAL STATEMENTS (Ms. Jodi Dobson with Baker Tilly)	Vote	Dr. Willis Mackey
9	FY2022 FINANCIAL PLAN PART 1 - CONTINUING EFFORTS TO HELP OUR CUSTOMERS (Mr. Rudy Garza & Ms. DeAnna Hardwick)	Discuss	Ms. Paula Gold-Williams
10	FY2022 FINANCIAL PLAN PART 2 - LANDSCAPE & CHALLENGES (Ms. Julie Johnson)	Discuss	Mr. Gary Gold

CONVENE TO EXECUTIVE SESSION			
11	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			
12	ADJOURNMENT	Execute	Dr. Willis Mackey
If the Board meeting has not adjourned by 5:00 PM, the presiding officer may 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.			

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21 APR 20 PM 5:00



CPS ENERGY BOARD OF TRUSTEES 21 APR 20 PM 4: 59

NOTICE OF REGULAR MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold its Regular Monthly Meeting **on Monday, April 26, 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.

To protect the health of the public and limit the potential spread of COVID-19, facial coverings, social distancing, and limited in-person attendance will be enforced at the meeting. Public comment on agenda items may be provided in-person, virtually or in writing. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis, and shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

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 Thursday, April 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.

**Shellman,
Carolyn E.**

Carolyn E. Shellman
Secretary of the Board
April 20, 2021

Digitally signed by Shellman,
Carolyn E.
Date: 2021.04.20 15:09:41
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NEW INITIATIVE: ENHANCING PROCUREMENT CONTROLS

PRESENTED BY:

Cory Kuchinsky, CPA

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

April 26, 2021

Informational Update

OBJECTIVES & TAKEAWAYS



- **PROVIDE CONTEXT ON OVERALL CONTROL ENVIRONMENT**
- **FOCUS ON RECENT LAPSES IN PROCUREMENT CONTROLS**
- **DRIVE POSITIVE CHANGE IN CONTROL CULTURE THROUGH ENHANCED PARTNERSHIPS & TRAINING**



AGENDA



- **ENTERPRISE CONTROLS**
- **OUR INTERNAL CONTROL (IC) TEAM & APPROACH**
- **NEXT STEPS**



ENTERPRISE CONTROLS



While we broadly have a strong IC foundation, there has been a recent uptick in procurement-related control issues.



Our President & CEO, CFO, ERMS & Audit Services are working more closely with business units to enhance our control culture.

INTERNAL CONTROLS TEAM



Our experienced team within Financial Services is leveraging the “tone at the top” & the emphasis placed on IC by our President & CEO, to strengthen our control culture.



Gary Gold, CPA
*Chief Financial Officer
& Treasurer*



Cory Kuchinsky, CPA
*VP of Strategic
Pricing & ERMS*



Orlando Flores, CPA
Director of ERMS



**Jennifer Barrera,
CIA, CISA & CRISC**
*Manager of Internal
Controls*



Roger Gonzales
*Internal Controls
Project Manager*



Jimmy Kuo, CPA
*Internal Controls
Financial Analyst*

OUR TEAM'S APPROACH



- **INCREASE AWARENESS:** About the importance of IC at **all** employee levels through training & outreach
- **EXPAND CONSULTATIVE SERVICES:** Across our organization to:
 - Identify & assess risk
 - Gain an understanding of the impact of IC on business processes
 - Design & enhance control activities
 - Mitigate risk
- **CORRECT ISSUES:** By getting every leader to culturally & procedural dive deeply throughout their organizations to find & fix problems

We continue to partner with business units across the organization to help them better understand IC & improve the efficiency & effectiveness of our operations.

OUR NEXT STEPS



- **OPTIMIZE:** The CEO's & CFO's Tone-at-the Top prioritization of this issue
- **COLLABORATE:** With Audit Services to continue & build upon our enterprise-wide internal control training
- **CONSULT:** To help correct & proactively spot-check practices
- **FOCUS:** Spend extra time on procurement
- **REINFORCE:** How everyone must own risks & controls
- **UPDATE: You periodically of our progress!**





Thank You





PROCUREMENT PREVIEW: MANAGED SERVICE PROVIDER - STAFF AUGMENTATION

PRESENTED BY:

Debra Wainscott
VP, People & Culture

April 26, 2021

Informational Update

**Approval will be requested
on the Consent Agenda*

OBJECTIVES & TAKEAWAYS



- **PROVIDE BACKGROUND INFORMATION ON MANAGED SERVICE PROVIDER (MSP) PROGRAM**
- **PROVIDE OVERVIEW OF CURRENT PROVIDER & GO-FORWARD STRATEGY**
- **SEEK YOUR APPROVAL FOR GO-FORWARD STRATEGY**
- **DISCUSS NEXT STEPS**



AGENDA



- **GUIDING PILLARS & FOUNDATION**
- **MSP PROGRAM BACKGROUND**
- **OVERVIEW OF CURRENT PROVIDER**
- **GO-FORWARD STRATEGY**
- **NEXT STEPS**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

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

WHAT IS AN MSP?



- MSP Program
 - 3rd-party provider manages multiple temporary / contract workers under 1 umbrella contract
 - Streamlines recruiting, invoicing, work time approval, & reporting under 1 contract
 - Often uses an on-site representative for increased efficiency

In FY2019, we moved from 12+ staffing agency contracts to 1 vendor managing multiple suppliers under 1 contract.

MSP

BACKGROUND

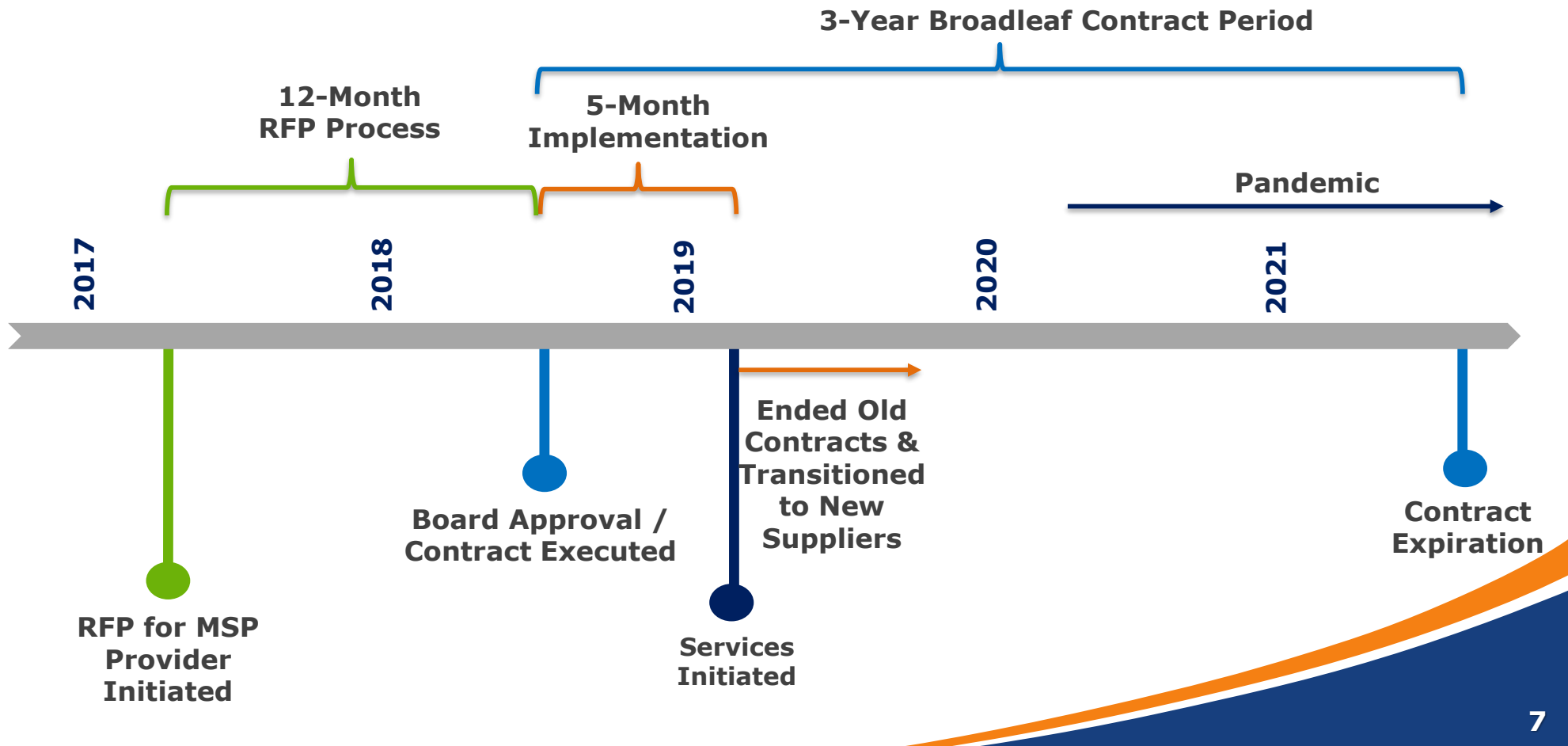


- During the pandemic the MSP has provided flexibility in addressing short- and long-term hiring needs, while maintaining our full time staff of 3,000
- Increased usage of the program, especially for temporary-to-permanent hiring of frontline positions, has increased spend from \$12M to a projected \$20M annually

The leveraging of Staff Augmentation Contractors during the pandemic enabled us to stay agile & control staffing levels.

MSP PROCUREMENT / CONTRACT

TIMELINE



MSP CURRENT PROVIDER



- Broadleaf Results Inc.
 - MSP since 1992
 - Woman-owned non-local firm
 - Currently supplying 170 contractors through 21 subcontractors being managed under 1 umbrella contract
 - Committed to our local & diverse hiring goals

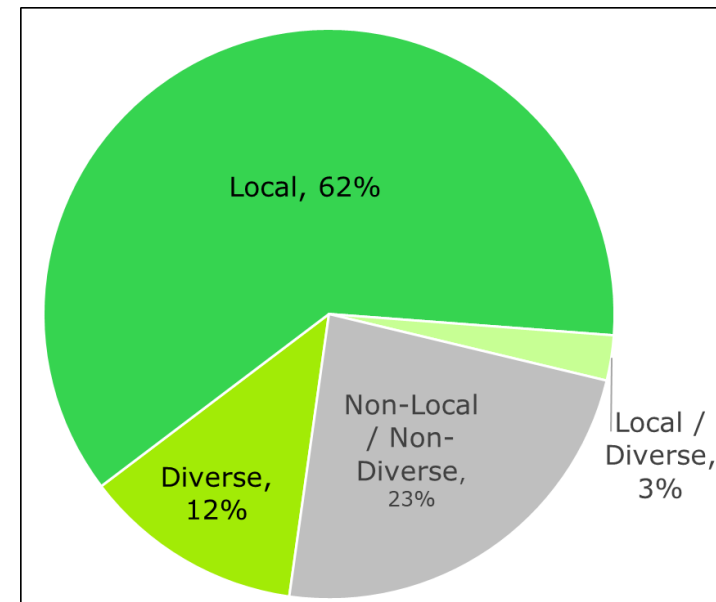


MSP

SUBCONTRACTORS ARE LOCAL / DIVERSE



- 21 current supplier subcontractors under 1 MSP contract
- 17 are local and / or diverse
- 77% of \$24.5 million spend to date is local and / or diverse



**We are satisfied with the current provider.
To ensure we are getting the best value, we are putting the
MSP contract out for bid.**

REQUEST FOR APPROVAL

CONSENT AGENDA

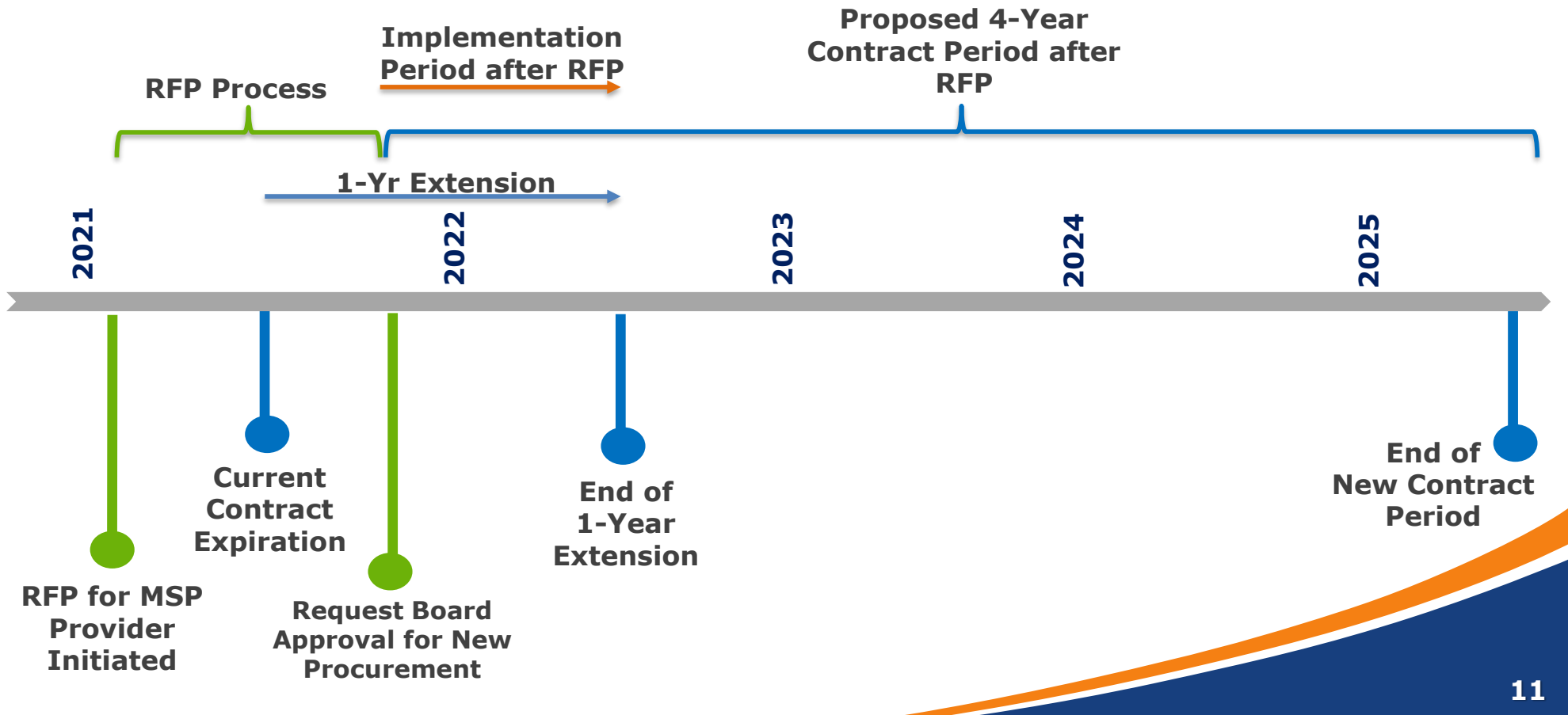


Go-forward strategy

- Add 1 year to current contract – simultaneous to RFP process
- Seek approval for \$24 million in additional funding (increased usage (\$4 million) & 1-year extension (\$20 million))
- Allow overlap for transition, if current provider is unable to win the business

**Board Approval Requested:
\$24 million in additional funding on the Consent Agenda.**

NEXT STEPS TIMELINE





Thank You





PROCUREMENT PREVIEW: OVERHEAD ELECTRIC DISTRIBUTION SERVICES CORRECTION

PRESENTED BY:

Darrell Clifton

Vice President, Construction & Maintenance Services

April 26, 2021

Informational Update

**Approval will be requested
on the Consent Agenda*

OBJECTIVES & TAKEAWAYS



- **EXPLAIN CIRCUMSTANCES WITH OUTSTANDING INVOICES ON A PAST PURCHASE ORDER (PO)**
- **EXPLAIN CORRECTIVE MEASURES**
- **RESPECTFULLY REQUEST APPROVAL TO PAY THE FINAL INVOICES FOR NEEDED PROCUREMENT**

AGENDA



- **OVERVIEW**
- **BACKGROUND**
- **OUTSTANDING INVOICES**
- **NEXT STEPS**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

Our Overhead Services contracts are focused on maintaining **Reliability**, **Resiliency** & **Safety** while supporting customer growth.

