



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, June 28, 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.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Thursday, June 24, 2021, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at 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. 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>

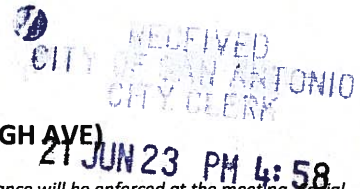
A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

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
June 23, 2021



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON JUNE 28, 2021 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**



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| | | | |
|---|---|---------|-------------------------|
| 1 | CALL TO ORDER | Execute | Dr. Willis Mackey |
| 2 | SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE | Execute | Ms. Denae Myers |
| 3 | PUBLIC COMMENT Pre-Registration on Thursday, June 24, 2021 from 7:00 AM – 1:00 PM* @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com <i>*Note a change from the typical Friday registration day due to the CPS Energy Holiday to be held on Friday, June 25, 2021</i> A. Chair's Announcements B. Comments | Discuss | Dr. Willis Mackey |
| UPDATE ON CHAIR'S PRIORITIES | | | |
| 4 | CEO'S REPORT | Discuss | Ms. Paula Gold-Williams |
| CONSENT AGENDA | | | |
| 5 | APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board Meeting held on 04/26/2021 B. Minutes of the Regular Board Meeting held on 05/24/2021 C. Minutes of the Special Board Meeting held on 06/08/2021 D. Payment to the City of San Antonio for May 2021 E. Integrated Security Threat Mitigation Policy (Ms. Shanna Ramirez) F. Procurement Items: 1. General Services: Welding & Mechanical Services (Mr. Frank Almaraz) 2. Professional Services: Engineering Services for Communication Systems (Ms. Vivian Bouet) 3. Professional Services: Electrical Engineering Services for Natural Gas Infrastructure (Mr. Fred Bonewell) | Vote | Dr. Willis Mackey |
| REGULAR AGENDA | | | |
| 6 | COMMITTEE REPORTS: A. Operations Oversight Committee (OOC) Meeting held on 05/10/2021 (Dr. Willis Mackey) B. OOC Aligned Risk Sub-Committee Meeting held on 05/10/2021 (Dr. Willis Mackey) C. Master Planning Oversight Committee (MPOC) Meeting held on 05/24/2021 (Mr. Ed Kelley) D. Technology & Resilience Committee (T&R) Meeting held on 06/02/2021 (Ms. Janie Gonzalez) E. T&R Aligned Risk Sub-Committee Meeting held on 06/02/2021 (Ms. Janie Gonzalez) | Discuss | Dr. Willis Mackey |
| 7 | NOMINATIONS COMMITTEE ASSIGNMENT | Vote | Dr. Willis Mackey |
| 8 | REVIEW OF COMMITTEE ON EMERGENCY PREPAREDNESS (CEP) FINDINGS (Mr. Fred Bonewell) | Discuss | Ms. Paula Gold-Williams |
| CONVENE TO EXECUTIVE SESSION | | | |
| 9 | EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics. | Discuss | Dr. Willis Mackey |
| RECONVENE TO OPEN SESSION | | | |
| 10 | ADJOURNMENT | Execute | Dr. Willis Mackey |
| If the Board meeting has not adjourned by 3:40 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. | | | |

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at the June 28, 2021 meeting

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON APRIL 26, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of April was held on Monday, April 26, 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 1:01 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez, Vice Chair
Mr. Ed Kelley
Mr. John Steen
Mayor Ron Nirenberg (joined after Roll Call)

Also present were:

Ms. Paula Gold-Williams, President & CEO
Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability, & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Rudy Garza, Chief Customer Engagement Officer
Mr. Gary Gold, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll. A quorum was present.

II. SAFETY MESSAGE

Ms. Gold-Williams noted that this was the Board's first meeting in the new Board Room. She gave a brief update on workforce COVID-19 statistics, noting that there have been 494 positive employee cases since the start of the pandemic. Currently, 51 employees are quarantined, and no employees are hospitalized. We continue to monitor COVID-19 numbers.

Mayor Nirenberg provided an update on the City of San Antonio's (City's) COVID-19 activity and vaccination progress. He encouraged all to be vaccinated. The COVID positivity rate in the City and Bexar County has remained below 2.5 percent for the past month, better than other major metropolitan areas in the state, indicating that the City is doing well in containing the virus.

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In response to Trustee Steen's question, the Mayor stated that City Council has had two in-person Council sessions. In-person Council work sessions are anticipated to resume in the next month or so. They discussed mask protocols for the meeting.

Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO, reviewed evacuation procedures for the Board Room.

III. INVOCATION & PLEDGE

An invocation and the Pledge of Allegiance were delivered by Ms. Debra Wainscott, Vice President, People & Culture.

IV. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Kerner outlined the guidelines for making public comment. The following person made comments:

1. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce, commented that although the Chamber initially opposed the Rate Advisory Committee (RAC), after learning more about it, they now support it. He added that the Chamber and business groups expect to provide input to and assist the RAC.

V. CEO'S REPORT

Ms. Gold-Williams stated that we continue to be self-critical about our performance during Winter Storm Uri and look for ways to improve and help prevent future similar situations. She noted that her report focuses on power generation, although we are assessing other aspects of our performance during the storm.

Ms. Gold-Williams stated that all generation technologies in our portfolio had challenges during the winter storm. Overall, our plants were about 85 percent available during the storm and had the ability to produce about 84 percent of the time. She noted that about 41.5 percent of the outages were due to electrical control issues; 8.7 percent due to the weather; 30.3 percent due to mechanical issues, and 18.9 percent due to fuel constraints. Nuclear generation was available about 88 percent of the time. Solar and wind, both primarily designed to perform in the summer, were available 10 and 16 percent, respectively. Our gas steam units were available about 70 percent of the time; coal units, 84 percent; combined cycle units, 84 percent; and gas turbine peakers, 86 percent.

Ms. Gold-Williams noted that when considering total production, about 3 percent or 30,000 hours, was lost due to fuel constraints. She explained considerations, including cost, for using oil as a backup fuel and the current capabilities of our plants to use either oil or natural gas for fuel or "fuel switch". In thinking about our **Guiding Pillar of Reliability**, we must balance cost considerations with optimizing the use of fuel oil. Given the timeline of the pending **FlexPower Bundle**SM and impending summer peak, any discussions and planning around fuel switching will likely not be until the fall. Preliminary cost estimates to retrofit the M. B. Lee (MBL) units 1-4 and Arthur Von Rosenberg (AvR) CT units with fuel switching capability are \$24.5 million and \$35.6 million, respectively. Comparative information indicated that using oil as a fuel generally produces more

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emissions than using natural gas. Another consideration in potentially converting other plants to be dual-fuel capable (i.e., Braunig, Sommers, Spruce units) is their potential for retirement by 2030.

Regarding the weatherization of our power plants, Ms. Gold-Williams noted that we have invested approximately \$18 million in capital and \$3 million in operations and maintenance (O&M). We are proceeding with additional weatherization enhancements even as state regulators are considering mandated standards. We are closely monitoring regulatory and legislative activities and staying in contact with regulators and legislators. More information about weatherization will be provided at the May Board meeting.

Responding to a comment from Vice Chair Gonzalez, Ms. Gold-Williams explained that any new standards established by regulators will be blended with current winterization enhancements that are ongoing. She noted that ERCOT may conduct studies and we may engage in benchmarking about winterization standards. Governmental Affairs will provide updates on pertinent activities and developments.

Mayor Nirenberg expressed his concerns about the challenges with fuel oil, asking why we would consider fuel switching given the cost and emissions issues. He stated that there are other resiliency options that can be explored. Ms. Gold-Williams responded that a decision about fuel oil has not been made and we continue to evaluate various options at this time.

Vice Chair Gonzalez commented about the financial considerations of resiliency, stating that repurposing budget allocations for immediate resiliency benefits should be considered. Ms. Gold-Williams noted that there is a lot of capacity coming offline that must be replaced and financial options will be presented to the Board in the future.

VI. PROCUREMENT PREVIEWS

Ms. Gold-Williams introduced this item by informing the Board that we use third parties to augment staff during work peaks. Recently, the Board has been made aware of issues with controls around procurement practices and today another issue related to overhead electric distribution services (Item 6.C.) will be discussed.

New Initiative: Enhancing Procurement Controls

Mr. Cory Kuchinsky, Vice President of Strategic Pricing & Enterprise Risk Management & Solutions (ERMS), provided a brief update on our overall control environment. He noted recent lapses in procurement controls and explained the plan to reinforce and strengthen the control culture.

Vice Chair Gonzalez inquired about the vendor management systems used by CPS Energy. Ms. Gold Williams noted that there are multiple systems in SAP and agreed to provide a representative diagram.

General Services – Context for Item 7.E.1.

Ms. Wainscott previewed a procurement item for a managed service provider (MSP) on the Consent Agenda. An MSP is a third-party provider that manages temporary and contract workers under an umbrella contract, streamlining the recruiting, invoicing and reporting procedures. Currently, about 170 workers are managed by our MSP, Broadleaf Results, Inc., whose contract expires in August 2021. The Consent Agenda

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includes approval to add one year to the current MSP contract and \$24 million (\$4 million for increases in usage and \$20 million for the added year) in additional funding.

Vice Chair Gonzalez asked about savings and Ms. Wainscott explained that about \$1.5 million was saved over the first year of the contract which began in 2019. She added that there has been an increase in contractor usage and an uptick in costs during the last six months due to short-term needs caused by the pandemic. Vice Chair Gonzalez noted that the request for funding is up to \$24 million and the entire amount may not necessarily be spent. Ms. Gold-Williams clarified that the proposal is to use Broadleaf through August 2022, at which time a competitive procurement for an MSP is projected to be complete and implemented. Later, Ms. Wainscott noted that we received 11 responses to the request for proposals that are currently being evaluated.

Ms. Wainscott highlighted the local and diverse profiles of Broadleaf and the subcontractors providing services under the umbrella MSP contract. She reviewed the next steps of the process, including a transition period in the event a new MSP is selected.

Vice Chair Gonzalez asked about the need for an additional year for the current contract if the competitive procurement is already underway. Ms. Wainscott responded that, in the event a new MSP is selected, an implementation period lasting about five months would be necessary to minimize disruption to business areas and that would go beyond the expiration date of the current contract. Vice Chair Gonzalez requested information about Broadleaf's and each subcontractor's revenue under the current contract.

General Services – Context for Item 7.E.2.

Mr. Darrell Clifton, Vice President, Construction & Maintenance Services, previewed a procurement item for overhead electric distribution services on the Consent Agenda. He explained the current circumstances with invoice processing on a previous purchase order (PO) and the corrective measures being implemented to mitigate future lapses in controls.

Mr. Clifton explained that we identified an issue relating to a \$3.6 million overspend on a previous contract for overhead electric distribution services. The overspend amounts to about 7 percent of the total contract value of \$53.35 million. The outstanding invoices have been validated and must be paid. Mr. Clifton stated that this is a "people issue" indicating the need for an improved control culture across the organization.

The error resulted from administrative invoice processing issues that failed to (1) reserve funds on the PO as work was assigned; (2) validate receipt of all invoices for the work that was completed; and (3) critically review summary billing processes for control improvements or elimination.

