



# ***CEO'S REPORT***

## ***REGULAR BOARD MEETING***

***PRESENTED BY:***

**Paula Gold-Williams**

President & Chief Executive Officer (CEO)

January 25, 2021

***Informational Update***

# OBJECTIVES & TAKEAWAYS



- REVIEW OUR *GUIDING VALUE PILLARS* & THE *FLEXIBLE PATH*<sup>SM</sup> STRATEGY
- ANNOUNCE *FLEXIBLE PATH* RESOURCE PLAN
- EMPHASIZE BILL IMPACT
- CONSIDERATION OF OUR DEDICATED EMPLOYEES
- PREVIEW NEW ADMINISTRATION IMPLICATIONS
- CONTINUED FOCUS ON INNOVATION
- SUMMARIZE PROCESS END-RESULT

# AGENDA



- OUR ***GUIDING VALUE PILLARS***
- OUR RECENT ***FLEXIBLE PATH*** JOURNEY
- OUR NEW ***FLEXIBLE PATH*** RESOURCE PLAN
- AFFORDABILITY - BILLS
- OUR DEDICATED EMPLOYEES
- CHANGING FEDERAL LANDSCAPE
- CONTINUED FOCUS ON TECHNOLOGY
- RESULTS TO THE BOARD

# DISCLAIMER



We continue to work through the unprecedented global, national, state, and local implications of COVID-19. Additionally, energy generation technologies and electric market policies continue to evolve, and the economic implications of these changes remain uncertain. Our current projections were prepared in-light of these factors for preliminary informational discussion purposes only. Due to the changing COVID-19 pandemic, technology, and policy environments, these projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoughtfully think through our analyses. This said, since there is tremendous uncertainty across the current economic, financial, regulatory, and legislative landscapes, the actual results over the long-term could vary significantly from what we are projecting at this time.

We will continue to perform economic analyses of various generation portfolio compositions. These current analyses are preliminary and based on internal, as well as external data, and will continue to evolve as more information becomes available.

Please also note that much of the data is subject to change, thereby impacting projected outcomes. This document has therefore been prepared for informational discussion purposes only and data presented is as of the date of this document. The CPS Energy management team looks forward to community conversations that will focus on this information. CPS Energy's contributions to those discussions will be constructive, respectful, open, and helpful.

# 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!

# PRIORITIZED PILLARS AS SURVEYED

Customers tell us that their main priorities are:

## *Reliability*



We work to prevent  
**ROLLING BLACKOUTS!**

## *Customer Affordability*



We work to prevent  
**BILL SHOCK!**

# OUR AFFORDABILITY PILLAR

## BILLS – MINIMAL HISTORICAL INCREASES



### **CONTROLLING COSTS, KEEPING BILLS LOW:**

#### **CUSTOMER AFFORDABILITY:**

- We have had **ONLY 1 Rate Increase** in almost 10 years.
- That 1 Rate Increase was 6 years ago.
- Our generation portfolio has protected S.A. from energy market **PRICE SPIKES**.

