

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

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

Present were Board members:

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

Also present were:

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

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

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

II. PUBLIC COMMENT

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

Mr. Russell Seal, a Medina County resident, commented on the importance of the meeting's peak planning presentation, asked about our customer energy use in comparison to customers of Austin Energy, and noted the importance of home energy management for emergency preparedness and complimented CPS Energy on its thermostat program.

III. CEO'S REMARKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. DEMAND & SUPPLY

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

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

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

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

Mr. Pollo reported that during the near future CPS Energy will be making decisions on the retirement of seven power plants--three gas steam units at Braunig, two Sommers gas steam units, and the two Spruce coal units- with 3,000 megawatts of combined generation capacity. He emphasized the importance of the retirement sequence to our future generation capacity.

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

CPS Energy may be required to provide the EPA a Notice of Intent to discontinue coal operations by 2025 and may have to discontinue coal operations beyond 2025 if we do not proceed with the SO₂ Scrubber Water Project. Additionally, he reported that expected future carbon tax implementation after 2026 and SO₂ scrubber water regulations could require \$150 million and \$58 million added investments respectively. Investments beyond the on-going capital and operations and management budgets are expected to be needed for continued environmentally-compliant coal operations.

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

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

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

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

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

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

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

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

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

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

VI. SUMMER & WINTER PEAK PLANNING

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. A COMPARISON OF SOLAR & NATURAL GAS

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

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

VIII. EXECUTIVE SESSION

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

- Security personnel or devices (§551.076)

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

IX. ADJOURNMENT

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



Shanna M. Ramirez
Secretary of the Board