Audit Services assessed the outstanding invoices and controls and will provide additional information at an upcoming Audit & Finance Committee meeting. To date, Audit Services did work with management to verify the calculated accuracy of the \$3.6 million in invoices. Management also conducted a qualitative review of the invoices to ensure the work was performed to CPS Energy's quality standards. Management concluded that invoices were reasonable.

Preventive steps include a complete leadership refresh of contract management processes and controls, and enhancing the invoice reconciliation process.

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Mr. Clifton stated that this issue is being disclosed to the Board out of an abundance of caution and in the spirit of transparency in support of Items 6.C and 7.E.2. on the Consent Agenda for authority not to exceed \$3.6 million to pay for remaining invoices. Simultaneously, we commit to improving our process and controls.

Vice Chair Gonzalez spoke about the responsibilities of the vendors to manage their contracts with CPS Energy. She added that our process should include vendor training. Ms. Gold-Williams agreed. Vice Chair Gonzalez added that she will not support this item.

In response to Trustee Kelley's questions, Mr. Clifton replied that the pertinent supplier is also a supplier on the current contract for overhead electric distribution services. We became aware of the issue when the vendor provided an aged receivables report of outstanding invoices, some as old as 270 days. Trustee Kelley and Vice Chair Gonzalez expressed the importance of obtaining written acknowledgment of the final payment and confirmation that no additional amounts are owed.

Mr. Clifton identified the three contractors under the overhead electric distribution services contract: Chain Electric; Pike Electric; and Greenstone. Chair Dr. Mackey expressed disappointment with the circumstances and stressed that both CPS Energy and suppliers need to follow processes to manage contracts to not exceed budgets. He thanked Mr. Clifton for his honesty and requested that the Board be shown how our processes and policies are improved. He shared a recent experience with a CPS Energy supplier that damaged his irrigation pipelines and stated that is not representative of our **People First** culture.

VII. APPROVAL OF CONSENT ITEMS

Chair Dr. Mackey noted that Item 7.D., Technology & Innovation (T&I) Committee Charter Update, was being pulled from the Consent Agenda. In response, Vice Chair Gonzalez clarified that she had not intended for it to be pulled.

Trustee Kelley moved that the Consent Agenda be approved, subject to the suggested improvements relative to the overhead electric distribution services issue (Item 6.C., which is aligned to Item 7.E.2.) and Vice Chair Gonzalez seconded.

Trustee Steen requested a summary of the changes to the Technology & Innovation Committee Charter. Vice Chair Gonzalez responded that in light of the impacts of the recent winter weather event, she thought it prudent to expand the scope of the committee, now known as the Technology & Resilience Committee, to address resiliency from naturally occurring events, as well as cybersecurity events. Ms. Gold-Williams agreed and added that the committee will look at technological developments and their impacts on resiliency. Mayor Nirenberg requested that, in the future, redlines of revised governance documents, such as charters and bylaws, be included with the Board materials.

Chair Dr. Mackey inquired whether an abstention on the vote count for the Board Operating Procedures (Procedures) should be more fully recorded in the draft minutes of the March 29, 2021 meeting. Ms. Shellman agreed to add the abstention to the vote count. Additionally, Trustee Steen noted that he was in favor of the Procedures, but because they were confusing and their adoption was not time-sensitive, he had suggested that the vote be postponed for a month. Therefore, he asked that an explanation of the reason for his vote be included in the minutes. Ms. Shellman agreed to make the change.

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Chair Dr. Mackey called for the vote and the Consent Agenda was approved by a vote of 4-1, Vice Chair Gonzalez voting against.

After discussion, it was determined that the minutes should include a clarification of Vice Chair Gonzalez' vote. That is, she intended to vote no on the overhead electric distribution services (Item 7.E.2.) and ask that the MSP procurement (Item 7.E.1.) be deferred for one month.

Approval of Minutes

Minutes of the Special Board Meeting held on March 1, 2021 were approved as written, and minutes for the Regular Board Meeting held on March 29, 2021, were approved with the revisions requested by Chair Dr. Mackey and Trustee Steen.

Approval of Payment to the City of San Antonio for March 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 March 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$189,370,808.20, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$24,353,201.69. Under the previously approved agreement with the City, CPS Energy will advance to the City \$24,353,201.69 against future months' revenues for fiscal year 2022. The revenue for the month of March 2021 is calculated as follows:

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|---|-------------------------|
| Gross revenue per CPS Energy financial statements | |
| Electric revenue | \$154,032,773.54 |
| Gas revenue | 5,949,768.32 |
| Interest and other income | (891,886.68) |
| Gross revenue per CPS Energy financial statements | <u>159,090,655.18</u> |
| Excluded revenue | |
| School and hospital revenue per City Ordinance 55022 | (5,551,811.70) |
| 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 | (8,984,666.17) |
| Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue | <u>44,816,630.89</u> |
| Total excluded revenue | <u>30,280,153.02</u> |
| Gross revenue per New Series Bond Ordinance subject to 14% payment to the City | <u>\$189,370,808.20</u> |

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|---|------------------------|
| City payment per Bond Ordinance for March 2021 based upon March 2021 revenue | \$26,511,913.15 |
| City payment per memorandum of understanding (MOU) regarding wholesale special contracts | 353,971.94 |
| Wholesale Special Contract Annual True Up | 0.00 |
| City Payment reduction per gas customer billing adjustment MOU | (12,500.00) |
| City payment per Bond Ordinance plus adjustments for memorandums of understanding | 26,853,385.09 |
| Utility services provided to the City for March 2021 | (2,591,706.12) |
| Net amount to be paid from March 2021 revenue to the City | <u>\$24,261,678.97</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)

| March 2021 | Actual | Budget | Variance | |
|-------------------------|----------|----------|----------|-------|
| Current Month* A | \$26,853 | \$23,623 | \$3,230 | 13.7% |
| Year-to-Date* | \$48,542 | \$47,721 | \$821 | 1.7% |

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

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 \$24,261,678.97, representing 14% of applicable system gross revenues for the month of March 2021, such payment being net of City utility services (\$2,591,706.12), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2022 is \$46,042,101.29.

Technology & Innovation (T&I) Committee Charter Update

The proposed changes to the T&I Committee Charter were approved as submitted.

Approval of Procurement Items - April 2021

Four (4) Non-Competitively Sensitive Items

| | |
|----------------------------|--|
| Item Description: | Managed Service Provider - Staff Augmentation, Direct Hire, Contingent Placement Services |
| Purchase: | General Services |
| Category: Supplier: | Broadleaf Results, Inc. |
| Item Description: | Overhead Electric Distribution Services Purchase Order Correction |
| Purchase: | General Services |
| Category: Supplier: | Chain Electric Company |
| Supplier: | Greenstone Electric Services LLC |
| Supplier: | Pike Electric LLC |

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| Item Description: | System Protection Engineering Services |
| Purchase Category: | Professional Services |
| Supplier: | Black & Veatch Corporation |
| Supplier: | SynchroGrid Limited, LLC Gate |
| Item Description: | Gate and Fencing Installation and Repair Services |
| Purchase Category: | General Services |
| Supplier: | Franchise Maintenance Organization Inc. dba FMO Inc. |

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

VIII. ACCEPTANCE OF ANNUAL AUDITED FINANCIAL STATEMENTS

Ms. Jodi Dobson with Baker Tilly Virchow Krause, LLP provided an overview of the FY2021 financial audit via telephone. The entire audit, comprised of 2,800 hours, was remotely conducted. The audit was conducted in accordance with Generally Accepted Accounting Standards and, because CPS Energy received some state funding during the fiscal year, governmental auditing standards.

The audit's objective is to obtain reasonable assurance that financial statements are free from material misstatement. Ms. Dobson stated that the financial statements received an unmodified (or clean) opinion.

While the auditors need to understand our internal controls and processes to perform the audit, they do not render an opinion on those controls. Ms. Dobson noted that no material weaknesses or significant deficiencies were noted with our internal controls.

Ms. Dobson provided required communications to the Board. She highlighted that a footnote about a known and subsequent event, the winter storm that occurred in February 2021, has been added to the financial statements. Although the storm occurred after FY2021, it was prior to the issuance of the audit and accounting standards indicate, and management agrees, that it is important for the reader to have some information about the event.

Chair Dr. Mackey thanked Ms. Dobson for her presentation.

Trustee Steen asked whether Ms. Carmen Garcia, President and CEO of C.C. Garcia & Company, also part of the audit team, was available by telephone. It was noted that she was not, although she participated in the earlier briefing to the Audit & Finance Committee. Ms. Gold-Williams added that she believes the comments of the entire audit team are included in the audit report.

Trustee Steen, Ms. Gold-Williams and Mr. Gold discussed auditing CPS Energy's internal controls. It was noted that such an audit has never been conducted, but it would be part of the upcoming request for proposals for the financial audit. During the discussion, Mr. Gold clarified that the SA Energy Public Facility Corporation (PFC) conducted an internal control audit two years ago and another is scheduled for FY2021.

In response to comments by Trustee Kelley and Vice Chair Gonzalez, Mr. Gold agreed to include in the footnote referenced by Ms. Dobson a way for readers to obtain more information about the event. Vice Chair

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Gonzalez suggested a hyperlink to the CPS Energy website that in turn would include a link to the Electronic Municipal Market Access (EMMA) website.

At Trustee Steen's request, Ms. Dobson commented that governmental entities rarely conduct internal control audits, except for specific programs that receive federal funding.

On a motion duly made by Trustee Steen and seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the annual audited financial statements were accepted.

The Board took a short break at this time.

IX. FY2022 FINANCIAL PLAN PART 1 – CONTINUING EFFORTS TO HELP OUR CUSTOMERS

Ms. DeAnna Hardwick, Vice President, Customer Success, recapped continued **People First** efforts to assist our customers in a variety of ways to help them recover from the pandemic, including payment support options. She highlighted our portfolio of support options and the Customer Outreach Resource Effort (CORE) team that connects customers to valuable programs and resources.

Ms. Hardwick noted that after the pandemic accelerated at the start of 2020, we suspended disconnections and waived late fees in March 2020. Through the end of March 2021, we have called over 69,000 customers and identified over \$21 million for customer assistance through programs such as the Residential Energy Assistance Partnership (REAP) and other agency partners. We are now contemplating when to resume disconnects.

Mr. Garza provided an overview of the pandemic landscape that we continue to monitor. The landscape is made up of customer assistance factors such as agency support and accessibility to CARES funding, CPS Energy assistance programs, and CORE and other outreach programs, as well as external factors, such as COVID-19 health and social impacts, community economic indicators and financial impacts. He noted the positive trends in health and economic indicators. Regarding industry trends, 14 of 16 Texas companies we contacted have either never suspended disconnects, or resumed or announced the resumption of disconnects this summer. Only two areas in Texas, including San Antonio, have yet to determine when disconnects will resume.

Turning to the status of customer accounts, Mr. Garza noted that approximately 15 percent of our customer base, or about 82,800 customers, owing \$36 million, are eligible for disconnect. Another 28 percent, owing \$65 million, are more than 30 days past due. As of March 2021, approximately 56 percent of residential customer revenue and 19 percent of commercial revenue is more than 30 days past due. The average past due bill is \$544.