OVERVIEW

ELECTRIC CONSTRUCTION CONTRACTORS



- **PERFORM IMPORTANT WORK** – They help us keep up with:
 - Customer Growth
 - Maintenance & Infrastructure Modernization
 - Storm Restoration Staffing Capacity
 - Special Projects



Contract crews at work on overhead distribution systems

OVERVIEW

ELECTRIC CONSTRUCTION CONTRACTORS



- **THANK YOU FOR YOUR PRIOR SUPPORT** – We appreciate your prior approval of the new 3-year procurement for \$71M
 - The new contract maintains continuity of operations
 - Contracts are in place & we are operating well



Contract crews at work on overhead distribution system

BACKGROUND

FINANCIAL SUMMARY (1 OF 2)



Description	Amount (in thousands)
Prior 2-Year Contracts	\$ 46,000
Previously Added Funds	<u>3,750</u>
Total Contract Value	49,750
Remaining Items to be Paid	<u>3,600</u>
Adjusted Contract Value	<u><u>53,350</u></u>
Total Overall Overspend (less than 10% of the contract value)	<u><u>3,600</u></u>

PAY:
Today's
request is to
cover these
invoices



~ 7%



BACKGROUND

FINANCIAL SUMMARY (2 OF 2)



- **ISSUE** – Process issues allowed spending to exceed contract amount
 - **Reconcile:** Account for all work done against contract
 - **Pay:** Address the remaining outstanding invoices



OUTSTANDING INVOICES



- **ISSUES IDENTIFIED**: Administrative invoice processing – Our processes failed to ensure:
 - PO funds remaining were not reduced as work was assigned
 - Receipt & payment of invoices for completed work
 - Review of summary billing process for controls improvements or elimination

We must tighten our internal controls to detect missing invoices & other issues earlier in the process.

OUTSTANDING INVOICES

PAY / VALIDATION PROCESS



- An Audit Services assessment of all outstanding invoices was conducted, estimated at \$3.6M
 - Verified that invoices were calculated correctly
 - Verified pricing matches contract requirements
 - Several Internal Controls opportunities identified
 - Audit Services continuing assessment
 - ❑ Full report out at July 2021 Audit & Finance (A&F) Committee Meeting
- Qualitative review conducted by Management
 - Spot Field Checks
 - Analytical review of detailed invoices
 - Comparison to work performed on similar invoices
 - ❑ We believe the charges are reasonable

NEXT STEPS

PREVENTIVE LESSONS LEARNED



- **LEADERSHIP SYSTEMS REFRESH INCLUDING RETRAINING**

We are:

- Establishing additional oversight for contract management process
- Reinforcing management accountability & Internal Controls requirements
- Conducting a refresh of Contract Management & Invoice Exceptions Training
- Providing our GO&R Executives with extensive Internal Controls Training
- Comprehensively utilizing continuous process improvement methods

- **ENHANCE RECONCILIATION PROCESS** – We will update our approach to better processes & controls

- Request for Work – Acceptance of Completed Work - Invoices Received/Paid

BOARD APPROVAL

CONSENT AGENDA



- **CEO APPROVAL** – Our CEO has reviewed this issue thoroughly, including the planned corrective measures & has provided her approval
- **SUMMARY REQUEST** – Out of an abundance of caution & transparency:
 - We are disclosing this issue
 - We are humbly & respectfully requesting your approval to proceed

BOARD APPROVAL

CONSENT AGENDA



- **We humbly & respectfully request authority, not to exceed \$3.6M, to pay all remaining invoices**
 - *Simultaneously, we commit to improving our processes & controls throughout our area*



Thank You



GLOSSARY / DEFINITIONS



Acronym or Word	Definition	Acronym or Word	Definition
GO&R	Grid Optimization & Resiliency		

Draft for review and approval
at the April 26, 2021 meeting

**CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON MARCH 1, 2021**

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, March 1, 2021, by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called “social distancing”) to slow the spread of the Coronavirus (COVID-19). There was no in-person public access to the meeting. Chair Dr. Willis Mackey called the meeting to order at 1:00 p.m.

Present via phone were Board members:

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

Also present via phone were:

Ms. Paula Gold-Williams, President & CEO
Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability, & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Rudy Garza, Chief Customer Engagement Officer
Mr. Gary Gold, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll. A quorum was present.

II. SAFETY MESSAGE

Mr. Bonewell provided a safety message.

Chair Dr. Mackey noted that State Senator José Menéndez was present for the meeting and wished to make comments.

Senator Menéndez spoke about the winter storm. He reported that over February 25-26, the Senate Business and Commerce Committee (Senate Committee) conducted a total of 25 hours of hearings to examine the condition, preparedness, and circumstances of the controlled power outages ordered by the Electric Reliability Council of Texas (ERCOT). Senator Menendez briefly described the effects of Texas’ deregulated electricity market, including higher prices, and expressed his relief that CPS Energy continues to have some of the lowest rates in the state and nation.

Draft for review and approval
at the April 26, 2021 meeting

Senator Menéndez further stated that the Public Utility Commission of Texas (PUC), Railroad Commission (RRC), and ERCOT failed to sufficiently communicate with one another regarding the status of the natural gas market, as well as with the public and all the state's utilities. During the Senate Committee hearings, the ERCOT meteorologist stated he warned market participants and ERCOT management about the severity of the winter weather which he knew as early as February 3, 2021. ERCOT directed Texas investor-owned utilities (IOUs) and municipally-owned utilities (MOUs) to shed load to maintain frequency balance on the grid. The outages highlighted disparities among served communities since those on critical circuits did not experience outages. He noted that circuits that experienced outages were seemingly in more lower income communities. Ultimately, ERCOT, at the direction of the PUC, raised the price of electricity to the cap of \$9,000 per Megawatt hour (MWh) for a 4-day period when pre-storm rates were on average about \$20 per MWh, something the Senator stated he still does not understand.

The Senator noted that during the Senate Committee hearings, MOUs expressed concern and uncertainty about how they would pay their high ERCOT bills. After noting no interruption to the City of Garland's power due to winterization efforts made by the city after the 2011 storm, Senator Menéndez attributed CPS Energy's success to its diverse energy resources. He stated his opinion that Texas should be investing in weatherization like other states and should not be running away from renewables. Regarding the high natural gas prices that CPS Energy was exposed to during the winter weather event, he encouraged CPS Energy to continue working hard to protect its customers and look for alternative solutions. He stated that customers should not have to pay for the communication failure between the PUC, ERCOT, and the RRC, and understood the well-justified frustration and anger of customers. ERCOT's direction to precipitously require that so much load be shed may have contributed to the frequency instability and could have contributed to the first occurrence of a "Black Start" event in Texas' history. Fortunately, a Black Start event did not occur because distribution entities continued to shed load even when it was painful. He acknowledged that many elected officials have called for the resignation of the leadership of ERCOT and the PUC but felt that while the load shed could have been handled more smoothly, the event was highly technical, and ultimately, an unprecedented event that affected many large providers. In the Senator's opinion, CPS Energy was prepared for the event.

Mayor Nirenberg thanked the Senator for his efforts in Austin. He focused on the need to ensure that customers do not bear the brunt of any heightened costs because of the storm and to examine those things that were within our control.

Chair Dr. Mackey thanked the Senator for taking the time to share this information and for his efforts.

Senator Menéndez acknowledged the thanks and reiterated the need to thank CPS Energy's linemen and women who put themselves in harm's way to restore power during the storm.

III. INVOCATION

Ms. Denae Myers, Board Relations Manager, delivered an invocation.

IV. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and the meeting moderator outlined the guidelines for doing so. The following people made comments:

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1. Ms. Sharron Brown stated her support for CPS Energy's rebate program and offered her expertise in renewable energy and energy efficiency. She mentioned her discussion with Chair Dr. Mackey regarding solar for schools in the Judson Independent School District.
2. Mr. Alejo Pena Soto, a student with the San Antonio Independent School District (SAISD) Student Coalition, encouraged the Board to recognize the climate crisis. He expressed concern over CPS Energy's plan to be net zero rather than 100 percent renewable and urged CPS Energy to prioritize helping and giving back to the community over profits.

V. PROCUREMENT ITEMS

Chair Dr. Mackey called for a motion on the agenda's procurement items and indicated discussion would then take place.

Trustee Kelley moved that the noticed procurement items (Spruce Plant Drains Pond Owner's Engineer Services and Utility Locating and Marking) be approved. Chair Dr. Mackey seconded.

After Trustee Steen asked whether presentations would be given, Chair Dr. Mackey indicated, and Trustee Kelley concurred, that Mr. Almaraz and Mr. Bonewell sufficiently explained the procurement items during the previous Board Meeting.

Upon affirmative vote by all members present, the motion was unanimously approved.

Chair Dr. Mackey noted that Item 6, Short-Term Financial Strategy, would be moved to the end of the agenda after the Executive Session to accommodate discussion.

VI. FY2021 COVID-19 FINANCIAL IMPACTS AS OF JANUARY 31, 2021

Mr. Gold presented CPS Energy's financial performance and metrics for the recently completed fiscal year 2021. Specifically, he reported on sales, customer receivables, net income, flow of funds and key financial metrics. While reflecting the full year, Mr. Gold noted the results are preliminary and unaudited. Audited results will be presented to the Board in April.

Usage in the non-residential sectors was down generally by 10%. Residential sales, however, increased approximately 5.4%. Since Residential usage accounts for approximately 43% of sales, Mr. Gold stated that it provided a partial offset to the reduction in usage in the commercial and industrial sectors. CPS Energy's actual electric sales are approximately 2.2 percent below budget.

Given the significant impacts to CPS Energy customers, Mr. Gold noted that CPS Energy has suspended disconnections and late fees, offered payment plans and put customers in touch with community resources. He further stated that CPS Energy continues to manage through COVID-19 impacts, still present today, and continues to help customers.

There was a significant increase in past due receivables in FY2021 to \$93 million compared to this time last year, when they were approximately \$38 million. This has caused a reduction in liquidity, which is

Draft for review and approval
at the April 26, 2021 meeting

essential to CPS Energy's operations. Mr. Gold noted that the upcoming Short-Term Financial Strategy presentation would address the tools CPS Energy plans to utilize to manage its liquidity.

Preliminary, unaudited results show actual net income was \$12.4 million compared to a budgeted net income of \$3.9 million. Total revenues were down \$97.7 million due to decreased retail and wholesale sales and increased customer receivables. The overall lower revenues were offset by \$106 million in cost savings associated with labor by managing unfilled positions, deferring projects, and prioritizing expenditures, which allowed CPS Energy to achieve higher net income than budgeted.

CPS Energy budgeted \$625.8 million for capital expenditures but preliminary results show that approximately \$564.5 million was spent, with a favorable variance of \$61.3 million. As mentioned previously, the lessened capital expenditures reflect cost mitigations during the budgeting process.

CPS Energy ended the year with 1.59 times adjusted debt service coverage compared to the budget of 1.60 and above the accountability plan threshold of 1.50. In addition, CPS Energy has 209 days-cash-on-hand compared to the budget of 161 days and accountability plan threshold of 150 days. The Debt Capitalization (DC) ratio for FY2021 is 60.5 percent, favorable to the budget of 61.7 percent and to the accountability plan threshold of 61.7 percent. Mr. Gold reiterated that work by the organization to delay costs and reduce capital expenditures resulted in this positive financial performance.

Vice Chair Gonzalez expressed concern about extending the suspension of disconnections for too long since customer receivables may also be impacted by the costs of the recent winter weather event. She also commented about potential impacts to CPS Energy's credit rating as a result of the high volume of past-due balances and costs of the winter storm. Ms. Gold-Williams noted that CPS Energy is utilizing tools, whether regulatory or policy-related, to lessen costs of the recent storm to levels that are more manageable for our customers and community, and to protect the company's credit rating.

Vice Chair Gonzalez asked when CPS Energy's payment is due to ERCOT. Ms. Gold-Williams responded that CPS Energy is paying a reasonable amount to satisfy the company's obligations, while tracking market performance to avoid overexposure and prudently managing dollars to ensure CPS Energy remains a responsible ERCOT member.

In response to Vice Chair Gonzalez' inquiry about the possibility of ERCOT filing for bankruptcy, Ms. Gold-Williams stated she did not know about the possibility of that. She added that in any event, there would still be a need to have an entity serve as an "air-traffic controller" of the energy market.

VII. EXTREME FEBRUARY 2021 WEATHER EVENTS UPDATE

As a result of constructive feedback from the Trustees from her CEO Report on February 22, 2021, Ms. Gold-Williams stated CPS Energy would present more information about the winter storm event. With a goal to protect and serve customers and find opportunities for improvement, Ms. Gold-Williams noted the storm event has posed a "financial and affordability tsunami" and CPS Energy continues to thoughtfully strategize how to move through the challenges presented. She introduced presentations from several members of CPS Energy leadership to give context, perspective and impacts of the storm event.

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Energy Supply. Mr. Almaraz presented on energy supply. He discussed CPS Energy's seasonal weather readiness efforts, which allow CPS Energy to prepare personnel and equipment for the potential high demands during the extreme conditions of the winter and summer seasons. He noted that the initial forecast for the week of February 15, which was reported on February 1, called for a less severe winter storm, while the forecast on February 9 showed days of sustained below freezing temperatures. He also touched on the weatherization lessons learned from the winter event in 2011, and described preventative measures CPS Energy has since implemented, including focusing on small and narrow pipes, insulation, and inspecting equipment frequently. Mr. Almaraz also described challenges related to CPS Energy's natural gas system, including surging prices. When it was needed in record amounts, the priority went to customer's needs. He stated that the winter precipitation and the duration of the extreme cold temperatures contributed to the increase in plant outages during the storm event, and ultimately, all resources within CPS Energy's generation fleet were impacted by the extreme weather.

Chair Dr. Mackey asked Mr. Almaraz to review the outage schedule to see if a scheduled outage is better suited for March or April. He also inquired about salt domes in East and South Texas to store gas as part of the fuel supply strategy. Vice Chair Gonzalez asked for clarification regarding the extent of winterization efforts made after the 2011 storm. Mr. Almaraz responded that CPS Energy implemented all measures that were identified as part of the engineering assessment at the time. He noted that the magnitude of the recent weather event is not the design basis for the 2011 winterization assessment. CPS Energy continues to look at what further measures can be taken.

Vice Chair Gonzalez asked about whether CPS Energy resource units that were available were sufficient to serve CPS Energy customers. Mr. Almaraz responded that there were times that the generation was not sufficient. Ms. Gold-Williams added that the extremely cold temperatures drove tremendous demand for energy, higher than we've seen in the summer when all of our plants are running. Plants that tripped offline posed additional challenges and CPS Energy's ability to serve was out of balance with the demand. In those situations, CPS Energy took power from ERCOT to serve San Antonio.

Electric Grid. Mr. Barham presented on storm impacts to electric grid operations and the natural gas supply to the state, and the resulting impacts on customers. He discussed the required load shed, or intentional shutdown of circuits on the grid, and the necessity for rotating outages to protect CPS Energy customers. Mr. Barham characterized ERCOT as the "air traffic controller" who keeps generation and customer demand in balance. He further explained that for the grid to be stable, generation must be sufficient to meet customer demand. ERCOT does not own or operate transmission or generation; it only coordinates utilities like CPS Energy. The wholesale market balances the generation and customer demand in a cost-effective way. But, if there is no balance, then the grid cannot remain stable and will suffer a blackout.

Mr. Barham noted that CPS Energy performs annual tests and training to prepare for a blackout period, but it has never happened in ERCOT, and therefore is a bit of an unknown. Mr. Barham observed how quickly ERCOT issued the load shed orders and compared the 20,000 MW load shed orders from ERCOT during the most recent event to the significantly lower 4,000 MW load shed order during the 2011 storm. He acknowledged the frustration of many customers who did not have power and stated that once CPS Energy could restore power coming out of the load shed event, we focused on those who were out the longest. Mr. Barham said CPS Energy is assessing and identifying opportunities and technologies to help improve control, visibility, and management of load in the future.

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In response to Vice Chair Gonzalez, Mr. Barham confirmed that the outages are not decided by neighborhoods, but rather, by circuits. He noted that approximately one-third of customers are on circuits available for load shed. He stated that equipment failures were responsible for extended outages. Vice Chair Gonzalez inquired about any bill relief to those customers that experienced outages. Ms. Gold-Williams replied that we are currently looking into that matter.

Security, Safety, and Gas Solutions. Mr. Bonewell reported that CPS Energy's continuity plan ensured there were no cybersecurity breach events and no serious physical security threats. CPS Energy was able to maintain communications by being a part of the City of San Antonio Office of Emergency Management briefings, and by providing frequent security updates and messaging across the organization. Fleet Operations were bolstered by adding call duty support and cold weather supplies like chains and de-icer. He reported effective cooperative efforts to divert gas supply and provide sufficient gas flow to customers who needed it. There was one repair to a 20" gas main because of the storm. Mr. Bonewell said CPS Energy would take lessons learned from the event to enhance safety measures and to update business continuity plans.

Customer Engagement. Mr. Garza presented on actions taken before, during and after the storm related to Customer Engagement. From the beginning of the storm to the end, CPS Energy used all its tools to communicate with customers. He described the use of a communication system for direct messaging in both English and Spanish that reached approximately 650,000 customers throughout the storm event. In addition, there were proactive steps taken to urge customers to conserve energy. After the storm, CPS Energy took steps to dispel misinformation of high energy bills by suspending autopay and performing several quality control checks to the billing system to ensure the information was accurate. Mr. Garza acknowledged there were opportunities to learn, including overall communication with customers, as well as implementing resiliency strategies with employees to ensure they can perform their jobs during challenging circumstances like the storm.