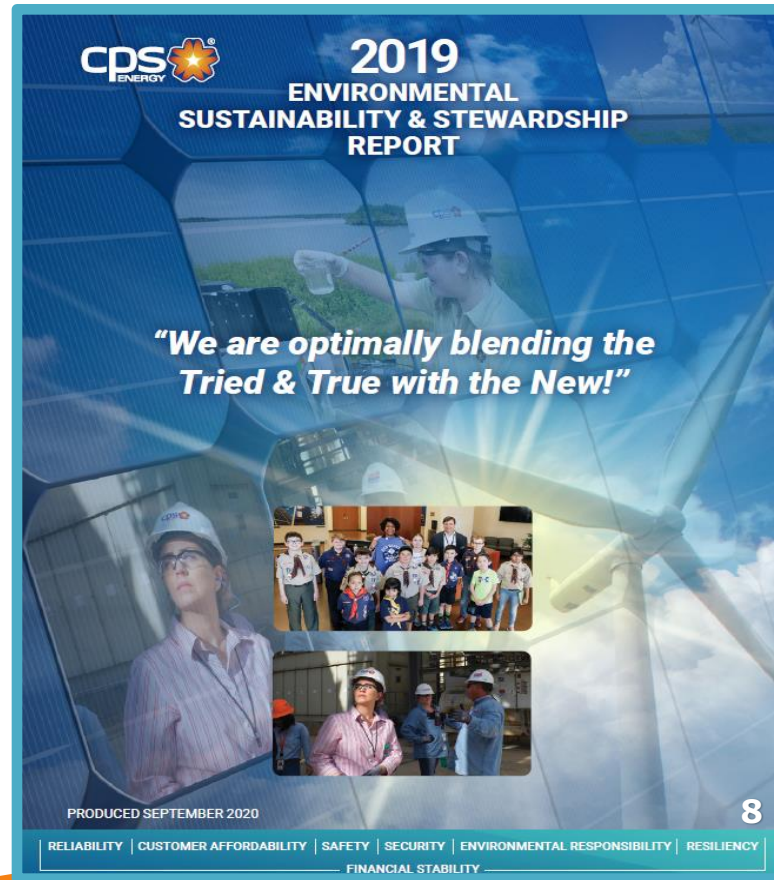
# ENVIRONMENTAL RESPONSIBILITY

## OUR SOLID PROGRESS TO DATE – 1 OF 2



### KEY SUCCESSFUL ENVIRONMENTAL COMMITMENTS TO DATE!

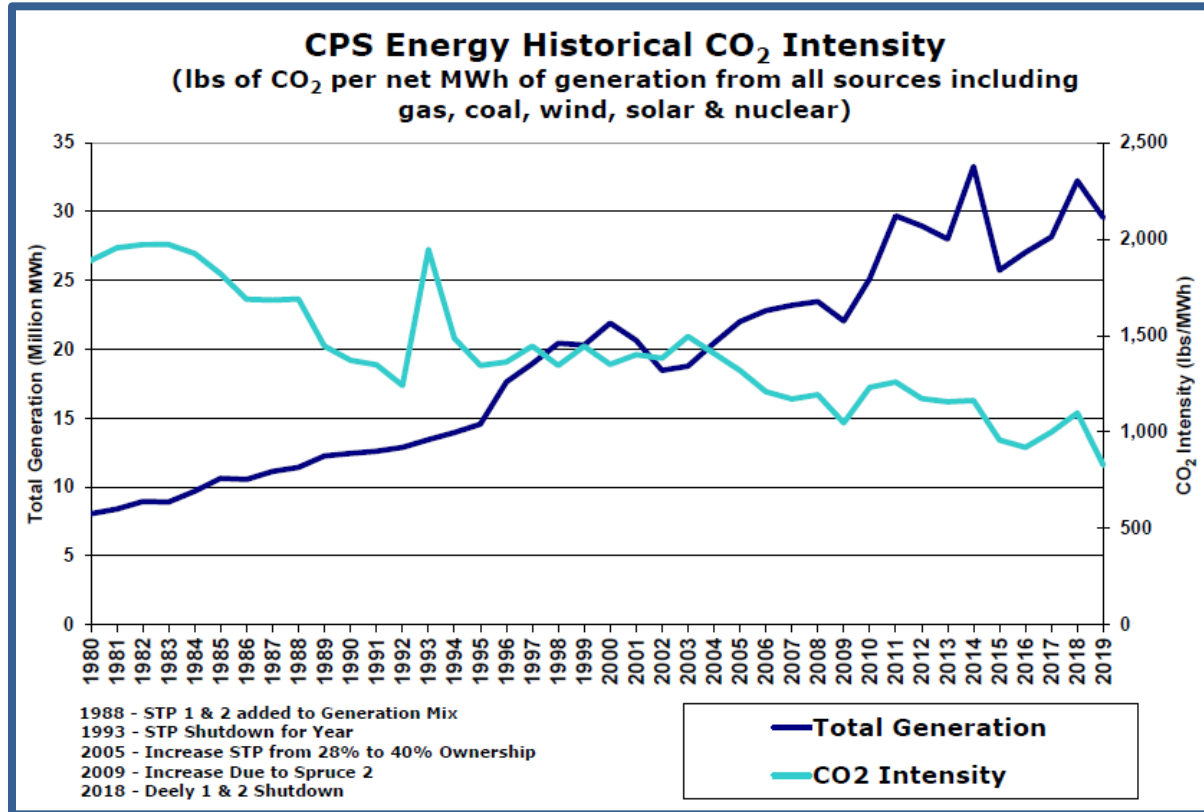
- 2000 → We started investing in wind.
- 2012 → We started investing in solar.
- 2017 → I created the *Flexible Path*.
- 2018 → We closed OLDER Coal units.
- 2019 → Via our *Flexible Path*, we are focused on 80% reductions in carbon emissions by 2040.
- 2019 → The Board of Trustees endorsed the Climate Action & Adaptation Plan (CAAP) & we are now working towards full carbon neutrality by 2050.
- 2019 → STEP successfully completed.





