

CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON AUGUST 17, 2020

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, August 17, 2020, by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called “social distancing”) to slow the spread of the Coronavirus (COVID-19). There was no in-person public access to the meeting. Chair John Steen called the meeting to order at 1:00 p.m.

Present via phone were Board members:

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

Also present via phone were:

Ms. Paula Gold-Williams, President & CEO
 Dr. Cris Eugster, Chief Operating Officer
 Ms. Carolyn Shellman, Chief Legal Officer & General Counsel and Board Secretary
 Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
 Ms. Vivian Bouet, Chief Information Officer
 Mr. Frank Almaraz, Chief Administrative & Business Development Officer
 Mr. Rudy Garza, Interim Chief Customer Engagement Officer
 Mr. Gary Gold, Interim Chief Financial Officer & Assistant Treasurer

CPS Energy Staff Members
 City of San Antonio officials
 Interested Citizens

I. ROLL CALL OF BOARD MEMBERS

Ms. Shellman called the roll and confirmed the presence of a quorum.

II. SAFETY MESSAGE

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

Mayor Nirenberg stated that the local COVID-19 positivity rate has started to drop. Although the rate is trending in the right direction, he urged continued vigilance to prevent a reversal.

Ms. Gold-Williams noted that CPS Energy has seen a moderation of the workforce infection rate. Since the start of the pandemic, there have been 94 employees diagnosed as COVID-19 positive and zero employee deaths. Currently, there are 66 quarantined and zero hospitalized employees. Our employees

continue to vigilantly practice preventive measures. Ms. Gold-Williams highlighted our new screening policy at customer service centers and the various ways customers may remotely conduct business with us.

Chair Steen thanked both Mayor Nirenberg and Ms. Gold-Williams for their leadership during this challenging time.

III. INVOCATION

An invocation was delivered by Mr. Chad Hoopingarner, Senior Director, Strategic Pricing & Cost Recovery.

IV. PUBLIC COMMENT

Chair Steen announced that public comments would be taken and outlined the guidelines for making public comment. The following people made comments:

1. Dr. Femi Osidele spoke in support of the potential advanced metering infrastructure (AMI) partnership between the San Antonio Water System (SAWS) and CPS Energy, calling it an excellent example of the water-energy nexus. He also commented positively on Itron, the AMI provider.
2. Mr. Martin Gutierrez, Assistant Vice President of Public Policy, San Antonio Chamber of Commerce, spoke in opposition to the creation of a Rate Advisory Committee (RAC).
3. Mr. Alan Montemayor spoke in support of the potential AMI partnership between SAWS and CPS Energy and encouraged additional collaboration between the two utilities.
4. Mr. Russell Seal spoke about the need for better heating, ventilation and air conditioning (HVAC) systems in San Antonio schools. He also encouraged the thoughtful development of an electric vehicle (EV) charging tariff.

V. CEO'S REPORT

Ms. Gold-Williams provided context for several agenda items, including the potential CPS Energy / SAWS AMI project. She highlighted that this Special Meeting is a work session to discuss potential new and updated tariffs.

Ms. Gold-Williams informed the Board that 95 companies, including some global entities, have submitted inquiries in response to the **FlexPOWER Bundle** request for information (RFI). We will use the information received through the RFI to inform the planned request for proposals (RFP). She noted that work to engage a consultant or group of consultants to assist with outreach and RFP processing continues.

She provided an update on outreach efforts to customers to inform them about assistance programs. This effort enhances our ability to help them.

Ms. Gold-Williams stated that work continues on the RAC as well as other initiatives.

At Chair Steen's request, Ms. Gold-Williams commented on the rolling blackouts occurring in California. She noted that in Texas, problems in one part of the state can cause rolling outages in other parts

of the state, but we continuously work hard to ensure that all generation capacity is available and to maintain grid stability.

VI. ADDITIONAL UPDATES

CPS Energy / SAWS AMI Project

Mr. Jonathan Tijerina, Senior Director, Business & Economic Development, provided an informational update on a potential partnership with SAWS.