Mr. Garza stated that moving forward, we will continue to work with our governmental partners that have access to funding not available to CPS Energy, to create a phased approach to resuming disconnects, continue communicating to promote awareness of our plans, and promote customer assistance programs.

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In response to Trustee Steen's question, Mr. Garza described the general disconnection process. He stated that a good percentage of customers will make payment arrangements after being contacted about potential disconnection. Normally, we suspend disconnects when temperatures are expected to reach 100 degrees, typically during August and September.

In response to Vice Chair Gonzalez, Mr. Garza stated that CPS Energy works with over 20 social service agencies as well as the City of San Antonio and Bexar County. Vice Chair Gonzalez asked Mayor Nirenberg whether any federal funds received by the City could be used to assist utility customers through REAP. The Mayor and Erik Walsh, City Manager, explained that when the proposal to use REAP for the distribution of CARES funds arose in 2020, all funds allocated to the City had already been distributed. Currently, the rules for the American Rescue Plan Act (ARPA) funding have not been issued so their proper use is unknown. If ARPA funds may be provided to REAP for utility assistance, that would also need to be coordinated with the County. Mayor Nirenberg noted that housing is more than just rent or mortgage assistance. Through the City's Emergency Housing Assistance Program, more than \$11 million for 83,000 families has been used for utility assistance to date. The Mayor suggested waiting for the ARPA rules and additional specific housing relief expected from the federal government that may go above ARPA. He noted that \$1 billion in federal funds for housing relief is being provided to the State of Texas. He suggested working with SAWS and the County to identify pockets of housing relief dollars to ensure people can stay in their homes. He also suggested communicating with our legislative delegation to rewrite the state housing program criteria to loosen up some of those funds for utility assistance.

Vice Chair Gonzalez asked that we be mindful about asking small businesses to carry the weight when they are also struggling.

Vice Chair Gonzalez requested an update from Kathy Garcia, Vice President Government & Regulatory Affairs & Public Policy, about our activity at the state level so the Board may determine how to have a greater impact and get as much assistance as we can.

Mayor Nirenberg expressed his appreciation for the thoughtfulness with which this issue is being approached.

Trustee Steen asked Ms. Gold-Williams for her perspective. She replied that there is a fine balance that must be struck. CPS Energy truly cares about its customers. Their ability to get back on their feet is extremely important to the entire economy but we also need to be mindful of the growing debt that we continue to carry. We started casework with customers before the pandemic and we have "doubled down" on them by trying to be helpful and patient with them. We have wanted to get more direct federal assistance, but utilities have not qualified. We have tried working with federal and state elected officials, but funding has not come to fruition. While we have received some money from the City and County, the need is greater. Ms. Gold-Williams stated that she appreciated commentary from the Mayor and Mr. Walsh and will lean into it; however, we do need to thoughtfully get back to normal, giving customers as much grace as possible.

Vice Chair Gonzalez thanked Ms. Gold-Williams, noting that this has not been easy. She referenced the internal controls issue discussed earlier and stated that employees must understand the consequences of their daily decisions. We cannot afford any costly mistakes. We cannot control the weather, but we must manage this organization by the things we can control. Ms. Gold-Williams agreed.

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X. FY2022 FINANCIAL PLAN PART 2 – LANDSCAPE & CHALLENGES

Ms. Julie Johnson, Senior Director of Treasury & Finance, Financial Services, presented the second part of the FY2022 Financial Plan presentation, focused on the challenges that have been considered in our financial planning.

Like FY2021, FY2022 is not shaping up to be a typical year. Ms. Johnson explained the factors that are shifting our landscape and creating new challenges: customer growth; service level expectations; the continuing effects of COVID-19; lower projected wholesale revenues; and Winter Storm Uri costs, ongoing uncertainty and recovery.

In response to the challenges, we have adopted a short-term strategy of prioritization and cost control. We continue to prioritize our essential services work and look for financial mitigations to protect liquidity. Although non-fuel O&M expenses remain relatively flat, underlying drivers for a rate increase remain.

Ms. Johnson reiterated how COVID-19 has impacted our receivables. Past due balances are currently about 42 percent of our receivables versus last year's 25 percent ratio. Bad debt is expected to be over 2 percent of retail revenue in FY2022. This increases pressure on customers since, as a cost recovery business, when some customers do not pay, others must do so to maintain stability.

Regarding Winter Storm Uri, current best estimates indicate fuel expenses of approximately \$1.035 billion, \$670 million for natural gas and \$365 million for purchased power from ERCOT. Ms. Johnson added that CPS Energy continues to pursue multiple options to reduce these expenses to a justified and legitimate level and to protect its customers.

In summary, the FY2022 Financial Plan is challenged by San Antonio growth, and lower projected wholesale and retail revenues that are impacting our ability to maintain operations. Unrecovered receivables due to the pandemic and expenses resulting from Winter Storm Uri are also key challenges. In response, the Financial Services team is working to update the plan to ensure sustainability with customer affordability as a primary focus.

In May, the Board will review the sustainability approach and the revised budget. In the meantime, CPS Energy will continue assisting and protecting its customers.

Trustee Kelley expressed appreciation for our efforts to assist customers but countered that CPS Energy cannot help customers if it does not stay in business. He commented that we deliver to our customers the things they consistently say they prioritize- affordability and reliability, and we continue to fund approximately 30 percent of the City's budget. But we do not get credit for that because we do not tell our story. He expressed great concern about the company's current financial situation relative to receivables and bad debt and noted that the last rate increase, 4.5 percent, was seven years ago. He stressed that others need to help carry the financial load and recounted that, as a child growing up in a poor household, family members figured out how to financially manage, adding that others need to figure out the current predicament.

Responding to Trustee Kelley, Mayor Nirenberg stated that the message from the Board to the community that owns CPS Energy is not that they need to figure this out on their own. As mayor of this city, he wanted to make it abundantly clear that it is not our position that the people who have been struggling with the

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pandemic over the last 14 months are on their own. He stated that he understands the financial pressures and the payment back to the City, which is by design. But he stressed that we all are in this together until the end of the pandemic and everyone is picking up a share of the burden. We will figure this out together with the people of this community.

XI. EXECUTIVE SESSION

At approximately 3:53 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:

- Attorney-Client Matters (§551.071)
- Competitive Matters (§551.086)
- Personnel Matters (§551.074)

The Board reconvened in open session at 4:53 p.m. The quorum was re-established with the presence of three Board members: Chair Dr. Mackey, Trustee Kelley and Trustee Steen. Ms. Shellman reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

Before the meeting adjourned, Trustee Steen read the following statement concerning the status of the independent review of CPS Energy's winter storm response:

On March 1st, this board unanimously adopted a resolution approving an independent review of CPS Energy's 2021 winter storm response:

... the CPS Energy Board of Trustees hereby approves and initiates a full independent review of CPS Energy's preparation for and responses to the winter storm of February 2021. This review will be directed by and accountable to the Board of Trustees under such processes and by such entities or individuals as the Board of Trustees may hereafter decide, independent of direction or accountability to existing management. The review will include the following:

- *CPS Energy's preparation for and response to the storm, including preparedness, communication and management reaction to the situation, including practices that worked well, as well as any that did not; and*
- *What systems or practices can be considered or implemented to ensure that in the future, all stakeholders of the company can be assured that our Guiding Pillars of Reliability, Customer Affordability, Safety, Security, Environmental Responsibility, and Resiliency, all grounded in our Foundation of Financial Responsibility, are well and capably balanced and met.*

Because I believe the expectation was that we would undertake this review with dispatch, I'm concerned that we've not yet even engaged the outside firm that will do this work.

By contrast, SAWS announced that on February 21st it hired Kansas City-based engineering firm Black & Veatch to answer three basic questions:

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- Was SAWS prepared?
- What did SAWS do during the event?
- What's going to happen next?

The expectation was that Black & Veatch would deliver its report within 60 days. So SAWS has either received its report or is to receive its report soon, and we're not even out of the gate. So, for the record, I want to express my concern about this state of affairs.

In response, Chair Dr. Mackey advised that he had only received pertinent information about the independent review that day and, in the interest of allowing an opportunity for review, he asked that the Board address it next month.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Steen and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:57 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

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CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MAY 24, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of May was held on Monday, May 24, 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
Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability, & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Mr. Rudy Garza, Chief Customer Engagement Officer
Mr. Gary Gold, Chief Business Excellence Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. INVOCATION AND PLEDGE OF ALLEGIANCE

An invocation and the Pledge of Allegiance were delivered by Mr. LeeRoy Perez, Senior Director, Substation & Transmission.

II. SAFETY MESSAGE

The Board meeting began with safety messages delivered by Mayor Nirenberg and Ms. Gold-Williams.

Ms. Gold-Williams highlighted changes to CPS Energy's COVID-19 protocols, emphasizing physical distancing but indicating that masks are now optional. She explained that CPS Energy has new procedures for interacting with customers in the field and at payment centers, and noted that if customers want CPS Energy employees to wear masks, best efforts will be made to accommodate. We will continue to encourage employees to be vaccinated.

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Ms. Gold-Williams noted that over the weekend there were no new COVID-19 cases at CPS Energy and that CPS Energy continues to be diligent and is seeing great improvement.

Mayor Nirenberg provided an update on the City of San Antonio's (City's) COVID-19 activity and vaccination progress. Mayor Nirenberg noted that some guidelines have changed for City facilities. The City is reporting that vaccinations are available and is encouraging people to be vaccinated.

Ms. Loretta Kerner, Director of Board Relations, Chief of Staff, provided a review of CPS Energy's evacuation plan for the Board Room.

III. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Kerner outlined the guidelines for doing so. The following persons made comments:

1. Ms. Molly (no last name provided), a Bexar County resident, raised concerns that CPS Energy would be disconnecting people affected by the winter storm event who are experiencing financial hardship. She requested that CPS Energy not disconnect customers and work with City programs as customers seek assistance.
2. Ms. Isabella Brisen, Texas Rising, requested that CPS Energy pause disconnections for the remainder of 2021. She stressed safety concerns associated with disconnections during the summer season. She also mentioned that there is a need for a critical care program to ensure power supply to those who have medical conditions.
3. Ms. Lexy Garcia, Texas Rising, expressed dissatisfaction with CPS Energy's performance, communication and responsiveness. She objected to disconnections and rate increases. She was not in agreement with recent comments from Trustee Ed Kelley pertaining to CPS Energy ratepayers facing economic hardship.
4. Ms. Elizabeth Montgomery, a resident of the 78232 area code, asked the Board to not resume disconnections or increase rates for customers for the remainder of 2021.
5. Ms. DeeDee Belmares, Public Citizen, expressed appreciation to Vice Chair Gonzalez for nominating her to the Rate Advisory Committee (RAC). Ms. Belmares believes that the RAC's work comes at a critical time as CPS Energy considers resuming disconnections and a rate increase while customers are still trying to recover from the financial effects of the pandemic and the winter storm event.
6. Ms. Karen Muñoz, St. Mary's University law student, was critical of Trustee Kelley's comments concerning the ongoing pandemic and the consequences of the winter storm. Ms. Muñoz requested that CPS Energy not resume disconnects and not raise rates and urged other solutions.
7. Mr. Aaron Arguello, Move Texas, expressed his concern that the winter storm event and pandemic caused many to fall behind on bills, and urged no disconnects for the remainder of 2021. He also urged protection from disconnects for those who have critical-care medical conditions. He

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requested that CPS Energy not pass the costs associated with Winter Storm Uri on to customers and called for no rate increases.