# ENVIRONMENTAL RESPONSIBILITY

## OUR SOLID PROGRESS TO DATE – 2 OF 2



**Our carbon intensity has been on a beneficial downward trend since 1980, even though S.A.'s energy needs have increased.**

# **FLEXIBLE PATH**

## **RECENT TIMELINE / JOURNEY**



**We have carefully managed our strategic path forward:**

**2017**



**2018**

**Deely  
1 & 2  
Closed**

**2019**

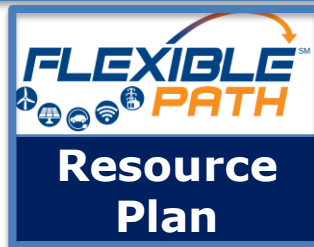
**Board of  
Trustees  
(BoT)  
Endorses  
S.A.'s  
CAAP**

**2020**

**COVID-19**

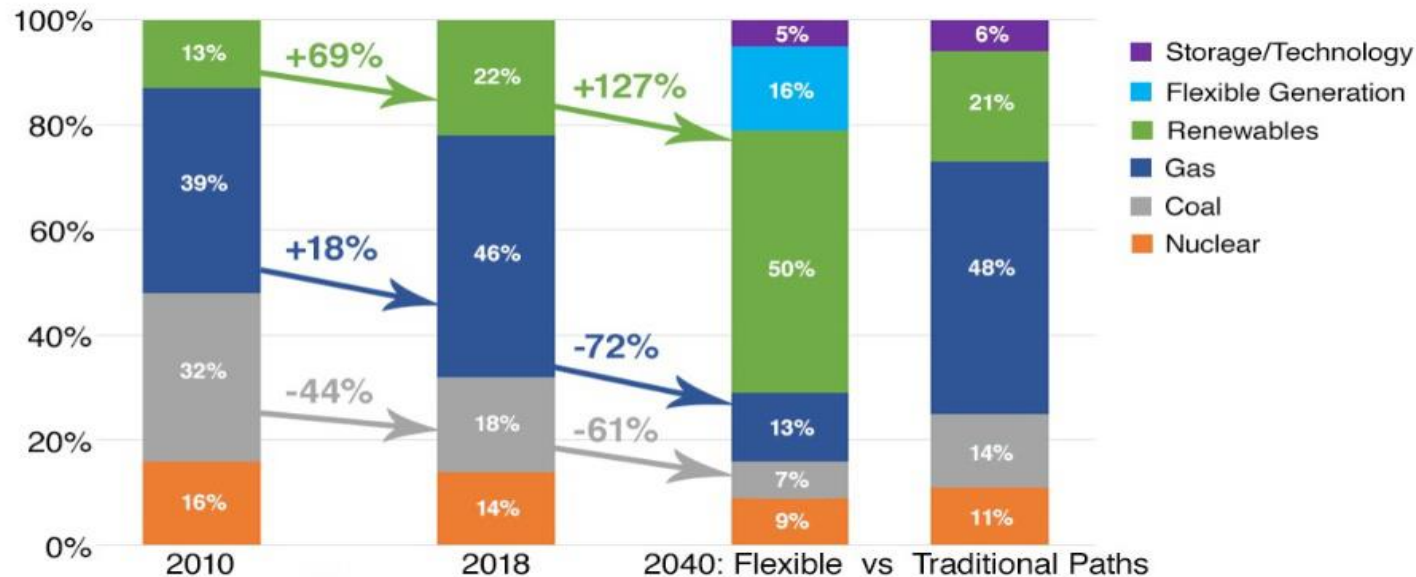


**2021**



# ***FLEXIBLE PATH***

## **ITS BALANCED DESIGN DRIVES REAL PROGRESS**



### **INCREASES IN RENEWABLE GENERATION AND DECREASES IN COAL AND GAS**

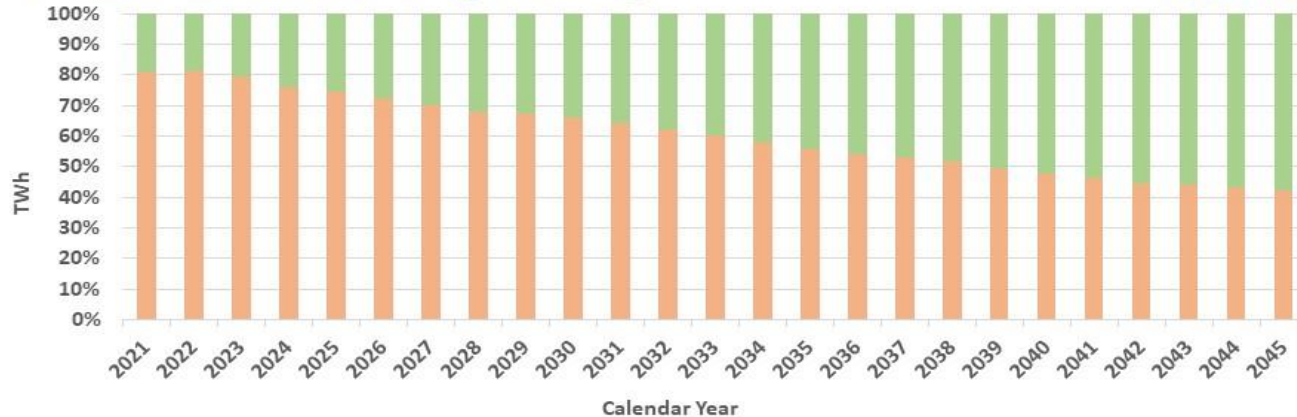
Our generation mix has changed considerably since 2010. The positive trends will accelerate with our *Flexible Path* into 2040.

# ***FLEXIBLE PATH***

## **PROJECTING SOLID GROWTH IN RENEWABLES**



### **OWNED GENERATION VS RENEWABLE PPAs: ENERGY (TWH)**



Note: Fall 2020 Analysis

Owned - Dispatchable

Renewable PPA

**The renewable PPA energy in our portfolio is projected to increase from approximately 18% to 58% by 2045.**

# **FLEXIBLE PATH**

## **CREDIT RATINGS AGENCIES HAVE A POSITIVE VIEW OF OUR FLEXIBLE PATH STRATEGY**

**CPS Energy's  
Rating:**

**MOODY'S**

**Aa1**

Outlook: Stable



**S&P Global**  
Ratings

**AA**

Outlook: Stable

**Fitch**Ratings

**AA+**

Outlook: Negative

***“CPS Energy continually evaluates its generation portfolio and will leverage its existing community-owned generation assets to bridge to a future that enables more non-emitting resources such as wind, solar, energy storage, and new technology.”***

***“...it [Flexible Path] appears to be a measured plan to balance clean energy and system reliability and customer growth.”***

# **NEW FLEXIBLE PATH RESOURCE PLAN**

## **PUBLIC RELEASE OF INFORMATION**



### **CEO LETTER TO SAN ANTONIO**

High-Level Context