Technology. Ms. Bouet discussed the customer information systems used to contact customers through the outages and the storm. She stated that communications were complicated by interruptions to the grid communications network, telecommunication partners, and the advanced meter infrastructure. CPS Energy call centers and internal communication systems were also disrupted. Although CPS Energy's team pulled through the challenges, next steps include reviewing the performance of major systems to identify potential improvements and to assess the outage management process.

VIII. CONDUCT AN INDEPENDENT REVIEW OF FEBRUARY 2021 EXTREME WEATHER EVENT

Ms. Gold-Williams requested clarity, input and guidance from the Board on whether there will be an independent review of the storm event directed by the Board.

Trustee Steen commented that at the previous Board Meeting, he proposed an independent review of CPS Energy's response to this winter storm related to communication, preparedness and disaster management because customers deserved an opportunity to understand the lessons learned and what happened during the storm. He proposed as a motion the following resolution approving an independent review.

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RESOLUTION APPROVING INDEPENDENT REVIEW OF 2021 WINTER STORM RESPONSE

WHEREAS, CPS Energy continually strives to be financially responsible and a strong steward of the community's assets while effectively balancing its **Guiding Pillars** of **Reliability, Customer Affordability, Safety, Security, Environmental Responsibility**, and **Resiliency**, all grounded in our **Foundation** of **Financial Responsibility**; and

WHEREAS, extraordinary events and conditions experienced in the San Antonio area and statewide during February 2021 created extraordinary opportunities for service by CPS Energy, but also for learning and improvement; and

WHEREAS, the CPS Energy Board of Trustees has a responsibility to ensure its customers, the citizens of San Antonio, and itself that CPS Energy's management, its systems, and its practices now and in the future reflect the best reasonable resources, systems, and practices for meeting our goals in stable times and unstable times, in good weather and bad weather;

NOW, THEREFORE, BE IT RESOLVED, that, after careful reflection and in light of the foregoing, the CPS Energy Board of Trustees hereby approves and initiates a full independent review of CPS Energy's preparation for and responses to the winter storm of February 2021. This review will be directed by and accountable to the Board of Trustees under such processes and by such entities or individuals as the Board of Trustees may hereafter decide, independent of direction or accountability to existing management. The review will include the following:

1. CPS Energy's preparation for and response to the storm, including preparedness, communication and management reaction to the situation, including practices that worked well, as well as any that did not; and
2. What systems of practices can be considered or implemented to ensure that in the future, all stakeholders of the company can be assured that our **Guiding Pillars** of **Reliability, Customer Affordability, Safety, Security, Environmental Responsibility**, and **Resiliency**, all grounded in our **Foundation** of **Financial Responsibility**; are well and capably balanced and met.

Trustee Kelley seconded the motion and Chair Dr. Mackey called for discussion.

Mayor Nirenberg noted that the City of San Antonio (City) has called for an independent review of the winter event and questioned whether Board's review would impact CPS Energy's cooperation with the City's review. Ms. Gold-Williams stated her desire to cooperate with the City's review but expressed concern that CPS Energy would not be able to meet the demands of both reviews, especially in light of other pending initiatives and new efforts being undertaken to protect our customers from the storm impacts. She added that timing and scope of the Board's review are key. The Board discussed the two reviews. They clarified that the pending motion was to generally approve a Board-directed review; it did not provide for specific timing or method. Trustee Steen noted that storm preparation, communication and management reaction to the storm

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comprise the scope of the Board's review. The Board continued to discuss concerns with duplicating efforts and conflicting objectives between the two reviews. Trustee Steen insisted that the Board's review be performed, stating it would be complementary to the City's review. Mayor Nirenberg asked that as the scope is narrowed and a consultant is sought, the review be coordinated with the City.

Chair Dr. Mackey called for the vote and upon affirmative vote by all members present, the motion was unanimously approved.

IX. EXECUTIVE SESSION

At approximately 3:38 p.m., Chair Dr. Mackey 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 the following posted items:

- Attorney-Client Matters (§551.071)
- Competitive Matters (§551.086)

The Board reconvened in open session at 5:08 p.m. and a quorum was re-established. Ms. Shellman reported that only the matters cited above, and no others, were discussed in Executive Session and no votes were taken.

X. SHORT-TERM FINANCIAL STRATEGY

Ms. Gold-Williams introduced the presentation and stated the impacts resulting from the winter storm placed a tremendous financial burden on the community. The commodity price of natural gas surged as high as 16,000 percent from pre-storm pricing. She described how the storm transformed from a reliability crisis to a "financial tsunami" given the extreme bills that customers in other Texas markets have since received. CPS Energy is working through the costs associated with the storm to ensure the burden is as low as possible for our customers. She reiterated that the utility is committed to paying for justified and prudent charges, but will not pay illegitimate, unconscionable charges.

Ms. Julie Johnson, Senior Director of Treasury & Finance, Financial Services, discussed the short-term financial strategy to address liquidity. She reported that CPS Energy has begun to work through the financial implications of the storm. She said all business decisions are based on **Financially Responsibility**, a CPS Energy **Guiding Pillar**.

For the short-term financial strategy, Ms. Johnson discussed utilizing existing cash reserves together with \$900 million in cash, investments, and short-term financial tools. Doing so would increase liquidity capacity by \$800 million. However, she said with approval to seek additional short-term financing, liquidity would increase to \$1.3 billion. With the current suspension of disconnects and the ongoing effects of COVID-19, the additional liquidity will help protect CPS Energy's customers. There is no intention to immediately call on the additional funds, but rather, to have them as an option should it be necessary.

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Ms. Johnson requested approval to proceed with establishing short-term financing with a bank or consortium of banks, for up to \$500 million for one to five years. Upon approval, the matter will be presented to City Council for approval.

Upon motion duly made by Trustee Kelley, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the motion to proceed with short-term financing was unanimously approved.

XI. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Mayor Nirenberg, seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:23 p.m. by Chair Dr. Mackey.

Carolyn E. Shellman
Secretary of the Board

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CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MARCH 29, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of March was held on Monday, March 29, 2021 by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called “social distancing”) to slow the spread of the Coronavirus (COVID-19). There was no in-person public access to the meeting. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present via phone were Board members:

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

Also present via phone were:

Ms. Paula Gold-Williams, President & CEO
Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability, & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Rudy Garza, Chief Customer Engagement Officer
Mr. Gary Gold, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll. A quorum was present.

II. SAFETY MESSAGE

The Board meeting began with safety messages delivered by Mayor Nirenberg and Ms. Gold-Williams.

Ms. Gold-Williams explained that in spite of CPS Energy’s attention to the fallout from Winter Storm Uri, it remains committed to protecting employees from contracting the COVID-19 virus through safety measures. She reported that CPS Energy has experienced 477 employees infected with the virus to date, but the number of currently quarantined employees has dropped to 60, which is a significant improvement. There are no employees currently hospitalized. Ms. Gold-Williams thanked employees and labor representatives for their cooperation and efforts to fight the spread of the virus.

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Mayor Nirenberg stated that the COVID-19 positivity rate is trending in the right direction at just above 2% and hospitalizations are down. Nearly half a million San Antonio residents have received at least their first COVID-19 vaccination. However, the Mayor cautioned that there could be an increase in COVID-19 cases in the coming weeks resulting from recent spring break gatherings and the elimination of the statewide mask-wearing mandate. Mayor Nirenberg also made a plea for blood donations.

III. INVOCATION

An invocation was delivered by Ms. Amelia Badders, Director, Enterprise Advanced Analytics.

IV. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and the moderator outlined the guidelines for doing so. The following person made comments:

1. Ms. Rachel Rabbani urged the Board to prioritize the environment over short-term profits.

V. CEO'S REPORT

By way of commencing Ms. Gold-Williams's CEO's Report, Chair Dr. Mackey raised several questions related to the disconnection of service for customers unable to pay their electric and gas bills; **FlexPOWER BundleSM** and resource allocation; emergency response plans in light of February's winter storm event; the addition of on-site fuel storage capacity; winterization of utility facilities; and a complete inventory of electric circuits in relation to rolling outages.

Ms. Gold-Williams responded directly to these points in delivering the CEO's report. On the subject of customer disconnections, Ms. Gold-Williams explained that CPS Energy placed a moratorium on customer disconnections nearly a year ago. She explained that while other utilities have reinstated the policy of disconnection of service for non-payment, CPS Energy expects to reinstate disconnections as COVID-19 vaccinations reach critical mass and the local economy begins to recover, some time in late spring or early summer. Written notices will be provided to all customers prior to reinstating the disconnection policy.

Regarding customer bills following Winter Storm Uri, Ms. Gold-Williams reported that those invoices have started going out, but they did not include fuel pass-through costs incurred by CPS Energy during the winter storm. Our Energy Advisors continue to assist customers by placing them on payment plans and informing them of helpful resources. Ms. Gold-Williams highlighted the Energy Angels program through which customers can provide financial donations to help fellow customers.

On the subject of planned power plant maintenance in anticipation of future winter peaks, she noted that CPS Energy is monitoring expected guidance from regulators regarding the winter peak, but generally we are considering January and February as the winter peak. Together with the four-month summer peak, CPS Energy has six months throughout the year to perform planned maintenance. She also described the maintenance process for preparing CPS Energy's generation fleet of 24 power plants for this year's summer peak. She highlighted that we may experience costs to purchase power during planned maintenance and higher labor costs as a result of expedited maintenance work.

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Addressing the question of reserved fuel storage, she explained that not all of CPS Energy generation units can switch from piped natural gas to a stored alternative fuel oil. Some of the generation facilities would require environmental retrofits or equipment upgrades to operate with stored fuel. Given the age of some of the power plants, such facilities upgrades do not make financial sense. Where such upgrades may be reasonable, they will require environmental permits authorizing higher emissions during periods of operation utilizing reserved fuel sources. The lead time for obtaining these permits is approximately two years. Ms. Gold-Williams added that there are limitations on storage sites that could hold fuel reserves for approximately 10 days. There are several salt caverns throughout the state that are used as storage facilities. Additional considerations include pipeline construction to our service area and negotiation of a storage lease agreement subject to certain limitations on withdrawals. We will continue to gather more information about fuel storage and transport.

On the matter of winter preparedness, Ms. Gold-Williams shared that CPS Energy weatherized generation facilities following the 2011 winter storm and plans to engage a consultant to assist in the development of a more robust weatherization program, informed by any state standards, for its gas and electric facilities. CPS Energy also supports assisting large and critical load customers, such as SAWS, in the implementation of onsite backup generation at specific sites.

Regarding the management of controlled outages (managed load shed), she explained that the massive amounts and speed of load shed challenged our outage management approach. Nevertheless, CPS Energy is discussing this concern with trusted suppliers and researchers. We are also exploring how our advanced metering infrastructure (AMI) may be useful for this purpose. Finally, Ms. Gold-Williams noted that as CPS Energy reviews responsive generation projects to its **FlexPOWER Bundle** RFP, staff will prioritize power supply resources that may assist in meeting summer and winter peaks. She told Board members that CPS Energy leadership will bring back further information on these topics for their consideration in the near future.

Chair Dr. Mackey raised the question of when the Board may resume face-to-face meetings and solicited other Trustees' comments on the matter. He noted his preference to preside over the April Board meeting from the new headquarters. Vice Chair Gonzalez cited her support for video-conferenced or in-person Board meetings in the spring. Trustee Kelley noted the benefits of in-person meetings and his support for them to resume as soon as reasonably possible. Mayor Nirenberg also noted his support for resuming in-person meetings. Chair Dr. Mackey added that he and Ms. Gold-Williams will continue working on this matter.

In response to the CEO report, Mayor Nirenberg noted that the City of San Antonio appreciates CPS Energy's moratorium on disconnects for non-payment and the REAP Program that assists customers in paying their energy bills but expressed concern that many families will not be able to return to normal at the same time as COVID-19 vaccinations reach critical mass in San Antonio. He asked that the Board have a data-driven discussion and hear about CPS Energy's strategies beyond REAP to help customers in need before announcing any firm dates for resuming disconnections. Mayor Nirenberg also expressed concern about environmentally regressing by implementing a dual-fuel strategy at its plants. He stated that the Rate Advisory Committee (RAC) should study this issue before any decisions are made.

Vice Chair Gonzalez raised concern over multiple projects simultaneously pulling for the Board's attention and suggested that the Board conduct a comprehensive planning session regarding the complexity of the current situation and a concrete path forward.

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VI. BOARD OPERATING PROCEDURES

Chair Dr. Mackey presented the Rules of Order for the CPS Energy Board of Trustees referred to as the Board's Operating Procedures (Procedures). He explained a revision to the Procedures included in the Board packet. Specifically, Article 4, A. should be revised to provide that, to avoid a quorum, a request by two Trustees for an item to be placed on the agenda would not be discussed with the Board Chair; rather, it need only be submitted to the CEO.

Chair Dr. Mackey made a motion to approve the Procedures, revised as he described, and Vice Chair Gonzalez seconded.

Through a lengthy discussion about the method and timing of placing items on Board agendas, Chair Dr. Mackey explained that he called for the development of the Procedures to provide a process for placing an item on the Board's agenda. The Procedures are intended to formalize written rules of order that are currently unwritten Board practices. Chair Dr. Mackey clarified that a written request from any two Trustees for an agenda item would be submitted to the CEO, not the Chair, and would not require the Chair's approval.

Trustee Steen, however, raised concerns regarding Article 4, which requires 20 days' notice to place an item on the agenda. He explained that his primary concern was that Article 4, A. through C are making it more laborious and difficult to place an item on the agenda and that urgent and last-minute requests could not be accommodated under the proposed process. Chair Dr. Mackey reiterated his goal to formalize a process for Trustees to have items placed on the agenda.

Mayor Nirenberg explained that the Procedures do not prohibit the Chair from placing an item on a meeting agenda so long as it is compliant with the Texas Open Meetings Act (TOMA), that is at any time up to three days prior to the meeting. Trustee Steen noted that such an action would be outside the proposed Procedures.

Ms. Gold-Williams suggested adding a provision to the Procedures about adding emergency items to the agenda. Vice Chair Gonzalez agreed with her suggestion. Later during the discussion, Ms. Shellman clarified that the Procedures already include a provision for emergency or urgent public matters.

In response to Trustee Kelley's request for a redlined document, it was clarified that current written Rules of Order do not exist. Chair Dr. Mackey reiterated his desire for structured rules of order and operating procedures.

Several times throughout the discussion Trustee Steen recommended voting on the matter in May and sending the Trustees a redlined version of suggested changes to the Procedures.

Mayor Nirenberg then suggested making a friendly amendment to the pending motion such that the Procedures be further modified to add an item I. to Article 4, allowing that at any time the Board Chair may place an item on the agenda. Chair Dr. Mackey then made a motion to amend his original motion as suggested by the Mayor, and Mayor Nirenberg seconded the motion. Ms. Shellman suggested adding a reference to TOMA compliance. Mayor Nirenberg asked Chair Dr. Mackey if he would accept a friendly amendment to the second motion to include a reference to TOMA, which Chair Dr. Mackey accepted. Ms. Shellman clarified that Article

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4, A was also being revised to read, "At least twenty (20) days prior to the Board Meeting, any two (2) Trustees may jointly request that an item be included on the Agenda for an upcoming meeting by submitting a written request to the CEO."

A vote was called on the amended motion, which was approved 4-0, Trustee Kelley abstaining, citing insufficient information.

Chair Dr. Mackey then called for a vote on the main motion, which was approved 3-1, Trustee Steen voting against and Trustee Kelley abstaining.

VII. APPROVAL OF CONSENT ITEMS

On motion duly made by Mayor Nirenberg, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes of the Special Board Meeting held on February 5, 2021, and the Regular Board Meeting held on February 22, 2021, were approved with minor revisions provided by Chair Dr. Mackey.

Approval of Payment to the City of San Antonio for February 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 February 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$152,140,022.90, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the full Debt Service requirements, the total 6% requirement to the Repair and Replacement account, and the City Payment by \$62,467,612.99. Due to the temporary suspension of billing after the February winter weather event to ensure bill accuracy for customers, a portion of February 2021 revenue was delayed and will be recorded in March 2021. The high fuel costs from the February winter weather event have been excluded from the Flow of Funds, however, the impact of higher gas volumes during the month multiplied by non-weather event fuel prices are also partially contributing to the February deficit. CPS Energy initiated activities to protect customers from bill shock due to the extreme pricing of purchased power and natural gas during the winter weather event. Prior revenues from the Repair and Replacement account are being used to satisfy the Debt Service obligations until future months' revenues offset the deficit. As revenues increase in the next few months, this deficit will reverse itself in the Flow of Funds. Under the previously approved agreement with the City, CPS Energy will advance to the City \$21,688,899.60 against future months' revenues for fiscal year 2022. The revenue for the month of February 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$192,809,560.81
Gas revenue	32,561,184.18
Interest and other income	2,523,540.29
Gross revenue per CPS Energy financial statements	<u>227,894,285.28</u>

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Excluded revenue	
School and hospital revenue per City Ordinance 55022	(5,365,203.95)
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	(9,701,039.45)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	(60,688,018.98)
Total excluded revenue	<u>(75,754,262.38)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$152,140,022.90</u>

City payment per Bond Ordinance for February 2021 based upon February 2021 revenue	\$21,299,603.21	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	401,796.39	
Wholesale Special Contract Annual True Up	0.00	
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	21,688,899.60	A
Utility services provided to the City for February 2021	<u>(2,192,863.83)</u>	
Net amount to be paid from February 2021 revenue to the City	<u>\$19,496,035.77</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)

February 2021	Actual	Budget	Variance	
Current Month* A	\$21,689	\$24,098	(\$2,409)	-10.0%
Year-to-Date*	\$21,689	\$24,098	(\$2,409)	-10.0%

* 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 \$19,496,035.77, representing 14% of applicable system gross revenues for the month of February 2021, such payment being net of City utility services (\$2,192,863.83), and including the current month's deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2022 is \$62,467,612.99, inclusive of \$40,778,713.39 necessary to satisfy the full Debt Service

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requirements, the 6% Repair and Replacement requirement year-to-date, and the \$21,688,899.60 to be advanced to the City.

