

**CPS ENERGY BOARD OF TRUSTEES**

**NOTICE OF REGULAR MEETING**

Notice is hereby given that the CPS Energy Board of Trustees will hold its Regular Monthly Meeting **on Monday, July 26, 2021 at 1:00 p.m.**, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting will also be live-streamed.

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis, and shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Governor.

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

**The meeting will be audio-streamed on [cpsenergy.com](http://cpsenergy.com).**

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, July 23, 2021, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com) or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.

Written comments may be sent to [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com). Note that written comments will not be read during the Board meeting.

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

*At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.*



\_\_\_\_\_  
 Shanna M. Ramirez  
 Secretary of the Board  
 July 21, 2021



**CPS ENERGY BOARD OF TRUSTEES MEETING  
TO BE HELD ON JULY 26, 2021 AT 1:00 PM  
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session concerning:

- attorney-client matters under Section 551.071;
- deliberations and other authorized action on real property under Section 551.072;
- prospective gifts or donations under Section 551.073;
- personnel under Section 551.074;
- security personnel or devices under Section 551.076;
- economic development negotiations under Section 551.087;
- deliberations, voting or taking final action on competitive matters under Section 551.086;
- deliberations regarding security audits and devices under Section 551.089; or
- deliberations under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE	Execute	Mr. Rick Luna
3	<b>PUBLIC COMMENT</b> Pre-Registration on Friday, July 23, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a> A. Chair's Announcements B. Comments	Discuss	Dr. Willis Mackey
<b>UPDATE ON CHAIR'S PRIORITIES</b>			
4	<b>CEO'S REPORT</b> Featuring a <i>FlexSTEP</i> ™ Update (Mr. Rick Luna)	Discuss	Ms. Paula Gold-Williams
5	<b>OPTIMIZED BUDGET PLANNING: NOW &amp; IN THE FUTURE</b> (Mr. Cory Kuchinsky)	Discuss	Ms. Paula Gold-Williams
6	<b>CARING FOR OUR CUSTOMERS</b> (Ms. DeAnna Hardwick)	Discuss	Ms. Paula Gold-Williams
<b>CONVENE TO EXECUTIVE SESSION</b>			
7	<b>EXECUTIVE SESSION:</b> Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
<b>RECONVENE TO OPEN SESSION</b>			
<b>CONSENT AGENDA</b>			
8	<b>APPROVAL OF CONSENT ITEMS:</b> A. Minutes of the Special Board Meeting as the Risk Management Committee held on 06/22/2021 B. Minutes of the Regular Board Meeting held on 06/28/2021 C. Payment to the City of San Antonio for June 2021 D. Procurement Item: 1. Professional Services: Financial Audit Services (Mr. Cory Kuchinsky)	Vote	Dr. Willis Mackey
<b>REGULAR AGENDA</b>			
9	<b>COMMITTEE REPORTS:</b> A. Master Planning Oversight Committee (MPOC) Meeting held on 06/28/2021 (Mr. Ed Kelley) B. Personnel Committee Meeting held on 07/08/2021 (Mr. Ed Kelley) C. Nominations Committee Meeting held on 07/09/2021 (Mr. Ed Kelley)	Discuss	Dr. Willis Mackey
10	<b>FY2022 FINANCIAL PLAN PART 5 – UPDATED BUDGET PROPOSAL</b>	Discuss & Possible Vote	Ms. Shannon Albert
11	<b>TEZEL SUBSTATION SITE RECOMMENDATION</b>	Discuss & Possible Vote	Mr. LeeRoy Perez

July 26 2021 Regular Board Meeting - AGENDA & NOTICE

12	<b>FlexPOWER Bundle™ UPDATE</b>	Discuss	Mr. Kevin Pollo
13	<b>ADJOURNMENT</b>	Execute	Dr. Willis Mackey

If the Board meeting has not adjourned by 5:00 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.

**THE REGULAR MEETING OF THE CPS ENERGY BOARD OF TRUSTEES WILL BE FOLLOWED BY A 15 MINUTE BREAK, THEN BY A MEETING OF THE SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION WITH AN APPROXIMATE DURATION OF 20 MINUTES.**

**COSA - CITY CLERK  
2021 JUL 22 AM 08:04:50**



# ***OPTIMIZED BUDGET PLANNING: NOW & IN THE FUTURE***

*PRESENTED BY:*

**Cory Kuchinsky, CPA**  
CFO & Treasurer

July 26, 2021

*Informational Update*

# OBJECTIVES & TAKEAWAYS



- **OUR CURRENT APPROACH**
- **OUR NEW OPPORTUNITY**



# AGENDA



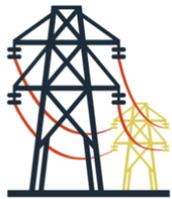
- **FOLLOW-UP ON YOUR QUESTIONS**
- **CURRENT BUDGET PLANNING**
- **NEW OPPORTUNITY**



# 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!

# FINANCIAL LANDSCAPE UPDATE

## QUESTIONS TO DATE - 1 OF 2



CONTINUING TO HELP CUSTOMERS	LANDSCAPE & CHALLENGES	SUSTAINABILITY APPROACH	PREVIEW BUDGET PROPOSAL	APPROVAL OF FY2022 O&M AND CAPITAL BUDGET
✓	✓	✓	✓	<b>Today</b> Agenda Item #10
4/26/2021 Board Mtg.		5/24/2021 Board Mtg.		7/26/2021 Board Mtg.

**WE HAVE ANSWERED ALL THE QUESTIONS IN THE SHORT TERM:**

- Comprehensive responses were provided on June 21, 2021.
- Additional follow-up dialogue took place at the June 22, 2021 Risk Management Committee Meeting.

# FINANCIAL LANDSCAPE UPDATE

## QUESTIONS TO DATE - 2 OF 2

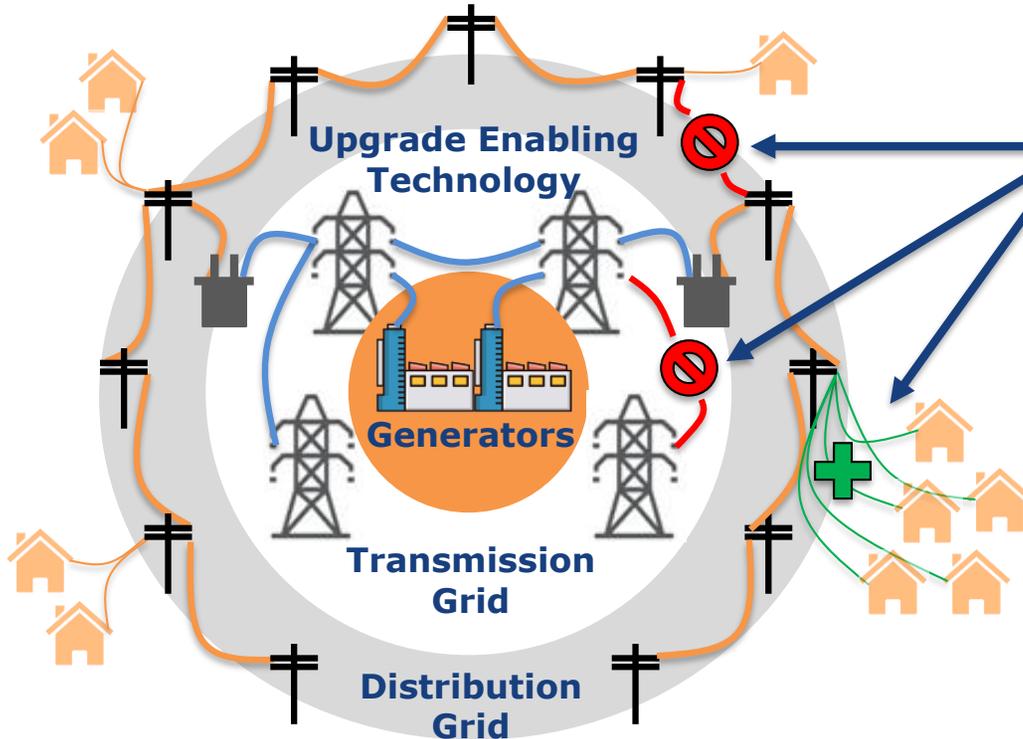


**WE HAVE 1 REQUEST THAT WE WILL NEED MORE TIME TO ADDRESS:**

- Spend by region of the City (i.e., zip code)
- We currently do not track spend in this manner

# BUDGET PLANNING

## OUR CURRENT APPROACH



### **CURRENTLY: Decisions about expenditures are made based on:**

- Growth of the community;
- Age of the infrastructure & enabling technology;
- Performance of the grid;
- Public Safety;
- Regulatory requirements; and
- Specific community needs (e.g., emergencies, third-party damage like a car hitting a pole).

# BUDGET PLANNING

## OUR NEW OPPORTUNITY - 1 OF 3



**MOVING FORWARD, A NEW DIMENSION WILL BE PURSUED –  
HOW TO REGIONALLY OPTIMIZE & TRACK CAPITAL SPEND,  
CONSIDERING:**

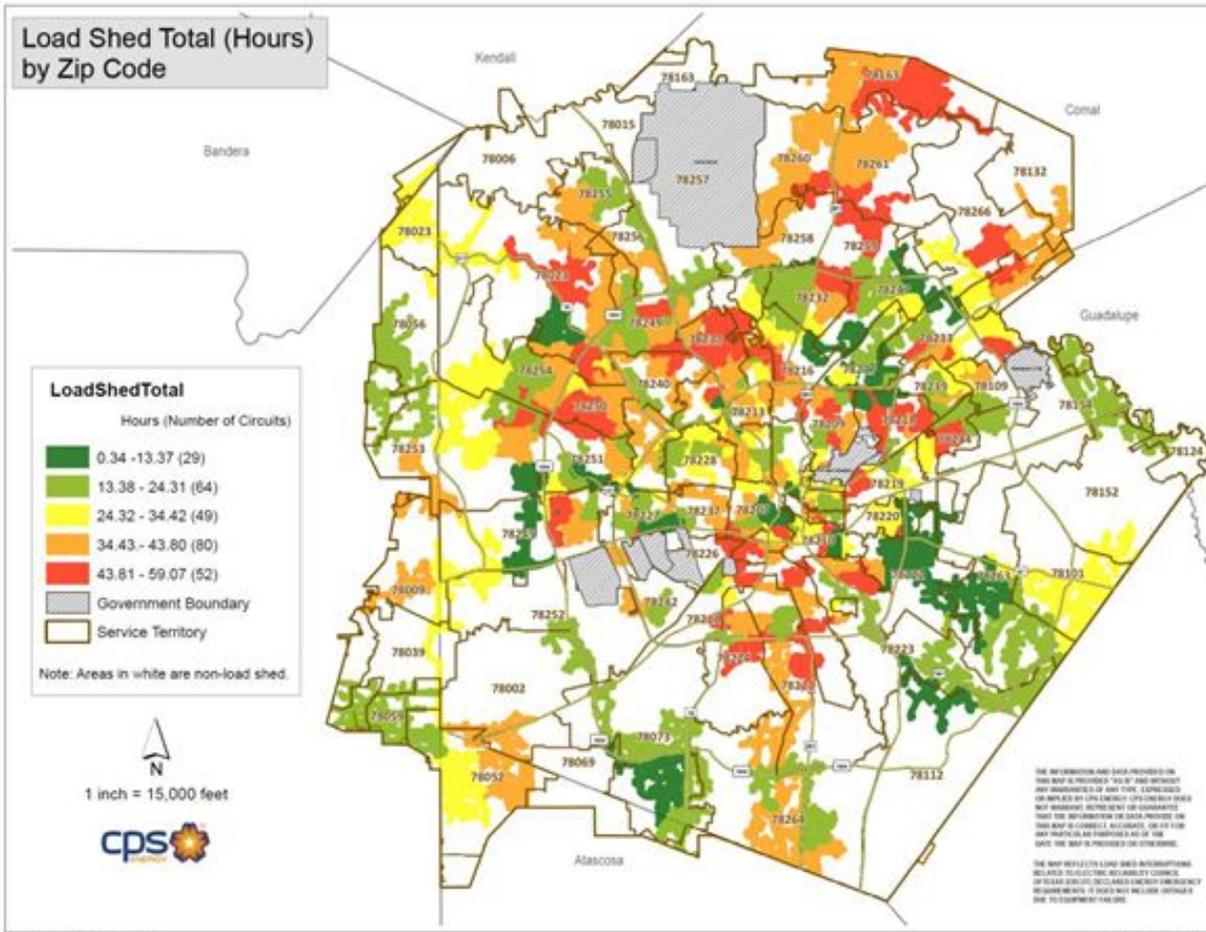
**INITIAL WINTER  
STORM URI  
IMPROVEMENTS**

**CEP  
FINDINGS**  
*(See the next slide)*

**OTHER  
INFORMATION,  
AS AVAILABLE**

# BUDGET PLANNING

## OUR NEW OPPORTUNITY - 2 OF 3



- While Winter Storm Uri outages were not disproportionately in the southern half of Greater SA, we will look for opportunities to spread capital spend more equitably.
- We will also look at options to better track this spend geographically.

# BUDGET PLANNING

## OUR NEW OPPORTUNITY – 3 OF 3



**In fact, we will consider all of the topics below.**

 Weather Outages	 <b>Safety</b>	 <b>Environmental Responsibility</b>	 <b>Security &amp; Technology</b>
 Customer Growth	 Vegetation Management	 Critical Infrastructure	 <b>Reliability</b>
 Regulatory Obligations	 Critical Care	 New Products & Services	 <b>Equity</b>

**We will provide updates as we make progress.**



***Thank You***





# ***CARING FOR OUR CUSTOMERS***

*PRESENTED BY:*

**DeAnna Hardwick**

Vice President, Customer Success

July 26, 2021

*Informational Update*

# OBJECTIVES & TAKEAWAYS



- **REVIEW OUR CUSTOMER SUPPORT OPTIONS**
- **TRANSITION BACK TO NORMAL OPERATIONS**



# AGENDA



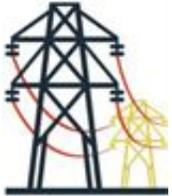
- **CONNECTING CUSTOMERS TO OUR SUPPORT OPTIONS**
- **MONITORING THE LANDSCAPE**
- **FINANCIAL IMPACTS OF SUSPENDED DISCONNECTS**
- **MESSAGING & SEQUENCING**
- **OUR ONGOING GOALS**



# 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!

# CONNECTING CUSTOMERS TO SUPPORT OPTIONS



**Senior Citizen Billing**  
*Over 53k enrolled*



**Critical Care Billing**  
*Nearly 3k enrolled*



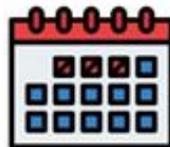
**REAP**  
*Over \$1 Million  
Donated*



**CPS Energy Angels**  
*Launched in 2021*



**Flexible Installment Plans**  
*Over 21k enrolled*



**Due Date Extension**  
*Nearly 10k Active*



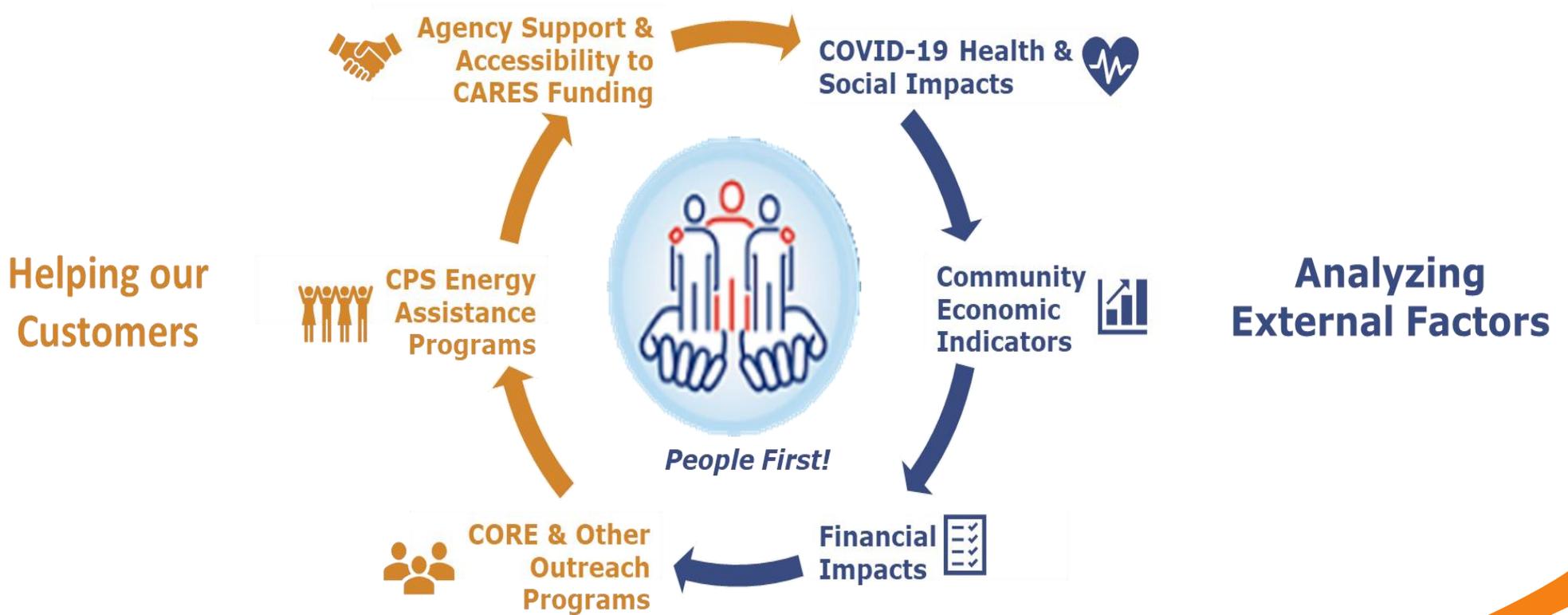
**Budget Payment Plan**  
*Over 34k enrolled*



**CORE Outreach**  
*Over 81k called*

**Since the start of the pandemic, we have connected our customers to nearly \$29 million of assistance as of June 30, 2021 & will continue to pursue all avenues available to help our customers!**

