CEOs’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
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
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”

- Natural Gas
- Coal
- Nuclear
- Renewables
- Energy Efficiency/Conservation
**ITEM 10 – STEP BRIDGE**

<table>
<thead>
<tr>
<th>CY09</th>
<th>CY19</th>
<th>CY20</th>
<th>CY21</th>
<th>CY30</th>
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<tbody>
<tr>
<td><strong>Original STEP timespan</strong>&lt;br&gt;(12 years)</td>
<td><strong>New FlexSTEP</strong>&lt;br&gt;(10 years)</td>
<td><strong>Achieved Early</strong>&lt;br&gt;STEP Bridge</td>
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<tr>
<td>11 Yrs.</td>
<td>+</td>
<td>1 Yr.</td>
<td>+</td>
<td>10 Yrs.</td>
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<tr>
<td>MW</td>
<td>825MW&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>+</td>
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<tr>
<td>$Ms</td>
<td>$719M&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>+</td>
<td>$70M</td>
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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:
    o Residents / Customers
    o City Councilmember
    o HEB
ITEM 14 – *FLEXPOWER BUNDLE UPDATE*

- DISCUSS OUR SEQUENCING FOR REPLACING AGING PLANTS
- DESCRIBE THE IMPORTANCE OF FIRMING 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
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
“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...**”
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.
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”
• 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

CONGRATULATIONS!!!

SUCCEEDING EXECUTIVE
Rudy Garza

BENEFITED BY:
Approximate 5-month Transition Period
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