Employee Benefits Oversight Committee (EBOC) Statement of Governance Update

The proposed changes to the EBOC Statement of Governance were approved as submitted.

VIII. SMARTSA DATA SHARING PROCESSES & PRINCIPLES

Ms. Badders briefed the Board with the support of Ms. Melissa Sorola, Sr. Director, Corporate Communications & Marketing. Ms. Badders explained that the purpose of the presentation was to request Board approval for the CPS Energy CEO, or her designee, to execute the SmartSA Interlocal Data Sharing Agreement (IDSA), which is a collaboration with the City of San Antonio, Bexar County, San Antonio Water System, San Antonio Housing Authority, San Antonio River Authority, Edwards Aquifer Authority, VIA Transit Authority, and the University of Texas at San Antonio (collectively, the "Data Sharing Stakeholders"). Ms. Badders thanked the Board's Technology & Innovation Committee for feedback during the two-year journey that has led to a final agreement, adding that the privacy and data security concerns raised by the Committee were incorporated into the IDSA. Ms. Badders explained that the IDSA creates a common framework for requesting data with each organization appointing a single point-of-contact to address requests, and each data request must include the intended use of the data. She emphasized that the key attribute of the agreement is that parties are not required to share any specific data. Rather, by way of illustration, Ms. Badders explained that CPS Energy would only share aggregate information and would not release any personally identifiable information of customers or employees.

Ms. Sorola explained how CPS Energy would bring awareness to the IDSA and continue communicating our commitment to customer privacy. Ms. Badders then provided a short explanation of how data requests would be processed. She requested Board approval to execute the IDSA and asked for any questions.

Vice Chair Gonzalez asked whether any data shared under the IDSA could be sold, to which Ms. Badders responded that the IDSA incorporates the Customer Information Privacy Policy which states that customer information is not sold. Ms. Gold-Williams stressed that requests under the IDSA must include the use for the data, including whether the information will be monetized. Vice Chair Gonzalez asked about how CPS Energy vendors use CPS Energy data. Ms. Gold-Williams agreed to look into her concern.

Trustee Steen expressed appreciation to Vice Chair Gonzalez and Chair Dr. Mackey, members of the Technology & Innovation Committee, for working with staff on this item before bringing it to the Board.

On a motion duly made by Vice Chair Gonzalez and seconded by Trustee Kelley, and upon affirmative vote by all members present, the following resolution was approved.

RESOLUTION TO JOIN THE SMARTSA INTERLOCAL DATA SHARING AGREEMENT

WHEREAS, the City of San Antonio is leading the SmartSA smart city initiative; and

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WHEREAS, the SmartSA partnership facilitates bringing together City of San Antonio and other community governmental entities, currently including Bexar County Appraisal District, Edwards Aquifer Authority, San Antonio Housing Authority, San Antonio River Authority, San Antonio Water System and VIA Metropolitan Transit, with the intent of transforming the Greater San Antonio area into a Smart City/Community; and

WHEREAS, CPS Energy desires to support SmartSA efforts where they align with the interests of our customers while continuing to protect individual account information, including personally identifiable information, as well as other information deemed competitively sensitive by statute; and

WHEREAS, the City of San Antonio Office of Innovation coordinated with local governmental entities who support SmartSA to develop the SmartSA Interlocal Data Sharing Agreement (IDSA); and

WHEREAS, the IDSA does not compel or mandate that parties must share data but rather sets forth common terms and conditions for requesting, receiving and use of any data that parties choose to share under the IDSA; and

WHEREAS, the parties to the SmartSA Interlocal Data Sharing Agreement have agreed to include a specific attachment developed by CPS Energy to ensure CPS Energy's specific data privacy and security requirements are adopted by the parties for any data that CPS Energy shares under the agreement; and

WHEREAS, with the inclusion of the CPS Energy specific attachment to the IDSA, CPS Energy recommends joining the IDSA.

Now, therefore, be it resolved that:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The Board of Trustees of CPS Energy hereby authorizes the President & CEO, or her designee, to enter into the SmartSA Interlocal Data Sharing Agreement.

IX. RATE ADVISORY COMMITTEE (RAC) UPDATE

Mr. Garza, provided an update on the implementation of the RAC, pointing out that the deadline for submitting applications was extended by two weeks to March 12, 2021. Mr. Garza shared that candidate packages for each City Council district were provided to City Council members last week. He explained that the Board will be able to review candidate applications in a series of special Board work sessions to be scheduled. Mr. Garza shared demographic and diversity information about the 280 candidates that submitted applications for the RAC. He also commented that the bylaws for the RAC have been updated to reflect the appointment of a chair and vice-chair, as opposed to two co-chairs, for two-year terms, and updates to membership qualifications as previously directed by the Board.

Mayor Nirenberg and Vice Chair Gonzalez shared concerns over the timing of voting on the bylaws ahead of the selection of the RAC membership. To assist with this concern, Mr. Garza offered to send all the Trustees the bylaws in redline format to allow time to review the revised bylaws ahead of taking a vote.

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Chair Dr. Mackey asked several questions regarding the Board work sessions to which Mr. Garza explained that the purpose was to allow enough time for the Board to deliberate on the RAC applicants.

In response to Vice Chair Gonzalez' inquiry, Mr. Garza noted that approximately 84 applicants, or 30 percent, were female.

X. FlexPOWER Bundle REQUEST FOR PROPOSALS (RFP)

Mr. Kevin Pollo, Interim Vice President, Energy Supply & Market Operations, provided an update on the **FlexPOWER Bundle** RFP and timeline. Mr. Pollo explained that the **FlexPOWER Bundle** RFP garnered international attention, receiving over 300 registered participants on the Power Advocate bidding platform, the most in the platform's history. In total, CPS Energy received over 650 proposals from 100 companies representing 10 countries in response to an RFP calling for contract awards for up to 900 MW of solar, up to 50 MW of energy storage, and up to 500 MW of firming capacity projects.

Reflecting on the recent winter storm, Mr. Pollo added that the **FlexPOWER Bundle** RFP provides CPS Energy an opportunity to review for and select projects using different fuel types that when bundled together, provide the best value for our community. While this initial **FlexPOWER Bundle** will primarily assist the utility in meeting its summer peaks, future **FlexPOWER Bundles** are likely to be structured differently to provide additional focus in meeting winter peaks as well. He commented that 73 responders fit into diversity categories based on size, local/non-local, and ownership. The responses were also diverse representing transmission connected and distribution connected projects located across the state, including in San Antonio. CPS Energy will take into consideration several factors in awarding contracts, including resource availability, resource location, grid reliability, full delivery cost, and maturity of technology, as well as the impact of new generation resources on reduced carbon emissions.

Mr. Pollo commented that he is working to have all contracts awarded by July 30, 2021, with prioritized solar projects selected by the end of April 2021, but it may be a challenge to have executed contracts by the end of April. Regarding the potential prioritized solar projects, he pointed to the targeting of a transmission scale solar project of approximately 200 MW and local projects of 10-30 MW in capacity. The selection of local projects may help CPS Energy move ahead in the Shining Cities rankings. Mr. Pollo completed his presentation with an overview of the robust communications and stakeholder engagement campaign that has taken place throughout the RFP process.

Vice Chair Gonzalez asked, given the potential for projects from outside the country, how would CPS Energy mitigate concerns regarding the procurement of foreign parts and potential cyber security issues. Mr. Pollo noted that cybersecurity is part of the evaluation process. Ms. Gold-Williams further responded and explained that CPS Energy's Integrated Security and Supply Chain teams were involved in the development of the RFP with an eye on these issues. Also, the Financial Services team will perform counter-party evaluations. Ms. Gold-Williams offered further discussion on these matters during future Technology & Innovation Committee meetings. Vice Chair Gonzalez suggested that the entire Board be informed on these issues.

Vice Chair Gonzalez also encouraged the use of partnerships to stimulate the local economy where it makes sense.

Draft for review and approval
at the April 26, 2021 meeting

Trustee Kelley and Mr. Pollo discussed that CPS Energy expects to receive approximately 50 per cent firm yield from solar generation resources with up to 500 MW of firming capacity. Trustee Kelley then asked with 500 MW of firming capacity, why does CPS Energy need solar generation at all? Mr. Pollo explained that the acquisition of additional solar generation capacity is consistent with the utility's **Flexible Path**SM strategy and goal of adopting more renewables on the path to a cleaner generation portfolio. Trustee Kelley responded by stating his belief that this was a bad financial decision, albeit a politically correct one. He stated that during the recent winter storm, wind and solar generation resources produced only 2% of the energy needed. Therefore, an RFP seeking up to 900 MW of solar generation does not make financial sense and he would not support the purchase of more solar generation until energy storage can support its reliability. Ms. Gold-Williams interjected that she very much appreciated Trustee Kelley's financial perspective but offered that regulatory challenges raise the cost of power generation supported by fossil fuels. Trustee Kelley commented that he sees through the "charade" and appreciates that Ms. Gold-Williams cannot publicly agree with him. Mayor Nirenberg added that the Board can support both financial responsibility and environmental leadership.

XI. EXECUTIVE SESSION

At approximately 3:35 p.m., Chair Dr. Mackey 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 the following posted items:

- Personnel Matters (§551.074)
- Attorney-Client Matters (§551.071)

The Board reconvened in open session at 5:50 p.m. The quorum was re-established. Ms. Shellman reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:56 p.m. by Chair Dr. Mackey.

Carolyn E. Shellman
Secretary of the Board

CPS Energy Board of Trustees Meeting April 26, 2021

Approval of Payment to the City of San Antonio for March 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 March 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$189,370,808.20, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$24,353,201.69. Under the previously approved agreement with the City, CPS Energy will advance to the City \$24,353,201.69 against future months' revenues for fiscal year 2022. The revenue for the month of March 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$154,032,773.54
Gas revenue	5,949,768.32
Interest and other income	(891,886.68)
Gross revenue per CPS Energy financial statements	<u>159,090,655.18</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(5,551,811.70)
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	(8,984,666.17)
Noncash and other income, GASB 31	
investment market value change, miscellaneous	
interest income, gas billing adjustment and unbilled	
revenue	<u>44,816,630.89</u>
Total excluded revenue	<u>30,280,153.02</u>
Gross revenue per New Series Bond Ordinance subject to	
14% payment to the City	<u><u>\$189,370,808.20</u></u>
City payment per Bond Ordinance for March 2021	
based upon March 2021 revenue	\$26,511,913.15
City payment per memorandum of understanding (MOU)	
regarding wholesale special contracts	353,971.94
Wholesale Special Contract Annual True Up	0.00
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	26,853,385.09
Utility services provided to the City for March 2021	<u>(2,591,706.12)</u>
Net amount to be paid from March 2021 revenue to	
the City	<u><u>\$24,261,678.97</u></u>

CPS Energy Board of Trustees Meeting April 26, 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)

March 2021	Actual	Budget	Variance	
Current Month* A	\$26,853	\$23,623	\$3,230	13.7%
Year-to-Date*	\$48,542	\$47,721	\$821	1.7%

* 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 \$24,261,678.97 representing 14% of applicable system gross revenues for the month of March 2021, such payment being net of City utility services (\$2,591,706.12), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2022 is \$46,042,101.29.

Charter Created: 09/30/2019

Updated: 04/26/2021

CPS Energy Board of Trustees

TECHNOLOGY & RESILIENCE¹ COMMITTEE CHARTER

I. Role of the Technology & Resilience Committee

The role of the Technology & Resilience Committee of the CPS Energy Board of Trustees is to oversee operational and business technology, including cyber security and innovation matters, with a focus on enhancing our business functionality and resilience, aligned to the work of other Board Committees, by:

- Encouraging thought leadership in the industry;
- Understanding and diligence in addressing gaps between current technologies and industry trends; and,
- Reviewing the Company's strategic direction in relation to technology and resilience.

This committee will work to maintain strong positive working relationships with management; external and internal counsel; and Committee advisors, as may be necessary.

II. Authority

The authority of the Technology & Resiliency Committee is to exercise its business judgment in providing input and counsel to management, as well as to report and recommend actions to the Board of Trustees.

III. Committee Membership

The Technology & Resiliency Committee shall consist of two (2) Board Members from the CPS Energy Board of Trustees. One should be elected as chair. Committee appointments shall be approved annually by the full Board.

Management expertise and knowledge of technology & resilience issues should be required of at least one of the Committee members. While not absolutely necessary to do so every year because of the general need to rotate members periodically, the technology & resiliency expert will typically be assigned to this Committee.

¹ Previously the Technology & Innovation Committee before April 2021.

Charter Created: 09/30/2019

Updated: 04/26/2021

Regardless of committee assignments, if in any year the Board does not have a member with significant broad applicable expertise, the collective governing body can engage an independent counselor / advisor to provide that needed contribution to the Board and this Committee.

Year-after-year, the utility business and industry are expected to evolve. It is therefore important for the Board to periodically re-evaluate its members' experiences, competencies, and skills. The Board will identify and address any gaps, as needed, including following the provisions within this document. Management can assist with this evaluation at the request of the Board and / or any committee.

IV. Meeting Frequency

The Technology & Resiliency Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Committee Chair.

V. Responsibilities

The Technology & Resiliency Committee will carry out the following responsibilities:

A. General

- Review the Company's technology & resilience developments in support of its overall business strategy.
- Review management's efforts to evaluate existing and future trends in technology & resilience to ensure that there is a consistent focus on improving the Company's strategic and business execution.
- Provide expertise and direction on such other matters about which the President & CEO may consult the Committee or its members.

B. Risk Management

- Receive and evaluate risk assessments from management in areas which involve technology & resilience issues that are within the oversight of this Committee.

Charter Created: 09/30/2019

Updated: 04/26/2021

- Relative to new and innovative product developments, review management's formal plans to address intellectual property, supply chain, possible brand infringement, and/or other business concerns.
- Assess risk mitigation policies and procedures relating to products based on new technology or significant innovations to existing technology.

C. Other

- Review and assess the adequacy of the Technology & Resiliency Committee Charter from time-to-time, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and its individual members' performance on a regular basis.
- Perform any other activities consistent with this charter as the Committee or the Board may deem necessary or appropriate.
- Report to the Board on the significant items covered at each Committee meeting.
- Invite industry Subject Matter Experts, as needed.

This Committee Charter of the CPS Energy Board of Trustees was approved on the 30th day of September 2019 and updated on the 26th day of April 2021.



CPS Energy Board of Trustees Meeting
April 26, 2021
APPROVAL of PROCUREMENT ITEMS

Procurement Preview Presentations Will Be Provided for the following:

1. **Item Description:** Managed Service Provider – Staff Augmentation, Direct Hire, Contingent Placement Services
Purchase Category: General Services
Category: Supplier: Broadleaf Results, Inc.
2. **Item Description:** Overhead Electric Distribution Services Purchase Order Correction
Purchase Category: General Services
Category: Supplier: Chain Electric Company
Supplier: Greenstone Electric Services LLC
Supplier: Pike Electric LLC

Other Procurements

3. **Item Description:** System Protection Engineering Services
Purchase Category: Professional Services
Supplier: Black & Veatch Corporation
Supplier: SynchroGrid Limited, LLC Gate
4. **Item Description:** Gate and Fencing Installation and Repair Services
Purchase Category: General Services
Supplier: Franchise Maintenance Organization Inc. dba FMO Inc

Approval: Lisa D. Lewis

Lisa Lewis, Chief Administrative Officer

Approval: Paula Gold-Williams
Paula Gold-Williams, President & CEO



CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 1

Item Description		Managed Service Provider – Staff Augmentation, Direct Hire, Contingent Placement Services
Original Cumulative Purchase Order	(A)	\$35,000,000
Previously Added Funds	(B)	\$0
Additional Funds Requested	(C)	\$24,000,000
Projected Cumulative Purchase Order Value	(D)	\$59,000,000
Purchase Category		General Services
Department		People & Culture
Vice President		Debra Wainscott
Chief Administrative Officer		Lisa Lewis

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

The contract allows CPS Energy to procure contractors at market rates to fill short-term needs for critical business functions, ultimately helping to ensure customer reliability and affordability. Through this contract, the vendor manages staff augmentation services, which allows for streamlined invoicing, work time approval, reporting under one umbrella, and consistency of rates for role types. The current contract will expire 8/31/21, and we are seeking approval for funding of \$24 million for a one-year extension of the contract while simultaneously conducting an RFP for these services.