#### **PART 1 OF 2 – TECHNICAL VIEW:**

- Customer Demand Forecast
- Energy Efficiency & Conservation Contributions
- Generation Planning Assumptions

#### **PART 2 OF 2 – FINANCIAL & OTHER KEY INFORMATION:**

- Bill Impact Estimates
- Metrics
- Financial Assumptions
- Workforce Transitions
- Risk Overview

**Our team is looking forward to conversations about all of this information.**

# **NEW *FLEXIBLE PATH* RESOURCE PLAN**

## **COMMUNITY-WIDE DIALOGUE ANNOUNCED**



**In addition to the multiple briefings that will be provided on our new *Flexible Path* Resource Plan, our team will also provide informational sessions to:**

- Our Board of Trustees,**
- The San Antonio City Council,**
- Our Citizens Advisory Committee (CAC), &**
- The new Rates Advisory Committee (RAC), once it is fully stood up.**

**Our first *Flexible Path* Resource Plan  
Tele-Townhall:  
Thursday, February 4, 2021 @ 7 p.m.**

# NEW FLEXIBLE PATH RESOURCE PLAN



## GENERATING UNITS: EXISTING, RETIREMENTS & PROJECTED CLOSURES

Unit	Type	Summer Capacity (MW)	Year On Line	Technical End of Life (End of CY)	Potential End of Life (End of CY)
RETIRED:					
J. T. Deely 1	Coal Steam Turbine	420	1977	2033	Retired in 2018
J. T. Deely 2		420	1978	2034	Retired in 2018
RETIRING BEFORE 2030:					
V. H. Braunig 1	Gas Steam Turbine	217	1966	2024	2024
V. H. Braunig 2		230	1968	2024	2024
V. H. Braunig 3		412	1970	2024	2024
O. W. Sommers 1		420	1972	2026	2026
O. W. Sommers 2		410	1974	2028	2028
TECHNICAL LIFE EXTENDS BEYOND 2030:					
Arthur Von Rosenberg	Gas Combined Cycle	518	2000	2045	TBD
Rio Nogales		779	2002	2047	
MBL CT1-4	Gas Simple Cycle	182	2004	2039	
MBL CT 5-8		191	2010	2045	
STP1	Nuclear	516	1988	2047	
STP2		512	1989	2048	
SWRI/Battery System	Solar PV/Battery System	5/10	2019	TBD●	
COAL:					
J K Spruce 1	Coal Steam Turbine	560	1992	2047	2028/2029 ●●
J K Spruce 2		785	2010	2065	Convert to Gas 2027 ●● Retire TBD ●●