Mr. Tijerina explained that the partnership facilitates SAWS' use of available capacity on CPS Energy's existing AMI network, provided by Itron, to enhance the intelligence of its water distribution system. He highlighted some of the benefits of AMI, including the availability of timely usage data to customers, enhanced bill accuracy, and reduced utility costs due to decreased truck rolls. Mr. Tijerina introduced Mr. Tom Dietrich, President & CEO of Itron, who provided the Board with a brief background of Itron, its relationship with CPS Energy, and expressed his enthusiasm for the potential partnership.

Currently, Itron is bidding on the SAWS AMI contract. Under the bid and contemplated partnership structure, Itron will provide "software as a service", or SaaS, and hardware to SAWS and serve as the single point of contact for contractual obligations. CPS Energy will provide the "network as a service", or NaaS, through Itron to SAWS.

A resolution in support of the partnership will be presented for Board approval during the August 31, 2020 Board Meeting. It is expected that the SAWS Board will act on the bid during its September 1, 2020 meeting to begin a pilot phase of the AMI project.

In response to Dr. Mackey's inquiry, Mr. Tijerina explained that CPS Energy will be providing only the network on which SAWS devices will communicate and that additional CPS Energy personnel or responsibilities are not necessary for this purpose.

Trustee Gonzalez requested details about the transaction structure and any security ramifications and mitigations associated with sharing our network. Ms. Gold-Williams explained that Itron will provide the service to meet SAWS' requirements and CPS Energy will provide the supporting network capacity. CPS Energy will receive a licensing fee for providing the capacity. Ms. Gold-Williams agreed to provide additional information at an upcoming Technology & Innovation Committee meeting.

In response to Trustee Kelley, Mr. Tijerina confirmed this transaction is an opportunity for a new revenue stream.

VII. TARIFF LANDSCAPE

Mr. Cory Kuchinsky, Interim Vice President, Strategic Pricing & Enterprise Risk Management, initiated the Tariff Landscape presentation. He reviewed the current robust portfolio of products available to customers, including basic energy pricing and conservation, renewable energy, electrification and resiliency offerings, but noted that customers continue to ask for additional selections. He described the product roadmap for FY2021, highlighting that the Resiliency and Wholesale Distribution Service tariffs will be presented for approval during the August 31, 2020 Board Meeting, after both are discussed today.

Information about the Electric Vehicle (EV) pilot will also be reviewed today. Other solar solutions and a revised Line Extension Policy will be discussed with the Board in the 4th quarter of FY2021. He noted the multiple opportunities for the Board to engage and learn about the emerging products.

Mr. Kuchinsky defined a “product” as anything that impacts the energy relationship between CPS Energy and our customers. Examples include rebates, tariffs, and programs. A “tariff” is the pricing structure and mechanism that governs how a utility provides service and generates revenue from those services. Tariff pricing is intended to deliver revenue that covers the costs of running the business. Rates, riders and policies are all different types of tariffs. CPS Energy tariffs are approved by the Board and the San Antonio City Council (Council).

Mr. Kuchinsky reminded the Board that in 2018, they and Council approved the New Service Options (NSO) tariff that enables CPS Energy to test various products to ensure they meet customer requirements and recover costs before becoming tariffs. Each test, or pilot, conducted under the NSO tariff must meet strict operational guidelines and be approved by the City’s Office of Public Utilities. Board and Council approval are required for a product tested through a pilot under the NSO to become a tariff. The Resiliency Tariff being discussed today is an example of a product piloted under the NSO and now being advanced for Board and Council approval as a tariff.

In response to Trustee Kelley, Mr. Kuchinsky confirmed that specific tariff recommendations would be discussed with the Board over the next few Board meetings. The two proposed tariffs being discussed today will be presented for Board approval at the August 31, 2020 Board Meeting. Trustee Kelley requested that cost and revenue implications of the tariffs be provided.

Trustee Gonzalez commented that given the rate of adoption and disruption of innovation, our products should be regularly reviewed and adapted as needed.

Next, Mr. Chad Hoopingarner, Senior Director, Strategic Pricing & Cost Recovery, explained CPS Energy’s EV strategy to enable the electrification of transportation by providing options to customers in a way that optimizes our infrastructure. Time-of-use (TOU) pricing accomplishes those objectives by incenting EV charging during off-peak hours, 9:00 p.m. to 4:00 p.m., during the week.