Subcontracting opportunities associated with the contracts

There are currently 21 active subcontractors: 3 are Local/Diverse, 10 are Local/Non-Diverse and 4 are Non-Local/Diverse. **Approximately 76% of the spend has been local/diverse to date.**

Recommended Supplier(s) & Spend

Supplier Name	SBA Classification	PO Term	SBA Classification Details	Original PO Value	Previously Added Funds	Additional Funds Requested	PO #
Broadleaf Results, Inc.	Non-Local / Diverse	Three (3) Years	Woman , Large, No Hub/Vet, Non-Minority	\$35,000,000	\$0	\$24,000,000	2177095
				(A)	(B)	(C)	
				Projected Cumulative Purchase Order Value		\$59,000,000	

Description	Amount	Index
Total Procurement Value	59,000,000	(D)
Projected Spend for FY 2023	(15,000,000)	(F)
Projected Spend for the remainder of FY 2022 (This Year)*	(9,000,000)	
Subtotal - Additional Requested Funds	(24,000,000)	(C)
Total Original Procurement	\$35,000,000	(A)
* Spend-to-date for FY 2022 is approximately \$11M. Added together, \$9M above + \$11M spent thus far = \$20M, the projected spend for the total of FY 2022. See the next page.		



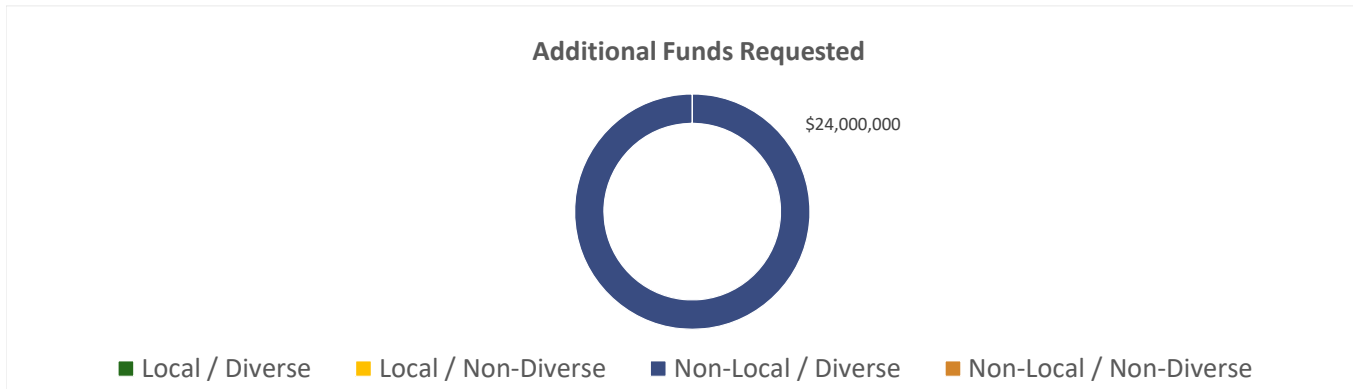
CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 1 (continued)

Annual Fund Budgeted						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$0	0.00%	\$0	\$0
21	Non-Fuel O&M	\$712,800,000	\$20,000,000	2.81%	\$15,000,000	\$0

*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.

(F)

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





CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 2

Item Description		Overhead Electric Distribution Services Purchase Order Correction
Original Cumulative Purchase Order Value	(A)	\$46,000,000
Previously Added Funds	(B)	\$3,750,000
Additional Funds Requested	(C)	\$3,600,000
Projected Cumulative Purchase Order Value	(D)	\$53,350,000
Purchase Category		General Services
Department		Resource Management
Vice President		Darrell A. Clifton
Chief Grid Optimization & Resiliency Officer		Paul S. Barham

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

Three (3) Overhead Electric Distribution Services contracts were utilized by Resource Management totaling \$49.75M from March 1, 2019 through February 12, 2021. The monthly reconciliation process between the supplier and CPS Energy failed to identify outstanding invoices that were rejected as duplicate submissions without notification to the supplier or the CPS Energy Field Representative. There were insufficient controls in place to reconcile the expected payments against the supplier's recorded receivables. The contract invoices have been audited by our Audit Services Department and found to have several invoices not reconciled. Resource Management is taking steps to correct the process and the \$3.6M will be applied to clear the outstanding invoices.

Subcontracting opportunities associated with the contracts

All services have been completed for these contracts. Throughout the duration of the contract term, Chain Electric Company subcontracted traffic control work to Alamo City Public Safety, Inc. and OSO Public Safety. Alamo City Public Safety, Inc. is headquartered in San Antonio and classified as a small, Hispanic-owned and woman-owned business. OSO Public Safety is also headquartered in San Antonio and classified as a small, Hispanic-owned and woman-owned business. The Chain Electric spend with these subcontractors represents approximately 9% of total contract spend. Pike Electric LLC subcontracted traffic control work to Alamo City Public Safety, Inc.; hydration supplies to Mireles Party Ice; onsite fuel services to Marshall Distributing Company, Inc.; and hauling services to J Hernandez Trucking LLC. Mireles Party Ice is headquartered in San Antonio and is classified as a Hispanic-owned, emerging small business. Marshall Distributing Company, Inc. is headquartered in San Antonio. J Hernandez Trucking LLC is headquartered in San Antonio and classified as a Hispanic-owned, emerging small business. The Pike Electric spend with these subcontractors represents approximately 16% of total contract spend.
Approximately 10% of the spend has been local/diverse to date.



CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 2 (continued)

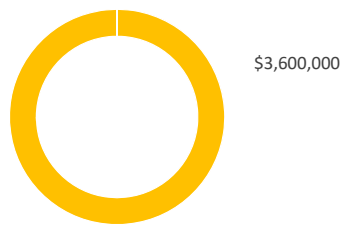
Recommended Supplier(s) & Spend							
Supplier Name	SBA Classification	PO Term	SBA Classification Details	Original PO Value	Previously Added Funds	Additional Funds Requested	PO #
Chain Electric Company	Local / Non-Diverse	Two (2) years	Male, Large, No Hub/Vet, Non-Minority	\$30,000,000	\$3,750,000	\$0	2181377
Greenstone Electrical Services LLC	Local / Diverse	Two (2) years	Woman, Small, HUBZone, Non-Minority	\$6,000,000		\$0	2181378
Pike Electric LLC	Local / Non-Diverse	Two (2) years	Male, Large, No Hub/Vet, Non-Minority	\$10,000,000		\$3,600,000	2181379
				(A)	(B)	(C)	
Totals				\$46,000,000	\$3,750,000	\$3,600,000	
Projected Cumulative Purchase Order Value						\$53,350,000	

Annual Fund Budgeted						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$2,800,000	0.41%	\$0	\$0
21	Non-Fuel O&M	\$712,800,000	\$1,100,000	0.15%	\$0	\$0

*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.

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

Procurement Item: General Services



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



CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 3

Item Description	System Protection Engineering Services
Purchase Order Value	\$1,858,000
Purchase Category	Professional Services
Department	Substation & Transmission
Senior Director	LeeRoy Perez
Chief Grid Optimization & Resiliency Officer	Paul S. Barham

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

This contract is required to provide system protection engineering services related to substation, transmission, and ERCOT Polled Settlement (EPS) metering projects. This contract allows CPS Energy access to the required job skills to continue to provide and maintain the safe and reliable operation of the substation and transmission systems. This contract is for a three-year term and will expire on 5/31/24.

Subcontracting opportunities associated with the contracts

Black & Veatch Corporation has committed to subcontracting EPS metering design services to Electric Power Engineers, Inc., which represents an estimated 10% of the contract scope. Electric Power Engineers, Inc. is a woman-owned business.

Recommended Supplier(s) & Spend

Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
SynchroGrid Limited, LLC	Non-Local / Diverse	Male, Small , No Hub/Vet, Hispanic American	Three (3) Years	\$929,000	2195636	
Black & Veatch Corporation	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Three (3) Years	\$929,000	2195635	
Total				\$1,858,000		

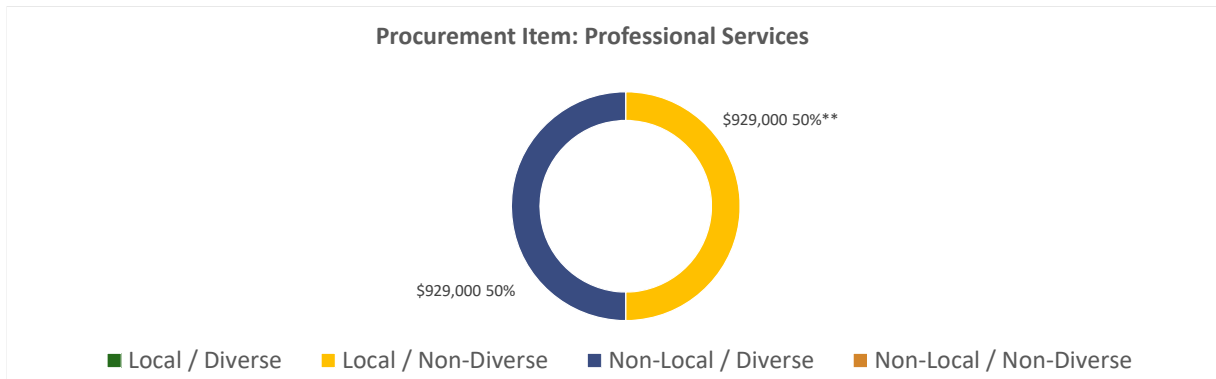


**CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 3 (continued)**

Annual Funds Budgeted						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$446,000	0.07%	\$378,000	\$716,000
21	Non-Fuel O&M	\$712,800,000	\$138,000	0.02%	\$60,000	\$120,000

*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.

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



**An estimated 10% (\$92,900) of this PO value will be awarded to the Diverse subcontractor identified.



CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 4

Item Description	Gate and Fencing Installation Services
Purchase Order Value	\$10,000,000
Purchase Category	General Services
Department	Integrated Security
Vice President	Shanna M. Ramirez
Chief Security, Safety & Gas Solutions Officer	Fred Bonewell

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

This contract is required to provide new fencing and gate installation for security hardening of CPS Energy facilities. This contract will also be used to construct new hardening features for the Defense Economic Adjustment Assistance Grant (DEAAG) Joint Base San Antonio (JBSA) Hardening Project. Building these new fences and gates will better secure our critical facilities and reduce criminal and possible terrorist actions at those upgraded facilities. This contract is for a three-year term and will expire on 5/3/24.

Subcontracting opportunities associated with the contracts

Franchise Maintenance Organization Inc. dba FMO Inc. has committed to subcontract installation and hydrovac excavation services to Unlimited Services of San Antonio, LLC dba USSA and Isabel Soto Contracting. Unlimited Services of San Antonio, LLC dba USSA is a small, woman-owned, and African American-owned business headquartered in San Antonio. Isabel Soto Contracting is a small, woman-owned, and Hispanic American-owned business headquartered in San Antonio.

Recommended Supplier(s) & Spend

Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
Franchise Maintenance Organization Inc. dba FMO Inc.	Local / Diverse	Male, Small , No Hub/Vet, Non-Minority	Three (3) years	\$10,000,000	2194317	Corporate headquarters based in San Antonio Metropolitan Area
Total				\$10,000,000		



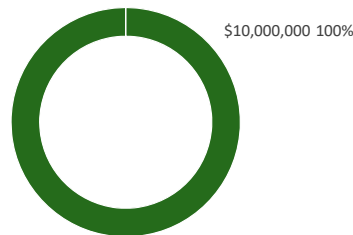
**CPS Energy Board of Trustees Meeting
April 26, 2021
PROCUREMENT FORM 4 (continued)**

Annual Funds Budgeted						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$5,000,000	0.73%	\$2,500,000	\$2,500,000
21	Non-Fuel O&M	\$712,800,000	\$0	0.00%	\$0	\$0

*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.

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

Procurement Item: General Services



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

CPS Energy Report on Fiscal Year 2021 Financial Audit

Presented by:

Jodi Dobson, CPA, Partner
Baker Tilly Virchow Krause, LLP

April 26, 2021



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2018 Baker Tilly Virchow Krause, LLP





Audit presentation topics

- > Audit overview
- > Internal control communication
- > Auditor's communication with those charged with governance
- > Questions



Audit overview

- > We appreciate the work done by CPS Energy accounting staff and management in preparing for and assisting in the audit!
- > Total hours approximated 2,800

Audit overview

- > Audit performed in accordance with Generally Accepted Auditing Standards.
- > Audit is based on assessment of control risk in key business process areas. Below are several key areas of review:
 - Pension and OPEB fund and liabilities
 - Investments
 - City payment and additional transfers
 - Unbilled revenues/revenue recognition
 - Energy market accounting
 - Asset retirement obligations
 - Assets under construction and plant in service
 - Review of Audit Services' work order, cash disbursement, inventory observation and ITGC
 - Analytical review of statement of net position and statement of revenues, expenses and changes in net position



Audit overview

- > Audit objective – obtain reasonable assurance that financial statements are free from material misstatement.
- > Financial statements received an *Unmodified Opinion* (clean opinion)

Internal control communication

AU-C Section 265

Communicating Internal Control Related Matters Identified in an Audit

Material weaknesses noted in CPS Energy's internal control:

- > None noted

Significant deficiencies noted in CPS Energy's internal control:

- > None noted

Auditor communication with Those Charged with Governance

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Planned Scope and Timing of the Audit
Accounting Policies	Accounting Estimates
Compliance with Laws and Regulations	Financial Statement Disclosures

Auditor communication with Those Charged with Governance

Area to be Communicated	Area to be Communicated
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Consultations with Other Independent Accountants	Disagreements with Management
Going Concern	Management Representations
Other Audit Findings or Issues	Auditor Independence



Audit summary

Thank You!

We appreciate the work performed by CPS Energy's accounting staff, management, and Audit Services staff in preparing for and assisting in the audit!

We would be happy to answer any questions regarding the audit.



FY2022 FINANCIAL PLAN PART 1 - CONTINUING EFFORTS TO HELP OUR CUSTOMERS

PRESENTED BY:

DeAnna Hardwick

VP, Customer Success

Rudy Garza

Chief Customer Engagement Officer (CCEO)

April 26, 2021

Informational Update



OBJECTIVES & TAKEAWAYS



- **REVIEW OUR *PEOPLE FIRST* SUPPORT DURING COVID-19**
- **REVIEW APPROACH TO MONITORING THE LANDSCAPE**
- **IDENTIFY FINANCIAL IMPLICATIONS**
- **DISCUSS CUSTOMER SUPPORT & OUTREACH**
- **IDENTIFY NEXT STEPS**



AGENDA



- ***PEOPLE FIRST!***
- **PATHWAY**
- **MONITORING THE LANDSCAPE**
- **FINANCIAL IMPACTS**
- **CUSTOMER PROGRAMS & OUTREACH**
- **NEXT STEPS**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

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

LIVING PEOPLE FIRST!



Walk-In Centers



Priscilla Aguillon, Lead Teller



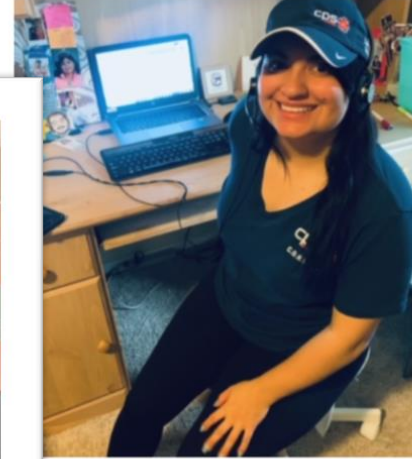
Monica Torres, Energy Advisor

Customer Health Screenings



Gina Duron, RN (Contractor)

C.O.R.E. Team



Rachel Olivo, Energy Advisor



Jennifer Espitia, Energy Advisor

We are municipally owned & are here to help our customers. We understand that helping our customers recover is what will help us recover.

CARING OUTREACH



We care about the well-being of our customers. Our Customer Outreach Resource Effort (CORE) team is dedicated to providing valuable programs & resources.



