



CEO'S REPORT

PRESENTED BY:

Paula Gold-Williams

President & CEO

January 14, 2020

THIS MONTH'S TOPICS

- **CPS ENERGY BOARD AGENDA INSIGHTS**
- **ENERGY LANDSCAPE**
 - **UTILITY SUMMARY CASE STUDY**
- **TOP ORGANIZATIONAL CHANGE**

AGENDA INSIGHTS – 1 of 9

ITEM 7 – REAL ESTATE: POSSIBLE VOTE

- 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

AGENDA INSIGHTS – 2 of 9

PRUDENT FINANCIAL MANAGEMENT



ITEM 9 – COST SAVINGS: NEW SOLAR APPLICATION PORTAL

- Manual paper-based system → Java-based web application
- Reduces administrative time
- Faster response times for Customer Projects

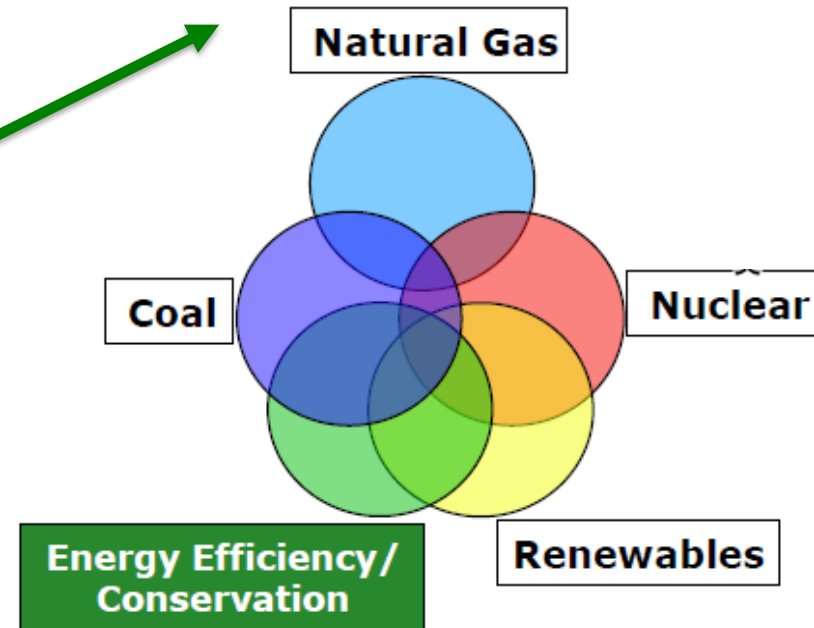


ITEM 10 – STEP BRIDGE: VOTE

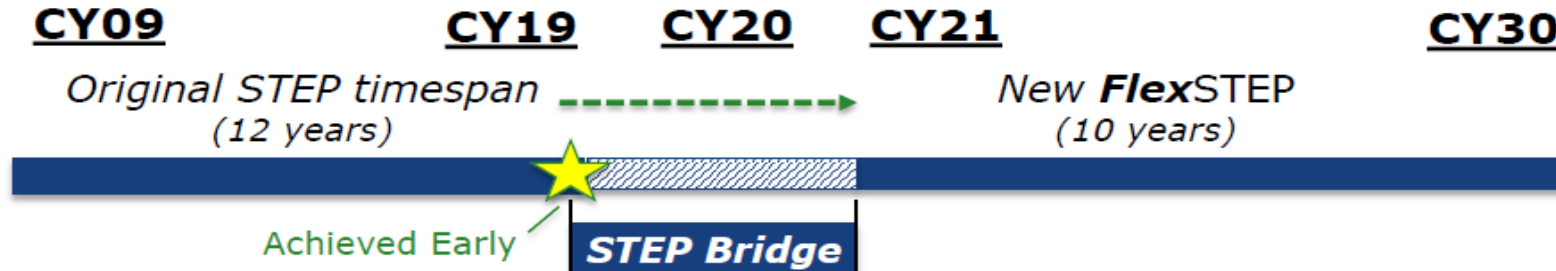
Diversity of Approach:

- Is one of our core competencies
 - Generation
 - Fuel Sources

"The Fifth Fuel"



ITEM 10 – STEP BRIDGE



	11 Yrs.	+	1 Yr.	+	10 Yrs.	=	22 Yrs.	Avg.
MW	825MW ⁽¹⁾	+	75MW	+	~600MW	=	~1500MW	68MW
\$Ms	\$719M ⁽¹⁾	+	\$70M	+	~\$700M	=	\$1.5B	\$68M

Considering the success of the original STEP program, we will request approval to continue → STEP Bridge

ITEM 13 – MIDTOWN SUBSTATION UPDATE

PROJECT: Maintain Reliability + Accommodate Growth

- **Original Site:**
 - Some residents expressed concerns
- **PROGRESS - Redesigned the Site:**
 - We Are Collaborating with:
 - Residents / Customers
 - City Councilmember
 - HEB



ITEM 14 – *FLEXPOWER BUNDLE UPDATE*

- **DISCUSS OUR SEQUENCING FOR REPLACING AGING PLANTS**
- **DESCRIBE THE IMPORTANCE OF FIRING POWER TO MEET RELIABILITY**
- **INCORPORATE AN ALL-SOURCE ELEMENT INTO OUR APPROACH**



ITEM 15 – *FLEXIBLE PATH* COMMUNITY ENGAGEMENT UPDATE

- **PROVIDE MORE CONTEXT ON HOW WE RECEIVE CUSTOMER FEEDBACK, LEARN & TAKE ACTION**
- **MULTIPLE EXAMPLES**



ITEM 16 – OPERATIONAL ENHANCEMENTS: NEW OUTAGE MAP

**ALL NEW
OUTAGE
MAP**



Customer



**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**

ENERGY LANDSCAPE – 1 OF 9

- 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**

BUSINESS

PG&E: Wired to Fail

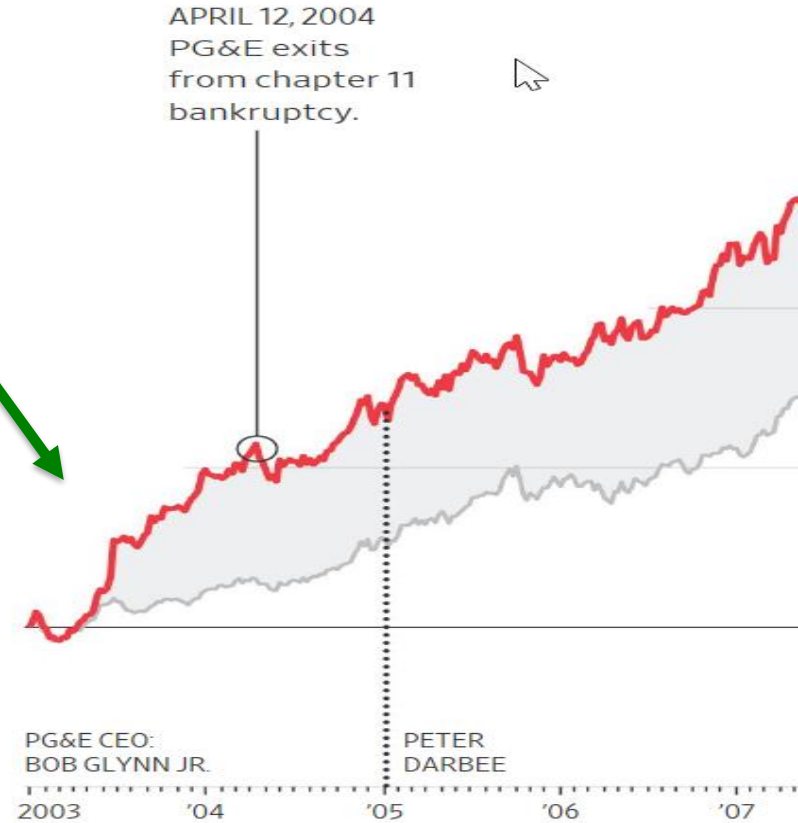
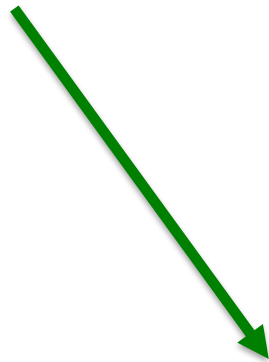
By Russell Gold, Rebecca Smith and Katherine Blunt