8. Mr. Terry Burns, Sierra Club, objected to challenges to the petition to remove CPS Energy's Board of Trustees (Board). He also objected to costs from the winter storm event, resuming disconnects and rate increases.
9. Dr. Meredith McGuire, Sierra Club, spoke against any rate increase for residential customers and was critical of the rate structure for commercial and residential customers.

IV. CEO'S REPORT

Ms. Gold-Williams provided an overview of her written report and noted that the report would be posted after the meeting.

Ms. Gold-Williams stated that there have been no disconnects since CPS Energy suspended disconnects in March 2020. She explained that some utilities in Texas have already resumed disconnects, but that CPS Energy understands the sensitivity of the situation and recognizes that there are many customers who need help. She noted that CPS Energy has payment plans and the Energy Angels Program, and that other forms of assistance are available. Ms. Gold-Williams stated that CPS Energy has not set a reinstatement date for disconnecting customers who do not pay their bills, but that management would be working with the Board to identify when that date will be. She stressed that CPS Energy is committed to helping its customers and stabilizing normal operations.

Ms. Gold-Williams explained that the Board would hear Part 3: The Sustainability Approach of the financial plan, a preview addressing the need for rate increases to sustain normal operations. She expressed pride that CPS Energy has only had one rate increase in the past eleven years—seven years ago. Ms. Gold-Williams emphasized the importance of operations as the city continues to experience increased development. She noted that delinquent accounts have increased over \$100 million, and that Winter Storm Uri itself created an additional \$1 billion in incremental costs.

Ms. Gold-Williams explained that CPS Energy is not requesting a rate increase at this time but would only be discussing general estimates for what a rate increase might be. She noted that a formal request for a rate increase would be a separate process to be conducted after CPS Energy evaluates its summer, after having provided updates to the Board throughout the summer, and after the opportunity to answer questions from the community and have conversations with the public. She identified a potential September/October timeframe for such a request to the Board.

Ms. Gold-Williams provided an update concerning CPS Energy's response to the Mayor's Committee on Emergency Preparedness (CEP). She reported that CPS Energy has worked with the committee for over a month on this effort and has answered all 35 of the committee's requests for information.

Ms. Gold-Williams explained that CPS Energy is in discussions with parties, including the Power Subcommittee of the San Antonio Economic Development Foundation (SAEDF), concerning ideas and projects to improve the overall stability of the grid. She also reported that CPS Energy is meeting with suburban cities to discuss ideas to improve **Resiliency**.

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Ms. Gold-Williams discussed a preliminary version of the Resilience Landscape and Plan, which will be submitted to the Board's Technology and Resiliency Committee. She explained that the report emphasizes the ability of CPS Energy's systems to recover from an event and return to full operation, and addresses challenges associated with **Resiliency** such as weather events, cyber issues, and geomagnetic disturbances, and how to create more **Reliability** across Texas. She stressed that this first draft will continue to be updated.

Ms. Gold-Williams also explained that as part of its efforts to strengthen **Resiliency**, CPS Energy would be reviewing its emergency operation procedures, conducting training, and engaging in table top exercises. She mentioned that table top exercises are planned with the City under City Manager Erik Walsh's direction, and that CPS Energy is also working on table top exercises with utilities including the San Antonio Water System (SAWS). Vice Chair Gonzalez requested that the Board's review of all **Resiliency** options include an equity lens component.

After concluding her prepared remarks, Ms. Gold-Williams introduced Mr. Gary Gold, Chief Business Excellence Officer and former CFO. She, Chair Dr. Mackey and the Trustees recognized Mr. Gold's impending retirement and congratulated him on a career spanning almost sixteen years with CPS Energy. Ms. Gold-Williams also introduced Mr. Kuchinsky, whose appointment as Treasurer of the CPS Energy Board is being proposed, and noted that Mr. Kuchinsky was recently promoted to CFO. The Board members expressed their congratulations.

V. RESOLUTION FOR APPOINTMENT OF TREASURER TO THE CPS ENERGY BOARD OF TRUSTEES

On motion duly made by Trustee Steen, seconded by Trustee Kelley, and upon affirmative vote by all members present, the following resolution was approved:

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

WHEREAS, effective August 1, 2020, CPS Energy appointed Gary Gold to serve as the Interim Chief Financial Officer (CFO), to oversee all of CPS Energy's financial functions; and

WHEREAS, Mr. Gold announced that he will retire on June 30, 2021; and

WHEREAS, to effectuate a smooth transition, effective May 17, 2021, Mr. Gold was named Chief Business Excellence Officer and CPS Energy appointed Cory P. Kuchinsky to serve as the Chief Financial Officer (CFO), to oversee all of CPS Energy's financial functions; and

WHEREAS, in his new role as CFO, Mr. Kuchinsky will assume responsibility for managing and directing the financial transactions that require Board of Trustees approval and will be providing support to the Board related to these financial matters; and

WHEREAS, Mr. Kuchinsky was most recently and currently serves as an Assistant Treasurer, and

WHEREAS, the Board previously appointed Shannon R. Albert, who now serves as Vice President – Accounting, Julie Johnson, who now serves as Sr. Director, Treasury & Finance, and Maricela Benavides, who

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now serves as Sr. Director, Financial Systems & Strategic Projects, to serve as Assistant Treasurers to the Board; and

WHEREAS, one Treasurer and three Assistant Treasurers will facilitate more effective and timely financial transaction coverage.

NOW, THEREFORE, BE IT RESOLVED that the CPS Energy Board of Trustees hereby approves the appointment of Cory P. Kuchinsky as Treasurer to the Board of Trustees, effective May 17, 2021.

VI. EXECUTIVE SESSION

At approximately 2:04 p.m., Ms. Shellman 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:

- Personnel Matters (§551.074)

The Board reconvened in open session at 4:23 p.m. The quorum was re-established. Ms. Shellman 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.

VII. BOARD'S INDEPENDENT REVIEW OF THE 2021 EXTREME WINTER WEATHER EVENT

The item was pulled from the agenda over Trustee Steen's objection. Mayor Nirenberg commented that the decision to delay action concerning the item, apart from time constraints, was made so that a report from a select committee of the City of San Antonio appointed by Mayor Nirenberg to address the extreme winter storm event, which is expected to be completed by June 15, 2021, can be considered as part of the Board's requested review.

VIII. APPROVAL OF CONSENT ITEMS

On motion duly made by Trustee Kelley, seconded by Trustee Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes of the Special Board Meeting held on April 22, 2021 were approved with amendments noted to item 1, section 2. It was noted by Ms. Gold-Williams in a response to a question from Trustee Steen that minutes for the April 26, 2021 Regular Board Meeting would be submitted for Board approval during the June 28, 2021 Board meeting to allow time for additional edits.

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Approval of Payment to the City of San Antonio for April 2021

The April 2021 payment was approved by the Board. A correction to the report was made to include the correct amount of payment made year-to-date, to reflect \$73,130, at the request of Trustee Kelley.

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 April 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$181,421,777.76, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$3,376,981.06. Under the previously approved agreement with the City, CPS Energy will advance to the City \$3,376,981.06 against future months' revenues for fiscal year 2022. The revenue for the month of April 2021 is calculated as follows:

| | |
|---|-------------------------|
| Gross revenue per CPS Energy financial statements | |
| Electric revenue | \$177,224,654.03 |
| Gas revenue | 14,420,213.12 |
| Interest and other income | 2,047,406.09 |
| Gross revenue per CPS Energy financial statements | <u>193,692,273.24</u> |
| Excluded revenue | |
| School and hospital revenue per City Ordinance 55022 | (6,581,724.63) |
| 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 | (13,113,883.47) |
| Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue | <u>7,425,112.62</u> |
| Total excluded revenue | <u>(12,270,495.48)</u> |
| Gross revenue per New Series Bond Ordinance subject to 14% payment to the City | <u>\$181,421,777.76</u> |
| City payment per Bond Ordinance for April 2021 based upon April 2021 revenue | \$25,399,048.89 |
| City payment per memorandum of understanding (MOU) regarding wholesale special contracts | 1,019,402.57 |
| Wholesale Special Contract Annual True Up | 0.00 |
| 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 | 26,405,951.46 A |
| Utility services provided to the City for April 2021 | <u>(2,652,861.57)</u> |
| Net amount to be paid from April 2021 revenue to the City in May 2021 | <u>\$23,753,089.89</u> |

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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)

| April 2021 | Actual | Budget | Variance | |
|-------------------------|----------|------------|----------|------|
| Current Month* A | \$26,406 | \$25,409 | \$997 | 3.9% |
| Year-to-Date* | \$74,948 | \$73,130** | \$1,818 | 2.4% |

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

**This amount excludes an adjustment of \$1,233K to the March 2021 budgeted city payment amount. This adjustment was made after the issuance and approval of the April 26, 2021 City Payment Report. This adjustment to the budget amount will be reflected in the report that will be presented for approval on June 28, 2021.

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 \$23,753,089.89 representing 14% of applicable system gross revenues for the month of April 2021, such payment being net of City utility services (\$2,652,861.57), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2022 is \$49,419,082.35.

IX. 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.

Audit & Finance (A&F) Meeting held on April 15, 2021

A report of the A&F meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "A") to the meeting minutes.

Employee Benefits Oversight Committee (EBOC) Meeting held on April 15, 2021

A report of the EBOC meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "B") to the meeting minutes.

A&F & EBOC Aligned Risk Sub-Committee Meeting held on April 15, 2021

A report of the A&F & EBOC Aligned Risk Sub-Committee meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.

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Master Planning Oversight Committee (MPOC) Meeting held on April 26, 2021

A report of the MPOC meeting, which took place on April 26, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "D") to the meeting minutes.

X. FY2022 FINANCIAL PLAN PART 3 – SUSTAINABILITY APPROACH

Mr. Kuchinsky provided a presentation on CPS Energy's financial sustainability efforts that included a review of CPS Energy's current financial landscape, an explanation of the drivers of a provisional rate increase, a discussion of the risks and consequences of removing the provisional rate increase, a review of **Customer Affordability**, and an outline on the path forward.

Mr. Kuchinsky explained that CPS Energy's Sustainability Approach has two elements, a cost control component and a potential provisional rate increase. He emphasized that managing affordability was CPS Energy's utmost priority.

The sustainability model presented by Mr. Kuchinsky addressed costs due to operations and growth, pandemic-related bad debt recovery, and fuel cost recovery associated with Winter Storm Uri. Mr. Kuchinsky set out the estimated bill impact for these matters and reported a combined projected provisional increase of between 6.5% and 9.5% for all of these cost recovery efforts.

Mr. Kuchinsky reminded the Board that CPS Energy's only rate increase during the last 11 years occurred seven years ago, in 2014. He described CPS Energy's ability to avoid rate increases in part through cost savings and maximizing efficiencies achieved during the last several years.