Heart-wrenching outreach calls likely to change customer service

- Enthusiastic & compassionate outreach, connecting with our community to identify ways to help
- An empathetic ear to listen to the needs of each customer & offer meaningful assistance resources for utility & other essential needs
- Engaged team members ready to assist residential, small/medium business, & large commercial customers
- Continued feedback proves the outreach program is making a difference:



"You are an angel! No other companies have reached out to help my family. CPS Energy is really doing the right thing!"
- CPS Energy Customer

CONNECTING WITH SUPPORT OPTIONS



Senior Citizen Billing
Over 53k enrolled



Critical Care Billing
Nearly 3k enrolled



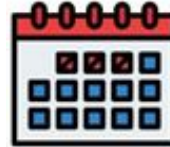
REAP
*Over \$1 Million
Donated*



CPS Energy Angels
Launched in 2021



Flexible Installment Plans
Over 53k enrolled



Due Date Extension
Nearly 7k Active



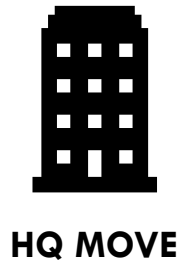
Budget Billing Program
Over 34k enrolled

**We will find a program that fits each customer
based on their individual needs.**

**Data as of March 31, 2021*

EMPLOYEES STEPPING UP

OUR PEOPLE ARE RESILIENT ♥



HQ MOVE



COVID-19



HELPING CUSTOMERS



WORK FROM HOME



NERC & RRC AUDITS¹



CREDIT OUTLOOK



WHOLESALE SALES



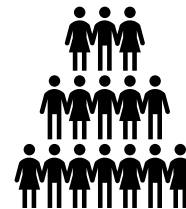
SOCIAL JUSTICE



PRESIDENTIAL ELECTION



CYBER SECURITY



EMPLOYEE ENGAGEMENT



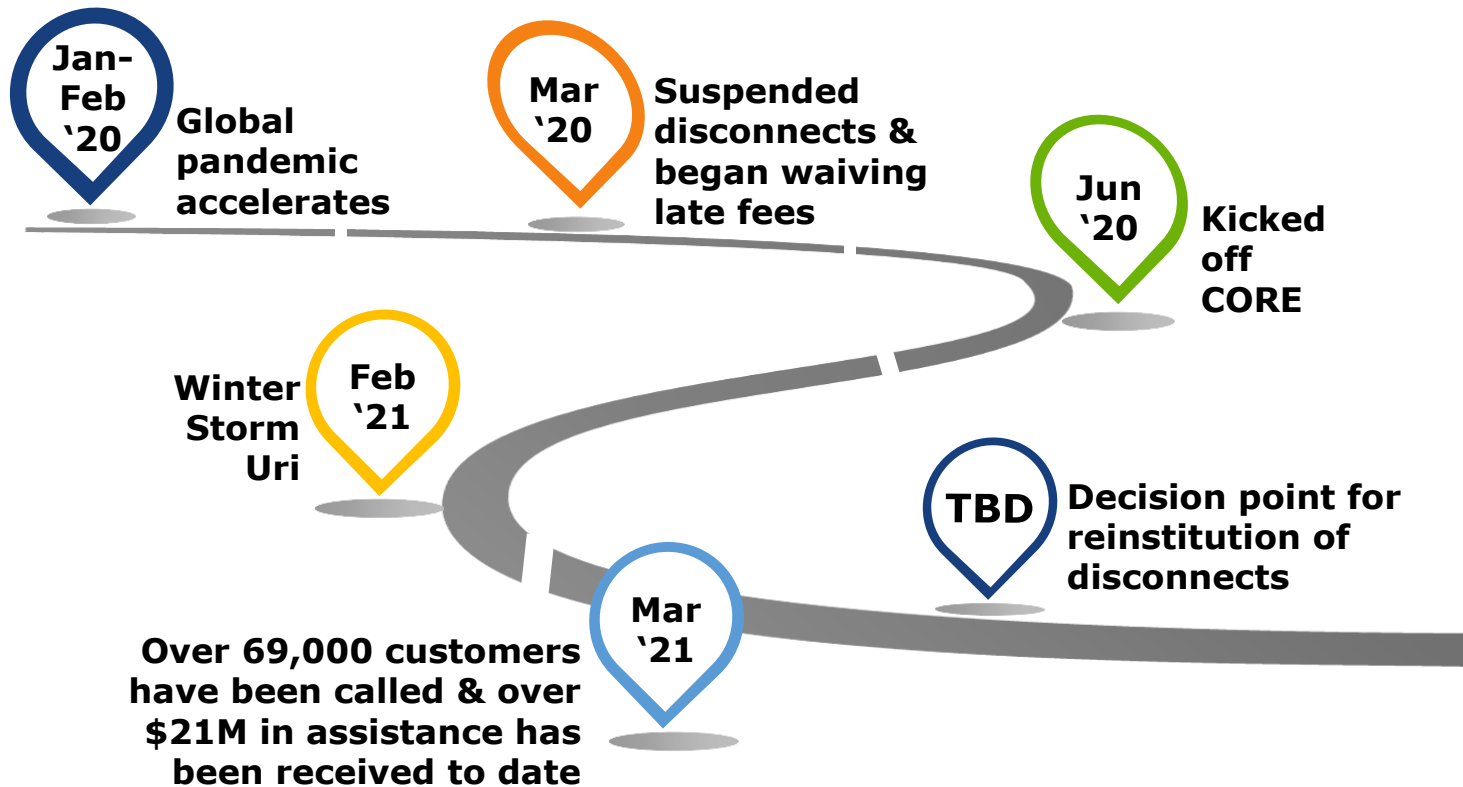
GOVERNANCE



VACCINATIONS

¹ Railroad Commission

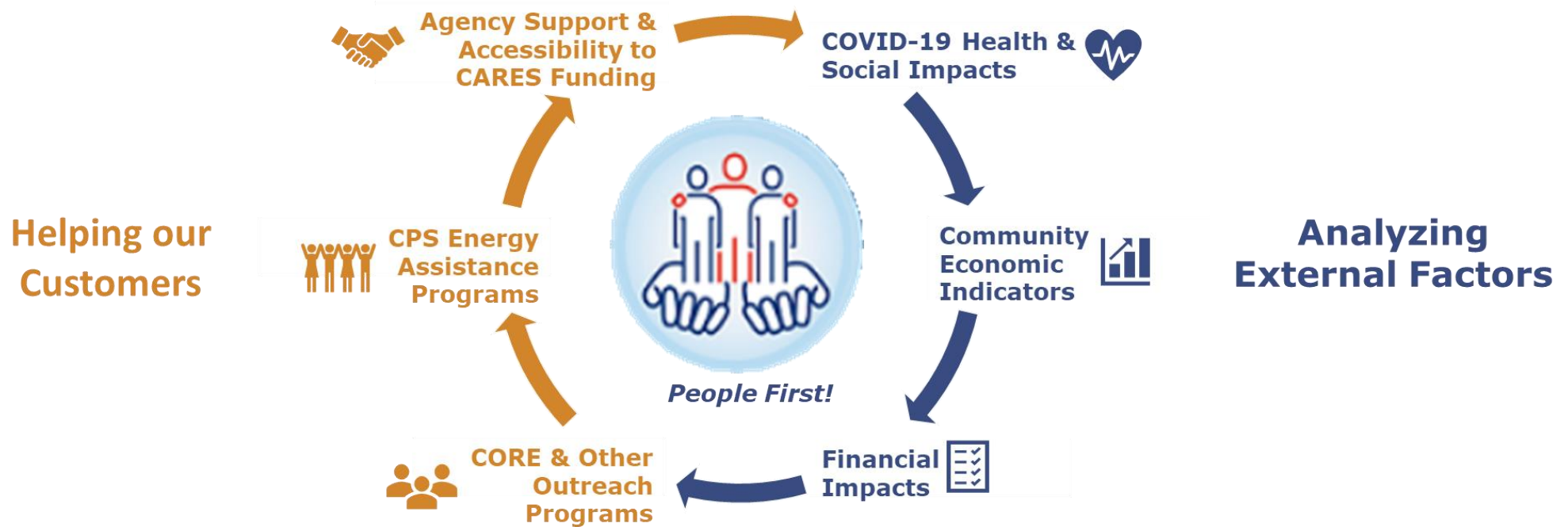
PATHWAY



Hector Ortiz, Energy Advisor

We evolved our approach to support our customers.

MONITORING THE LANDSCAPE

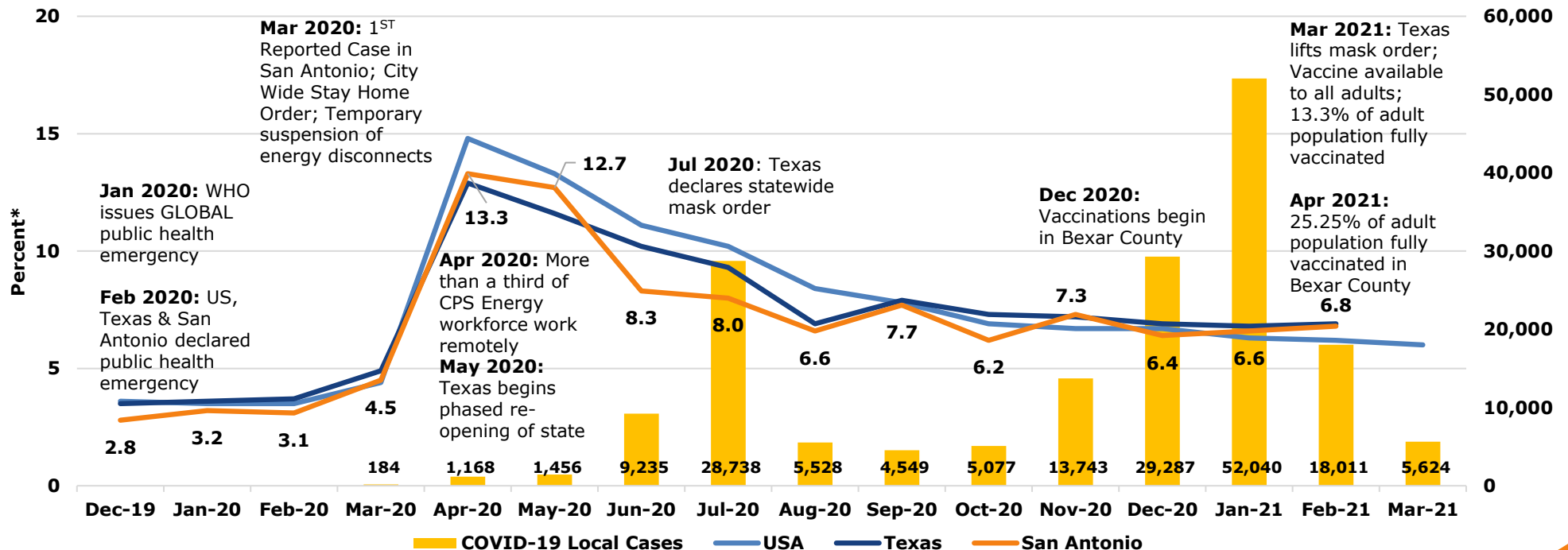


We monitor the impacts to our community & try to present meaningful referrals & programs to help.

HEALTH & ECONOMIC INPUTS



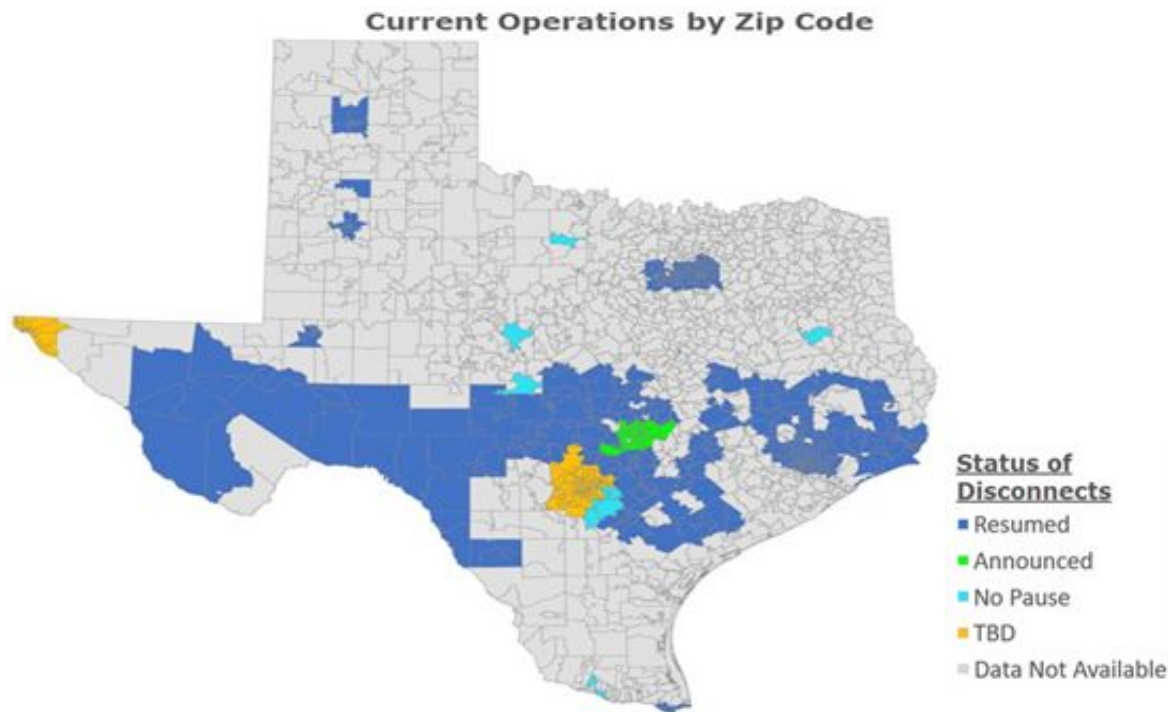
Unemployment Rate with COVID-19 Timeline



According to Moody's Analytics, we are "recovering at an above average pace as many industry indicators are outperforming their national counterparts..."

*Seasonally adjusted
SOURCE: Bureau of Labor Statistics

INDUSTRY TRENDS



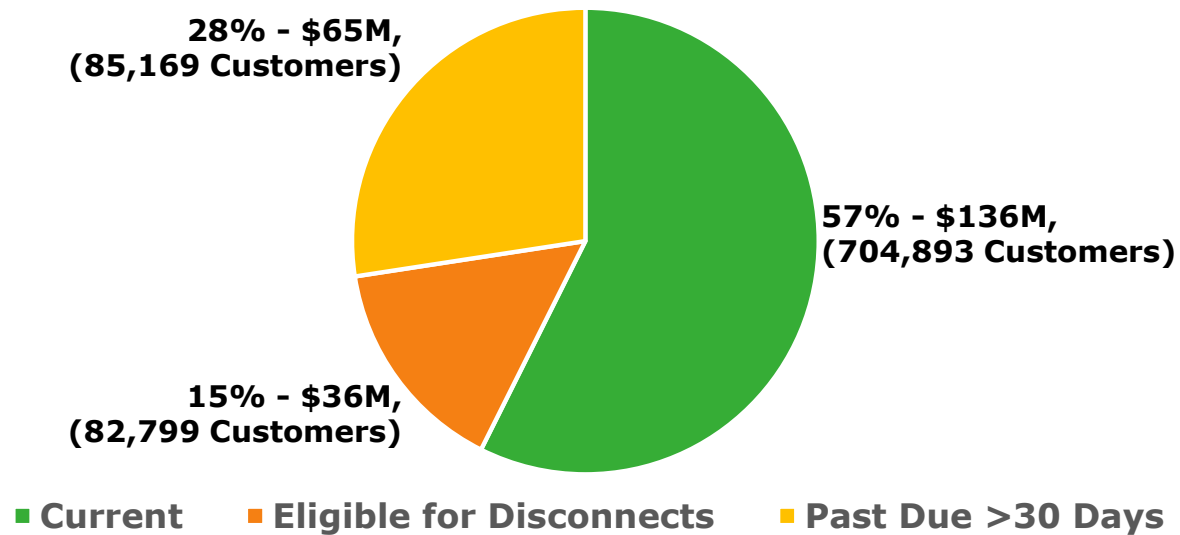
14 of 16 Texas companies we contacted have resumed disconnects, or have announced a date to resume at some point this summer.

FINANCIAL IMPACTS

CUSTOMER ACCOUNT STATUS



ACCOUNT STATUS BY DOLLAR AMOUNT



There are 82,799 customers who are eligible for disconnection.

