CEO’S REPORT

PRESENTED BY:

Paula Gold-Williams
President & CEO

December 16, 2019
THIS MONTH’S TOPICS

• CPS ENERGY BOARD AGENDA INSIGHTS
• ENERGY LANDSCAPE
• ANNUAL RATINGS AGENCIES VISITS
ITEM 7 – REAL ESTATE

- **ACTIVELY MARKETING MULTIPLE EXCESS PROPERTIES:**
  - CBRE is managing the process
  - With the Board’s oversight, properties will be sold as viable offers are assessed, accepted & negotiated
ITEM 8 – CONSENT ITEMS

- Prior **Meeting Minutes & City Payment**
- **Banking / Depository Services:**
  - Facilitates the flow of our $2.9B Budget
  - A formal RFP process was used
  - $.550M for 2 Years
ITEM 8 – CONSENT ITEMS – Cont’d

• Procurement Items:
  - Tree Trimming / Vegetation Management: $30.0M for 3 Years
  - Engineering Services for the Headquarters Project: $.55M for 5 Years
Upcoming Activity | Amount | Context
--- | --- | ---
**BOT APPROVAL:** Partial Paydown of Bonds | Up to $125M | Does Not Require CoSA Approval
**INFORMING ONLY:** Partial Paydown of Commercial Paper | $130M | Normal Management Activity

Paying down debt is a very effective use of cash; it can provide savings, additional liquidity & improved financial metrics.
ITEM 12 – PENSION PLAN FUNDING POLICY

- CPS Energy has a well-managed Pension Plan
- A new Texas law requires we adopt a written funding policy
  - We have formalized our plan for achieving 100% funding
- The EBOC approved the policy 12/6/19
  - We are in compliance with the new law!
NO ITEM – PRELIMINARY FINANCIAL UPDATE
FORMAL REPORT WILL BE SENT SEPARATELY

• **STRONG PERFORMANCE CONTINUES:**
  - Continued Prudent Cost Control
  - Optimized Wholesale Revenues
  - Metrics – Generally are Strong
• Our Nation’s and the Globe’s energy landscape is complex & is attracting a lot of interest

• We study & explore globally with an eye toward prudently applying locally

• Will periodically share interesting story lines with the Board & Public to help invigorate the conversation
While we typically pursue Purchase Power Agreements (PPAs) because they are effective Public-Private Partnerships (P3s), in future years we will consider direct ownership & bond financing.
INDUSTRIAL BREAKTHROUGHS ARE ON THE RISE

Secretive energy startup backed by Bill Gates achieves solar breakthrough

“We are looking at emerging technologies like “Heliogen,” which is a new type of concentrated solar power.”
GOALS: NEW DEVELOPMENTS IN THE TEXAS MARKET

• “Baker Hughes has vowed to generate 100% of the energy it uses in Texas from solar & wind power capacity, Bloomberg reports.”

• “… switching to solar & wind to power its 170 facilities across the Lone Star State will reduce its global carbon footprint by 12%.”

• “The move is part of Baker Hughes’ plan to become a net zero emitter by 2050.”
GOALS: AMBITIONS VS CHALLENGES

Every part of the world is wrestling with the difficulties in making strategic investments in many different areas:

- Energy Generation
- Conservation
- Transportation
- Food Industry
- Industrial Sector
- Many Others

Are city climate goals too ambitious? Leaders worry about compressed timelines

Credit: Elekr, NASA Goddard Space Flight Center
MULTIPLE PATHWAYS ARE EMERGING

One industry peer’s approach:

- "Los Angeles' municipal utility is planning to convert a Utah power operation from coal to natural gas, to 100% hydrogen by 2045."

- "Hydrogen will be capable of making up 30% of an 840 MW natural gas plant's generation on day one of its operation beginning in 2025..."
“The City of Georgetown earned international attention a few years ago by becoming the largest city in the U.S. to run [“solely”] on renewable power.”

“Now, the city has chosen a subsidiary of Shell Oil to take over... its energy holdings.”
We are rated by all 3 major Ratings Agencies.
With the accompaniment of Trustee Dr. Mackey, we covered major strategies, including the **Flexible Path**, emerging gas technologies, security, digital & other technologies & our plans to pay down debt.

KEY POINTS:
• They are not opinionated about the technologies that utilities should use

• This agency & the others were generally complimentary of the objectivity & practicality of our Flexible Path

• They were positively interested in our active management of the numerous intersections of energy & the environment
Thank You
• CEO  Chief Executive Officer
• CoSA  City of San Antonio
• CRU  Customer Response Unit
• EPRI  Electric Power Research Institute
• EPSC  Energy Portfolio Strategy Committee
• FY  Fiscal Year
• M  Million
• MW  Megawatts
• S.A.  San Antonio
• RFP  Request for Proposal