CEO’S REPORT

PRESENTED BY:

Paula Gold-Williams
President & CEO

January 28, 2019
CHALLENGES ➔ OPPORTUNITIES
FLEXIBLE PATH
COMMUNITY & OUTREACH
THOUGHT LEADERSHIP
AWARDS+

AGENDA
We see challenges as opportunities to learn, improve & grow
CHALLENGES ➔ OPPORTUNITIES:
DEELY PLANT CLOSURE

- Topics generally covered in media:
  - Official closing of Deely Plant
  - Mothballing of the Plant
  - Generation Profile
  - Employees previously assigned to the Deely Plant did not lose their job
  - Environmental/Economic benefits

December 31, 2018
CHALLENGES ➔ OPPORTUNITIES:

SPRUCE 2 GENERATOR REPLACEMENT

- Spruce 2 generator was replaced during the ongoing unit outage
- New generator:
  - Received on 12/14/2018
  - Set in place on 12/22/2018
  - Connected to grid on 1/22/2019
  - Now in testing mode
CHALLENGES ➔ OPPORTUNITIES: LINEWORKERS’ WAGES

• EVENING WORK SESSION:
  - Last year we moved to market based wages for distribution employees
  - No one lost pay
  - Overhead linemen are no longer paid an additional “gloving premium”
  - These employees have asked me to spearhead a review of this action from last year
    - The review is in process
MONITORING EVOLVING RISKS

- **BROADENING OUR RISK AWARENESS:** Our leadership team also monitors national & global developments.

- **RECENT OBSERVATIONS:** Also shared w/BOT Committees*

* TRADE TARIFFS
* CYBER
* PARTIAL GOVERNMENT SHUTDOWN
* PG&E BANKRUPTCY

* Audit & Finance / Employee Benefits Oversight Committee – 1/25/19 Meeting
Partnered with Risk Owners to raise awareness around the potential impacts, specifically those related to Supply Chain.
Proactive mitigation activities related to tariffs:
- Revised *budgeting & price adjustments* based on quantitative assessment of unique commodities impacted by tariffs.
- Partner with multiple *suppliers & manufacturers* to promote diversified sourcing.
- Monitor *inventory levels* of *critical components*.
- Promote company-wide awareness of Supply Chain *policy & processes*.
- Maintain *Standard Operating Procedures & standard contract language*. 
EVLING RISK: PARTIAL GOVERNMENT SHUTDOWN

Government Shutdown has broad implications to our community.
Evolving Risk: Partial Government Shutdown

While the new 3-week suspension demonstrates promise, local organizations are continuing with activities that have been stood up to help our citizens.

- **Supporting Orgs:**
  - University Health System: George Hernandez
  - Bexar County Sheriff: Javier Salazar
  - SAWS: Gavino Ramos
  - Veterans Service Office: Karen Rolirad
  - Tax Assessor Collector: Albert Uresti
  - CPS Energy: Paula Gold-Williams
  - VIA: Jeff Arndt
  - SA Food Bank: Eric Cooper
  - UW: Andrew Sasseville

- **Additional Orgs:**
  - Whataburger
  - HEB

Judge Nelson Wolff organized a Press Conf

January 25, 2019
RISK SUMMARY:
LEADER – CAROLYN SHELLMAN

• Monitoring activities related to Government Shutdown:
  - Management is working cross-functionally to **inventory** & **assess** the impacts.
  - CPS Energy is currently **helping customers** affected by government shutdown by offering flexible payment options.
  - Continue to **evaluate** our compliance obligations for potential impacts.
  - Ongoing efforts to assess for impacts on suspended services / federal agencies.
  - Continue to **monitor** timing associated with the receipt of interest subsidies related to Build America Bonds (BABs), payment of which is due February 1st, 2019.
Cyber is an evolving risk with different nuances & forms of attack.
RISK SUMMARY:
LEADER – SHANNA RAMIREZ

• Proactive mitigation activities related to Cyber attacks:
  - Cybersecurity *Awareness campaigns & training*.
  - Participate in *National Preparedness Exercises* (e.g. GridEx, Liberty Eclipse & Jack Voltaic 2.0 Cyber Research Project).
  - Robust *Back-up Strategy* & partnerships with EIT.
  - Partnerships with *universities & government agencies* (Homeland Security, FBI, DOE, FEMA, DOD & Mayor’s advisory council on cyber security) as well as *industry groups*.
  - Continue to *mitigate discovered risks & reassess*.
Evolving Risks: PG&E Bankruptcy Filing

Catastrophic events impacting financial stability.