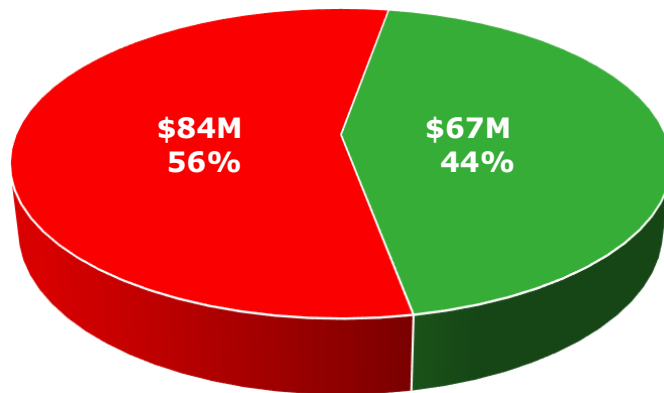
**Data as of March 31, 2021*

FINANCIAL IMPACTS

CUSTOMER ACCOUNTS - CURRENT VS PAST DUE

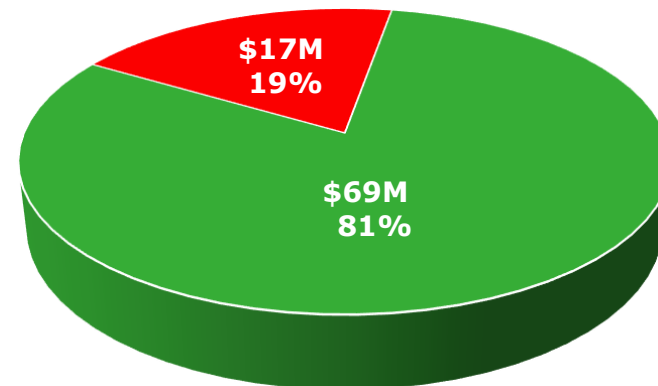


Total Residential \$151M



■ Current ■ Over 30 Days Past Due

Total Commercial \$86M



■ Current ■ Over 30 Days Past Due

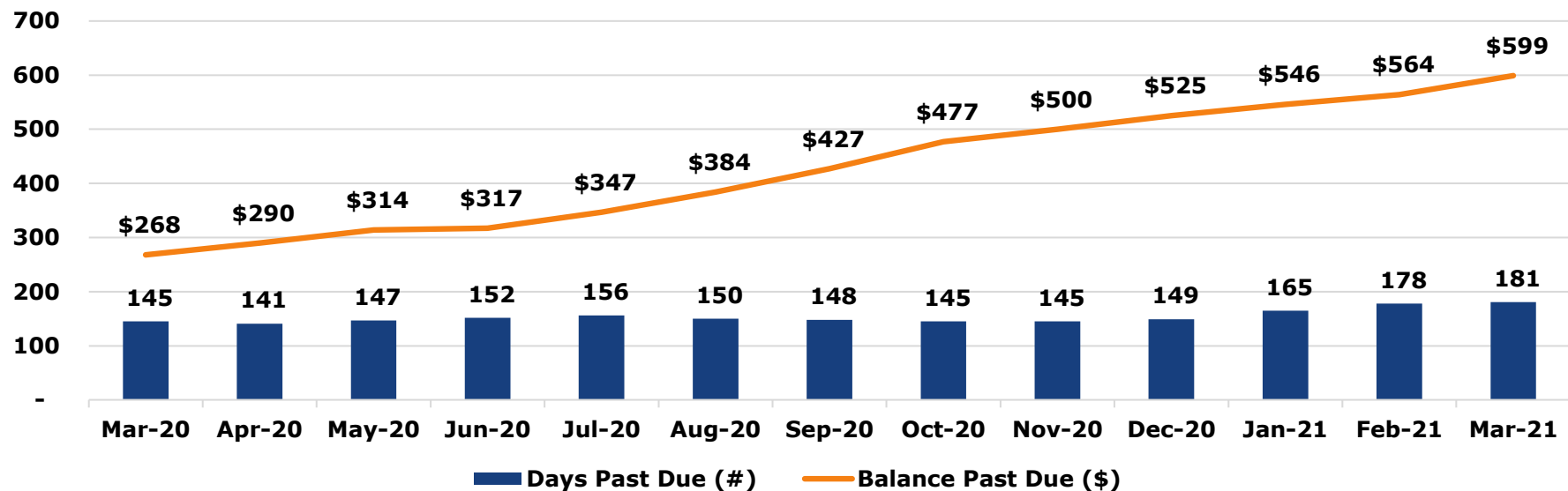
More than half of the Residential account balances owed are over 30 days past due as of March 2021.

FINANCIAL IMPACTS

AVERAGE PAST DUE BALANCE



**Residential & Commercial Average Balance Past Due (\$)
vs Average Days Past Due (#) Trend**



Over the last year, we have seen the average past due balance increase to \$599 & anticipate this trend will continue unless we change our approach.

KEY CONSIDERATIONS

CREATIVITY



- As we move forward, we need to:
 - **FEDERAL FUNDS:**
 - Continue to seek all available federal funds & options for our customers!
 - **CREATE PHASES**
 - **COMMUNICATE:**
 - Programs & services
 - Start date
 - Approach
 - **PROMOTE:**
 - Energy Angels
 - REAP





Thank You



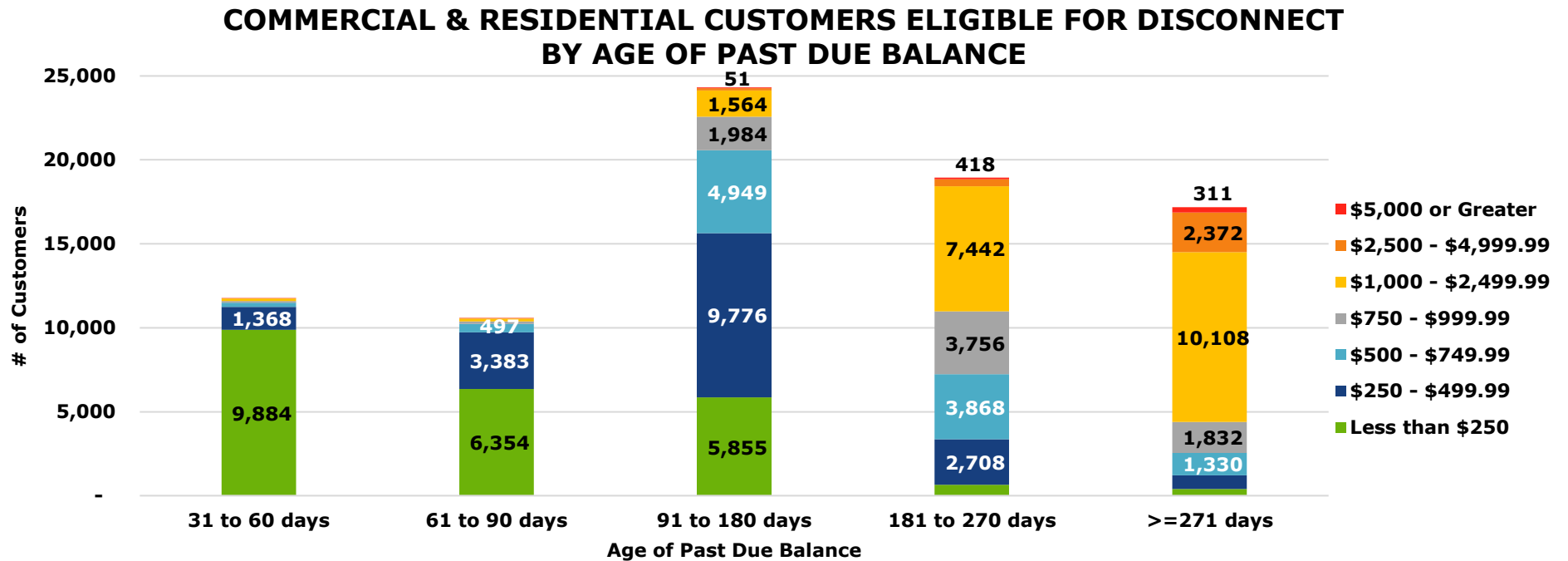


Appendix



FINANCIAL IMPACTS

ELIGIBLE DISCONNECTS



There are 82,799 customers who are eligible for disconnection.



FY2022 FINANCIAL PLAN PART 2- LANDSCAPE & CHALLENGES

PRESENTED BY:

Julie Johnson, CPA

Sr. Director, Treasury & Finance & Assistant Treasurer

April 26, 2021

Informational Update

DISCLAIMER



We continue to work through the unprecedented global, national, state, and local implications of COVID-19. Our current financial projections were prepared in-light of COVID-19 for preliminary informational discussion purposes only. Due to the changing COVID-19 environment, these financial projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoroughly think through our financial analysis. This said, since there is tremendous uncertainty across the current economic and financial landscapes, the actual results for this fiscal year could be lower, comparable, or higher than what we are projecting at this time.



OBJECTIVES & TAKEAWAYS



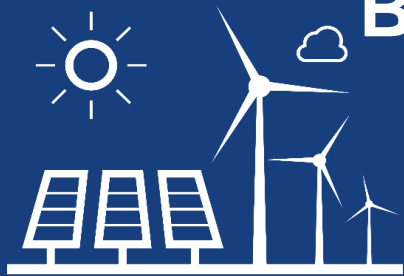
- **HIGHLIGHT THE CURRENT FINANCIAL LANDSCAPE**
- **OUTLINE ACTIONS WE ARE TAKING**



AGENDA



- **WHO WE ARE & RESILIENCE**
- **OUR NEW LANDSCAPE**
 - **MAINTAIN OPERATIONS & SUPPORT GROWTH**
 - **PANDEMIC**
 - **WINTER STORM URI**
- **NEXT**



WHO WE ARE BY THE NUMBERS ¹

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

	<u>Senior</u>	<u>Junior</u>
Moody's:	Aa1	Aa2
S&P:	AA-	A+
Fitch:	AA-	AA-

Credit Ratings³



879K Electric
365K Gas
Our Customers

161
Years of Serving
San Antonio



Most Trusted Brand
in the South Region
by Escalent



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



3,000
Employees

¹ As of 1/31/2021

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

³ Ratings as of 3/23/2021

OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency

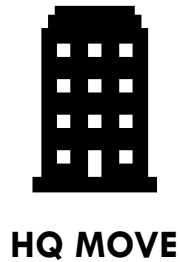


● *Financially Responsible* ●

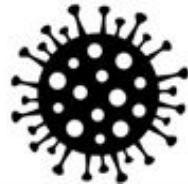
All business decisions are based on our commitment to being one of the best-managed & most ***Financially Responsible*** utilities in the nation!

EMPLOYEES STEPPING UP

OUR PEOPLE ARE RESILIENT ♥



HQ MOVE



COVID-19



HELPING CUSTOMERS



WORK FROM HOME



NERC & RRC AUDITS¹



CREDIT OUTLOOK



WHOLESALE SALES



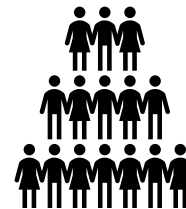
SOCIAL JUSTICE



PRESIDENTIAL ELECTION



CYBER SECURITY



EMPLOYEE ENGAGEMENT



GOVERNANCE



VACCINATIONS

¹ Railroad Commission

CHANGING LANDSCAPE

NOT A TYPICAL BUDGET YEAR



- Customer growth, service level expectations, new risks & last rate increase occurred 7 years ago
- Continuing effects of COVID-19 on retail sales & customer receivables
- Winter Storm Uri costs, ongoing uncertainty & recovery
- Higher forecasted ERCOT Reserve Margins & increased renewable supply results in lower wholesale prices & lower wholesale revenues

New headwinds, plus the continuing effects of COVID-19, are shifting our landscape & creating new challenges.

ADDRESSING THE NEW LANDSCAPE



Maintain Operations & Support Growth

Drivers: Maintaining operations, customer growth, increasing fuel costs; **FlexPower Bundle**SM, **FlexStep**SM, wholesale revenues



Pandemic

Driver: Unrecovered costs due to write-offs of customer balances



Winter Storm Uri

Driver: High fuel costs incurred during February's Winter Storm Uri

Affordability is going to be a primary focus as we look at the impact of these items on customer bills.

MAINTAINING OPERATIONS

OUR ESSENTIAL SERVICES ARE CORE



Our ability to perform these services is our priority yesterday, today & tomorrow & others have taken notice!



Most Trusted Brand, Environmental & Customer Champion | Escalent

Environmental Excellence – Stewardship | Southern Gas Association

Sue Kelly Community Service Award | American Public Power Association



Shining City - Top U.S. City For Solar Energy (#5) | Environment Texas Research & Policy Center

Green Fleet Award (#12) | The 100 Best Fleets

MAINTAINING OPERATIONS SUPPORTING GROWTH



- San Antonio currently ranks as the 2nd largest city in Texas & 7th in the nation in population
- 1.1 million **more** people expected by the year 2040¹

Population growth will impact our community in many ways.



EDUCATION



TRANSPORTATION



HEALTHCARE

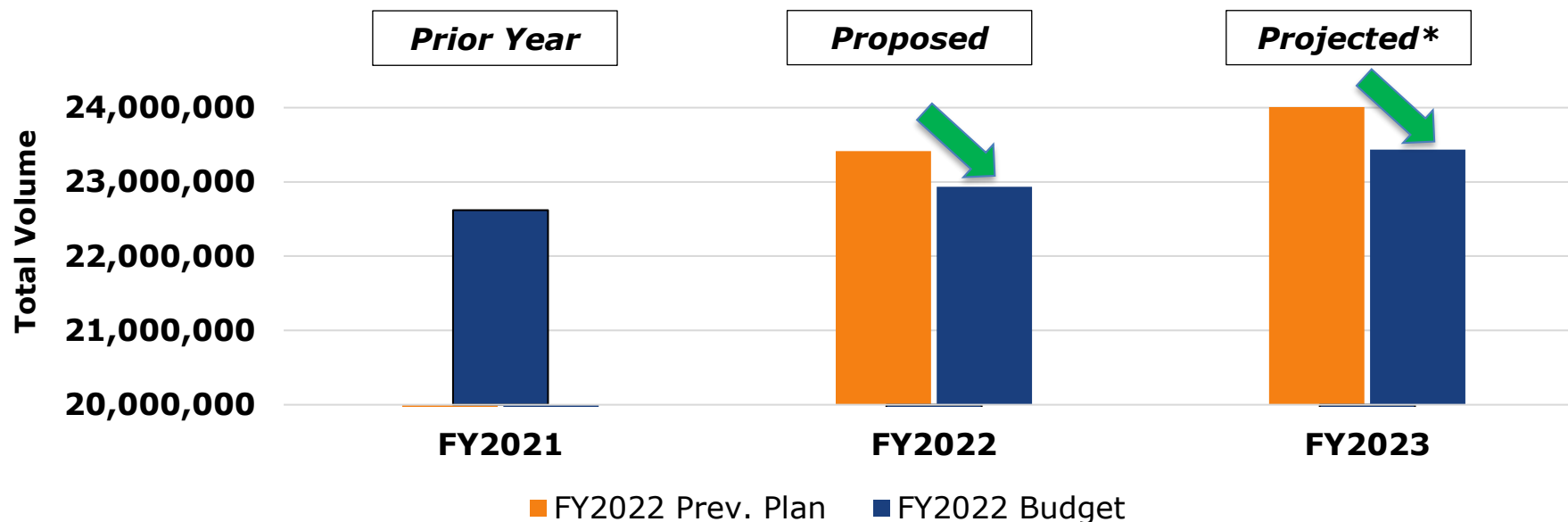


ENERGY SUPPLY

¹SATomorrow in Bexar County

MAINTAINING OPERATIONS

ELECTRIC RETAIL REVENUE FORECAST



COVID-19 impacts similar to FY2021 are assumed thru FY2023. Total volumes are down 2% vs. the previous FY2022 Plan.

* To be refreshed in subsequent planning cycles.

MAINTAINING OPERATIONS

WHOLESALE REVENUE CHALLENGES



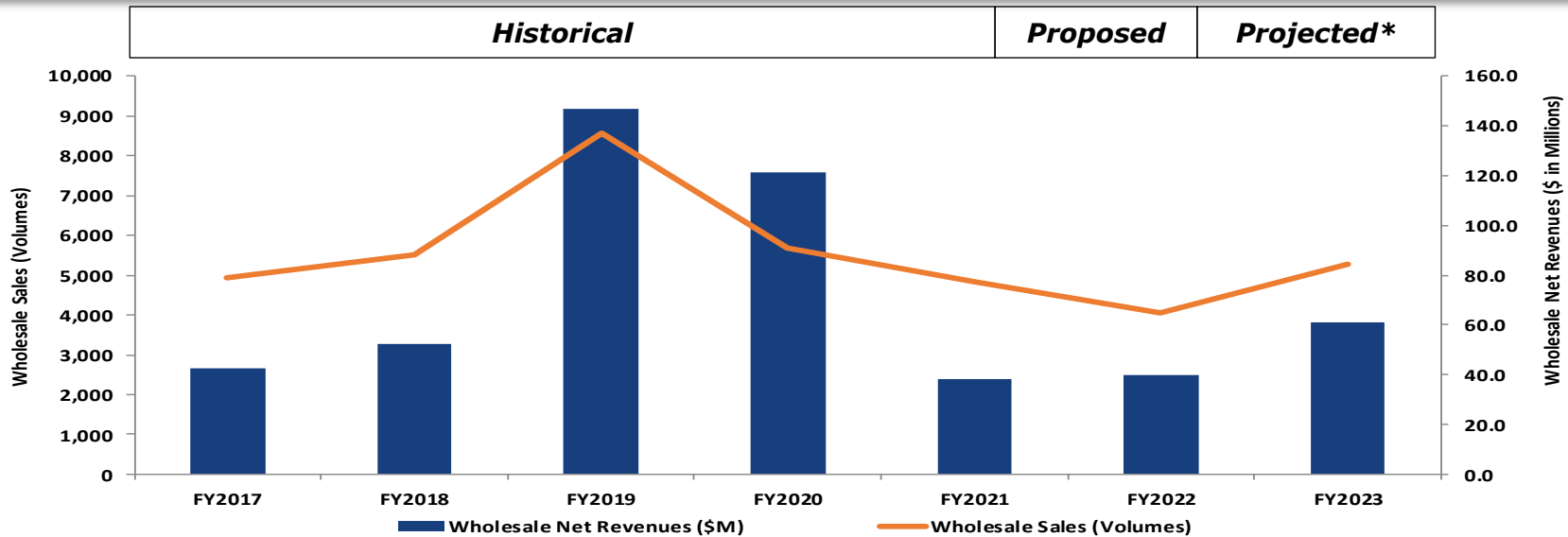
- Lower wholesale revenues
- Large volumes of new renewable supply in ERCOT
- Creates more pressure on our retail customers

Every dollar not made in the wholesale market has to be recovered by retail customers.