Trustee Kelley remarked favorably on CPS Energy's ability to avoid rate increases for such a long period of time. He noted that CPS Energy has the lowest energy costs in Texas and among the lowest in the country with the last rate increase of 4.5% occurring seven years ago. Mr. Kelley maintained these points prove that CPS Energy is very efficient and that they should be stressed.

Vice Chair Gonzalez inquired about the location of capital project improvements in the community, and added that she would like to see these from an equity lens.

Mayor Nirenberg requested more detail of the estimates on operations and future customer growth. He inquired whether the projected estimates factor accounts for the **FlexPOWER BundleSM**, and requested maintenance cost information.

Mayor Nirenberg also commented that final costs to CPS Energy from Winter Storm Uri are subject to challenge and litigation by CPS Energy and that CPS Energy will only pay for costs it actually owes, and those who suffered from the Winter Storm Uri event should not be saddled with unjustified bills.

Mr. Kuchinsky emphasized that these estimates in the presentation are subject to change and serve as a starting point for a conversation that will continue with the Board.

Vice Chair Gonzalez requested the percentage of customers who are senior citizens and who require the use of medical devices.

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XI. FY2022 FINANCIAL PLAN PART 4 – UPDATED BUDGET PROPOSAL

Ms. Albert provided a preview of the FY2022 & FY2023 budget projections for capital and non-fuel operations and maintenance (O&M) costs. She emphasized that CPS Energy's business model is as a cost recovery business in that revenue sources should meet usage costs. Ms. Albert noted that these budget items will be brought to the Board for a vote during the June 26, 2021 Board meeting. Ms. Albert presented the FY2022 budget estimate of \$2,715.7 billion. She also reported that CPS Energy's FY2022 budget projects a proposed loss of \$34.4 million, but a marked improvement in metrics during FY2023, with a net income estimate of \$71.9 million.

Ms. Albert noted that budget proposals are typically brought to the Board in February, but that the budget assumptions needed to be refreshed due to the impacts of COVID-19 and Winter Storm Uri on receivables and debt.

Ms. Albert indicated what the next steps would be for budget approval. She mentioned that CPS Energy would continue to monitor its financial performance and continue to give the Board updates on this matter. She anticipated bringing a proposal for a vote to the Board during the late fall.

Mayor Nirenberg questioned some of the growth assumptions but acknowledged being aware that some variability and changing of budget projections is expected going forward.

Vice Chair Gonzalez requested more detailed information on capital projects going forward, including capital investment by zip code and all projects put on hold during 2020.

Trustee Kelley noted that according to the budget estimates, 90% of revenue is coming from the retail electric business. He suggested CPS Energy would want to disaggregate that revenue number between residential, small business, and large business customers, and determine what the operating margins are in those three areas and what they are contributing to the cash flow of the company. Trustee Kelley also requested information on the marginal impact to customers.

Ms. Albert responded that data shows about 45 percent of revenue is generated from residential business and 47 percent of revenue from commercial/industrial revenue, with a small portion from other rate classes.

Trustee Kelley also cautioned that if CPS Energy is increasingly relying on financial markets to increase debt while the cash generating portion of revenue is declining, it should look at the capital expenditures critically to identify any capital projects that could be deferred.

XII. TEZEL SUBSTATION ROUTING & SITING

Mr. Perez presented a site recommendation for a substation located in the Tezel Road/Guilbeau Road area, inside San Antonio city limits. He explained that the project is in alignment with **Reliability** and is needed to increase capacity for residential and commercial growth in northwest San Antonio. Mr. Perez mentioned that the site choice minimizes proximity to residents, is adjacent to existing power lines and will not require resident displacement. He also explained that the site was among the lowest for projected costs and will not require any ordinances or impact federal species habitats.

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Mr. Perez also reported on CPS Energy's outreach efforts to residents in the affected area, which date back to 2020. He noted that the majority of the residents who provided comments on the project were either in support or neutral on the site recommendation. He also reported that the Citizens Advisory Committee (CAC) is in support of the recommendation.

Mr. Perez mentioned that the site recommendation will be considered during the Board's Public Input Session scheduled for June 24, 2021 and will likely be submitted to the Board for approval on July 26, 2021. The project is expected to be completed by January 2024.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Mayor Nirenberg, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:34 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval
at the June 28, 2021 meeting

**CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON JUNE 8, 2021**

A Special Meeting of the CPS Energy Board of Trustees was held on Tuesday, June 8, 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 2:00 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
Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. INVOCATION AND PLEDGE OF ALLEGIANCE

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

I. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

II. CHAIR'S COMMENTS

No comments were offered by Chair Dr. Mackey.

III. EXECUTIVE SESSION

At approximately 2:04 p.m., at the request of Chair Dr. Mackey, Board Secretary Carolyn Shellman 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 possible discussion of a number of posted items, including the following:

- Personnel Matters (§551.074)

Draft for review and approval
at the June 28, 2021 meeting

The Board reconvened in open session at 4:04 p.m. A quorum was re-established. City Attorney Andy Segovia, who was present during the Executive Session with the Board, reported that no decisions were made in Executive Session.

IV. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Ed Kelley, seconded by Trustee Janie Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:05 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

I

CPS Energy Board of Trustees Meeting June 28, 2021

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 nonfirm 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><u>\$180,827,381.66</u></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) 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 A |
| 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> |

CPS Energy Board of Trustees Meeting June 28, 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)

| May 2021 | Actual | Budget | Variance | |
|-------------------------|-----------|------------|----------|-------|
| Current Month* A | \$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.



CPS Energy Board of Trustees Meeting

June 28, 2021

APPROVAL of PROCUREMENT ITEMS

Table of Contents

1. **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.

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

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

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

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



CPS Energy Board of Trustees Meeting
June 28, 2021
PROCUREMENT FORM 1

| | |
|---|---------------------------------|
| Item Description | Welding and Mechanical Services |
| Purchase Order Value | \$30,000,000 |
| Purchase Category | General Services |
| Department | Power Generation |
| Senior Vice President | Benjamin Ethridge |
| Chief Power, Sustainability, & Business Development Officer | Frank Almaraz |

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

These contracts are required to provide on site mechanical and welding support for our generating fleet and will allow CPS Energy to execute generation facility projects to maintain reliability. The current contracts have experienced more demand than anticipated thus necessitating this requisition. This is a recurring procurement item; however, the current contract structure was debundled by removing the code welding portion allowing opportunity for additional smaller contractors to provide services. These contracts are for a three-year term and will expire on 6/27/2024.

Subcontracting opportunities associated with the contracts

CCC Group, Inc., TEI Construction Services, Inc., Thielsch Engineering, Inc., and Zachry Industrial, Inc. have all committed to subcontracting a portion of the work to diverse businesses.

Recommended Supplier(s) & Spend

| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value | PO # | Comments |
|---|---------------------|--|-----------------|--------------|---------|---|
| NEW B.C.A.D. ZION Corporation dba Quality Welding & Fabrication | Local / Diverse | Woman, Small, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196915 | Corporate headquarters based in San Antonio Metropolitan Area |
| NEW CCC Group, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196916 | |
| Mechanical Construction Services, Inc. | Non-Local / Diverse | Male, Small, Veteran, Non-Minority | Three (3) years | \$ 3,750,000 | 2196914 | |
| NEW Pro Serv Industrial Contractors, LLC | Non-Local / Diverse | Male, Small, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196918 | |



CPS Energy Board of Trustees Meeting
June 28, 2021
PROCUREMENT FORM 1 (continued)

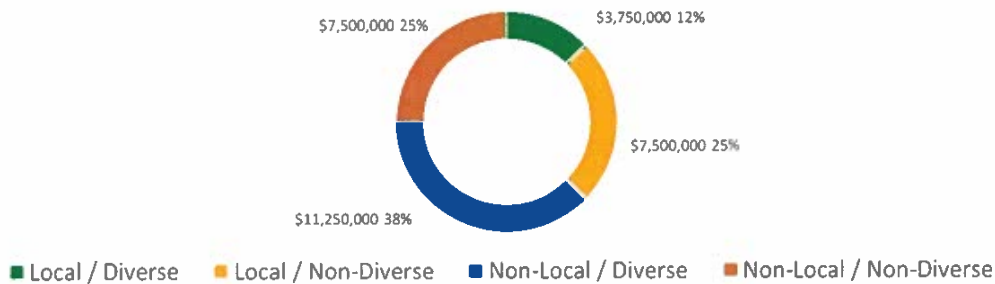
| | | | | | | |
|--|-------------------------|--|-----------------|----------------------|---------|--|
| NEW Scope Services, Inc. | Non-Local / Diverse | Woman, Large, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196920 | |
| TEi Construction Services, Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196919 | |
| NEW Thielsch Engineering, Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196921 | |
| Zachry Industrial, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) years | \$ 3,750,000 | 2196917 | Corporate headquarters based in San Antonio Metropolitan Area |
| Total | | | | \$ 30,000,000 | | |

| Annual Funds Budgeted | | | | | | |
|-----------------------|----------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------------|
| 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 | \$6,000,000 | 0.88% | \$10,000,000 | \$8,000,000 |
| 21 | Non-Fuel O&M | \$712,800,000 | \$2,000,000 | 0.28% | \$2,000,000 | \$2,000,000 |

*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: General Services





CPS Energy Board of Trustees Meeting
June 28, 2021
PROCUREMENT FORM 2

| | |
|---------------------------|--|
| Item Description | Engineering Services for Communication Systems |
| Purchase Order Value | \$2,000,000 |
| Purchase Category | Professional Services |
| Department | Technology Services |
| Vice President | Evan O'Mahoney |
| Chief Information Officer | Vivian Bouet |

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

These contracts will support CPS Energy to provide communication engineering services for our critical communications infrastructure. The contracts will provide engineering design support for outside plant cable, microwave radio systems, communications systems to CPS Energy sites, and any other form of Operational Technology (OT) communication design needs. These contracts are for a three-year term and will expire on 7/30/2024.

Subcontracting opportunities associated with the contracts

Burns & McDonnell Engineering Co. Inc., EN Engineering LLC, HMI Technical Solutions, LLC, M&S Engineering, LLC, and TRC Engineers, Inc. have all committed to subcontracting to diverse businesses.