January 10, 2019

January 13, 2019

January 13, 2019

January 14, 2019
• Monitoring activities related to PG&E bankruptcy filing:
  - Tracking the local, state & federal *legislative* developments.
  - Positioned to generally gauge *legal* implications.
  - Assessing *credit rating agencies* views.
Flexible Path is a full reboot of how we will prudently plan for, develop and/or install new energy sources going forward.
FLEXIBLE PATH:
BRIEFINGS

RECENTLY COMPLETED

<table>
<thead>
<tr>
<th>Event Date</th>
<th>Group</th>
<th>Speaker(s)</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, January 9</td>
<td>Rotary Club of San Antonio</td>
<td>David Jungman</td>
<td>✔️</td>
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<tr>
<td>Thursday, January 24</td>
<td>Institute of Electrical and Electronics Engineers</td>
<td>Carla De La Chapa</td>
<td>✔️</td>
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- Presented our Flexible Path to:
  - Rotary Club of SA
  - Institute of Electrical and Electronics Engineers
FLEXIBLE PATH:
TOWN HALL MEETINGS

Gas Delivery Team

• Gave an overview of:
   Flexible Path
   Industry Changes
   What to expect in 2019

January 7, 2019

Financial Services Team

January 10, 2019

Financial Services Team
We focused on many special efforts during the month; several are included in this report.
• Fort Sam Houston ISD earned an incentive of nearly $46,000 by curtailing their energy use this summer by more than 628 kw

• This is the school’s 8th year participating in the Demand Response Program

• To date, they have earned over $227,000 in incentives
COMMUNITY & OUTREACH:
FIRST ROBOTICS COMPETITION KICK-OFF

• CPS Energy sponsored the FIRST Robotics Competition Kick-Off event at La Villita

• Mayor Nirenberg & I spoke to 250 high school students from across San Antonio & our State

Paula Gold-Williams, President & CEO, CPS Energy
Lackland High School Robotics Team
• Chair John Steen & I introduced Board Nominee Janie Gonzalez to the CAC

• Janie met with the members & shared her personal & professional experiences

• The CAC agreed to send a letter of support for Janie’s confirmation before the City of SA City Council
San Antonio was 1 of 25 cities selected as a winner of the BACCC

Bloomberg Philanthropies program will provide up to $2.5m in staff & technology support to implement San Antonio’s Climate Action and Adaptation Plan (CAAP)

CAAP is being designed by:
- CPS Energy
- City of San Antonio
- University of Texas at San Antonio
- Navigant, a Chicago-based consultant
COMMUNITY & OUTREACH:
MARTIN LUTHER KING JR. MARCH

- More than 125 team members & family & friends marched together to celebrate the life & legacy of Dr. Martin Luther King Jr.
- San Antonio has the largest MLK March in the country
COMMUNITY & OUTREACH:
MLK AWARD

- ORGANIZERS: Aaronetta Pierce + Henry & Mary Alice Cisneros honored 17 local leaders / executives for their work, aligned to MLK’s Dream
- Mayor Ron Nirenberg spoke
- I was honored to be part of this group

January 21, 2019

Not Pictured: Commissioner Tommy Calvert, Precinct #4, Bexar County & Kim K.W. Rucker, Executive VP, General Counsel & Sec., Andeavor
COMMUNITY & OUTREACH:
MLK AWARD – Cont’d

Pictured:
Below w/ Dr. Taylor Eighmy, the President of UTSA and Phillip Green, the Chairman & CEO of Frost
Right w/ Aaronetta Pierce, Community Icon, Mayor Nirenberg and Former Mayor & HUD Secretary, Henry Cisneros

Frost Bank hosted the event @ the Plaza Club

January 21, 2019
Dear Chamber Members and Partners:

Texas’ 86th Legislative Session officially kicked off today, and the Chamber has developed a robust, impressive Legislative Agenda that the Board approved at our October meeting. During the next several months, we will be focused on addressing complex issues affecting our community, including:

- Opposing infringement on private employers’ rights
- Preserving key economic development tools
- Funding for state highways and infrastructure projects

While all of these issues are vital to the growth and success of our city and the needs of our business community, the Chamber’s number one priority during this session is School Finance Reform.