# MONITORING THE LANDSCAPE

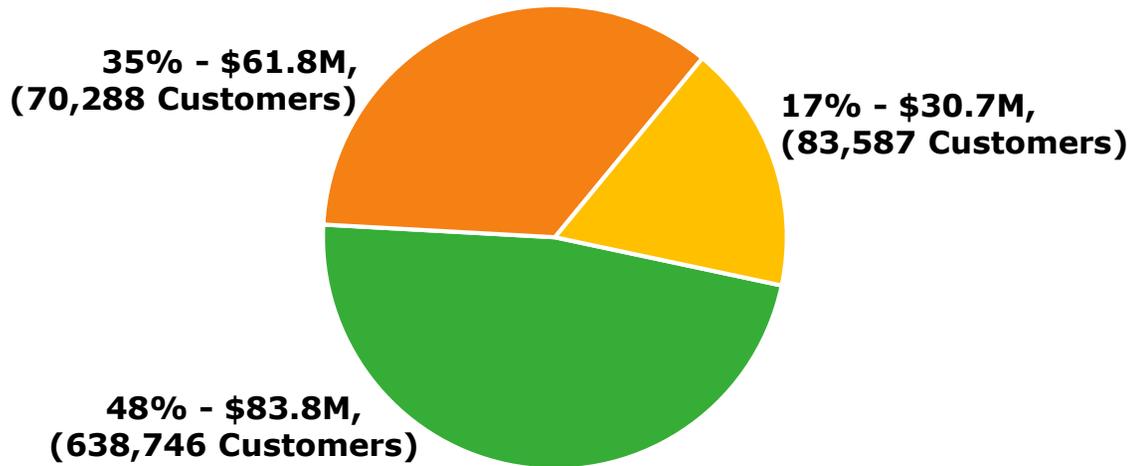


**We monitor the impacts to our community & present meaningful referrals & programs to help our customers.**

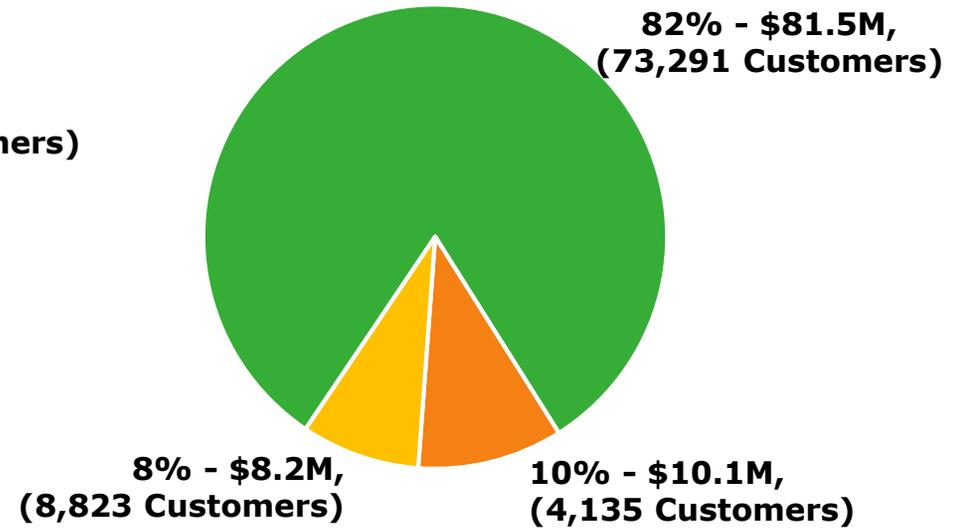
# CUSTOMER ACCOUNTS CURRENT VS. PAST DUE



**TOTAL RESIDENTIAL \$176.3M**



**TOTAL COMMERCIAL \$99.8M**



■ Current      ■ Past Due >30 Days      ■ Eligible for Disconnects

**Over 150,000 residential customers' accounts are past due or eligible for disconnection.**

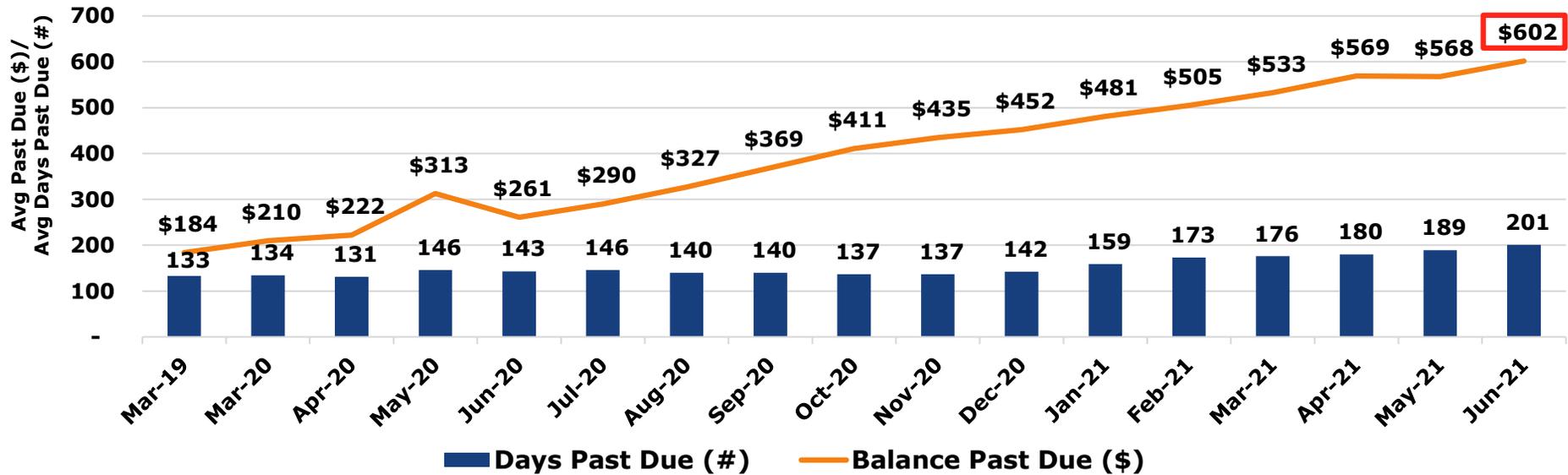
\*Data as of June 30, 2021

# FINANCIAL IMPACTS

## AVERAGE PAST DUE BALANCE



**Residential Average Balance Past Due (\$) vs. Average Days Past Due (#) Trend**



**Over the last year, we have seen the average past due balance for Residential accounts more than double & anticipate this trend will continue unless we change our approach.**

# KEY MESSAGING APPROACH



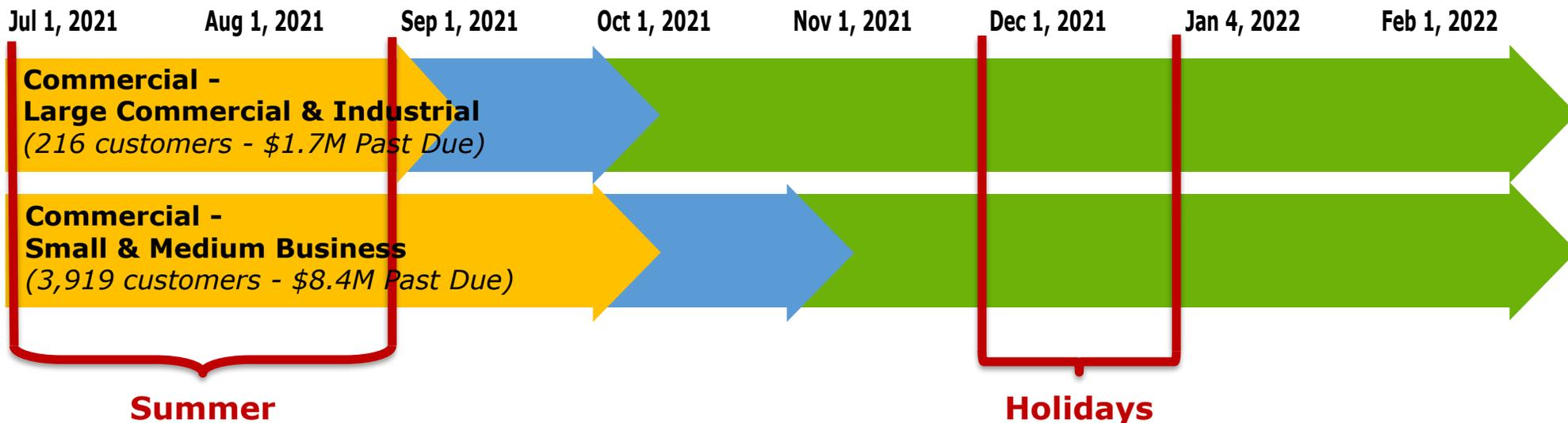
-  Create awareness of timing, assistance options & programs
-  Continued community outreach & stakeholder partnerships
-  Continued CORE outbound calls
-  Updates thru all available communication channels
-  Direct communication with a call to action & how to reach us

**Our messaging will focus on all customers with a past due balance to help prevent their accounts from becoming eligible or being disconnected & we will identify the best support to fit their needs.**

# COMMERCIAL SEQUENCING



**For Commercial customer accounts not enrolled in an active installment plan & are eligible for disconnection, we are proposing the following sequencing:**



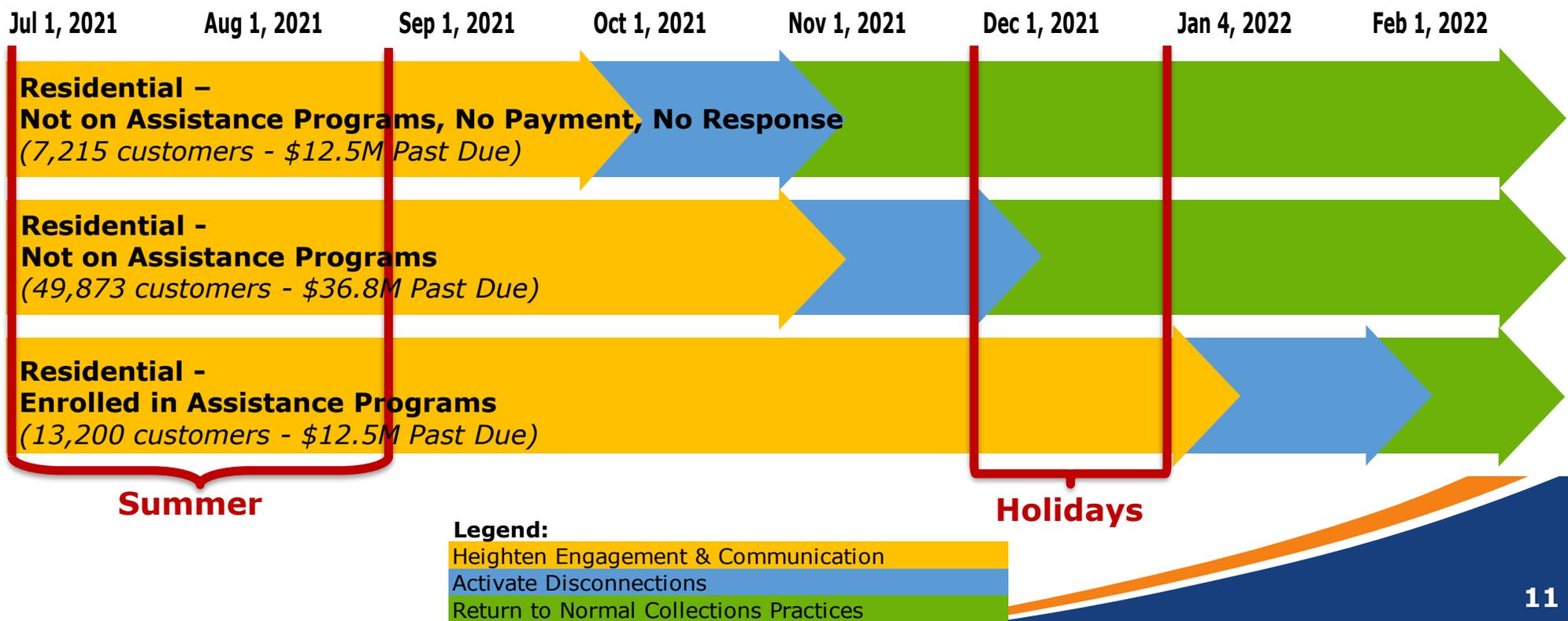
**Legend:**

- Heighten Engagement & Communication
- Activate Disconnections
- Return to Normal Collections Practices

# RESIDENTIAL SEQUENCING



**For Residential customer accounts not enrolled in an active installment plan & are eligible for disconnection, we are proposing the following sequencing:**



# **OUR ONGOING GOALS**

## **HELPING ALL CUSTOMERS**



- **Through this process, we will be thoughtful & caring.**
- **We understand that a financially healthy recovery for our customers is important to everyone.**
- **We continue to pursue federal funding via the City of San Antonio & Bexar County.**



***Thank You***



Draft for review and approval  
at the July 26, 2021 meeting

**CPS ENERGY  
MINUTES OF SPECIAL BOARD MEETING OF  
THE BOARD OF TRUSTEES OF CPS ENERGY  
CONVENING AS THE RISK MANAGEMENT COMMITTEE**

A Special Meeting of the Board of Trustees of CPS Energy convening as the Risk Management Committee was held on Tuesday, June 22, 2021, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

- Dr. Willis Mackey, Chair
- Ms. Janie Gonzalez, Vice Chair
- Mr. Ed Kelley
- Mr. John Steen
- Mayor Ron Nirenberg

Also present were:

- Ms. Paula Gold-Williams, President & CEO
- Mr. Fred Bonewell, Chief Operations Officer
- Ms. Shanna M. Ramirez, Interim Chief Legal & Ethics Officer, General Counsel & Board Secretary
- Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
- Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
- Ms. Vivian Bouet, Chief Information Officer
- Mr. Gary Gold, Chief Business Excellence Officer
- Mr. Rudy Garza, Chief Customer Engagement Officer
- Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
- Ms. Lisa Lewis, Chief Administrative Officer
- CPS Energy Staff Members
- City of San Antonio officials
- Interested Citizens

**I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE**

A safety message, the invocation and Pledge of Allegiance were delivered by Mr. Kevin Pollo, Interim Vice President, Energy Supply & Market Operations.

**II. PUBLIC COMMENT**

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director of Board Relations, Chief of Staff outlined the guidelines for doing so. The following person made comments:

Mr. Russell Seal, a Medina County resident, commented on the importance of the meeting’s peak planning presentation, asked about our customer energy use in comparison to customers of Austin Energy, and

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noted the importance of home energy management for emergency preparedness and complimented CPS Energy on its thermostat program.

### III. CEO'S REMARKS

Ms. Gold-Williams provided a brief overview, including a discussion on increasing demand, a comparison of solar and gas energy sources and the opportunity for open dialogue on issues affecting the utility and community.

Ms. Gold-Williams touched on CPS Energy's **FlexPOWER Bundle**<sup>SM</sup> and **Flexible Path**<sup>SM</sup> strategies, and CPS Energy's efforts to decarbonize and adopt wind and solar power as part of its portfolio. She highlighted that CPS Energy has been utilizing wind energy for twenty years, is number one in solar usage in Texas, and has an award-winning energy savings program. She stressed that all parts of the CPS Energy portfolio matter and that CPS Energy continues to believe that the **FlexPOWER Bundle** is designed to balance renewable energy with firming capacity and is the best way to provide for energy needs of the community.

Ms. Gold-Williams noted that San Antonio's population growth requires a review of our energy supply position. CPS Energy currently has excess generation capacity. However, she stressed that much of CPS Energy's generation capacity is aging, with 3,000 megawatts of power generating capacity potentially up for retirement by 2030, and the Board will have to consider growth as it makes plant retirement decisions.

Ms. Gold-Williams also described the challenges of the growing labor market in San Antonio and the importance of developing strategies to recruit and retain talent.

She also reported on the findings of the City of San Antonio's Committee for Emergency Preparedness review of the Winter Storm Uri event noting that CPS Energy participated in the Committee's investigation and that she and other members of CPS Energy leadership attended that week's City Council meeting where the Committee's findings were announced. Copies of the report have been provided to all Trustees.

Ms. Gold-Williams also recapped the Board's recent approval of CPS Energy's grid modernization project and explained how the project will improve outage and voltage management, **Reliability** and **Resiliency**. She also mentioned that CPS Energy continues to look at critical circuit lists to streamline and validate that the list truly covers critical entities. She also reported on CPS Energy's energy awareness campaign to help prepare communities for extreme conditions, and to coordinate in an emergency and assist critical care customers.

Ms. Gold-Williams noted during the meeting that the Board would be asked to approve the appointment of Ms. Shanna M. Ramirez as Board Secretary.

### IV. RESOLUTION FOR APPOINTMENT OF SECRETARY FOR THE CPS ENERGY BOARD OF TRUSTEES

On motion duly made by Trustee Kelley, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the following resolution was approved.

Draft for review and approval  
at the July 26, 2021 meeting

**RESOLUTION APPROVING APPOINTMENT OF SECRETARY  
FOR THE CPS ENERGY BOARD OF TRUSTEES**

**WHEREAS**, the CPS Energy Board of Trustees is required to designate and authorize specific officers and staff to conduct business on behalf of CPS Energy; and

**WHEREAS**, effective December 7, 2009, CPS Energy appointed Carolyn E. Shellman to serve as the Board Secretary; and

**WHEREAS**, Ms. Shellman announced her June 16, 2021, resignation; and

**WHEREAS**, effective June 16, 2021, CPS Energy appointed Ms. Shanna M. Ramirez to serve as Interim Chief Legal & Ethics Officer (CLEO), to oversee all of CPS Energy's legal functions; and

**WHEREAS**, in her new role as CLEO, Ms. Ramirez will assume responsibility for managing and directing the legal activities that require Board of Trustees approval and will be providing support to the Board related to these legal matters; and

**NOW, THEREFORE, BE IT RESOLVED** that the CPS Energy Board of Trustees hereby approves the appointment of Shanna M. Ramirez as Secretary to the Board of Trustees, effective June 16, 2021.

**V. DEMAND & SUPPLY**

Mr. Frank Almaraz, Chief Power Sustainability and Business Development Officer, introduced Mr. Pollo, and briefly touched on matters that would be addressed in the presentation.

Mr. Pollo's presentation, continued the theme of the **Flexible Path** journey as presented to the Board during previous meetings and included:

- A view of CPS Energy's **Guiding Value Pillars**;
- Projected population growth;
- Key drivers in projected customer demand growth;
- Upcoming supply considerations; and
- CPS Energy's supply position and upcoming transition.

Mr. Pollo noted the expected strong population growth for the greater San Antonio statistical area, which is projected to gain a million residents in the next 30 years. He also noted that CPS Energy is expected to see an average annual growth projection of 1.5% in peak usage needs over the next 20 to 30 years, driven by population growth, but also partially offset by energy efficiency and conservation through **FlexSTEP**<sup>SM</sup>. He stressed that continued growth and usage in the community must be accounted for in our **Flexible Path**<sup>SM</sup> review for future generation.

Mr. Pollo reported that during the near future CPS Energy will be making decisions on the retirement of seven power plants--three gas steam units at Braunig, two Sommers gas steam units, and the two Spruce coal

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units- with 3,000 megawatts of combined generation capacity. He emphasized the importance of the retirement sequence to our future generation capacity.

Mr. Pollo explained these decisions should also consider environmental regulations that would impact the cost of coal plant operations. Coal ash regulations expected to be issued during 2022 through 2024 are projected to require \$32 million in investment to preserve operations.

CPS Energy may be required to provide the EPA a Notice of Intent to discontinue coal operations by 2025 and may have to discontinue coal operations beyond 2025 if we do not proceed with the SO<sub>2</sub> Scrubber Water Project. Additionally, he reported that expected future carbon tax implementation after 2026 and SO<sub>2</sub> scrubber water regulations could require \$150 million and \$58 million added investments respectively. Investments beyond the on-going capital and operations and management budgets are expected to be needed for continued environmentally-compliant coal operations.

Mr. Pollo also discussed changes to reserve margin planning because of expected steady upward demand and that CPS Energy's approach is to add innovative technologies to replace older units and becoming a larger part of our generation fleet.

He emphasized that CPS Energy will have to meet the projected increase in peak usage and will need to prioritize retirements/modification of plants that are approaching the end of their design life; the organization will continue having discussions with the community; sequencing of the decisions on these plants is critical; and velocity matters—CPS Energy will need to be thoughtful on how quickly decisions are made on those actions.

Mr. Kelley asked Mr. Pollo whether *per capita* usage in San Antonio is higher than in Austin, and will be provided that information.

Mr. Kelley asked whether CPS Energy is looking into coal to gas conversion at any of its Spruce plants. Mr. Pollo responded that it was an option included in the **Flexible Path** Resource Plan and that coal/gas conversion is being considered as an option for Spruce 2.

Ms. Gold Williams confirmed that the Board will be provided an update on both the **FlexPOWER Bundle** and **FlexSTEP** RFP's during the July 26, 2021 Board Meeting.