Recommended Supplier(s) & Spend

| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value | PO # | Comments |
|--|-------------------------|---|-----------------|------------|---------|--|
| NEW Aeparmia Engineering, PLLC | Local / Diverse | Woman, Small, No Hub/Vet, Asian American | Three (3) Years | \$ 250,000 | 2197102 | |
| NEW Burns & McDonnell Engineering CO. Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197096 | |
| EN Engineering LLC | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197100 | |
| NEW HMI Technical Solutions, LLC | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197097 | |
| NEW M&S Engineering, LLC | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197098 | Corporate headquarters based in San Antonio Metropolitan Area |



CPS Energy Board of Trustees Meeting
June 28, 2021
PROCUREMENT FORM 2 (continued)

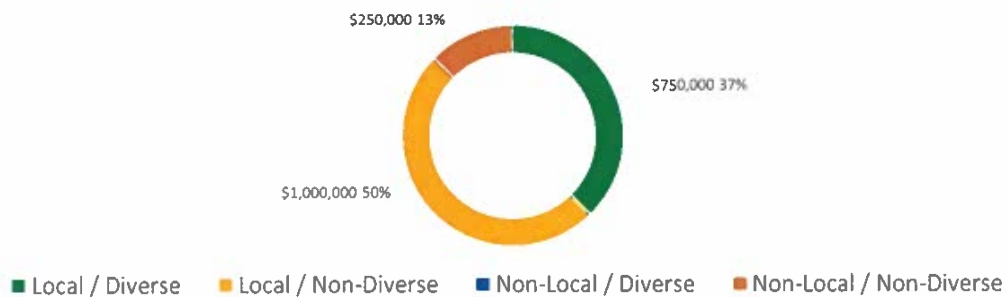
| | | | | | | |
|--|---------------------|--|-----------------|---------------------|---------|---|
| NEW PhaseLink Utility Solutions, LLC | Local / Diverse | Woman, Small, No Hub/Vet, Asian American | Three (3) Years | \$ 250,000 | 2197099 | Corporate headquarters based in San Antonio Metropolitan Area |
| NEW TOP Engineers Plus PLLC | Local / Diverse | Male, Small, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197101 | Corporate headquarters based in San Antonio Metropolitan Area |
| TRC Engineers, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | Three (3) Years | \$ 250,000 | 2197095 | |
| Total | | | | \$ 2,000,000 | | |

| Annual Funds Budgeted | | | | | | |
|-----------------------|----------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------------|
| 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 | \$400,000 | 0.06% | \$500,000 | \$750,000 |
| 21 | Non-Fuel O&M | \$712,800,000 | \$100,000 | 0.01% | \$100,000 | \$150,000 |

*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





CPS Energy Board of Trustees Meeting
June, 28 2021
PROCUREMENT FORM 3

| | |
|-------------------------|--|
| Item Description | Electrical Engineering Services for Natural Gas Infrastructure |
| Purchase Order Value | \$900,000 |
| Purchase Category | Professional Services |
| Department | Gas Solutions |
| Senior Director | Richard Lujan |
| Chief Operating Officer | Fred Bonewell |

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

These contracts are for electrical engineering services associated with new gas construction projects and maintenance of existing gas infrastructure. These contracts provide technical support from multi-discipline engineering firms and subject matter experts required to support specialized areas associated with electrical and communication equipment necessary to support our natural gas system and maintain regulatory compliance. These contracts are for a two-year term and will expire on 6/30/23.

Subcontracting opportunities associated with the contracts

EN Engineering, Inc. and HMI Technical Solutions, LLC both have committed to subcontracting a portion of work to diverse businesses.

Recommended Supplier(s) & Spend

| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value | PO # | Comments |
|--|---------------------|---------------------------------------|---------------|-------------------|---------|----------|
| EN Engineering, Inc. | Local / Non-Diverse | Male, Large, No HUB/Vet, Non-Minority | Two (2) years | \$ 450,000 | 2196404 | |
| NEW HMI Technical Solutions, LLC | Local / Non-Diverse | Male, Large, No HUB/Vet, Non-Minority | Two (2) years | \$ 450,000 | 2196405 | |
| Total | | | | \$ 900,000 | | |



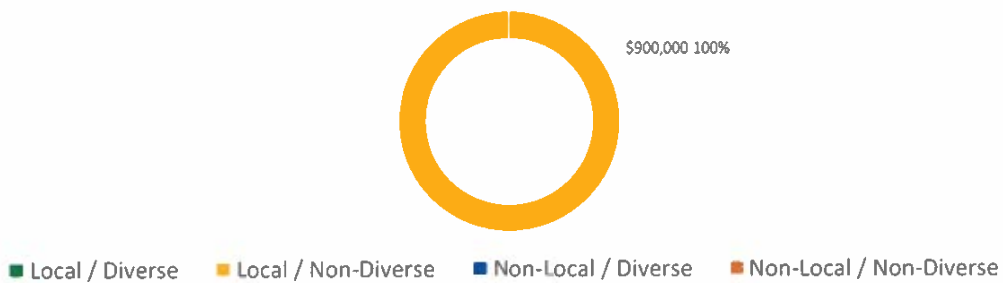
CPS Energy Board of Trustees Meeting
June 28, 2021
PROCUREMENT FORM 3 (continued)

| Annual Funds Budgeted | | | | | | |
|-----------------------|----------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------------|
| 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 | \$375,000 | 0.05% | \$375,000 | \$0 |
| 21 | Non-Fuel O&M | \$712,800,000 | \$75,000 | 0.01% | \$75,000 | \$0 |

*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





Power Generation (PG) On-site Welding and General Mechanical Services Contract Award Recommendation

INTRODUCTION:

PG utilizes various types of contractors to supplement internal staff in our ongoing efforts to provide **reliable, affordable** electrical energy. Much of the work that we do requires support from various types of construction contractors. This procurement allows for a wide variety of on-site welding and mechanical construction services to be provided from several qualified firms.

BENEFITS OF ON-SITE WELDING AND MECHANICAL SERVICES CONTRACTS:

These contracts will allow CPS Energy employees to simply and efficiently solicit competitive bids from multiple contractors for various on-site welding and mechanical construction work scopes. Many of these work scopes are limited in nature and can be effectively managed using procedures and techniques that help assure **safe**, on-time execution of quality work. The contracts also allow for rapid-response resources to be brought on-site on a time and materials basis, many times within hours of identifying an emergent need.

Without these contracts, CPS Energy would be required to utilize a full procurement process for each miscellaneous scope of this type of work. These procurements would each require its own formal posting, detailed review of an unlimited number of submitted proposals, unique contract negotiations involving legal support, and a longer approval process.

In short, use of these contracts supports CPS Energy's commitment to being one of the best-managed and most **Financially Responsible** utilities in the nation.

ANTICIPATED SPEND:

Our average annual spend for this type of work from FY2018-FY2021 was ~\$6.0M. Going forward, we also anticipate utilizing these new contracts to support major maintenance projects including Selective Catalytic Reduction (SCR) catalyst replacement, air pre-heater basket replacement, and other work as needed. Because of this increased work going forward into FY2022 – FY2024 and beyond, we estimate approximately \$2M in annual run-the-business O&M projects and approximately \$6M-\$10M annually for capital projects, for a total of approximately \$10M/year over the next three years.

Table 1. Projected Spend

| | FY22 | FY23 | FY24 |
|----------------------|------------|-------------|-------------|
| O&M (\$M) | 2.0 | 2.0 | 2.0 |
| Capital (\$M) | 6.0 | 10.0 | 8.0 |
| Total (\$M) | 8.0 | 12.0 | 10.0 |

PROCUREMENT PROCESS:

These construction services are procured utilizing a standard process based upon a Request for Proposals (RFP) methodology. We issued an RFP and received 9 proposals. One company was disqualified for not meeting minimum requirements, while the remaining 8 demonstrated that they could provide valuable services to CPS Energy.

Working closely with procurement personnel we decided to debundle “code welding” from this procurement. “Code welding” refers to stringent requirements established by the American Society of Mechanical Engineers (ASME) in their Boiler and Pressure Vessel Code (BPVC), that pertain to boilers and high-pressure piping and vessels and requires additional levels of licensing and certifications. Debundling allowed us to open this particular RFP to a broader range of organizations. Ultimately, of the eight companies now recommended for award, we were able to secure:

- 5 companies new to this recurring contract (2 new to CPS Energy);
- 3 local companies (2 with headquarters in the San Antonio area); and
- 4 which are small, minority, woman or veteran (SMWV)-owned businesses.

The four that are not SMWV-owned have all committed to utilize SWMV subcontractors.

Though the companies vary in size and current capabilities, we believe that each will be able to execute multiple scopes of work for us. Therefore, we recommend awarding purchase orders of identical value (\$3.75M) to each of the 8 companies.

Table 2. Recommended Companies

| Supplier Name | SBA Classification | SBA Classification Details | PO Term | PO Value |
|--|-------------------------|--|---------|----------------------|
| B.C.A.D. ZION Corporation dba Quality Welding & Fabrication | Local / Diverse | Woman, Small , No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| CCC Group, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| Mechanical Construction Services, Inc. | Non-Local / Diverse | Male, Small, Veteran , Non-Minority | 3 years | \$ 3,750,000 |
| Pro Serv Industrial Contractors, LLC | Non-Local / Diverse | Male, Small , No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| Scope Services, Inc. | Non-Local / Diverse | Woman , Large, No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| TEi Construction Services, Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| Thielsch Engineering, Inc. | Non-Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| Zachry Industrial, Inc. | Local / Non-Diverse | Male, Large, No Hub/Vet, Non-Minority | 3 years | \$ 3,750,000 |
| Total | | | | \$ 30,000,000 |

REQUEST FOR APPROVAL:

We intend to seek approval to award on-site welding and general mechanical services contracts to the 8 listed companies at the June 28, 2021 Board of Trustees meeting. We will request equivalent allocations of \$3.75M to each company, adding up to the full amount of \$30M over 3 years.



OPERATIONS OVERSIGHT COMMITTEE (OOC) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 10, 2021 MEETING PREPARED FOR COMMITTEE CHAIR, DR. WILLIS MACKEY FOR REPORT AT THE JUNE 28, 2021 BOARD OF TRUSTEES MEETING

The Operations Oversight Committee met on May 10, 2021. As part of the agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 2, 2021.
- B. Received an update on the Tezel Substation Routing & Siting project that included:
 - a. An overview of the project and the governance process;
 - b. An update on public involvement and feedback; and
 - c. The evaluation process of the sites/routes and a site recommendation for approval.
- C. Received an update on Fuel Procurement that included:
 - a. An overview of our fuel procurement strategy and the importance of fuel diversity;
 - b. An update on the current coal and rail statistics;
 - c. Key considerations of coal and rail strategy; and
 - d. The rail procurement timeline.
- D. Received a Summer Readiness Update that included:
 - a. The summer weather outlook and reserve margins for both the ERCOT market and CPS Energy;
 - b. A status update on summer preparations in Energy Supply & Market Operations, and Power Generation including winter weatherization;
 - c. A status update on summer preparations, operational risks, and load shed enhancements in Grid Optimization & Resiliency; and
 - d. An update on Gas Solutions' standard summer preparedness activities and operational highlights including gas system improvements.

The next meeting of the Operations Oversight Committee meeting is to be determined.



OPERATIONS OVERSIGHT COMMITTEE (OOC) ALIGNED RISK SUB-COMMITTEE MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 10, 2021 MEETING

PREPARED FOR COMMITTEE MEMBER, DR. WILLIS MACKEY

FOR REPORT AT THE JUNE 28, 2021 BOARD OF TRUSTEES MEETING

The OOC Aligned Risk Sub-Committee (Sub-Committee) met on May 10, 2021. As part of the agenda, the Sub-Committee:

- A. Approved meeting minutes from the previous OOC & Technology & Innovation Aligned Risk Sub-Committee Meeting held on November 2, 2020.
- B. Reviewed response to action item to provide the sub-committee more detailed analysis of the operating cost associated with the average residential utility bill.
- C. Received a presentation on risks and mitigations focused on the following topics:
 - 1. Highlighted 2020 extreme weather events and reviewed Environmental, Social & Governance Landscape;
 - 2. Explored new generation technologies; and
 - 3. Discussed integration of new technologies on the grid.