Dec. 28, 2019 12:01 am ET

“Executives were so focused on the past & the future that the present sneaked up on them.”

BANKRUPTCY PRESSURE / ENERGY MARKET:

PG&E “was the most prominent casualty of a California law that was designed to increase competition but had instead allowed wholesale energy prices to spike and blackouts to roll through the state.”



The CEO at the time “... **estimated ... more than 100% turnover**—during his six years as CEO. Replacements often came from Wall Street, telecommunications or utilities ... regarded as more advanced.”



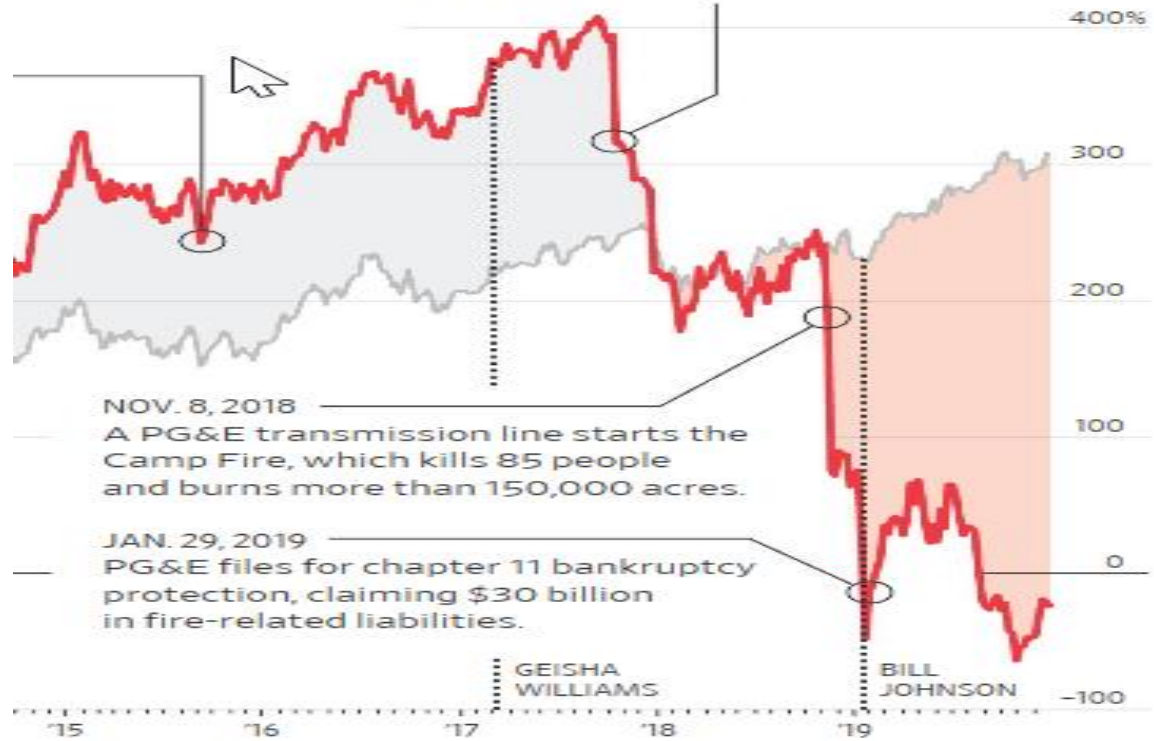
Major investments in consultants to develop new systems **DID NOT lead to better processes, shorter wait times**, etc.