Mr. Pollo also noted that 650 proposals were received, and additional time was required. He expects a recommendation to be made to the Board on the solar side within the next sixty days, while evaluations would continue into the summer for the rest of the Bundle.

Mayor Nirenberg asked about the status of community discussions concerning CPS Energy's future generation plans and current RFPs. Ms. Gold-Williams responded that stakeholder discussions are beginning again after being put on hold due to the Winter Storm Uri. Discussions with the RAC will be added and visits to neighborhoods, school districts, and neighborhood associations will resume.

Mayor Nirenberg noted that decisions will have to be made by 2025 based on expected EPA considerations, and asked for continued updates.

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Vice Chair Gonzalez requested more detailed data driven analysis be presented to the Board. She also asked about equity principles in the decision-making process, and information on how equity is being considered in determining what geographic areas need investments.

Ms. Gold Williams responded to the concerns by noting that all options will be pushed through the **Guiding Value Pillars**, and the analysis will include a social equity component in the **Environmental Responsibility Guiding Pillar**.

## VI. SUMMER & WINTER PEAK PLANNING

Mr. John Kosub, Sr. Director, Energy Portfolio Analytics, gave a presentation on Summer and Winter Peak Planning. Mr. Kosub explained the reserve margin, or the extra capacity needed above customer demand due to uncertainty, which is used for long-range generation capacity planning. He noted that as renewables, which are less consistent in terms of production capacity, make up a greater portion of overall capacity, we may need to change the demand calculation methodology and reserve margin planning.

Mr. Kosub explained that in evaluating summer and winter peak planning, CPS Energy will advance the development of low-carbon resources and will study and implement capacity planning improvements to make service more **Resilient**. CPS Energy will also need to incorporate summer and winter stress peaks into planning efforts, while hardening facilities for weather events, assessing physical gas supply, and analyzing the potential for impaired renewable production.

Mr. Kelley asked whether CPS Energy has assessed the costs necessary for **Resiliency** and weather hardening and what plans have been finalized. Ms. Gold Williams responded that CPS Energy has already invested \$20 million in weatherization, and is looking at further hardening measures. She noted that putting lines underground is not economically possible at this time, but that CPS Energy is looking at improving **Resiliency** and redundancy on the grid and the power generation side. She also emphasized that bundling of power sources gives CPS Energy a way to increase **Reliability**.

Mr. Kelley asked whether CPS Energy will be doing a cost-benefit analysis with respect to the additional hardening of infrastructure. Ms. Gold-Williams responded that we can get an analysis on the transmission side but the analysis on the generating side is more complicated because CPS Energy cannot always control delivery and commodity supply. She noted that a good portion of failure during Winter Storm Uri came from the gas piece of the supply side and that CPS Energy is looking for help from the legislature on this issue.

Chair Dr. Mackey commented on his concern over our efforts to ensure gas supply is not disrupted in the future and expressed concern regarding the level of preparation. He stated he wants more information on **Resiliency** efforts.

Mayor Nirenberg commented that he also wanted more data and a cost-benefit analysis on plant hardening for extreme weather events. He expressed concern severe weather events will be more frequent in the future. He is interested in hardening plant-level **Resiliency**, noting that hardening of wire transmission is currently deemed too costly.

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at the July 26, 2021 meeting

Mayor Nirenberg asked about the state reserve margin and overall capacity consideration for **Resiliency**. Mr. Kosub explained that reserve margin is planned for at 13.75% for CPS Energy, but that the average ERCOT reserve margin is 15% this year. Ms. Gold-Williams added that CPS Energy typically contributes a disproportionately higher amount to the state reserve margin. She said that more information can be provided to the Board on reserve margins.

Vice Chair Gonzalez asked what constraints exist for CPS Energy in working with the state for **Resiliency** planning. Ms. Gold-Williams responded that the state will allow more capacity on the grid but that the Texas energy-only market does not invest in firming capacity, which leads to price volatility and increased billing expense. She noted that adding firming capacity was not addressed in the current legislative session.

Trustee Steen expressed concern over summer reserve margins and commented that customers want to know what the reserve margin is for the remainder that conservation across the state needs to be reinforced.

Ms. Gold-Williams explained that, in general, ERCOT estimates sufficient capacity to meet current projected demand. She acknowledged that there had been some recent unplanned generation outages in other areas outside of San Antonio.

Ms. Gold-Williams also noted that conservation messaging will continue and that a collaborative partnership with the community is needed on conservation because it takes years to put more generation on the grid.

Trustee Steen noticed that more text messages are being sent to customers and was complimentary, noting the community has to be reminded what can be done to be part of the energy conservation effort. Ms. Gold-Williams noted that this communication is part of a new program that has been implemented after Winter Storm Uri to provide notification of stresses to the ERCOT grid.

Vice Chair Gonzalez suggested with respect to conservation messaging, that CPS Energy be more focused on its own brand messaging and remove reference to ERCOT.

## **VII. A COMPARISON OF SOLAR & NATURAL GAS**

In a second presentation to the Board, Mr. Kosub provided a comparison of solar to natural gas that covered benefits and challenges associated with each fuel source. The analysis covered a ten-year cost/risk analysis period.

Mr. Kosub reported that natural gas was found to be more expensive than solar for equivalent power generation over a ten-year period and explained that this is driven by the fixed cost per solar unit. He also noted that solar power is not impacted in the same way by natural gas price volatility and helps moderate price risk by variability in resources. However, because solar peak production is low, summer and winter peak performance require firming storage capacity for solar. The takeaway from the presentation was that a diverse energy portfolio will continue to benefit customers, and resource bundling can help counteract risks and smooth the transition in resources.

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#### **VIII. EXECUTIVE SESSION**

At approximately 2:38 p.m., Chair Dr. Mackey, announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

- Security personnel or devices (§551.076)

Following the conclusion of the Executive Session at 4:03 p.m., the Board reconvened in open session. A quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

#### **IX. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:03 p.m. by Chair Dr. Mackey.

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Shanna M. Ramirez  
Secretary of the Board

Draft for review and approval  
at the July 26, 2021 meeting

**CPS ENERGY**  
**MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES**  
**HELD ON JUNE 28, 2021**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of June was held on Monday, June 28, 2021 in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

- Dr. Willis Mackey, Chair
- Ms. Janie Gonzalez, Vice Chair
- Mr. Ed Kelley
- Mr. John Steen
- Mayor Ron Nirenberg

Also present were:

- Ms. Paula Gold-Williams, President & CEO
- Mr. Fred Bonewell, Chief Operations Officer
- Ms. Shanna M. Ramirez, Interim Chief Legal & Ethics Officer, General Counsel & Board Secretary
- Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
- Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
- Ms. Vivian Bouet, Chief Information Officer
- Mr. Gary Gold, Chief Business Excellence Officer
- Mr. Rudy Garza, Chief Customer Engagement Officer
- Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
- Ms. Lisa Lewis, Chief Administrative Officer
- CPS Energy Staff Members
- City of San Antonio officials
- Interested Citizens

**I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE**

A safety message, the invocation and the Pledge of Allegiance were delivered by Ms. Denae Myers, Manager, Board Relations.

**II. PUBLIC COMMENT**

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO, outlined the guidelines for doing so. The following persons made comments:

1. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce, brought a message of appreciation and hope to the Board and staff. He commented that CPS Energy continues to be

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focused on the needs of the community and that the business community understands, appreciates, and wants to continue to partner in the work ahead and stands with CPS Energy in solidarity.

### III. CEO'S REPORT

Ms. Gold-Williams provided an overview of her written report. She began her comments by providing the Board with an update on COVID-19. She reported there had been a slow-down in the COVID-19 infection rate among employees; eight persons were currently in quarantine and no one was currently hospitalized, which was a major improvement from previous trends. Overall 512 employees total have tested positive for COVID- 19 since the beginning of the pandemic. Ms. Gold- Williams also reported that CPS Energy had completed an Actively Caring Stand Down this morning with a focus on safety and staying hydrated during the summer.

Ms. Gold-Williams announced that the City of San Antonio's Committee on Emergency Preparedness (CEP) completed its review of Winter Storm Uri (Uri) and had released its report during the previous week. She commented that CPS Energy has already begun an extensive review of the substance of the report and its recommendations, which would be discussed during the Board meeting.

Ms. Gold-Williams highlighted that there are stakeholders outside of San Antonio that are paying attention to the effect of Uri. She mentioned that CPS Energy has been working with the Credit Ratings Agencies and responding to questions about mitigating risk associated with Uri, including through the **FlexPOWER Bundle<sup>SM</sup>** and **FlexSTEP<sup>SM</sup>**. She mentioned that CPS Energy had provided a presentation to the agencies earlier this morning.

Ms. Gold Williams also reported there would be an item on the agenda to reassign members to the Nominations Committee so that they can make a recommendation to the full Board for a replacement for outgoing Trustee Kelley, whose second term ends on January 31, 2022.

Ms. Gold-Williams provided a preview of what will be covered during the July 2021 Regular Board Meeting. She confirmed that the FY2022 budget will be submitted to the Board for a vote. She stressed that there will be discussion of a potential gap in the budget plan, but no vote on a rate increase would occur during that meeting. She emphasized that CPS Energy will do everything it can to close the revenue gap before asking the Board for any rate increase. She also mentioned that the Board will be provided an update concerning **FlexPOWER Bundle** and **FlexSTEP**.

Ms. Gold Williams also reported on the Tezel Substation Community Dialog & Public Input Session that was held on the evening of June 24, 2021. She noted that Vice Chair Gonzalez led the session and that Chair Dr. Mackey and Councilmember Ana Sandoval also participated. Ms. Gold-Williams mentioned that CPS Energy is reviewing the proposed Site in light of feedback recently received, and in consideration of community dialogue and public comments that were provided to the Board. She also announced that there would be a presentation addressing the Board's requested financial audit. She commented that an Auditor Selection Team from Audit Services and the Financials Services groups did a good job in putting out a Request for Proposal (RFP). She noted that they received more responses than usual and are looking at a July timeframe to announce a selection.

Mayor Nirenberg asked whether there had been any guidance from the state on the emergency fund eligibility for emergency assistance and commented that we would need an opinion from the state.

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Ms. Gold- Williams responded that there had not been a response from the state, but indicated we would follow up on the matter.

**IV. APPROVAL OF CONSENT AGENDA ITEMS**

On motion duly made by Trustee Kelley, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, with the exception of the Integrated Security Threat Mitigation Policy, all other items on the Consent Agenda, were unanimously approved.

**Approval of Minutes**

Minutes of the Regular Board Meeting held on April 26, 2021, the minutes of the Regular Board Meeting held on May 24, 2021, and the Special Board Meeting held on June 8, 2021, were approved as presented.

**Approval of Payment to the City of San Antonio for May 2021**

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of May 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$180,827,381.66, less applicable exclusions. The revenue for the month of May 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$205,393,398.91
Gas revenue	12,287,219.55
Interest and other income	1,375,231.52
Gross revenue per CPS Energy financial statements	<u>219,055,849.98</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,130,812.95)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfarm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(16,296,555.81)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(14,801,099.56)</u>
Total excluded revenue	<u>(38,228,468.32)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$180,827,381.66</u>
City payment per Bond Ordinance for May 2021 based upon May 2021 revenue	\$25,315,833.43
City payment per memorandum of understanding (MOU)	

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regarding wholesale special contracts	524,812.28
City Payment reduction per gas customer billing adjustment MOU	<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	25,828,145.71 <b>A</b>
Utility services provided to the City for May 2021	<u>(2,596,734.10)</u>
Net amount to be paid from May 2021 revenue to the City in June 2021	<u><u>\$23,231,411.61</u></u>

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

May 2021	Actual	Budget	Variance	
Current Month* <b>A</b>	\$25,828	\$25,946**	(\$118)	-0.5%
Year-to-Date*	\$100,776	\$99,076	\$1,700	1.7%

\* This amount does not include any additional funding authorized by the Board of Trustees.

\*\*Includes an adjustment of \$1,233K from the March 2021 budgeted city payment amount.

Approval of the following resolution is requested:

"**BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$23,231,411.61 representing 14% of applicable system gross revenues for the month of May 2021, such payment being net of City utility services (\$2,596,734.10), is hereby approved." The Board ratifies that May 2021 revenue was sufficient to recover \$15,983,651.70 in funds that were advanced to the City in the prior fiscal months. The total amount to be recovered from future months' revenues for fiscal year 2022 is \$33,435,430.65.

**Approval of Procurement Items - May 2021**

*(3 Non-Competitively Sensitive Items)*

- Item Description:** Welding and Mechanical Services
- Purchase Category:** General Services
- Supplier:** BCAD ZION Corporation dba Quality Welding & Fabrication
- Supplier:** CCC Group, Inc.
- Supplier:** Mechanical Construction Services, Inc.
- Supplier:** Pro Serv Industrial Contractors, LLC
- Supplier:** Scope Services, Inc.
- Supplier:** TEi Construction Services, Inc.
- Supplier:** Thielsch Engineering, Inc.
- Supplier:** Zachry Industrial, Inc.

- Item Description:** Engineering Services for Communication Systems
- Purchase Category:** Professional Services
- Supplier:** Aeparmia Engineering, PLLC

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**Supplier:** Burns & McDonnell Engineering CO, Inc.  
**Supplier:** EN Engineering LLC  
**Supplier:** HMI Technical Solutions, LLC  
**Supplier:** M&S Engineering, LLC  
**Supplier:** PhaseLink Utility Solutions, LLC  
**Supplier:** TOP Engineers Plus PLLC  
**Supplier:** TRC Engineers, Inc.

**Item Description:** Electrical Engineering Services for Natural Gas Infrastructure  
**Purchase Category:** Professional Services  
**Supplier:** EN Engineering, Inc.  
**Supplier:** HMI Technical Solutions, LLC

\*The listed Procurement Items to be attached as Attachment "A".

**V. COMMITTEE REPORTS**

In the interest of time, Chair Dr. Mackey accepted the submission of reports for the record in lieu of having them read during the meeting.

Operations Oversight Committee (OCC) Meeting held on May 10, 2021

A report of the OCC meeting, which took place on May 10, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "B") to the meeting minutes.

OOC Aligned Risk Sub-Committee Meeting held on May 10, 2021

A report of the OOC Aligned Risk Sub-Committee meeting, which took place on May 10, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.

Master Planning Oversight Committee (MPOC) Meeting held on May 24, 2021

A report of the Master Planning Oversight Committee meeting, which took place on May 24, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "D") to the meeting minutes.

Technology & Resilience Committee (T&R) Meeting held on June 2, 2021

A report of the T&R Committee meeting, which took place on June 2, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "E") to the meeting minutes.

T&R Aligned Risk Sub-Committee Meeting held on June 2, 2021

A report of the T&R Aligned Risk Sub-Committee meeting, which took place on June 2, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "F") to the meeting minutes.

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at the July 26, 2021 meeting

## NOMINATIONS COMMITTEE ASSIGNMENT

On motion duly made by Trustee Steen, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the assignments of Trustee Ed Kelley as Chair and Dr. Willis Mackey as member of the Nominations Committee were unanimously approved.

## VI. REVIEW OF COMMITTEE ON EMERGENCY PREPAREDNESS (CEP) FINDINGS

The Board was provided a report covering an update on the CEP in. Ms. Gold-Williams covered highlights of the report and Mr. Bonewell provided additional perspective. Ms. Gold-Williams acknowledged her appreciation to CEP members for their efforts on the project. She noted that there has been dialogue with San Antonio City Council and community members concerning the report and that CPS Energy will also offer individual sessions to each council member to provide an opportunity for them to ask additional questions.

Ms. Gold-Williams provided takeaways from the CEP's findings. She noted there has been little incentive in the Electric Reliability Council of Texas (ERCOT) market for adding firming capacity and increasing baseload generation onto the grid. Currently, there is limited battery capacity and the portfolio of generation inside of ERCOT is getting older. She noted that there are significant risks and opportunity costs when CPS Energy cannot self-produce power and therefore cannot cover power costs for the community. She commented that hedging availability is limited during severe price spikes and CPS Energy's portfolio is getting older. She advised that CPS Energy can increase and improve its existing portfolio, but it will require major decisions from the Board and CPS Energy over the next decade.

Ms. Gold Williams reported that CPS Energy has already started working on addressing lessons from Uri, including improvements regarding weatherization, hedging, storage, and dual fuel capacity. She announced that desktop exercise planning has begun, and that CPS Energy is working on establishing a tighter emergency management network with the City and San Antonio Water System (SAWS). She also explained that CPS Energy is looking at ways to improve the outage management process through technological solutions and is reevaluating how it designates critical circuits. She emphasized that CPS Energy is committed to improving its communication strategy, finding new solutions, making necessary improvements, and keeping the Board informed of the process.

Ms. Gold-Williams also provided an overview of the results from the recent legislative session, noting that the session did produce some beneficial legislation, but that important issues such as the need for increased grid capacity and the lack of grid interconnectivity were not addressed. She noted that legacy plants are getting older across the grid and legislative action this session did not go far enough to fix systemic issues. She commented that Texas will need a program to address the limited addition of firming capacity and noted that repricing and financial assistance gaps remain. CPS Energy will need to weigh financing options created by the legislature during the session with CPS Energy's own existing options. Ms. Gold-Williams also noted that going forward, CPS Energy is hopeful for additional legislation to address some of the systemic grid issues we faced during Uri. CPS Energy is engaged in discussions with regulators on these issues and is negotiating solutions where possible, but also continues to press on with its own litigation against ERCOT.

Ms. Gold-Williams introduced Mr. Bonewell, who thanked the Board for entrusting him with his new role as Chief Operating Officer. He also thanked Reed Williams and the CEP team for putting together a comprehensive report on Uri. Mr. Bonewell emphasized that his mission is to develop the safest, most **Reliable**,

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**Affordable**, and **Resilient** portfolio in the country. He explained this would be done by adopting company-wide analytics and a data-driven approach to operations with a focus on continuous improvement. He explained that Operations team members take their responsibilities very seriously and know how to operate effectively. He added that under the leadership of Mr. Barham and Mr. Almaraz, teams have already been addressing recommendations on how to improve operations.

Mayor Nirenberg thanked Ms. Gold-Williams and Mr. Bonewell for their comments. He stated that the CEP discussion at City Council was a good starting point and that COSA expects implementation of the CEP's recommendations. The Mayor announced that he has asked the City Manager to work with Ms. Gold-Williams and Mr. Bonewell to come up with an implementation strategy to provide to City Council that will be available to the public. Mayor Nirenberg encouraged others to read the CEP report, and noted it was available for review at [www.sanantonio.gov/emergency-preparedness](http://www.sanantonio.gov/emergency-preparedness).

Vice Chair Gonzalez thanked Ms. Gold-Williams and Mr. Bonewell for their input and noted that she has also participated in various public input sessions addressing Uri. She commented that CPS Energy needs to focus on strengthening external **Resiliency**. She stressed the importance of CPS Energy communicating effectively with the community and assured the Board that she would be working with CPS Energy leadership in that endeavor. She added that emphasis must be placed on the education component of conservation with the public, and that CPS Energy must consider **Affordability** and **Reliability** as part of its decision-making process going forward.

Trustee Steen raised questions as to whether the state grid will have sufficient power during the summer months and as to the underlying assumptions of performance of thermal generation in ERCOT's model. He asked Ms. Gold-Williams if one could realistically expect 95 percent performance from aging plants, as predicted by ERCOT. She responded that one could expect such performance, but that it will require extra effort and involvement by customers. She stressed that conservation is a critical piece that will help during times when renewables are not producing.