Published on Sunday, January 5, 2019
• Presided over my 1st SACC Board Meeting as Chair
• We featured the new SA Commanders & the Wounded Warrior Games
Maria Garcia gave the opening remarks

I gave the closing keynote address at the 29th annual conference

Spoke about:
- Our Flexible Path
- Building a Smart San Antonio

Paula Gold-Williams, President & CEO

Other Attendees
Alignment of our strategic thinking is broadening rapidly, & our THOUGHT LEADERSHIP is paving the way to new solutions & more creativity!
THOUGHT LEADERSHIP:
GUIDING CPS ENERGY INTO THE FUTURE

Following a presentation to Greater San Antonio Builders Association, I was invited to continue the conversation in the January 2019 edition of the Builder Brief.

Paula Gold-Williams is Guiding CPS Energy into the Future

Paula Gold-Williams, President & CEO of San Antonio-based publicly owned utility CPS Energy, is bringing new leadership to the future of CPS Energy’s grid and to the community. This transformation isn’t stuck in the clouds, but is instead grounded among the001
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diverse partnerships with city leaders and utilities across the state, as we work together to discover what different needs new and into the future.

With a proposed $10 million additional revenue raising San Antonio HOMES (2019), a public-private partnership between CPS Energy and a co-op utility, this new program is helping to keep costs low while powering forward the community with reliable clean energy. Every city needs a different path and that’s one of the strengths, when the Public Path comes in. This strategy includes the way the world is powered: a diversified approach to producing energy.

With two robust major projects every day, we are looking at the ability to leverage new technologies like energy storage, it could

when energy storage is brought to a more economical size, the innovative process would help CPS Energy achieve new efficiencies, and it is reported to help new technologies as they are brought to this forefront.

In October, 2018, CPS Energy and community leaders broke ground on a $65 million solar and battery storage project. Subsidized by a $5 million grant from the Texas Commission on Environmental Quality (TCEQ), the venture is a public partnership with South Texas Solar Power (STSP). This arrangement with Solar Works Texas and a Sunergy solar farm with banks carrying 1 megawatt of power, providing electricity to its approximately 3,000 customers who power two football fields. The project is slated to be completed by 2019.

In addition, San Antonio, CPS Energy and Iberdrola also announced major advancements, providing the business community with the support they need.

This extraordinary trend began to materialize in 2010 and...
Participated in a panel discussion with John Agather, Board Chair of the SA Hispanic Chamber of Commerce

We shared our 2019 visions for our respective chambers

Discussed the importance of working collaboratively to positively influence scalable conditions for success

LSA Class 44
Paula Gold-Williams, Board Chair, SACC
John Agather, Board Chair, SAHCC
THOUGHT LEADERSHIP:
RATINGS AGENCIES VISITS

• Agencies Visited on Dec 19-20:
  - S&P Global
  - Fitch Ratings
  - Moody’s Investors Service

Attendees:
Dr. Cris Eugster, COO
Dr. Homer Guevara, Board Vice Chair
Paula Gold-Williams, President & CEO
Rudy Garza, SVP, DS&O
Cory Kuchinsky, Interim VP, Finance
We presented & discussed a comprehensive assortment of topics, including:

• Company Overview & Highlights
• Customer Focus
• Growing Economy
• Year-to-date Operations
• Generation / Flex Path
• Leveraging Technology
• Enterprise Risk Management
• Financials
Cris & Carolyn led an overview of our:
- Smart City strategies
- Flexible Path
- Roofless Solar
- Electric Vehicles

Presentations were also given by:
- Richard Medina on electric vehicles
- Rick Luna on rooftop solar

Kimberly Britton, CEO, EPIcenter, also attended the workshop

The group toured the Giga Factory
From time-to-time, CPS Energy & its team members receive awards / honors
Healthy Workplace Recognition Program – an initiative of the San Antonio Business Group on Health & the Mayor’s Fitness Council