“... did nothing to address deficiencies that would become glaring in the next few years: **aging equipment, shoddy inspections and flawed maps and records, many still kept on paper...**”



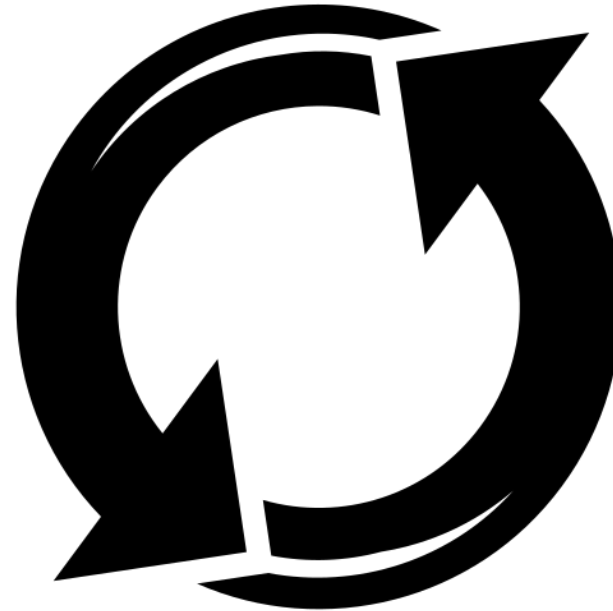
ENERGY LANDSCAPE – 6 of 9

OCT. 8, 2017
The wine country fires occur. PG&E is found liable for starting 18 of the fires; more than 190,000 acres burned and 22 people were killed.



The financial performance of the company declined again.

A **cycle** repeated itself that involved problems & additional issues, such as long-term deferred line maintenance & drought, that were publicly tied to catastrophic fires and tragic fatalities.



ENERGY LANDSCAPE – 8 of 9

U.S.

Five Ways to Fix PG&E

Suggestions from industry executive, regulators and experts for ways the giant utility can safely keep the lights on

By Rebecca Smith, Katherine Blunt and Russell Gold

Dec. 28, 2019 12:01 am ET



- ✓ **“Stop running equipment until it breaks”**
- ✓ **“Use predictive tools to assess risk”**
- ✓ **“Regulate utility safety separately from electricity rates”**
- ✓ **“Manage forests more aggressively”**
- ✓ **“Threaten PG&E’s monopoly franchise”**

ENERGY LANDSCAPE – 9 of 9

- **Our sincerest sympathies have gone & continue to go out to everyone affected by the CA fires...**
- **PG&E: While there are many issues remaining, power is still needed, & it appears the focus continues to be on new solutions.**
- **The CPS Energy Team will continue to monitor & learn from CA's complex landscape focused on:**
 - **Reliability, Rate Design & Affordability, EVs, Technology, Regulations & Policy, etc.**

TOP ORGANIZATIONAL CHANGE CHIEF CUSTOMER ENGAGEMENT LEADER

MANY THANKS!!!



**TRANSITIONING
EXECUTIVE
Felecia Etheridge**



BENEFITED BY:
Approximate
5-month
Transition Period

CONGRATULATIONS!!!



**SUCCEEDING
EXECUTIVE
Rudy Garza**



Thank You

GENERAL GLOSSARY / DEFINITIONS



- CA California
- CBRE CBRE Group, Inc., is an American commercial real estate services & investment firm
- CEO Chief Executive Officer
- EV Electric Vehicle
- SA San Antonio
- STEP Save for Tomorrow Energy Plan