Ms. Gold-Williams also expressed agreement with Trustee Steen that the state should aim for a higher reserve margin, but emphasized it must be obtained in a balanced way that includes intermittent renewables and other types of added capacity. She noted that 20 or 30 percent reserve capacity is a best-case scenario for CPS Energy, but would be expensive.

Trustee Steen also asked whether the state should be considering connecting to other grids outside of Texas. Ms. Gold-Williams said that the state should be discussing grid interconnection as an added-value option but that it would not alone correct all issues that currently exist with our grid. She also stressed that better ERCOT market design is as important, if not more important, than interconnection.

Trustee Steen asked Ms. Gold-Williams how CPS Energy has been involved in statewide discussions after Uri. She responded that CPS Energy has reached out to the Bexar County delegation and elected officials, and has participated in group meetings to provide suggestions to legislation.

Trustee Kelley commented that the CEP team led by Reed Williams did an excellent job on its report and asked for a cost/benefit analysis for implementation of the ideas proposed under the CEP, particularly as to the costs of moving from an energy-only market to a market-capacity market. Ms. Gold-Williams responded that CPS Energy would look at all the options proposed and would bring those options to the Board for discussion.

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Trustee Steen asked Mayor Nirenberg about specifics on a Black & Veatch report addressing the cost of connecting critical pumping stations to backup generators. Mayor Nirenberg responded that the report made a broad estimate of cost to put each of the critical pumping stations onto generators, but that it did not consider other power generation alternatives or specifics as to which stations actually required backup generation. Mayor Nirenberg noted that the SAWS board has not yet decided how to proceed with that matter. He cautioned that there are risks in solely focusing on return-on-investment when addressing **Resiliency**. He also advised the Board and staff of CPS Energy to focus on what they can control and advocate where they can as the largest municipally-owned utility in the country.

Chair Dr. Mackey asked that his colleagues and Mr. Bonewell review a previous Black & Veatch report addressing plant operations which he found to be informative. Ms. Gold-Williams confirmed that there had been reports addressing weatherization and that CPS Energy did review and execute on those recommendations.

## VII. EXECUTIVE SESSION

At approximately 2:09 p.m., at that request of Chair Dr. Mackey, Ms. Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Security personnel or devices (§551.076)
- Personnel Matters (§551.074)
- Attorney-Client Matters (§551.071)

The Board reconvened in open session at 4:07 p.m. The quorum was re-established. Ms. Ramirez asked City Attorney Andy Segovia, who was present in the Executive Session, to confirm that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session. Mr. Segovia confirmed the accuracy of that statement.

After returning from Executive Session, on motion duly made by Trustee Kelley, seconded by Trustee Steen, and upon affirmative vote by all members present, the Board voted to approve changes to the Integrated Security Threat Mitigation Policy as submitted.

## VIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Vice-Chair Gonzalez, and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:09 p.m. by Chair Dr. Mackey.

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Shanna M. Ramirez  
Secretary of the Board

## CPS Energy Board of Trustees Meeting July 26, 2021

### Approval of Payment to the City of San Antonio for June 2021

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of June 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$226,344,458.24, less applicable exclusions. The revenue for the month of June 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$249,460,988.76
Gas revenue		12,102,631.02
Interest and other income		(3,891.64)
Gross revenue per CPS Energy financial statements		<u>261,559,728.14</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(7,736,554.76)
LVG revenue per City Ordinance 100709		0.00
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts		(18,659,010.13)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue		<u>(8,819,705.01)</u>
Total excluded revenue		<u>(35,215,269.90)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$226,344,458.24</u>
City payment per Bond Ordinance for June 2021 based upon June 2021 revenue		\$31,688,224.15
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		1,562,751.19
City Payment reduction per gas customer billing adjustment MOU		<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding		33,238,475.34 <b>A</b>
Utility services provided to the City for June 2021		<u>(2,598,325.94)</u>
Net amount to be paid from June 2021 revenue to the City in July 2021		<u>\$30,640,149.40</u>

## CPS Energy Board of Trustees Meeting July 26, 2021

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

June 2021	Actual	Budget	Variance	
Current Month* <b>A</b>	\$33,238	\$35,226	(\$1,988)	-5.6%
Year-to-Date*	\$134,015**	\$134,302	(\$287)**	-0.2%

\* This amount does not include any additional funding authorized by the Board of Trustees.

\*\* Includes a rounding adjustment of \$1 to agree to correctly rounded YTD amount.

Approval of the following resolution is requested:

**"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$30,640,149.40 representing 14% of applicable system gross revenues for the month of June 2021, such payment being net of City utility services (\$2,598,325.94), is hereby approved." The Board ratifies that June 2021 revenue was sufficient to recover \$21,490,096.57 in funds that were advanced to the City in the prior fiscal months. The total amount to be recovered from future months' revenues for fiscal year 2022 is \$11,945,334.08.



CPS Energy Board of Trustees Meeting  
July 26, 2021  
**APPROVAL of PROCUREMENT ITEMS**  
Table of Contents

1. **Item Description:** Financial Audit Services  
**Purchase Category:** Professional Services  
**Supplier:** KPMG LLP

Approval: *Lisa D. Lewis*  
Lisa Lewis, Chief Administrative Officer

Approval: *Paula Gold-Williams*  
Paula Gold-Williams, President & CEO



CPS Energy Board of Trustees Meeting  
 July 26, 2021  
 PROCUREMENT FORM 1

Item Description	Financial Audit Services
<b>Purchase Order Value</b>	<b>\$2,775,000</b>
Purchase Category	Professional Services
Department	Financial Services
Vice President	Shannon Albert
Chief Financial Officer & Treasurer	Cory Kuchinsky

**What we plan to do & why it is of value to our customers & company**

This contract is required to provide financial audits and related services for CPS Energy, the SA Energy Acquisition Public Facility Corporation ("PFC"), and the two CPS Energy Decommissioning Master Trusts for the South Texas Project ("Trusts"). This contract will result in the issuance of a report to the Board of Trustees of CPS Energy expressing an opinion on the financial statements, including whether the financial statements are free of material misstatement and whether they present fairly, in all material respects, the financial position of CPS Energy, and the results of its operations and cash flows for each year of the engagement. This contract also includes the option to conduct an Integrated Audit during the the contract term. This new contract is for four (4) years and will expire on 7/25/2025; however, the contract includes an option to renew for one (1) additional year, which if exercised by mutual agreement of both parties, would extend it to 7/25/2026. The current contract for these services will expire 8/25/2021.

**Subcontracting opportunities associated with the contracts**

This contract includes subcontracting 18% of the audit work to a Minority firm. KPMG LLP will subcontract to Schriver, Carmona & Company, PLLC, which is a local, Hispanic American-owned, emerging small business. Bond-related work performed by KPMG LLC, will not be included in the 18% of audit work subcontracted to the local, Diverse subcontractor due to the specific technical expertise required to perform the work. See attached supplement for additional details.

Recommended Supplier(s) & Spend						
Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
KPMG LLP	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Four (4) years	\$ 2,775,000	2197416	
<b>Total</b>				<b>\$ 2,775,000</b>		

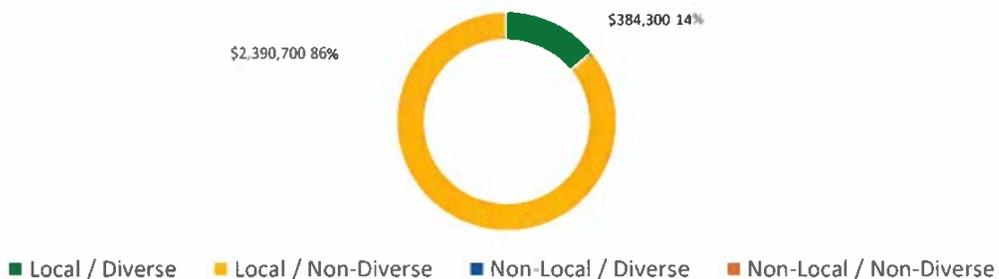


**CPS Energy Board of Trustees Meeting  
July 26, 2021  
PROCUREMENT FORM 1 (continued)**

<b>Annual Funds Budgeted</b>						
FY	Funding Method	Corporate Annual Budget*	Projected FY22 PO Spend	% Of Annual Corp Budget*	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
21	Capital	\$684,100,000	\$0	0.00%	\$0	\$0
21	Non-Fuel O&M	\$712,800,000	\$687,500	0.10%	\$617,500	\$1,470,000

\*FY21 budget used for illustrative purposes, as the FY22 budget has not yet been approved.  
This procurement item does not contain competitively sensitive information; therefore, there are no restrictions on disclosure to the public.

**Procurement Item: Professional Services**



## FINANCIAL AUDIT SERVICES CONTRACT AWARD RECOMMENDATION

### **BACKGROUND:**

The management team conducted a rigorous request for proposal (RFP) process to find an external auditor to provide financial audits and related services for CPS Energy, the SA Energy Acquisition Public Facility Corporation ("PFC"), and the two CPS Energy Decommissioning Master Trusts for the South Texas Project ("Trusts"). The services provided for this contract will result in the issuance of a report to the CPS Energy Board of Trustees (the Board) which expresses an opinion on the financial statements, including whether the financial statements are free of material misstatement and whether they present fairly, in all material respects, the financial position of CPS Energy, and the results of its operations and cash flows.

This contract includes the option to conduct an Integrated Audit for CPS Energy during the contract term. Also, the contract includes an option to renew for one (1) additional year at the end of the four (4) year contract term.

### **PROCUREMENT PROCESS:**

The RFP process began in December 2020 and concluded in May 2021. Of the five (5) responses received, an evaluation team composed of Financial Services and Audit Services members performed a detailed review of the RFP responses and selected four (4) firms for interviews. During the RFP process, the firms were evaluated on the following criteria:

- Utility experience,
- SAP knowledge,
- Communication,
- Use of Small, Woman, Minority, Veteran (SWMV) firms,
- Experience performing integrated audits, and
- Cost.

### **VENDOR SELECTION:**

We selected KPMG, a "Big 4" accounting firm with a global presence, because of its strong utility experience, deep knowledge of Governmental Accounting Standards Board (GASB) accounting, and solid technological abilities. The firm has a dedicated power and utilities practice and has clients comparable to CPS

Energy, including municipally and investor-owned utilities. KPMG will include as a sub-contractor Schriver, Carmona & Company, a local, Hispanic American-owned, emerging small business.

**EXTERNAL AUDIT FEES:**

The total estimated value of primary audit work for CPS Energy, its two Nuclear Decommissioning trusts and the PFC is \$2,135,000 and \$2,775,000 with the inclusion of the special potential bond work for the four-year term of the contract. Of that amount, the minority firm, Schriver, Carmona & Company, will earn \$384,300, 18% of the primary audit work fees. The fees for the minority firm exclude the potential bond-related work. The activities related to the bond work will be dedicated solely to KPMG because of the specific technical expertise required to perform the work.

If the option to extend for an additional year is exercised, the estimated fees for KPMG will be \$442,500 for the primary audit work and \$602,500 with the inclusion of the special potential bond work. Of that amount, the minority firm, will earn \$79,650, 18% of the primary audit work fees.

**REQUEST FOR APPROVAL:**

We seek approval to award the contract for the external audit to KPMG, LLP at July 26, 2021 Board of Trustees meeting.



## MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

### EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JUNE 28, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE JULY 26, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on June 28, 2021. As part of the MPOC agenda, the Committee:

- A. Discussed the operation and activities in and around the McCullough Building.
- B. Reviewed the status, current and potential buyers, marketing strategies and contract deadlines for the following properties:
  - 1. Main Office Building;
  - 2. Tower Garage;
  - 3. Villita Assembly Building;
  - 4. Surface Parking Lot #2; and
  - 5. Northside Customer Service Center.
- C. Discussed disposition of Jones Avenue properties and reviewed property features and information.
- D. Discussed strategic property purchase opportunities that support electric and gas system **Reliability, Resiliency** and customer growth, as well as potential property sale opportunities.

The next meeting of the MPOC is July 26, 2021.



## PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 8, 2021 MEETING  
PREPARED FOR COMMITTEE CHAIR ED KELLEY  
FOR REPORT AT THE JULY 26, 2021 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on July 8, 2021. The meeting was in executive session for personnel matters. The next meeting of the Personnel Committee is to be determined.



## NOMINATIONS COMMITTEE (NC)

### EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 9, 2021 MEETING PREPARED FOR COMMITTEE CHAIR, TRUSTEE ED KELLEY FOR REPORT AT THE JULY 26, 2021 BOARD OF TRUSTEES MEETING

The Nominations Committee met on July 9, 2021. As part of the Nominations Committee agenda, the members:

- A. Discussed the need to search for a new Board member who will fill the upcoming seat to be vacated by me, Ed Kelley, upon the end of my term, January 31, 2022;
- B. Reviewed qualifications, including that eligible applicants must be United States citizens, residents of Bexar County and reside in the Northwest Quadrant (1) of CPS Energy's service area;
- C. Examined the application, which is now available online and at our service centers and main office;
- D. Viewed the Find my Quadrant tool on [CPSEnergy.com](https://www.cpsenergy.com), which can be used before applying to confirm that applicants reside in the Northwest Quadrant (1); and
- E. Approved the robust communication and marketing plan.

The next meeting of the Nominations Committee is to be determined.



# ***FY2022 FINANCIAL PLAN PART 5- UPDATED BUDGET PROPOSAL***

*PRESENTED BY:*

**Shannon R. Albert, CPA**  
VP, Accounting & Assistant Treasurer

July 26, 2021

*Approval Requested*

# DISCLAIMER



We continue to work through the unprecedented global, national, state, and local implications of COVID-19 and the Winter Storm Uri. Our current financial projections were prepared in-light of COVID-19 and the Winter Storm Uri for preliminary informational discussion purposes only. Due to the Winter Storm Uri and the changing COVID-19 environment, these financial projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoroughly think through our financial analysis. This said, since there is tremendous uncertainty across the current economic and financial landscapes, the actual results for this fiscal year could be lower, comparable, or higher than what we are projecting at this time.

## OBJECTIVES & TAKEAWAYS



- **REVIEW OUR FINANCIAL LANDSCAPE & FINANCIAL SUSTAINABILITY APPROACH**
- **PREVIEW FINANCIAL BUDGET PROJECTIONS FOR FY2022 & FY2023**
- **REQUEST APPROVAL OF THE FY2022 O&M & CAPITAL BUDGET**

# AGENDA



- **FINANCIAL LANDSCAPE & FINANCIAL SUSTAINABILITY APPROACH**
- **FY2022 BUDGET PROPOSAL & REQUEST FOR APPROVAL**

# FINANCIAL LANDSCAPE UPDATE



CONTINUING TO HELP CUSTOMERS	LANDSCAPE & CHALLENGES	FINANCIAL SUSTAINABILITY APPROACH	PREVIEW BUDGET PROPOSAL	APPROVAL OF FY2022 O&M AND CAPITAL BUDGET
✓	✓	✓	✓	<b>Today</b>
April 26, 2021 Board Mtg.		May 24, 2021 Board Mtg.		July 26, 2021 Board Mtg.

# ADDRESSING THE NEW LANDSCAPE

## TIMING IS TO BE DETERMINED



### Maintain Operations & Support Growth

**Drivers:** Maintaining operations, customer growth, increasing fuel costs; **FlexPower Bundle**<sup>SM</sup>, **FlexStep**<sup>SM</sup>, wholesale revenues  
**Bill Impact:** Estimated ~4-4.5%



### Pandemic

**Driver:** Unrecovered costs due to write-offs of customer balances  
**Bill Impact:** *Estimated ~1-2%*



### Winter Storm Uri

**Driver:** High fuel costs incurred during February Winter Storm Uri  
**Bill Impact:** *Estimated ~1.5-3.0%*

# FINANCIAL SUSTAINABILITY APPROACH



- **CONTINUE TO CONTROL COSTS**
- **PROVISIONAL RATE INCREASE**
  - It is only a placeholder
  - Included in the financial plan
  - Subject to approval by you & City Council
  - Estimated timing - fall 2021



**The underlying drivers are increasing in velocity;  
rate support in some form is inevitable.**

# GOVERNANCE & BUDGET APPROVAL



BUDGET COMPONENT	GOVERNANCE	APPROVAL
RATE SUPPORT	Requests approved by you & City Council	TBD
FUEL PURCHASES	Governed by Procurement policy with material fuel purchases approved by you	✓
DEBT ISSUANCE	Bond Issuances approved by you & City Council	✓
R&R ADDITIONS	Governed by Bond Ordinance	✓
CITY PAYMENT	Approved Monthly by you	✓
NON-FUEL O&M	Approved Annually by you	TBD
CAPITAL	Approved Annually by you	TBD

**You have oversight of the components of the planned Uses of Revenue through policy & various other approvals.**

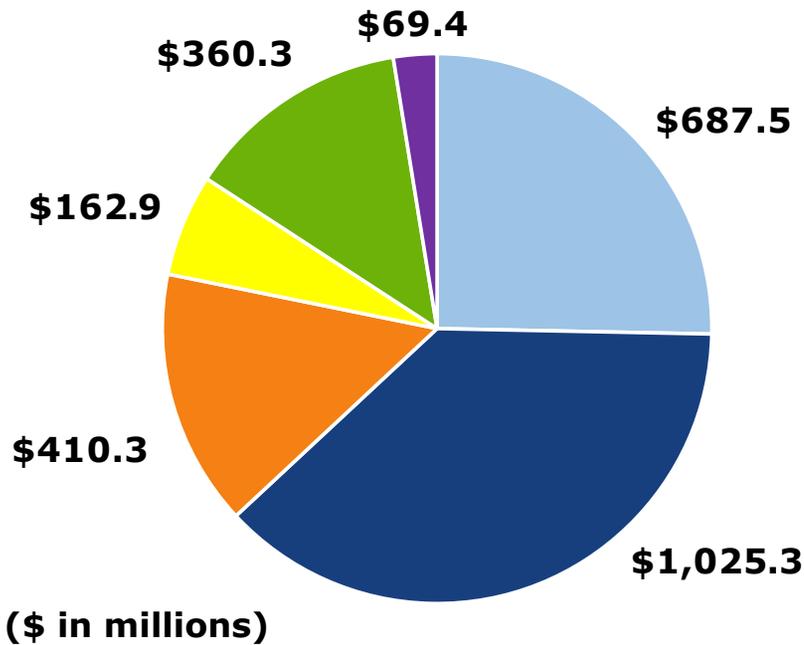
# FY2022 BUDGET PROPOSAL

**OUR TOTAL ANNUAL FUNDING REQUIREMENTS = \$2,715.7M**



**The order of uses of revenue is determined by Bond Ordinance**

- Non-Fuel Operating Expenses - Provides *Reliability* to our customers.
- Fuel & Other Operating Expenses - Pass thrus for fuel & regulatory.
- Debt Requirements - Repayment of debt used to finance initiatives & infrastructure improvements.
- Repair & Replacement 6% - Cash for future system, customer growth & new strategic initiatives.
- City Payment - Transfer funds to the City of San Antonio's General Fund that benefits our community.
- Repair & Replacement - Remaining cash for future system, customer growth & new strategic initiatives.