The next meeting of the Sub-Committee is to be determined.



MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 24, 2021 MEETING PREPARED FOR COMMITTEE CHAIR TRUSTEE ED KELLEY FOR REPORT AT THE JUNE 28, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on May 24, 2021. As part of the MPOC agenda, the Committee:

- A. Reviewed the award of a LEED Gold certification for the McCullough Building.
- B. Reviewed the status, current and potential buyers, marketing strategies and contract deadlines for the following properties. Discussed marketing strategies for the following properties:
 - 1. Main Office Building;
 - 2. Tower Garage;
 - 3. Villita Assembly Building;
 - 4. Surface Parking Lot #2; &
 - 5. Northside Customer Service Center.
- C. Discussed disposition of Jones North and Jones South and reviewed property features/information.
- D. Discussed strategic property purchase opportunities that support electric and gas system reliability, resiliency and customer growth.

The next meeting of the MPOC is June 28, 2021.



TECHNOLOGY & RESILIENCE COMMITTEE (T&R) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JUNE 02, 2021 MEETING PREPARED FOR COMMITTEE MEMBER, TRUSTEE JANIE GONZALEZ FOR REPORT AT THE JUNE 28, 2021 BOARD OF TRUSTEES MEETING

The Technology & Resilience Committee met on June 2, 2021. As part of the Technology & Resilience Committee Meeting agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on November 12, 2020.
- B. Received a status update on the Customer & Technology Focus On Resilience, Resiliency Landscape, Resilience Through Legislation, Digital Enterprise Resource Planning (ERP) Transformation, and Digital & Data Transformation Preview.
- C. A new action item was generated from this session.
 - a. Provide stakeholder approach for how we look at cybersecurity as relates to our supply chain processes.

The next meeting of the Technology & Resilience Committee Meeting is to be determined.



TECHNOLOGY & RESILIENCE COMMITTEE (T&R) ALIGNED RISK SUB-COMMITTEE MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JUNE 2, 2021 MEETING

PREPARED FOR COMMITTEE MEMBER, MS. JANIE GONZALEZ

FOR REPORT AT THE JUNE 28, 2021 BOARD OF TRUSTEES MEETING

The T&R Aligned Risk Sub-Committee (Sub-Committee) met on June 2, 2021. As part of the agenda, the Sub-Committee:

- A. Approved meeting minutes from the previous Technology & Innovation Aligned Risk Sub-Committee Meeting held on November 12, 2020.
- B. Reviewed response to the action item to assess the accessibility of our digital assets.
- C. Received a presentation focused on the following topics:
 - 1. Provided an overview of the Digital Enterprise Resource Planning (ERP) Transformation;
 - 2. Highlighted the T&R Risk Landscape; and
 - 3. Reviewed ERP / Digital & Data Transformation.

The next meeting of the Sub-Committee is to be determined.

June 28, 2021

CPS ENERGY BOARD OF TRUSTEES
COMMITTEE ASSIGNMENT UPDATE

1. Nominations Committee (NC)

Ed Kelley, Chair
Dr. Willis Mackey



Paula Gold-Williams
President & CEO

June 11, 2021

**Mr. Reed Williams – Chairman
City of San Antonio
Committee of Emergency Preparedness (CEP)**

RE: CPS Energy's Appreciation of the CEP & Our Wrap-up Commentary

Dear CEP Chair Williams,

APPRECIATION:

I want to thank all the members of the CEP for the work they expended to review the complex circumstances and activities that occurred during 2021's Winter Storm Uri. The extreme weather event was unprecedented, especially in how it severely affected citizens across greater San Antonio. In fact, millions of citizens across Texas experienced unusually long outages during that historic week in February and now we are all dealing with the aftermath of ERCOT's market design failures and the price gouging from some number of natural gas suppliers.

CONTINUING TO FIGHT FOR OUR CUSTOMERS:

In response to these tremendous implications, CPS Energy continues to fight to protect all the citizens of greater San Antonio! Please be assured that we are pursuing every avenue we can to drive meaningful results. We will continue to keep our Board and Council updated as progress is made.

CONTEXT & COMMENTARY:

I want to also address a few qualitative items that the CEP asked during our presentation on May 28, 2021.

- **Demand Response (DR):** We were asked for a summary of the Demand Response / Outreach efforts we used during Winter Storm Uri. The following are key contextual points on this topic:

500 McCullough, San Antonio TX 78251

- DR is a proactive energy conservation program that allows customers to reduce their electricity usage during periods of higher power prices. This also lowers customers' bills. Longer term, it also supports lower and less aggressive infrastructure investment requirements.
- Additionally, residential customers contribute to energy savings through our programmable thermostat program. At key times during the year, residential customers in the program allow us to control their devices, which is also helpful. During Winter Storm Uri, we did modestly adjust thermostats and send short messages encouraging conservation during our community's time of need.
- Initially and progressively during the storm there were businesses that voluntarily reduced their system demand by shutting down parts of their operations.
- **As the storm progressed, voluntary conservation across Greater San Antonio increased notably. Again, this was very helpful during Winter Storm Uri.**
- **Please see the attached document.**
- **Interruptible Circuits:** We were asked about efforts we could pursue to alert people if they are on such a circuit. The following are key contextual points on this topic:
 - While extreme climate conditions will continue to be a concern, CPS Energy is thoughtfully expanding its process improvement programs to cover other risks to the grid.
 - We are currently conceptualizing a multi-faceted customer education program that will include suggested actions all customers can take during any event that significantly stresses the grid. It will also include advice on how to personally prepare for and manage through outages.
 - The inverse, an uninterruptable or critical circuit, is not an absolute concept. Unfortunately, if the state's grid ever experiences a blackout, all circuits will be affected. Accordingly, the action of "shedding load" is a last resort, the final preventive measure that is used to prevent a state-wide blackout.
 - **San Antonio's critical circuit designations were developed to handle the 2011 historical peak outage levels. Since Winter Storm Uri exceeded those levels by a factor of five, our utility is reassessing all critical circuit designations to clean up our records. Our current focus is to increase the number of interruptible circuits so that outages can be more effectively and equitably rotated during a summer or winter peak event the size we recently experienced.**
 - **We are also looking at potential new technological solutions to better manage large volume outages. We are targeting solutions that would facilitate a large volume load shed event, while managing critical loads and with a more reasonable impact to all customers. We are exploring options in the near-term and the potential costs of such investments. We look forward to discussing these options with our Board and the Council in the future, as more information is learned.**

- **Critical-Care Customers:** We were asked about efforts we could pursue to provide more help to these customers. The following are key contextual points on this topic:
 - As discussed during the meeting, we remain very focused on our community's Critical-Care customers who have special health needs. We were pleased to share with you during the meeting that currently our Community Response Unit (CRU) specifically reaches out to these customers, both on a routine basis and especially during a storm.
 - **While CRU already collaboratively works with the San Antonio Fire Department to coordinate potential customer relocations during an event, we are brainstorming together how to improve our efforts.**

- **The Board's Technology & Resilience Committee:** We were asked for more information on this topic. The following are key contextual points on this topic:
 - *"The role of the Technology & Resilience Committee of the CPS Energy Board of Trustees is to oversee operational and business technology, including cyber security and innovation matters, with a focus on enhancing our business functionality and resilience, aligned to the work of other Board Committees, by:*
 - *Encouraging thought leadership in the industry;*
 - *Understanding and diligence in addressing gaps between current technologies and industry trends; and,*
 - *Reviewing the Company's strategic direction in relation to technology and resilience."*
 - This Committee Chair is Vice Chair Gonzalez.
 - **We will offer interested Council Members an informational session with the Vice Chair and our Digital Analytics Team. In the interim, please see the attached Committee Charter.**

- **Prior Weatherization Efforts / Past Reports:** There was a short discussion about our prior efforts to weatherize our plants. The following are key contextual points on this topic:
 - Through prior Requests for Information (RFI), we provided information about the weatherization investments we made to date (approximately \$17 million through early 2021). These efforts were initiated in 2011, after the earlier major outage event. In that year, we engaged a third-party to give us improvement suggestions.
 - **Unfortunately, the formal 2011 third-party report includes sensitive plant and equipment information. Releasing the information publicly could contribute to both integrated security and active litigation risks. Accordingly, this information cannot be released at this time. Your continued understanding is greatly appreciated.**

- **Even so, we will continue to implement weatherization improvements that relate to lessons learned during Winter Storm Uri. We are also assessing the implications of increased requirements that were pursued by state elected officials in the most recent legislative session. Again, we will provide our Board and the Council updates as more progress is made.**

I hope this additional information provides helpful context. This said, please know that the CPS Energy team is committed to improving, as well as collaborating more with the City, County, SAWS, and other stakeholders to improve every aspect of our community's energy **Reliability** and **Resilience**.

Thank you again!

Paula

Copy City of San Antonio:

City Manager, E. Walsh

Chief Financial Officer & Supervisor of Public Utilities, B. Gorzell

City Attorney, A. Segovia

Copy CPS Energy:

Board Members

Citizens Advisory Committee

Senior Chiefs, including P. Barham

Request for Information Coordinator, G. Williams

Board Relations

External Relations

Attachments:

Demand Response – Winter Storm Final

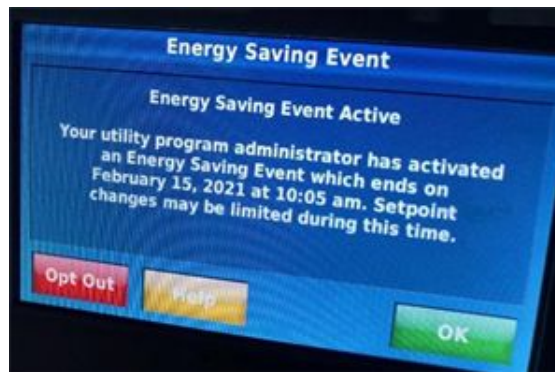
Technology Resilience Committee Charter Board April 2021



DEMAND RESPONSE & WINTER STORM URI

OVERVIEW - During the Committee on Emergency Preparedness (CEP) meeting held on May 28, 2021, District 7 Councilwoman Ana Sandoval asked about the Demand Response (DR) system used during winter events such as Winter Storm Uri. Although a “formal” DR program was not in place, we called on both our residential and our commercial customers to reduce their loads (energy use) during the storm and our community stepped up.

DEMAND RESPONSE - We deployed our first-ever winter thermostat reduction program between the evenings of February 14 and February 19, 2021. The program “pushed” a 2-degree temperature rollback and/or a cycle reduction to over 140,000 customers, which is equivalent to 93% of the customers in a typical summer event. The result of the program was a reduction of 22 megawatts (MW).



Due to the extreme conditions, the DR event remained in effect over 100 continuous hours. A typical DR event lasts 2.5 hours with the summer totaling 60 hours.



DEMAND RESPONSE & WINTER STORM URI

PROACTIVELY CONSERVING - During the storm we called on both our residential and our commercial customers to voluntarily reduce their energy use. Several of our larger customers stepped up by reducing 270MWs. Some of our partners included:



Our partners at Joint Base San Antonio (JBSA) answered our call by transitioning to generator power with no impact on their patients or staff. In their own words:



Brooke Army Medical Center ✓

February 17 at 9:53 AM · 🌐

...