**CLOSED**

**OLDEST**

**NEW  
OPTIONS  
BEING  
ASSESSED**

CY – Calendar Year

- Being a new system, the technical life is currently difficult to estimate, particularly relative to the batteries. The actual operational demands of this technology may result in a replacement schedule that is more frequent than the manufacturer's initial estimates. (Also see Page 9.)
- This potential date has not been finalized or approved by the Board of Trustees. For discussion purposes, this scenario was modeled & assumes the unit would possibly be off-line or converted before 2030.



# NEW FLEXIBLE PATH RESOURCE PLAN

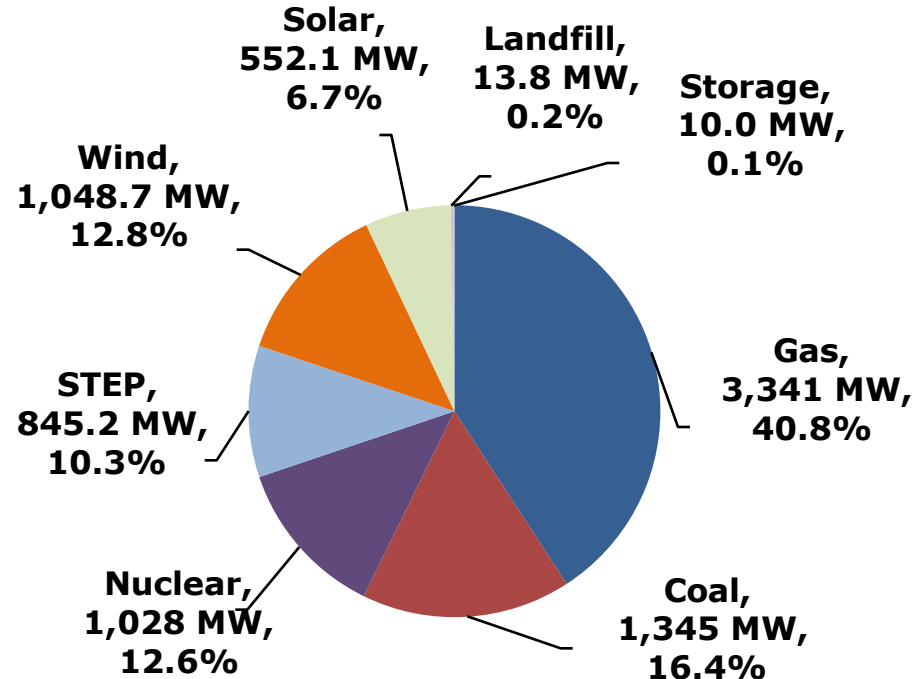
## STRONG DIVERSIFICATION



*S.A. is well served by a wide variety of owned assets, Purchased Power Agreements (PPAs), and energy efficiency & conservation solutions<sup>1</sup>.*

*<sup>1</sup> Save for Tomorrow Energy Plan (STEP)*

### MAXIMUM CAPACITY AS OF 12/31/2020



# **NEW *FLEXIBLE* PATH RESOURCE PLAN**

## **KEY CONTENT / DISCUSSION POINTS**



- **Economic Data**
- **Assumptions**
- **Estimated Bill Impacts**
- **Coal Options**
- **Projected Growth in Renewables**
- **Batteries**
- **Electrification / Electric Vehicles**
- **Reserve Margin – Excess Capacity**
- **Employees**
- **How to Prioritize & Sequence Initiatives**
- **Federal Landscape**
- **Evolving Technology**
- **Risks**

# **NEW FLEXIBLE PATH RESOURCE PLAN**

## **INCLUDES NEW SCENARIOS FOR COAL**



### **BASE CASE:**

- **Spruce 1 – Replace with an Additional FlexPOWER Bundle<sup>SM</sup> offering in 2029**
- **Spruce 2 – Continue to Operate as a Coal Plant**

### **REPLACE SPRUCE 1 & 2 COAL UNITS:**

- **With Renewables & Batteries**

### **REPLACE & CONVERT:**

- **Spruce 1 – Replace with an Additional FlexPOWER Bundle<sup>SM</sup>**
- **Spruce 2 – Convert to Natural Gas**