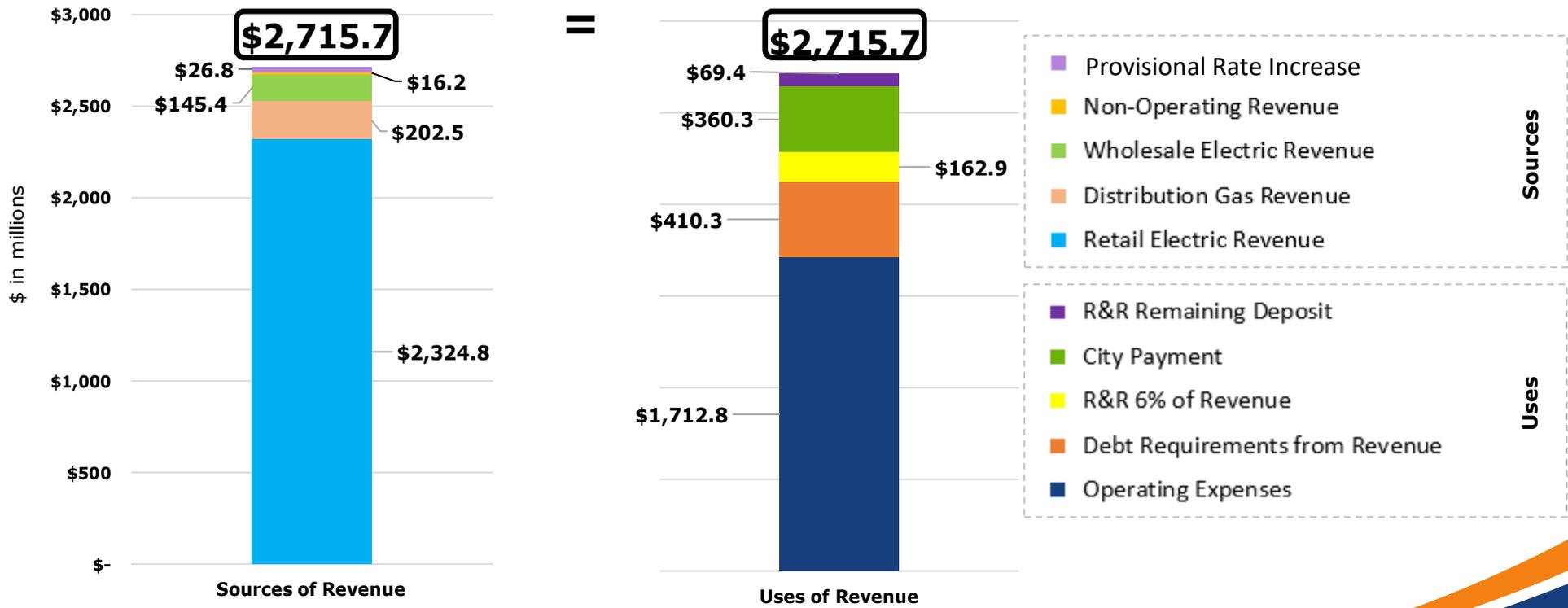


	Estimate	Prior Year	Budget
(\$ in millions)	FY2021 AB	FY2021	FY2022
Capital*	\$684.1	\$630.8	\$714.3
Non-Fuel O&M	\$712.8	\$654.9	\$687.5

\* Gross of customer contributions.

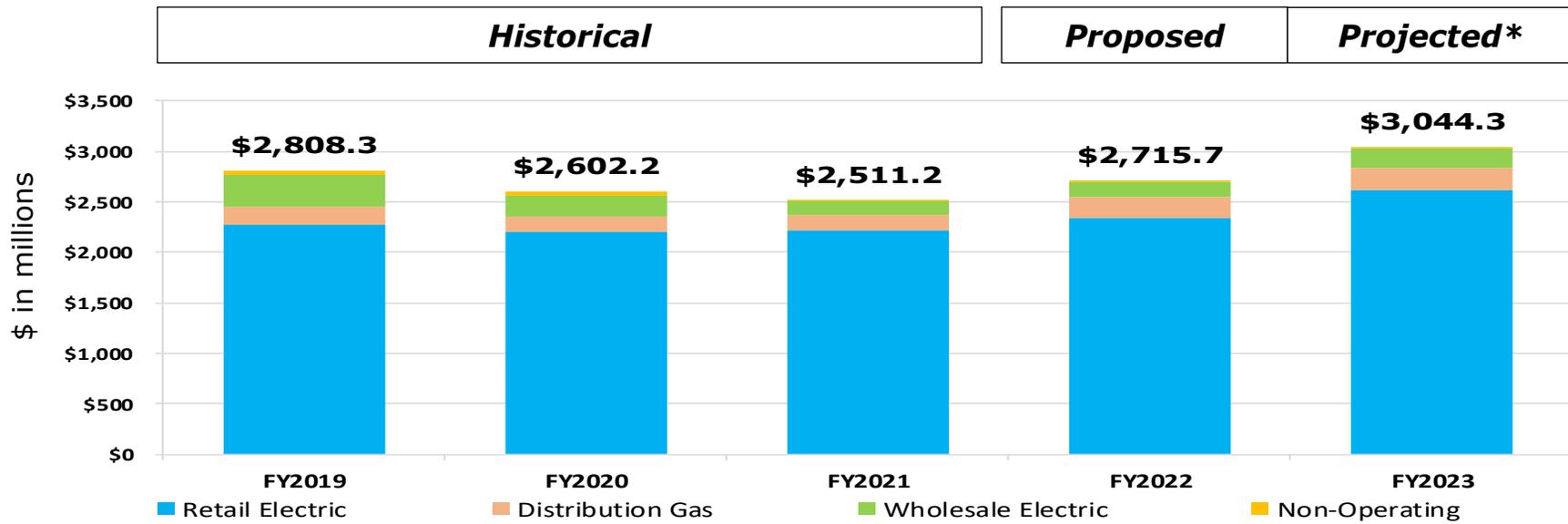
Note: Winter Storm Uri regulatory asset amortization expense & recovery of costs through the existing fuel adjustment will begin in FY2023.

# PROJECTED FY2022 REVENUE REQUIREMENTS



**Per Flow of Funds, Uses of Revenue must equal Sources of Revenue.**

# SOURCES OF REVENUE



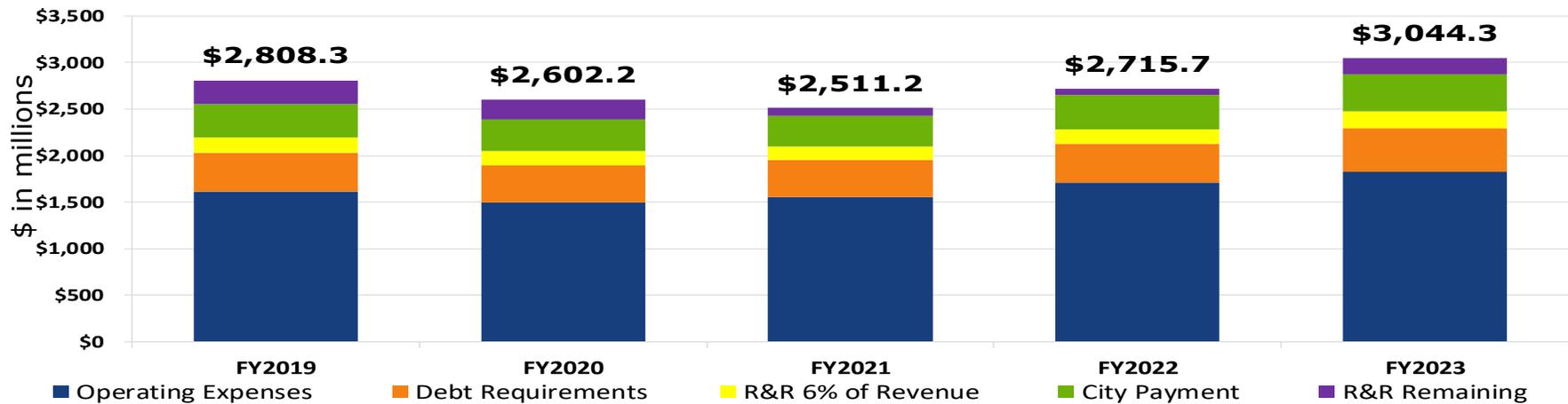
	FY2019	FY2020	FY2021	FY2022	FY2023
Retail Electric	\$ 2,276.9	\$ 2,208.6	\$ 2,216.0	\$ 2,347.8	\$ 2,611.0
Distribution Gas	170.7	142.9	153.6	206.3	223.7
Wholesale Electric	325.7	216.3	132.9	145.4	196.9
Non-Operating	35.0	34.4	8.7	16.2	12.7
<b>Total Sources</b>	<b>\$ 2,808.3</b>	<b>\$ 2,602.2</b>	<b>\$ 2,511.2</b>	<b>\$ 2,715.7</b>	<b>\$ 3,044.3</b>

\* To be refreshed in subsequent planning cycles.

# USES OF REVENUE



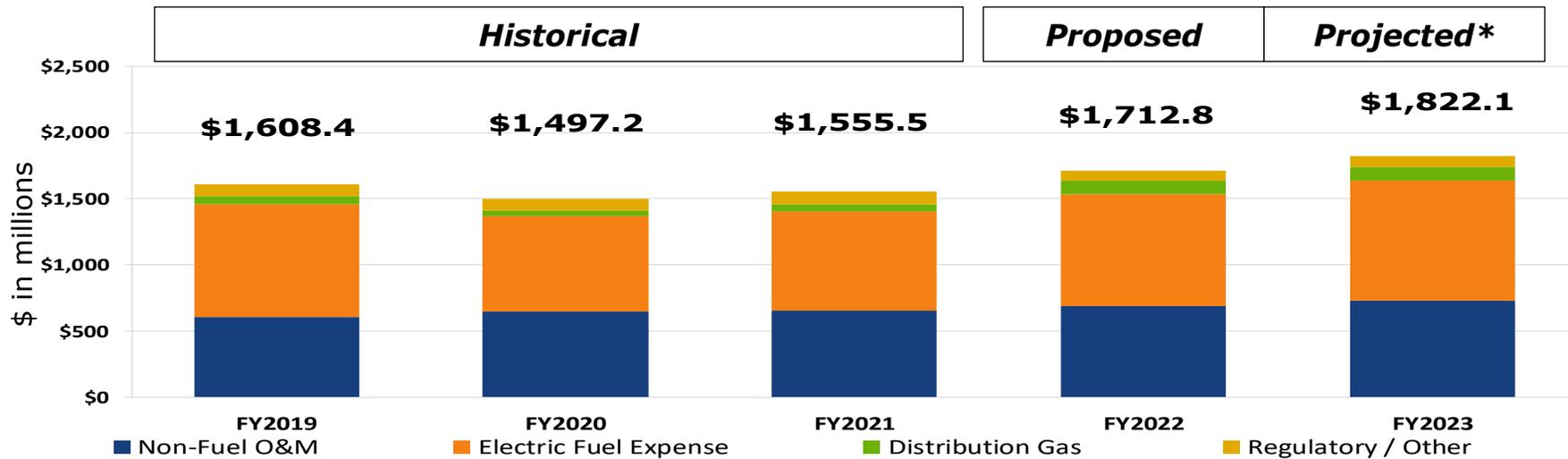
*Historical*
*Proposed*
*Projected\**



	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Expenses	\$ 1,608.4	\$ 1,497.2	\$ 1,555.5	\$ 1,712.8	\$ 1,822.1
Debt Requirements	419.7	393.8	394.1	410.3	469.4
R&R 6% of Revenue	168.5	156.1	150.7	162.9	182.7
City Payment	361.4	343.0	330.6	360.3	399.5
R&R Remaining	250.3	212.1	80.3	69.4	170.6
<b>Total Uses</b>	<b>\$ 2,808.3</b>	<b>\$ 2,602.2</b>	<b>\$ 2,511.2</b>	<b>\$ 2,715.7</b>	<b>\$ 3,044.3</b>

\* To be refreshed in subsequent planning cycles.

# OPERATING EXPENSES



	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Fuel O&M	\$606.9	\$647.1	\$654.9	\$687.5	\$729.0
Electric Fuel Expense	850.0	722.0	747.5	844.2	906.1
Distribution Gas	63.8	43.7	54.1	102.0	103.1
Regulatory / Other	87.7	84.4	99.0	79.1	83.9
<b>Total</b>	<b>\$1,608.4</b>	<b>\$1,497.2</b>	<b>\$1,555.5</b>	<b>\$1,712.8</b>	<b>\$1,822.1</b>

**Management remains keenly focused on operating cost reductions & efficiencies as our system continues to grow.**

\* To be refreshed in subsequent planning cycles.

# NON-FUEL O&M EXPENSES

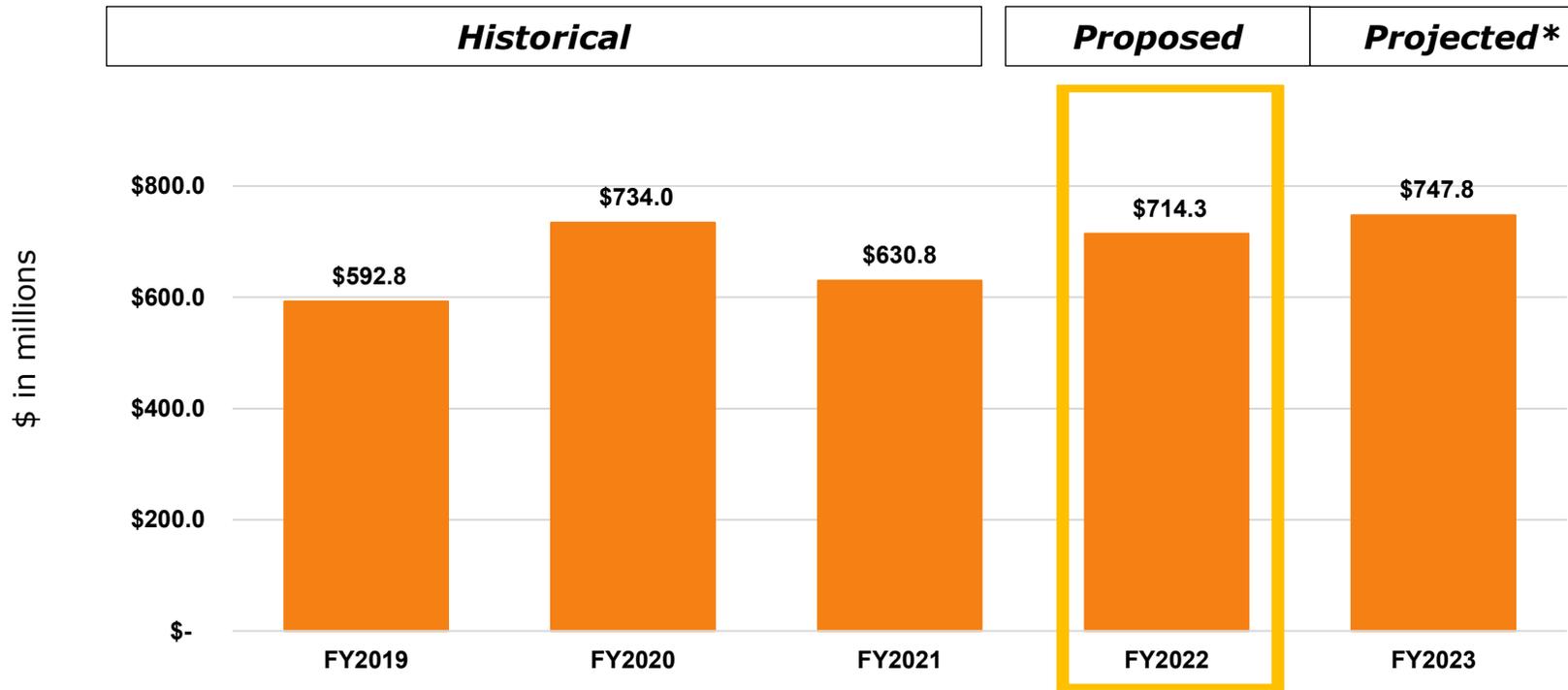


Business Unit	Actuals	Plan	
	FY2021	FY2022	FY2023
Power Sustainability (includes STP)	\$ 284.1	\$ 306.5	\$ 303.2
Grid Optimization & Resiliency	\$ 143.0	\$ 124.1	\$ 137.1
Customer Engagement	\$ 68.2	\$ 69.1	\$ 77.0
Business Technology & Excellence	\$ 66.3	\$ 72.8	\$ 77.5
Gas Solutions	\$ 36.3	\$ 34.9	\$ 37.6
Shared Services & Administrative	\$ 57.0	\$ 80.1	\$ 96.6
<b>Total</b>	<b>\$ 654.9</b>	<b>\$ 687.5</b>	<b>\$ 729.0</b>

**Power Sustainability** – primary driver of increase is the additional STP refueling outage.

**Shared Services** – primary driver of increase is cost associated with cyber security resilience & emergent-type business costs, such as weather events, pandemic, & market volatility related to benefits cost.

# CAPITAL PLAN



**A planned increase would be due to customer growth, plant maintenance, system *Reliability* projects & an increase in customer funded projects.**

\* To be refreshed in subsequent planning cycles.

# CAPITAL PLAN

## DETAIL BY STRATEGIC CATEGORY



Strategic Category	Actuals FY2021	Plan	
		FY2022	FY2023
<b>Growth</b>			
<b>Electric Transmission &amp; Distribution</b>	\$ 209.0	\$ 211.4	\$ 239.3
<b>Gas Solutions</b>	43.0	39.4	35.8
<b>Other</b>	0.6	4.7	3.0
	252.6	255.5	278.1
<b>Infrastructure Modernization</b>			
<b>Electric Transmission &amp; Distribution</b>	91.9	122.1	136.7
<b>Gas Solutions</b>	14.0	15.9	17.2
<b>Generation</b>	116.8	94.3	110.0
<b>Fleet, IT, Real Estate, Other</b>	47.3	82.4	76.1
	270.0	314.7	340.0
<b>Civic Projects</b>	29.6	43.0	37.9
<b>Other</b>	78.6	101.1	91.8
<b>Total Capital</b>	\$ 630.8	\$ 714.3	\$ 747.8

**Growth Projects** - includes customer growth as well as system growth.

**Infrastructure Modernization** - includes projects associated with the capital repair, refurbishment or replacement of infrastructure.

**Civic Projects** - includes projects associated with city, county or TxDOT road improvements or other utility activity affecting our infrastructure.

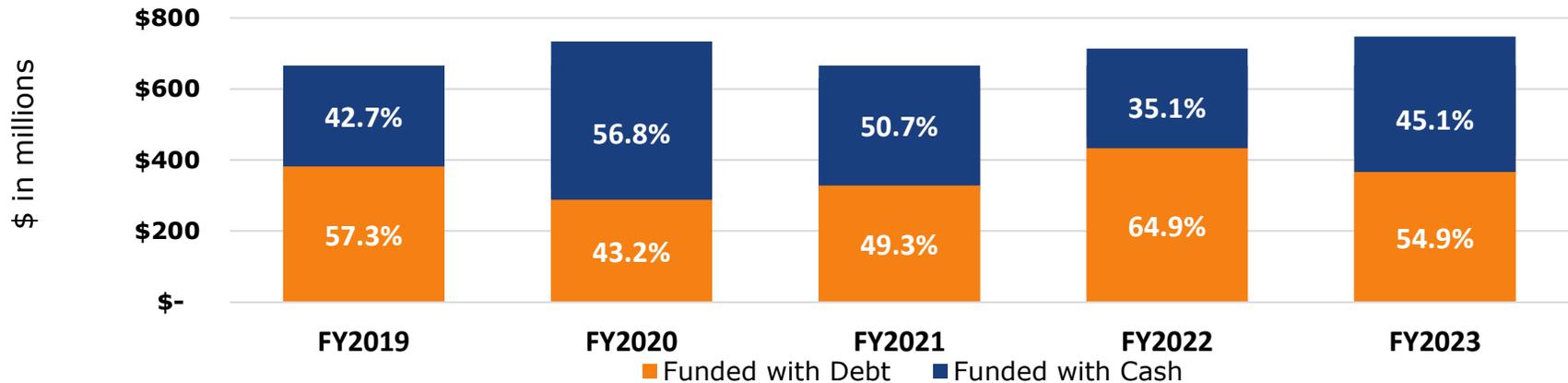
**Other** – includes projects related to NERC Compliance & EPA directives, state requirements, implementation of ERCOT mandates & local ordinances.