BAMC transitions to generator power to aid city's conservation efforts

At the request of CPS Energy and as part of Joint Base San Antonio's city support, BAMC is planning to transition to generator power today, Feb. 17, with an estimated duration of at least 24 hours in order to aid the community's power conservation efforts. This power transition will not impact BAMC's ongoing inpatient care mission or support of the city's trauma mission. This transition is expected to be transparent to patients and staff, and facilities personnel will be on hand to respond to any questions or concerns.



DEMAND RESPONSE & WINTER STORM URI

COMMUNICATION - A third source of demand response that we deployed was communicating with our stakeholder engagement partners. We reached out to our partners asking them to “pay it forward” and ask their members to conserve energy during this crisis. Some of our partners included:

- Chambers of Commerce
- Greater San Antonio Builders Association (GSABA)
- Real Estate Council
- San Antonio Hotel & Lodging Association
- San Antonio Manufacturers Association (SAMA)
- San Antonio Restaurant Association
- Urban Land Institute (ULI)
- US Green Building Council Texas Chapter

We maintain communications throughout the year with our customers and community on energy conservation, including providing energy saving tips and making requests for conservation during periods of high demand to alleviate stress on our energy supplies. On February 14, 2021 we sent out a voice message to 647,522 customers in English and Spanish urging conservation.

SUMMARY - We saved a minimum of 292MW through our demand response programs or the equivalent of 58,400 more homes with power! We will continue to enhance these programs and develop others to help our community save energy all year long.

Charter Created: 09/30/2019

Updated: 04/26/2021

CPS Energy Board of Trustees

TECHNOLOGY & RESILIENCE¹ COMMITTEE CHARTER

I. Role of the Technology & Resilience Committee

The role of the Technology & Resilience Committee of the CPS Energy Board of Trustees is to oversee operational and business technology, including cyber security and innovation matters, with a focus on enhancing our business functionality and resilience, aligned to the work of other Board Committees, by:

- Encouraging thought leadership in the industry;
- Understanding and diligence in addressing gaps between current technologies and industry trends; and,
- Reviewing the Company's strategic direction in relation to technology and resilience.

This committee will work to maintain strong positive working relationships with management; external and internal counsel; and Committee advisors, as may be necessary.

II. Authority

The authority of the Technology & Resiliency Committee is to exercise its business judgment in providing input and counsel to management, as well as to report and recommend actions to the Board of Trustees.

III. Committee Membership

The Technology & Resiliency Committee shall consist of two (2) Board Members from the CPS Energy Board of Trustees. One should be elected as chair. Committee appointments shall be approved annually by the full Board.

Management expertise and knowledge of technology & resilience issues should be required of at least one of the Committee members. While not absolutely necessary to do so every year because of the general need to rotate members periodically, the technology & resiliency expert will typically be assigned to this Committee.

¹ Previously the Technology & Innovation Committee before April 2021.

Charter Created: 09/30/2019

Updated: 04/26/2021

Regardless of committee assignments, if in any year the Board does not have a member with significant broad applicable expertise, the collective governing body can engage an independent counselor / advisor to provide that needed contribution to the Board and this Committee.

Year-after-year, the utility business and industry are expected to evolve. It is therefore important for the Board to periodically re-evaluate its members' experiences, competencies, and skills. The Board will identify and address any gaps, as needed, including following the provisions within this document. Management can assist with this evaluation at the request of the Board and / or any committee.

IV. Meeting Frequency

The Technology & Resiliency Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Committee Chair.

V. Responsibilities

The Technology & Resiliency Committee will carry out the following responsibilities:

A. General

- Review the Company's technology & resilience developments in support of its overall business strategy.
- Review management's efforts to evaluate existing and future trends in technology & resilience to ensure that there is a consistent focus on improving the Company's strategic and business execution.
- Provide expertise and direction on such other matters about which the President & CEO may consult the Committee or its members.

B. Risk Management

- Receive and evaluate risk assessments from management in areas which involve technology & resilience issues that are within the oversight of this Committee.

Charter Created: 09/30/2019

Updated: 04/26/2021

- Relative to new and innovative product developments, review management's formal plans to address intellectual property, supply chain, possible brand infringement, and/or other business concerns.
- Assess risk mitigation policies and procedures relating to products based on new technology or significant innovations to existing technology.

C. Other

- Review and assess the adequacy of the Technology & Resiliency Committee Charter from time-to-time, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and its individual members' performance on a regular basis.
- Perform any other activities consistent with this charter as the Committee or the Board may deem necessary or appropriate.
- Report to the Board on the significant items covered at each Committee meeting.
- Invite industry Subject Matter Experts, as needed.

This Committee Charter of the CPS Energy Board of Trustees was approved on the 30th day of September 2019 and updated on the 26th day of April 2021.



CEO's Report for June 22, 2021 Board of Trustees Meeting

• **REVIEW OF TODAY'S AGENDA:**

◦ **ITEM 5 – Board Secretary:**

- Ms. Shanna Ramirez has been promoted to become our new Chief Legal & Ethics Officer (CLEO).
- Today we will ask of the Board is to name her the Board Secretary.

◦ **We want your additional input about the other items:**



▪ **ITEM 6 – Supply & Demand:**

- ❖ Will cover the key drivers of customer demand.
- ❖ We will review major expected changes in our supply position – about 3,000 MW of generation will potentially be replaced by 2030.
- ❖ We will cover some environmental & timing considerations.
- ❖ **Flex PowerSM Bundles** are the pathway to 2-Peak seasons.
- ❖ Relates to the **Flexible PathSM Resource Plan**.
- ❖ Need to consistently push viable options through the **Value Pillars**.



▪ **ITEM 6 - SUMMER & WINTER PEAK PLANNING:**

- ❖ Will discuss the nuances of:
 - Summer Peaks – in the Afternoon & Evening
 - Winter Peaks – in the Late Evening & Early Morning
- ❖ Reserve Margin remains important for S.A. & Texas.
- ❖ The industry is trying to find a better way to decarbonize.
- ❖ Partnerships – EPRI & LCRI



CEO's Report for June 22, 2021 Board of Trustees Meeting

- **ITEM 7 - A COMPARISON OF SOLAR & NATURAL GAS:**
 - ❖ Every technology has its BENEFITS & CHALLENGES
- **ITEMS ON THE HORIZON - RESOURCES ARE A CHALLENGES:**
 - **People:**
 - We have a tight labor market here in Greater San Antonio.
 - More people are choosing to retire.
 - Retention & recruitment are increasingly tougher at all levels of our organization.
 - More to come...
 - **New Infrastructure - Grid Modernization Project (Article attached):**
 - We will also be share with CoSA's Committee on Emergency Preparedness (CEP)
 - In February of 2021, the BOT approved the selection of Burns & McDonnell to help us with this.
 - 4-Year Program, starting in mid-July
 - Reclosers:
 - ❖ It helps us sectionalize our circuits for better control and focus.
 - ❖ We can test whether faults on the grid are temporary. If so, restoration can be automated, which is great for our customers.
 - ❖ The device first automatically opens, which interrupts the electrical current. Then it closes to see if the fault is present.
 - ❖ This is part of our Smart Grid Efforts. It will help us accommodate Distributed Energy Resources (DERs).
 - ❖ Will give us more flexibility to manage outages.
 - ❖ Will help **Reliability & Resilience.**
 - **Infrastructure - Refresh of Critical Circuit List:**
 - We believe this process will help us streamline the list & lead to better outage management flexibility.
 - **Customers - Energy Awareness Campaign:**
 - We are exploring how to help customers to be better prepared for extreme energy conditions.
 - Committed to more coordination with the City, County, SAWS, etc.
 - We will help drive better coordination of the CRITICAL CARE CUSTOMERS:
 - ❖ Will further partner with the S.A. Fire Department.



CPS Energy Selects Burns & McDonnell as Contractor for Multi- Year Turnkey Grid Modernization Program

PRESS RELEASE FROM BURNS & MCDONNELL

Jun 21, 2021



KANSAS CITY, Mo. —

FOR IMMEDIATE RELEASE

**CPS Energy Selects Burns & McDonnell as Contractor for
Multi-Year Turnkey Grid Modernization Program**

*100% Employee-Owned Engineering and Construction Firm
Chosen to Lead Program Improving Service Quality for
850,000 Utility Customers in San Antonio*

SAN ANTONIO, Texas (June 21, 2021) — CPS Energy has selected 100% employee-owned engineering, construction and architecture firm Burns & McDonnell as program manager for a state-of-the-art grid modernization program to improve service quality for the utility's nearly 850,000 electricity customers.

The cutting-edge grid modernization initiative will utilize

state-of-the-art equipment and technologies to help reduce the frequency and duration of power outages, reduce storm impacts and restore service faster when outages occur. Burns & McDonnell will serve as engineer and construction manager over the next four years as CPS Energy launches its Accelerated Recloser Deployment Program.

In executing this four-year program, CPS Energy is leveraging the skillset of Burns & McDonnell from system planning to final equipment commissioning. The firm will provide planning, engineering design, testing, installation/construction and commissioning of the recloser and TripSaver® devices on a turnkey basis. CPS Energy will be responsible for equipment and materials procurement.

The program calls for installation of approximately 144 recloser devices and an additional 300 TripSavers® each year on distribution lines throughout the city. Recloser counts will increase throughout the life of the program.

Often used in place of conventional fuses, reclosers test whether faults are temporary and, if so, can restore power quickly with very little detectable interruption. The devices are designed to automatically open, interrupting electrical current when a fault occurs, and then automatically reclose to detect if the fault is still present.

“We are incredibly excited and humbled by the trust extended to us by CPS Energy,” says Leslie Duke, president and general manager Burns & McDonnell offices in the Houston region. “This is an investment that will pay dividends many times over for the residents of San Antonio, and we are excited to deliver on this groundbreaking opportunity.”

1898 & Co., part of Burns & McDonnell, will perform all planning activities for specific substations where analysis of distribution grid identifies the need and placement for equipment down to the individual circuits.

Once installed, the firm's supervisory control and data acquisition (SCADA) and technical field services (TFS) teams in Houston will be handling the final phase of testing and commissioning of the equipment and bringing it online for CPS Energy. The project is on track to start construction in mid-July with delivery of the first batch of reclosers.

"Automated fault detection devices are among the most important elements of a more reliable and resilient electrical infrastructure," says Don Cannon, distribution engineering manager for the Texas region of Burns & McDonnell. "With the ability to detect everything from minor voltage sags to more serious power events, these system improvements will greatly improve overall service quality and reliability for CPS Energy."

With experienced professionals who have developed some of the largest electrical transmission and distribution projects in North America, Burns & McDonnell leverages its teams in Houston to optimize project delivery and tailor solutions to fit the needs of every utility.

For photos and support materials, please visit our **MEDIA KIT**.

###

About Burns & McDonnell

Burns & McDonnell is a family of companies bringing together an unmatched team of 7,600 engineers,

construction professionals, architects, planners, technologists and scientists to design and build our critical infrastructure. With an integrated construction and design mindset, we offer full-service capabilities with more than 60 offices globally. Founded in 1898, Burns & McDonnell is 100% employee-owned. Learn how we are designed to build.