# AFFORDABILITY - BILLS

## TODAY S.A. GETS MORE FOR THE MONEY

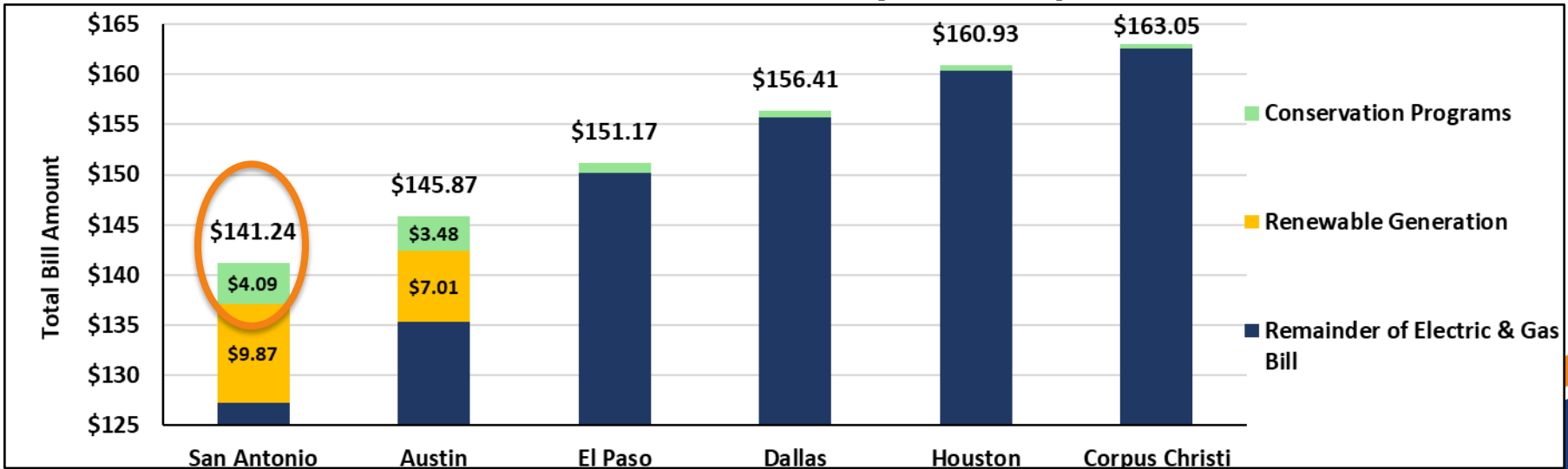


**CONGRATULATIONS  
SAN ANTONIO FOR BEING  
A SHINING CITY FOR  
SOLAR ENERGY!**

San Antonio Ranks 1<sup>st</sup> in Texas & 5<sup>th</sup> in the U.S. for  
Solar Energy Within City Limits

**~10% of customers' bills go to funding our  
commitment to sustainability  
(vs. <1% in some Texas cities).**

**Texas Cities Residential Monthly Bill Comparison**



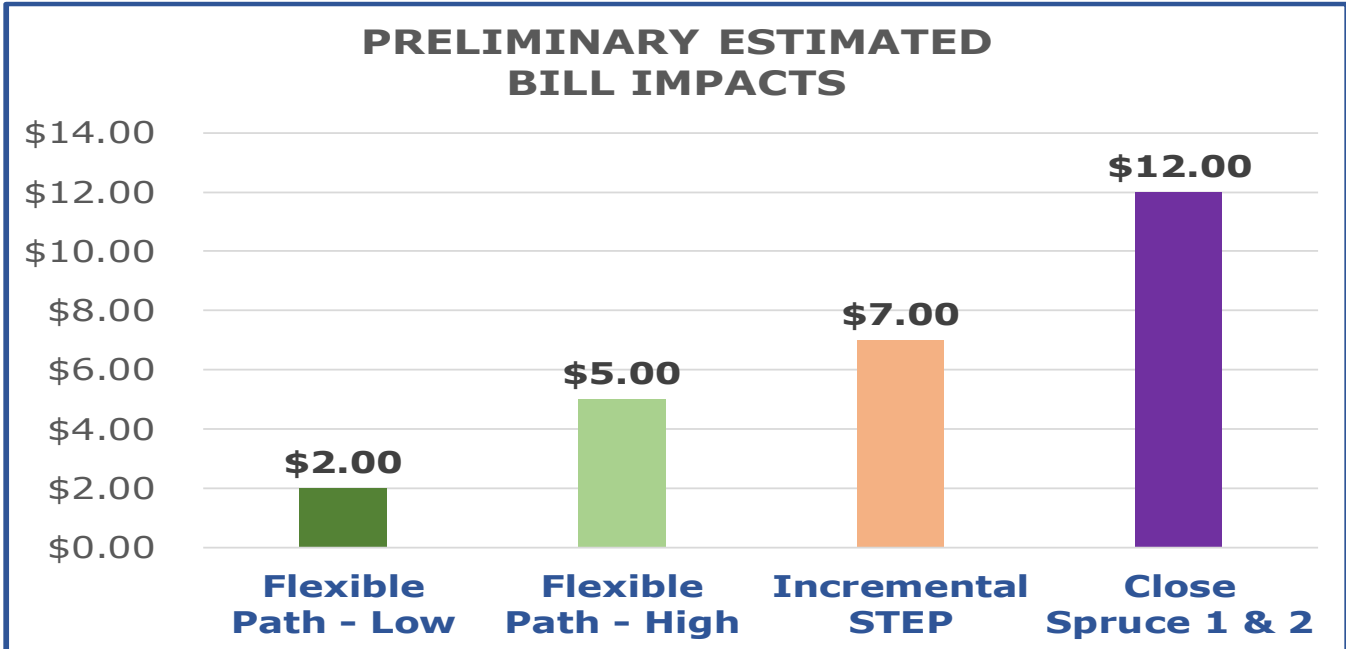
Note: Bills reflect 12-month average pricing through August 2020; shown at average monthly usage of 1,000kWh & 5MCF. This data represents standard, non-promotional rates.