# FINANCING PLAN

## FUNDING ALLOCATIONS



*Historical*
*Proposed*
*Projected\**



	FY2019	FY2020	FY2021	FY2022	FY2023
Funded with Debt	\$339.8	\$317.3	\$311.1	\$463.9	\$410.9
Funded with Cash	253.0	416.7	319.7	250.4	336.9
<b>Gross Construction Total</b>	<b>\$592.8</b>	<b>\$734.0</b>	<b>\$630.8</b>	<b>\$714.3</b>	<b>\$747.8</b>

**The plan to fund capital is developed to provide for adequate cash balances & long-term debt / equity targets.**

\* To be refreshed in subsequent planning cycles.

# FY2022 BUDGET PROPOSAL

## METRICS SUMMARY



METRIC	MINIMUM THRESHOLDS	FY2022	FY2023
Adjusted Debt Service Coverage (ADSC)	1.50	1.57	1.71
Days Cash on Hand	150	181	180
Debt / Equity*	<60%	65.09%	64.98%
Net Income (Loss)	>0	(\$34.4M)	\$71.9M
Remaining R&R		\$69.4M	\$168.6M

\*Will need to monitor closely.

**Key Financial Metrics are challenged in FY2022 & remain a focus area for improvement going forward.**

# PATH FORWARD



- Monitor FY2022 financial performance through monthly financial updates
- Request your approval of the FY2022 Financing Transactions at a future meeting
- Continue deep-dive discussions, engagement & due diligence on financial sustainability approach; and
- A specific Rate Increase is not being recommended for approval today; when one is needed, it will be fine-tuned & requested separately.

# REQUEST FOR APPROVAL



## Requesting Your Approval of Capital & Non-Fuel O&M Budget for FY2022

The **FY2022** proposed budget will support our **People First** focus that will benefit our community & meet our commitments, including:

- Funding & plan expense for employee benefit obligations
- Continuing top tier **Safety, Reliability, & Environmental Responsibility**
- Investing in core customer facing functions & **Security**
- Meeting customer growth while continuing system **Reliability** & plant maintenance projects
- Focusing on Adjusted Debt Service Coverage & Days Cash on Hand metrics to achieve minimum thresholds

	Estimate	Prior Year	Budget
(\$ in millions)	FY2021 AB	FY2021	FY2022
Capital*	\$684.1	\$630.8	\$714.3
Non-Fuel O&M	\$712.8	\$654.9	\$687.5

\* Excludes AFUDC – Capitalized Interest.



***Thank You***





# ***Appendix***



# GLOSSARY / DEFINITIONS



Acronym or Word	Definition
AB (Approved Budget)	Approved Budget.
AFUDC (Allowance for Funds Used During Construction)	A cost accounting procedure whereby interest on the debt used to finance construction is added to the cost of the asset being constructed. Also referred to as capitalized interest.
Capital Asset	An asset with a life of more than one year that is not bought and sold in the ordinary course of business.
CIAC	CIAC stands for Contributions in Aid of Construction and is a funding source for the capital program.
Days Cash on Hand	An estimate of the number of days of operating expenses that a company could pay with its current cash available.
Debt Service Coverage Ratio	The amount of revenues available to meet annual interest and principal payments on debt.
ERCOT	Electric Reliability Council of Texas - operates the electric grid and manages the deregulated market for 75 percent of the state of Texas.

# GLOSSARY / DEFINITIONS



Acronym or Word	Definition
O&M	Operating and Maintenance expenses.
R&R (Repair & Replacement Account)	Identified and outlined in the Bond Ordinance as an account the organization will deposit funds in as required in the Ordinance and these funds shall be used for the following purposes: providing extensions, additions, and improvements to the Systems; meeting contingencies of any nature in connection with the operations, maintenance, improvement, replacement, or restoration of properties of the Systems; and paying bonds or other obligations for which other funds are not available, or for any or all of such purposes, as, from time to time, may be determined by the Board of Trustees.
TCOS (Transmission Cost of Service)	A pass through charge levied on utilities to cover the cost of transmission infrastructure investment in the ERCOT (Electric Reliability Council of Texas) energy market.



# ***TEZEL SUBSTATION SITE RECOMMENDATION***

*PRESENTED BY:*

**LeeRoy Perez**

Senior Director, Substation & Transmission

July 26, 2021

*Approval Requested*



# OBJECTIVES & TAKEAWAYS



- **PROVIDE UPDATE ON PUBLIC INPUT SESSION**
- **REQUEST BOARD APPROVAL**

# AGENDA



- **PROJECT OVERVIEW**
- **PUBLIC INPUT SESSION**
- **EVALUATION OF FEEDBACK**
- **SITE RECOMMENDATION**
- **BOARD ACTION**



# OUR GUIDING PILLARS & FOUNDATION



*Reliability*



*Customer Affordability*



*Security*



*Safety*



*Environmental Responsibility*



*Resiliency*

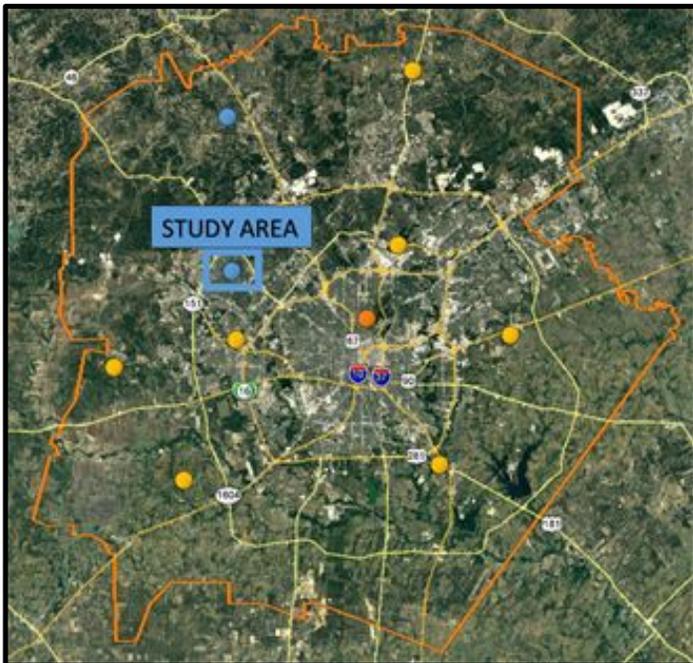


● *Financially Responsible* ●

All business decisions are based on our commitment to being one of the best-managed & most ***Financially Responsible*** utilities in the nation!



# PROJECT NEED



- Increase capacity for residential & commercial growth in Northwest San Antonio
- Strengthen **Reliability**
- Project is located within San Antonio city limits
- Target date: June 2024

## LEGEND

- Recently completed
- Routing & Siting in progress
- Engineering in progress

**The population of San Antonio is projected to grow by more than 1 million people by 2040.**

# PUBLIC INVOLVEMENT SUMMARY



June 24, 2021 Board Public Input Session

- Open house video recording broadcast
  - Began July 15, 2020
  - Follow-up notification in September 2020
- Meeting with Councilwoman Sandoval & concerned resident
  - June 9, 2021
- Hybrid Board Public Input Session
  - June 24, 2021
- Additional outreach efforts
  - Project website
  - Project brochure/FAQ/Questionnaires
  - Newspaper advertisement

**We broadcasted live our first ever public input session!**

# STREET VIEW RENDERING



Preliminary street view of recommended substation site 5

# AERIAL VIEW RENDERING



Preliminary aerial view of recommended substation site 5

# PUBLIC INPUT SESSION

## FEEDBACK RECEIVED



- Landowners requested to use site 3 or site 4
- Proactive strategic property purchases
- Construction traffic
- Deer habitat & over population
- Substation effect on **Reliability** improvements
- Flooding & standing water of detention basin
- Electric & magnetic fields (EMF)
- Substation noise



Board Trustees Chair Dr. Mackey & Vice Chair Gonzalez receiving input at the June 24, 2021 Tezel Board Public Input Session

**We hosted our first-ever hybrid public input session!**

# SITES/ROUTES EVALUATION

## SITE 5 RECOMMENDED FOR APPROVAL



Site Number	Environmental Assessment	Cost Difference	Proximity to Habitable Strs / Multifamily		Impact to Landowner Development	Distribution Need	Ordinance Required
3-K	3	4%	47	40	Yes	6	Yes
4	2	-	28	17	Yes	2	Yes
5	1	3%	29	1	No	1	No

  Signifies better result in comparison of sites 3-K, 4 & 5

- Site 5 has the least amount of inhabited family structures within proximity
  - We do not differentiate whether people are home owners or renters
- Site 3 & 4 impacts landowner development, site 5 does not
- Site 3 & 4 requires City Council ordinance for eminent domain, site 5 does not
- Site 3 & 4 increases risk to use eminent domain, site 5 does not
- Site 3 & 4 property cost are only an estimate & likely to introduce cost escalation risks

**Site 5 minimizes community impact & supports the public need.**



# RECOMMENDATION

## SUBSTATION SITE 5



- Best environmental ranking (1<sup>st</sup>)
  - Least impact of all sites
- Lower project costs
- Adjacent to existing transmission line
- Does not affect landowner development
- No ordinance required
- Adjacent access to Guilbeau Rd
  - Distribution line ties
- Minimal impact to community

### LEGEND

- Substation sites evaluated
- Existing Bandera to Helotes T-Line

**Eliminates risk to the authorization of eminent domain.**

# DECORATIVE WALL TYPES

## ENHANCED AESTHETICS



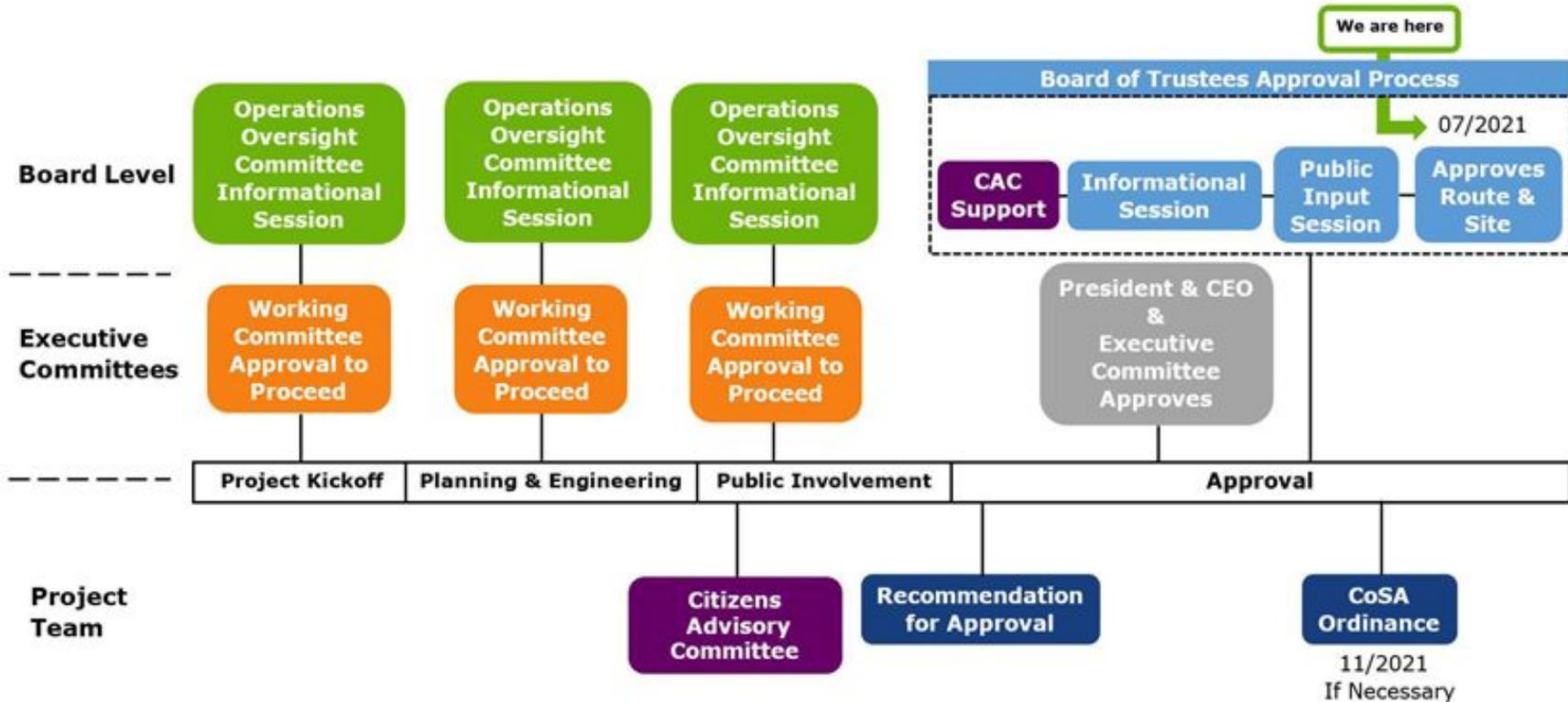
Dresden Substation – example decorative concrete wall (artwork provided by CoSA)



Exeter Substation – example decorative concrete wall

**The team continues to work with the community to minimize impact & answer questions.**

# GOVERNANCE PROCESS



**The Project Team meets with Committees at different stages of the project for oversight & guidance.**

# REQUEST FOR APPROVAL



## **Project team requests Board approval to:**

- Recommended substation site 5
- Execute planning & construction of the Project

**Board approval requested.**



***Thank You***





# ***Appendix***

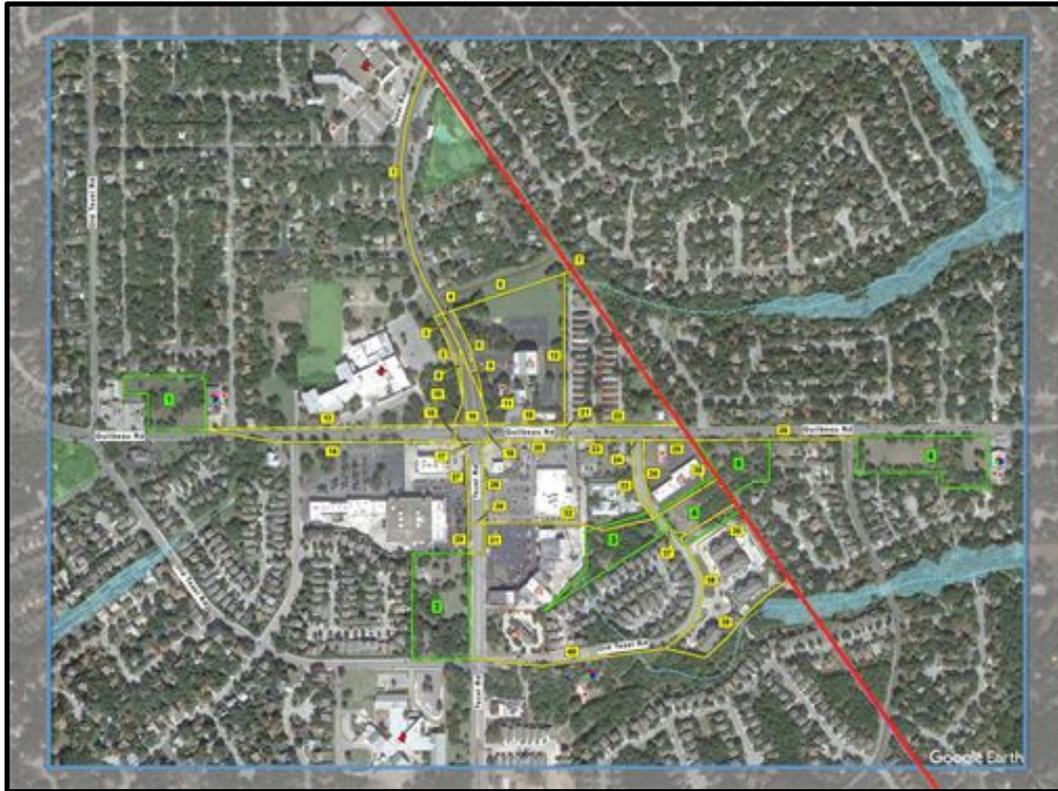


# GLOSSARY / DEFINITIONS



Acronym or Word	Definition
Citizens Advisory Committee (CAC)	The 15-member Citizens Advisory Committee provides a channel for two-way communication between the community and the utility. City of San Antonio council members nominate 10 of the 15 members, one representing each district. The other five members are at-large candidates interviewed and nominated by the CAC from those submitting applications and resumes. The CPS Energy Board of Trustees appoints all members to the committee. Members can serve up to three two-year terms. The CAC meets monthly with the primary goal of providing judicious advice from a customer perspective on utility-related projects and programs.
Distribution Line	A distribution line carries electricity from the transmission system to the end users (customers)
Substation	Steps-down the 138,000 transmission voltage (138 kV) to 34,500 (34.5 kV) & 13,800 (13.8 kV) distribution voltages to distribute to customers.
Transmission Line	A three phase system of conductors that conduct electric power between power plants, switchyards, and substations. Transmission voltages are higher to reduce line losses when transmitting power over long distances.