The current Large Commercial (DC fast-charging) EV pilot is ongoing. Because of the limited number of pilot participants, more time is needed before it is ready for adoption as a tariff. Additionally, three new EV TOU pilots are being added for residential and small commercial customer segments, and for the CPS Energy public network. All EV TOU pilots are expected to deliver revenue sufficient to recover the estimated costs of service. The pilots will provide an opportunity to validate the costs of service and refine expected revenue.

In response to Trustee Gonzalez, Ms. Gold-Williams stated that data from EV manufacturers and industry trends are monitored to gain insights to inform the EV strategy. Trustee Gonzalez recommended that we also obtain input from customers who are EV owners.

Mr. Hoopingarner discussed another product, the wholesale distribution service (WDS) tariff, an existing tariff (Rider E-14) that is being updated to enable new technologies, such as energy storage. He explained that the Electric Reliability Council of Texas (ERCOT) requires that distribution utilities, such as CPS Energy, allow battery storage operators to access their distribution grid for access to the wholesale electric market. This enhances the stability and resilience of the ERCOT grid. These WDS customers

participate in the wholesale market by purchasing electricity at night when rates are low and selling during the day when rates are higher. Updating the WDS tariff also protects the community's investments with modernized pricing, ensuring the fixed costs of the assets are recovered.

In response to Trustee Kelley, Mr. Hoopingarner explained that WDS customers are prohibited from selling electricity to CPS Energy retail customers; they may only sell into the wholesale market. Additionally, CPS Energy's ability to sell into the wholesale market should not be impacted by WDS customers' operations. Trustee Kelley commented that the wholesale market peaks, from which CPS Energy has financially benefitted, may be impacted resulting in a long-term adverse impact. Ms. Gold-Williams added that the pertinent energy storage systems are generally small, but able to respond quickly to the need for power, especially given the intermittency of renewable power. We continue to study these technologies and optimize their use in coordination with our existing fleet.

Mr. Hoopingarner noted that the current WDS tariff prescribes a uniform charge regardless of the WDS customer's connection point. In contrast, the proposed WDS tariff uses an enhanced, tiered approach, such that the charge is based on where the WDS customer connects to our distribution system and how much of the system is used. The proposed tariff also includes an additional payment for nonstandard infrastructure and an administrative component to cover customer-related and billing costs.

The Board discussed the process by which WDS customers purchase and distribute power from the wholesale market and transmit, or wheel, it over CPS Energy's distribution network to facilitate that transaction. Their transaction does not create any direct demand on our generation assets. Ms. Gold-Williams noted that CPS Energy will not market this tariff, as prospective WDS customers typically perform their own modeling and studies to determine ideal locations for their energy storage assets. She reiterated that these assets increase the resiliency of the grid by quickly responding to underperformance of renewable energy sources. She clarified that energy storage assets may not be larger than 10 MWs. More information, as well as a summary, will be provided to the Board in preparation for the August 31, 2020 Board Meeting.

Mr. Rick Luna, Director, Technology & Product Innovation, provided information about the proposed Resiliency Service (RS) tariff. He noted that this product has undergone testing through a pilot administered under the NSO tariff. The pilot began in mid-2019 and the RS product is now ready for broader use.

The RS tariff is intended to meet commercial customers' needs for enhanced reliability and resiliency during critical weather events. Mr. Luna explained that the target RS customer is one who has significant business risk, such as lost revenues or production, during outages. In partnership with a third party, CPS Energy provides on-site back-up generation in exchange for a monthly fee that provides cost recovery for the infrastructure. A third party owns, operates and maintains the natural gas-fueled back-up generation and may deploy the unit into the wholesale market when it is not providing back-up power during an outage. CPS Energy purchases the power when it is providing back-up service and sells the power to the retail customer. Mr. Luna emphasized that the intentional design was for CPS Energy to interact with and maintain the relationship with the retail customer.