# AFFORDABILITY - BILLS



## THERE IS A COST TO EVERY PROGRAM

**FUTURE COMMUNITY DECISIONS:**  
These are rough estimates that give good context & will help constructive community discussions.



**Does not include any amount for maintaining operations or growth in S.A. & our region.**

# AFFORDABILITY - BILLS

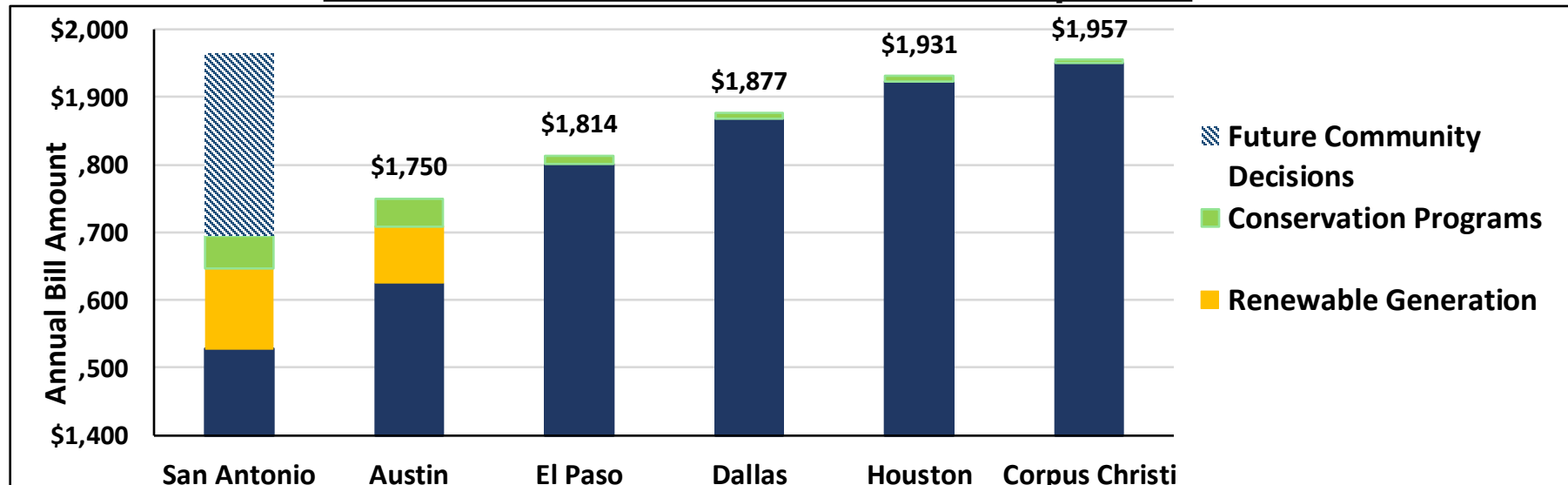
## WE MUST PROTECT ALL S.A. CUSTOMERS



### TIMING / SEQUENCE / VELOCITY MATTERS:

While we all want progress, we must be careful not to become a very expensive energy market.