- Recognizes local employers for their worksite wellness efforts
- Wellness Programs are assessed in several key areas:
  - Culture
  - Health promotion and education
  - Physical activity
  - Nutrition
  - Smoking and tobacco cessation
- Value-based benefits and design
- Award level is determined by the activities offered, as well as Program results, with Platinum as the highest distinction

On average, employees fully engaged in our Wellness Program have 18% lower health claims costs.
• We were honored by the USO for our supportive efforts of our enlisted military & their families

• We have about 300 veterans working at our company

• We support veteran-owned businesses

Aimee Victoria, Program/Project Manager, Leadership Development & Veterans Connection Secretary
James Carter, Manager of Talent Acquisition
Frank Almaraz, Senior Vice President, Commercial Operations & Veterans Connection Executive Sponsor
Jeff Jordan, Employee Development Analyst & Veterans Connection President
USO representatives
UPCOMING KEY CEO DATES
2019

2/3-7/2019
Washington, DC:
• SA to DC Chamber Trip

2/9-11/2019
San Antonio, TX:
• LPPC CEO Meeting (HOST UTILITY)

2/12/2019
Austin, TX:
• Legislative Sessions

2/20/2019
San Antonio, TX:
• EPIcenter Board Meeting

2/25-26/2019
San Antonio, TX:
• City of the Future Summit

2/27/2019
Dallas, TX:
• FM Global Advisory Board Meeting
UPCOMING EVENT:
CITY OF THE FUTURE SUMMIT

- Featuring Energy & Smart Cities Thought Leaders from around the World
- Presented by Zpryme, CPS Energy, Cisco, Netsync
- February 25th – 26th
- Tobin Center – Alvarez Studio Theater
BOARD APPRECIATION:

DR. HOMER GUEVARA JR.

Our 3,000+ team members wish you a heartfelt **THANK YOU!** for 10 years of dedicated service to & thoughtful leadership of CPS Energy & our community!

Paula Gold-Williams, President & CEO, CPS Energy
Dr. Homer Guevara Jr., Board Trustee, Southwest Quadrant 4
TOPICS FOR FUTURE MEETINGS

- MORE SOLAR/STORAGE & OTHER GENERATION
- TALENT DEVELOPMENT
- EDUCATIONAL PARTNERSHIPS
- FUTURE OF SAN ANTONIO
Thank You
GLOSSARY / DEFINITIONS

• BAB  Build America Bonds
• BACCC  Bloomberg American Cities Climate Challenge
• CAAP  Climate Action and Adaptation Plan
• CAC  Citizens Advisory Committee
• CEO  Chief Executive Officer
• CLAO  Chief Legal & Administrative Officer
• COO  Chief Operating Officer
• CPE  Certified Physician Executive
• Div.  Division
• DOD  Department of Defense
• DOE  Department of Energy
• D.C.  District of Columbia
• Dr.  Doctor
• DS&O  Distribution Services & Operations
• EIT  Enterprise Information Technology
• FACHE  Fellow, American College of Healthcare Executives
• FACS  Fellow, American College of Surgeons
• FBI  Federal Bureau of Investigation
• FEMA  Federal Emergency Management Agency
• FRC  First Robotics Competition
• GSABA  Greater San Antonio Builders Association
• GT&E  Technology & Product Development
• HUD  Housing & Urban Development
• kw  Kilowatt
• ISD  Independent School District
• Jr.  Junior
• LPPC  Large Public Power Council
• LSA  Leadership San Antonio
• M.B.A.  Masters of Business Administration
• M.D.  Medical Doctor
• MLK  Martin Luther King
• MRCC  Mission Road Construction Center
• NextGen  Next Generation
• Orgs  Organizations
• PG&E  Pacific Gas & Electric
• S&P  Standard & Poor’s
• SA  San Antonio
• SACC  San Antonio Chamber of Commerce
• SAGE  San Antonio for Growth on the Eastside
• SAHCC  San Antonio Hispanic Chamber of Commerce
• SAWS  San Antonio Water System
• Sr.  Senior
• SVP  Senior Vice President
• T&PD  Technology & Product Development
• TX  Texas
• US  United States
• USAA  United Services Automobile Association
• USO  United Services Organizations
• UTHSCSA  University of Texas Health Science Center
• UTSA  University of Texas at San Antonio
• UW  United Way
• VP  Vice President