MAINTAINING OPERATIONS WHOLESALE IS A CYCLICAL BUSINESS



While we have had several good years of wholesale revenue, we cannot be assured that same success every year.



	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Wholesale Sales (Volumes)	4,942	5,497	8,556	5,688	4,818	4,051	5,262
Wholesale Net Revenues (\$M)	42.8	52.3	147.0	121.3	38.2	40.1	61.1

* Outer years are refreshed in subsequent planning cycles.

MAINTAINING OPERATIONS PRIORITIZATION & COST CONTROL



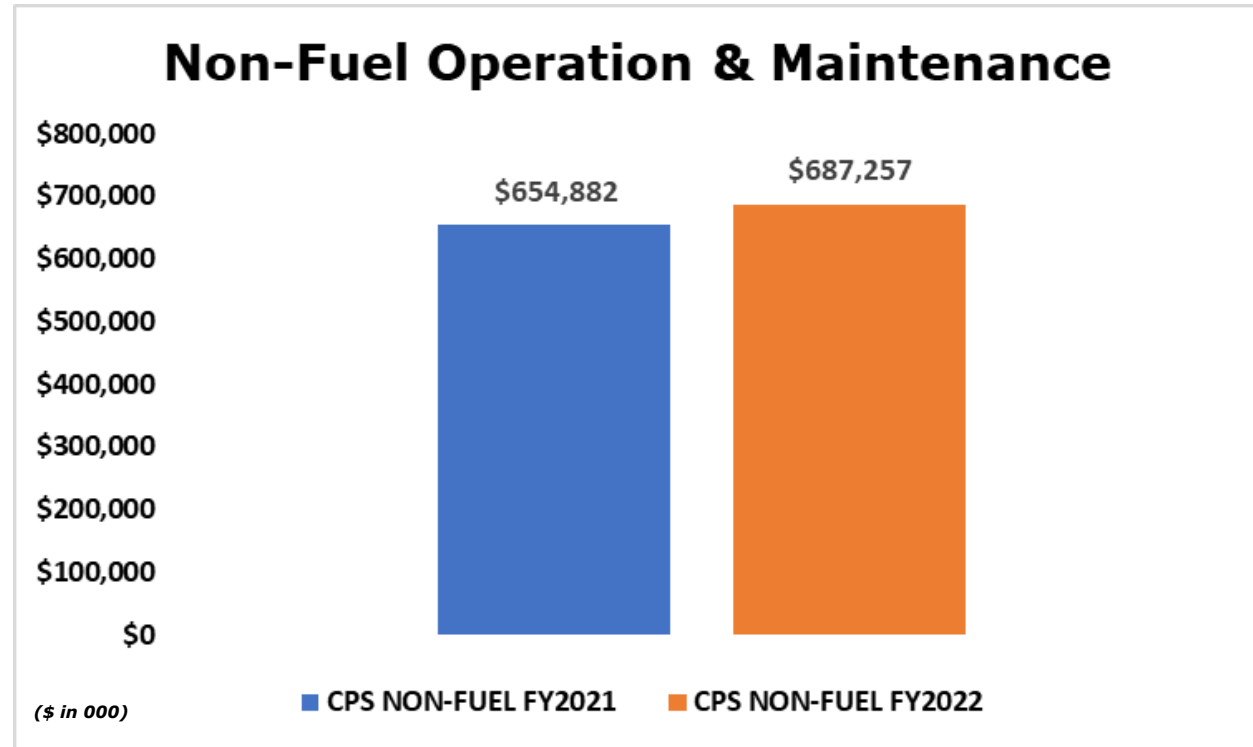
- Continue to prioritize our essential services work
- Short-term financial mitigations & protecting liquidity
 - Strategic hiring freeze
 - Identifying new debt refinancing opportunities
 - Continue to seek state or local COVID-19 funding, limited to date
 - Suspension of merit, wage increase, EIP

Temporary mitigations & prioritization has kept FY2022 Non-Fuel O&M relatively flat, but underlying drivers for a rate increase remain.

MAINTAINING OPERATIONS COST CONTROL

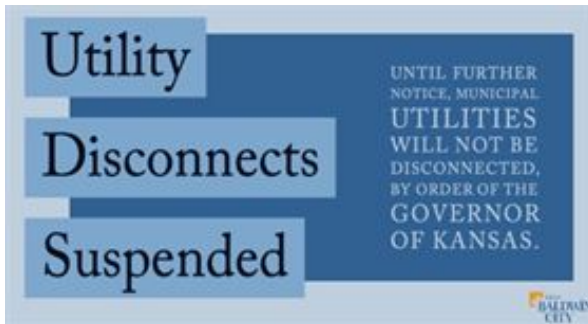


We continue to accommodate growth efficiently. The increase we are seeing in Non-fuel O&M is primarily due to a second refueling outage of STP.



PANDEMIC COSTS

IMPACT ON RECEIVABLES



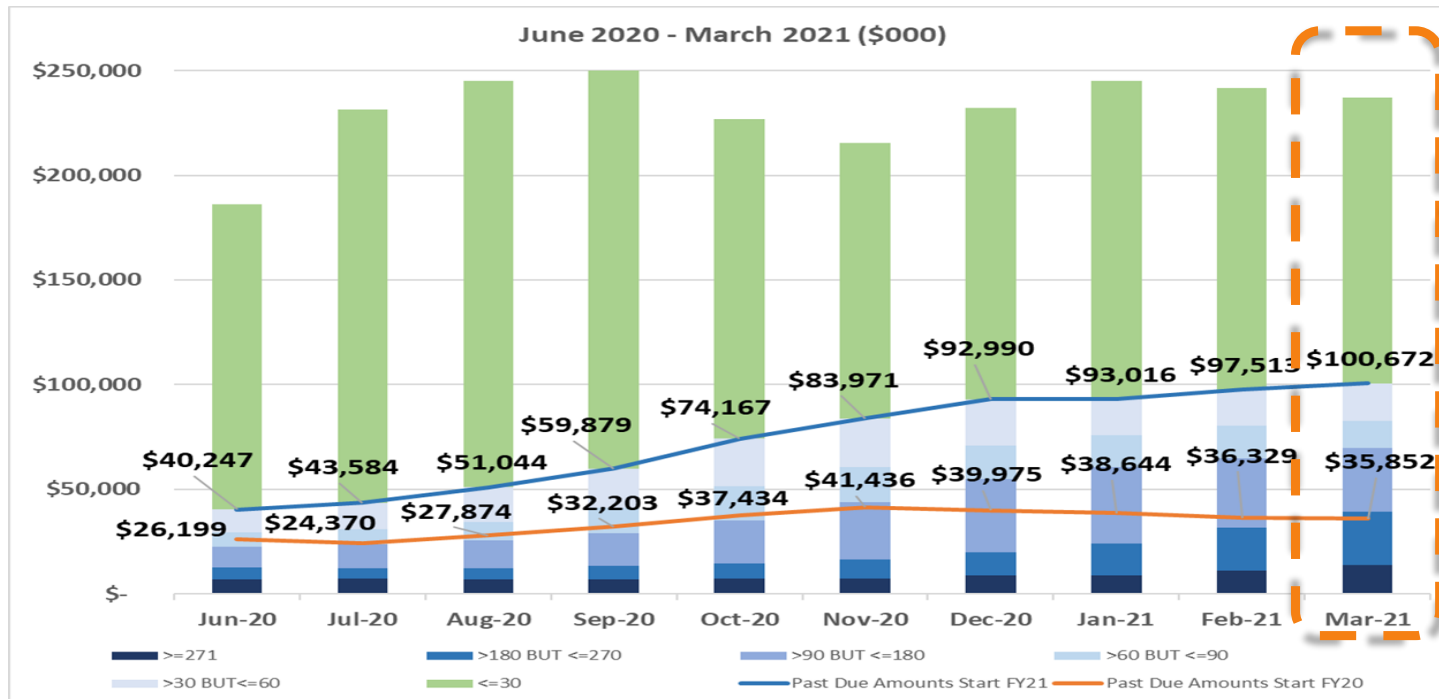
Not Just a
Local Issue...



...it is a
Global Issue

PANDEMIC COSTS

PAST DUE CUSTOMER BALANCES

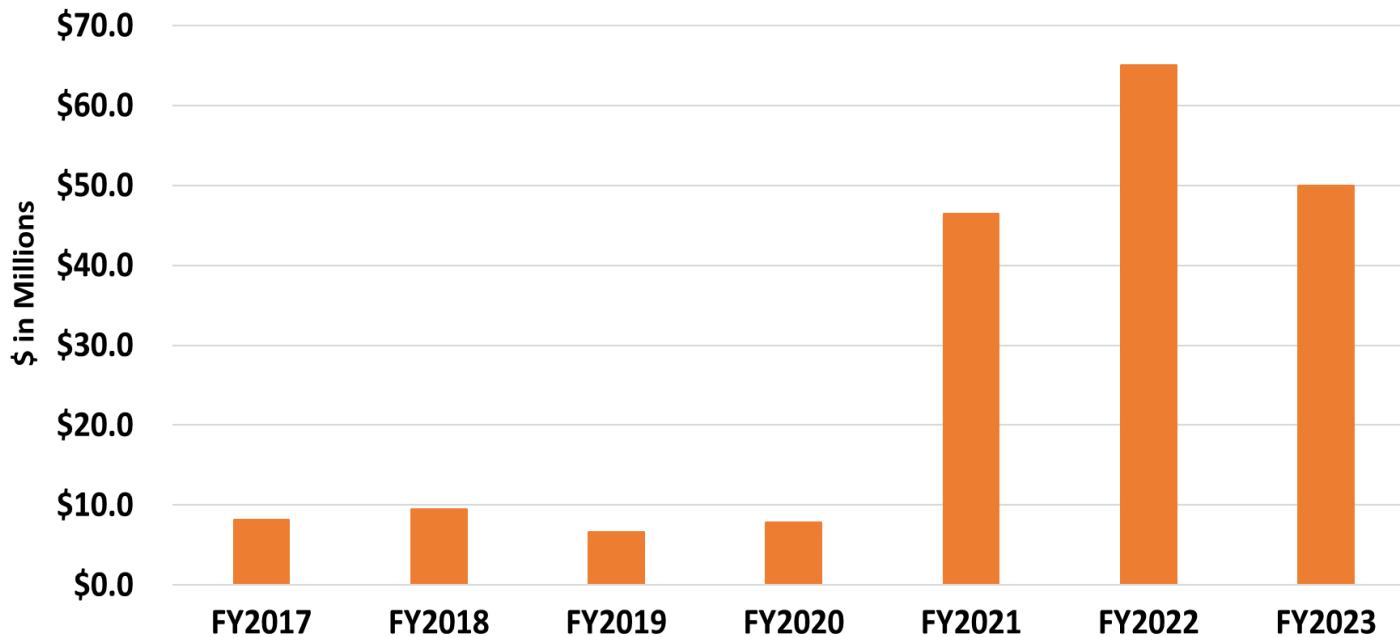


Past Due Balances are becoming a larger part (at 42.4%) of our Customer Receivables versus last year's ratio of 25%.

Past Due Customer Balances have been growing at an average of \$7 million per month since the summer.

PANDEMIC COSTS

BAD DEBT PROJECTIONS



Typically, utilities have low bad debt ratios of an average of less than 1%. Our projections would take us to 2%+ of Retail Revenue in FY2022.

As a cost recovery business, when some customers do not pay, others must pay to keep stability.

PANDEMIC COSTS

STILL SUPPORTING OUR CUSTOMERS



We will continue our proactive outreach & find a program that fits each customer based on their individual needs.



Senior Citizen Billing
Over 53k enrolled



Critical Care Billing
Nearly 3k enrolled



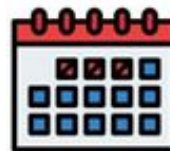
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*Over \$1 Million
Donated*



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Launched in 2021



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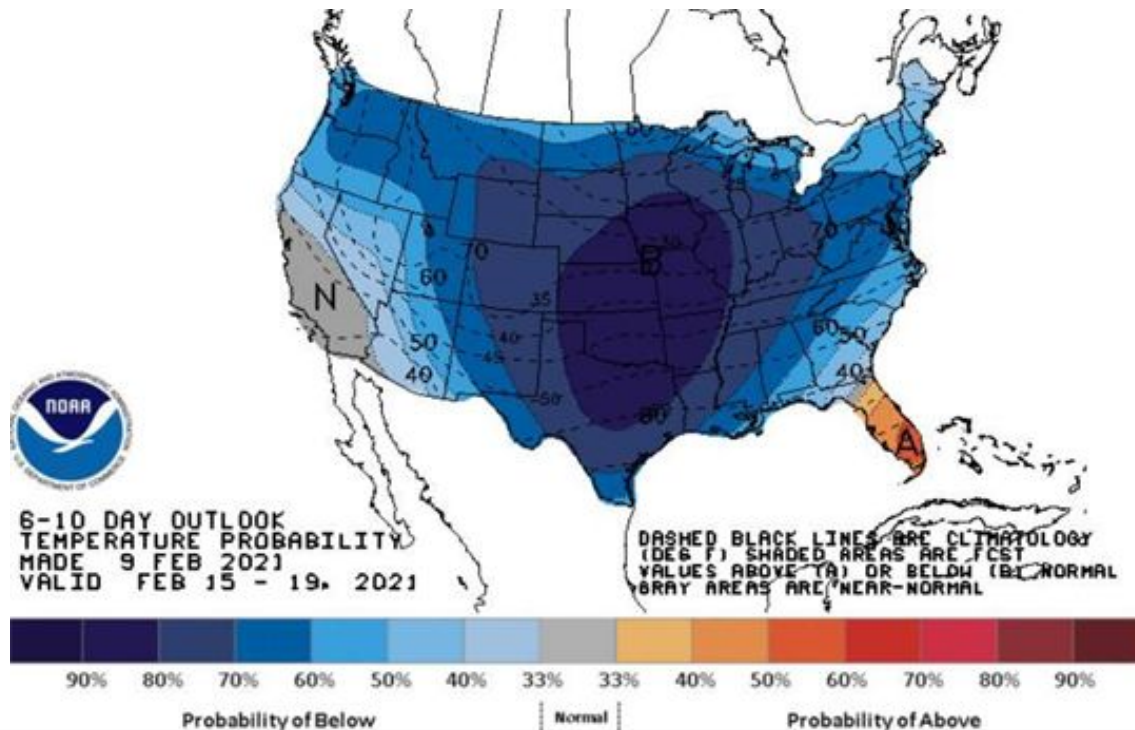
Due Date Extension
Nearly 7k Active



Budget Billing Program
Over 34k enrolled

**Data as of March 31, 2021*

WINTER STORM URI



Sustained temperatures below freezing for 5 days in San Antonio broke the previous record that was set in 1959.

Unprecedented cold weather across the U.S. & into South Texas drove strikingly high demand for energy & natural gas.

WINTER STORM URI

POTENTIAL COST IMPACT



- We continue to consistently follow prudent business practices.
- **As always, we will pay all business charges, including those from the unprecedented weather event, that are justified & legitimate.**
- To protect funds borrowed from lenders & accumulated from customers, we will seek additional substantiation to ensure bills from the unprecedented weather event are not **invalid, illegitimate, outrageous, or unlawful.**

Fuel	Max Est. Cost
Natural Gas ⁽¹⁾	\$670M
Purchased Power / ERCOT ⁽²⁾	\$365M
Total	\$1,035M

(1) As of April 5, we have paid \$143M, the full amount of the conceded charges to natural gas suppliers.

(2) Additionally, as of March 22, \$272M of ERCOT invoices & other counterparty invoices have been paid to market participants, such that the remaining max est. obligation is ~\$93M.

While these amounts continue to be reviewed & are subject to change, they reflect our best estimates at this time. We are pursuing multiple options to reduce them, including policy, legislative, regulatory, negotiation, & other pursuits.

ADDRESSING THE NEW LANDSCAPE



Maintain Operations & Support Growth

Drivers: Maintaining operations, customer growth, increasing fuel costs; **FlexPower Bundle**SM, **FlexStep**SM, wholesale revenues



Pandemic

Driver: Unrecovered costs due to write-offs of customer balances



Winter Storm Uri

Driver: High fuel costs incurred during February's Winter Storm Uri

Affordability is going to be a primary focus as we look at the impact of these items on customer bills.

NEXT

- Continue helping customers
- Continue protecting customers
- In May, review the sustainability approach
- In May, review the revised budget
- Continue to keep you updated





Thank You