Mr. Luna provided details of the current ongoing RS pilot, noting that the back-up generators worked well and provided continuous power during recent heavy storms.

The RS fee is designed to recover the costs of: infrastructure and system costs; operations and maintenance expenses; and power from the back-up generation.

Trustee Gonzalez suggested supplemental research to determine the demand for the RS product, noting that many internet hosting businesses may find this product valuable.

Responding to Trustee Kelley, Mr. Luna noted that during an outage, the retail customer's load is served first. At all other times, the third party decides when to deploy the unit into the ERCOT market. CPS Energy serves as the qualified scheduling entity (QSE) for that transaction; CPS Energy buys and simultaneously sells the power into the ERCOT market.

In conclusion, Mr. Kuchinsky noted that CPS Energy continues to enhance its product portfolio to meet customers' evolving needs. The proposed products provide strategic benefits to the community while optimizing our infrastructure investments by ensuring fixed costs are recovered through tariff revenue.

VIII. SOLAR ENERGY GLOBAL TRANSITION / LANDSCAPE UPDATE

Mr. Almaraz discussed the evolution of the solar market, including solar technology and pricing. Although solar technology has existed since 1839, the efficiency of solar has dramatically increased since about 2000. He noted that the solar product market has been diverse but has evolved to fewer, less-differentiated products.

Currently, prices for solar have become cost-competitive with conventional energy, decreasing about 88% since 2006. The decrease is due, in part, to standardization and investment by the Chinese government. The quality of solar products has also significantly improved in that time. Current prices are uncertain, particularly given the impact of the COVID-19 pandemic.

Mr. Almaraz noted that Vision 2020 goals established before 2010 to attain 20 percent renewable capacity, and 65 percent low to non-carbon generation and to achieve 771 MW savings through efficiency and conservation, were all met by the end of 2019.

Mr. Almaraz stated that solar comprises about 7.5 percent of CPS Energy's capacity. He discussed the challenges and mitigations associated with solar energy.

Approximately 1700 MWs of CPS Energy generation capacity is being retired in the next decade. The *Flexible Path* strategy considers how to supplement our generation portfolio in a manner aligned with the City's Climate Action and Adaptation Plan (CAAP). The *FlexPOWER Bundle* envisions adding an additional 900 MWs to it.

In conclusion, Mr. Almaraz provided information for those interested in learning more about the *FlexPOWER Bundle* RFI.

IX. NEW ENERGY ECONOMY UPDATE

Mr. Almaraz stated that a key question to consider relative to the *FlexPOWER Bundle* is, "What role will the New Energy Economy play?" The New Energy Economy (NEE) enhanced the path to achieve Vision 2020 by fostering a renewable energy ecosystem and supporting economic development. He provided a brief background of the NEE, highlighting that in addition to the primary solutions, such as procuring clean energy and an AMI solution, it also delivered secondary benefits, such as jobs, educational scholarships, and the establishment of the City's reputation as an evolving energy hub.

In conclusion, Mr. Almaraz noted that a similar opportunity exists with the **Flex POWER Bundle**, whose primary focus will be on acquiring ideal energy solutions as part of our **Flexible Path Strategy**. We continue to consider, and will revisit with the Board, what the strategic enhancers and secondary benefits will be.

In response to Mayor Nirenberg's request for an update on the RAC, Ms. Gold-Williams explained that a cross-functional group led by Ms. Shellman has been working on the effort. A consultant to assist with the RAC is being selected. The team also continues to also work on a suite of information for the Board's consideration. The Mayor encouraged its progress and Ms. Gold-Williams noted that she will consult Chair Steen on a time to present it to the Board.

X. EXECUTIVE SESSION

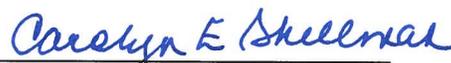
At approximately 3:46 p.m., Chair Steen announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

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

The Board reconvened in open session at 4:48 p.m. Ms. Shellman reported that Attorney-Client Matters and Competitive Matters, and no others, were discussed and no votes were taken in Executive Session.

XI. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Dr. Mackey, and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:49 p.m. by Chair Steen.



Carolyn E. Shellman
Secretary of the Board