# STUDY AREA



## Study Area:

- Boundary (~0.78 square miles)
- 6 potential substation sites

## Land Use:

- Residential & businesses
- Churches
- Schools
- Day cares
- Parks/Recreation

### LEGEND

- Substation & Transmission Study Area
- Existing Bandera to Helotes T-Line
- Potential transmission line segments
- Evaluated substation sites

# SITES/ROUTES EVALUATION

## SITE 5 RECOMMENDED FOR APPROVAL



- Environmental / Cost ranking from 1-15 with 1 being the best
- Site 5 least environmental impact & top two in lowest cost
- Recommendation considers a balance, plus other factors

Site Number	Route Number	Environmental Assessment	Cost	Cost Ranking
1	1-A	15	\$13,741,524	14
1	1-B	13	\$13,523,324	12
1	1-C	14	\$13,396,124	10
2	2-D	8	\$13,699,934	13
2	2-E	9	\$14,129,034	15
2	2-F	7	\$12,747,684	8
2	2-G	11	\$13,327,284	9
2	2-H	12	\$13,438,734	11
3	3-I	6	\$11,740,254	7
3	3-J	5	\$11,657,154	6
3	3-K	3	\$10,698,254	3
3	3-L	4	\$10,707,454	4
4	N/A	2	\$10,171,304	1
5	N/A	1	\$10,583,718	2
6	6-M	10	\$11,525,114	5

# **VIDEO BROADCAST TOPICS**

## **WENT LIVE ON JULY 15, 2020**



- **PROJECT NEED**
- **ROUTING & SITING PROCESS**
- **SUBSTATION & TRANSMISSION ENGINEERING**
- **RIGHT OF WAY**
- **ENVIRONMENTAL**
- **STUDY AREA MAP**
- **PUBLIC INVOLVEMENT**
  - **HOW TO SUBMIT FEEDBACK**

# SUBSTATION SITE 1



## Habitable Structures

- Route 1 - 104
- Route 2 - 90
- Route 3 - 86

## Environmental Ranking\*

- Route 1 - 15th
- Route 2 - 13th
- Route 3 - 14th

## Cost Ranking\*

- Route 1 - 14th
- Route 2 - 12th
- Route 3 - 10th

## LEGEND

- Existing Bandera to Helotes T-Line
- Potential transmission line segments
- Potential substation site

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best

# SUBSTATION SITE 2



## LEGEND

- Existing Bandera to Helotes T-Line
- Potential transmission line segments
- Potential substation site

## Habitable Structures

- Route 1 - 55
- Route 2 - 57
- Route 3 - 50
- Route 4 - 85
- Route 5 - 92

## Environmental Ranking\*

- Route 1 - 8th
- Route 2 - 9th
- Route 3 - 7th
- Route 4 - 11th
- Route 5 - 12th

## Cost Ranking\*

- Route 1 - 13th
- Route 2 - 15th
- Route 3 - 8th
- Route 4 - 9th
- Route 5 - 11th

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best

# SUBSTATION SITE 3



## LEGEND

- Existing Bandera to Helotes T-Line
- Potential transmission line segments
- Potential substation site

## Habitable Structures

- Route 1 - 62
- Route 2 - 58
- Route 3 - 47
- Route 4 - 51

## Environmental Ranking\*

- Route 1 - 6th
- Route 2 - 5th
- Route 3 - 3th
- Route 4 - 4th

## Cost Ranking\*

- Route 1 - 7th
- Route 2 - 6th
- Route 3 - 3th
- Route 4 - 4th

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best

# SUBSTATION SITE 4



## Habitable Structures

- Site 4 – 28 (17 multi-family)

## Environmental Ranking\*

- Site 4 – 2nd

## Cost Ranking\*

- Site 4 – 1st

### LEGEND

- Existing Bandera to Helotes T-Line
- Potential substation site

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best

# SUBSTATION SITE 5



## Habitable Structures

- Site 5 – 29 (1 multi-family)

## Environmental Ranking\*

- Site 5 - 1st

## Cost Ranking\*

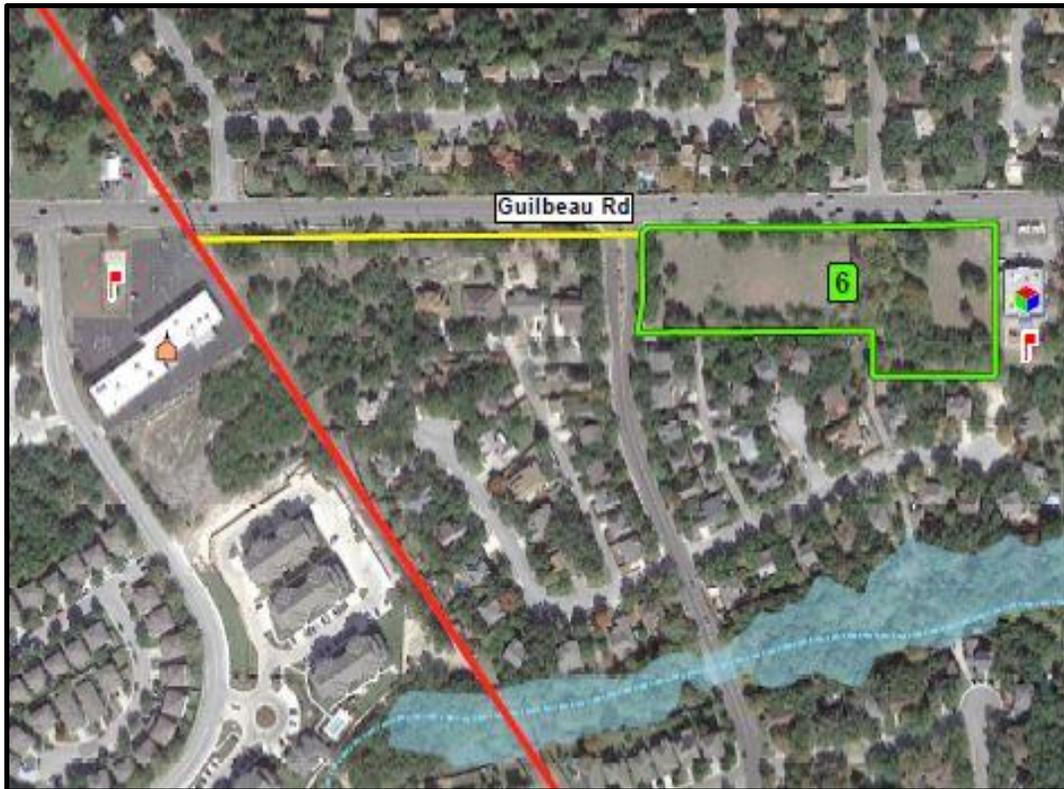
- Site 5 - 2nd

### LEGEND

- Existing Bandera to Helotes T-Line
- Recommended substation site

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best

# SUBSTATION SITE 6



## Habitable Structures

- Route 1 - 96

## Environmental Ranking\*

- Route 1 - 10th

## Cost Ranking\*

- Route 1 - 5th

### LEGEND

- Existing Bandera to Helotes T-Line
- Potential transmission line segments
- Potential substation site

\* Environmental/Cost ranking from 1-15 with 1<sup>st</sup> being the best



May 19, 2021

CPS Energy Board of Trustees  
500 McCullough  
San Antonio, TX 78215

Re: Resolution in support of the proposed CPS Energy Tezel Substation

At the regularly scheduled meeting of the CPS Energy Citizens Advisory Committee (CAC) held on Wednesday, May 12, 2021, the CAC members received an update on the Tezel Substation project specific to negotiations and adjustments made to the substation layout for the proposed Tezel substation.

Following the presentation, the committee members passed the following resolution that I respectfully submit for your records:

“The CPS Energy Citizens Advisory Committee (CAC) has reviewed the recommendations for site location for the proposed Tezel Substation. After careful deliberation and based on the best available information, we support staff’s conclusion that the recommended site best serves the interest of this project and the CPS Energy ratepayers. We hereby recommend that the CPS Energy Board of Trustees proceed with the preferred site.

We also ask that CPS Energy make every reasonable effort to mitigate the disturbances that this substation may cause by continuing to meet with the affected property owners prior to construction and by using prudent construction practices to minimize any environmental disturbances caused by this project.”

In conclusion, the CPS Energy team should be commended for receiving community input from customers, working with an open-minded community partner and thinking outside the box for the innovative solution that benefits all.

Thank you for the opportunity to offer input on this matter. If you have any questions regarding our actions, please do not hesitate to contact me.

Respectfully,  


Luisa Casso  
Chair  
Citizens Advisory Committee

500 McCullough • San Antonio, Texas 78215



July 2, 2021

To: CPS Board and CPS Tezel Substation Project Team

From: Board of Elders, Northwest Community Church

Subject: Public Input to Tezel Substation Planning Process

Dear Board members and Project Team members,

Thank you for the opportunities you are providing for the public to submit input, via questionnaires and email, and at the June 24 and July 26 public meetings. We, the Board of Elders, represent the Leadership and Governing body of Northwest Community Church<sup>1</sup>, owner of Site 4. Our church is located at 8900 Guilbeau Road, placing us adjacent to Sites 3, 4, and 5.

This letter addresses two primary areas of input we would like to provide into the site selection process. The first is the role that Site 4 plays in the overall ministry and facility plan of Northwest Community Church. Our church formerly owned 12 acres adjacent to our existing facility to the south along Old Tezel Road. In 2018 we sold 10 acres of that land to a developer who went on to develop The Bristol Apartments. During the process of completing that sale, our church subdivided this tract of 12 acres, selling 10 acres, and retaining the 2 acres immediately adjacent to our existing property. We went through the effort to subdivide the larger tract in order to retain 2 acres and thereby maintain potential ministry expansion opportunities that might require additional land, including parking and additional buildings. This 2-acre plot of land came into existence explicitly for this purpose. With this background of the essential role this property plays in our flexibility for future ministry, it is easy to understand that voluntarily selling these 2 acres is not something we have previously considered, are currently considering, or anticipate considering in the future.

Since selection of Site 4 for the Tezel Road Substation would eliminate the expansion options for our church that drove the original subdividing and retention of that property, we are requesting that this “impact to landowner development” be given significant consideration as CPS reaches a decision. We (along with all interested parties) are very fortunate that CPS had the foresight to proactively purchase Site 5 last year, providing a fully viable alternative that involves no “impact to landowner development.”

Also, Site 3 was mentioned as a potential alternative by some speakers at the June 24 public meeting. Our understanding is that Site 3 would require an easement that would extend across our 2-acre property, which could significantly limit our ability to construct buildings there and thus also involve a substantial “impact to landowner development” for us.

---

<sup>1</sup> For completeness, the official wording from the Church Constitution is as follows:

The legislative and governing body of this church shall be the congregation, through an elected Board of Elders. This Board is accountable to the Church congregation and may act on all matters within the limits stated in the By-Laws without consulting the congregation.

Our second area of input pertains to the evaluation criterion “proximity to habitable structures.” Our understanding is that the CPS data for this metric is as follows:

- Site 5: 29 structures, 1 multifamily
- Site 4: 28 structures, 17 multifamily
- Site 3: 47 structures, 40 multifamily

We understand people expressing their desire to not have the substation located adjacent to their property. But that line of argument rests solely on this “proximity to habitable structures” criterion. And it appears an objective evaluation of this particular metric by an impartial party (especially given the wide variances in multifamily structures) would reach a conclusion favoring the selection of Site 5.

For these reasons, the Board of Elders of Northwest Community Church request that the CPS Board formally approve the selection of Site 5 for the Tezel Substation as originally recommended by the CPS Tezel Substation Project Team at the Public Input Session held June 24, 2021.

Thank you again for your careful consideration of our input along with that of all interested parties. Because we understand that time is of the essence in providing input, we are submitting this initial letter today from all seven members of our church governing board. Once we have opportunities to communicate with our church, we will supplement this letter with a follow-on document consisting of names and signatures of people affiliated with the church who concur with and wish to lend their voice to the input provided in this letter. We will send that list of supporting names to [TezelProject@cpsenergy.com](mailto:TezelProject@cpsenergy.com) no later than July 15.

Finally, we will also be represented and will register seeking to speak at the July 26 CPS Board meeting.

Sincerely,

The Board of Elders, Northwest Community Church

Dave Smith, Senior Pastor (and Founding Pastor in 1982)  
Jeff Harrison, Family Pastor and Church Chairman  
Manuel Abarca, Pastor of Encuentro and Outreach  
Jack Biros  
Rick Clayworth  
Todd Havekost  
Alex Mandes

I agree with the 7/2/2021 letter to CPS from the Elders of Northwest Community Church supporting the selection of Site 5 for the Tezel Substation.

Name (Print)	Signature	Date
Mack Manderson	Mack Manderson	7-3-21
Kathleen L. Valiente	Kathleen Valiente	07/04/2021
Gladys P. Delgad.	Gladys P. Delgad	7/4/2021
Heather Mucklermy	Heather Mucklermy	7/4/2021
Whitney Sattler	Whitney Sattler	7/4/2021
Paul Neel	Paul Neel	7-4-2021
Claudia Neel	Claudia Neel	7-4-2021
Katherine Ghent	Katherine Ghent	7/4/2021
Christine Laughlin	CHRISTINE LAUGHLIN	7/4/2021
Ryan D. Johnson	Ryan D. Johnson	7/4/2021
Edward Mertins	Edward Mertins	7/4/21
Baldemar Hector	Hector Baldemar	7/4/21
Elizabeth Baldemar	Elizabeth Baldemar	7/4/21
Cesar Puz	Cesar Puz	7-4-21
Duce nitz	Duce nitz	7-4-21
Grawt Burnett	Grawt Burnett	7/4/21
Jeton Kellogg	Jeton Kellogg	7/4/21
Liliana Burrets	Liliana Burrets	7/4/21
Josi Miller	Josi Miller	07/04/21
David Smith	David Smith	07/08/21
Richard Clayworth	Richard Clayworth	7/8/21

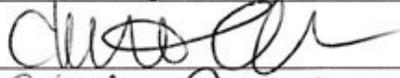
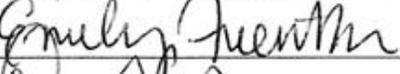
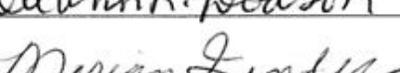
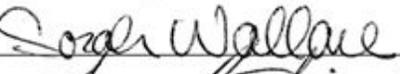


I agree with the 7/2/2021 letter to CPS from the Elders of Northwest Community Church supporting the selection of Site 5 for the Tezel Substation.

Name (Print)	Signature	Date
Linda Alexander	Linda Alexander	7-4-21
Randy Alexander	Randy Alexander	7-4-21
Rachelle Meyer	RA Meyer	7-4-21
MICHAEL HOWDYSHEN	Michel Howdyshe	7/4/21
JOANN HOWDYSHEN	JoAnn Howdyshe	7/4/21
Jean Krumholz	Jean Krumholz	7/4/21
Jack Bires	Jack Bires	7/4/21
Lori Otley	Lori Otley	7-4-2021
William Otley	William Otley	7-4-2021
Susan Kaarlsen	Susan D. Kaarlsen	7-4-2021
JAY R. PETERSON	JAY R. Peterson	7-4-2021
Tracie Lightweaver	Tracie Lightweaver	4 July 2021
Jackie Jacobson	Jackie Jacobson	7/4/21
Jeffrey Ghus	Jeffrey Ghus	7/4/21
Jacob Rusch	Jacob Rusch	7/4/2021
Jennifer Mertus	Jennifer Mertus	7-4-21
Esther Lightweaver	Esther Lightweaver	7/4/2021
Sophia	Sophia	7/4/2021
Debbie Byrd	Debbie Byrd	7/4/2021
Lorena Paz	Lorena Paz	7/4/2021
Erika Paz	Erika Paz	7/4/2021
Bonnie L Newbold	Bonnie Newbold	7/4/2021
Susan Gries	Susan Gries	7/4/2021



I agree with the 7/2/2021 letter to CPS from the Elders of Northwest Community Church supporting the selection of Site 5 for the Tezel Substation.

Name (Print)	Signature	Date
Christopher Fuente		7-4-2021
Emily Fuente		7/4/21
Amber Mouser		7/4/2021
Steven Mouser		7/4/2021
Joanna Howe		7/4/2021
Tim Kelley		7/4/2021
Elvora J. Miller		7/4/21
Jeffrey D. Satter		7/4/2021
DeAnn L. Dodson		7/4/2021
Marian Zinter		7/4/2021
JAMES STIFFER		7-4-21
JONATHAN MEYER		7-4-21
Cynthia A. Ellis		7-4-21
Kim Hartman		7-4-21
Sarah Wallace		7.4.2021
Samuel Girard		7-4-2021













Estoy de acuerdo con la carta de 2/7/2021 a CPS de los ancianos de Northwest Community Church, la cual apoya la selección de Sitio 5 para la Subestación Tezel.

Nombre (en letras de molde)	Firma	Fecha
Jennifer Robison	Jennifer M. Robison	7/4/21
Susan Abarca	Susan Abarca	7/4/21
Karla Hannant	Karla J. Hannant	7-4-21
Paola O'Hare	O'Hare	7-4-21
Johnathon Cervantes	Johnathon Cervantes	7/4/21
ROBERT W. ROBISON	Robert W. Robison	4 JUL 21
Josye Miranda	Josye Miranda	
Yolanda P. Delgado	YOLANDA P. DELGADO	7-4-2021
Laura Galvan	Laura Galvan	7-4-21
Margarita Alicea	Margarita Alicea	7/4/2021
Jordanna Abarca	Jordanna Abarca	7-4-2021
Diannah Abarca	Diannah Abarca	7/4/2021
Manuel Abarca	Manuel Abarca	7/4/2021
Andrew Abarca	AA	7/4/2021
Hessusan Abarca	Hessusan Abarca	
Josiah Gerhardt	Josiah Gerhardt	7/4/2021





July 12, 2021

**RE: Reliability Improvement Process, Updated Status of a Newly Proposed Tezel Substation**

Dear CPS Energy Customers and Area Residents,

On behalf of our entire CPS Energy Team, thank you for being our customers. It has been our honor to serve the Greater San Antonio community for 161 years, and we are continuing to focus on how we can further improve.



The purpose of this letter is to follow up on a *Public Dialogue and Input Session* that was held on the evening of Thursday, June 24, 2021. This recent in-person and virtual community session was one of several outreach efforts that we used to solicit your comments, questions, and concerns. All of these efforts helped us thoughtfully challenge both our assumptions and our preliminary conclusions about the opportunity to improve grid reliability in your area.

We re-evaluated our initial recommendation in light of the helpful feedback we received. We seriously re-focused on the alternately suggested location, Site 3. The following are documented considerations that we transparently want to share.

**There are significant challenges with switching to Site 3 from Site 5**

- Two (2) other landowners would need to provide property and easement.
  - One (1) landowner has informed us that they are not willing to provide use of their property for Site 4 or to extend the transmission line to Site 3.
  - The other landowner has not put the site up for sale. Unfortunately, even if the second landowner was willing, without the other being willing to give the needed rights to their property, pursuit of Site 3 is a less viable option.
- Site 3 (& Site 4) would require an Ordinance of Eminent Domain from San Antonio City Council and increases the risk of condemnation of two (2) private properties.
  - *Site 5 does not require condemnation.*
- Site 3 (& Site 4) would impact more customers than recommended Site 5.



- From a social justice perspective that merits treating all customers equitably regardless of their economic circumstances, we do not differentiate or put less weight on whether people are homeowners or renters.



**It is a normal practice to make proactive, strategic property purchases**

- As a matter of common company practices, we have historically made proactive strategic land purchases. This approach helps us optimize land ownership for future development that supports improved reliability and community growth. We also do this to avoid extreme cost escalations. Here are a few examples of properties we have acquired:
  - Southton – 5 acres purchased in 2009. In 2017, we initiated a Routing & Siting process for the Southton Substation.
    - ❖ *NOTE: Not every strategic proactive purchase turns into a new substation. For example, after completing the development consideration process, including public input, a different site was chosen and approved for the Southton Substation project.*
  - Helotes – 32 acres purchased in 2016 to support the future expansion of our transmission infrastructure.
  - Tenth Street – 0.9 acres purchased in 2018 to support the future rebuilding of the existing substation.



**Based on community input, we will pursue opportunities to address traffic concerns on Guilbeau Road near Site 5**

- This site is located on a high point on Guilbeau Road and can be seen from both eastbound and westbound directions.
- There is currently a VIA bus stop at the proposed Tezel substation site.
- There is currently a neighborhood side street where vehicles also come to a stop on Guilbeau Road to allow cross traffic to pass before turning into the neighborhood.
- We are reaching out to the City of San Antonio (CoSA) and the San Antonio Police Department to collaborate on potentially installing a traffic light at the location of Site 5.
- To further mitigate traffic concerns during site construction, we will work with the adjacent landowner of Site 5 for opportunities to potentially reroute traffic through their property from a different road, potentially Old Tezel Rd.
- The substation is not continuously manned, so after construction is complete, we anticipate only needing to access the site approximately four (4) times a year for substation maintenance activities.



**Based on community input, we will protect and seek to relocate existing deer on Site 5**

- We are committed to working with the Texas Parks & Wildlife department and our environmental consultants to relocate deer on the site.

**The substation will help improve *Reliability***

- The new substation will shorten existing distribution lines, reducing exposure to outage events (car hit poles, weather, animals, failed equipment, etc.).
- New substations provide flexibility to create distribution ties to minimize outage durations and the number of customers affected during outages events.
- New substations also bring additional electric capacity to serve residential and commercial growth.