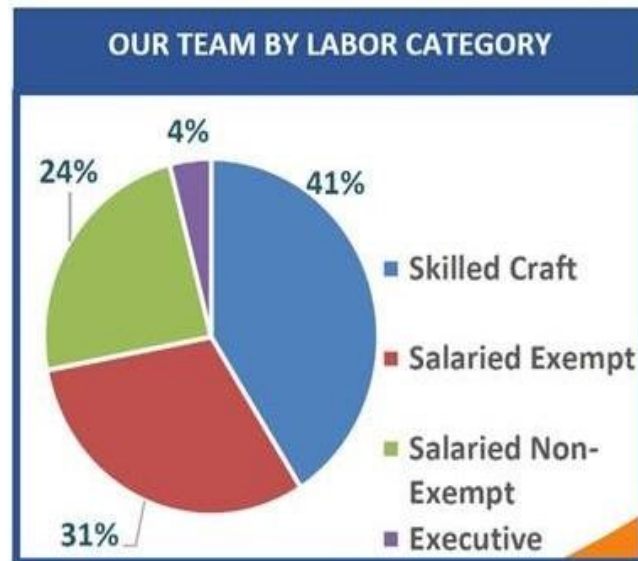
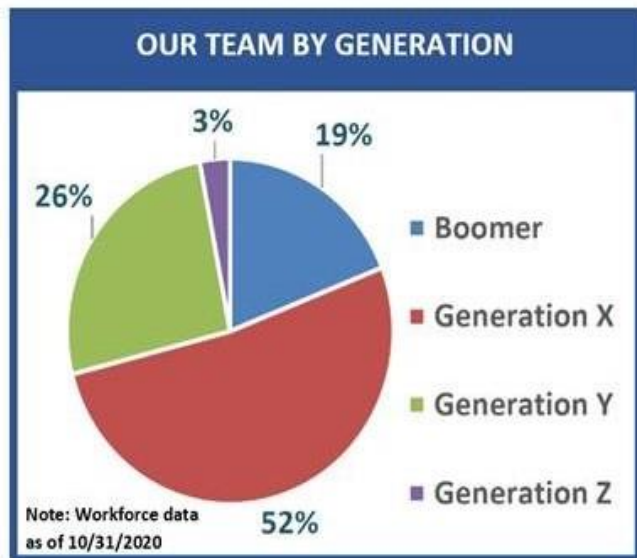
#### Texas Cities Residential Annual Bill Comparison



Note: Bills reflect results of accumulated 12-month average, standard, and non-promotional pricing through August 2020; based on average monthly usage of 1,000 electric kWh & 5 gas MCF.

## OBJECTIVE:

**Ensure our dedicated, frontline employees are respectfully treated, including continued development, skill expansion & retraining.**



# CHANGING FEDERAL LANDSCAPE

## PROPOSED BIDEN APPOINTEES



**Former Secretary John Kerry**  
SPECIAL PRESIDENTIAL ENVOY FOR CLIMATE  
NATIONAL SECURITY

Kerry will serve as the Special Envoy for Climate, based on the National Security Council, to address climate change as a national security challenge. He is a former U.S. Secretary of State, was a key architect of the Paris Climate Accord & signed it on behalf of the U.S. in 2015.



**Gina McCarthy**  
NATIONAL CLIMATE ADVISOR  
WHITE HOUSE SENIOR STAFF

McCarthy will serve as the first-ever National Climate Advisor to head the newly-formed White House Office of Domestic Climate Policy. She has previously served as an EPA Administrator & is the President & CEO of the Natural Resources Defense Council.



# CHANGING FEDERAL LANDSCAPE

## BIDENS' NOMINEES



**Congresswoman Deb Haaland**  
SECRETARY OF THE INTERIOR



**Former Governor Jennifer Granholm**  
SECRETARY OF ENERGY



**Michael Regan**  
ENVIRONMENTAL PROTECTION  
AGENCY (EPA) ADMINISTRATOR



**Brenda Mallory**  
CHAIR OF THE COUNCIL ON  
ENVIRONMENTAL QUALITY



**Chairman Richard Glick\***  
CHAIR OF THE FEDERAL ENERGY  
REGULATORY COMMISSION (FERC)

**These individuals have been nominated to oversee key agencies focused on energy & climate issues. They are subject to a Senate confirmation process.**

\*Appointed by President Trump in February 2020

# CONTINUED FOCUS ON TECHNOLOGY LEARNING IN PROACTIVELY & PARTNERSHIPS



# **COMMUNITY-WIDE DIALOGUE**

## **RESULTS SUMMARIZED FOR THE BOT**



**At the appropriate time, after management arranges extensive & constructive conversations with our community, you will be able to consider authorizing a new set of Resource Planning solutions that you deem most viable.**



***Thank You***