**We need to clarify the implications relative to the February Winter Storm Uri**

- That event affected the entire ERCOT grid. It was caused by a massive reduction in available power plants across the state simultaneously when the extremely cold temperatures caused what was peak demands for energy. While the new substation by itself will not prevent the need for statewide outages during this unprecedented event, it will generally improve reliability during most of the year.

**We will pursue design improvements that will help prevent flooding and standing water in the detention basin**

- The substation will be designed in accordance with CoSA's Regional Storm Water Management Program.
- The station will be designed in accordance with the latest CoSA Water Design Criteria Manual and Unified Development Code, and requires the approval of CoSA's Developmental Services department before construction is allowed.
- The detention basin will be dry and will only hold water during rain events for short periods thereafter. It will also be isolated by a perimeter fence located on the basin walls, which will be locked to prohibit entry by unauthorized personnel.



**Aesthetic improvement plans along Guilbeau Road and adjacent homes**

- To improve visual aesthetics of the project, we are committed to the following:
  - Installing an aesthetic masonry wall to visually screen the substation equipment;
  - Preserving as many of the existing trees as possible and including them in the overall site plan;
  - Planting a mix of trees and grass along the perimeter of the substation and available green spaces; and
  - Working closely with adjacent homeowners to ensure the additional vegetation visually screens the substation as much as practicable.



**Summary Rationale**

- We respectfully believe our recommendation of Site 5 minimizes the overall impact to the community for the following reasons:
  - It is the site with the least environmental impact;
  - It affects the least number of customers and residents;
  - It is adjacent to the existing transmission line and does not require an extension of the line over private properties;
  - It supports lower project costs;
  - It does not require an Ordinance of Eminent Domain from the San Antonio City Council; and
  - It eliminates the risk of having to execute the use of Eminent Domain if other sites are chosen.
  - We will make additional investments to enhance the outer boundaries of the site, including attractive masonry, xeriscaping and vegetative visual screening with adjacent homeowners.
- A link to the full environmental assessment and alternative site/route analysis can be found at: [cpsenergy.com/tezel-ea](https://cpsenergy.com/tezel-ea)

Thank you for your engagement, suggestions, thoughts, and comments. We considered your input and utilized it to constructively challenge our recommendation, as well as strengthen our plan. While we concluded Site 5 still has the highest combined merits, your involvement and contributions during the entire process were very valuable.

You have our deepest appreciation,

***Paul***

Paul Barham  
Chief Grid Optimization & Resiliency Officer

CC: Councilwoman Ana Sandoval  
CPS Energy Board of Trustees  
Paula Gold-Williams, President & CEO  
CPS Energy Sr. Chiefs  
LeeRoy Perez, Sr. Director Substation & Transmission  
Ricardo Renteria, Director Substation & Transmission Engineering  
Kathy Garcia, VP Govt & Reg Affairs & Public Policies  
John Leal, Director Local Government Relations  
CPS Energy Citizens Advisory Committee  
CPS Energy Board Relations

**A RESOLUTION**

APPROVING AND AUTHORIZING THE CONSTRUCTION OF THE TEZEL SUBSTATION AND TRANSMISSION PROJECT AND THE ACQUISITION OF EASEMENT RIGHTS, FEE SIMPLE TITLE AND PROPERTY EXCHANGES WITH OUTSIDE ENTITIES OVER AND ACROSS CERTAIN PROPERTIES LOCATED IN NORTHWEST SAN ANTONIO, BEXAR COUNTY, TEXAS, EITHER BY PURCHASE THROUGH NEGOTIATIONS OR BY THE PROCESS OF EMINENT DOMAIN, FOR EXPANSION AND OPERATION OF THE CITY OF SAN ANTONIO ELECTRIC SYSTEM, INCLUDING THE CONSTRUCTION, OPERATION AND MAINTENANCE OF A SUBSTATION, ELECTRIC TRANSMISSION LINES, DISTRIBUTION LINES, COMMUNICATION SYSTEMS, AND RELATED APPURTENANCES.

WHEREAS, CPS Energy staff identified the need for a new substation to enhance reliability of the CPS Energy electric system within northwest San Antonio, Bexar County, Texas (the "Tezel Substation and Transmission Project");

WHEREAS, the Tezel Substation and Transmission Project has a recommended in-service date by June 2024;

WHEREAS, CPS Energy, using staff resources and a team of engineering, environmental, and other professionals (the "Project Team"), has followed the CPS Energy Facility Routing/Siting Process to identify a proposed site for the substation that would minimize human and environmental impacts to the greatest extent practicable;

WHEREAS, the process used by CPS Energy included notification of land owners adjacent to potential substation sites and area public officials, maintenance of internet-based information, and the receipt of public comments regarding substation sites and electric transmission and distribution line routes through an open house meeting, correspondence, phone calls and other meetings;

WHEREAS, at the close of process, CPS Energy staff recommended to the CPS Energy Board of Trustees ("Board") a site that is located on the south side of Guilbeau Road east of the intersection of Guilbeau Road and Old Tezel Road and west of the intersection of Guilbeau Road and Olde Village Drive, and abutting an existing CPS Energy transmission line along the most westerly property line of the recommended site, as shown on the Project Site Map attached as Exhibit "A" to this Resolution (the "Project Site Map");

WHEREAS, the Board has considered the public impacts of selecting the preferred site through correspondence and other contacts with the public, through communications with CPS Energy staff, through communications with the members of the Citizens Advisory Committee, and the fact that the Citizens Advisory Committee unanimously passed a motion supporting the proposed site for the substation and associated electric transmission and distribution lines;

WHEREAS, the Board agrees with the Project Team's determination that the CPS Energy recommended substation site for the Tezel Substation and the routes for the associated electric transmission and distribution lines have one of the lowest impacts of the site alternatives on both the human and natural environments because such site and route will, to the greatest extent practicable when compared to other sites:

- Maximize use of existing rights-of-way,
- Minimize impacts to natural resources and environmentally sensitive land,
- Minimize the impacts to residential developments and habitable structures, and
- Minimize the overall impact of additional CPS Energy facilities in future years;

WHEREAS, the Board finds necessary and desirable the construction of the Tezel Substation and associated electric transmission and distribution lines, communication systems and related appurtenances and the acquisition of easement rights, fee simple title over and across properties in northwest San Antonio, Bexar County, Texas at the recommended site and along the route of the electric transmission and distribution lines, for the construction, operation and maintenance of the City of San Antonio's Electric System, including the construction, operation and maintenance of the Tezel Substation and Transmission Project, either by purchase through negotiations, or by the process of eminent domain approved by the San Antonio City Council.

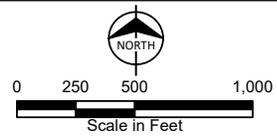
NOW, THEREFORE, BE IT RESOLVED BY THE CITY PUBLIC SERVICE BOARD OF TRUSTEES that:

1. The recitals to this Resolution are hereby incorporated for all purposes.
2. The Board finds that the Tezel Substation and Transmission Project is of great importance to the public, and that CPS Energy has taken into account appropriate environmental, health and safety concerns in designating the recommended site and route.
3. The Board hereby approves the CPS Energy Tezel Substation and Transmission Project to be constructed on the recommended site and route, as generally depicted on the Project Site Map attached to this Resolution as Exhibit "A" and hereby incorporated for all purposes, and directs CPS Energy staff and attorneys to proceed with the necessary steps to undertake and complete the Tezel Substation and Transmission Project.
4. The Board reaffirms the CPS Energy practice of taking all necessary and reasonable steps to minimize disturbance on affected properties.
5. The Board authorizes the President and CEO of CPS Energy and/or her designee to determine the exact site for CPS Energy's substation site and associated electric transmission and distribution lines at the recommended site and route as depicted generally on the Project Site Map.
6. The Board finds that the acquisition of easement rights, fee simple title to properties at the recommended site and along the electric transmission and distribution lines route is necessary and desirable for the important public purpose of the construction, operation and maintenance of the City of San Antonio's Electric System, including the CPS Energy Tezel Substation and Transmission Project. The Board hereby authorizes acquisition of easement rights, fee simple title necessary for CPS Energy's Tezel Substation and Transmission Project, either by purchase through negotiations or by the process of eminent domain, as well as all other lawful action necessary and incidental to such acquisitions or eminent domain proceedings to survey, specify, define, and secure the necessary title and rights.
7. The Board directs CPS Energy staff to ensure that members of the public may obtain the current Project Site Map at [www.cpsenergy.com](http://www.cpsenergy.com) (search word "Tezel").



Path: Z:\Resources\Local\Clients\KCM\ENR\121323\_Tezel\ArcGIS\SD\data\Files\ArcDocs\Tezel\_Recommended\_Substation\_Site\_11x17\_color2.mxd gaox 5/21/2021

- Existing Transmission Line    — Local Road
- Recommended Site
- Study Area



Tezel Substation & Transmission Line Project  
 Recommended Substation Site  
 CPS Energy  
 Bexar County, Texas

Source: ESRI; Google Earth; Burns & McDonnell Engineering Company Inc

Issued: 5/21/2021



# ***FLEXPOWER BUNDLE<sup>SM</sup>*** ***UPDATE***

*PRESENTED BY:*

**Kevin Pollo**

Interim VP, Energy Supply & Market Operations (ESMO)

July 26, 2021

*Informational Update*





## OBJECTIVES & TAKEAWAYS

- **PROVIDE AN UPDATE ON THE *FLEXPOWER* BUNDLE<sup>SM</sup> REQUEST FOR PROPOSAL (RFP) & PRIORITIZED SOLAR SELECTION**



## AGENDA

- **RFP KEY COMPONENTS**
- **EVALUATION PROCESS**
- **SECURITY CONSIDERATIONS**
- **RFP EVALUATION UPDATE**
- **STAKEHOLDER ENGAGEMENT**
- **PROJECT TIMELINE**

# 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!



# CROSS-FUNCTIONAL TEAM



\*CIP – Critical Infrastructure Protection

- **Supply Chain**
  - RFP Development
  - Procurement Compliance
- **Operations**
  - Requirements/Specifications Development
  - Validation of Mitigating Controls
  - Transmission & Distribution Interconnection
- **Communications & Marketing**
  - Stakeholder Engagement
- **Enterprise Information Technology (EIT)**
  - Communications Transport Requirements
- **Legal**
  - Contracting
- **Risk**
  - Risk Identification & Mitigation Review
- **Integrated Security**
  - Physical & Cyber Security Requirements
- **Compliance & Ethics**
  - CIP\*-13 Requirements

# FLEXPOWER BUNDLE<sup>SM</sup>

## KEY COMPONENTS



Up to 900 MW  
SOLAR



**Potential Prioritized Solar Selection**  
**Large-scale Solar:**  
**~200 to 250 MWs**



Up to 50 MW  
STORAGE



Up to 500 MW  
ALL-SOURCE  
FIRMING

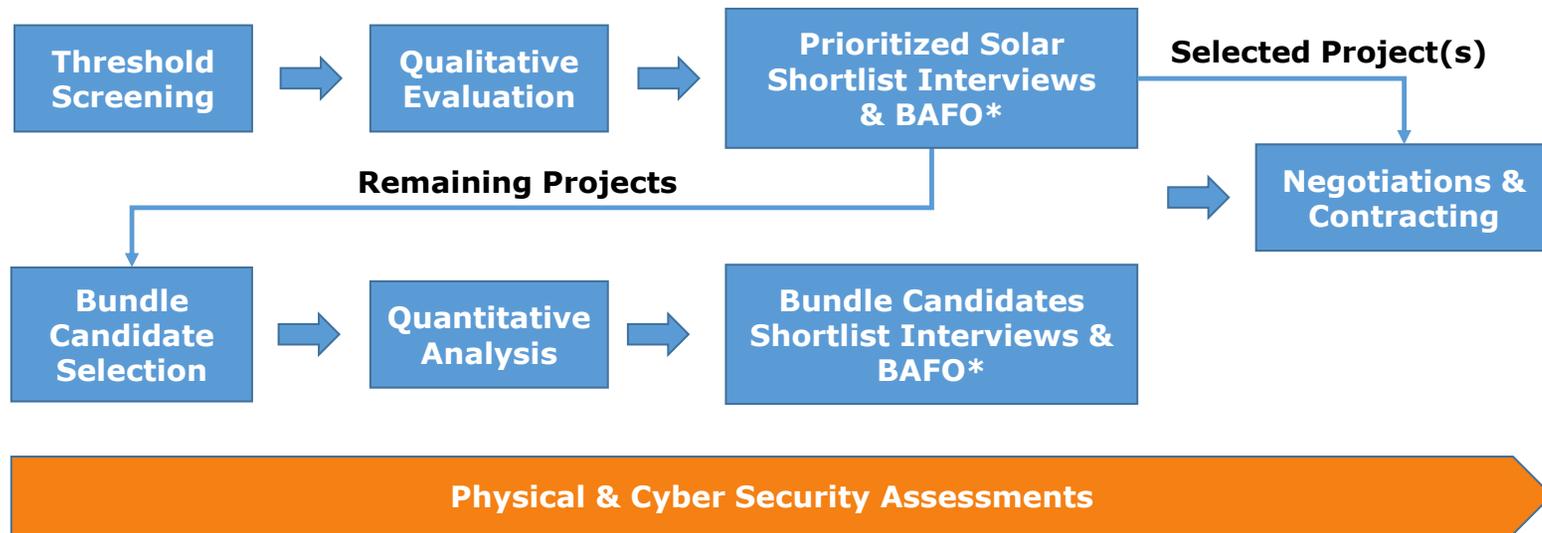
***FlexPOWER* Bundle is the next  
step in our *Flexible Path*<sup>SM</sup>  
strategy to replace our aging  
Braunig gas plants.**





# EVALUATION PROCESS

**Robust evaluation process will assist us in selecting projects that provide the best value to our customers!**



\*BAFO – Best and Final Offer

## **FLEXPOWER BUNDLE<sup>SM</sup>** **SECURITY CONSIDERATIONS**



- Review of Cybersecurity Controls
  - Systematic comprehensive review of NIST\* Cybersecurity Framework
  - Gain further insight into the effectiveness of the **Security** controls during the interview process
- Supply Chain **Security** Controls
  - Open source intelligence review of vendors & their suppliers; including mergers & acquisitions
  - Working to understand any impacts of Foreign Ownership, Control or Influence (FOCI)



**Security considerations are being incorporated in the evaluation process to support our *Guiding Pillars* of *Security & Safety*.**

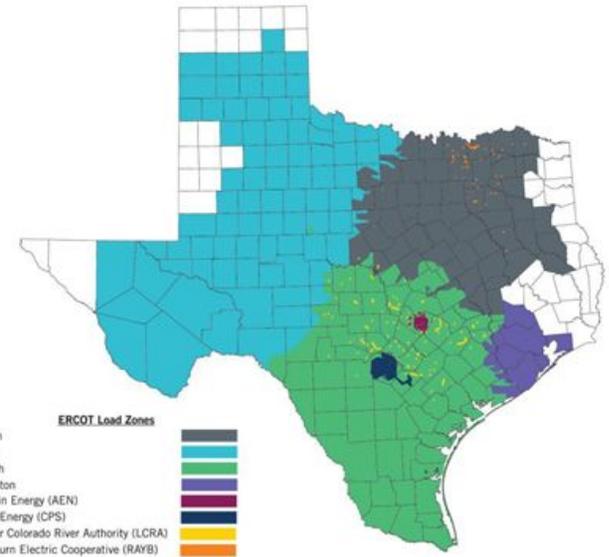
\*NIST: National Institute of Standards & Technology

# PRIORITIZED SOLAR



**High quality projects from the large-scale solar category were shortlisted.**

- Six (6) interviews conducted
- Qualitative evaluation
- Comprehensive *Security* review
- Supply chain Bulk-Power System Executive Order 13920
- Capacity range between 125 MWs to 300 MWs
- Commercial Operation Date (COD) in year 2023



**Targeting ~200 to 250 MWs for Prioritized Solar,  
with Balance of Solar to be selected during the bundle process.**



# **FLEXPOWER BUNDLE<sup>SM</sup>**

## **REST OF THE BUNDLE**



**~32,000 MW  
Solar**



**~2,000 MW  
Storage**



**~9,000 MW  
All-Source  
Firming Capacity**

**We received over 650 proposals totaling ~43,000 MWs.**

**We continue to make significant progress towards the selection of the rest of the Bundle projects.**

**Balance of projects will be awarded Q4 FY2022.**

## COMMUNICATIONS & STAKEHOLDER ENGAGEMENT



- Ongoing engagements
  - **July 14** – Zpryme’s Solar Storage Fest
  - **July 15** – Citizen Advisory Committee (CAC) presentation
  - **July 26** – Board of Trustees meeting\*
  - **July 30** – US Energy Association Briefing
    - Paula Gold-Williams
    - Arshad Monsoor, EPRI\*\*
  - **August 12** – Town hall – hybrid (virtual & in-person)
- Website content refresh

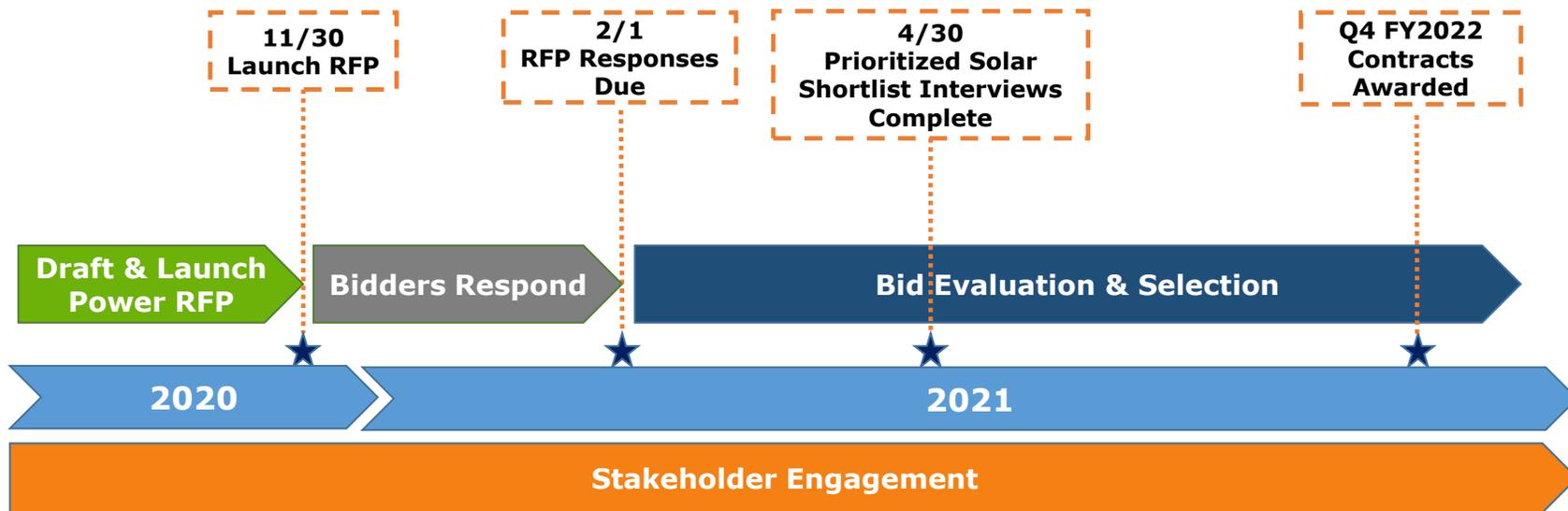


\*Accompanied by Corporate Communication & Marketing awareness  
\*\*EPRI: Electric Power Research Institute



# PROJECT TIMELINE

**We may need flexibility on our timeline based on the volume of responses we received & to perform due diligence as we evaluate the new technologies.**





***Thank You***

